

CIRCULAR DATED 14 February 2018

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

**IF YOU ARE IN ANY DOUBT AS TO THE ACTION THAT YOU SHOULD TAKE, YOU SHOULD CONSULT YOUR STOCKBROKER, BANK MANAGER, SOLICITOR, ACCOUNTANT, TAX ADVISOR OR OTHER PROFESSIONAL ADVISER IMMEDIATELY.**

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

The Singapore Exchange Securities Trading Limited ("**SGX-ST**") assumes no responsibility for the accuracy of any of the statements made, reports contained or opinions expressed in this Circular. The approval in-principle by the SGX-ST, which is subject to the conditions as reproduced in full in paragraph 2.8 of this Circular, is not to be taken as an indication of the merits of the Proposed Transactions (as defined herein), the Company, its subsidiaries and their securities.



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## **GAYLIN HOLDINGS LIMITED**

(Company Registration No. 201004068M)  
(Incorporated in the Republic of Singapore)

### **CIRCULAR TO SHAREHOLDERS IN RELATION TO**

- (1) PROPOSED ALLOTMENT AND ISSUE OF 1,360,000,000 NEW ORDINARY SHARES IN THE CAPITAL OF THE COMPANY ("SUBSCRIPTION SHARES") TO PEAKBAYOU LTD. (THE "INVESTOR") AT AN ISSUE PRICE OF S\$0.05 FOR EACH SUBSCRIPTION SHARE; AND**
- (2) PROPOSED WHITEWASH RESOLUTION FOR WAIVER BY INDEPENDENT SHAREHOLDERS (AS DEFINED HEREIN) OF THEIR RIGHT TO RECEIVE A MANDATORY GENERAL OFFER FROM THE INVESTOR AND PARTIES ACTING IN CONCERT WITH IT.**

Independent Financial Adviser in relation to  
the Proposed Whitewash Resolution (as defined herein)



**TATA CAPITAL MARKETS PTE LTD**

**TATA CAPITAL MARKETS PTE. LTD.**  
(Company Registration No. 200820715M)

### **IMPORTANT DATES AND TIMES**

Last date and time for lodgement of Proxy Form	:	5 March 2018 at 10.00 a.m.
Date and time of Extraordinary General Meeting	:	7 March 2018 at 10.00 a.m.
Place of Extraordinary General Meeting	:	Raffles Country Club, Albatross Room, 450 Jalan Ahmad Ibrahim, Singapore 639932

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## LETTER TO SHAREHOLDERS

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## DEFINITIONS

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

<b>“Board” or “Board of Directors”</b>	:	The board of Directors
<b>“Business Day”</b>	:	A day (excluding Saturdays, Sundays and public holidays) on which commercial banks are open for business in Singapore
<b>“CDP”</b>	:	The Central Depository (Pte) Limited
<b>“Circular”</b>	:	This circular to Shareholders dated 14 February 2018
<b>“Code”</b>	:	The Singapore Code on Take-overs and Mergers, as amended, modified or supplemented from time to time
<b>“Companies Act”</b>	:	The Companies Act (Chapter 50 of Singapore), as amended, modified or supplemented from time to time
<b>“Company”</b>	:	Gaylin Holdings Limited
<b>“Completion”</b>	:	Completion of the Proposed Share Placement in accordance with the terms of the Placement Agreement
<b>“Constitution”</b>	:	The Constitution of the Company, as amended, modified or supplemented from time to time
<b>“Controlling Interest”</b>	:	The interest of a Controlling Shareholder(s)
<b>“Controlling Shareholder(s)”</b>	:	A person who:  (a) holds directly or indirectly 15% or more of the total number of issued Shares excluding treasury shares and subsidiary holdings in the Company (unless the SGX-ST determines that such person is not a controlling shareholder); or  (b) in fact exercises control over the Company
<b>“Directors”</b>	:	The directors of the Company for the time being
<b>“EGM” or “Extraordinary General Meeting”</b>	:	The extraordinary general meeting of the Company to be convened, notice of which is set out on pages 45 to 46 of this Circular
<b>“Group”</b>	:	The Company and its subsidiaries, and <b>“Group Company”</b> shall mean any one of them
<b>“IFA”</b>	:	Tata Capital Markets Pte. Ltd., being the independent financial adviser in connection with the Proposed Whitewash Resolution
<b>“IFA Letter”</b>	:	The letter dated 14 February 2018 from the IFA to the Board of Directors (who are all deemed to be independent in respect of the Proposed Whitewash Resolution) annexed hereto as Appendix A to this Circular
<b>“Independent Shareholders”</b>	:	Shareholders who are independent of the Investor for the purpose of approving the Proposed Whitewash Resolution
<b>“Investor”</b>	:	PeakBayou Ltd.

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## DEFINITIONS

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“Issue Price”	:	S\$0.05, being the issue price payable by the Investor for each Subscription Share
“KSI”	:	Keh Swee Investment Pte. Ltd., a Controlling Shareholder of the Company
“KSI Undertaking to the Investor”	:	Has the meaning ascribed to it in paragraph 8 of this Circular
“Latest Practicable Date”	:	8 February 2018, being the latest practicable date prior to the printing of this Circular
“Listing Manual”	:	The Listing Manual of the SGX-ST, as may be amended, modified or supplemented from time to time
“Market Day”	:	A day on which the SGX-ST is open for trading in securities
“Net Proceeds”	:	Has the meaning ascribed to it in paragraph 2.9 of this Circular
“Notice of EGM”	:	Notice of EGM set out in this Circular
“Placement Agreement”	:	The conditional placement agreement dated 23 October 2017 entered into between the Company and the Investor in relation to the Proposed Share Placement
“Proposed Share Placement”	:	The proposed allotment and issue of the Subscription Shares at the Issue Price for each Subscription Share, on and subject to the terms of the Placement Agreement
“Proposed Transactions”	:	Collectively, the Proposed Share Placement and the Proposed Whitewash Resolution
“Proposed Transfer of Controlling Interest”	:	The proposed transfer of Controlling Interest in the Company to the Investor pursuant to the Proposed Share Placement
“Proposed Whitewash Resolution”	:	The proposed whitewash resolution for the waiver by Independent Shareholders of their right to receive a mandatory general offer under Rule 14 of the Code from the Investor and parties acting in concert with it for all the issued Shares, as a result of the allotment and issue of the Subscription Shares to the Investor upon Completion
“Securities Account”	:	A securities account maintained by a Depositor with CDP but does not include a securities sub-account
“SFA”	:	The Securities and Futures Act (Chapter 289 of Singapore), as amended, modified or supplemented from time to time
“SGX-ST”	:	Singapore Exchange Securities Trading Limited
“Shareholders”	:	Registered holders of Shares except that where the registered holder is CDP, the term “Shareholders” shall, in relation to such Shares, mean the Depositors whose Securities Accounts maintained with CDP are credited with Shares
“Shares”	:	Ordinary shares in the capital of the Company
“SIC”	:	Securities Industry Council

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## DEFINITIONS

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“Subscription Shares”	:	1,360,000,000 new Shares to be allotted and issued by the Company to the Investor under the Proposed Share Placement
“Substantial Shareholder”	:	A Shareholder who has an interest in not less than 5% of the issued Shares
“S\$” and “cents”	:	Singapore dollars and cents respectively
“Valuation Reports”	:	The valuation reports dated 14 November 2017 by the Valuer in respect of (i) 7 Gul Avenue Singapore 629651; and (ii) 17 Joo Koon Way Singapore 628948
“Valuer”	:	United Valuers Pte. Ltd.
“VWAP”	:	Volume weighted average price
“Whitewash Waiver”	:	The waiver from the SIC in respect of the obligation by the Investor to make a mandatory general offer under Rule 14 of the Code for all the issued Shares, as a result of the allotment and issuance of the Subscription Shares to the Investor upon Completion
“%” or “per cent”	:	Percentage or per centum

The term “**subsidiary**” shall have the meaning ascribed to it in the Companies Act.

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

References to “**you**”, “**your**” and “**yours**” in this Circular are, as the context so determines, to Shareholders.

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

Any reference in this Circular to any enactment is a reference to that enactment as for the time being amended or re-enacted. Any word or term defined under the Companies Act, the SFA, the Code, the Listing Manual or any modification thereof and used in this Circular shall have the same meaning assigned to it thereunder, as the case may be, unless otherwise provided.

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

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

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

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## LETTER TO SHAREHOLDERS

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### **GAYLIN HOLDINGS LIMITED**

(Company Registration No. 201004068M)  
(Incorporated in the Republic of Singapore)

#### **Board of Directors**

Ang Mong Seng (Independent Non-Executive Chairman)  
Teo Bee Chiong (Executive Director and Chief Executive Officer)  
Teo Bee Hoe (Executive Director and Chief Operating Officer)  
Lau Lee Hua (Independent Non-Executive Director)  
Ng Sey Ming (Independent Non-Executive Director)

#### **Registered Office**

7 Gul Avenue  
Singapore 629651

14 February 2018

To: The Shareholders of the Company

Dear Sir/Madam

- (1) **PROPOSED ALLOTMENT AND ISSUE OF 1,360,000,000 NEW ORDINARY SHARES IN THE CAPITAL OF THE COMPANY (“SUBSCRIPTION SHARES”) TO THE INVESTOR AT AN ISSUE PRICE OF S\$0.05 FOR EACH SUBSCRIPTION SHARE; AND**
- (2) **PROPOSED WHITEWASH RESOLUTION FOR WAIVER BY INDEPENDENT SHAREHOLDERS OF THEIR RIGHT TO RECEIVE A MANDATORY GENERAL OFFER FROM THE INVESTOR AND PARTIES ACTING IN CONCERT WITH IT.**

#### **1. INTRODUCTION**

##### **1.1 Proposed Share Placement**

On 23 October 2017, the Company announced, *inter alia*, that it had entered into the Placement Agreement, pursuant to which PeakBayou Ltd. (the “Investor”) has agreed to subscribe for, and the Company has agreed to allot and issue to the Investor, the 1,360,000,000 Subscription Shares at the Issue Price of S\$0.05 for an aggregate consideration of S\$68,000,000, on and subject to the terms of the Placement Agreement.

As at the Latest Practicable Date, the Company has an issued and paid-up share capital of 438,000,000 Shares. The Subscription Shares represent approximately 310.50% of the existing issued and paid-up share capital of the Company.

##### **1.2 Transfer of Controlling Interest**

Upon Completion, the Investor will become the Controlling Shareholder of the Company. The Subscription Shares will represent approximately 75.64% of the enlarged issued and paid-up share capital of the Company after the issue of the Subscription Shares.

Please refer to paragraph 2.11 of this Circular for details on the proposed transfer of Controlling Interest in the Company to the Investor pursuant to the Proposed Share Placement.

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## LETTER TO SHAREHOLDERS

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### 1.3 Shareholders' Approval

The approval of Shareholders is required for:

- (a) the Proposed Share Placement in accordance with Rules 803, 805 and 811(3) of the Listing Manual; and
- (b) the waiver by Independent Shareholders of their right to receive a mandatory general offer under Rule 14 of the Code from the Investor and parties acting in concert with it for all the issued Shares, as a result of the allotment and issue of the Subscription Shares to the Investor on Completion.

### 1.4 IFA Advice

The Directors (who are all deemed to be independent in respect of the Proposed Whitewash Resolution) have appointed the IFA to advise them in respect of their recommendations to the Independent Shareholders in relation to the Proposed Whitewash Resolution, and whether the Proposed Whitewash Resolution is prejudicial to the interests of the Independent Shareholders. The IFA Letter is set out in Appendix A to this Circular and the advice of the IFA is set out in paragraph 4 of this Circular.

### 1.5 Circular

The purpose of this Circular is to provide Shareholders with relevant information on the resolutions pertaining to the Proposed Share Placement and the Proposed Whitewash Resolution (collectively, the “**Proposed Transactions**”), and to seek the approval of Shareholders for the Proposed Transactions at the EGM to be held on 7 March 2018 at 10.00 a.m. at Raffles Country Club, Albatross Room, 450 Jalan Ahmad Ibrahim, Singapore 639932, the notice of which is attached to this Circular.

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

## 2. PROPOSED SHARE PLACEMENT

### 2.1 Background

On 23 October 2017, the Company announced, *inter alia*, that it had entered into the Placement Agreement with the Investor, pursuant to which the Investor has agreed to subscribe for, and the Company has agreed to allot and issue to the Investor, an aggregate of 1,360,000,000 Subscription Shares at the Issue Price of S\$0.05 for each Subscription Share, amounting to an aggregate consideration of S\$68,000,000, on and subject to the terms of the Placement Agreement.

There is no placement agent appointed for the purpose of the Proposed Share Placement and no introducer fee, commission, fee or other selling or promotional expense is payable or incurred by the Company in connection with the Proposed Share Placement, other than those incurred for administrative or professional service.

The Proposed Share Placement is being undertaken by way of a private placement in accordance with Section 272B of the SFA. As such, no prospectus or offer information statement will be issued by the Company or lodged with the Monetary Authority of Singapore in connection with the Proposed Share Placement.

## **2.2 Information on the Investor**

The Investor is a company incorporated with limited liability in the Cayman Islands. Its registered office is at P.O. Box 31119 Grand Pavilion, Hibiscus Way, 802 West Bay Road, Grand Cayman, KY1-1205, Cayman Islands. The Investor was introduced to the Company by Amos International Holdings Pte. Ltd. ("**AMOS International**"), a customer of the Company. AMOS International is a subsidiary of Shaw Kwei & Partners Ltd., an entity connected to the Investor. The Investor is subscribing for the Subscription Shares for investment purposes and is an investment-holding company incorporated for the purpose of holding the Subscription Shares.

As at the Latest Practicable Date, the Investor and its concert parties do not hold, directly or indirectly, any Shares or any instruments convertible into, rights to subscribe for and options in respect of Shares.

The Subscription Shares to be issued pursuant to the Proposed Share Placement will not be made to any persons under Rule 812(1) of the Listing Manual. Save as disclosed, none of the Investor, its directors or its substantial shareholders have any connection (including business relationships) with any Director or Substantial Shareholder of the Company, or with the Company itself.

## **2.3 Information on ultimate owner of the Investor**

The Investor is ultimately wholly-owned by ShawKwei Asia Value Fund 2017, L.P. ("**SKAVF**"), a closed-end private equity fund structured as a limited partnership organised and existing under the laws of the Cayman Islands.

SKAVF is managed by ShawKwei Investments LLC ("**SKIL**"), its general partner. SKIL is a fund management firm incorporated as a limited liability exempted company in the Cayman Islands, which specialises in private equity investments in businesses operating in Asia with a focus on manufacturing and service industries.

## **2.4 Issue Price**

The Issue Price of S\$0.05 represents a discount of approximately 49.14% to the VWAP of S\$0.0983 for trades done on the Shares on the SGX-ST on 13 October 2017, being the last full Market Day on which the Shares were traded prior to the date of the Placement Agreement. No Shares were traded between 14 October 2017 and 23 October 2017 (being the date of the announcement of the Proposed Share Placement and signing of the Placement Agreement).

The discount of the Issue Price to the VWAP for trades done on the Shares on the SGX-ST on 13 October 2017 and the aggregate consideration of S\$68,000,000 for the Subscription Shares were negotiated between the Company and the Investor after taking into account the current financial condition of the Group, the continued challenging environment for the oil and gas ("**O&G**") industry, including the rationale for the Proposed Share Placement as set out in paragraph 2.9 of this Circular.

## **2.5 Subscription Shares**

As at the Latest Practicable Date, the Company has an issued and paid-up share capital of 438,000,000 Shares. The 1,360,000,000 Subscription Shares will represent approximately 75.64% of the enlarged issued and paid-up share capital of the Company after the issue of the Subscription Shares. On Completion, the Company's issued and paid-up share capital will increase from 438,000,000 Shares to 1,798,000,000 Shares.

The Subscription Shares, when allotted and issued, will rank *pari passu* with, and shall carry all rights similar to, the existing Shares, including without limitation, any dividend, right, allotment or other distributions, the record date for which falls on or after Completion.



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## LETTER TO SHAREHOLDERS

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### 2.6 Conditions Precedent

Completion of the Proposed Share Placement is conditional upon:

- (a) the Investor (at its own cost) having undertaken and completed its due diligence investigations (including operational, financial and legal matters) in relation to the Company and the Group, and the results of such due diligence investigations being satisfactory to the Investor in its sole and absolute discretion;
- (b) the Group Company having obtained written consent from the counterparties under the agreements to which it is a party for the change in its shareholders, on terms and conditions satisfactory to the Investor in its sole and absolute discretion;
- (c) the approval by the Shareholders for the Proposed Share Placement and of the Placement Agreement (and the transactions and matters contemplated thereunder, including the issue and allotment of the Subscription Shares);
- (d) the SIC's waiver of the obligations of the Investor and its concert parties (and such waiver not having been revoked or repealed) to make a mandatory general offer for the Company under Rule 14 of the Code, subject to (i) any conditions that the SIC may impose, provided that such conditions are reasonably acceptable to the Investor and its concert parties; and (ii) the Independent Shareholders approving the Proposed Whitewash Resolution;
- (e) the approval by all regulatory authorities for the Proposed Share Placement (including the SGX-ST); and where such approval is subject to conditions, such conditions being satisfactory to the Investor in its sole and absolute discretion;
- (f) the Proposed Share Placement and the allotment, issue and placement of the Subscription Shares not being prohibited by any applicable statute, order, rule, regulation or directive or request (whether or not having the force of law) promulgated or issued after the date of the Placement Agreement by any legislative, executive or regulatory body or authority in Singapore, including the SGX-ST and the SIC;
- (g) the receipt of a listing and quotation notice from the SGX-ST (and such notice not having been revoked, rescinded or cancelled) for the admission to, quotation and dealing of the Subscription Shares on the Official List of the Mainboard of the SGX-ST; and if obtained on conditions, such conditions being acceptable to the Investor in its sole and absolute discretion; and to the extent that any such conditions are required to be fulfilled on or before the date of Completion, they are so fulfilled;
- (h) the Company complying with all legal and other requirements necessary for the Proposed Share Placement (including the Companies Act, the SFA and the Listing Manual) and the Company having performed in all material respects of its obligations under the Placement Agreement to be performed on or before the date of Completion;
- (i) there being no material adverse change (as reasonably determined by the Investor in good faith) in the business, operations, properties, prospects or financial condition of the Group as a whole;
- (j) the Company not being in material breach of any of its representations, warranties and undertakings contained in the Placement Agreement; and
- (k) the appointment of such persons as may be nominated by the Investor in its sole and absolute discretion onto the board of directors of the Company, such appointments taking effect upon Completion.

The Investor may in its sole and absolute discretion waive any of the above conditions either in whole or in part at any time by notice in writing to the Company.

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## LETTER TO SHAREHOLDERS

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The Company undertakes to use its best endeavours to ensure that the above conditions (save for the condition at paragraph 2.6(d)(i)) are fulfilled to the satisfaction of the Investor as soon as reasonably practicable and in any event within six (6) months from the date of the Placement Agreement (“**Long Stop Date**”) or such other date as the Company and the Investor may agree in writing.

If any of the above conditions is not fulfilled (or waived in accordance with the Placement Agreement) prior to the Long Stop Date, then the Investor shall not be bound to proceed with the subscription of the Subscription Shares.

### 2.7 Completion of the Proposed Share Placement

Completion is to take place on the date which is ten (10) Business Days after the last of all the conditions set out in paragraph 2.6 above have been satisfied (or waived in accordance with the Placement Agreement), provided that the date for Completion shall not be later than 14 days after the date of the EGM, or at such other date as may be agreed in writing between the Company and the Investor.

For the avoidance of doubt, Completion will only take place after **all** the conditions set out in paragraph 2.6 above have been satisfied (or waived in accordance with the Placement Agreement) on or before the Long Stop Date.

### 2.8 SGX-ST approval in-principle

On 2 February 2018, the SGX-ST granted its approval in-principle for the listing of and quotation for the Subscription Shares on the Official List of the Mainboard of the SGX-ST, subject to, *inter alia*, the following conditions:

- (a) compliance with the SGX-ST's listing requirements;
- (b) compliance with the public float requirement as set out under Rule 723 of Listing Manual at the time of issue of the Subscription Shares (Company to provide SGX-ST with the public float percentage taking into account the issue of the Subscription Shares and confirm that Rule 723 is complied with);
- (c) shareholders' approval for the Proposed Share Placement and the Proposed Whitewash Resolution; and
- (d) submission of the following documents:-
  - (i) a written undertaking from the Company that it will comply with Rule 704(30) and Rule 1207(20) of the Listing Manual in relation to the use of the proceeds from the Proposed Share Placement 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; and
  - (ii) a written confirmation from the Company that it will not issue the Subscription Shares to persons prohibited under Rule 812(1) of the Listing Manual.

The approval in-principle granted by the SGX-ST for the listing of and quotation for the Subscription Shares on the Official List of the Mainboard of the SGX-ST is not to be taken as an indication of the merits of the Proposed Transactions, the Subscription Shares, the Company and/or its subsidiaries. The SGX-ST takes no responsibility for the accuracy of any statements or opinions made in this Circular.

## 2.9 Rationale for the Proposed Share Placement

Due to the fall in oil prices which reduced the level of activities in the exploration, development and production of O&G in the global offshore O&G industry, this has in turn led to a contraction in overall business activity for the Group because of depressed demand from customers for its inventory. Together with the depressed selling prices due to strong competitive pressure within the industry, these factors have adversely affected the Group's revenue. As a result, the Group had either experienced net losses or had broken even since the first quarter of 2015. The Group had experienced net loss of S\$11.4 million for the financial year ended 31 March 2017. As at 31 March 2017, the cash and cash equivalents of the Group was S\$6,601,759. The Group had continued to register a net loss position and as at 30 September 2017, the net loss of the Group for the 6 months ended 30 September 2017 was S\$4.556 million and the cash and cash equivalents was S\$2.76 million. Due to the continued weakness of the O&G industry, the Group had registered a revenue decline for the period ended 30 September 2017, of 3.8% to S\$37.5 million and net loss attributable to shareholders of S\$4.5 million, compared to S\$39.0 million and S\$3.1 million respectively for the same period a year ago.

The Group has also experienced difficulties in meeting its immediate payment obligations since January 2017. As at 30 September 2017, the Group had total current liabilities amounting to approximately S\$60.415 million, out of which, its outstanding immediate payment obligations amounted to approximately S\$11 million.

While the O&G industry has shown some signs of rebalancing, the market conditions remain challenging.

In view of the above, the Proposed Share Placement is being undertaken in order to strengthen the Group's cash position and the Company's capital base. It will also improve the Group's balance sheet and place the Group in a better position to meet the continued challenging environment for the O&G industry players ahead and provide an opportunity for Shareholders to benefit from the potential rehabilitation of the Group. The Company therefore entered into the Placement Agreement with the Investor in order to improve the Company's gearing ratio and to obtain additional cash in order to meet its working capital needs.

The Company has explored fund-raising alternatives to the Proposed Share Placement, such as securing additional bank loans and raising funds from the Company's existing Shareholders by way of a rights issue, but faced difficulties with materialising these alternatives.

The Directors are of the opinion that it is critical for the Group to complete the Proposed Share Placement to ensure that the Group has sufficient working capital to meet its present requirements.

The Directors are of the opinion that, upon Completion, after taking into consideration the present bank facilities and the net proceeds of approximately S\$67.8 million (after deducting expenses of approximately S\$200,000) ("**Net Proceeds**") from the Proposed Share Placement, the Group would have sufficient funds to meet its present requirements.

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## LETTER TO SHAREHOLDERS

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### 2.10 Use of Proceeds

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

- (a) 30% of the Net Proceeds for strengthening the financial position of the Group by enlarging the Company's working capital and capital base, for the purposes of financing (i) the purchase of new equipment, (ii) the recruitment and retention of new sales and engineering staff, to bring in new sales and to provide technical know-how and services and/or create value-added products needed for the new sales respectively, in order to reduce inventory, (iii) upgrades and resizing of the Group's existing facilities and/or offices in order to tailor to future business needs, and (iv) the procurement of additional SAP modules to enhance corporate management and accounting controls; and
- (b) 70% of the Net Proceeds for growing the existing business of the Group, including to (i) invest in marketing programs to enhance the Group's brand image in the marketplace and better position the Group for future business opportunities, (ii) pursue potential strategic growth opportunities (including alliances, mergers and acquisitions, joint ventures and investments as and when they may arise) and (iii) participate in tender bids with customers in the O&G and marine sectors.

Pending the deployment of the Net Proceeds from the Proposed Share Placement, such proceeds may be deposited with banks and/or financial institutions, invested in short-term money market instruments or debt instruments or used for any other purposes on a short-term basis as the Directors may deem fit from time to time.

The Company will make periodic announcements on the utilisation of the Net Proceeds from the Proposed Share Placement 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. Where there is any material deviation from the stated use of the Net Proceeds, the Company will announce the reasons for such deviation. Where the Net Proceeds have been used for working capital purposes, the Company will provide a breakdown with specific details on how the proceeds have been applied in the announcements and status report. The Company will also provide a status report on the use of such proceeds in the Company's annual report.

### 2.11 Proposed Transfer of Controlling Interest

Rule 803 of the Listing Manual provides that any issue of securities to transfer a Controlling Interest must be approved by Shareholders in a general meeting. Under the Listing Manual, a "controlling shareholder" is a person who holds directly or indirectly 15% or more of the total number of all issued shares excluding treasury shares and subsidiary holdings in a company, or a person who in fact exercises control over the company.

As at the Latest Practicable Date, the Investor and its concert parties do not hold, directly or indirectly, any Shares.

The Subscription Shares, when allotted and issued in full, will represent approximately 75.64% of the enlarged issued and paid-up share capital of 1,798,000,000 Shares immediately after Completion (assuming that no further Shares are issued on or prior to Completion). This would result in a transfer of Controlling Interest and is therefore subject to the approval of the Shareholders for the purposes of Rule 803 of the Listing Manual. Accordingly, the Company is seeking the approval of Shareholders at the EGM for the Proposed Transfer of Controlling Interest to the Investor upon Completion pursuant to Rule 803 of the Listing Manual.

The shareholding interests of the Investor, the Directors and the Substantial Shareholders of the Company as at the Latest Practicable Date, and upon issuance of the Subscription Shares are set out in paragraph 6 of this Circular.

**3. PROPOSED WHITEWASH RESOLUTION**

**3.1 Rule 14 of the Code**

Under Rule 14 of the Code, except with the consent of the SIC, where:

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

such person must extend offers immediately to the holders of any class of share capital of the company which carries votes and in which such person, or persons acting in concert with him, hold shares.

**3.2 Investor's Interest**

As the Investor will acquire Shares carrying more than 30% of the voting rights of the Company (and in this case, a percentage higher than 49% of the voting rights of the Company) pursuant to the allotment and issue of the Subscription Shares upon Completion, the Investor would be obliged to make a mandatory general offer under Rule 14 of the Code for all the shares in the capital of the Company in issue, unless the relevant waivers under the Code are obtained.

**3.3 Whitewash Waiver from the SIC**

The SIC had on 15 December 2017 granted a waiver of the requirement under Rule 14 of the Code for the Investor to make a mandatory general offer under Rule 14 of the Code for all the issued Shares, as a result of the allotment and issue of the Subscription Shares to the Investor upon Completion ("**Whitewash Waiver**").

The Whitewash Waiver is subject to the following conditions:

- (a) a majority of holders of voting rights of the Company approve at a general meeting, before the issue of the Subscription Shares to the Investor, the Proposed Whitewash Resolution;
- (b) the Proposed Whitewash Resolution is separate from other resolutions;
- (c) the Investor, parties acting in concert with it and parties not independent of it abstain from voting on the Proposed Whitewash Resolution;
- (d) the Investor and its concert parties did not acquire or are not to acquire any shares or instruments convertible into and options in respect of shares in the Company (other than subscriptions for, rights to subscribe for, instruments convertible into or options in respect of new shares in the Company which have been disclosed in this Circular):
  - (i) during the period between the announcement of the Proposed Share Placement and the date shareholders' approval is obtained for the Proposed Whitewash Resolution; and
  - (ii) in the six (6) months prior to the announcement of the Proposed Share Placement but subsequent to negotiations, discussions or the reaching of understandings or agreements with the directors of the Company in relation to the Proposed Share Placement;

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## LETTER TO SHAREHOLDERS

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- (e) the Company appoints an independent financial adviser to advise its independent shareholders on the Proposed Whitewash Resolution;
- (f) the Company sets out clearly in this Circular:
  - (i) details of the Proposed Share Placement, including the issue of the Subscription Shares;
  - (ii) the dilution effect of the issue of the Subscription Shares to existing holders of voting rights;
  - (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 in the Company held by the Investor and its concert parties at the Latest Practicable Date;
  - (iv) the number and percentage of voting rights to be issued to the Investor and its concert parties upon the completion of the Proposed Share Placement;
  - (v) specific and prominent reference to the fact the issue of Subscription Shares to the Investor pursuant to the terms of the Placement Agreement would result in the Investor holding shares carrying over 49% of the voting rights of the Company based on its enlarged issued share capital, and the fact that the Investor will as a result be free to acquire further Shares without incurring any obligation under Rule 14 to make a general offer;
  - (vi) specific and prominent reference to the fact that shareholders, by voting for the Proposed Whitewash Resolution, are waiving their rights to a general offer from the Investor at the highest price paid by the Investor and parties acting in concert with it for the shares in the Company in the past 6 months preceding the commencement of the offer;
- (g) this Circular states that the waiver granted by SIC to the Investor from the requirement to make a general offer under Rule 14 is subject to the conditions stated at **paragraphs (a) to (f)** above;
- (h) the Company obtains SIC's approval in advance for those parts of this Circular that refer to the Proposed Whitewash Resolution; and
- (i) to rely on the Proposed Whitewash Resolution, the issue of the Subscription Shares to the Investor pursuant to the Proposed Share Placement must be completed within 3 months of the approval of the Proposed Whitewash Resolution.

As at the Latest Practicable Date, save for the conditions set out in paragraphs 3.3(a) and 3.3(i) of this Circular, all the other conditions imposed by SIC set out above have been satisfied.

### 3.4 Proposed Whitewash Resolution

Independent Shareholders are requested to vote by way of a poll, on the Proposed Whitewash Resolution set out in the Notice of EGM on pages 45 to 46 of this Circular, waiving their right to receive a mandatory general offer from the Investor and parties acting in concert with it for all the shares in the capital of the Company in issue.

### **3.5 Implications of the Proposed Whitewash Resolution**

Independent Shareholders should note the following:

- (a) By voting in favour of the Proposed Whitewash Resolution, they will be waiving their right to receive a mandatory general offer for their Shares from the Investor and the parties acting in concert with it at the highest price per Share paid or agreed to be paid by the Investor and the parties acting in concert with it in the six (6) months preceding the commencement of the offer which they would have otherwise been obliged to make for the Shares in accordance with Rule 14 of the Code, as a result of the allotment and issue of the Subscription Shares to the Investor.
- (b) The allotment and issue of the Subscription Shares to the Investor will result in the Investor holding Shares carrying more than 49% of the total voting rights of the Company based on the enlarged issued share capital, and the Investor will thereafter be free to acquire further Shares without incurring any obligation under Rule 14 of the Code to make a mandatory general offer for all the shares in the capital of the Company in issue.
- (c) The Proposed Share Placement is conditional upon (among other things) the Independent Shareholders voting in favour of the Proposed Whitewash Resolution. In the event that the Proposed Whitewash Resolution is not passed by the Independent Shareholders, the Proposed Share Placement will not take place.

### **4. ADVICE OF THE INDEPENDENT FINANCIAL ADVISER**

- 4.1 Tata Capital Markets Pte. Ltd. has been appointed as the independent financial adviser to advise the Directors (who are all deemed to be independent in respect of the Proposed Whitewash Resolution) in respect of the Proposed Whitewash Resolution.
- 4.2 The IFA Letter is reproduced in full and appended as Appendix A to this Circular. The following is an extract from paragraph 7 of the IFA Letter and should be read in conjunction with, and in the full context of, the full text of the IFA Letter. All terms and expressions used in the extract below shall have the same meanings as those defined in the IFA Letter, unless otherwise stated:

#### **“7. OUR OPINION**

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

#### In assessing the fairness of the terms of the Proposed Share Placement

- (a) In respect of the historical trading performance of the Shares, we note that Issue Price represents a discount of 49.15%, 47.11%, 29.64% and 49.27% to the VWAP of the Shares for the 1-month, 3-months, 6-months and 12-months period prior to the Announcement Date respectively. However, it should also be noted that trading in the Shares is erratic and trading liquidity of the Shares is relatively low as compared to the free float of the Company; and
- (b) The discount of the Issue Price to Group's NAV per Share as at 30 September 2017 of approximately 75.4% is outside the range of the Comparable Companies and is less favourable when compared to the premium/discount to NAV implied by the respective share prices of the Comparable Companies; and
- (c) In our evaluation of the Issue Price relative to the Group's NAV per Share, we also noted that the values of the inventories and Appraised Properties of the Group would have been assessed to be higher than their net book values if they were to be stated

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## LETTER TO SHAREHOLDERS

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on a “fair value” basis and the discount of the Issue Price to the Group’s RNAV per Share would have been approximately 81.0%.

### In assessing the reasonableness of the terms of the Proposed Share Placement

- (a) We have considered the rationale for the Proposed Share Placement and in the context of the recent financial performance and the current financial position of the Group. Although the Group has positive net working capital, 85.8% of its current assets as at 30 September 2017 comprised of inventories and there may be uncertainty on the actual realization of these inventories which is dependent on external factors such as the market environment and customer demands. Excluding its inventories, the Group would have been in a net current liability position of approximately \$40.3 million as at 30 September 2017;
- (b) The discount of Issue Price to the last traded price of the Shares on 13 October 2017, being the Last Traded Day prior to the Announcement Date, is within the range of premia/discounts of the issue prices to the last transacted prices for the Selected Whitewash Companies, albeit being higher than the mean and median discounts of the Precedent Comparable Transactions;
- (c) The ratio of the Issue Price to NAV per Share of 0.25 is less favourable when compared to all the Precedent Comparable Transactions;
- (d) KSI, the controlling shareholder of the Company with a shareholding interest of 61.27% in the existing issued share capital of the Company and who is independent of the Investor, has irrevocably undertaken to the Investor that it shall, *inter alia*, vote in favour of the resolutions to approve the Proposed Transactions to be passed at the EGM, in respect of all the voting rights attached to the Shares that it controls or holds as at the date of the EGM; and
- (e) The fact that there is currently no alternative funding alternatives available to the Group, which are comparable in nature, size and scope to the Proposed Share Placement and which will provide for the injection of cash proceeds of such quantum into the Group, to ensure that the Group has sufficient working capital to meet its present requirements.

**Having regard to the foregoing considerations set out in this Letter and information available to us as at the Latest Practicable Date, we are of the opinion that:**

- (a) **on balance, the terms of the Proposed Share Placement, being the transaction that is the subject of the Proposed Whitewash Resolution, are not fair but reasonable; and**
- (b) **the Proposed Whitewash Resolution, as one of the conditions precedent of the Proposed Share Placement, is not prejudicial to the interests of the Independent Shareholders when considered in the context of the fact that it will facilitate the immediate injection of a substantial amount of funds into the Group to ensure that the Group has sufficient working capital to meet its present requirements, in the midst of the current challenging market conditions.**

**Accordingly, we advise the Directors to recommend to the Independent Shareholders to vote in favour of the Proposed Whitewash Resolution.”**

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



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## LETTER TO SHAREHOLDERS

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### 5. FINANCIAL EFFECTS OF THE PROPOSED SHARE PLACEMENT

For illustrative purposes only, the financial effects of the issue and allotment of Subscription Shares set out below were prepared based on the audited consolidated financial statements of the Group for the financial year ended 31 March 2017 (“FY2017”) and subject to the following assumptions:

- (a) the computations are purely for illustrative purposes only and do not reflect the actual financial results and financial position of the Group after the Proposed Share Placement;
- (b) for purposes of computing the effect of the Proposed Share Placement on the consolidated net tangible asset (“NTA”) per Share, it is assumed that the issue and allotment of the Subscription Shares had been completed on 31 March 2017;
- (c) for purposes of computing the effect of the Proposed Share Placement on the net loss per Share of the Group, it is assumed that the issue and allotment of the Subscription Shares had been completed on 1 April 2016; and
- (d) for purposes of computing the effect of the Proposed Share Placement on the gearing of the Group, it is assumed that the issue and allotment of the Subscription Shares had been completed on 31 March 2017.

#### 5.1 Issued Share Capital

The effect of the issue and allotment of the Subscription Shares on the share capital of the Company is as follows:

	Latest Practicable Date	After issue of Subscription Shares
Number of Shares	438,000,000	1,798,000,000
Issued and paid up share capital	S\$52,563,000	S\$120,563,000

#### 5.2 NTA

The effect of the issue and allotment of the Subscription Shares on the NTA of the Group is as follows:

	As at 31 March 2017	After issue of Subscription Shares
NTA attributable to Shareholders of the Group (S\$)	91,329,462	159,129,462
Number of Shares	438,000,000	1,798,000,000
NTA per Share (Singapore cents)	20.85	8.85

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## LETTER TO SHAREHOLDERS

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### 5.3 Losses per Share

The effect of the issue and allotment of the Subscription Shares for FY2017 on the losses per Share is as follows:

	Before issue of Subscription Shares	After issue of Subscription Shares
Losses attributable to Shareholders of the Group (S\$)	(11,355,093)	(11,355,093)
Number of Shares	438,000,000	1,798,000,000
Losses per Share (Singapore cents)	(2.59)	(0.63)

### 5.4 Gearing

The effect of the issue and allotment of the Subscription Shares on the gearing of the Group is as follows:

	As at 31 March 2017	After issue of Subscription Shares
Net Debt (S\$)	77,942,562	77,942,562
Shareholder's Equity(S\$)	93,895,626	161,695,626
Gearing Ratio (times)	0.8	0.5

## LETTER TO SHAREHOLDERS

### 6. INTERESTS OF DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

6.1 The interests of the Directors and Substantial Shareholders of the Company as at the Latest Practicable Date and (assuming there is no change to the issued share capital of the Company other than the issue and allotment of the Subscription Shares) immediately after the Proposed Share Placement are set out below:

	As at the Latest Practicable Date <sup>(1)</sup>				Immediately after the issue of Subscription Shares <sup>(2)</sup>			
	Number of Shares				Number of Shares			
	Direct Interest	Deemed Interest	Total Interest	% <sup>(1)</sup>	Direct Interest	Deemed Interest	Total Interest	% <sup>(2)</sup>
<b>Directors</b>								
Ang Mong Seng	-	-	-	-	-	-	-	-
Teo Bee Chiong <sup>(3)</sup>	-	268,360,000	268,360,000	61.27	-	257,572,000	257,572,000	14.33
Teo Bee Hoe <sup>(3)</sup>	-	268,360,000	268,360,000	61.27	-	257,572,000	257,572,000	14.33
Lau Lee Hua	-	-	-	-	-	-	-	-
Ng Sey Ming	-	-	-	-	-	-	-	-
<b>Substantial Shareholders (other than Directors)</b>								
Keh Swee Investment Pte. Ltd. <sup>(4)</sup>	264,410,000	3,950,000	268,360,000	61.27	253,622,000 <sup>(5)</sup>	3,950,000	257,572,000	14.33
Teo Bee Yen <sup>(3)</sup>	-	268,360,000	268,360,000	61.27	-	257,572,000	257,572,000	14.33
Teo Bee Hua <sup>(3)</sup>	-	268,360,000	268,360,000	61.27	-	257,572,000	257,572,000	14.33
Khwaja Asif Rahman	17,000,000	6,602,000	23,602,000	5.39	17,000,000	6,602,000	23,602,000	1.31
Investor	-	-	-	-	1,360,000,000	-	1,360,000,000	75.64

**Notes:**

- (1) Based on 438,000,000 issued Shares as at the Latest Practicable Date.
- (2) Based on the enlarged issued share capital comprising 1,798,000,000 Shares immediately after Completion.
- (3) Each of Teo Bee Chiong, Teo Bee Hoe, Teo Bee Yen and Teo Bee Hua owns 1,000,001 ordinary shares representing 20.0% of the issued share capital of KSI and are deemed to be interested in all the Shares held by KSI.
- (4) 3,950,000 Shares are beneficially owned by KSI, and registered in the name of CIMB Securities (Singapore) Pte. Ltd.
- (5) It is a condition of the approval in-principle granted by the SGX-ST on 2 February 2018 in respect of the Proposed Share Placement that the Company complies with the public float requirement as set out under Rule 723 of the Listing Manual of the SGX-ST at the time of issue of the Subscription Shares. As announced by the Company on 7 February 2018, in order for the Company to fulfil the foregoing condition, it is proposed that KSI sells 10,788,000 Shares in the Company, representing approximately 0.6% of the enlarged issued share capital of the Company immediately following the Proposed Share Placement, prior to the completion of the Share Placement. Please refer to paragraph 10.2 of this Circular for further details in this regard.

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## LETTER TO SHAREHOLDERS

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### 6.2 Interest of Directors and Substantial Shareholders

None of the Directors or Substantial Shareholders of the Company have any interest, direct or indirect, in the Proposed Share Placement (other than through their respective direct or indirect shareholdings in the Company).

## 7. SHAREHOLDERS' APPROVAL FOR THE PROPOSED SHARE PLACEMENT

7.1 Under Section 161 of the Companies Act and pursuant to Rule 805 of the Listing Manual, an issuer must obtain the prior approval of its shareholders in general meeting for, *inter alia*, an issue of shares, except where the shares are issued pursuant to a general mandate obtained from shareholders in general meeting. The Company is therefore seeking specific Shareholders' approval for the issuance of the Subscription Shares under the Proposed Share Placement.

7.2 In addition to the foregoing, the Proposed Share Placement will require Shareholders' approval for the following reasons:

### (a) Rule 803

Rule 803 of the Listing Manual stipulates that an issuer must not issue securities to transfer a Controlling Interest without the prior approval of its shareholders in general meeting.

The Proposed Share Placement will result in the Investor holding 75.64% of the enlarged issued and paid-up share capital of the Company upon Completion, therefore causing a transfer of Controlling Interest in the Company to the Investor. Accordingly, Shareholders' approval for the Proposed Share Placement is required pursuant to Rule 803 of the Listing Manual.

### (b) Rule 811

Rule 811(1) of the Listing Manual stipulates that an issue of shares must not be priced at more than 10% discount to the VWAP for trades done on the SGX-ST for the full market day on which the placement agreement is signed. However, pursuant to Rule 811(3) of the Listing Manual, Rule 811(1) of the Listing Manual is not applicable if specific shareholders' approval is obtained for the issue of shares.

As the Issue Price represents a discount of more than 10% to the VWAP of S\$0.0983 of the Shares for trades done on the SGX-ST on 13 October 2017 (being the last full Market Day on which the Shares were traded prior to the date of the Placement Agreement), the Company is required under Rule 811(3) of the Listing Manual to seek the specific approval of Shareholders for the issuance of the Subscription Shares.

7.3 As such, the Board is proposing to convene the EGM to seek the approval of Shareholders for the Proposed Share Placement.

## 8. VOTING UNDERTAKING

8.1 In connection with the Proposed Share Placement, KSI, a 61.27% Controlling Shareholder of the Company, has pursuant to a deed of undertaking dated 23 October 2017 in favour of the Investor ("**KSI Undertaking to the Investor**") irrevocably undertaken to the Investor, that it shall, *inter alia*, (a) maintain its interest in not less than 268,360,000 Shares and not dispose of, encumber or otherwise deal with the Shares controlled or held by it, until the issue of the Subscription Shares pursuant to the Proposed Share Placement and (b) shall vote in favour of the resolutions to approve the Proposed Transactions at the EGM, in respect of all the voting rights attached to the Shares that it controls or holds as at the date of the EGM.

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## LETTER TO SHAREHOLDERS

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- 8.2 As mentioned in paragraph 2.8 above, it is a condition of the approval in-principle granted by the SGX-ST on 2 February 2018 in respect of the Proposed Share Placement that the Company complies with the public float requirement as set out under Rule 723 of the Listing Manual at the time of issue of the Subscription Shares. In view of this, the Investor has on 7 February 2018 granted KSI a waiver from compliance with the undertaking as set out in paragraph 8.1(a) above solely for the purposes of facilitating the disposal or sale by KSI of 10,788,000 Shares in the Company, representing approximately 0.6% of the enlarged paid-up and issued share capital of the Company immediately following the Proposed Share Placement, prior to the completion of the Proposed Share Placement. Please refer to paragraph 10.2 of this Circular for further details.

### 9. DIRECTORS' RECOMMENDATIONS

- 9.1 The Board of Directors, having fully considered, *inter alia*, the rationale and the terms of the Proposed Share Placement, are of the opinion that the Proposed Share Placement and the Proposed Transfer of Controlling Interest are in the best interests of the Company. Accordingly, they recommend that Shareholders vote in favour of the resolutions to approve the Proposed Share Placement and the Proposed Transfer of Controlling Interest at the EGM.
- 9.2 The Board of Directors, having fully considered, *inter alia*, the rationale and the terms of the Proposed Whitewash Resolution and taking into account the advice of the IFA to the Directors (who are all deemed to be independent in respect of the Proposed Whitewash Resolution) in relation to the Proposed Whitewash Resolution (set out in the IFA Letter), are of the opinion that the Proposed Whitewash Resolution is in the best interests of the Independent Shareholders. Accordingly, they recommend that Independent Shareholders vote in favour of the resolution to approve the Proposed Whitewash Resolution at the EGM.

### 10. PUBLIC FLOAT

- 10.1 Rule 723 of the Listing Manual requires a listed issuer to ensure that at least 10% of any class of listed securities is at all times held by the public. As at the Latest Practicable Date, the percentage of the existing issued share capital of the Company held in the hands of the public is approximately 33.34% of the total issued share capital of the Company.
- 10.2 Pursuant to paragraph 3(a) of the KSI Undertaking to the Investor, KSI has undertaken to the Investor to maintain its interest in not less than 268,360,000 Shares and not dispose of, encumber or otherwise deal with the Shares controlled or held by KSI, until the issue of the Subscription Shares. In this regard, it is a condition of the approval in-principle granted by the SGX-ST on 2 February 2018 in respect of the Proposed Share Placement that the Company complies with the public float requirement as set out under Rule 723 of the Listing Manual at the time of issue of the Subscription Shares. Therefore, as announced by the Company on 7 February 2018, in order for the Company to fulfil the foregoing condition, it is proposed that KSI sells 10,788,000 Shares in the Company, representing approximately 0.6% of the enlarged issued share capital of the Company immediately following the Proposed Share Placement, prior to the completion of the Share Placement. In view of this, the Investor has on 7 February 2018 granted KSI a waiver from compliance with paragraph 3(a) of the KSI Undertaking to the Investor solely for the purposes of facilitating the disposal or sale by KSI of 10,788,000 Shares in the Company, representing approximately 0.6% of the enlarged paid-up and issued share capital of the Company immediately following the Proposed Share Placement, prior to the completion of the Share Placement. Accordingly, upon completion of the Proposed Share Placement and the foregoing disposal or sale by KSI, the percentage of the enlarged paid-up and issued share capital of the Company held in the hands of the public will be approximately 10.03%.
- 10.3 In connection with the Proposed Share Placement, KSI has pursuant to a deed of undertaking dated 23 October 2017 in favour of the Company irrevocably undertaken to the Company, that it shall take all action, procure or support any action to (a) restore the public float of the Company to the required 10% level under Rule 723 of the Listing Manual; and (b) ensure that

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## LETTER TO SHAREHOLDERS

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the Company remains listed on the SGX-ST, in each case within a period of 3 months after completion of the Proposed Share Placement (or such longer period as the SGX-ST may agree), including without limitation selling any shares held by it in the capital of the Company on the market.

### 11. EXTRAORDINARY GENERAL MEETING

The EGM, notice of which is set out on pages 45 to 46 of this Circular, will be held at Raffles Country Club, Albatross Room, 450 Jalan Ahmad Ibrahim, Singapore 639932 on 7 March 2018 at 10.00 a.m. for the purpose of considering and, if thought fit, passing with or without modifications the resolutions to approve the Proposed Transactions as set out in the Notice of EGM.

### 12. INTER-CONDITIONALITY OF RESOLUTIONS TO BE PASSED

**In voting for the resolutions set out in the Notice of EGM, Shareholders should note that these resolutions are inter-conditional. This means that if either resolution is not approved, the other resolution would not be passed. Accordingly, none of the Proposed Transactions will be proceeded with in the event any resolution is not passed. In particular, Independent Shareholders should note that the Proposed Share Placement is conditional upon Independent Shareholders voting in favour of the Proposed Whitewash Resolution. Therefore, if the Independent Shareholders do not vote in favour of the Proposed Whitewash Resolution, the Proposed Share Placement will not take place.**

### 13. ACTION TO BE TAKEN BY SHAREHOLDERS

If a Shareholder is unable to attend the EGM and wishes to appoint a proxy to attend and vote on his behalf, he should complete, sign and return the enclosed Proxy Form attached to this Circular in accordance with the instructions printed thereon as soon as possible and, in any event, so as to reach the registered office of the Company at 7 Gul Avenue, Singapore 629651, not later than 10.00 a.m. on 5 March 2018, being 48 hours before the time fixed for the EGM. The completion and return of a Proxy Form by a Shareholder will not preclude him from attending and voting in person at the EGM in place of his proxy if he so wishes.

A Depositor will not be regarded as a member of the Company entitled to attend the EGM and to speak and vote thereat unless he is shown to have Shares entered against his name in the Depository Register as certified by CDP to the Company at least 72 hours before the EGM.

### 14. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this Circular (save for paragraph 4.2 of this Circular and the Appendices to this Circular) and confirm after making all reasonable enquiries that, to the best of their knowledge and belief, this Circular (save for paragraph 4.2 of this Circular and the Appendices to this Circular) constitutes full and true disclosure of all material facts about the Proposed Transactions, the Company and its subsidiaries, and the Directors are not aware of any facts the omission of which would make any statement in this Circular misleading. Where information in this Circular has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of the Directors has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in this Circular in its proper form and context.

**15. CONSENT**

Tata Capital Markets Pte. Ltd., the IFA, has given and has not withdrawn its written consent to the issue of this Circular, together with the IFA Letter as set out in Appendix A, with the inclusion in this Circular of its name, the IFA Letter and all references thereto, in the form and context in which it appears in the Circular.

The Valuer has given and has not withdrawn its written consent to the issue of this Circular with the inclusion of its name, the Valuation Reports reproduced in Appendix B and all references thereto in the form and context in which it appears in this Circular and to act in such capacity in relation to this Circular.

**16. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents are available for inspection at the registered office of the Company at 7 Gul Avenue, Singapore 629651, during normal business hours on any weekday (public holidays excepted) from the date of this Circular up to and including the date of the EGM:

- (a) the Placement Agreement;
- (b) the SGXNET announcement made by the Company on 23 October 2017 relating to the Proposed Share Placement;
- (c) the IFA Letter;
- (d) the Valuation Reports;
- (e) the annual report of the Company for the financial year ended 31 March 2017;
- (f) the irrevocable undertakings given by KSI to the Investor and the Company respectively as mentioned in paragraphs 8 and 10.2 of this Circular;
- (g) the consent letters from the IFA and the Valuer as mentioned in paragraph 15 of this Circular; and
- (h) the Constitution of the Company.

Yours faithfully  
**Gaylin Holdings Limited**

For and on behalf of the Board of Directors  
**Desmond Teo Bee Chiong**  
Executive Director and Chief Executive Officer



**TATA CAPITAL MARKETS PTE LTD**

(Incorporated in the Republic of Singapore)  
(Company Registration Number: 200820715M)  
8 Shenton Way #19-01 AXA Tower  
Singapore 068811

14 February 2018

The Directors of Gaylin Holdings Limited

Mr Desmond Teo Bee Chiong (Executive Director and CEO)  
Mr Teo Bee Hoe (Executive Director and COO)  
Mr Ang Mong Seng (Independent Non-Executive Chairman)  
Mr Ng Sey Ming (Independent Non-Executive Director)  
Ms Lau Lee Hua (Independent Non-Executive Director)

Dear Sirs,

**LETTER TO THE DIRECTORS IN RELATION TO THE PROPOSED ALLOTMENT AND ISSUE OF 1,360,000,000 NEW ORDINARY SHARES IN THE CAPITAL OF GAYLIN HOLDINGS LIMITED AND THE PROPOSED WHITEWASH RESOLUTION**

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*Unless otherwise defined or the context otherwise requires, all terms defined in the circular dated 14 February 2018 (“Circular”) issued by Gaylin Holdings Limited (“Company”, and together with its subsidiaries, “Group”) to the shareholders of the Company (“Shareholders”) shall have the same meaning herein.*

**1. INTRODUCTION**

1.1 On 23 October 2017 (“**Announcement Date**”), the Company announced (“**Announcement**”) that it had, on the same date, entered into a conditional placement agreement (the “**Placement Agreement**”) with PeakBayou Ltd. (the “**Investor**”), pursuant to which the Investor has agreed to subscribe for, and the Company has agreed to allot and issue to the Investor, an aggregate of 1,360,000,000 new ordinary shares in the capital of the Company (each a “**Subscription Share**”) at an issue price of S\$0.05 for each Subscription Share (the “**Issue Price**”), amounting to an aggregate consideration of S\$68,000,000, on and subject to the terms and conditions of the Placement Agreement (the “**Proposed Share Placement**”).

The Proposed Share Placement will be undertaken by way of a private placement in accordance with Section 272B of the Securities and Futures Act, Chapter 289 of Singapore (“**SFA**”). As such, no prospectus or information statement will be lodged with the Monetary Authority of Singapore in connection with the issuance of the Subscription Shares.

As at the date of the Announcement, the Company had an issued capital of 438,000,000 ordinary shares (“**Shares**”). Accordingly, the Subscription Shares will represent approximately 310.50% of the existing issued and paid-up share capital of the Company and approximately 75.64% of the enlarged issued and paid-up share capital of the Company immediately after the completion of the Proposed Share Placement (“**Completion**”).

As a result of the Proposed Share Placement, the Investor will acquire more than 30% of the voting rights in the Company (and in this case, a percentage higher than 49% of the voting rights of the Company) pursuant to the allotment and issue of the Subscription Shares upon Completion and would be obliged to make a mandatory offer under Rule 14 of the Singapore Code on Take-overs and Mergers (the “**Code**”) for all the Shares in issue, unless the relevant



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waivers under the Code are obtained. Accordingly, the Investor had made an application to the Securities Industry Council (the “**SIC**”) for a waiver of the requirement under Rule 14 of the Code for the Investor to make a mandatory general offer under Rule 14 of the Code for all the issued Shares, as a result of the allotment and issue of the Subscription Shares to the Investor upon Completion (“**Whitewash Waiver**”).

On 15 December 2017, the Investor received the approval from the SIC for the Whitewash Waiver, which is subject to the satisfaction of certain conditions set out in Paragraph 3.3 of the Circular, including, *inter alia*, (i) a majority of holders of voting rights of the Company approve at a general meeting (“**EGM**”), before the issue of the Subscription Shares to the Investor, the proposed whitewash resolution (“**Proposed Whitewash Resolution**”) by way of a poll to waive their rights to receive a general offer from the Investor and parties acting in concert with it ; (ii) the Investor, parties acting in concert with it and parties not independent of it abstain from voting on the Proposed Whitewash Resolution; and (iii) the Company appoints an independent financial adviser (“**IFA**”) to advise its independent shareholders (“**Independent Shareholders**”) on the Proposed Whitewash Resolution.

- 1.2 As none of the directors of the Company (“**Directors**”) are related to the Investor, the entire board of Directors (“**Board**”), namely Mr Desmond Teo Bee Chiong, Mr Teo Bee Hoe, Mr Ang Mong Seng, Mr Ng Sey Ming and Ms Lau Lee Hua are deemed to be independent in respect of the Proposed Whitewash Resolution. Tata Capital Markets Pte. Ltd. (“**TCMPL**”) has been appointed by the Company as the IFA to advise the Directors in respect of the Proposed Whitewash Resolution. This letter (“**Letter**”) is addressed to the Directors and sets out, *inter alia*, our evaluation on the Proposed Share Placement and the Proposed Whitewash Resolution (collectively, the “**Proposed Transactions**”), and our recommendation on the Proposed Whitewash Resolution arising therefrom. This Letter forms part of the Circular to Shareholders which provides, *inter alia*, the details of the Proposed Share Placement and the Proposed Whitewash Resolution and the recommendation of the Directors.

## 2. TERMS OF REFERENCE

The purpose of this Letter is to provide an independent opinion on whether: (i) the terms of the Proposed Share Placement, being the transaction that is the subject of the Proposed Whitewash Resolution are fair and reasonable; and (ii) whether the Proposed Whitewash Resolution (in relation to the Proposed Share Placement) is prejudicial to the interests of the Independent Shareholders. We have prepared this Letter for the use of the Directors in connection with their consideration of the Proposed Whitewash Resolution.

We were neither a party to the negotiations entered into by the Company in relation to the Proposed Share Placement, nor were we involved in the deliberations leading up to the decision on the part of the Directors to undertake the Proposed Share Placement or to obtain the approval of the Independent Shareholders for the Proposed Whitewash Resolution. We are also not addressing the relative merits of the Proposed Share Placement as compared to any alternative transaction previously considered by the Company or that may otherwise become available to the Company in the future. Accordingly, we do not, by this Letter, warrant the merits of the Proposed Share Placement or the Proposed Whitewash Resolution and our terms of reference do not require us to evaluate or comment on the legal, strategic, commercial and financial merits and/or risks (if any) of the Proposed Share Placement or the Proposed Whitewash Resolution.

In the course of our evaluation, we have held discussions with the Board and the management of the Company (“**Management**”) and their professional advisers and have examined and relied to a considerable extent on publicly available information collated by us as well as information provided and representations made to us, both written and verbal, by the Directors, the Management and/or their professional advisers, including information contained in the Circular. We have not independently verified such information or representations, whether written or verbal, and accordingly cannot and do not make any representation or warranty, express or implied, in respect of, and do not accept any

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responsibility for the accuracy, completeness or adequacy of such information or representations. We have nevertheless made such reasonable enquiries and exercised our judgement as we deemed necessary or appropriate in assessing such information, and are not aware of any reason to doubt the accuracy or reliability of the information.

We have also relied upon the assurance of the Directors (including those who may have delegated detailed supervision of the Circular) that, after making all reasonable inquiries, to the best of their respective knowledge and belief, the Circular constitutes full and true disclosure of all material facts about the Proposed Transactions, the Company and its subsidiaries, and the Directors are not aware of any facts the omission of which would make any statement in the Circular misleading.

For the purposes of assessing the terms of the Proposed Share Placement and reaching our conclusions thereon, we have not relied upon any financial projections or forecasts in respect of the Company and/or the Group. We will not be required to express, and we do not express, any view on the growth prospects and earnings potential of the Company and/or the Group in connection with our opinion in this Letter.

We have not made any independent evaluation or appraisal of the assets or liabilities of the Company and/or the Group. As such, we have relied on the disclosures and representations made by the Company on the values of the assets and liabilities and profitability of the Group. With respect to such valuation assessments/reports, we are not experts in the evaluation or appraisal of the assets concerned and we have made reference to these valuation assessments/reports for such asset appraisals and have not made any independent verification of the contents thereof. Accordingly, no representation or warranty, express or implied, is made and no responsibility is accepted by us concerning the accuracy, completeness or adequacy of such information.

The information on which we relied was based upon market, economic, industry, monetary and other conditions prevailing as at 8 February 2018, being the latest practicable date prior to the printing of the Circular (the “**Latest Practicable Date**” or “**LPD**”), which may change significantly over a relatively short period of time. We assume no responsibility to update, revise or affirm our opinion in light of any subsequent development after the Latest Practicable Date that may affect our opinion contained herein. Independent Shareholders should further take note of any announcements relevant to their consideration of the Proposed Share Placement and the Proposed Whitewash Resolution which may be released by the Company after the Latest Practicable Date.

In rendering our opinion, we did not have regard to the specific investment objectives, financial situation, tax position, tax status, risk profiles or particular needs and constraints or circumstances of any individual Shareholder. As each Shareholder would have different investment objectives and profiles, we recommend that any individual Shareholder who may require specific advice in the context of his specific investment objectives or portfolio should consult his legal, financial, tax or other professional adviser.

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

**Our opinion in relation to the Proposed Share Placement and the Proposed Whitewash Resolution should be considered in the context of the entirety of this Letter and the Circular.**

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### 3. INFORMATION ON THE COMPANY AND THE GROUP

#### 3.1 Overview

The Company was incorporated in Singapore on 25 February 2010 and listed on the Mainboard of the SGX-ST on 25 October 2012. It is a multi-disciplinary specialist provider of rigging and lifting solutions to the global offshore oil and gas (“O&G”) industry and also provides a wide range of engineering services to its customers who require customisation or manufacturing of products specific to their requirements. The Company is now supported by approximately 400 employees and has a market presence in ten (10) countries.

As at the Latest Practicable Date, the Company had an issued and paid up share capital comprising 438,000,000 Shares (excluding treasury shares). Based on the last transacted Share price of S\$0.09 and the outstanding Shares, as at the Latest Practicable Date, the market capitalization of the Company was approximately S\$39.4 million.

#### 3.2 Key financial information of the Group

A summary of the audited financial performance of the Group for the last two (2) financial years ended 31 March (“FY”) 2016 and 2017; and the unaudited financial performance for the Group for the latest six months ended 30 September 2017 (“1HFY2018”) and the corresponding prior year period (“1HFY2017”) are set out below. The following summary financial information should be read in conjunction with the full text of the Company’s annual report for FY2017 and the respective results announcements in respect of the relevant financial periods including the notes/commentaries thereto.

##### Financial performance of the Group

	FY2016	FY2017	1HFY2017	1HFY2018
S\$ in millions	Audited	Audited	Unaudited	Unaudited
Revenue	93.9	79.7	39.0	37.5
Gross profit	21.8	11.0	8.2	6.5
Profit/(loss) attributable to Shareholders	1.3	(11.4)	(3.1)	(4.5)
Total comprehensive profit/(loss) attributable to Shareholders	1.3	(10.8)	(2.9)	(5.0)
Gross profit margin	23.2%	13.9%	21.1%	17.3%
Net profit/(loss) attributable to Shareholders margin	1.3%	(14.3)%	(7.9)%	(12.1)%
Total comprehensive profit/(loss) attributable to Shareholders margin	1.4%	(13.6)%	(7.5)%	(13.3)%

Sources: Company’s annual report for FY2017 and unaudited financial results announcement for 1HFY2018.

##### Review of operating results

###### FY2017 vs FY2016

The Group recorded revenue of approximately S\$79.7 million in FY2017, representing a decline of approximately S\$14.2 million (or 15.2%) from approximately S\$93.9 million in FY2016, mainly due to continued weakness in the O&G industry. Revenue generated by the rigging and lifting segment decreased to approximately S\$65.5 million from approximately S\$79.5 million, and revenue generated by the ship chandling segment decreased slightly to approximately S\$14.2 million from approximately S\$14.4 million.

Gross profit of the Group of approximately S\$11.0 million in FY2017 represented a decline of 49.4% from approximately S\$21.8 million in FY2016, primarily due to lower sales volumes, tighter product margins and a write-down of inventory amounting to approximately S\$2.3 million to bring carrying values down to net realizable values in the fourth quarter of FY2017.

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The Group recorded approximately S\$0.7 million in other income in FY2017, compared to approximately S\$9.8 million in FY2016, mainly arising from a non-recurring change in fair value of contingent consideration of S\$9.2 million in the fourth quarter of FY2016 pursuant to the acquisition of Rig Marine Holdings FZE and its subsidiary corporations due to the failure to achieve profit targets. Distribution costs of approximately S\$4.6 million in FY2017 decreased slightly from approximately S\$5.0 million in FY2016 due to decreases in staff related expenses, freight expenses and other marketing related costs. Administrative expenses decreased to approximately S\$13.9 million in FY2017 from approximately S\$16.7 million in FY2016 through cost control measures. Other operating expenses of approximately S\$2.1 million in FY2017 decreased from approximately S\$5.9 million in FY2016 due to, *inter alia*, (i) the absence of a non-recurring impairment charge to goodwill amounting to approximately S\$2.2 million in FY2016; (ii) a foreign exchange gain of approximately S\$0.3 million in FY2017 compared to a foreign exchange loss of approximately S\$1.8 million in FY2016; and (iii) a gain on disposal of property, plant and equipment in FY2017 of approximately S\$0.2 million compared to a loss on disposal of property, plant and equipment in FY2016 of approximately S\$0.3 million; which were partially offset by (iv) a S\$0.5 million increase in allowance for doubtful trade receivables in FY2017. Interest expenses did not vary significantly in FY2017 from FY2016.

As a result of the abovementioned, losses attributable to Shareholders amounted to approximately S\$11.4 million in FY2017, compared to a profit attributable to Shareholders of approximately S\$1.3 million in FY2016.

### 1HFY2018 vs 1HFY2017

The Group recorded revenue of approximately S\$37.5 million in 1HFY2018, which represented a decrease of approximately S\$1.5 million (or 3.8%) from approximately S\$39.0 million in 1HFY2017. This was mainly due to a decline of approximately S\$2.3 million in the rigging and lifting business segment due to continued weakness in the O&G industry, which was partially offset by an increase of approximately S\$0.8 million in the ship chandling segment.

Gross profit decreased to approximately S\$6.5 million in 1HFY2018 from approximately S\$8.2 million in 1HFY2017, amounting to a decline of approximately S\$1.7 million (or 21.1%) due to tighter product margins.

Other income decreased by approximately S\$0.2 million to approximately S\$0.1 million in 1HFY2018 mainly due to a foreign exchange loss of S\$0.7 million compared to a foreign exchange gain of S\$0.3 million in 1HFY2017. Distribution costs of approximately S\$2.3 million in 1HFY2018 did not vary significantly from the prior corresponding period. Administrative expenses of approximately S\$6.6 million in 1HFY2018 decreased by approximately S\$0.5 million from 1HFY2017 due to the Group's cost control measures, and other operating expenses of approximately S\$0.8 million in 1HFY2018 remained fairly consistent with 1HFY2017. Interest expenses decreased by approximately S\$0.1 million in 1HFY2018 to approximately S\$1.3 million, due to a reduction in the Company's bank borrowings.

As a result of the above, losses attributable to Shareholders increased to approximately S\$4.5 million in 1HFY2018 from approximately S\$3.1 million in 1HFY2017.

### Financial position of the Group

A summary of the unaudited financial position of the Group as at 30 September 2017 is set out as follows:

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	<b>30 Sep-17</b>
<b>S\$ in millions</b>	<b>Unaudited</b>
Inventories	121.3
Property, plant & equipment	34.3
Trade receivables	15.7

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Other assets	6.9
Total assets	178.2
Bank borrowings	(73.5)
Trade payables	(7.1)
Other payables	(7.2)
Other liabilities	(1.5)
Total liabilities	(89.2)
<b>Net assets</b>	<b>89.0</b>
Share capital	50.6
Retained earnings	37.3
Translation reserve	1.0
Equity attributable to Shareholders	88.9
Non-controlling interests	0.1
<b>Total equity</b>	<b>89.0</b>
Number of Shares (millions)	438
NAV attributable to Shareholders per Share (cents)	20.30

**Notes:**

(1) Any discrepancy between the figures set out above and the arithmetic aggregation thereof is due to rounding.

Source: Company's unaudited financial results announcement for 1HFY2018.

**Major assets and liabilities**

As at 30 September 2017, the assets of the Group totaling approximately S\$178.2 million comprised mainly: (i) inventories of S\$121.3 million; (ii) property, plant and equipment of S\$34.3 million; and (iii) trade receivables of S\$15.7 million, representing 68.0%, 19.3% and 8.8% of the Group's total assets respectively.

As at 30 September 2017, the liabilities of the Group totaling approximately S\$89.2 million comprised mainly: (i) bank borrowings of S\$73.5 million; (ii) trade payables of S\$7.1 million; and (iii) other payables of S\$7.2 million, representing 82.3%, 7.9% and 8.1% of the Group's total liabilities respectively.

In respect of the financial position of the Group, we also note from the Independent Auditors' Report for FY2017 that the auditors have highlighted that "excluding its inventories, the Group is in a net current liability position of \$66,363,156 as at 31 March 2017" and that "given that the saleability of inventories is dependent on external factors such as, the market environment and customer demands, there is uncertainty on the actual realization of these inventories within the next 12 months to fulfil the Group's upcoming debt obligations". In this regard, excluding its inventories, the Group would have been in a net current liability position of approximately \$40.3 million as at 30 September 2017.

#### 4. SALIENT TERMS OF THE PROPOSED SHARE PLACEMENT

The detailed terms of the Proposed Share Placement have been set out in Paragraph 2 of the Circular. A summary of the salient terms is set out below for your reference:

##### 4.1 Placement Agreement

The Placement Agreement, entered into between the Company and the Investor, relates to the issue of 1,360,000,000 Subscription Shares at the Issue Price of S\$0.05 for each Subscription Share for a total consideration of S\$68,000,000.

No introducer fee, commission, fee or other selling or promotional expense is payable or incurred by the Company in connection with the Proposed Share Placement, other than those incurred for administrative or professional service.

##### 4.2 Issue Price

The Issue Price of S\$0.05 represents a discount of approximately 49.14% to the volume weighted average price (“VWAP”) of S\$0.0983 for trades done on the Shares on the SGX-ST on 13 October 2017, being the last full market day on which the Shares were traded (“**Last Traded Day**”) prior to the date of the Placement Agreement. The discount of the Issue Price to the VWAP for trades done on the Shares on the SGX-ST on the Last Traded Day and the aggregate consideration of S\$68,000,000 for the Subscription Shares were negotiated between the Company and the Investor after taking into account the current financial condition of the Group, the continued challenging environment for the O&G industry and the rationale for the Proposed Share Placement as set out in Paragraph 2.9 of the Circular.

##### 4.3 Subscription Shares

The Subscription Shares, when allotted and issued, will rank *pari passu* with, and shall carry all rights similar to, the existing Shares, including without limitation, any dividend, right, allotment or other distributions, the record date for which falls on or after Completion.

##### 4.4 Conditions precedent

Completion of the Proposed Share Placement is conditional upon, *inter alia*, the following conditions precedent:

- (a) the Investor (at its own cost) having undertaken and completed its due diligence investigations (including operational, financial and legal matters) in relation to the Company and the Group, and the results of such due diligence investigations being satisfactory to the Investor in its sole and absolute discretion;
- (b) the approval by the Shareholders for the Proposed Share Placement and of the Placement Agreement (and the transactions and matters contemplated thereunder, including the issue and allotment of the Subscription Shares);
- (c) the SIC’s waiver of the obligations of the Investor and its concert parties (and such waiver not having been revoked or repealed) to make a mandatory general offer for the Company under Rule 14, subject to (i) any conditions that the SIC may impose, provided that such conditions are reasonably acceptable to the Investor and its concert parties; and (ii) the Independent Shareholders approving the Proposed Whitewash Resolution;
- (d) the approval by all regulatory authorities for the Proposed Share Placement (including the SGX-ST); and where such approval is subject to conditions, such conditions being satisfactory to the Investor in its sole and absolute discretion;

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- (e) there being no material adverse change (as reasonably determined by the Investor in good faith) in the business, operations, properties, prospects or financial condition of the Group as a whole; and
- (f) the appointment of such persons as may be nominated by the Investor in its sole and absolute discretion onto the board of directors of the Company, such appointments taking effect upon Completion.

The detailed conditions precedent to the Completion are set out in Paragraph 2.6 of the Circular.

If any of the conditions is not fulfilled (or waived in accordance with the Placement Agreement) within six (6) months from the date of the Placement Agreement (“**Long Stop Date**”), then the Investor shall not be bound to proceed with the subscription of the Subscription Shares.

The Company had, on 2 February 2018 received the approval in-principle from the SGX-ST for the listing of and quotation for the Subscription Shares on the Official List of the Mainboard of the SGX-ST (“**Listing Approval**”), subject to certain conditions as set out in Paragraph 2.8 of the Circular. The Listing Approval is not to be taken as an indication of the merits of the Proposed Transactions, the Subscription Shares, the Company, and/or its subsidiaries.

### 4.5 Completion

Pursuant to the Placement Agreement, the Completion of the Proposed Share Placement is to take place on the date which is ten (10) business days after the last of all the conditions precedent of the Placement Agreement have been satisfied (or waived in accordance with the Placement Agreement), provided that the date for Completion shall not be later than 14 days after the date of the EGM, or at such other date as may be agreed in writing between the Company and the Investor.

## 5. THE PROPOSED WHITEWASH RESOLUTION

Pursuant to the Placement Agreement, the Investor will subscribe for 1,360,000,000 Subscription Shares, which represents approximately 310.50% of the total number of existing issued Shares and will represent approximately 75.64% of the enlarged issued and paid up share capital of 1,798,000,000 Shares immediately after Completion (assuming that no further Shares are issued on or prior to Completion). Accordingly, the Investor will acquire more than 30% of the voting rights in the Company following Completion and would incur an obligation to make a mandatory general offer under Rule 14 of the Code, unless the relevant waivers under the Code are obtained.

In this regard, the SIC had, on 15 December 2017, granted the Whitewash Waiver to the Investor, subject to the satisfaction of the following conditions:

- (a) a majority of holders of voting rights of the Company approve at a general meeting, before the issue of the Subscription Shares to the Investor, the Proposed Whitewash Resolution;
- (b) the Proposed Whitewash Resolution is separate from other resolutions;
- (c) the Investor, parties acting in concert with it and parties not independent of it abstain from voting on the Proposed Whitewash Resolution;
- (d) the Investor and its concert parties did not acquire or are not to acquire any shares or instruments convertible into and options in respect of shares in the Company (other than subscriptions for, rights to subscribe for, instruments convertible into or options in respect of new shares in the Company which have been disclosed in the Circular);

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- (i) during the period between the announcement of the Proposed Share Placement and the date shareholders' approval is obtained for the Proposed Whitewash Resolution; and
  - (ii) in the six (6) months prior to the announcement of the Proposed Share Placement but subsequent to negotiations, discussions or the reaching of understandings or agreements with the directors of the Company in relation to the Proposed Share Placement;
- (e) the Company appoints an independent financial adviser to advise its independent shareholders on the Proposed Whitewash Resolution;
- (f) the Company sets out clearly in the Circular:
- (i) details of the Proposed Share Placement, including the issue of the Subscription Shares;
  - (ii) the dilution effect of the issue of the Subscription Shares to existing holders of voting rights;
  - (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 in the Company held by the Investor and its concert parties at the Latest Practicable Date;
  - (iv) the number and percentage of voting rights to be issued to the Investor and its concert parties upon the completion of the Proposed Share Placement;
  - (v) specific and prominent reference to the fact the issue of Subscription Shares to the Investor pursuant to the terms of the Placement Agreement would result in the Investor holding shares carrying over 49% of the voting rights of the Company based on its enlarged issued share capital, and the fact that the Investor will as a result be free to acquire further Shares without incurring any obligation under Rule 14 to make a general offer;
  - (vi) specific and prominent reference to the fact that shareholders, by voting for the Proposed Whitewash Resolution, are waiving their rights to a general offer from the Investor at the highest price paid by the Investor and parties acting in concert with it for the shares in the Company in the past 6 months preceding the commencement of the offer;
- (g) the Circular states that the waiver granted by SIC to the Investor from the requirement to make a general offer under Rule 14 is subject to the conditions stated at paragraphs (a) to (f) above;
- (h) the Company obtains SIC's approval in advance for those parts of the Circular that refer to the Proposed Whitewash Resolution; and
- (i) to rely on the Proposed Whitewash Resolution, the issue of the Subscription Shares to the Investor pursuant to the Proposed Share Placement must be completed within 3 months of the approval of the Proposed Whitewash Resolution.

As at the Latest Practicable Date, save for the conditions set out in paragraphs (a) and (i) above, all the other conditions imposed by the SIC set out above have been satisfied.

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



The Directors should advise the Independent Shareholders that:

- (a) by voting in favour of the Proposed Whitewash Resolution, they will be waiving their rights to a general offer from the Investor at the highest price per Share paid by the Investor and parties acting in concert with it for the Shares in the Company in the past six (6) months preceding the commencement of the offer;
- (b) the issue of the Subscription Shares to the Investor pursuant to the terms of the Placement Agreement would result in the Investor holding Shares carrying over 49% of the voting rights of the Company based on its enlarged issued share capital, and the Investor will as a result be free to acquire further Shares without incurring any obligation under Rule 14 of the Code to make a general offer; and
- (c) the Proposed Share Placement is conditional upon (among other things) the Independent Shareholders voting in favour of the Proposed Whitewash Resolution. In the event that the Proposed Whitewash Resolution is not passed by the Independent Shareholders, the Proposed Share Placement will not take place.

## 6. EVALUATION OF THE PROPOSED SHARE PLACEMENT AND THE PROPOSED WHITEWASH RESOLUTION

In the course of our evaluation of the Proposed Share Placement and the Proposed Whitewash Resolution, we have given due consideration to, *inter alia*, the following key factors:

- (a) Rationale for the Proposed Share Placement and the intended use of proceeds;
- (b) Assessment of the terms of the Proposed Share Placement;
- (c) Dilution impact of the Proposed Share Placement on the Independent Shareholders; and
- (d) Other relevant considerations which may have a significant bearing on our assessment of the Proposed Share Placement and Proposed Whitewash Resolution.

### 6.1 Rationale for the Proposed Share Placement and the intended use of proceeds

We have considered the rationale by the Company for undertaking the Proposed Share Placement as set out in Paragraph 2.9 of the Circular as well as the stated use of proceeds as set out in Paragraph 2.10 of the Circular and we have set them out in italics below for your easy reference:

#### **“2.9 Rationale for the Proposed Share Placement**

*Due to the fall in oil prices which reduced the level of activities in the exploration, development and production of O&G in the global offshore O&G industry, this has in turn led to a contraction in overall business activity for the Group because of depressed demand from customers for its inventory. Together with the depressed selling prices due to strong competitive pressure within the industry, these factors have adversely affected the Group’s revenue. As a result, the Group had either experienced net losses or had broken even since the first quarter of 2015. The Group had experienced net loss of S\$11.4 million for the financial year ended 31 March 2017. As at 31 March 2017, the cash and cash equivalents of the Group was S\$6,601,759. The Group had continued to register a net loss position and as at 30 September 2017, the net loss of the Group for the 6 months ended 30 September 2017 was S\$4.556 million and the cash and cash equivalents was S\$2.76 million. Due to the continued weakness of the O&G industry, the Group had registered a revenue decline for the period ended 30 September 2017, of 3.8% to S\$37.5 million*

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and net loss attributable to shareholders of S\$4.5 million, compared to S\$39.0 million and S\$3.1 million respectively for the same period a year ago.

The Group has also experienced difficulties in meeting its immediate payment obligations since January 2017. As at 30 September 2017, the Group had total current liabilities amounting to approximately S\$60.415 million, out of which, its outstanding immediate payment obligations amounted to approximately S\$11 million.

While the O&G industry has shown some signs of rebalancing, the market conditions remain challenging.

In view of the above, the Proposed Share Placement is being undertaken in order to strengthen the Group's cash position and the Company's capital base. It will also improve the Group's balance sheet and place the Group in a better position to meet the continued challenging environment for the O&G industry players ahead and provide an opportunity for Shareholders to benefit from the potential rehabilitation of the Group. The Company therefore entered into the Placement Agreement with the Investor in order to improve the Company's gearing ratio and to obtain additional cash in order to meet its working capital needs.

The Company has explored fund-raising alternatives to the Proposed Share Placement, such as securing additional bank loans and raising funds from the Company's existing Shareholders by way of a rights issue, but faced difficulties with materialising these alternatives.

The Directors are of the opinion that it is critical for the Group to complete the Proposed Share Placement to ensure that the Group has sufficient working capital to meet its present requirements.

The Directors are of the opinion that, upon Completion, after taking into consideration the present bank facilities and the net proceeds of approximately S\$67.8 million (after deducting expenses of approximately S\$200,000) ("**Net Proceeds**") from the Proposed Share Placement, the Group would have sufficient funds to meet its present requirements.

### **2.10 Use of Proceeds**

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

- (a) 30% of the Net Proceeds for strengthening the financial position of the Group by enlarging the Company's working capital and capital base, for the purposes of financing (i) the purchase of new equipment, (ii) the recruitment and retention of new sales and engineering staff to bring in new sales and to provide technical know-how and services and/or create value-added products needed for the new sales respectively, in order to reduce inventory, (iii) upgrades and resizing of the Group's existing facilities and/or offices in order to tailor to future business needs, and (iv) the procurement of additional SAP modules to enhance corporate management and accounting controls; and
- (b) 70% of the Net Proceeds for growing the existing business of the Group, including to (i) invest in marketing programs to enhance the Group's brand image in the marketplace and better position the Group for future business opportunities, (ii) pursue potential strategic growth opportunities (including alliances, mergers and acquisitions, joint ventures and investments as and when they may arise) and (iii) participate in tender bids with customers in the O&G and marine sectors.

Pending the deployment of the Net Proceeds from the Proposed Share Placement, such proceeds may be deposited with banks and/or financial institutions, invested in short-term money market instruments or debt instruments or used for any other purposes on a short-term basis as the Directors may deem fit from time to time.

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*The Company will make periodic announcements on the utilisation of the Net Proceeds from the Proposed Share Placement 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. Where there is any material deviation from the stated use of the Net Proceeds, the Company will announce the reasons for such deviation. Where the Net Proceeds have been used for working capital purposes, the Company will provide a breakdown with specific details on how the proceeds have been applied in the announcements and status report. The Company will also provide a status report on the use of such proceeds in the Company's annual report."*

### 6.2 Assessment of the terms of the Proposed Share Placement

As stated in the Announcement, the Issue Price of S\$0.05 represents a discount of approximately 49.14% to the VWAP of S\$0.0983 for trades done on the Shares on the SGX-ST on 13 October 2017, being the Last Traded Day prior to the date of the Placement Agreement.

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

- Historical trading performance of the Shares;
- Financial assessment of the Issue Price vis-à-vis comparable companies of the Group; and
- Financial assessment of the Issue Price vis-à-vis comparable completed placement transactions involving whitewash resolutions.

#### 6.2.1 Historical trading performance of the Shares

We set out below a historical chart on the closing prices and trading volumes of the Shares from 24 October 2016, being the 12-months period prior to the Announcement Date, to the Latest Practicable Date.



We have also tabulated below the respective VWAP of the Shares, the highest and lowest transacted prices for the Shares and the average number of Shares traded on a daily basis for the period commencing from 24 October 2016 and ending on the Latest Practicable Date (“**Period Under Review**”).

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	VWAP <sup>(1)</sup> (S\$)	Premium/(Discount) of Issue Price over/to VWAP (%)	Highest transacted price (S\$)	Lowest transacted price (S\$)	Average daily trading volume <sup>(2)</sup> (‘000)	Average daily trading volume as a % of free float <sup>(3)</sup> (%)
<b>For the period prior to the Announcement Date</b>						
12-month	0.0986	(49.29)%	0.150	0.037	5.1	0.003%
6-month	0.0711	(29.64)%	0.120	0.037	3.8	0.003%
3-month	0.0945	(47.11)%	0.110	0.080	1.0	0.001%
1-month	0.0983	(49.15)%	0.100	0.095	2.3	0.002%
On 13 October 2017, being the Last Traded Day prior to the Announcement Date	0.0983	(49.14)%	0.100	0.095	45	0.031%
<b>For the period after the Announcement Date and up to the Latest Practicable Date</b>						
Between the Announcement Date and up to the Latest Practicable Date	0.1038	(51.83)%	0.150	0.085	2.8	0.002%
As at the Latest Practicable Date <sup>(4)</sup>	0.0900	(44.44)%	0.090	0.090	80.0	0.054%

**Notes:**

- (1) The VWAP has been weighted based on the average traded price of the Shares and traded volume for the relevant trading days for each period.
- (2) The average daily trading volume of the Shares is calculated based on the total volume of Shares traded during the period divided by the number of market days during that period.
- (3) Free float refers to approximately 146,038,000 Shares or approximately 33.34% of the issued share capital of the Company held by the public (as defined in the Listing Manual) as disclosed in the Company's annual report for FY2017.
- (4) Refers to VWAP of trades transacted on 5 February 2018, being the last market day on which the Shares were traded as at the Latest Practicable Date.

*Source: Bloomberg L.P. and the Company's annual report*

Based on the above, we observe that:

- (a) The Issue Price represents a discount of 47.37% and 49.14% to the last traded price of S\$0.095 and VWAP of the Shares of S\$0.0983 respectively, on 13 October 2017, being the Last Traded Day prior to the date of the Placement Agreement;
- (b) The Issue Price represents a discount of 49.15%, 47.11%, 29.64% and 49.29% to the VWAP of the Shares for the 1-month, 3-months, 6-months and 12-months period prior to the Announcement Date respectively;
- (c) The Issue Price represents a discount of 51.83% to the VWAP of the Shares for the period between the market day immediately after the Announcement Date and up to the Latest Practicable Date;
- (d) As at the Latest Practicable Date, the Issue Price represents a discount of 44.44% to the VWAP of the Shares on 5 February 2018, being the last market day on which the Shares were traded, of S\$0.0900;
- (e) During the period from 24 October 2016 up to the Announcement Date, the Shares were only traded on 32 market days out of a total of 251 market days. The total number of Shares traded during this period was approximately 1,277,200 Shares with an

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average daily trading volume of 5,088 Shares, representing 0.003% of the free float; and

- (f) During the period after the Announcement Date and up to the Latest Practicable Date, the Shares were traded on 7 market days out of a total of 81 market days. The total number of Shares traded during this period was 227,300 Shares with an average daily trading volume of 2,806 Shares, representing 0.002% of the free float.

We note that the trading for the Shares is erratic and that the trading liquidity of the Shares during the Period Under Review is relatively low as compared to the free float of the Company. It is generally accepted that the more actively traded the Shares, the greater reliance on market prices as a determination of the fair value of the Shares between willing buyers and willing sellers.

**We wish to highlight that the past trading performance of the Shares may not be relied upon as an indication or promise of its future trading performance.**

### 6.2.2 Financial assessment of the Issue Price vis-à-vis comparable companies of the Company

For the purpose of our evaluation of the Proposed Share Placement, we have considered the various valuation ratios of the Company implied by the Issue Price with those of selected public companies listed on the SGX-ST, which are primarily engaged in a similar line of business as those of the Group (“Comparable Companies”).

The following is the list of the Comparable Companies, together with a brief description of their principal activities, which are considered to be broadly comparable to the Group:

Comparable Companies	Country of listing	Description	Latest financial year ended	Net income (\$\$ in millions)
KTL Global Ltd	Singapore	KTL Global Limited supplies rigging equipment and related services to the offshore oil and gas, marine and construction industries. The Company manufactures rope products, slings, grommets and other lifting equipment.	Jun 2017	(29.6)
Teho International Inc Ltd	Singapore	Teho International Inc Ltd is a global, diversified holding company with businesses in the marine, offshore oil and gas, and real estate industries. The Company offers a comprehensive range of equipment and supplies in rigging and mooring, engineering, and water treatment. Teho International Inc also engages in property development, services, and investment in the real estate industry.	Jun 2017	(9.8)

Source: Bloomberg L.P.

We recognise however, that there may not be any listed company which may be considered to be directly comparable to the Company in terms of, *inter alia*, market capitalisation, geographical markets, range/types of products, composition and scale of business activities, risk profile, asset base, track record, future prospects, competitive and regulatory environment, financial positions and other relevant criteria. In addition, comparisons between the Company and the Comparable Companies may be affected by differences in their respective accounting policies and our analysis has not attempted to adjust for such differences. Accordingly, the Directors should take note that any comparison made with respect to the Comparable Companies are merely for illustration purposes and when considering the conclusion drawn from any comparisons herein, the Directors should bear in mind the inherent limitations highlighted above.

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For the purpose of our evaluation and for illustration, we have considered, on a historical basis, the following valuation parameters:

- (a) Historical earnings comparison; and
- (b) NAV comparison.

We have calculated the valuation ratios for the Company using the Issue Price and the unaudited consolidated financial information of the Company for the six-month financial period ended 30 September 2017. The statistics for the Comparable Companies are based on their closing prices as at the Latest Practicable Date and their latest publicly available financial results.

### Historical earnings comparison

As the Group incurred a net loss after taxation in FY2017 and in the trailing twelve months period of approximately S\$11.4 million and S\$12.8 million respectively, it will not be meaningful to compare the price-earnings ratio for the Group with the corresponding price-earnings ratios of the Comparable Companies.

### NAV comparison

Below is a table setting out the relevant premium or discount to the NAV per share of the Comparable Companies, based on their closing prices on the SGX-ST as at the Latest Practicable Date and their latest publicly available NAVs:

Comparable Companies	Share price as at LPD (cents)	NAV per share (cents)	Premium/(discount) to NAV per share (%)
KTL Global Ltd	2.8	(1.74)	Not meaningful <sup>(1)</sup>
Teho International Inc Ltd	5.50	13.20	(58.3)%
<b>The Company (as implied by Issue Price)</b>		<b>20.30</b>	<b>(75.4)%</b>

Source: Bloomberg L.P. and SGXNET filings

#### Notes:

- (1) Not meaningful as the latest NAV per share was negative.

From the table above, we note that:

- (a) the Issue Price represents a discount of approximately 75.4% to the Group's latest NAV per Share of approximately S\$0.203 as at 30 September 2017; and
- (b) the discount to NAV per Share implied by the Issue Price is less favourable when compared to the premium/discount to NAV implied by the respective share prices of the Comparable Companies.

In our evaluation of the Issue Price relative to the Group's NAV per Share, we have also considered whether there are any assets of the Group which may have a fair value that is materially different from that which is recorded in the unaudited balance sheet of the Group as at 30 September 2017 and which may have a material impact on the Group's NAV on a revalued basis. In this regard, we note the following:

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- (a) As confirmed by the Company, inventories, which accounted for approximately 68.0% of the Group's total assets as at 30 September 2017, are stated on the Group's consolidated accounts at the lower of cost and net realisable value<sup>1</sup> ("**NRV**") in accordance with the Financial Reporting Standards in Singapore. As stated in the Company's annual report for FY2017, Management had engaged an independent valuation specialist to perform a valuation of the inventories as at 31 January 2017 held by certain subsidiary corporations, representing 86% of the Group's inventories as at 31 March 2017. If these inventories were stated at NRV instead, the values of these inventories would have been higher by approximately S\$8.73 million (i.e. 7.7% higher or S\$0.02 higher on a per Share basis); and
- (b) As at 30 September 2017, the Group had land and buildings with an aggregate net book value of approximately S\$15.8 million. The Company has commissioned United Valuers Pte Ltd to provide the current open market value of its properties at: (i) 7 Gul Avenue, Singapore 629651; and (ii) 17 Joo Koon Way, Singapore 628948 (the "**Appraised Properties**"). Based on the valuation reports on the Appraised Properties dated 14 November 2017 ("**Valuation Date**"), the current open market values of the Appraised Properties as at the Valuation Date amounts to approximately S\$20.0 million in aggregate, which is approximately S\$17.4 million higher than their aggregate net book value as at 30 September 2017 (i.e. approximately 6.8 times higher or S\$0.04 higher on a per Share basis).

Taking into account the NRV of the inventories and the valuation of the Appraised Properties as set out above, the Group's revalued NAV ("**RNAV**") per Share as at 30 September 2017 would have been S\$0.263 and the discount of the Issue Price to the RNAV per Share would have been approximately 81.0%. The NAV based approach of valuation is meaningful insofar as it shows the extent to which the value of each Share is backed by both tangible and intangible assets and provides an estimate of the value of a hypothetical sale of all of its assets over a reasonable period of time and in an orderly manner. In this regard, the Directors have confirmed that as at the Latest Practicable Date, save as disclosed in the Circular and in the latest announced unaudited financial statements of the Group, there were no material contingent liabilities or post balance sheet events, bad or doubtful debts or unrecorded assets or liabilities which could have a material impact on the NAV of the Group as at 30 September 2017. In addition, the Directors are of the opinion that to the best of their knowledge and belief, there are no material differences between the realisable values of the Group's assets (other than those for which valuation reports had been commissioned, if any) and their respective book values as at 30 September 2017 which are likely to have a material impact on the NAV of the Group.

Shareholders should note that the above analysis on the Group's NAV is meant as an illustration and does not necessarily reflect the value of the Group as a going concern and that there is no assurance that the assets of the Group may actually be realised or disposed of at such values. In addition, Shareholders should also consider the discount implied by the Issue Price to the Group's NAV per Share in conjunction with the fact that the Group had made significant losses attributable to Shareholders amounting to approximately S\$11.4 million in FY2017 and continued to register losses attributable to Shareholders of approximately S\$4.5 million in 1HFY2018, and take note of the key audit matters highlighted by the auditors in the Independent Auditors' Report for FY2017, in particular those relating to the Group's working capital position and its ability to continue as a going concern. On 29 January 2018, the Company announced that following a preliminary review of the unaudited financial results of the Group for the third quarter ended 31 December 2017 ("**3Q FY2018**"), the Group is expected to record a net loss for 3Q FY2018 due to the continued challenging environment for the oil and gas industry players.

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<sup>1</sup> Net realizable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

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### 6.2.3 Financial assessment of the Issue Price vis-à-vis comparable completed placement transactions involving whitewash resolutions

In reviewing the reasonableness of the Issue Price, we have also reviewed the announcements made and/or circulars issued by selected companies (“**Selected Whitewash Companies**”) pertaining to share placements involving whitewash resolutions on the SGX-ST website during the 24-month period prior to the Announcement Date for comparison. We have excluded companies under judicial management and instances of whitewash resolutions which resulted from companies issuing shares on a pro rata basis to all shareholders of a company i.e. a rights issue.

We wish to highlight that the circumstances of the Proposed Share Placement are unique and different from the other share placements of the Selected Whitewash Companies (the “**Precedent Comparable Transactions**”) for reasons such as, *inter alia*, size of consideration, differing corporate objectives, business activities and profile of the strategic investor(s). Accordingly, each of the Precedent Comparable Transactions must be judged on its own commercial and financial merits and any comparison merely serves as an illustrative guide only. Further, it should be noted that the list of Precedent Comparable Transactions is by no means exhaustive and information relating to the said companies was compiled from publicly available information.

The table below summarises the premia/discounts represented by the issue prices to the last transacted prices of the shares prior to the announcement of the respective Precedent Comparable Transactions:

Announcement date	Selected Whitewash Companies	Issue price (S\$)	Premium/(discount) of issue price over/(to) last transacted price prior to announcement	Issue price/ NAV per Share (times)
27 November 2015	Asiatravel.com Holdings Ltd	0.200	(15.2)%	2.86
21 December 2016	Jason Holdings Limited	0.0005	(99.2)%	0.04 <sup>(1)</sup>
3 January 2017	SunMoon Food Company Limited	0.045	(53.1)%	1.54
16 January 2017	SIIC Environment Holdings Ltd.	0.630	11.5%	1.15
<b>MEAN</b>			<b>(39.0)%</b>	<b>1.40</b>
<b>MEDIAN</b>			<b>(34.2)%</b>	<b>1.34</b>
<b>MAXIMUM</b>			<b>11.5%</b>	<b>2.86</b>
<b>MINIMUM</b>			<b>(99.2)%</b>	<b>0.04</b>
<b>The Company (as implied by Issue Price)</b>		<b>0.05</b>	<b>(47.4)%</b>	<b>0.25</b>

**Notes:**

- (1) This ratio was computed based on the group’s latest announced unaudited NAV as at the issuance of the circular to shareholders. It is noted though, that group was in a net liabilities position based on its latest available management accounts as at the issuance of the circular to shareholders.

We note that:

- (a) the Issue Price represents a discount of approximately 47.4% to the last traded price of S\$0.095 of the Shares on 13 October 2017, being the Last Traded Day prior to the Announcement Date, which is within the range of corresponding premium/discounts of the issue prices to the last transacted prices for the Selected Whitewash Companies, but the discount is higher than the mean and median discounts of the issue prices to



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the last transacted prices of approximately 39.0% and 34.2% respectively for the Selected Whitewash Companies; and

- (b) the ratio of the Issue Price to NAV per Share of 0.25 is within the range of the issue price to NAV per share ratios of the Precedent Comparable Transactions, but is less favourable when compared to all the Precedent Comparable Transactions (taking into consideration the net liabilities position of Jason Holdings Limited as mentioned in the footnote to the table above).

### 6.3 Dilution impact of the Proposed Share Placement on the Independent Shareholders

It is important to note that upon the completion of the Proposed Share Placement, the shareholdings of existing Shareholders will be diluted significantly. Details on the potential dilution are set out as follows:

	As at the Latest Practicable Date <sup>(1)</sup>				Immediately after the issue of Subscription Shares <sup>(2)</sup>			
	Number of Shares				Number of Shares			
	Direct Interest	Deemed Interest	Total Interest	% <sup>(1)</sup>	Direct Interest	Deemed Interest	Total Interest	% <sup>(2)</sup>
<b>Directors</b>								
Ang Mong Seng	-	-	-	-	-	-	-	-
Teo Bee Chiong <sup>(3)</sup>	-	268,360,000	268,360,000	61.27	-	257,572,000	257,572,000	14.33
Teo Bee Hoe <sup>(3)</sup>	-	268,360,000	268,360,000	61.27	-	257,572,000	257,572,000	14.33
Lau Lee Hua	-	-	-	-	-	-	-	-
Ng Sey Ming	-	-	-	-	-	-	-	-
<b>Substantial Shareholders (other than Directors)</b>								
Keh Swee Investment Pte. Ltd. <sup>(4)</sup>	264,410,000	3,950,000	268,360,000	61.27	253,622,000 <sup>(5)</sup>	3,950,000	257,572,000	14.33
Teo Bee Yen <sup>(3)</sup>	-	268,360,000	268,360,000	61.27	-	257,572,000	257,572,000	14.33
Teo Bee Hua <sup>(3)</sup>	-	268,360,000	268,360,000	61.27	-	257,572,000	257,572,000	14.33
Khawaja Asif Rahman	17,000,000	6,602,000	23,602,000	5.39	17,000,000	6,602,000	23,602,000	1.31
Investor	-	-	-	-	1,360,000,000	-	1,360,000,000	75.64

**Notes:**

- (1) Based on 438,000,000 issued Shares as at the Latest Practicable Date.
- (2) Based on the enlarged issued share capital comprising 1,798,000,000 Shares immediately after Completion.
- (3) Each of Teo Bee Chiong, Teo Bee Hoe, Teo Bee Yen and Teo Bee Hua owns 1,000,001 ordinary shares representing 20.0% of the issued share capital of KSI and are deemed to be interested in all the Shares held by KSI.
- (4) 3,950,000 Shares are beneficially owned by KSI, and registered in the name of CIMB Securities (Singapore) Pte. Ltd.
- (5) It is a condition of the approval in-principle granted by the SGX-ST on 2 February 2018 in respect of the Proposed Share Placement that the Company complies with the public float requirement as set out under Rule 723 of the Listing Manual of the SGX-ST at the time of issue of the Subscription Shares. As announced by the Company on 7 February 2018, in order for the Company to fulfil the foregoing condition, it is proposed that KSI sells 10,788,000 Shares in the Company, representing approximately 0.6% of the enlarged issued share capital of the Company immediately following the Proposed Share Placement, prior to the completion of the Share Placement. Please refer to paragraph 10.2 of the Circular for further details in this regard.

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As stated in the Circular, the Investor and its concert parties do not hold, directly or indirectly, any Shares or any instruments convertible into, rights to subscribe for and options in respect of Shares as at the Latest Practicable Date. Based on the illustration above, we note that upon issuance of the Subscription Shares, the Investor's interest in the Company will be approximately 75.64% of the issued Shares in the enlarged share capital of the Company, and the existing Shareholders' interest will be diluted to approximately 24.36%.

The Directors and Independent Shareholders should note that approval of the Proposed Whitewash Resolution and the Completion of the Proposed Share Placement will result in a change of control (without a mandatory general offer) and the right of the Investor to nominate new directors onto the Board of the Company.

**Independent Shareholders should note that the Proposed Whitewash Resolution, if approved at the forthcoming EGM, will waive their right to receive a mandatory general offer for all the remaining Shares from the Investor and its concert parties at the highest price paid or agreed to be paid by them in the last six (6) months preceding the date of the Placement Agreement in accordance with Rule 14 of the Code.**

### **6.4 Other relevant considerations which may have a significant bearing on our assessment of the Proposed Share Placement and Proposed Whitewash Resolution**

#### **6.4.1 Deed of Undertaking by the controlling shareholder**

In connection with the Proposed Share Placement, Keh Swee Investment Pte. Ltd. ("**KSI**"), a controlling shareholder of the Company, has pursuant to a deed of undertaking dated 23 October 2017 in favour of the Investor irrevocably undertaken to the Investor, that it shall, *inter alia*, maintain its interest in not less than 268,360,000 Shares (representing 61.27% interest in the existing issued share capital of the Company) and not to dispose of, encumber or otherwise deal with the Shares controlled or held by it, until the issue of the Subscription Shares pursuant to the Proposed Share Placement (the "**Moratorium Undertaking**") and shall vote in favour of the resolutions to approve the Proposed Transactions proposed to be passed at the EGM, in respect of all the voting rights attached to the Shares that it controls or holds as at the date of the EGM.

In addition, KSI has pursuant to a deed of undertaking dated 23 October 2017 in favour of the Company irrevocably undertaken to the Company, that it shall take all action, procure or support any action to (a) restore the public float of the Company to the required 10% level under Rule 723 of the Listing Manual of the SGX-ST; and (b) ensure that the Company remains listed on the SGX-ST, in each case within a period of 3 months after completion of the Proposed Share Placement (or such longer period as the SGX-ST may agree), including without limitation selling any Shares held by it in the capital of the Company on the market. As it is a condition of the Listing Approval in respect of the Proposed Share Placement that the Company complies with the public free float requirement as set out under Rule 723 of the Listing Manual of the SGX-ST at the time of issue of the Subscription Shares, it is proposed that KSI sells 10,788,000 Shares, representing approximately 0.6% of the enlarged issued share capital of the Company, prior to the completion of the Share Placement. In this regard, the Investor has, on 7 February 2018, granted KSI a waiver from compliance with the Moratorium Undertaking solely for the purposes of facilitating the disposal or sale by KSI of 10,788,000 Shares in the Company, prior to the completion of the Proposed Share Placement. Accordingly, upon completion of the Proposed Share Placement and the foregoing disposal or sale, the percentage of the enlarged paid-up and issued share capital of the Company held in the hands of the public will be approximately 10.03%.

#### **6.4.2 Financial effects of the Proposed Share Placement**

The pro forma financial effects of the Proposed Share Placement on the issued and paid-up share capital, NTA and NTA per Share, losses and losses per Share ("**LPS**") and gearing of the Company are set out in Paragraph 5 of the Circular for illustrative purposes only and do

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not purport to be an indication or a projection of the results and financial position of the Company and the Group after the completion of the Proposed Share Placement. Shareholders are advised to read the relevant sections of the Circular carefully, including the assumptions set out therein.

In summary, we note the following:

- (a) NTA per Share as at 31 March 2017 would decrease from approximately 20.85 cents to approximately 8.85 cents;
- (b) LPS for FY2017 would decrease from approximately 2.59 cents to approximately 0.63 cents; and
- (c) the gearing ratio of the Group as at 31 March 2017 would be reduced significantly as a result of the Proposed Share Placement from approximately 0.8 times to approximately 0.5 times.

### 6.4.3 No funding alternatives to the Proposed Share Placement

We note that the Company will be able to raise net proceeds of approximately S\$67.8 million from the Proposed Share Placement and that the Directors are of the opinion that it is critical for the Group to complete the Proposed Share Placement to ensure that the Group has sufficient working capital to meet its present requirements. We understand from the Directors that they had considered other funding alternatives, including undertaking of rights issue and external borrowings from financial institutions, before deciding to proceed with the Proposed Share Placement, but faced difficulties with materializing these alternatives. The Directors have confirmed that whilst efforts have been made by the Directors and Management to source for alternative funding offers with better terms, as at the Latest Practicable Date, they are not aware of any alternative offers, which are comparable in nature, size and scope to the Proposed Share Placement and which will provide for the injection of cash proceeds of such quantum into the Group, allowing the Group to improve its working capital position and strengthen its capital base.

### 6.4.4 Low trading liquidity of the Shares

As mentioned in Paragraph 6.2.1 of this Letter, the trading liquidity of the Shares during the Period Under Review had been low relative to the free float of the Company. In this regard, we note that following the Completion of the Proposed Share Placement, the Company's share base and market capitalisation will increase substantially, which may potentially lead to an overall increase in investors' interest and trading liquidity of the Shares.

### 6.4.5 No Moratorium on the Subscription Shares

As there is no moratorium undertaking from the Investor in respect of the Subscription Shares, the Directors should note that the Investor will be able to, at its own discretion, dispose of the Subscription Shares subsequent to the allotment and issue of the Subscription Shares.

## 7. OUR OPINION

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

### In assessing the fairness of the terms of the Proposed Share Placement

- (a) In respect of the historical trading performance of the Shares, we note that Issue Price represents a discount of 49.15%, 47.11%, 29.64% and 49.27% to the VWAP of

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the Shares for the 1-month, 3-months, 6-months and 12-months period prior to the Announcement Date respectively. However, it should also be noted that trading in the Shares is erratic and trading liquidity of the Shares is relatively low as compared to the free float of the Company;

- (b) The discount of the Issue Price to Group's NAV per Share as at 30 September 2017 of approximately 75.4% is outside the range of the Comparable Companies and is less favourable when compared to the premium/discount to NAV implied by the respective share prices of the Comparable Companies; and
- (c) In our evaluation of the Issue Price relative to the Group's NAV per Share, we also noted that the values of the inventories and Appraised Properties of the Group would have been assessed to be higher than their net book values if they were to be stated on a "fair value" basis and the discount of the Issue Price to the Group's RNAV per Share would have been approximately 81.0%.

### In assessing the reasonableness of the terms of the Proposed Share Placement

- (a) We have considered the rationale for the Proposed Share Placement and in the context of the recent financial performance and the current financial position of the Group. Although the Group has positive net working capital, 85.8% of its current assets as at 30 September 2017 comprised of inventories and there may be uncertainty on the actual realization of these inventories which is dependent on external factors such as the market environment and customer demands. Excluding its inventories, the Group would have been in a net current liability position of approximately \$40.3 million as at 30 September 2017;
- (b) The discount of Issue Price to the last traded price of the Shares on 13 October 2017, being the Last Traded Day prior to the Announcement Date, is within the range of premia/discounts of the issue prices to the last transacted prices for the Selected Whitewash Companies, albeit being higher than the mean and median discounts of the Precedent Comparable Transactions;
- (c) The ratio of the Issue Price to NAV per Share of 0.25 is less favourable when compared to all the Precedent Comparable Transactions;
- (d) KSI, the controlling shareholder of the Company with a shareholding interest of 61.27% in the existing issued share capital of the Company and who is independent of the Investor, has irrevocably undertaken to the Investor that it shall, *inter alia*, vote in favour of the resolutions to approve the Proposed Transactions to be passed at the EGM, in respect of all the voting rights attached to the Shares that it controls or holds as at the date of the EGM; and
- (e) The fact that there is currently no alternative funding alternatives available to the Group, which are comparable in nature, size and scope to the Proposed Share Placement and which will provide for the injection of cash proceeds of such quantum into the Group, to ensure that the Group has sufficient working capital to meet its present requirements.

**Having regard to the foregoing considerations set out in this Letter and information available to us as at the Latest Practicable Date, we are of the opinion that:**

- (a) **on balance, the terms of the Proposed Share Placement, being the transaction that is the subject of the Proposed Whitewash Resolution, are not fair but reasonable; and**
- (b) **the Proposed Whitewash Resolution, as one of the conditions precedent of the Proposed Share Placement, is not prejudicial to the interests of the Independent Shareholders when considered in the context of the fact that it will facilitate the immediate injection of a substantial amount of funds into the Group to ensure that the Group has sufficient working capital to meet its**

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## APPENDIX A – IFA LETTER

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**present requirements, in the midst of the current challenging market conditions.**

**Accordingly, we advise the Directors to recommend to the Independent Shareholders to vote in favour of the Proposed Whitewash Resolution.**

Our opinion is addressed to the Directors for their benefit and for the purpose of their consideration of the Proposed Whitewash Resolution and their advice to the Independent Shareholders arising therefrom. The recommendations made by the Directors to the Shareholders shall remain the responsibility of the 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 at any time and in any manner without our prior written consent in each specific case, except for the purposes of the forthcoming EGM and for the purpose of the Proposed Whitewash Resolution.

This Letter is governed by, and construed in accordance with, the laws of Singapore, and is strictly limited to the matters stated herein and does not apply by implication to any other matter.

Yours faithfully

For and on behalf of  
**TATA CAPITAL MARKETS PTE. LTD.**

Wayne Lee Chin Ing  
CEO & Executive Director  
Head of Corporate Finance

Foo Say Nam  
Senior Vice President  
Head of Execution, Regulatory Advisory

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## APPENDIX B – VALUATION REPORTS

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Co. Registration No. 201017462M

100 Jalan Sultan #02-12  
Sultan Plaza Singapore 199001  
Tel : 31572266/63539022 Fax : 63580890  
Web : www.unitedvaluers.com  
Email : enquiry@unitedvaluers.com

Your Ref: -

14<sup>th</sup> November 2017

Gaylin International Pte Ltd  
7 Gul Avenue  
Singapore 629651

Attn: Ms Catherine Lee

### VALUATION OF PROPERTY AT 7 GUL AVENUE SINGAPORE 629651

We thank you for your instructions to advise on the current open market value of the above-mentioned property. We have inspected the subject property on 13<sup>th</sup> November 2017 and are pleased to submit our report and valuation hereunder.

- 1.0 Purpose of Report
- 2.0 Subject Property
- 3.0 Planning Provision
- 4.0 Location and Locality
- 5.0 Description of Subject Property
- 6.0 Basis and Method of Valuation
- 7.0 Valuation

*Annexures : Photographs  
Location Plan  
Site Plan  
Limiting Conditions*



## 1.0 PURPOSE OF REPORT

We have been instructed by Gaylin International Pte Ltd to prepare this valuation report for the purpose of determining the current open market value of the subject property free from all encumbrances for the purpose of proposed share placement. This valuation report is confidential to and for use only by Gaylin International Pte Ltd and for specific purpose to which it refers.

## 2.0 SUBJECT PROPERTY

*(According to Title Certificate & Client)*

Address	:	7 Gul Avenue Singapore 629651
Type	:	An Industrial Development comprises a 2-Storey Office Building, a 2-Storey Factory Building, a Single Storey Factory Building and 2 Blocks of Single Storey Factory Buildings with Mezzanine Levels
Legal Description	:	MK7 – 215W & MK7 – 307T
Lessor	:	Jurong Town Corporation
Lessee	:	Gaylin International Pte Ltd
Tenure	:	215W      Leasehold 60 Years wef 01/11/1972 307T      Leasehold 57 Years wef 01/11/1975
Land Area	:	215W      10,220.1 sq m 307T      12,259.6 sq m Total      22,479.7 sq m (or 241,969.24 sq ft)
Floor Area <i>(According to floor plans)</i>	:	8,284.41 sq m (89,172.56 sq ft) or thereabout, <i>subject to final survey.</i>



Land Rent : S\$28,347.99 per month *(Inclusive of 7% GST)*

Property Tax : S\$9,881.82 per month

Occupancy Status : Owner-occupied

### 3.0 PLANNING PROVISION

Based on 2014 Master Plan, the subject property is sited on land zoned as “Business 2”. Official Master Plan Zoning, Road and Drainage Interpretation Plans have not been applied for.

### 4.0 LOCATION AND LOCALITY

Neighbourhood : The immediate neighbourhood is predominantly industrial developments.

Public Transport : Available along Gul Avenue, Gul Circle & Gul Way. Gul Circle MRT Station is a short distance away.

Prominent Developments : Precise Teo, Airtac International, Freightlinks Districentre, DNV GL Laboratory, JTC Space @ Gul, Gul Circle Districentre, Pioneer Lot, MP Biomedicals Headquarters, etc.

Comments : Accessibility to other parts of the island is convenient via major arterial roads and expressways such as Ayer Rajah Expressway (AYE) and Pan-Island Expressway (PIE).



## 5.0 DESCRIPTION OF SUBJECT PROPERTY

Land Description : Altogether, two subject plots are rectangular in shape with a frontage of approximately 166.0 metres facing Gul Avenue and a depth of approximately 135.0 metres.

It is bounded by brickwalls and metal sheets fencing with entrance via a mild steel main gate.

Construction : Reinforced concrete structure with brick in-fill walls, reinforced concrete floor and metal roofing sheets with insulation and I-beam purlins.

Accommodations : **1<sup>st</sup> Storey**  
 Reception / general office area / partitioned office rooms / meeting room / general production areas / workshop / pantry / storerooms / toilets / workers' lunch room / security room with an attached toilet

### **Mezzanine Level**

Office rooms / storerooms

### **2<sup>nd</sup> Storey**

General office area / production area / partitioned office rooms / conference room / training room / server room / toilets / pantry

Finishes : *Floors* Cement screed / carpet / homogeneous tiles / vinyl tiles / vinyl sheets / terracotta / metal sheets

*Walls* Emulsion paint / ceramic tiles / homogeneous tiles / wallpaper / partition boards / glass panels

*Ceilings* Emulsion paint / ceiling boards / false ceiling with downlights / metal roofing sheets with insulation

Fixtures and Fittings : Aluminium framed windows & doors, louvred windows, mild steel grilles & gates, timber doors, glass doors, metal doors, roller shutters, cassette / split air-conditioning systems, surveillance cameras, ceiling / wall / ventilation fans, high & low pantry cabinets, ceramic tiled basin counter, vanity tops, tables, cabinets & shelves, etc.

Other Improvements : 4 Units of 5-tonne over-head cranes, 1 unit of 10-tonne over-head crane.

Services / Facilities : All main Public Utilities and Telecommunication services are connected.

Condition : As at the date of inspection, the subject property was in a good state of external and internal repairs & maintenance.



## 6.0 BASIS AND METHOD OF VALUATION

Our valuation is our opinion of the open market value, which we would define as intended to mean "the best price" at which an interest in a property might reasonably be expected to be sold at the date of valuation, assuming:-

- a. a willing seller, willing buyer;
- b. no account is to be taken of an additional bid by a purchaser with a "special interest";
- c. that prior to the date of valuation, there had been a reasonable period (having regard to the nature of the property and the state of the market) for the proper marketing of the interest, for the negotiation and agreement of price and terms for the completion of the sale; and
- d. that the price reflects the state of the market and other circumstances as at the date of valuation.

For the purpose of this report, the Direct Comparison Approach to value is adopted. In this approach, sales and listings of similar properties in the vicinity and elsewhere are used as guides to value after relevant valuation adjustments are made for differences in location, date of sale, land area, land tenure, floor area, building condition, market conditions, other improvements done, etc.

We have also considered the Income Approach to value based on the current fair and reasonable rental values of similar properties in similar neighbourhoods, subject to the relevant valuation adjustments and deductions for outgoings such as property tax, cost of maintenance/ repairs and future vacancy allowances. The resultant nett income is then capitalised over the unexpired lease term using an appropriate capitalisation rate according to current market conditions.



## 7.0 VALUATION

Having considered the above, the prevailing market conditions and other relevant valuation factors, we are of the considered opinion that the current open market value of the subject property free from all encumbrances for the purpose of proposed share placement only is ***S\$14,000,000/- (Singapore Dollars Fourteen Million Only)***.

This Valuation Report is issued subject to the Limiting Conditions as attached.

Yours faithfully  
for and on behalf of  
UNITED VALUERS PTE LTD

A handwritten signature in dark ink, appearing to read "Teo Beng Hock".

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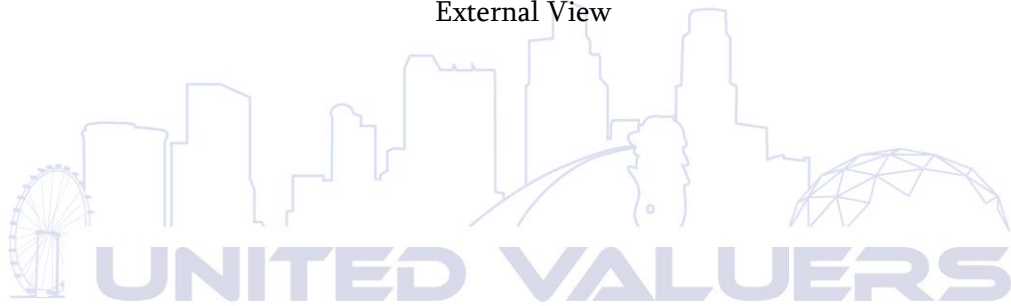
**Teo Beng Hock**  
Licensed Appraiser  
AD041-2009516J

*Enc*

Photographs



External View



Production Area



Photographs



Office Area



Conference Room



Location Plan  
(Not to Scale)



Subject  
Property



Site Plan  
(Not to Scale)



Subject  
Sites





### *LIMITING CONDITIONS*

This valuation is prepared in accordance with the Valuation Standards and Guidelines published by the Singapore Institute of Surveyors and Valuers.

Our responsibility in connection with this valuation report is limited to our client or person to whom this report is addressed and to that client only. We disclaim all responsibility and accept no liability to any other person(s) or party should this report be used by any such person(s) or party or for any.

Any action, claim or proceedings arising out of the engagement of services shall be brought against the Firm with whom the Client has engaged and not against any employee, director or sub-contractor of the Firm involved directly or indirectly in the delivery of the Services.

Any liability arising from the Valuer's negligence (if any) in connection with this engagement shall be limited to the amount of fees received for this engagement.

The report is considered invalid if there is non-payment of the valuation fees. We shall not be responsible and accept no liability of the report if payment is not received within 30 days from the date of report.

Each valuation is current as at the Valuation Date only. The value assessed may change significantly and unexpectedly over a relatively short period (including as a result of general market movements or factors specific to the particular property). We do not accept liability for losses arising from such subsequent changes in value. We also do not assume any responsibility or accept liability where this valuation is relied upon after the expiration of three months from the Valuation Date.

The values assessed in this report for the subject property and any allocation of values between parts of the property applies strictly on the terms of and for the purpose of the valuation stated in the report and may not be used for any other purpose.

Where it is stated in the report that information has been supplied to us by another party, this information is believed to be reliable and accurate and we accept no responsibility if this information should later prove not to be so.

We may adopt assumptions in the valuation being carried out as some matters cannot be calculated accurately or fall outside the scope of our expertise. The risk that any of the assumptions adopted in our valuation may be incorrect should be taken into account. While all reasonable care is taken, we does not warrant or represent that the assumptions on which this valuation is based are accurate or correct.

Neither the whole nor any part of this report nor any reference to it may be included in any document, circular or statement nor published in any way without our prior written approval of the form and context in which it may appear.



While due care is taken in the course of inspection to note serious building defects, no structural survey has been made and no guarantee is given that the building is free from rot, termite, pest infestation or other hidden defects. We have also not made any tests to the building services (e.g. air-conditioning, fire-fighting systems, lifts, escalators, plumbing and lighting etc.) and these services are presumed to be in good working order.

Our valuation assumes that the title(s) is(are) in good order and marketable, free from any liens, mortgages, encumbrances, restrictions and other legal impediments. We accept no responsibility for investigations into title(s), searches, legal requisitions, legal validity of title or any charges, claims, liabilities registered against the title(s). The client is advised to consult his solicitors on any matter concerning the title(s).

We have not conducted a land survey to verify the land boundaries and site areas and whether all developments and improvements are within such boundaries. We have assumed, unless otherwise stated, that all developments and improvements are within the boundaries of such land parcel as described in this report and the land parcel is fully owned by the property owner.

Any plans or map included in this report are meant for identification purposes and to assist the reader in visualizing the subject property. We have not made any survey of the property and assume no responsibility in connection with such matters.

Unless otherwise instructed, we do not carry out requisition with the various public authorities to confirm that the property is not adversely affected by any public schemes such as road improvements, drainage proposal, etc.

Our valuation presumes that the subject property, as currently used, is in compliance with the existing land use zoning and is not in contravention of any planning rules or regulations.

Our valuation is prepared on the basis that the premises and any works (e.g. alterations and additions) thereto comply with all relevant statutory regulations. It is assumed that they have been, or will be issued with a statutory completion by the Building Authority.

Our valuation assumes that all development charges and maintenance/service/conservancy charges, if any, whether outstanding or payable as at the date of valuation, have already been fully paid.

Our valuation further assumes that, as at the date of valuation, there are no outstanding liabilities or charges attached to the property(ies).

In the event that we are instructed to provide a valuation based on kerb-side inspection and/or without the extent of information normally available, our valuation will be dependent on the adequacy and accuracy of the information supplied and/or the assumptions made. Should the information prove to be incorrect or inadequate, the accuracy of the valuation may be affected and we shall not be held responsible for the inaccuracy of the valuation.

We shall not be required to give testimony or to appear in court for any other tribunal or to any government agency by reason of this valuation report or with reference to the property in question unless prior arrangements have been made and we be properly reimbursed.



Co. Registration No. 201017462M

100 Jalan Sultan #02-12  
Sultan Plaza Singapore 199001  
Tel : 31572266 | 63539022 Fax : 63580890  
Web : www.unitedvaluers.com  
Email : enquiry@unitedvaluers.com

Your Ref: -

14<sup>th</sup> November 2017

Gaylin International Pte Ltd  
7 Gul Avenue  
Singapore 629651

Attn: Ms Catherine Lee

### **VALUATION OF PROPERTY AT 17 JOO KOON WAY SINGAPORE 628948**

We thank you for your instructions to advise on the current open market value of the above-mentioned property. We have inspected the subject property on 13<sup>th</sup> November 2017 and are pleased to submit our report and valuation hereunder.

- 1.0 Purpose of Report
- 2.0 Subject Property
- 3.0 Planning Provision
- 4.0 Location and Locality
- 5.0 Description of Subject Property
- 6.0 Basis and Method of Valuation
- 7.0 Valuation

*Annexures :*    *Photographs*  
                  *Location Plan*  
                  *Site Plan*  
                  *Limiting Conditions*



## 1.0 PURPOSE OF REPORT

We have been instructed by Gaylin International Pte Ltd to prepare this valuation report for the purpose of determining the current open market value of the subject property free from all encumbrances for the purpose of proposed share placement. This valuation report is confidential to and for use only by Gaylin International Pte Ltd and for specific purpose to which it refers.

## 2.0 SUBJECT PROPERTY

*(According to Title Certificate & Client)*

Address	:	17 Joo Koon Way Singapore 628948
Type	:	A Single Storey JTC Detached Factory with Mezzanine Level
Legal Description	:	MK7-557M
Lessor	:	Jurong Town Corporation
Lessee	:	Gaylin International Pte Ltd
Tenure	:	Leasehold 18 Years wef 18/06/2014
Land Area	:	6,966.0 sq m (or 74,981 sq ft)
Floor Area <i>(According to floor plans)</i>	:	3,484.54 sq m (or 37,507 sq ft) or thereabout, <i>subject to final survey.</i>
Land Rent	:	S\$10,418.37 per month <i>(Inclusive of 7% GST)</i>
Property Tax	:	S\$4,016.67 per month
Occupancy Status	:	Owner-occupied

### 3.0 PLANNING PROVISION

Based on the 2014 Master Plan, the subject property is sited on land zoned as "Business 2". Official Master Plan Zoning, Road and Drainage Interpretation Plans have not been applied for.

### 4.0 LOCATION AND LOCALITY

Neighbourhood : The immediate neighbourhood is predominantly industrial developments.

Public Transport : Available along Joo Koon Way and Joo Koon Road. Joo Koon MRT station is a short distance away.

Prominent Developments : Fairprice Hub, Eubiq Building, Liang Huat Industrial Complex, Jurong Apartments, Singapore Discovery Centre, Arena Country Club, Army Museum of Singapore, etc.

Comment : Accessibility to other parts of the island is convenient via major arterial roads and expressways such as Ayer Rajah Expressway (AYE) and Pan-Island Expressway (PIE).

### 5.0 DESCRIPTION OF SUBJECT PROPERTY

Land Description : The subject plot is almost rectangular in shape with a frontage of approximately 46.0 metres facing Joo Koon Way.

It is bounded by brickwalls and chain-link fencing with entry via a mild steel main gate.

Building Description	:	The building is constructed of reinforced concrete frame with brick in-fill walls, reinforced concrete floors and roof, metal roofing sheets with insulation.
Accommodations	:	<p><b>1<sup>st</sup> Storey</b> General production areas / general office area / lunch room / toilets / storerooms / terrace / yard / guard house</p> <p><b>Mezzanine Level</b> General office area / partitioned office rooms / meeting room / toilets</p>
Finishes	:	<p><i>Floors</i>      Cement screed / carpet / homogeneous tiles / ceramic tiles</p> <p><i>Walls</i>        Emulsion paint / ceramic tiles / partition boards / glass panels / timber panels</p> <p><i>Ceilings</i>      Emulsion paint / ceiling boards / false ceiling with downlights / metal roofing sheets with insulation</p>
Fixtures & Fittings	:	Mild steel main gate, aluminium framed windows, metal roller shutters, timber doors, glass door, cassette / split unit air-conditioning systems, ceiling fans, homogeneous tiled basin counter, etc.
Other Improvements	:	1 unit of 6.3-tonne overhead crane
Services / Facilities	:	All main Public Utilities and Telecommunication services are connected.
Overall Comments	:	As at the date of inspection, the subject property was in an average state of external and internal repairs and maintenance.



## 6.0 BASIS AND METHOD OF VALUATION

Our valuation is our opinion of the open market value, which we would define as intended to mean "the best price" at which an interest in a property might reasonably be expected to be sold at the date of valuation, assuming:-

- a. a willing seller, willing buyer;
- b. no account is to be taken of an additional bid by a purchaser with a "special interest";
- c. that prior to the date of valuation, there had been a reasonable period (having regard to the nature of the property and the state of the market) for the proper marketing of the interest, for the negotiation and agreement of price and terms for the completion of the sale; and
- e. that the price reflects the state of the market and other circumstances at the date of valuation.

For the purpose of this report, the Direct Comparison Approach to value is adopted. In this approach, sales and listings of similar properties in the vicinity and elsewhere are used as guides to value after relevant valuation adjustments are made for differences in location, land area, land shape, land tenure, floor area, condition of building, market conditions, improvements done, etc.

We have also considered the Income Approach to value based on the current fair and reasonable rental values of similar properties in similar neighbourhoods, subject to the relevant valuation adjustments and deductions for outgoings such as property tax, cost of maintenance/ repairs and future vacancy allowances. The resultant nett income is then capitalised over the unexpired lease term using an appropriate capitalisation rate according to current market conditions.



## 7.0 VALUATION

Having considered the above, the prevailing market conditions and other relevant valuation factors, we are of the considered opinion that the current open market value of the subject property free from all encumbrances for the purpose of proposed share placement only is ***S\$6,000,000/- (Singapore Dollars Six Million Only)***.

This Valuation Report is issued subject to the Limiting Conditions as attached.

Yours faithfully  
**for and on behalf of**  
**UNITED VALUERS PTE LTD**

A handwritten signature in dark ink, appearing to read "Teo Beng Hock".

---

**Teo Beng Hock**  
Licensed Appraiser  
AD041-2009516J

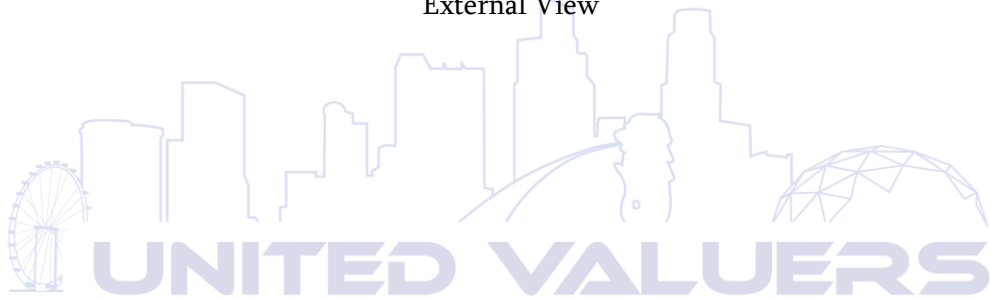
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Photographs



External View



Production Area

Photographs

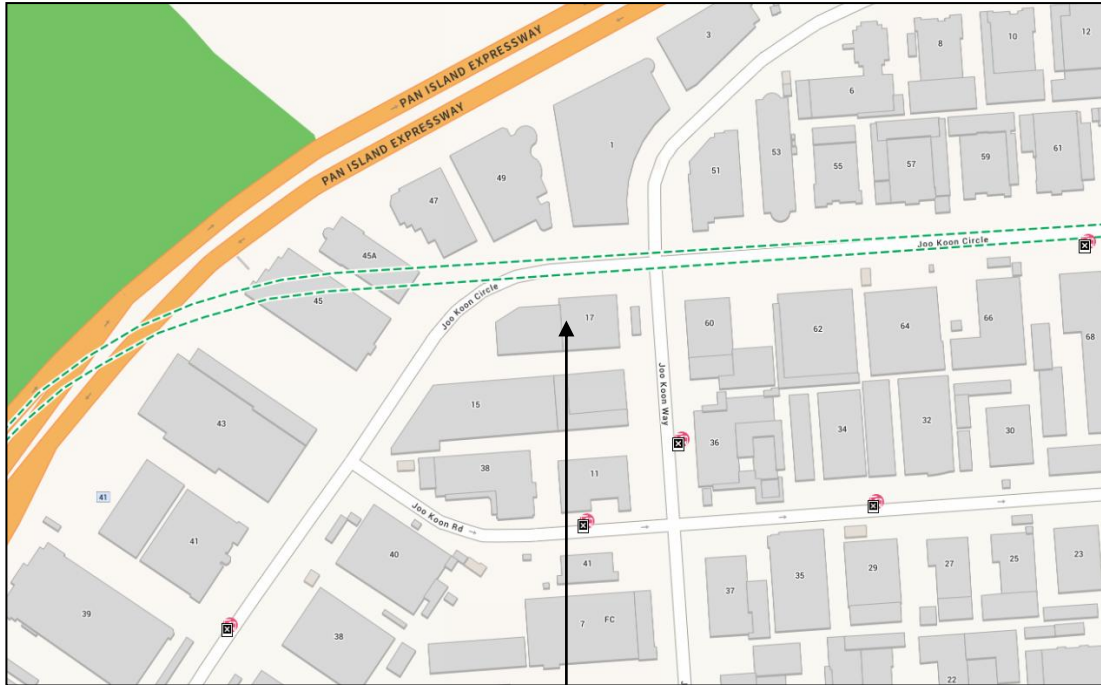


Production Area



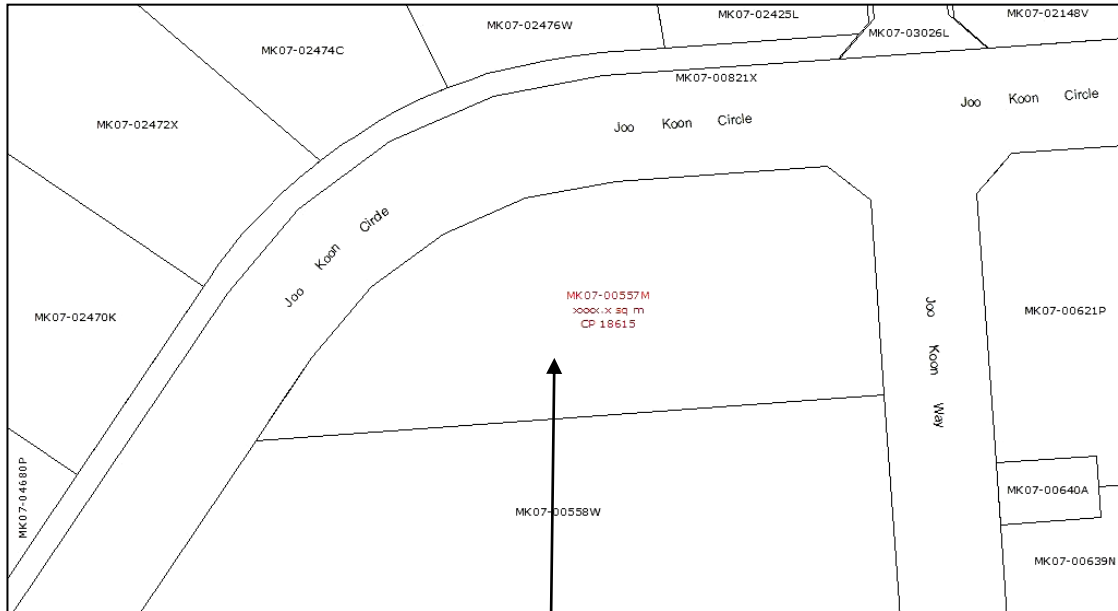
Office Area

Location Plan  
*(Not to Scale)*



Subject  
Property

Site Plan  
(Not to Scale)



Subject Site



### *LIMITING CONDITIONS*

This valuation is prepared in accordance with the Valuation Standards and Guidelines published by the Singapore Institute of Surveyors and Valuers.

Our responsibility in connection with this valuation report is limited to our client or person to whom this report is addressed and to that client only. We disclaim all responsibility and accept no liability to any other person(s) or party should this report be used by any such person(s) or party or for any.

Any action, claim or proceedings arising out of the engagement of services shall be brought against the Firm with whom the Client has engaged and not against any employee, director or sub-contractor of the Firm involved directly or indirectly in the delivery of the Services.

Any liability arising from the Valuer's negligence (if any) in connection with this engagement shall be limited to the amount of fees received for this engagement.

The report is considered invalid if there is non-payment of the valuation fees. We shall not be responsible and accept no liability of the report if payment is not received within 30 days from the date of report.

Each valuation is current as at the Valuation Date only. The value assessed may change significantly and unexpectedly over a relatively short period (including as a result of general market movements or factors specific to the particular property). We do not accept liability for losses arising from such subsequent changes in value. We also do not assume any responsibility or accept liability where this valuation is relied upon after the expiration of three months from the Valuation Date.

The values assessed in this report for the subject property and any allocation of values between parts of the property applies strictly on the terms of and for the purpose of the valuation stated in the report and may not be used for any other purpose.

Where it is stated in the report that information has been supplied to us by another party, this information is believed to be reliable and accurate and we accept no responsibility if this information should later prove not to be so.

We may adopt assumptions in the valuation being carried out as some matters cannot be calculated accurately or fall outside the scope of our expertise. The risk that any of the assumptions adopted in our valuation may be incorrect should be taken into account. While all reasonable care is taken, we does not warrant or represent that the assumptions on which this valuation is based are accurate or correct.

Neither the whole nor any part of this report nor any reference to it may be included in any document, circular or statement nor published in any way without our prior written approval of the form and context in which it may appear.



While due care is taken in the course of inspection to note serious building defects, no structural survey has been made and no guarantee is given that the building is free from rot, termite, pest infestation of other hidden defects. We have also not made any tests to the building services (e.g. air-conditioning, fire-fighting systems, lifts, escalators, plumbing and lighting etc.) and these services are presumed to be in good working order.

Our valuation assumes that the title(s) is(are) in good order and marketable, free from any liens, mortgages, encumbrances, restrictions and other legal impediments. We accept no responsibility for investigations into title(s), searches, legal requisitions, legal validity of title or any charges, claims, liabilities registered against the title(s). The client is advised to consult his solicitors on any matter concerning the title(s).

We have not conducted a land survey to verify the land boundaries and site areas and whether all developments and improvements are within such boundaries. We have assumed, unless otherwise stated, that all developments and improvements are within the boundaries of such land parcel as described in this report and the land parcel is fully owned by the property owner.

Any plans or map included in this report are meant for identification purposes and to assist the reader in visualizing the subject property. We have not made any survey of the property and assume no responsibility in connection with such matters.

Unless otherwise instructed, we do not carry out requisition with the various public authorities to confirm that the property is not adversely affected by any public schemes such as road improvements, drainage proposal, etc.

Our valuation presumes that the subject property, as currently used, is in compliance with the existing land use zoning and is not in contravention of any planning rules or regulations.

Our valuation is prepared on the basis that the premises and any works (e.g. alterations and additions) thereto comply with all relevant statutory regulations. It is assumed that they have been, or will be issued with a statutory completion by the Building Authority.

Our valuation assumes that all development charges and maintenance/service/conservancy charges, if any, whether outstanding or payable as at the date of valuation, have already been fully paid.

Our valuation further assumes that, as at the date of valuation, there are no outstanding liabilities or charges attached to the property(ies).

In the event that we are instructed to provide a valuation based on kerb-side inspection and/or without the extent of information normally available, our valuation will be dependent on the adequacy and accuracy of the information supplied and/or the assumptions made. Should the information prove to be incorrect or inadequate, the accuracy of the valuation may be affected and we shall not be held responsible for the inaccuracy of the valuation.

We shall not be required to give testimony or to appear in court for any other tribunal or to any government agency by reason of this valuation report or with reference to the property in question unless prior arrangements have been made and we be properly reimbursed.



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## NOTICE OF EXTRAORDINARY GENERAL MEETING

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### **GAYLIN HOLDINGS LIMITED**

(Company Registration No. 201004068M)  
(Incorporated in the Republic of Singapore)  
(the "Company")

**NOTICE IS HEREBY GIVEN** that an Extraordinary General Meeting ("EGM") of the Company will be held at Raffles Country Club, Albatross Room, 450 Jalan Ahmad Ibrahim, Singapore 639932 on 7 March 2018 at 10.00 a.m., for the purpose of considering and, if thought fit, passing (with or without modifications) the following resolutions:

*All capitalised terms used in this Notice of EGM which are not defined herein shall, unless the context otherwise requires, have the same meaning ascribed to them in the Circular dated 14 February 2018 issued by the Company to the Shareholders.*

#### **AS ORDINARY RESOLUTIONS**

#### **RESOLUTION 1 – PROPOSED ALLOTMENT AND ISSUE OF 1,360,000,000 NEW ORDINARY SHARES IN THE CAPITAL OF THE COMPANY ("SUBSCRIPTION SHARES") TO THE INVESTOR AT AN ISSUE PRICE OF S\$0.05 FOR EACH SUBSCRIPTION SHARE**

That, subject to and contingent upon the passing of Resolution 2:

- (a) pursuant to Section 161 of the Companies Act and Rule 805 of the Listing Manual, approval be and is hereby given to the Directors to allot and issue the Subscription Shares to the Investor, at the Issue Price of S\$0.05 per Subscription Share, on and subject to the terms of the Placement Agreement, details of which have been set out in the Circular;
- (b) pursuant to Rule 811(3) of the Listing Manual, approval be and is hereby given to the Directors to allot and issue the Subscription Shares at the Issue Price of S\$0.05 per Subscription Share, which is at a discount greater than 10% to the weighted average price for trades done on the SGX-ST on the full market day on which the ordinary shares of the Company were traded prior to the date of the Placement Agreement;
- (c) pursuant to Rule 803 of the Listing Manual, approval be and is hereby given for the transfer of Controlling Interest in the Company to the Investor upon completion of the Proposed Share Placement; and
- (d) the Directors and each of them be and are hereby authorised and empowered to complete, take such steps and to do all such acts and things as they may consider necessary, desirable or expedient to give effect to the transactions contemplated in this resolution, including without limitation, to negotiate, sign, execute and deliver all documents (if required) in the interests of the Company, and, to the extent that any of the foregoing have been done, that they be and are hereby approved, confirmed and ratified.

#### **RESOLUTION 2 – PROPOSED WHITEWASH RESOLUTION**

That, subject to and contingent upon the passing of Resolution 1 and the conditions in the letter from the Securities Industry Council dated 15 December 2017 being fulfilled, the Independent Shareholders do hereby (on a poll taken), unconditionally and irrevocably waive their right to receive a mandatory general offer from the Investor and the parties acting in concert with it in accordance with Rule 14 of the Singapore Code on Take-overs and Mergers, for all the shares in the capital of the Company in issue at the highest price per share paid or agreed to be paid by the Investor and the parties acting in concert with it in the six (6) months preceding the commencement of the offer which they would have otherwise been obliged to make for such shares in accordance with Rule 14 of the Code, as a result of the allotment and issue of the Subscription Shares to the Investor.

By Order of the Board  
Desmond Teo Bee Chiong  
Executive Director and Chief Executive Officer  
14 February 2018

**Notes:**

1. A member (other than a relevant intermediary) entitled to attend and vote at the EGM may appoint not more than two proxies to attend and vote on his behalf and where a member appoints more than one proxy, he shall specify the proportion of his shareholding to be represented by each proxy.
2. A member who is a relevant intermediary is entitled to appoint more than two 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. Where such member's form of proxy appoints more than two proxies, the number and class of shares in relation to which each proxy has been appointed shall be specified in the form of proxy.

"Relevant intermediary" has the meaning ascribed to it in Section 181 of the Companies Act, Chapter 50.

3. A proxy need not be a member of the Company.
4. The instrument appointing a proxy or proxies must be deposited at the registered office of the Company at 7 Gul Avenue, Singapore 629651 not less than 48 hours before the time set for holding the EGM.

**PERSONAL DATA PRIVACY**

Where a member of the Company submits an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the EGM and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the EGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, proxy lists, minutes and other documents relating to the EGM (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "**Purposes**"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, 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.



**GAYLIN HOLDINGS LIMITED**  
(Incorporated in the Republic of Singapore)  
Company Registration No: 201004068M

**PROXY FORM**

**IMPORTANT**

1. An investor who holds shares under the Central Provident Fund Investment Scheme (“**CPF Investor**”) and/or the Supplementary Retirement Scheme (“**SRS Investors**”) (as may be applicable) may attend and cast his vote(s) at the Extraordinary General Meeting in person. CPF and SRS Investors who are unable to attend the Extraordinary General Meeting but would like to vote, may inform their CPF and/or SRS Approved Nominees to appoint the Chairman of the Extraordinary General Meeting to act as their proxy, in which case, the CPF and SRS Investors shall be precluded from attending the Extraordinary General Meeting.
2. This Proxy Form is not valid for use by CPF and SRS Investors and shall be ineffective for all intents and purposes if used or purported to be used by them.
3. Please read the notes to the Proxy Form.

I/We \_\_\_\_\_ NRIC/Passport/Co. Registration No. \_\_\_\_\_

of \_\_\_\_\_

being a member/members of **GAYLIN HOLDINGS LIMITED** hereby appoint

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

and/or (delete as appropriate)

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

as my/our proxy/proxies to attend and vote for me/us on my/our behalf at the Extraordinary General Meeting (the “EGM”) of the Company to be held at **Raffles Country Club, Albatross Room, 450 Jalan Ahmad Ibrahim, Singapore 639932 on 7 March 2018 at 10.00 a.m.** and at any adjournment thereof. I/We direct my/our proxy/proxies to vote for or against the Resolutions proposed at the EGM as indicated hereunder. If no specific direction as to voting is given or in the event of any other matter arising at the EGM and at any adjournment thereof, the proxy/proxies will vote or abstain from voting at his/her discretion.

**Voting would be conducted by poll. Please indicate your vote “For” or “Against” with a tick [✓] within the box provided.**

No.	Ordinary Resolutions	For	Against
1	To approve Proposed Allotment and Issue of 1,360,000,000 New Ordinary Shares		
2	To approve Whitewash Resolution		

Dated this \_\_\_\_\_ day of \_\_\_\_\_ 2018

Total Number of Shares Held

\_\_\_\_\_  
Signature(s) of Member(s) and  
Common Seal of Corporate Member

**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 of shares. If you have shares registered in your name in the Register of Members (maintained by or on behalf of the Company), you should insert that number of shares. 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 of shares entered against your name in the Depository Register and registered in your name in the Register of Members. 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 is entitled to appoint not more than two (2) proxies to attend, speak and vote on his behalf at the EGM. Where a member appoints more than one proxy, the proportion of his shareholding to be represented by each proxy shall be specified. If no proportion is specified, the Company shall be entitled to treat the first named proxy as representing the entire number of shares entered against his name in the Depository Register and any second named proxy as an alternate to the first named or at the Company's option to treat the instrument of proxy as invalid.
- 3 A proxy need not be a member of the Company.
- 4 For any member who acts as an intermediary pursuant to Section 181(6) of the Companies Act, Chapter 50, who is either:
  - (a) 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;
  - (b) 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
  - (c) the Central Provident Fund Board established by the Central Provident Fund Act (Cap. 36), in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.

You are entitled to appoint one (1) or more proxies to attend and vote at the EGM, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such member's form of proxy appoints more than two proxies, the number and class of shares in relation to which each proxy has been appointed shall be specified in the form of proxy. The proxy need not be a member of the Company. Please note that if any of your shareholdings are not specified in the list provided by the intermediary to the Company, the Company may have the sole discretion to disallow the said participation of the said proxy at the forthcoming EGM.

- 5 The instrument appointing a proxy or proxies must be deposited at the Company's registered office at 7 Gul Avenue, Singapore 629651 not less than 48 hours before the time set for holding the EGM.
- 6 The instrument appointing a proxy or proxies shall be in writing and signed by the appointor 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 signed on its behalf by an attorney or a duly authorised officer of the corporation. The dispensation of the use of common seal pursuant to Sections 41A, 41B, and 41C of the Companies Act, Chapter 50 effective from 31 March 2017 is applicable at this EGM.
- 7 Where an instrument appointing a proxy or proxies is signed on behalf of the appointor by an attorney, the power of attorney or other authority or a notarially certified copy thereof shall be deposited at the Company's registered office at 7 Gul Avenue, Singapore 629651 not less than 48 hours before the time set for holding the EGM or adjourned meeting. Otherwise, the person so named in the instrument of proxy shall not be entitled to vote in respect thereof.
- 8 A corporation which is a member may by resolution of its directors or other governing body authorise any person to act as its representative at the EGM.

**General:**

The Company shall be entitled to reject this instrument of proxy if it is incomplete, improperly completed, illegible or where the true intentions of the appointer are not ascertainable from the instructions of the appointer specified in this instrument of proxy. In addition, in the case of members whose shares are entered in the Depository Register, the Company may reject an instrument of proxy lodged if the member, being the appointer, is not shown to have shares entered against his name in the Depository Register as at 72 hours before the time set for holding the EGM, as certified by The Central Depository (Pte) Limited to the Company.

**PERSONAL DATA PRIVACY**

By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of EGM dated 14 February 2018.