

CIRCULAR DATED 30 JUNE 2022

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

BEFORE MAKING ANY INVESTMENT IN THE SHARES (AS DEFINED BELOW), YOU SHOULD CONSIDER THE INFORMATION PROVIDED IN THIS CIRCULAR CAREFULLY AND CONSIDER WHETHER YOU UNDERSTAND WHAT IS DESCRIBED IN THIS CIRCULAR. YOU SHOULD ALSO CONSIDER WHETHER AN INVESTMENT IN THE SHARES IS SUITABLE FOR YOU, TAKING INTO ACCOUNT YOUR INVESTMENT OBJECTIVES AND RISK APPETITE. IF YOU ARE IN ANY DOUBT AS TO THE ACTION YOU SHOULD TAKE, YOU SHOULD CONSULT YOUR LEGAL, FINANCIAL, TAX OR OTHER PROFESSIONAL ADVISERS IMMEDIATELY. YOU ARE RESPONSIBLE FOR YOUR OWN INVESTMENT CHOICES.

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

Neither the Monetary Authority of Singapore (the "Authority") nor the Singapore Exchange Securities Trading Limited (the "SGX-ST" or the "Exchange") has examined or approved the contents of this Circular. Neither the Authority nor the SGX-ST assumes any responsibility for the contents of this Circular, including the correctness or accuracy of any of the statements or opinions or reports contained in this Circular. The SGX-ST does not normally review the application for admission but relies on the Sponsor confirming that the listing applicant is suitable to be listed and complies with the rules. Neither the Authority nor the SGX-ST has in any way considered the merits of the Shares or units of Shares. The lodgement of this Circular with the SGX-ST, acting as agent on behalf of the Authority, does not imply that the Securities and Futures Act 2001 (the "SFA"), or any other legal or regulatory requirements, or requirements under the Catalyst Rules, have been complied with. The SGX-ST assumes no responsibility for the accuracy of any of the statements made, reports contained or opinions expressed in this Circular.

An application has been made to the SGX-ST for the transfer of the Company from the SGX-ST Mainboard to the Catalyst Board, and for permission for the listing and quotation of the Shares, the Consideration Shares, the Arranger Shares, the Placement Shares and the FA Shares on the Catalyst Board. The listing and quotation notice, if issued by the SGX-ST, is not to be taken as an indication of the merits of the Proposed Transactions, the Company, the Target, the Enlarged Group, the Shares, the Consideration Shares, the Arranger Shares, the Placement Shares and the FA Shares (all as defined herein).

Companies listed on the Catalyst Board may carry higher investment risk when compared with larger or more established companies listed on the SGX-ST Mainboard. In particular, companies may list on the Catalyst Board without a track record of profitability and there is no assurance that there will be a liquid market in the Shares traded on the Catalyst Board. You should be aware of the risks of investing in such companies and should make the decision to invest only after careful consideration and, if appropriate, consultation with your professional adviser(s).

Terms appearing on the cover of this Circular bear the same meanings as defined in this Circular.

YOUR ATTENTION IS DRAWN TO SECTION 2.7 TITLED "RISK FACTORS" OF THIS CIRCULAR WHICH HIGHLIGHTS CERTAIN MATERIAL RISKS RELATING TO THE TARGET, ITS BUSINESS AND INDUSTRY AND OWNERSHIP OF THE SHARES FOLLOWING COMPLETION.

IF ANY OF THE RISKS SET OUT IN THE SECTION ABOVE DEVELOPS INTO ACTUAL EVENTS, THE ENLARGED GROUP'S BUSINESS, FINANCIAL CONDITIONS AND RESULTS OF OPERATIONS COULD BE MATERIALLY AND ADVERSELY AFFECTED. IN SUCH CASES, THE TRADING PRICES OF THE SHARES COULD DECLINE AND YOU MAY LOSE ALL OR PART OF YOUR INVESTMENTS.



FABCHEM CHINA LIMITED

(Incorporated in the Republic of Singapore on 12 October 2004)
(Company Registration Number: 200413128G)

CIRCULAR TO SHAREHOLDERS IN RELATION TO:

- (1) THE PROPOSED ACQUISITION OF THE ENTIRE ISSUED AND PAID-UP SHARE CAPITAL OF LINCOTRADE & ASSOCIATES PTE LTD FOR AN AGGREGATE CONSIDERATION OF S\$25.0 MILLION, BEING A REVERSE TAKEOVER;
- (2) THE PROPOSED ALLOTMENT AND ISSUANCE OF 113,636,363 CONSIDERATION SHARES TO THE VENDORS FOR THE PROPOSED ACQUISITION AT THE ISSUE PRICE OF S\$0.22 FOR EACH CONSIDERATION SHARE;
- (3) THE PROPOSED WHITEWASH RESOLUTION FOR THE WAIVER BY INDEPENDENT SHAREHOLDERS OF THEIR RIGHT TO RECEIVE A MANDATORY TAKEOVER OFFER FROM THE VENDORS;
- (4) THE PROPOSED ALLOTMENT AND ISSUANCE OF 454,545 FA SHARES TO RHB BANK AS THE FINANCIAL ADVISER FOR THE PROPOSED ACQUISITION AT THE ISSUE PRICE OF S\$0.22 FOR EACH FA SHARE;
- (5) THE PROPOSED ALLOTMENT AND ISSUANCE OF 5,681,818 ARRANGER SHARES TO THE ARRANGER IN CONNECTION WITH THE PROPOSED ACQUISITION AT THE ISSUE PRICE OF S\$0.22 FOR EACH ARRANGER SHARE;
- (6) THE PROPOSED PLACEMENT OF UP TO 13,650,000 PLACEMENT SHARES AT THE ISSUE PRICE OF S\$0.22 FOR EACH PLACEMENT SHARE;
- (7) THE PROPOSED TRANSFER OF THE LISTING OF THE COMPANY FROM THE MAINBOARD TO THE CATALIST BOARD;
- (8) THE PROPOSED CHANGE OF CORE BUSINESS;
- (9) THE PROPOSED CHANGE OF NAME OF THE COMPANY FROM "FABCHEM CHINA LIMITED" TO "LINCOTRADE & ASSOCIATES HOLDINGS LIMITED";
- (10) THE PROPOSED APPOINTMENT OF THE PROPOSED NEW DIRECTORS TO THE COMPANY;
- (11) THE PROPOSED ADOPTION OF THE NEW CONSTITUTION OF THE COMPANY; AND
- (12) THE PROPOSED NEW SHARE ISSUE MANDATE.

Financial Adviser to the Company in respect of the Proposed Acquisition and Sponsor of the Company upon the Proposed Listing Transfer



RHB Bank Berhad

(UEN: S99FC5710J)
(Incorporated in Malaysia 196501000373 (6171-M))

Independent Financial Adviser in respect of the Proposed Whitewash Resolution



PROVENANCECAPITAL

Provenance Capital Pte. Ltd.

(Company Registration Number: 200309056E)
(Incorporated in the Republic of Singapore)

IMPORTANT DATES AND TIMES

Last date and time for advance submission of questions to be asked during the EGM	: 18 July 2022 at 10.00 a.m.
Last date and time for submission of Proxy Form	: 20 July 2022 at 10.00 a.m.
Last date and time for pre-registration for the EGM to be held by electronic means	: 20 July 2022 at 10.00 a.m.
Date and time of the EGM to be held by electronic means	: 22 July 2022 at 10.00 a.m.

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CORPORATE INFORMATION

CURRENT BOARD OF DIRECTORS	:	Wee Phui Gam (Acting Chairman and Lead Independent Director) Bao Hongwei (Managing Director) Sun Bowen (Non-Executive and Non-Independent Director) Professor Jiang Rongguang (Independent Director)
PROPOSED NEW BOARD OF DIRECTORS	:	Tan Kok Heng (Independent and Non-Executive Chairman) Tan Jit Meng (Managing Director) Lu King Seng (Independent and Non-Executive Director) Wee Shuo Siong Milton (Non-Executive and Non-Independent Director)
JOINT COMPANY SECRETARIES	:	Nor Hafiza Alwi (FCS, FCG) Loh Mei Ling (ACS, ACG)
REGISTERED OFFICE OF THE COMPANY	:	77 Robinson Road #06-03 Robinson 77 Singapore 068896
REGISTERED OFFICE OF THE TARGET	:	39 Sungei Kadut Loop Singapore 729494
SHARE REGISTRAR	:	Boardroom Corporate & Advisory Services Pte. Ltd. 1 Harbourfront Avenue Keppel Bay Tower #14-03/07 Singapore 098632
FINANCIAL ADVISER IN RESPECT OF THE PROPOSED ACQUISITION AND SPONSOR OF THE COMPANY UPON THE PROPOSED LISTING TRANSFER	:	RHB Bank Berhad, through its Singapore branch 90 Cecil Street #04-00 RHB Bank Building Singapore 069531
INDEPENDENT AUDITOR TO THE COMPANY	:	RSM Chio Lim LLP 8 Wilkie Road #03-08, Wilkie Edge Singapore 228095 Partner-in-charge: Goh Swee Hong (a member of the Institute of Singapore Chartered Accountants)
INDEPENDENT AUDITOR TO THE TARGET AND REPORTING ACCOUNTANT TO THE ENLARGED GROUP	:	RSM Chio Lim LLP 8 Wilkie Road #03-08, Wilkie Edge Singapore 228095 Partner-in-charge: Derek How Beng Tiong (a member of the Institute of Singapore Chartered Accountants)
INTERNAL AUDITOR TO THE TARGET	:	BDO Advisory Pte Ltd 600 North Bridge Road #23-01 Parkview Square Singapore 188778

CORPORATE INFORMATION

LEGAL ADVISER TO THE COMPANY ON THE PROPOSED TRANSACTIONS	: Altum Law Corporation 160 Robinson Road #26-06 SBF Center Singapore 068914
LEGAL ADVISER TO THE TARGET AND VENDORS ON THE PROPOSED TRANSACTIONS	: Solitaire LLP 11 Beach Road #05-02 Singapore 189675
LEGAL ADVISER TO THE FINANCIAL ADVISER AND SPONSOR	: Harry Elias Partnership LLP SGX Centre 2 4 Shenton Way #17-01 Singapore 068807
LEGAL ADVISER TO THE FINANCIAL ADVISER AND SPONSOR ON MALAYSIA LAW IN RELATION TO THE MY LAND	: Justin Faye & Partners Unit 20-07, Menara 1MK Kompleks 1 Mont' Kiara, No.1 Jln Kiara, Mont' Kiara 50480 Kuala Lumpur Malaysia
INDEPENDENT FINANCIAL ADVISER IN RESPECT OF THE PROPOSED WHITEWASH RESOLUTION	: Provenance Capital Pte. Ltd. 96 Robinson Road #13-01 SIF Building Singapore 068899
INDEPENDENT RESEARCH FIRM	: Converging Knowledge Pte Ltd 19 Keppel Road Jit Poh Building #07-04 Singapore 089058
INDEPENDENT VALUER	: Mazars LLP 135 Cecil Street #10-01 Singapore 069536
PRINCIPAL BANKERS OF THE TARGET	: The Hongkong and Shanghai Banking Corporation Limited 10 Marina Boulevard Marina Bay Financial Centre Tower 2 #47-01 Singapore 018983 Standard Chartered Bank 8 Marina Boulevard Marina Bay Financial Centre (Tower 1) Level 23 Singapore 018982 Maybank Singapore Limited 200 Jalan Sultan, #01-02 Textile Centre Singapore 199018

DEFINITIONS

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

“8M2021”	:	The 8-month period from 1 July 2020 to 28 February 2021
“8M2022”	:	The 8-month period from 1 July 2021 to 28 February 2022
“ACRA”	:	Accounting and Corporate Regulatory Authority of Singapore
“Act” or “Companies Act”	:	The Companies Act 1967 of Singapore
“AGM”	:	An annual general meeting of the Company
“Announcement”	:	The Company’s announcement of 22 April 2021 on SGXNET in relation to the Proposed Acquisition
“Applicable Period”	:	The most recent completed financial year and any applicable interim financial period
“Application for Deferment”	:	The application made by the Company to SGX-ST on 10 December 2021 for a modification of the Milestone Timeline
“Application for Extension of Time”	:	The application made by the Company to SGX-ST on 19 November 2021 for an extension of time for the Company to satisfy the Exit Criteria
“Appraised Value”	:	The valuation of 100% of the Target and Business together with the Target’s respective properties, assets, receivables, businesses, undertakings, operations, goodwill, stock-in-trade, rights and entitlements (whether under contract, trusts or otherwise) and relationship with customers, suppliers, employees, agents and others having relationships with any of them to be conducted by the Independent Valuer, in accordance with the International Valuation Standards published by the International Valuation Standards Council as set out in the Valuation Report
“Arranger”	:	Prestige Fame Limited (Company Registration No. 1071230) a private company limited by shares incorporated in the British Virgin Islands, with its registered address at Tortola Pier Park, Building 1 Wickhams Cay I, 2 nd Floor Road Town, Tortola, BVI
“Arranger Shares”	:	5,681,818 new Shares to be allotted and issued at the Issue Price to the Arranger
“Audit Committee”	:	The existing audit committee of the Company
“Authority” or “MAS”	:	Monetary Authority of Singapore
“Balance Sheet Date”	:	30 June 2020, being the balance sheet date referred to in the SPA
“BCA”	:	Building and Construction Authority of Singapore
“Board”	:	The existing board of Directors
“Business”	:	The business of the Target, involving primarily the provision of interior designing, renovations and fitting out, A&A works and building construction services in Singapore

DEFINITIONS

“Business Day”	:	A day on which banks are open for business in Singapore (other than Saturdays, Sundays and days which are gazetted as public holidays)
“Catalist Board” or “Catalist”	:	The Catalist Board of the SGX-ST
“Catalist Rules”	:	The SGX-ST’s Listing Manual Section B: Rules of Catalist
“Capital Reduction”	:	The capital reduction exercise undertaken by the Company subsequent to the Disposal, as announced on SGXNET on 29 November 2021
“Cash Distribution”	:	The cash distribution of S\$17,222,400, <i>pro-rata</i> , to all Shareholders at S\$0.368 for each Share subsequent to the Capital Reduction
“CDP”	:	The Central Depository (Pte) Limited
“CEO”	:	Chief Executive Officer
“Circular”	:	This circular to Shareholders dated 30 June 2022 including all its appendices attached hereto
“Code”	:	The Singapore Code on Take-overs and Mergers
“Completion”	:	The completion of the Proposed Acquisition in accordance with the terms of the SPA
“Completion Date”	:	Being the date falling ten (10) Business Days after the date on which the Conditions Precedent have been fulfilled or waived by the relevant Party, or such other date as to be mutually agreed between the Parties
“Conditions Precedent”	:	The conditions for Completion set out in Section 2.5.5 of this Circular to be satisfied or waived on or before the Completion Date
“Conditional Resolutions”	:	The conditional resolutions in this Circular, being Ordinary Resolution 10 on the proposed appointment of Tan Kok Heng as a Proposed New Director, Ordinary Resolution 11 on the proposed appointment of Lu King Seng as a Proposed New Director, Ordinary Resolution 12 on the Proposed New Share Issue Mandate and Special Resolution 3 on the Proposed Adoption of the New Constitution
“Consideration Shares”	:	113,636,363 new Shares to be allotted and issued at the Issue Price in satisfaction of the Purchase Consideration
“Constitution”	:	The constitution of the Company as may be amended, modified or supplemented from time to time
“Controlling Shareholder”	:	A person who: <ul style="list-style-type: none"> (a) holds directly or indirectly fifteen per cent. (15%) or more of the nominal amount of all voting shares in the company. The Exchange may determine that a person who satisfies this paragraph is not a controlling shareholder; or (b) in fact exercises control over such company

DEFINITIONS

“Converging Knowledge”	: Converging Knowledge Pte Ltd, an independent research firm commissioned by the Company to conduct an independent market research on the Industry in Singapore
“CPF”	: Central Provident Fund of Singapore
“CPF Act”	: The Central Provident Fund Act 1953 of Singapore
“COTMA”	: The COVID-19 (Temporary Measures) Act 2020 of Singapore
“COVID-19 Regulations”	: The COVID-19 (Temporary Measures) (Control Order) Regulations 2020 of Singapore
“Director”	: A director of the Company (whether executive or non-executive) as at the date of this Circular and the term “Directors” shall be construed accordingly
“Disposal”	: The disposal of Yinguang Technology by the Company to Triple Vision, completion of which was announced by the Company on SGXNET on 5 November 2021
“Disposal SPA”	: The sale and purchase agreement dated 19 March 2021 entered into between the Company and Yinguang Technology in relation to the Disposal
“EGM” or “Extraordinary General Meeting”	: The extraordinary general meeting of the Company to be held on 22 July at 10.00 a.m. by way of electronic means (via LIVE WEBCAST and/or AUDIO ONLY MEANS), notice of which is set out on pages N-1 to N-5 of this Circular
“Executive Officers”	: The executive officers of the Company from time to time
“Encumbrances”	: Any interest or equity or adverse claims of any matter whatsoever of any person, including without prejudice to the generality of the foregoing, any right to acquire, option over, right of pre-emption, power of sale, hypothecation, caveat, charging order, stop order, equity interest, writ of execution, right of set-off, right of first refusal, lease, licence to use or occupy, any other adverse right or interest of any nature, any Security Interest and any agreement to create any of them or allow any of them to exist
“Enlarged Group”	: The enlarged group of companies comprising the Company and the Target upon Completion, and the term “Enlarged Group Company” shall be construed accordingly
“Enlarged Share Capital”	: The enlarged issued and paid-up share capital of the Company of 180,222,726 Shares immediately after Completion, including the Consideration Shares, FA Shares, Arranger Shares and Placement Shares (assuming all 13,650,000 Placement Shares are subscribed for)
“EPS”	: Earnings per Share
“Existing Constitution”	: The existing Constitution
“Exit Criteria”	: As provided under Rule 1314 of the Listing Rules

DEFINITIONS

“Extension of Time”	:	The extension of time of five (5) months to 4 May 2022 for the Company to satisfy the Exit Criteria granted by the SGX-ST on 24 November 2021
“FA Shares”	:	454,545 new Shares to be allotted and issued at the Issue Price to RHB Bank in part-payment for their professional fees
“Fifth Schedule”	:	The fifth schedule of the SFR
“Financial Entry Criteria”	:	As provided under Rule 1311 of the Listing Rules
“FTC”	:	Foreign Tax Credit
“Further Extension of Time”	:	The additional extension of time of three (3) months to 4 August 2022 for the Company to satisfy the Exit Criteria granted by the SGX-ST on 3 March 2022
“FY”	:	In relation to the Company and the Target, the financial year ended 30 June
“Group”	:	The Company together with its subsidiaries, prior to the completion of the Disposal
“GST”	:	Goods and Services Tax
“GST Act”	:	The Goods and Services Tax Act 1993
“Income Tax Act”	:	The Income Tax Act 1947 of Singapore
“IFA Letter”	:	The letter dated 30 June 2022 from the IFA to the Recommending Directors in relation to the Proposed Whitewash Resolution as set out in Appendix E to this Circular
“Independent Directors”	:	The non-executive and independent Directors of the Company from time to time
“Independent Financial Adviser” or “IFA”	:	Provenance Capital Pte. Ltd., the independent financial adviser to the Recommending Directors in respect of the Proposed Whitewash Resolution
“Industry”	:	The interior fitting-out works industry in Singapore
“Industry Report”	:	The industry report prepared by Converging Knowledge dated 20 April 2022
“Independent Auditor” or “Reporting Accountant”	:	RSM Chio Lim LLP, the independent auditor to the Target and reporting accountant to the Enlarged Group
“Independent Shareholders”	:	The Shareholders who are considered independent for the purpose of the Proposed Whitewash Resolution
“Independent Valuer”	:	Mazars LLP, the competent and independent valuer appointed by the Company in consultation with RHB Bank, pursuant to Rule 1015(3)(a) of the Listing Rules

DEFINITIONS

“Insolvency Event”	: Means any of the following; <ul style="list-style-type: none">(a) a company resolving that it would be wound up or an individual filing for bankruptcy;(b) application for or the appointment of a liquidator, provisional liquidator, judicial manager and/or provisional judicial manager of a company;(c) the making of an order by a court of competent jurisdiction for the winding up of a company or the bankruptcy of an individual;(d) any company or person entering into any arrangement or general assignment or composition for the benefit of its creditors generally;(e) the appointment of an administrator, assignee, receiver, trustee or a receiver and manager, in relation to the undertakings, properties or assets of a company or person;(f) any company or person being deemed by law or a court of competent jurisdiction to be insolvent, or(g) any event occurs which, under the laws of any jurisdiction, has an analogous or equivalent effect to any of the foregoing event(s)
“Interested Persons”	: Has the meaning ascribed to it in Section 17 titled “Interested Person Transactions and Potential Conflicts of Interest” of this Circular
“IRAS”	: The Inland Revenue Authority of Singapore
“Issue Price”	: S\$0.22, being the issue price per Share for each of the Consideration Shares, Arranger Shares, FA Shares and Placement Shares
“Key Resolutions”	: The key resolutions in this Circular being Ordinary Resolution 1 of the Proposed Acquisition, Ordinary Resolution 2 on the Proposed Issuance of Consideration Shares, Ordinary Resolution 3 on the Proposed Whitewash Resolution, Ordinary Resolution 4 on the Proposed Issuance of FA Shares, Ordinary Resolution 5 on the Proposed Issuance of Arranger Shares, Ordinary Resolution 6 on the Proposed Placement, Ordinary Resolution 7 on the Proposed Change of Core Business, Ordinary Resolution 8 on the proposed appointment of Tan Jit Meng as a Proposed New Director, Ordinary Resolution 9 on the proposed appointment of Wee Shuo Siong Milton as a Proposed New Director, Ordinary Resolution 10 on the proposed appointment of Tan Kok Heng as a Proposed New Director, Ordinary Resolution 11 on the proposed appointment of Lu King Seng as a Proposed New Director, Special Resolution 1 on the Proposed Listing Transfer and Special Resolution 2 on the Proposed Change of Name

DEFINITIONS

“Latest Practicable Date”	:	17 June 2022, being the latest practicable date prior to the issuance of this Circular
“Listing Rules”	:	The listing manual of the SGX-ST, as may be amended, modified or supplemented from time to time
“Loan”	:	The loan granted to the Company by Triple Vision pursuant to the terms of the Loan Agreement of up to an aggregate amount of S\$1.0 million at any time ranking <i>pari passu</i> with all the Company’s other present and future unsecured and unsubordinated indebtedness (other than indebtedness preferred by operation of law)
“Loan Agreement”	:	The loan agreement dated 26 April 2022 entered into between the Company and Triple Vision for the Loan
“Long-Stop Date”	:	30 September 2022, as announced by the Company on 22 April 2022
“Market Day”	:	A day on which the SGX-ST is open for trading in securities
“Milestone Timeline”	:	The timeline for milestones stipulated by the SGX-ST in response to the Application for Extension of Time
“MOM”	:	Ministry of Manpower of Singapore
“Moratorium Undertakings”	:	Written undertakings furnished by each Vendor, Wee Henry, the Arranger, RHB Bank and any other party as required by the SGX-ST to maintain and not dispose of or transfer their respective Consideration Shares, Arranger Shares, FA Shares and/or new Shares upon resumption of trading, for such period as prescribed under the Catalist Rules or required by the SGX-ST
“MFPL”	:	Millennium Fiesta Pte Ltd (Company Registration No. 201308526H), a private company limited by shares incorporated in Singapore, with its registered address at 1 Coleman Street #09-11 The Adelphi Singapore 179803
“MFSB”	:	Millennium Fiesta Sdn Bhd (Company Number: 10064686-M), a Malaysian private limited company
“MFPL Shares”	:	20 ordinary shares in MFPL being 20% of MFPL’s issued share capital
“NAV”	:	Net asset value
“New Audit Committee”	:	The new audit committee of the Proposed New Board upon Completion comprising Lu King Seng, Tan Kok Heng and Wee Shuo Siong Milton
“New Constitution”	:	The proposed new constitution of the Company, the full text of which is set out in Appendix H of this Circular
“New Nominating Committee”	:	The new nominating committee of the Proposed New Board upon Completion comprising Tan Kok Heng, Lu King Seng and Wee Shuo Siong Milton

DEFINITIONS

“New Remuneration Committee”	:	The new remuneration committee of the Proposed New Board upon Completion comprising Tan Kok Heng, Lu King Seng and Wee Shuo Siong Milton
“Notice of EGM”	:	The notice of EGM as set out on pages N-1 to N-5 of this Circular
“Nominating Committee”	:	The existing nominating committee of the Board
“NTA”	:	Net tangible assets
“Official List”	:	The official list of the SGX-ST comprising companies admitted to (and not removed) from the SGX Mainboard and the SGX Catalist
“Ordinary Resolutions”	:	The ordinary resolutions as set out in the Notice of EGM, each an ordinary resolution
“Parties”	:	The Company, the Vendors and the Target collectively, and “Party” shall mean any one of them
“PDPA”	:	The Personal Data Protection Act 2012 of Singapore
“Period Under Review”	:	The period which comprises FY2019, FY2020, FY2021 and 8M2022
“Placement Shares”	:	Up to 13,650,000 new Shares at the Issue Price pursuant to the Proposed Placement
“Previous Loan”	:	The interest-free loan previously granted to the Company by Triple Vision pursuant to the terms of the Previous Loan Agreement of up to an aggregate amount of S\$1.0 million at any time ranking <i>pari passu</i> with all the Company’s other present and future unsecured and unsubordinated indebtedness (other than indebtedness preferred by operation of law), which has been fully repaid by the Company and the Company has been released and discharged from its obligations under the Previous Loan Agreement
“Previous Loan Agreement”	:	The previous loan agreement dated 23 February 2021 entered into between the Company and Triple Vision for the Previous Loan, announced by the Company on 23 February 2021
“PRC”	:	The People’s Republic of China
“Proposed Acquisition”	:	The proposed acquisition by the Company of the entire issued and paid-up share capital of the Target subject to the terms and conditions of the SPA
“Proposed Adoption of New Constitution”	:	The proposed adoption of the New Constitution, which will replace the Existing Constitution entirely
“Proposed Appointment of the Proposed New Directors”	:	The proposed appointment of the Proposed New Directors to the board of Directors upon Completion
“Proposed Change of Core Business”	:	The proposed change of core business of the Company to that of the Business
“Proposed Change of Name”	:	The proposed change of name of the Company from “Fabchem China Limited” to “Lincotrade & Associates Holdings Limited”

DEFINITIONS

“Proposed HK IPO”	:	The prior listing attempt by the Target on the Growth Enterprise Market board of the Stock Exchange of Hong Kong in 2019
“Proposed Issuance of Arranger Shares”	:	The proposed allotment and issuance of Arranger Shares to the Arranger at the Issue Price, as described in Section 5 of this Circular
“Proposed Issuance of Consideration Shares”	:	The proposed allotment and issuance of Consideration Shares to the Vendors at the Issue Price, as described in Section 2 of this Circular
“Proposed Issuance of FA Shares”	:	The proposed allotment and issuance of FA Shares to RHB Bank at the Issue Price, as described in Section 4 of this Circular
“Proposed Independent Directors”	:	The proposed independent Directors upon Completion, being Tan Kok Heng and Lu King Seng
“Proposed Listing Transfer”	:	The proposed transfer of the listing and quotation of the Shares from the Mainboard to the Catalist Board
“Proposed New Business”	:	The proposed new core business of the Enlarged Group, being the Business of the Target, further details of which are set out in the Target’s Letter to Shareholders
“Proposed New Share Issue Mandate”	:	The proposed grant of a general mandate and authority to the Proposed New Directors pursuant to section 161 of the Act to, amongst others, allot and issue new Shares, as described in Section 12 of this Circular
“Proposed New Board”	:	The board of Proposed New Directors upon Completion
“Proposed New Directors”	:	The proposed new Directors to be appointed to the board of the Company upon Completion, being Tan Kok Heng, Tan Jit Meng, Lu King Seng and Wee Shuo Siong Milton
“Proposed New Managing Director”	:	The proposed new Managing Director of the Company upon Completion, being Tan Jit Meng
“Proposed New Executive Officers”	:	The proposed new executive officers of the Company upon Completion, being Soh Loong Chow Jackie, Tan Chee Khoon and Kwek Wei Lee
“Proposed Placement”	:	The proposed allotment and issuance of up to 13,650,000 Placement Shares at the Issue Price, as described in Section 6 of this Circular
“Proposed Transactions”	:	The Proposed Acquisition, the Proposed Issuance of Consideration Shares, the Proposed Whitewash Resolution, the Proposed Issuance of FA Shares, the Proposed Issuance of Arranger Shares, the Proposed Placement, the Proposed Listing Transfer, the Proposed Change of Core Business, the Proposed Change of Name, the Proposed Appointment of the Proposed New Directors, the Proposed Adoption of the New Constitution and the Proposed New Share Issue Mandate

DEFINITIONS

“Proposed Whitewash Resolution”	:	The resolution proposed as Ordinary Resolution 3 in the Notice of EGM which, if approved by a majority of the Independent Shareholders at the EGM in accordance with the requirements set out in Appendix 1 of the Code, would result in a waiver of their right to receive a mandatory general offer from the Vendors who would incur an obligation to make a mandatory general offer under Rule 14 of the Code for all the Shares not already owned, controlled or agreed to be acquired by the Vendors as a result of the allotment and issuance of the Consideration Shares under the Proposed Acquisition, provided that parties not being Independent Shareholders abstain from voting on such resolution
“Proxy Form”	:	The proxy form in respect of the EGM as set out in this Circular
“Purchase Consideration”	:	The aggregate purchase consideration of S\$25.0 million in respect of the Proposed Acquisition, to be fully satisfied by the Company at Completion by the allotment and issuance of the Consideration Shares
“Recommending Directors”	:	Directors who are considered independent for the purposes of the Proposed Whitewash Resolution, namely Wee Phui Gam, Bao Hongwei, Sun Bowen and Professor Jiang Rongguang
“Regulator”	:	Any central bank or provincial, state, federal, national, government, semi-government, international, administrative, supervisory, regulatory, statutory, fiscal or judicial agency, authority, body, board, commission, department, tribunal, or entity (including, without limitation, MAS, SGX-ST and SIC)
“Resolutions”	:	The Ordinary Resolutions and the Special Resolutions
“Register of Members”	:	The register of members of the Company
“Related Proposed Transactions”	:	Collectively, the Proposed Appointment of the Proposed New Directors, the Proposed Change of Name, the Proposed Listing Transfer, the Proposed Placement, and any other transaction as may be agreed to in writing by the Parties and the term “Related Proposed Transaction” shall be construed accordingly
“Relevant Intermediaries”	:	As defined in section 181 of the Companies Act
“Relevant Period”	:	The Period Under Review and the period from 1 March 2022 to the Latest Practicable Date
“Remuneration Committee”	:	The existing remuneration committee of the Board
“RHB Bank” or “Sponsor” or “Financial Adviser”	:	RHB Bank Berhad, through its Singapore branch, the financial adviser in respect of the Proposed Acquisition and sponsor of the Company upon the Proposed Listing Transfer
“RM”	:	Malaysian Ringgit, the lawful currency of Malaysia
“RMB”	:	Renminbi, the lawful currency of the PRC

DEFINITIONS

“Sale Shares”	: All the ordinary shares representing the entire issued and paid-up share capital of the Target as at Completion Date, legally and beneficially owned by and registered in the names of the Vendors and “Sale Share” shall be construed accordingly
“Securities Account”	: A securities account maintained by a depositor with CDP, but does not include a securities sub-account maintained with a depository agent
“Security Interest”	: Any claim, bill of sale (as defined in any legislation), mortgage, charge, lien, pledge, assignment, priority, title retention arrangement, restriction, trust or power, as or in effect as security for payment of money or obligation or observance of any other obligation and any other arrangement having a similar economic effect
“Service Agreement”	: The service agreement entered into by Tan Jit Meng with the Company
“SFA”	: The Securities and Futures Act 2001 of Singapore
“SFR”	: The Securities and Futures (Offers of Investments) (Securities and Securities-based Derivative Contracts) Regulations 2018 of Singapore
“SFRS(I)”	: Singapore Financial Reporting Standard International
“SGXNET”	: Singapore Exchange Network, a system network used by listed companies in sending information and announcements to the SGX-ST or any other system networks prescribed by the SGX-ST
“SGX-ST” or “Exchange”	: Singapore Exchange Securities Trading Limited
“Shares”	: Ordinary share(s) in the capital of the Company
“Shareholders”	: Registered holders of Shares in the Register of Members, except that where the registered holder is CDP, the term “Shareholders” shall, where the context admits, means persons named as depositors in the depository register maintained by CDP and into whose Securities Accounts those Shares are credited
“SIC”	: Securities Industry Council of Singapore
“SPA”	: The sale and purchase agreement entered into between the Parties dated 22 April 2021, as supplemented, modified and/or amended from time to time
“Special Resolutions”	: The special resolutions as set out in the Notice of EGM, each a special resolution
“SRS”	: Supplementary Retirement Scheme constituted under the Income Tax (Supplementary Retirement Scheme) Regulations 2003
“Sun Bowen”	: Sun Bowen, a Controlling Shareholder and Director of the Company
“S\$” and “cents”	: Singapore dollars and cents, respectively, the lawful currency of the Republic of Singapore

DEFINITIONS

“Target”	:	Lincotrade & Associates Pte. Ltd. (Company Registration No. 199105725K), a private company limited by shares incorporated in Singapore, with its registered address at 39 Sungei Kadut Loop, Singapore 729494
“Target’s Letter to Shareholders” or “Letter”	:	Appendix A to this Circular, titled “Letter to Shareholders from the Proposed New Board”
“Triple Vision”	:	Triple Vision Pte. Ltd. (Company Registration No. 201812334H), a private company limited by shares wholly-owned by Wee Henry, which is incorporated in Singapore with its registered address at 2 Marina Boulevard, #52-06 The Sail @ Marina Bay, Singapore 018987, and a Controlling Shareholder of the Company
“USD”	:	United States dollar, the lawful currency of the United States of America
“Undertakings to Vote in Favour”	:	Written undertakings furnished by the existing Controlling Shareholders of the Company to maintain and not dispose of their respective Shares until the conclusion of the EGM and to vote with their entire voting rights in favour of the Proposed Transactions, save for such abstention by them and their associates as may be required under the Listing Rules, Code or by SGX-ST or SIC
“Valuation Report”	:	The valuation report on the Appraised Value issued by the Independent Valuer, a summary of which has been set out in Appendix F of this Circular
“Vendors”	:	Tan Jit Meng, Soh Loong Chow Jackie and Tan Chee Khoo, collectively the “Vendors” and each a “Vendor”
“Vendors’ Respective Shareholdings”	:	The proportion of Sale Shares legally and beneficially held by and registered in the name of Tan Jit Meng, Soh Loong Chow Jackie and Tan Chee Khoo, being 40.0%, 40.0% and 20.0% respectively
“Waiver of Relevant Rules”	:	The waiver sought by RHB Bank from SGX-ST on behalf of the Company from Rules 1015(1)(a)(ii) and 1015(4)(a) read with Rule 407(1) of the Catalist Rules in respect of disclosure of pro forma financial information of the Enlarged Group
“Warranties”	:	The representation, warranties, covenants and undertakings of the respective Parties as set out in the SPA
“Wee Henry”	:	Wee Henry, a Controlling Shareholder of the Company
“Whitewash Waiver”	:	The waiver by SIC of the obligation of the Vendors to make a mandatory take-over offer for all other Shares in issue arising from the allotment and issuance of the Consideration Shares to the Vendors, pursuant to Rule 14 of the Code
“Year of Assessment” or “YA”	:	Year of assessment as determined by IRAS
“Yinguang Technology”	:	Shandong Yinguang Technology Co. Ltd. (山东银光科技有限公司) (Unified Social Credit Code: 9137130076870702XE), a company incorporated in the PRC, with its registered office at No. 1 Huagong Road, Fei County, Linyi City, Shandong Province, PRC
“%” or “per cent.”	:	Per centum or percentage

DEFINITIONS

Unless the context otherwise requires:

- (a) the terms “**depositor**”, “**depository register**” and “**depository agent**” shall have the meanings ascribed to them respectively in section 81SF of the SFA and the terms “**subsidiary**”, “**related company**” and “**substantial shareholder**” shall have the meanings ascribed to them in sections 5, 6 and 81 of the Companies Act respectively;
- (b) the terms “**acting in concert**” and “**whitewash resolution**” shall have the meanings ascribed to them in the Code;
- (c) the terms “**associate**” and “**associated company**” shall have the meanings ascribed to them in the Section titled “**Definitions and Interpretation**” of the Listing Rules or the Catalist Rules, where relevant;
- (d) the terms “**entity-at-risk**” and “**interested person**” shall be persons falling within the scope of the definitions for the same set out in section 1 of the Fourth Schedule of the SFR or the Listing Rules or the Catalist Rules, where relevant;
- (e) 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. Unless the context otherwise requires, any references to persons shall include individuals, corporate bodies (wherever incorporated), unincorporated associations and partnerships;
- (f) any reference in this Circular to any enactment is a reference to that enactment as for the time being amended or re-enacted. Any word defined under the Companies Act, the SFA, the SFR, the Listing Rules, the Catalist Rules or the Code or any modification thereof and not otherwise defined in this Circular shall, where applicable, have the same meaning ascribed to it under the Companies Act, the SFA, the SFR, the Listing Rules, the Catalist Rules or the Code or such modification thereof, as the case may be, unless the context otherwise requires;
- (g) any reference to a time of a day in this Circular shall be a reference to Singapore time unless otherwise stated;
- (h) any reference in this Circular to Shares and/or new Shares being allotted and/or allocated to a person includes allotment and/or allocation to CDP for the account of that person;
- (i) any discrepancies between the figures 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; and
- (j) the headings in this Circular are inserted for convenience only and shall be ignored in construing this Circular.

GLOSSARY OF TECHNICAL TERMS

To facilitate a better understanding of the business of the Target, the following glossary contains an explanation and description of certain terms used in the Target's Letter to Shareholders in connection with the Target's business. The terms and their assigned meanings may not correspond to standard industry or common meanings, as the case may be, or usage of these terms.

"A&A"	:	Additions and alterations
"AC"	:	A person who is registered as an accredited checker under section 16 of the BC Act, whether acting on his or her own behalf or on behalf of an accredited checking organisation
"BC Act"	:	The Building Control Act 1989 of Singapore
"BC Commissioner"	:	Any Commissioner of Building Control appointed under section 3(1) of the BC Act
"BCISPA"	:	The Building and Construction Industry Security of Payment Act 2004 of Singapore
"Builder Licence"	:	Builder licence issued by the BCA under the Licensing of Builders Scheme under two registers, the General Builder Register and the Specialist Builder Register
"Building Control Regulations"	:	The Building Control Regulations 2003 of Singapore
"Carpentry Products"	:	Builders' carpentry and joinery products such as wardrobes, cabinets, doors and door frames
"Controller"	:	The Controller of Work Passes of Singapore
"CoreTrade"	:	Construction Registration of Tradesmen Scheme, a registration scheme for skilled and experienced construction personnel in the various key construction trades administered by the BCA
"CRS"	:	Contractors Registration System, a register for contractors intending to tender or undertake construction and construction-related public sector projects administered by the BCA
"CVPA"	:	The Control of Vectors and Pesticides Act 1998 of Singapore
"Dormitory Regulations"	:	The COVID-19 (Temporary Measures) (Foreign Employee Dormitories – Control Order) Regulations 2020 of Singapore
"Employment Act"	:	The Employment Act 1968 of Singapore
"EC"	:	Executive Condominium
"EFMA"	:	The Employment of Foreign Manpower Act 1990 of Singapore
"EFMR"	:	The Employment of Foreign Manpower (Work Passes) Regulations 2012 of Singapore
"EPHA"	:	The Environment Public Health Act 1987 of Singapore
"EPMA"	:	The Environmental Protection and Management Act 1999 of Singapore

GLOSSARY OF TECHNICAL TERMS

“Factory Noise Regulations”	:	The Environmental Protection and Management (Boundary Noise Limits for Factory Premises) Regulations
“FEDA”	:	The Foreign Employee Dormitories Act 2015 of Singapore
“GB1”	:	General Builder Class 1 licence which enables a builder to perform building works of any value
“GB2”	:	General Builder Class 2 licence which enables a builder to perform building works for projects of S\$6.0 million or less
“IFOW”	:	Interior fitting-out works
“interior fitting-out”	:	Interior designing, renovations and fitting-out
“ISO”	:	The International Organisation for Standardisation, a worldwide federation of national standards bodies
“ISO 9001”	:	The certification for an internationally recognised standard for quality management systems which builds on seven quality management principles, customer focus, leadership, engagement of people, process approach, improvement, evidence-based decision making and relationship management
“ISO 9001:2008”	:	The 2008 version of the ISO 9001 standard
“ISO 9001:2015”	:	The 2015 version of the ISO 9001 standard
“ISO 14001”	:	The certification for an internationally recognised standard for environmental management systems which is applicable for organisations seeking to management their environmental responsibilities in a systematic manner that contributes to the environmental pillar of sustainability
“ISO 14001:2015”	:	The 2015 version of the ISO 14001 standard
“ISO 45001”	:	The certification for an internationally recognised standard for occupational health and safety management systems which is applicable for organisations seeking to establish, implement and maintain an occupation health and safety management system to improve occupation health and safety, eliminate hazards and minimise occupation health and safety risks (including system deficiencies), take advantage of occupation health and safety opportunities, and address occupation health and safety management system nonconformities associated with its activities, which replaced OHSAS 18001
“ISO 45001:2018”	:	The 2018 version of the ISO 45001 standard
“LQS”	:	Local qualifying salary which determines the number of local employees who can be used to calculated an employee's work permit and S Pass quote entitlement
“LTA”	:	The Land Transport Authority of Singapore
“MEP”	:	Mechanical, electrical and plumbing

GLOSSARY OF TECHNICAL TERMS

“MYE”	:	Man-year entitlement which is a work permit allocation system for workers from NTS countries and the PRC
“NAS”	:	North Asian source countries which are Hong Kong, Macau, South Korea and Taiwan
“NFR”	:	A notification mentioned in section 9(1) of COTMA
“Noise Control Regulations”	:	The Environmental Protection and Management (Noise Control) Regulations of Singapore
“NTS”	:	Non-traditional source countries which are India, Sri Lanka, Thailand, Bangladesh, Myanmar and the Philippines
“OHSAS 18001”	:	The occupational health and safety assessment series which has been replaced by ISO 45001
“OHSAS 18001:2007”	:	The 2007 version of the OHSAS 18001 standard
“QEHS”	:	Quality, Environment, Health and Safety
“Qualified Person”	:	A qualified person who is registered as an architect with the Board of Architects or a professional engineer with the Professional Engineers Board and holds a valid practising certificate issued by either professional body
“R1”	:	Workers in the construction sector who have achieved Higher-Skilled status
“R2”	:	Workers in the construction sector who have achieved Basic-Skilled status
“Specialist Builder”	:	Any person who is licenced under Part 5A of the BC Act as a specialist builder
“WIC”	:	Work injury compensation
“WICA”	:	The Work Injury Compensation Act 2019 of Singapore
“Workplace Regulations”	:	The Workplace Safety and Health (COVID-19 Safe Workplace) Regulations 2021 of Singapore
“WSHA”	:	The Workplace Safety and Health Act 2006 of Singapore

EXCHANGE CONTROLS AND TAXATION

1. EXCHANGE CONTROLS

As at the Latest Practicable Date, there are no foreign exchange control restrictions in Singapore.

2. TAXATION

The following is a summary of certain Singapore income tax, stamp duty and Goods and Services Tax (“**GST**”) consequences of purchasing, owning or disposing of the Shares. This summary is not intended to be and does not constitute legal or tax advice.

The summary is based on existing tax laws of Singapore in force as at the Latest Practicable Date and is subject to any changes in such laws, or in interpretation of such laws, occurring after such date, which changes could be made on a retrospective basis. These laws are also subject to various interpretations and no assurance can be given that the courts or fiscal authorities responsible for the administration of such laws will agree with this interpretation. The summary is limited to a general description of certain tax consequences in Singapore with respect to the purchase, ownership or disposition of the Shares by Singapore investors, and does not purport to be a comprehensive or exhaustive description of all of the tax considerations that may be relevant in a decision to purchase, own or dispose of the Shares. This summary does not take into account the effect of any applicable tax treaty.

Prospective investors should consult their own tax advisers regarding Singapore income tax and other tax consequences of purchasing, owning and disposing of the Shares. It is emphasised that neither the Company, the Directors, the Target, the Proposed New Board nor any other persons involved in this Circular accept the responsibility for any tax effects or liabilities resulting from the subscription for, purchase, holding or disposal of the Shares.

Individual Income Tax

An individual taxpayer (both tax resident and non-tax resident) is subject to Singapore income tax on income accrued in or derived from Singapore. Foreign-sourced income received or deemed received in Singapore by an individual is exempt from income tax in Singapore except for such income received through a partnership in Singapore.

An individual is regarded as tax resident in Singapore if in the calendar year preceding the year of assessment, he was physically present in Singapore or exercised an employment in Singapore (other than as a director of a company) for 183 days or more, or if he has stayed or worked in Singapore continuously for 3 consecutive years, or if he ordinarily resides in Singapore.

Currently, a Singapore tax resident individual is subject to tax at the progressive resident rates, ranging from 0.0% to 22.0%, after deductions of qualifying personal reliefs where applicable.

A non-Singapore tax resident individual is taxed at the rate of 22.0%, except that Singapore employment income derived is taxed at a flat rate of 15.0% or at progressive resident rates, whichever yields a higher tax.

Corporate Income Tax

Corporate taxpayers (both resident and non-resident) are subject to Singapore income tax on income accrued in or derived from Singapore (i.e. Singapore-sourced) and income received in Singapore from outside Singapore (i.e. foreign-sourced income received or deemed received in Singapore) unless specifically exempt from income tax.

Foreign-sourced income in the form of branch profits, dividends and service fee income (“**specified foreign income**”) received or deemed received in Singapore by a Singapore tax resident company are exempted from Singapore tax provided that the following qualifying conditions are met:

- (a) such income is subject to tax of a similar character to income tax (by whatever named called) under the law of the territory from which such income is received;

EXCHANGE CONTROLS AND TAXATION

- (b) at the time the income is received in Singapore, the highest rate of tax of a similar character to income tax (by whatever named called) levied under the law of the territory from which the income is received is at least 15.0%; and
- (c) the Comptroller of Income Tax is satisfied that the tax exemption would be beneficial to the recipient of the specified foreign income.

Pursuant to a tax concession granted with effect from 30 July 2004, the above foreign income exemption has been extended to include specified foreign income which is exempted from tax (i.e. underlying and withholding tax) in the foreign jurisdiction as a result of a tax incentive granted by that foreign jurisdiction for carrying out substantive business activities in that foreign jurisdiction.

If the foreign income is not tax exempt in Singapore, a Singapore tax resident corporate taxpayer is entitled to claim foreign tax credit ("**FTC**") for the overseas tax paid on such foreign income, subject to meeting the relevant conditions. The amount of foreign tax credit available to a Singapore tax resident corporate taxpayer is based on the lower of:

- (a) the Singapore tax payable on the particular source of income which qualifies for foreign tax credit; or
- (b) the actual foreign tax suffered on the same income.

Under the FTC pooling system, Singapore resident companies may elect to claim FTC on a pooled basis on any items of its foreign-sourced income, rather than the usual source-by-source and country-by-country basis, subject to meeting the relevant conditions as follows:

- (a) income tax must have been paid on the income in the foreign jurisdiction from which the income is derived;
- (b) at the time the foreign-sourced income is received in Singapore, the highest corporate tax rate (headline tax rate) of the foreign jurisdiction from which the income is derived is at least 15.0%;
- (c) there must be Singapore income tax payable on the foreign-sourced income; and
- (d) the taxpayer is entitled to claim foreign tax credits under sections 50, 50A or 50B of the Income Tax Act on its foreign-sourced income.

The amount of foreign tax credit to be granted under the FTC pooling system is based on the lower of the total Singapore tax payable on the pooled foreign-sourced income and the pooled foreign taxes paid on that income.

With effect from Year of Assessment 2020, the first S\$200,000 of a company's normal chargeable income exempt from tax shall be as follows:

- (a) 75.0% of the first S\$10,000 of chargeable income; and
- (b) 50.0% of the next S\$190,000 of chargeable income.

The remaining chargeable income (after deducting the applicable tax exemption of the first S\$200,000 of chargeable income) will be taxed at the prevailing corporate tax rate, currently at 17.0%.

A company is regarded as a tax resident in Singapore if the control and management of its business is exercised in Singapore. Generally, control and management of a company is vested in its board of directors and its tax residency is generally where its board of directors meet to make strategic business decisions of the company.

Dividend Distributions

Singapore operates a one-tier corporate tax system under which the tax on corporate profits is a final tax and all dividends paid by Singapore tax resident companies to their shareholders are exempt from Singapore income tax in the hands of the shareholders, regardless of whether the shareholder is a company or an individual and whether or not the shareholder is a Singapore tax resident.

There is no withholding tax on the dividend payments to both resident and non-resident shareholders.

Foreign shareholders receiving tax exempt (one-tier) dividends are advised to consult their own professional tax advisers to take into account the tax laws of their respective countries of residence and the applicability of any double taxation agreement which their country of residence may have with Singapore.

Capital Gains Tax

Singapore currently does not impose tax on capital gains. However, gains from the disposal of the Shares may be construed to be an income nature and subject to Singapore income tax if they arise from activities which the Comptroller of Income Tax regards as the carrying on of a trade or business in Singapore.

Section 13W of the Income Tax Act provides for certainty on non-taxability of gains derived by a corporate taxpayer from the disposal of ordinary shares during the period from 1 June 2012 to 31 December 2027 (both dates inclusive) where the divesting company had legally and beneficially held a minimum shareholding of 20.0% of the ordinary shares of the company whose shares are being disposed for a continuous period of at least 24 months immediately prior to the disposal.

The abovementioned “safe harbour rule” prescribed under section 13W of the Income Tax Act is not applicable under the following scenarios:

- (i.) during the period from 1 June 2012 to 31 May 2022, on the disposal(s) of shares in an unlisted investee company which is in the business of trading or holding Singapore immovable properties (other than the business of property development);
- (ii.) during the period from 1 June 2022 to 31 December 2027, on the disposal(s) of unlisted shares in investee companies that are in the business of trading, holding or developing immovable properties in Singapore or abroad;
- (iii.) the disposal(s) of shares the gains or profits of which are included as part of the income of an insurer company; and
- (iv.) the disposal(s) of shares by a partnership, limited partnership or limited liability partnership one or more of the partners of which is a company or companies.

In addition, corporate Shareholders who have adopted, or who are required to adopt, the Singapore Financial Reporting Standard International (“**SFRS(I)**”) 9 (Financial Instruments) which replaces the existing SFRS(I) 1-39 (Financial Instruments - Recognition and Measurement) for accounting purposes may be required to recognise gains or losses in accordance with the provisions of SFRS(I) 9 regardless of any disposal of our Shares being made. If so, the gain or loss on the Shares may be taxed or allowed as a deduction for Singapore income tax purposes notwithstanding being unrealised.

Shareholders are advised to consult their own professional tax advisers on the Singapore tax consequences on their subscription, purchase, holding and disposal of the Shares.

Bonus Shares

Any bonus shares received by our Shareholders are not taxable in Singapore.

Stamp Duty

There is no stamp duty payable on the subscription for, allotment or holding of the Shares.

Stamp duty is generally payable on instruments of transfer of shares at the rate of 0.2% of the consideration paid or the net asset value of the shares whichever is higher.

The purchaser is liable for stamp duty, unless there is an agreement to the contrary.

No stamp duty is payable if no instrument of transfer is executed (such as in the case of scripless shares, the transfer of which does not require instruments of transfer to be executed) or if the instrument of transfer is executed outside Singapore (unless the instrument of transfer which is executed outside Singapore is received in Singapore).

Goods and Services Tax ("GST")

The sale of the Shares by a GST-registered investor belonging in Singapore to another person belonging in Singapore is an exempt supply not subject to GST. Any GST incurred by the investor in making such an exempt supply is not recoverable from the Comptroller of GST.

Where the Shares are sold by a GST-registered investor in the course of a business to a person belonging outside Singapore, and who is outside Singapore at the time the sale is executed, the sale will be considered a taxable supply subject to GST at zero-rate. Subject to the provisions of the GST Act, any GST incurred by the GST-registered investor in the making of such taxable supply in the course of or furtherance of a business, may be recoverable from the Comptroller of GST.

Services such as brokerage, handling and clearing services, or advising on the issue, allotment, or transfer of ownership of the Shares, rendered by a GST-registered person to an investor belonging in Singapore in connection with the investor's subscription for, acquisition, sale or disposal of the Shares will be subject to GST at the prevailing standard rate of 7.0%. Similar services rendered to an investor belonging outside Singapore, and who is outside Singapore when the services are supplied, will generally be subject to GST at zero-rate, provided that the services provided do not benefit any Singapore persons.

Estate Duty

Singapore estate duty has been abolished since 15 February 2008.

CAUTIONARY NOTE ON FORWARD LOOKING STATEMENTS

All statements contained in this Circular, statements made in press releases and oral statements that may be made by the Company, the Target, the Enlarged Group, their respective directors, executive officers or employees acting on their behalf, that are not statements of historical fact, constitute “forward looking statements”. Some of these statements can be identified by words that have a bias towards, or are, forward looking such as “anticipate”, “believe”, “could”, “estimate”, “expect”, “forecast”, “if”, “intend”, “may”, “plan”, “possible”, “probable”, “project”, “should”, “will” and “would” or similar words. However, Shareholders should note that these words are not the exclusive means of identifying forward looking statements. All statements regarding the Company’s, the Target’s and the Enlarged Group’s expected financial position, business strategies, plans and prospects are forward looking statements.

These forward looking statements including but not limited to, statements as to revenue and profitability; any expected growth; any expected industry prospects and trends; planned strategy and future expansion plans; any other matters that are not historical facts; and any other matters discussed in this Circular, are only predictions. These forward looking statements involve known and unknown risks, uncertainties and other factors that may cause the Company’s, the Target’s and the Enlarged Group’s actual future results, performance or achievements to be materially different from any future results, performance or achievements expected, expressed or implied by such forward looking statements. These risk factors and uncertainties are discussed in more detail in this Circular, in particular, but not limited to, discussions in Section 2.7 of this Circular titled “Risk Factors”.

Given the risks and uncertainties that may cause the Company’s, the Target’s and the Enlarged Group’s actual future results, performance or achievements to be materially different from that expected, expressed or implied by the forward looking statements in this Circular, undue reliance must not be placed on these statements.

The Company, the Target, the Enlarged Group, their respective directors and executive officers and the Financial Adviser are not representing or warranting to you that the actual future results, performance or achievements of the Company, the Target and the Enlarged Group will be as those discussed in those statements. The respective actual future results may differ materially from those anticipated in these forward looking statements as a result of the risks faced. Further, the Company, the Target, the Enlarged Group and RHB Bank disclaim any responsibility for updating any of those forward looking statements or publicly announcing any revisions to those forward looking statements to reflect their future developments, events or circumstances.

Upon Completion, the Enlarged Group will be subject to the Catalist Rules regarding corporate disclosures.

TAKEOVER LIMITS

The Code regulates the acquisition of ordinary shares of, amongst others, corporations with a listing on the SGX-ST, including the Company. 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 parties acting in concert with him) carry 30.0% or more of the voting rights of the company; or
- (b) any person who, together with parties acting in concert with him, holds not less than 30.0% but not more than 50.0% of the voting rights and such person, or any party acting in concert with him, acquires in any period of six (6) months additional shares carrying more than 1.0% of the voting rights,

such person must extend a mandatory general offer immediately to the shareholders for the remaining shares in the company in accordance with the provisions of the Code. In addition to such person, each of the principal members of the group of persons acting in concert with him may, according to the circumstances of the case, have the obligation to extend an offer.

In general, the acquisition of instruments convertible into securities which carry voting rights does not give rise to an obligation to make a mandatory general offer under the Code but the exercise of any conversion rights will be considered an acquisition of voting rights for the purposes of the Code.

Shareholders who are in doubt as to their obligations, if any, to make a mandatory general offer under the Code as a result of the Proposed Transactions should consult the SIC and/or their professional advisers.

INDICATIVE TIMETABLE

The following indicative timetable assumes that approval for all the resolutions proposed at the EGM is obtained.

Last date and time for advance submission of questions to be asked during the EGM : 18 July 2022 at 10.00 a.m.

Last date and time for pre-registration for the EGM to be held by electronic means : 20 July 2022 at 10.00 a.m.

Last date and time for submission of Proxy Form : 20 July 2022 at 10.00 a.m.

Date and time of the EGM to be held by electronic means : 22 July 2022 at 10.00 a.m.

Expected completion of the Proposed Listing Transfer : 4 August 2022

Expected completion of the Proposed Acquisition, the Proposed Issuance of the Consideration, Arranger and FA Shares, and the Proposed Placement : 4 August 2022

Save for the date of the EGM, the dates set out in the above timetable are indicative and may be subject to change. The Company will make further announcements on the exact dates of such events.

LETTER TO SHAREHOLDERS

FABCHEM CHINA LIMITED

(Company Registration No. 200413128G)
(Incorporated in the Republic of Singapore)

Directors:

Wee Phui Gam (Acting Chairman and Lead Independent Director)
Bao Hongwei (Managing Director)
Sun Bowen (Non-Executive and Non-Independent Director)
Professor Jiang Rongguang (Independent Director)

Registered Office:

77 Robinson Road
#06-03 Robinson 77
Singapore 068896

30 June 2022

To: The Shareholders of Fabchem China Limited

Dear Sir/Madam,

CIRCULAR TO SHAREHOLDERS IN RELATION TO:

- (1) THE PROPOSED ACQUISITION OF THE ENTIRE ISSUED AND PAID-UP SHARE CAPITAL OF LINCOTRADE & ASSOCIATES PTE LTD FOR AN AGGREGATE CONSIDERATION OF S\$25.0 MILLION, BEING A REVERSE TAKEOVER;
- (2) THE PROPOSED ALLOTMENT AND ISSUANCE OF 113,636,363 CONSIDERATION SHARES TO THE VENDORS FOR THE PROPOSED ACQUISITION AT THE ISSUE PRICE OF S\$0.22 FOR EACH CONSIDERATION SHARE;
- (3) THE PROPOSED WHITEWASH RESOLUTION FOR THE WAIVER BY INDEPENDENT SHAREHOLDERS OF THEIR RIGHT TO RECEIVE A MANDATORY TAKEOVER OFFER FROM THE VENDORS;
- (4) THE PROPOSED ALLOTMENT AND ISSUANCE OF 454,545 FA SHARES TO RHB BANK AS THE FINANCIAL ADVISER FOR THE PROPOSED ACQUISITION AT THE ISSUE PRICE OF S\$0.22 FOR EACH FA SHARE;
- (5) THE PROPOSED ALLOTMENT AND ISSUANCE OF 5,681,818 ARRANGER SHARES TO THE ARRANGER IN CONNECTION WITH THE PROPOSED ACQUISITION AT THE ISSUE PRICE OF S\$0.22 FOR EACH ARRANGER SHARE;
- (6) THE PROPOSED PLACEMENT OF UP TO 13,650,000 PLACEMENT SHARES AT THE ISSUE PRICE OF S\$0.22 FOR EACH PLACEMENT SHARE;
- (7) THE PROPOSED TRANSFER OF THE LISTING OF THE COMPANY FROM THE MAINBOARD TO THE CATALIST BOARD;
- (8) THE PROPOSED CHANGE OF CORE BUSINESS;
- (9) THE PROPOSED CHANGE OF NAME OF THE COMPANY FROM “FABCHEM CHINA LIMITED” TO “LINCOTRADE & ASSOCIATES HOLDINGS LIMITED”;
- (10) THE PROPOSED APPOINTMENT OF THE PROPOSED NEW DIRECTORS TO THE COMPANY;
- (11) THE PROPOSED ADOPTION OF THE NEW CONSTITUTION OF THE COMPANY; AND
- (12) THE PROPOSED NEW SHARE ISSUE MANDATE.

LETTER TO SHAREHOLDERS

1. INTRODUCTION

1.1 Overview

On 22 April 2021, the Company announced that it had entered into a sale and purchase agreement (“SPA”) with the Vendors and the Target for the Proposed Acquisition of the entire issued and paid-up share capital of the Target upon the terms and conditions of the SPA.

Pursuant to the SPA, the aggregate Purchase Consideration in respect of the Proposed Acquisition as determined by mutual agreement between the Parties to the SPA is S\$25.0 million, to be fully satisfied by the Company at Completion through the allotment and issuance of an aggregate of 113,636,363 new Shares in the capital of the Company to the Vendors (“**Consideration Shares**”), at the issue price of S\$0.22 (“**Issue Price**”) per Consideration Share.

Pursuant to the terms of the SPA, the Company will also allot and issue (i.) 5,681,818 new Shares, credited as fully paid-up, at the Issue Price to an unrelated third-party, Prestige Fame Limited (“**Arranger**”), and (ii.) 454,545 new Shares, credited as fully-paid up, at the Issue Price to RHB Bank in part-payment for their professional fees.

The Proposed Acquisition constitutes a reverse takeover as set out under Rule 1015 of the Listing Rules as the relative figures under Rules 1006(b), 1006(c) and 1006(d) of the Listing Rules exceed 100% and on Completion will result in the change in control of the Company. The Company will be seeking the approval of Shareholders for, among other things, the Proposed Acquisition and the Proposed Issuance of the Consideration Shares at the EGM.

Upon the allotment and issuance of the Consideration Shares, the Vendors will incur an obligation to make a mandatory general offer for the Shares under Rule 14 of the Code unless such obligation is waived by the SIC. The Whitewash Waiver was obtained by the Vendors on 16 June 2022 and is subject to, among other things, the Proposed Whitewash Resolution being approved by Independent Shareholders at the EGM within three (3) months from the date of the Whitewash Waiver. Accordingly, the Company is seeking the approval of Shareholders for the Proposed Whitewash Resolution at the EGM.

The Company has appointed RHB Bank as its Financial Adviser in relation to the Proposed Acquisition. Pursuant to the completion of the Proposed Acquisition and the Proposed Listing Transfer, RHB Bank shall be appointed as the continuing sponsor of the Company. The Company has also appointed Provenance Capital Pte. Ltd. as the IFA to advise the Recommending Directors in respect of the Proposed Whitewash Resolution.

1.2 Purpose of Circular

The purpose of this Circular is to provide Shareholders with the relevant information relating to the Proposed Transactions for which the approval of Shareholders will be sought at the EGM. Shareholders’ approval for the Proposed Transactions shall be sought by way of ordinary resolutions, except for the Proposed Listing Transfer, the Proposed Change of Name and the Proposed Adoption of the New Constitution for which approval shall be sought by way of special resolutions.

The Notice of EGM is set out in the Section titled “Notice of Extraordinary General Meeting” of this Circular.

This Circular has been prepared solely for the purposes set out herein and may not be relied upon by any persons (other than the Shareholders to whom this Circular is despatched to) or for any other purpose.

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

LETTER TO SHAREHOLDERS

1.3 Inter-Conditionality of Resolutions

Shareholders should note that:

- (a) the **Key Resolutions** are inter-conditional. This means that if any of the **Key Resolutions** are not passed, the other **Key Resolutions** would not be passed; and
- (b) **Ordinary Resolutions 10 and 11 relating to the proposed appointment of the Proposed New Directors (other than Tan Jit Meng and Wee Shuo Siong Milton), Ordinary Resolution 12 relating to the Proposed New Share Issue Mandate, and Special Resolution 3 relating to the Proposed Adoption of the New Constitution of the Company, are conditional upon the passing of the Key Resolutions.**

In particular, Shareholders should note that:

- (a) The following resolutions (collectively, the “**Key Resolutions**”) are inter-conditional as the subject matter of the Key Resolutions will facilitate the conduct of business of the Enlarged Group upon Completion:
 - (i.) Ordinary Resolution 1 on the Proposed Acquisition;
 - (ii.) Ordinary Resolution 2 on the Proposed Issuance of Consideration Shares;
 - (iii.) Ordinary Resolution 3 on the Proposed Whitewash Resolution;
 - (iv.) Ordinary Resolution 4 on the Proposed Issuance of FA Shares;
 - (v.) Ordinary Resolution 5 on the Proposed Issuance of Arranger Shares;
 - (vi.) Ordinary Resolution 6 on the Proposed Placement;
 - (vii.) Ordinary Resolution 7 on the Proposed Change of Core Business;
 - (viii.) Ordinary Resolution 8 on the proposed appointment of Tan Jit Meng as a Proposed New Director;
 - (ix.) Ordinary Resolution 9 on the proposed appointment of Wee Shuo Siong Milton as a Proposed New Director;
 - (x.) Special Resolution 1 on the Proposed Listing Transfer; and
 - (xi.) Special Resolution 2 on the Proposed Change of Name.

This means that if any of the Key Resolutions are not approved, the other Key Resolutions would not be passed. The Proposed Issuance of FA Shares, Proposed Issuance of Arranger Shares, Proposed Change of Name, proposed appointment of Tan Jit Meng as a Proposed New Director and proposed appointment of Wee Shuo Siong Milton as a Proposed New Director (please refer to sub-section (d) in Section 15.2 titled “Proposed New Board” in the Target’s Letter to Shareholders for further details) are inter-conditional as they are substantive terms agreed upon in the SPA that are closely inter-connected with the Proposed Acquisition, representing the commercial intentions of the Parties and are among the legally binding Conditions Precedent to be satisfied for completion of the Proposed Acquisition. Additionally, the proposed appointment of Tan Jit Meng underscores his key involvement in the Target, and the proposed change of the Company’s name is part of the Enlarged Group’s strategy for the rebranding of the Enlarged Group and its business upon Completion.

LETTER TO SHAREHOLDERS

- (b) Each of the remaining Resolutions are conditional upon the passing of the Key Resolutions (“**Conditional Resolutions**”):
- (i.) Ordinary Resolution 10 on the proposed appointment of Tan Kok Heng as a Proposed New Director;
 - (ii.) Ordinary Resolution 11 on the proposed appointment of Lu King Seng as a Proposed New Director;
 - (iii.) Ordinary Resolution 12 on the Proposed New Share Issue Mandate; and
 - (iv.) Special Resolution 3 on the Proposed Adoption of the New Constitution.

This means that if any of the Key Resolutions are not passed, Ordinary Resolutions 10, 11, 12 and Special Resolution 3 would not be passed.

2. THE PROPOSED ACQUISITION AND PROPOSED ISSUANCE OF CONSIDERATION SHARES

2.1 Overview

As announced on 22 April 2021, the Company had entered into an SPA with the Vendors and the Target for the Proposed Acquisition of the entire issued and paid-up share capital of the Target for an aggregate consideration of S\$25.0 million. The Purchase Consideration shall be satisfied by the allotment and issuance of an aggregate of 113,636,363 Consideration Shares to the Vendors in proportion to the Vendors’ Respective Shareholdings at the Issue Price.

The Proposed Acquisition constitutes a reverse takeover as set out under Rule 1015 of the Listing Rules as the relative figures under Rules 1006(b), 1006(c) and 1006(d) of the Listing Rules exceed 100.0% and on Completion will result in a change in control of the Company. The Company will be seeking the approval of Shareholders for, among other things, the Proposed Acquisition and the Proposed Issuance of Consideration Shares at the EGM.

2.2 Rationale for and benefits of the Proposed Acquisition

On 5 November 2021, the Company announced the completion of the disposal of Yinguang Technology to Triple Vision (“**Disposal**”). Following the Disposal, the Company completed the Capital Reduction on 29 November 2021 and Cash Distribution on 21 December 2021. Upon completion of the Disposal, Yinguang Technology had ceased to be a subsidiary of the Company, and the Company ceased to have any operating business. Accordingly, the Company was deemed as a cash company under Rule 1018(1) of the Listing Rules with effect from 4 November 2021. Under Rule 1018(2) of the Listing Rules, the SGX-ST will proceed to delist the Company if it is unable to meet the requirements for a new listing within 12 months (with a maximum extension of another 6 months with the approval of the SGX-ST) from the date it becomes a cash company.

The Company has also been on the watch-list of the SGX-ST due to the Financial Entry Criteria since 5 December 2018. Pursuant to Rule 1315 of the Listing Rules, the Company must take active steps to be removed from the watch-list by achieving (i.) a pre-tax profit for the most recent financial year and (ii.) having an average daily market capitalisation of S\$40 million or more over the last 6 months, within 36 months from the date it was placed on the watch-list. Otherwise, the SGX-ST may either remove the Company from the Official List or suspend trading of the Shares with a view to removing the Company from the Official List. As the deadline for satisfaction of the Exit Criteria by the Company was 4 December 2021, the Company had on 19 November 2021 applied to the SGX-ST seeking an extension of time for the Company to satisfy the Exit Criteria pursuant to Rule 1314 (“**Application for Extension of Time**”). Please refer to Section 14.2 titled “Extension of Time to Exit the Watch-List of the SGX-ST” of this Circular for more information on the applications made by the Company to the SGX-ST in relation to the extensions of time sought by the Company from SGX-ST to satisfy the Exit Criteria.

LETTER TO SHAREHOLDERS

The Board is of the view that the Proposed Acquisition and Proposed Listing Transfer is in the best interests of the Company and the Shareholders, as it presents an opportunity for the Company to acquire a new operating business to meet the SGX-ST's requirements of a new listing on the Catalist Board, allowing the Company to maintain its listing status on the SGX-ST. Additionally, successful completion of the Proposed Transactions will allow the Company to exit the watch-list. The Board also believes that the Proposed Acquisition will have the potential to increase the market capitalisation and widen the investor base of the Company, thereby enabling the Company to attract more extensive analyst coverage and increase investors' interest in the Shares.

2.3 Information of the Target and the Enlarged Group

2.3.1 Information on the Target

The Target is a private company limited by shares, incorporated on 14 November 1991 in Singapore, with an issued and fully paid-up capital of S\$1.5 million comprising 1,500,000 ordinary shares ("**Sale Shares**"). The Target's business activities are based in Singapore and involves primarily the provision of interior designing, renovation and fitting-out, A&A works and building construction services in Singapore ("**Business**"). The Target does not have any subsidiary or associated companies.

2.3.2 Information on the Enlarged Group

Pursuant to the completion of the Proposed Transactions, the business of the Enlarged Group will comprise wholly of the Business.

Please refer to Appendix J titled "Enlarged Group Structure" of this Circular for the Enlarged Group structure of the Company after completion of the Proposed Acquisition.

2.4 Information on the Vendors

Tan Jit Meng, Soh Loong Chow Jackie and Tan Chee Khoon are directors of the Target who respectively own 40.0%, 40.0% and 20.0% of the Sale Shares ("**Vendors' Respective Shareholdings**"). None of the Vendors hold any Shares as at the Latest Practicable Date, and none of the Vendors are related to and/or have any existing business relationship with the Company, Directors, chief executive officer (or its equivalent rank), Controlling Shareholders of the Company or their respective associates.

Please refer to Appendix A titled "Letter to Shareholders from the Proposed New Board" of this Circular for more information on the Vendors.

2.5 Principal Terms of the Sale and Purchase Agreement

2.5.1 Sale Shares

Pursuant to the SPA, the Vendors have agreed to sell to the Company and the Company has agreed to purchase from the Vendors the Sale Shares on the terms and conditions contained in the SPA, free from all and any Encumbrances together with all rights, dividends, entitlements and benefits attaching thereto as at Completion.

2.5.2 Consideration

The Purchase Consideration of S\$25.0 million shall be satisfied on Completion through the allotment and issuance of 113,636,363 Consideration Shares at the Issue Price to the Vendors in proportion to the Vendor's Respective Shareholdings.

2.5.3 Bases and Rationale for the Purchase Consideration and Issue Price

Purchase Consideration. The Purchase Consideration for the Proposed Acquisition was determined by agreement between the Parties at arm's length, on a "willing-buyer, willing seller" basis, and on the basis that the Appraised Value is not less than S\$25.0 million, to be fully satisfied by the Company at Completion by the allotment and issuance of the Consideration Shares to the Vendors in proportion to their equity interest in the Target, at the Issue Price. Shareholders should note that there is no open market for the Sale Shares as they are not publicly traded.

LETTER TO SHAREHOLDERS

Issue Price. The Issue Price of S\$0.22 for each Consideration Share, each Arranger Share, each FA Share and each Placement Share represents:

- (a) a premium of approximately 120.0% to the volume-weighted average price of S\$0.10 per Share based on trades done on the Shares on the Mainboard on the Latest Practicable Date;
- (b) a premium of approximately 7,871.0% to the Company's NAV per Share as at 30 April 2022; and
- (c) a discount of approximately 41.3% to the last transacted Share price of S\$0.375 and a discount of approximately 41.5% to the volume weighted average Share price of S\$0.376 on 13 April 2021¹, being the last Market Day on which the Shares were traded on the Mainboard of the SGX-ST preceding the date of the SPA.

The Issue Price of S\$0.22 was derived following the Parties' negotiations, after taking into consideration, *inter alia*, (a) the minimum issue price requirement pursuant to Rule 1015(3)(c) of the Catalist Rules, where in relation to a reverse takeover, the issue price of each share after adjusting for any share consolidation must not be lower than S\$0.20, and (b) the historically traded prices of the Shares and its low trading liquidity.

2.5.4 Independent Valuation

Pursuant to Rule 1015(3)(a) of the Listing Rules, the Company appointed the Independent Valuer to conduct a valuation of the Target and the Business ("**Appraised Value**") in accordance with the International Valuation Standards published by the International Valuation Standards Council.

The Independent Valuer has issued a valuation report in respect of the Appraised Value of the 100% equity interest of the Target ("**Valuation Report**") and a valuation summary letter ("**Valuation Summary Letter**") is set out in Appendix F to this Circular. Having reviewed the Valuation Summary Letter and the Valuation Report, the Board is of the view that the key assumptions and estimates used in the valuation exercise are reasonable, and the valuation conclusion and limitations as disclosed in the Valuation Summary Letter and Valuation Report are acceptable. The Board is further of the view that the valuation was conducted by qualified and competent valuation professionals with the relevant experience in performing valuation for the assets under consideration.

An excerpt of the sections in pages 2 to 4 of the Valuation Summary Letter setting out the valuation approach and methodology and conclusion of value is extracted and set out in *italics* as follows and capitalised terms used within these reproduced statements bear the meanings defined for them in the Valuation Summary Letter.

"This valuation exercise was performed on Market Value basis. Market Value is defined by the International Valuation Standards Council as "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion."

We have considered all three generally accepted valuation approaches, namely the income approach, the market approach and the cost approach.

On the basis that L&A's operations are expected to continue for the foreseeable future, we have relied on the income approach and the market approach to estimate the Market Value range of the 100% equity interest in L&A.

¹ The last transacted Share price of S\$0.375 and volume weighted average Share price of S\$0.376 on 13 April 2021 were Share prices prior to the completion of the Capital Reduction.

LETTER TO SHAREHOLDERS

Since the market approach is performed from a market participant's perspective whereby the resulting valuation would be a marketable minority value, a control premium is applied to derive the market value range on a financial control basis. The control premium that we have applied is based on the Factstat Mergerstat/ BVR study which gives indications on the level of control premiums and minority interest discount. The most recent study we have referenced to was performed in the first quarter of 2021 which was conducted on both domestic (US) and international transactions for publicly traded companies across multiple industries (i.e. agriculture, mining, construction, manufacturing, transportation, wholesale trade, retail, finance, insurance, real estate, services and others). The control premium of 29.5% is derived from the median control premiums over the period 2015 to 1Q21. This period was selected according to the standard business valuation practice at Mazars.

The value of L&A is dependent on its ongoing operations rather than the current net book value of its tangible assets and liabilities. As such, we have not relied on the cost approach in this engagement.

We did not rely on the Guideline Transaction Method as the transaction multiples typically include deal specific synergy and conditions. We did not rely on the cost approach as it fails to capture the income-generating potential of the Target.

Based on the methodology and analysis as detailed in the Valuation Report, as of Valuation Date, the Market Value of the 100% share capital of L&A is estimated to be approximately S\$25,164k to S\$29,031k."

Accordingly, Section 2.5.5(f) of this Circular in relation to the Conditions Precedent on the Appraised Value being not less than S\$25.0 million is satisfied. Please refer to Appendix F of this Circular titled "Valuation Summary Letter" for the summary of the Valuation Report. The full text of the Valuation Report will be made available for inspection at the principal place of business of the Company during normal business hours for a period of six (6) months from the date of this Circular.

2.5.5 Conditions Precedent to the Proposed Acquisition

Completion of the Proposed Acquisition shall be conditional upon, amongst others, the following conditions being satisfied or waived on or before Completion ("**Conditions Precedent**" and each, a "**Condition Precedent**"):

- (a) the Vendors being, on the Completion Date, (i.) the sole legal, beneficial and registered owners of their respective Sale Shares, free from all Encumbrances, and not holding the same on trust for other beneficiaries, and (ii.) entitled to sell and transfer to the Company the full legal title and beneficial ownership of their respective Sale Shares together with all rights, benefits and entitlements attaching and accruing thereto (including, without limitation, the rights to any dividends or other distributions declared or payable thereon) as at the Completion Date;
- (b) the Sale Shares (i.) being duly authorised and validly issued and allotted, (ii.) being free from all Encumbrances to be freely dealt with by the Company and there being no other claimants to and/or disputes relating to ownership of and/or title to the Sale Shares, and no circumstances likely to give rise to such claims or disputes, (iii.) ranking *pari passu* with all then existing shares in the equity share capital of the Target, and (iv.) being not subject to any rights of pre-emption or first refusal or any restriction on disposal placed by any party or by contractual undertaking or otherwise or under any restrictions by any law or Regulator restricting the sale and transfer of the Sale Shares;

LETTER TO SHAREHOLDERS

- (c) the approval and such approval not having been qualified or withdrawn, of the Shareholders at the EGM for the entering into of the SPA, all transactions contemplated under the SPA and such other transactions in connection therewith and incidental thereto, including without limitation:
 - (i.) the Proposed Acquisition;
 - (ii.) the allotment and issuance of the Consideration Shares, Arranger Shares and FA Shares in accordance with the terms of the SPA;
 - (iii.) the approval of the Proposed Whitewash Resolution by a majority of the Independent Shareholders by ordinary resolution on a poll taken, at the EGM, of their right to receive a general offer from any or all of the Vendors and their concert parties for all other Shares not acquired by the Vendors and their concert parties arising from the allotment and issuance of the Consideration Shares, pursuant to Rule 14 of the Code;
 - (iv.) the Related Proposed Transactions;
 - (v.) if necessary, the proposed adoption of a shareholders' mandate by the Shareholders for any recurrent interested person transactions of a revenue or trading nature or those necessary for the post-Completion day-to-day operations; and
 - (vi.) if necessary and in consultation with the Sponsor, the proposed adoption of a new constitution by the Company to update it with the latest relevant provisions of the Act and Catalist Rules;
- (d) the approval, consent and/or waiver of the Target's board and shareholders, respectively, for the sale and transfer of the Sale Shares to the Company in accordance with the terms of the SPA and the authorisation of the Target's secretary to register the transfer of the Sale Shares from the respective Vendors to the Company, cancellation of the original share certificates representing all of the Sale Shares and issue of a new share certificate representing all of the Sale Shares to and in the name of the Company, and any related transactions as may be required in relation thereto;
- (e) the conduct and completion of a legal, financial and technical due diligence exercise by the Company and/or their professional advisers on the Target, Vendors and Business, and the results of such due diligence exercise being satisfactory to the Company in its reasonable opinion and the Company having obtained a legal opinion satisfactory to the Company in its reasonable opinion from the legal advisors to the Target on the Vendors' and Target's compliance with the laws of Singapore, with the substantive investigations for such due diligence to be materially carried out by the date of submission of the draft Circular to SGX-ST, subject to updating and finalising of the due diligence reports immediately prior to (i.) issuance of the Circular, and (ii.) Completion;
- (f) the issuance of the Valuation Report by the Independent Valuer and the Appraised Value being not less than S\$25.0 million;
- (g) an unqualified opinion by the IFA that the financial terms of the Proposed Acquisition which is the subject of the Proposed Whitewash Resolution are fair and reasonable and that the Independent Shareholders vote in favour of the Proposed Whitewash Resolution;
- (h) the Warranties being complied with, and being true and accurate in all material aspects on and as at the Completion Date, with the same force and effect as though made on and as at the Completion Date with reference to the facts and circumstances prevailing at the Completion Date, and each Party having performed and complied with all their respective obligations, undertakings, covenants and agreements set out in the SPA on or prior to the Completion Date and no fact or circumstance having occurred which would result in the Warranties being untrue or inaccurate or misleading;

LETTER TO SHAREHOLDERS

- (i) all licenses, consents, permits, approvals, waivers, authorisations or other orders of and all notices, registrations, submissions or filings with all relevant Regulators, entitled third-parties, counterparties, financing or facility providers of the Company, Vendors and the Target as may be required for or in connection with the Proposed Acquisition, the Related Proposed Transactions, all transactions contemplated in the SPA and such other transactions in connection therewith and incidental thereto having been obtained, and not having been withdrawn, revoked or amended and if subject to any conditions, such conditions being reasonably acceptable to the Parties and are fulfilled on or before the Completion Date, and all other actions having been taken by or on behalf of the Vendors and the Company to comply with all applicable legal and other requirements necessary to ensure that the transfer of the Sale Shares is in accordance with, and do not infringe any existing law, statute, regulation, decision, ruling, judgment, award, code, practice, direction, decree, order, contract or agreement, including without limitation:
 - (i.) approval of the SGX-ST for the Proposed Acquisition, being a reverse takeover under Rule 1015 of the Listing Rules, and the Related Proposed Transactions;
 - (ii.) the issuance by the SGX-ST of a listing and quotation notice for the Consideration Shares, Arranger Shares and FA Shares on Catalist, and
 - (iii.) the waiver by SIC of the obligation of the Vendors and their concert parties to make a mandatory take-over offer for all other Shares in issue arising from the issuance and allotment of the Consideration Shares, pursuant to Rule 14 of the Code, and the fulfilment of any such condition that the SIC may impose which are reasonably acceptable to the Parties;
- (j) no relevant Regulator taking, instituting, implementing or threatening to take, institute or implement any action, proceeding, suit, investigation, inquiry or reference, or made, proposed or enacted any law, statute, regulation, decision, ruling, judgment, award, code, practice, direction, decree or order or taken any steps, and there not continuing to be in effect or outstanding any law, statute, regulation, decision, ruling, judgment, award, code, practice, direction, decree or order which would or might:
 - (i.) make the Proposed Acquisition, the allotment and issuance of the Consideration Shares, Arranger Shares and FA Shares, the Related Proposed Transactions, all transactions contemplated in the SPA and such other transactions in connection therewith and incidental thereto, void, illegal and/or unenforceable or otherwise restrict, restrain, prohibit or otherwise frustrate or be adverse to the same, and/or
 - (ii.) render the Company unable to purchase all or any of the Sale Shares in the manner set out in the SPA;
- (k) the Target having preserved and maintained in full force and effect its existing corporate existence, organisation and share capital structure as at the date of the SPA in the manner described in Schedule 3 of the SPA and, save as required to effect the transactions contemplated in the SPA, not having undertaken or effected any re-organisation, merger, amalgamation, restructuring, reconstruction, take-over or change in shareholding, or change in its share capital structure, including (without limitation) any increase, reduction, consolidation, sub-division, reclassification, cancellation, acquisition, redemption or repurchase of shares, bonus or rights issues, stock split or do such other acts in relation to its share capital or reserve or allotted and issued shares or other securities or granted options over shares or securities or issued any warrants, convertible preference shares or other forms of convertible securities (howsoever called) which are convertible into shares or entered into any agreement or undertaking to do the same or done or agreed or permitted to, or caused to be done, such acts;

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- (l) save for contracts and obligations entered into in the ordinary course of the Business, there being no liabilities, including contingent and contractual liabilities and no present or future obligations, unpaid loans, guarantees, indemnities, performance bonds, liabilities under any service agreements or employment contracts, liabilities to trade creditors, liabilities in respect of unpaid fees, liabilities under Claims, demands, causes of action, investigations, actions, suits or other proceedings (judicial, administrative, arbitration or otherwise), judgments, tax liabilities, accounts payables and other costs, debts, losses, financial indebtedness and obligations of the Target since the Balance Sheet Date;
- (m) there being no current or pending claims, disputes, investigations, actions, suits or proceedings (including but not limited to litigation, arbitration, mediation, administrative, statutory, tribunal, regulatory, criminal or insolvency proceedings) against or affecting the Target and/or any Vendor, there being no such claims, disputes, investigations, actions, suits or proceedings threatened or contemplated and there being no incidents, events, claims, disputes or circumstances known to the Vendors or the Target in respect of the Target which are likely to give rise to any claim, dispute, investigations, actions, suits or proceedings, which in any such case may have or has an effect on the Proposed Acquisition, the Related Proposed Transactions, all transactions contemplated in the SPA and such other transactions in connection therewith and incidental thereto;
- (n) no Insolvency Event happening to, threatened or started in relation to, the Target, and/or any Vendor;
- (o) the furnishing of the original executed Moratorium Undertakings and Undertakings to Vote in Favour;
- (p) the Shares not being suspended by the SGX-ST from trading on the Mainboard other than in relation to trading halts not exceeding three (3) Market Days pending announcements of the Company; and
- (q) the Disposal and Capital Reduction having been completed, and there being no other material assets or liabilities remaining in the Company other than, where Completion takes place on or before 31 December 2021, anticipated cash at bank in the amount of S\$200,000 to S\$400,000.

2.5.6 Long-Stop Date

Unless compliance is otherwise expressly waived in writing, in whole or in part, by the respective entitled party, if any of the Conditions Precedent are not satisfied on or before 30 September 2022, being the extended long-stop date as announced by the Company on 22 April 2022, the SPA shall, ipso facto, cease and determine and the Parties shall be released and discharged from their respective obligations and liabilities under the SPA, save in respect of (i.) any claim by a party against any other(s) for costs, damages, compensation or otherwise arising from any accrued liabilities, antecedent and/or existing breaches of the terms thereof, (ii.) the respective obligations, covenants or undertakings which, pursuant to the terms of the SPA, are expressed to survive such termination, which shall continue in full force and effect to bind the Parties in the manner so expressed, and (iii.) for costs and expenses as expressly provided for under the SPA.

As at the date of this Circular, the Conditions Precedent in Section 2.5.5 other than those in relation to the approval of Shareholders set out in Section 2.5.5(c) of this Circular have been fulfilled or satisfied.

The Company will make immediate announcement(s) on SGXNET of (a) any Conditions Precedent waived pursuant to the SPA (including the basis for such waiver); (b) the fulfilment of the Conditions Precedent under the SPA; and (c) the termination of the SPA.

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2.5.7 Completion

Completion shall take place on the date falling ten (10) Business Days after the date on which the Conditions Precedent have been fulfilled or waived by the relevant Party, or such other date as to be mutually agreed between the Company and the Vendors ("**Completion Date**").

On Completion, the Company shall allot and issue the Consideration Shares to the Vendors in proportion to the Vendors' Respective Shareholdings. The Company will also concurrently allot and issue the Arranger Shares and FA Shares to the Arranger and FA respectively, as well as the Placement Shares.

2.6 Reverse Takeover Transaction

The relative figures in relation to the Proposed Acquisition computed on the relevant bases set out in Rule 1006 of the Listing Rules, based on the announced unaudited financial statements of the Group for the 6-month period ended 30 September 2020 and the unaudited financial statements of the Target for the 6-month period ended 31 December 2020 are as follows:

1006(a)	Net asset value of the assets to be disposed of, compared with the Company's net asset value.	Not applicable to acquisition of assets
1006(b)	Net profits attributable to the assets acquired or disposed of, compared with the Company's net profits.	293.0% ⁽¹⁾
1006(c)	Aggregate value of the Purchase Consideration, compared with the Company's market capitalisation based on the total number of issued shares excluding treasury shares.	419.7% ⁽²⁾
1006(d)	Number of equity securities issued by the Company as consideration for an acquisition, compared with the number of equity securities previously in issue.	242.8% ⁽³⁾
1006(e)	The aggregate volume or amount of proved and probable reserves to be disposed of, compared with the aggregate of the Company's proved and probable reserves.	Not applicable to the Proposed Acquisition

Notes:

- (1) The net profits attributable to the Target for the 6-month period ended 31 December 2020 was approximately S\$1.6 million and the Group's net loss for the 6-month period ended 30 September 2020 was approximately RMB2,716,000 (or approximately S\$546,000 based on the exchange rate of RMB4.9751 to S\$1.00 as at 30 September 2020). With reference to paragraph 4.3 and 4.4 of Practice Note 10.1 of the Listing Rules, the relative figure is computed on the absolute basis of each of the amounts.
- (2) Rule 1003(3) of the Listing Rules requires that, where the consideration is in the form of shares, the value of the consideration shall be determined by reference either to the market value of such shares or the net asset value represented by such shares, whichever is higher. As the NAV per Share of the Group of S\$0.65 (based on the latest announced consolidated accounts of the Group as at 30 September 2020 of RMB151.9 million or approximately S\$30.5 million) was higher than the volume weighted average Share price of S\$0.376 on 13 April 2021, being the last Market Day on which the Shares were traded on the Mainboard of the SGX-ST preceding the date of the SPA, NAV represented by the Consideration Shares is used in the calculation of the relative figure for Rule 1006(c). Based on the Purchase Consideration of S\$25.0 million to be fully satisfied by the Company by the allotment and issuance of 113,636,363 Consideration Shares and the NAV per Share of the Group of S\$0.65, the NAV represented by the Consideration Shares amounted to approximately S\$73.9 million (i.e. 113,636,363 x S\$0.65 = S\$73,863,636). Based on the Company's entire issued and fully-paid share capital of 46,800,000 Shares and the volume weighted average Share price of S\$0.376 on 13 April 2021, being the last Market Day on which the Shares were traded on the Mainboard of the SGX-ST preceding the date of the SPA, the market value of the Company was approximately S\$17.6 million (i.e. 46,800,000 x S\$0.376 = S\$17,596,800). As such, the relative figure for Rule 1006(c) is 419.7% (i.e. 73,863,636 divided by 17,596,800).
- (3) Based on (i.) the proposed issuance and allotment of 113,636,363 Consideration Shares pursuant to the Proposed Acquisition; and (ii.) the existing fully-paid share capital of 46,800,000 Shares.

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As the relative figures computed on the bases set out under Rule 1006(b), Rule 1006(c) and Rule 1006(d) of the Listing Rules exceed 100.0% and given that the Completion will result in a change in control of the Company, the Proposed Acquisition is classified as a “reverse takeover” and shall be conditional upon, *inter alia*, the approval of Shareholders at the EGM to be convened pursuant to Rule 1015 of the Listing Rules.

2.7 Risk Factors

Shareholders and prospective investors should carefully consider and evaluate each of the following risk factors and all of the other information set forth in this Circular. Before deciding to invest in the Shares, Shareholders and prospective investors should seek professional advice from the relevant advisers about their particular circumstances.

The following describes some of the significant risks known to the Target now that could directly or indirectly affect the Target and the value or trading price of the Shares. Some of the following considerations relate principally to the industry in which the Target operates and its business in general. Other considerations relate principally to general economic and political conditions. The risks factors stated below are not intended to be exhaustive and do not state risks unknown to the Target now but which could occur in future, and risks which the Target currently believe to be immaterial, which could turn out to be material. Should these risks occur or turn out to be material, they could materially and adversely affect the Target’s business operations, financial position and/or results of operations. New risk factors may emerge from time to time and it is not possible for the Proposed New Board to predict all risk factors, nor can the Company assess the impact of all factors or the extent to which any factor or combination of factors may affect the Target and the Proposed Acquisition.

Save as disclosed below, to the best of the Proposed New Board’s knowledge and belief, all risk factors which could directly and/or indirectly affect the Target and are material to Shareholders in making an informed judgement of the Target have been set out below. If any of the following considerations, uncertainties or material risks develops into actual events, the Target’s business operations, financial position and/or results of operations could be materially and adversely affected. In such cases, the trading price of the Shares could decline due to any of these considerations, uncertainties or material risks, and Shareholders may lose all or part of their investment in the Shares. Following Completion, the risk factors in relation to the Target will also be relevant to the Enlarged Group.

Shareholders should also note that certain of the statements set forth below constitute “forward looking statements” that involve risks and uncertainties. For more information, please also refer to the Section titled “Cautionary Note on Forward Looking Statements” of this Circular.

Risks relating to the Target and its business

- (a) **The Target’s projects are non-recurring in nature. The Target’s financial performance depends on its ability to secure new projects and its historical financial performance may not be indicative of its future financial performance**

The Target is in the business of providing interior fitting-out services in Singapore, and the Target derives its revenue from the projects that it tenders for and is successfully awarded. Each project is won by the submission of a particular tender or quotation in accordance with the project’s specifications and requirements. It is therefore critical that the Target is able to continuously and consistently secure new projects of similar value and volume.

There is no assurance that the Target will be able to secure new projects from its existing or new customers in future or that the Target’s existing customers will continue to engage it in their upcoming projects after the completion of the current projects. The Target’s ability to secure new projects will depend on several factors, including but not limited to, its ability to maintain its competitiveness, sufficient financing and market demand for its services. As the Target’s projects are non-recurring in nature, its revenue and profitability will be subject to volatility and its historical financial performance may not be indicative of its future financial performance. In the event that the Target is unable to secure new projects of similar value and margins, its financial performance will be adversely affected.

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(b) The Target's order book may not be indicative of its future revenue and profitability

As at the Latest Practicable Date, the Target has an order book of approximately S\$76.7 million. Please refer to Section 4.11 titled "Order Book" of the Target's Letter to Shareholders for more details.

However, the order book may not be an accurate indicator of the Target's future performance as it has not taken into account any potential delays, renegotiations or cancellations of orders, the occurrence of which will have an adverse impact on its revenue. Potential delays, renegotiations or cancellations may be due to factors beyond the Target's control and by nature are uncertain. There is therefore no assurance that the Target can successfully convert all contract values stipulated in the contracts awarded to the Target in relation to these projects that are still in progress into revenue.

(c) The Target is dependent on its suppliers for the supply of raw materials and building products

The Target purchases most of its raw materials and buildings products that it requires for its projects from its suppliers. Although the Target owns and operates a processing facility in Singapore, which is used mainly to process, assemble and manufacture Carpentry Products required for its projects, it is essential that the Target obtains supplies of unfinished or unprocessed building products such as timber door frames and panels, metal door frames and panels, drywall lining products, plywood, particle boards, plastic laminates and other products in sufficient quantity and at competitive costs in a timely manner. For FY2019, FY2020, FY2021 and 8M2022, the Target's material costs amounted to approximately S\$6.2 million, S\$6.1 million, S\$9.4 million and S\$6.6 million, respectively.

As each project has different specifications and requirements for building and other products, the Target does not enter into long-term contracts with its suppliers. As such, there is also no assurance that the Target's suppliers are able to consistently supply to the Target the building products that it requires for its projects at competitive prices and/or at the required quality and quantity in a timely manner. In such events, if the Target is unable to purchase from alternative sources on comparable terms and prices, the Target's business operations, operating results and profitability may be adversely affected. To manage this risk, the Target has in place measures including maintaining a list of approved suppliers. The Target's list of approved suppliers is updated on a continuous basis and reviewed annually with the suppliers evaluated based on key evaluation criteria including reputation, pricing, service quality, product quality, salesperson response time, delivery time and product warranty period. For more information on the Target's business process in relation to its suppliers, please refer to Section 4.2 titled "Business Process" of the Target's Letter to Shareholders.

As at the Latest Practicable Date, there has been no past incident in respect of the above which had any material adverse impact on the Target's financial condition and/or operations.

(d) The Target is dependent on the services of its subcontractors

From time to time, the Target engages subcontractors to carry out more specialised works such as MEP works and other specialised installation works for its projects. For FY2019, FY2020, FY2021 and 8M2022, these subcontracting costs amounted to approximately S\$11.1 million, S\$7.9 million, S\$19.2 million and S\$11.6 million, respectively.

Although the Target generally works with those in its list of approved subcontractors, there is no assurance that the performance of its subcontractors can meet the requirements of its customers in terms of quality and/or timeline. In cases where a subcontractor's work does not meet the required specifications, the Target will have to either require the subcontractor to carry out rectification work or, in certain cases, engage an alternative subcontractor to carry out the rectification work, thus incurring time and additional costs which could affect the due completion and profitability of the project in question.

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For projects where the Target is the main contractor, its customers will look to the Target for any damages suffered owing to any non-performance or under-performance by a subcontractor, and the Target may have to compensate its customers for the damages they suffered in the first instance while the Target seeks recovery from the subcontractor in question. The subcontractor may deny liability and challenge its claims. If litigation ensues, the Target may not prevail or may only be awarded part of its claims against the errant subcontractor.

As the Target relies on its subcontractors to provide certain services in the projects that it undertakes, any non-performance or under-performance of its subcontractors may have an adverse impact on its reputation, business operations and results of operations. To manage this risk, the Target has in place measures including maintaining a list of approved subcontractors which is updated on a continuous basis and reviewed annually. The Target evaluates its subcontractors based on key evaluation criteria including reputation, technical knowledge support, pricing, service quality, prompt delivery and defect liability periods. For more information on the Target's business process in relation to its subcontractors, please refer to Section 4.2 titled "Business Process" of the Target's Letter to Shareholders.

As at the Latest Practicable Date, there has been no past incident in respect of the above which had any material adverse impact on the Target's financial condition and/or operations.

(e) The Target may face cost overruns in its projects

In preparation for tenders for projects, the Target will carry out internal costing and budgeting estimates of total costs involved, including labour, material and subcontracting costs, which are mainly based on the quotations given by its suppliers and/or subcontractors as well as relevant factors, such as the scope of works required, project duration, availability of its manpower and resources and prevailing market conditions.

Any disruption of global supply chains and the supply of labour could increase labour, material and subcontracting costs considerably. If the Target is unable to factor in these potential circumstances that may cause price fluctuations into each of its tenders and quotations and/or pass on a part or the whole of any additional costs to its customers, or reduce other costs, its operating results and financial position may be adversely affected.

Although quotes from the Target's suppliers and/or subcontractors once accepted are fixed, there is no assurance that, in the event of any unusual market conditions that result in significant changes to the base costs of these suppliers and/or subcontractors, they would not renegotiate the original quotes provided. While the Target is not contractually obliged to agree to a revised quote, such an event could effectively mean that the Target either engages alternative suppliers and/or subcontractors who may or may not be able to offer prices similar to the original quotes, or accepts an increase in price. All these factors may cause delays to the completion of the Target's projects and/or reduce anticipated profitability if the project(s) were of a significant contract value.

There is no assurance that the Target's actual costs incurred will not exceed the estimated costs, due to under-estimation of costs, inefficiency or unforeseen circumstances during the duration of projects leading to an increase in the prices of materials or wages of labour or other overheads. In the event that the Target is not able to pass on such increased costs to its customers, its business operations, operating results, and financial position may be adversely affected.

(f) The Target may be liable for delays in the completion of projects and any resulting liquidated damages

The Target's contracts normally include provisions for the payment of liquidated damages in the event the project is completed after the stipulated date for completion stated in the contract. Delays in the completion of a project could occur from time to time due to several factors including but not limited to shortages of labour and materials, occurrence of natural

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disasters or delays caused by subcontractors or suppliers. There is no assurance that there will be no delays in the existing and future projects which the Target undertakes resulting in the payment of liquidated damages. In the event of any delay in the completion of the project, the Target could be liable to pay liquidated damages and this may adversely affect its earnings and reduce its profits from the project. In such event, the Target's reputation, financial performance and financial condition may be adversely affected.

As at the Latest Practicable Date, there has been no past incident in respect of the above which had any material adverse impact on the Target's financial condition and/or operations.

(g) Re-measurement terms of works and/or variation orders could result in the total contract sum of its project being reduced

Some of the Target's projects involve re-measurement contracts. Unlike fixed lump sum contracts, the total contract sum of re-measurement contracts is subject to remeasurement and recalculation. Depending on such remeasurement and recalculation, the actual quantities of the work executed and the final contract sum may be lower than the estimates provided at the tendering stage.

The Target's contracts generally have variation order clauses which allow the customers to vary the contract works. Such variation orders include the addition, modification or cancellation of contract works. If any contract works are cancelled, the contract sum of the project may be reduced.

There is no assurance that the customer will not change its plans for the project and reduce the scope of works previously agreed on. Such events could adversely affect the Target's business operations, operating results and financial position if they occur on any significant scale or with significant regularity.

As at the Latest Practicable Date, there has been no past incident in respect of the above which had any material adverse impact on the Target's financial condition and/or operations.

(h) The Target's ability to secure new projects may depend on its ability to secure performance bond guarantees and other bank facilities, and its performance bonds may be forfeited in the event of any non-fulfilment of contract performance by the Target

As discussed in the sub-section headed "Award of contracts" under Section 4.2 titled "Business Process" of the Target's Letter to Shareholders, contracts awarded to the Target may be subject to the provision of a performance bond, among other things. Performance bonds of up to 10% of the total value of the contract awarded are not uncommon in the interior fitting-out industry. Performance bonds are generally required for projects where the Target acts as a main contractor and may at times, be required for projects where the Target acts as a sub-contractor as well. For the Period Under Review, approximately 28.2% of the projects carried out by the Target required performance bonds.

Where the Target is required to provide a performance bond to guarantee its contractual performance in the project, the Target usually applies to a bank or an acceptable financial institution for such a facility. Pursuant to the terms of such performance bonds, the Target is generally required to place a pledged deposit with a bank or pay an insurance premium to an insurance company. In granting such a facility, the Target may further be required to provide collateral or security and the Target's directors may be asked to provide personal indemnities. For more information on the personal indemnities provided by the Target's directors, please refer to Section 13.2 titled "Past Interested Person Transactions" and Section 13.3 titled "Present and On-Going Interested Person Transactions" of the Target's Letter to Shareholders.

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There is no assurance that the Target will be able to secure performance bonds as and when required for its projects in the future, or that the terms offered by its banks and financial institutions will be acceptable to it. If the Target is not able to secure performance bonds as required or if the terms of such performance bonds are not acceptable to the Target, the Target will not be able to accept the projects awarded to it, or if the fees charged by the Target's banks for the grant of such performance bonds are significantly higher than expected, its profit margins will be adversely affected. All these will have a material adverse impact on its revenue and profitability, which may, in turn, adversely affect its overall operating results and financial position.

Further, if the Target's works or works performed by its subcontractors fail to meet the requirements of its customers or the contractual requirements, its customers will be entitled to call on the performance bonds by making a claim within the stated period from the expiry of the performance bond, and the Target will have to make repayment to its banks or financial institutions, which may adversely affect its liquidity and operating results.

As at the Latest Practicable Date, there has been no past incident in respect of the above which had any material adverse impact on the Target's financial condition and/or operations.

(i) The Target is exposed to its customers' credit risks and may face liquidity issues should there be any delays in projects by Target or its subcontractors, or delays in certifying works completed and/or late or non-payments by its customers

Due to the nature of the Target's business, it is required to have a substantial amount of cash outlay for the initial stages of a project. Typically, the projects that the Target undertakes will have net cash outflow in early phases where such cash outlay is used to, among other things, purchase any necessary materials and to employ the necessary manpower.

Although the Target submits its progress payment applications on a monthly basis, it only invoices its customers upon receipt of a progress certificate certifying the works completed and payment amount due from the customer. This normally takes around 21 days after the initial progress payment application has been submitted. Further, the Target typically allows credit terms of 30 days from the date of its invoice to its customers with 10.0% of each interim progress payment (usually capped at 5.0% of total contract sum) generally retained by the customer as retention money. For the Period Under Review, approximately 75.6% of the projects carried out by the Target involved retention monies. The retention monies are released in two stages – 50.0% upon completion of the project and the remaining 50.0% upon expiry of the defect liability period, which usually ranges from 12 to 18 months. On the other hand, the Target's suppliers and subcontractors generally grant it credit terms of 30 to 90 days and the Target requires working capital for day-to-day operations.

Although the Target's trade receivables (excluding retention receivables) turnover days ranged from 22 to 40 days during the Period Under Review, there is no assurance that its receivables turnover days will remain similar, the retention receivables can be collected immediately upon completion of the project and expiry of the defect liability period and that its customers will not default on their payment obligations in the future.

The Target relies on timely completion of its projects, prompt certification and payment by its customers in order to meet its payment obligations to its suppliers and subcontractors and working capital requirements. The Target may face liquidity issues when there is a significant mis-match in timing and/or amount between receiving payments from its customers and meeting its payment obligations. In such an event, the Target may need to access the capital markets for debt or equity financing, which may, in turn, adversely affect its overall operating results and financial position. Please also refer to the related risk factor headed "*The Target had and may in future have negative cash flows from operating activities*".

As at the Latest Practicable Date, there has been no past incident in respect of the above which had any material adverse impact on the Target's financial condition and/or operations.

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(j) Disputes, claims or legal proceedings may have a material and adverse impact on the Target's business

In the course of the Target's business, it may be involved in disputes, claims or legal proceedings, which could have a material and adverse impact on its business and results of operations.

Disputes with the Target's subcontractors and/or suppliers may arise from disagreements over the quality or delivery schedules of the services or goods provided by them or any other terms of the contract. The Target may also become involved in proceedings relating to, among other things, warranty, indemnification or liability claims, labour disputes, workers' compensation claims, and safety, environmental or other legal prosecutions.

Legal proceedings and disputes are often time-consuming and expensive, and as a result of which, significant time and resources may be diverted and the Target may be ordered or made liable to pay compensation or damages. Any disputes, claims or legal proceedings, if successfully made against the Target, may also have an adverse effect on its market reputation and its ability to secure new contracts.

As at the Latest Practicable Date, there has been no past incident in respect of the above which had any material adverse impact on the Target's financial condition and/or operations.

(k) The Target is dependent on foreign labour and inability to obtain foreign labour or increased costs of foreign labour could materially affect its operations and financial performance

Due to the shortage of local workers available in Singapore for the industry that the Target is in, the Target is dependent, to a large extent, on foreign workers for carrying out the works under its contracts. As at the Latest Practicable Date, 88 of the Target's employees are foreign labour, representing approximately 78% of the Target's total workforce. During the Period Under Review, the Target recruited its foreign labour mainly from India and Bangladesh. As the Target's total workforce is made up of a high proportion of foreign workers, its business operations, operating results and financial position would be adversely affected by, *inter alia*, the supply and demand of foreign labour and/or changes in government policies and regulations that may restrict its ability to obtain sufficient foreign labour and/or increase the cost of employing foreign labour, including but not limited to requirements in respect of the granting and/or renewal of work permits, quota, foreign workers' countries of origin, MYE and minimum wages.

The employment of foreign labour in Singapore is subject to laws and regulations imposed by MOM. Employers are required to comply with the relevant laws and regulations and may be held liable for contraventions. While the Target intends to comply with these laws and regulations, there can be instances of non-compliance due to inadvertent oversight. For example, the Target had engaged in certain sub-contracting arrangements with one of its foreign workers, which it immediately put an end to in late 2018 as soon as it became aware that such arrangements may constitute contraventions under the EFMA. In rectifying the non-compliance, the Target also promptly terminated the foreign worker's employment and cancelled his S Pass. For more information on the non-compliance, please refer to Section 9.5 titled "Employment of Foreign Workers in Singapore" of the Target's Letter to Shareholders.

Despite there being no investigations or regulatory action taken against the Target to date, the Target recognises that under the EFMA, the penalty on an employer and/or its officers for failure to comply with any regulatory condition of an S Pass is a financial penalty not exceeding S\$10,000 with the amount to be determined by the Controller of Work Passes. The Target is not certain whether any investigations or regulatory actions, if commenced, will have an adverse impact on its further applications for foreign workers. As at the Latest Practicable Date, the Target has not experienced any difficulties in its applications for S passes and work permits for its foreign employees and nothing has arisen thus far which has led the Target to expect that it is likely to experience difficulties in its applications in future.

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The MOM imposes a quota on the number of foreign workers that the main contractor and its subcontractors (including the Target) can employ in respect of each project. Depending on the requirements of the Target's projects, the tightening of such quotas could adversely affect its operations and accordingly its business operations, operating results and financial position.

MOM also imposes a levy for each foreign worker employed (subject to changes as and when announced by the Singapore government) which as at the Latest Practicable Date ranges from S\$300 to S\$950 per month, depending on the nationality, skill level of these foreign labour, and whether they qualify for MYE waivers. Besides increases in minimum qualifying salary, the Target's costs of employing foreign workers may also increase due to other factors, such as shortage in supply of foreign workers or increase in wages. If the Target's labour costs increase substantially or if it is unable to retain its foreign employees or hire new employees on terms acceptable to it or at all, the Target's business operations and financial performance may be adversely affected.

There is no assurance that the Target can continue to recruit sufficient foreign labour to support its business operations, nor can it guarantee that its staff costs will not increase in order to attract or retain workers. For further details on the regulatory requirements relating to the employment of foreign workers and the Target's potential exposure in relation to past non-compliance under the relevant laws and regulations, please refer to Section 9.5 titled "Employment of Foreign Workers in Singapore" of the Target's Letter to Shareholders.

(l) The Target may not be able to carry out its future plans successfully

The Target has drawn up its business strategies and future plans to be implemented in the near future as set out in Section 6 titled "Business Strategies and Future Plans" of the Target's Letter to Shareholders. The successful implementation of such future plans depends on several factors including retention and recruitment of skilled staff, the availability of sufficient funds, government policies and prevailing market conditions.

There is no assurance that the Target will be able to successfully implement its business strategies and future plans, or even if its business strategies and future plans are implemented, that they will result in the Target successfully achieving the objectives of these strategies and future plans. If the Target is not able to achieve the objectives of its business strategies and future plans, the Target's business operations, operating results and financial position may be adversely affected.

(m) The Target is dependent on key personnel for its continued success

The Target's success to date is attributable to the contributions of its directors, Tan Jit Meng, Soh Loong Choong Jackie and Tan Chee Khoo. Each of them has more than 20 years of experience and extensive business contacts in the interior fitting-out industry. Please refer to Section 15 titled "Proposed New Board and Proposed New Executive Officers" of the Target's Letter to Shareholders for more information.

The Target's continued success and growth are therefore dependent on the retention of its directors as well as its ability to continue to attract, retain and motivate other qualified personnel. Consequently, the loss of the services of one or more of these individuals without suitable and timely replacement or the inability to attract new experienced and qualified personnel could have a material and adverse effect on the Target's business and results of operations.

(n) Any damage or disruption to the operations of the Target's processing facility may affect its business and financial performance

The Target's ability to manufacture, process and assemble Carpentry Products in-house has helped the Target to have better control over the quality, time, and cost of its work processes. As at the Latest Practicable Date, the Target owns a processing facility in Singapore for the processing and assembly of Carpentry Products including timber doors and frames, kitchen and vanity cabinets and wardrobes. Please refer to Section 4.3 titled "Processing of Carpentry Products" of the Target's Letter to Shareholders for more details.

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Any damage or disruption to the operations of the Target's processing facility may materially and adversely affect the due completion and delivery of its projects to the Target's customers. Damage or disruption to the operations of the Target's processing facility, such as the forced closing or suspension of its processing facility, may result from a number of factors which are beyond its control, including (i.) terrorism and strikes; (ii.) severe weather conditions; (iii.) unexpected disruption to its processing facility as a result of machine breakdown, utility supply disturbances, or malfunction or power failure at its processing facility; (iv.) health pandemic caused by viruses such as COVID-19; and (v.) other force majeure events.

As at the Latest Practicable Date, there has been no past incident in respect of the above which had any material adverse impact on the Target's financial condition and/or operations.

Please also refer to related risk factor headed "*The Target's operations may be affected by accidents, natural disasters and other disruptive events*".

(o) The lease in respect of the Target's current premises will expire on 28 February 2025 and relocation may cause disruption to its operations

The lease of the Target's current premises at 39 Sungei Kadut Loop housing its office and processing facility will expire on 28 February 2025. The Target intends to relocate to bigger premises to cater to an anticipated increase in business volume in the near future. The Target will identify suitable premises in due course so as to relocate its office and processing facility prior to the expiry of the lease with minimal or no disruption to its operations, and has started discussions with JTC on the potential options for relocation to a larger facility, subject to suitable premises becoming available and cost considerations. However, there is no assurance that the Target will be able to secure suitable premises to house its office and processing facility upon the expiration of its lease at the terms acceptable to the Target. In such an event, the Target may incur additional costs as it will have to rent temporary premises while the Target sources for new and suitable replacement premises. These factors could adversely affect its business operations, resulting in an adverse impact on its operating results and profitability.

(p) The Target's insurance coverage may not be sufficient to cover all potential losses and/or potential claims and insurance premiums may increase

Currently, the Target has in place insurance policies to cover the risks relating to its business operations, human resources and fixed assets including, inter alia, industrial all risks insurance, contractors' all risks insurance, fire insurance and motor insurance. The Target also maintains required insurance policies for its employees including medical insurance and workmen injury compensation insurance. Please refer to Section 4.20 titled "Insurance" of the Target's Letter to Shareholders for more details. While the Target's insurance coverage is in line with industry practice, there is no assurance that such insurance coverage is adequate to cover all potential losses and/or potential claims arising from the Target's business operations. If a claim is made against the Target or a loss occurs due to factors such as accidents or nature disasters and the Target's policy does not cover or does not adequately cover the claim made or the loss suffered by it, the Target may face substantial financial loss as a result.

In addition, the Target's insurers review its policies each year and it cannot be guaranteed that its policies will be renewed at all or on similar or other acceptable terms. Future premiums for the Target's insurance policies would also increase as a result of claims made. Significant increases, if any, in the insurance premiums in future may adversely increase the Target's operating expenses and reduce its profitability.

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(q) The Target's operations may be affected by accidents, natural disasters and other disruptive events

The Target's operations at its work sites and/or its premises may be damaged or delayed due to disruptions brought about by causes such as workplace accidents, natural disasters, fire, machine-breakdown or power failure. Acts of wars and terrorism will also have an adverse impact on the Target's business and its employees, causing loss of lives, damage to its facilities, disruptions to its operations and destruction of its projects.

If any of the events described above occurs, the Target's business operations, operating results and financial position will be adversely affected. This would directly impact the Target's ability to meet scheduled timelines in accordance with its contracts and reduce its profit margins owing to the disruptions.

(r) Security bonds furnished by the Target for its foreign employees may be forfeited under certain circumstances

The Target is required to furnish a security bond of S\$5,000 in the form of a banker's or insurer's guarantee to the Controller of Work Passes for each non-Malaysian work permit holder which it employs. The security bonds furnished by the Target may be forfeited under certain circumstances such as if the Target's foreign employee goes missing or violates any conditions of the work permits or the security bonds.

There is no assurance that the Target's foreign employees will not go missing or violate the conditions of the work permits or security bonds. Should such events occur, the security bonds furnished by the Target may be forfeited which in turn could adversely affect its business operations, resulting in an adverse impact on its operating results and profitability.

As at the Latest Practicable Date, the Target has not experienced any instance of forfeiture of security bonds furnished for its foreign employees.

(s) There may be potential implications arising from issues relating to MY Land (as defined below) on the directors and the Enlarged Group

Millennium Fiesta Sdn Bhd ("**MFSB**") is a Malaysian private limited company incorporated in June 2012 and its principal activity is that of property letting. Soh Loong Chow Jackie and Tan Chee Khoo own 51% and 49% of the total issued share capital of MFSB respectively. MFPL is a Singapore private limited company incorporated in April 2013 and its principal activity is that of an investment holding company. At the time of MFPL's incorporation, the Target held 20% shareholding in MFPL, the Target's directors Tan Jit Meng, Soh Loong Chow Jackie and Tan Chee Khoo held 40% and four other unrelated individuals held the remaining 40% of the shareholding in MFPL.

MFPL entered into a trust deed dated 7 May 2013 with MFSB with the terms of the trust deed being that Soh Loong Chow Jackie and Tan Chee Khoo shall hold their shares in MFSB on trust for the benefit of MFPL (the "**Trust Arrangement**"). Subsequently, MFSB acquired two parcels of commercial land in Melaka, Malaysia (the "**MY Land**") through a sale and purchase agreement dated 29 May 2013 with the intention of developing commercial properties. For the avoidance of doubt, neither the MY Land, nor MFSB nor MFPL form part of the Target's assets to be acquired by the Company pursuant to the Proposed Acquisition and RTO.

While preparing for the Proposed HK IPO, the Target was advised that there may be potential non-compliance of Malaysian laws in relation to the Trust Arrangement and the MY Land. At the time of the Proposed HK IPO, a legal opinion was sought in relation to these issues from Malaysian legal advisers (the "**1st Opinion**"). The 1st Opinion was never finalised and, as explained below, reaches a different conclusion from a second legal opinion that was obtained and finalised in January 2022. The 1st Opinion was not finalised due to the abortion of the Proposed HK IPO, further details of which may be found in Section

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4.22 titled “Prior Listing Attempt by the Target” of the Target’s Letter to Shareholders. In summary, the 1st Opinion opined that MFSB fell within the definition of a “foreign company” under section 433A of the National Land Code 1965 of Malaysia (“**NLC 1965**”) in view of the Trust Arrangement. The acquisition of the MY Land hence required prior approval of the State Authority of Malaysia. As such approvals were not obtained, the acquisition of the MY Land by MFSB could be rendered null and void. If investigations commence, there may be charges brought against MFSB and its directors, Soh Loong Chow Jackie and Tan Chee Khoon, who in turn could be liable to a fine not less than RM 100,000 and MFSB’s directors could arguably be liable under section 423 of the Malaysian Penal Code with the maximum penalty being imprisonment for a term of up to 5 years and/or a fine. On the other hand, the 1st Opinion also advised that MFSB and its directors may have a viable defence under the Malaysian Penal Code and even if the directors of MFSB were held personally liable for the breaches under the Malaysian Penal Code, it would be unlikely for the court to impose any custodial sentences. As at the Latest Practicable Date, and to the best of the Target’s knowledge, no investigations of legal actions have ever been commenced.

As mentioned, the 1st Opinion was in draft form and was never signed off. It also expressly qualified that the opinion was given in connection of the Proposed HK IPO only and may not be relied on for any other purpose.

In connection with the current Proposed Acquisition, a separate independent legal opinion was sought by the Sponsor from separate Malaysian counsel, Justin Faye & Partners, to opine on whether the acquisition of the MY Land, the Trust Arrangement, Soh Loong Chow Jackie and Tan Chee Khoon contravened any laws or guidelines in Malaysia, including but not limited to the NLC 1965 and the Penal Code (the “**2nd Opinion**”). The 2nd Opinion was finalised and issued by Justin Faye & Partners in January 2022. In summary, Justin Faye & Partners advised that based on the Trust Arrangement and information available to Justin Faye & Partners, the acquisition of the MY Land did not contravene any Malaysian laws. Majority of the voting shares in MFSB was at the material time held by a Malaysian citizen, namely, Tan Chee Khoon and thus did not fall under the definition of a “foreign company” under section 433A of the NLC 1965. Based upon the full study of the matter and information provided, Justin Faye & Partners’ view is that MFSB and its directors, Soh Loong Chow Jackie and Tan Chee Khoon, did not contravene section 423 of the Malaysian Penal Code in relation to the acquisition of the MY Land. Justin Faye & Partners is of the opinion that there was no contravention of Malaysian laws by MFSB or its directors, Soh Loong Chow Jackie and Tan Chee Khoon in relation to the acquisition of the MY Land.

Notwithstanding the 2nd Opinion, and the fact that there were no investigations or legal action taken against MFSB and/or its directors as at the Latest Practicable Date, there is a possibility that such investigations or legal action will be taken against MFSB and/or its directors in future. As MFSB’s directors, Soh Loong Chow Jackie and Tan Chee Khoon, are Proposed New Executive Officers of the Company, any such investigations or legal action may affect the business operations and financial performance of the Enlarged Group.

It is to be noted that neither MFPL nor MSFB is part of the Target’s group of companies. In June 2019, the Target sold its 20% shareholding in MFPL to its directors, Tan Jit Meng, Soh Loong Chow Jackie and Tan Chee Khoon having considered that MFPL and MSFB are not related and have no contribution to the current core business of the Target. It was not part of the Target’s future plans to venture into the development of commercial properties in Malaysia. The Enlarged Group does not intend and will not make use of the MY Land, and will not have dealings with MFPL and MFSB following Completion. For more information of the disposal, please refer to Section 13.2 titled “Past Interested Personal Transactions” of the Target’s Letter to Shareholders. As at the Latest Practicable Date, the Target does not have any subsidiaries or associated companies.

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Risks relating to the Industry and operating environment of the Target

- (a) **Any non-renewal, suspension, downgrading or revocation of any of the Target's licences, permits or its registrations under the Contractors Registration System could adversely affect its operations and financial performance**

The Target is required to be a registered contractor under the Contractors Registration System maintained by the BCA and hold various licences and permits in Singapore to conduct its business operations. For more details, please refer to Section 4.19 titled "Licences, Permits, Registrations and Approval" of the Target's Letter to Shareholders.

The licences and permits are generally subject to conditions stipulated in the licences and permits and/or relevant laws or regulations under which such licences and permits are issued. As such, the Target has to constantly monitor and ensure its compliance with such conditions. Should the Target fail to comply with the applicable requirements or conditions to maintain the licences or permits it has, the Target may be subject to the suspension, revocation or non-renewal of its licences and permits, which would in turn hinder its ability to provide its services to its customers. In such an event, the Target's business operations, operating results and financial position will be materially and adversely affected.

Further, the relevant rules and regulations, licensing regime and the standards of compliance required may from time to time be subject to changes without substantial advance notice. Failure to comply with any laws, rules or regulations and any new requirements under the licensing regime as modified from time to time may expose the Target to fines or suspension by the relevant authorities, and its operation and financial conditions and profits may be adversely affected.

As at the Latest Practicable Date, there has been no past incident in respect of the above which had any material adverse impact on the Target's financial condition and/or operations.

- (b) **The Target's performance is dependent on the political, social, economic conditions in Singapore as well as the policies by the Singapore Government**

As at the Latest Practicable Date, the Target's operations are located only in Singapore. The demand for the Target's interior fitting-out services and products depends, to a large extent, on the trends and developments of the construction industry in Singapore, which in turn, are affected by a variety of factors, including but not limited to political stability, prevailing social and economic conditions, growth prospects of Singapore's economy, the Singapore government's policies on the property and construction industries, as well as the investment of property developers.

If any change in the above factors results in a decrease in demand for the Target's goods or services, its business operations, operating results and financial position will be adversely affected.

As at the Latest Practicable Date, there has been no past incident in respect of the above which had any material adverse impact on the Target's financial condition and/or operations.

- (c) **The Target's business and operations may be materially and adversely affected by the outbreak of communicable diseases, such as the recent COVID-19 pandemic, SARS, bird flu or H1N1 influenza**

An outbreak of communicable diseases, if uncontrolled, could affect the Target's operations, as well as the operations of its customers, subcontractors and suppliers. For example, the recent COVID-19 pandemic has had a wide-ranging and sustained adverse impact on businesses globally, including those in the Target's industry. All of the Target's projects were suspended during the "circuit breaker" period from 7 April 2020 to 1 June 2020 (inclusive) implemented by the Singapore government to contain the spread of COVID-19. Many businesses have also seen their operating expenses increase materially amidst shortage of manpower and disruptions to the supply chain caused by COVID-19, as well as implementation of COVID-19 testing and safe management measures.

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The Target is not able to predict when the COVID-19 pandemic will become endemic and/or when the safe management measures will be relaxed or cease at all. Therefore, COVID-19 could potentially continue to affect the overall economic and market conditions, demand for the Target's products or services, its business and operations and overall financial performance. Further, in the event of an outbreak of other communicable diseases, the Target's business and financial performance may also be adversely affected.

(d) The Target faces competition from its competitors and new entrants

The interior fitting-out industry is highly competitive and such competition may increase in the near future due to the entry of new players. As listed on the BCA website, as at the Latest Practicable Date, there were 285 contractors registered under the CW01 Workhead with a C1 grade and 39 contractors registered under the CR06 Workhead with a L6 grade.

In the event that the Target's competitors are able to provide comparable or better products or services at lower prices or respond to changes in market conditions more swiftly or effectively than the Target does, its operations and its financial performance may be adversely affected. There is no assurance that the Target will be able to compete effectively with its existing and future competitors and adapt quickly to changing market conditions and trends. Any failure by the Target to remain competitive will adversely affect the demand for its products or services and its financial performance.

(e) The Target is subject to regulations and guidelines imposed by the government and regulatory authorities and any non-compliance may result in fines and/or disruption to its operations

The Target operates in a highly regulated environment where its operations are subject to various laws and regulations in Singapore that relate to matters such as licensing, employment of foreign workers, workplace health and safety, and environmental protection as set out in Section 9 titled "Government Regulations" of the Target's Letter to Shareholders. In the event that the Target's operations fail to meet any relevant laws or regulatory requirements, it may be subject to fines or be required to take remedial measures which will result in increased costs being incurred. A breach of any of such laws and regulations may also hinder the Target's ability in winning new projects.

While the Target intends to comply with all applicable laws and regulations, there can be instances of non-compliance due to inadvertent oversight. For instance, 2 of the Target's employees had in June 2021 worked overtime for more than 72 hours as permitted under the Employment Act. This was a one-off incident which arose due to the COVID-19 pandemic during which the Target was instructed by their customer to deploy 2 safe distancing officers in order to comply with the COVID-19 safe distancing measures in force at the time. Due to the short notice given, the Target temporarily engaged its 2 employees as safe distancing officers. While overtime pay was provided to the employees accordingly, the overtime hours for both employees for the month exceeded overtime hours as permitted under the Employment Act. The Target has since taken steps to prevent any future instances of non-compliance including the implementation of additional internal controls to monitor its employees' overtime hours. This includes site personnel checking the employees' timecards on the 14th day of each calendar month and alerting the directors once any employee has already clocked 36 hours of overtime. The Target believes that the implemented measures are effective in preventing the future recurrence of similar non-compliance by the Enlarged Group. Despite there being no investigations or regulatory action taken against the Target to date, the Target recognises that under the Employment Act, the penalty for such non-compliance is a fine not exceeding S\$5,000 for first-time offenders and for subsequent offences, a fine not exceeding S\$10,000 or imprisonment not exceeding one year or both.

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Regulations and regulatory guidelines are subject to amendments from time to time. Any changes in government legislation, regulations or policies affecting the Target's industry could adversely affect its business operations and/or have a negative effect on the demand for its services and its results of operations. There is also no assurance that the Target will be able to comply with any changes and in the event that compliance with such new regulations or regulatory guidelines increases its costs materially, the Target's financial performance may be adversely affected.

As at the Latest Practicable Date, there has been no past incident in respect of the above which had any material adverse impact on the Target's financial condition and/or operations.

(f) The Target may incur additional costs to comply with environmental regulations

The Target operates in the built environment and is subject to various environment-related laws and regulations, including those pertaining to global warming, air pollution, water pollution, usage restriction and removal of hazardous substances, disposal of waste, recycling of products, and ground and groundwater pollution. Therefore, the Target may face environment-related costs and liability for non-compliance with such laws and regulations.

Environment-related regulations are also becoming more stringent every year, and the Target may have to make additional capital investment and incur additional costs to comply with such laws and regulations as well as to take voluntary actions to protect the environment. If the Target fails to comply with present or future environmental regulations, it may be required to pay substantial fines, suspend or cease operations. In such an event, the Target's business operations, financial performance and reputation may be adversely affected.

(g) The Target had and may in future have negative cash flows from operating activities

The Target generated positive cash flows from operating activities of S\$90,000 and S\$494,000 in FY2019 and FY2020 respectively but recorded negative cash flows from operating activities of approximately S\$4.2 million in FY2021. Please refer to Section 11.4 titled "Liquidity and Capital Resources" of the Target's Letter to Shareholders for details of the reasons for the negative cash flows from operating activities in FY2021.

Although based on the unaudited results for the financial period from 1 July 2021 to 28 February 2022, the Target recorded positive cash flows from operating activities of S\$189,000, there can be no assurance that it will continue to be able to do so. In the event that the Target generates negative cash flows from operating activities, it may need to access the capital markets for debt or equity financing to fund its business operations. Alternatively, the Target may seek bank loans or credit facilities from financial institutions. Additional debt financing may increase its gearing and financial risks, while additional equity financing may result in a dilution of existing Shareholders' shareholdings. Further, there is no assurance that the Target will be able to obtain any additional financing on terms that are acceptable to it or at all. If the Target is unable to obtain such financing, its business operations, financial condition and results of operations may be materially and adversely affected.

(h) Significant warranty claims will adversely affect the Target's financial position

As stated in the sub-section "Project completion" under Section 4.2 titled "Business Process" of the Target's Letter to Shareholders, the terms of the contract for a project normally stipulates a defect liability period of between 12 to 18 months, during which the Target has to rectify any defect found. The Target generally provides warranties to its customers and up to 5.0% of the contract value will be retained by its customers until the expiry of the defect liability period. There were no material defect liability claims against the Target during the Period Under Review.

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Although the Target usually obtains back-to-back warranties from its subcontractors and where applicable, from its suppliers of certain products such as fire-rated doors or partitions, the Target remains primarily responsible for any claims during the defect liability period. Any rectification and repair works to be made under the warranty will increase the Target's costs and have an adverse effect on its profitability.

Retention monies form a significant component of the Target's working capital and they may not be paid back to it in a timely manner or in full owing to the defects snagging process of completed works, which may give rise to disputes and result in payment delays.

As at the Latest Practicable Date, there has been no past incident in respect of the above which had any material adverse impact on the Target's financial condition and/or operations.

(i) Increased staff cost and depreciation charges from additional capital expenditure on manpower, property and machinery could affect the Target's financial performance

As the Target grows its business, it may need to recruit additional manpower and acquire additional machinery and equipment, including motor vehicles. Please refer to Section 6 titled "Business Strategies and Future Plans" of the Target's Letter to Shareholders for further details. Such additional manpower, machinery and equipment may increase the Target's staff costs and depreciation expenses, respectively. However, should the Target be unable to obtain more projects and increase its revenue sufficiently after such planned investment, its business, results of operations, financial condition and prospects may be adversely affected.

(j) The Target may be subject to risks associated with mergers and acquisitions, joint ventures or strategic alliances

Going forward, the Target may seek growth opportunities through mergers and acquisitions, joint ventures or strategic alliances, in particular for larger scale projects or projects with requirements that lie outside the Target's expertise. These joint ventures and strategic alliances involve a certain amount of business or operating risks, including (i.) inability to exert control over the actions of the Target's partners, including any non-performance, default or bankruptcy of the partners; (ii.) difficulty in integrating management, operations, services and personnel; (iii.) strain on resources in order to coordinate internal systems, controls, procedures and policies; and (iv.) exposure to unknown liabilities incurred by the Target's partners. In the event of any dispute with the Target's partners on the business and day-to-day operations of its joint ventures or strategic alliances, there is no assurance that the Target will be able to arrive at a resolution that is favourable to it. Furthermore, the Target's partners may take actions contrary to its instructions, requests or policies and/or be unable or unwilling to fulfil their obligations which may affect the operations of the joint venture or strategic alliance. In such an event, the Target may not be able to complete projects within the stipulated budget and time schedule and its financial performance, business and reputation may be adversely affected. Notwithstanding the above, the Target has not formed any existing or past strategic alliances during the Period Under Review.

Risks relating to the Enlarged Group and the ownership of the Shares following Completion

(a) The Vendors will have significant control over the Company, allowing them to influence the outcome of matters requiring the approval of Shareholders

Immediately after Completion, the Vendors will hold in aggregate approximately 63.05% of the Enlarged Share Capital. As a result, the Vendors will be able to exercise significant influence over the outcome of matters submitted to Shareholders for approval, including, amongst others, election of the directors of the Company, the approval of significant corporate transactions and the affairs and policies of the Company unless they are required by the Catalist Rules to abstain from voting. Control of a majority and a significant portion of the Shares by the Vendors can delay, defer or prevent future transactions including a takeover or a change in control of the Company, and can make some transactions more difficult or impossible to complete without the support of the Vendors, even if it may benefit the Shareholders.

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(b) The Share price may be volatile, which can result in substantial losses for investors in the Shares after Completion

The market price of the Shares may fluctuate significantly and rapidly as a result of, amongst others, the following factors, some of which are beyond the control of the Company and the Enlarged Group:

- (i.) variation in the results of operations of the Enlarged Group;
- (ii.) changes in securities analysts' estimates of the results of operations and recommendations of the Enlarged Group;
- (iii.) discrepancies between the Enlarged Group's actual operating results and those expected by investors and securities analysts;
- (iv.) changes in market valuations and share prices of companies with businesses that are similar to those of the Enlarged Group that may be listed in Singapore or elsewhere;
- (v.) announcements by the Enlarged Group of significant contracts, acquisitions, capital commitments, joint ventures or strategic alliances;
- (vi.) any negative publicity on the Enlarged Group, its joint ventures, business partners or suppliers;
- (vii.) unforeseen contingent liabilities of the Enlarged Group;
- (viii.) additions or departures of key personnel;
- (ix.) fluctuations in stock market prices and volume;
- (x.) the Enlarged Group's involvement in material litigation, arbitration proceedings and/or investigations by government authorities;
- (xi.) success or failure of the Enlarged Group's management in implementing business and growth strategies;
- (xii.) changes in conditions affecting the industry, general economic conditions or stock market sentiments or other events or factors;
- (xiii.) unforeseen contingent liabilities of the Enlarged Group;
- (xiv.) fluctuations in the share prices of companies in the same industry as the Enlarged Group that are also listed in Singapore, and
- (xv.) foreign exchange fluctuations and translations.

(c) Existing Shareholders will face immediate and substantial dilution following Completion and may experience future dilution to shareholdings

Immediately after Completion, the existing Shareholders will, on a collective basis, own approximately 25.97%² of the Enlarged Share Capital and the shareholdings of the Vendors will be approximately 63.05%.

The Company may also issue new shares or convertible securities, share options or share awards under any employee share schemes that may be implemented after Completion. This may lead to further dilution to the shareholdings of the existing Shareholders.

² Sun Bowen will reduce his shareholdings in the Company to less than 5% of the Enlarged Share Capital by the time of completion of the Proposed Placement.

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(d) Investments in securities quoted on the Catalist Board involve a higher degree of risk and can be less liquid than securities quoted on the Mainboard of the SGX-ST

Following Completion, the Company's listing will be transferred to the Catalist Board, a listing platform designed primarily for fast-growing and emerging or smaller companies to which a higher investment risk tends to be attached as compared to larger or more established companies. An investment in shares quoted on the Catalist Board may carry a higher risk than an investment in shares quoted on the Mainboard of the SGX-ST. The future success and liquidity in the market of the Shares cannot be guaranteed.

Pursuant to the Catalist Rules, the Company will be required, *inter alia*, to retain a sponsor at all times after its admission to the Catalist Board. In particular, unless otherwise approved by the SGX-ST, the Financial Adviser and Sponsor must act as the Company's continuing sponsor for at least three (3) years after its admission to the Catalist Board. In addition, the Company may be delisted in the event that the Company does not have a sponsor for more than three (3) continuous months. There is no guarantee that following the expiration of the three-year period, RHB Bank will continue to act as the Company's sponsor or that the Company will be able to find a replacement sponsor within the three-month period.

(e) The Enlarged Group may not be able to pay dividends in the future

There is no assurance that the Company will pay dividends in the future or, if the Company does pay dividends in the future, when the Company will pay them. The declaration and payment of future dividends will depend upon, *inter alia*, the Enlarged Group's actual and future financial performance and financial condition, level of its cash and retained earnings, its current capital commitments, projected capital expenditure and other investment plans, the terms of the borrowing arrangements (if any), future plans for expansion, and any other factors which the Proposed New Board may deem appropriate. This may be affected by numerous factors including but not limited to general economic conditions, market sentiment, market competition and the success of the Enlarged Group's future plans and business strategies, many of which are beyond the Enlarged Group's control. Any of these factors could have a material adverse effect on the business, financial position and results of the Enlarged Group's operations, and hence, there is no assurance that the Company will be able to pay dividends to Shareholders after Completion. Please refer to Section 16 titled "Dividend Policy of the Enlarged Group" of this Circular for further details.

Pursuant to the terms governing the existing credit facilities granted to the Target, the Target may not declare or make payment of any dividends or any income or capital distribution in the event of, among others, any outstanding monies (whether principal, interest or otherwise) payable to the financial institutions. The Enlarged Group's future loan agreements may also include covenants which may limit when and how much dividends the Enlarged Group can declare and pay. Such restrictions on the ability of the Target to pay dividends to the Company may adversely limit the Company's ability to grow or make investments or acquisitions that could be beneficial to the Company's business. Please refer to Section 12 titled "Capitalisation and Indebtedness" of the Target's Letter to Shareholders for more details on the Target's covenants under the existing credit facilities.

(f) Negative publicity may adversely affect the price of the Shares

Negative publicity or announcements including those relating to the Target or any of the Proposed New Board, Proposed New Executive Officers or Controlling Shareholders of the Enlarged Group may adversely affect the market perception of the Company or the price of the Shares, whether or not they are justified. For instance, such negative publicity may arise from unsuccessful attempts at acquisitions or takeovers, joint ventures or involvement in litigation or insolvency proceedings. Negative publicity may also arise from any negligence claims and disciplinary proceedings made against any of the Proposed New Board or Proposed New Executive Officers, regardless of whether such claims can be substantiated.

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(g) Future issue and sale of securities may adversely affect the price of the Shares

Any future issue of Shares by the Company or sale of the Shares by the Controlling Shareholders of the Company may have a downward pressure on the Share price. The issue or sale of a significant number of Shares in the public market after Completion, or the perception that such issues or sales may occur, could adversely affect the market price of the Shares. These factors may also affect the Company's ability to attract subscriptions for additional equity securities in the future, at a time and price the Company deems appropriate. Save as disclosed in the Section 20 titled "Moratorium" of this Circular and subject to applicable laws and regulations, there are no other restrictions imposed on the Vendors, Wee Henry, RHB Bank and/or Arranger to dispose of their shareholdings. The Share price may be under downward pressure if the Vendors, Wee Henry, RHB Bank and/or Arranger sell their Shares upon the expiry of the moratorium period.

(h) Shareholders and prospective investors may not be able to participate in future issues of the Shares

In the event that the Company issues new Shares, the Company will be under no obligation to offer those Shares to the existing Shareholders at the time of issue, except where the Company elects to conduct a rights issue. However, in electing to conduct a rights issue or other equity issues, the Company will have the discretion and may also be subject to certain regulations as to the procedures to be followed in making such rights offering available to existing Shareholders or in disposing of such rights for the benefit of such Shareholders and making the net proceeds available to them. In addition, the Company may not offer such rights to existing Shareholders having an address in jurisdictions outside of Singapore. Accordingly, certain Shareholders may be unable to participate in future equity offerings by the Company and may experience dilution in their shareholdings as a result.

(i) The Company may require additional funding in the form of equity or debt for the Company's future growth which may cause dilution in Shareholders' equity interest and/or restrict its business operations

The Target has attempted to estimate its funding requirements for the implementation of its growth plans as set out in Section 6 titled "Business Strategies and Future Plans" of the Target's Letter to Shareholders. In the event that the costs of implementing such plans exceed these estimates significantly or if the Enlarged Group comes across opportunities to grow through acquisitions, joint ventures, strategic alliances or investment opportunities, which cannot be predicted at this juncture, and if funds generated from the Enlarged Group's operations prove insufficient for such purposes, the Enlarged Group may need to raise additional funds to meet these funding requirements. Under such circumstances, the Enlarged Group may require additional funding either by way of secondary issue of securities after Completion or by way of borrowings to raise the required capital to develop these growth opportunities.

The Company cannot ensure that it will be able to obtain any additional financing on terms that are acceptable to the Company, or at all. If the Company fails to obtain additional financing on terms that are acceptable to it, the Enlarged Group will not be able to implement such plans fully. If new Shares placed to new and/or existing Shareholders are issued after Completion, they may be priced at a discount to the then prevailing market price of the Shares trading on the Catalist Board and existing Shareholders' equity interest may also be diluted. Further, in the event that the Company raises additional funds to meet its financing needs and existing Shareholders do not participate in the *pro rata* fund raising activities such as rights issue, such Shareholders may experience a dilution in their shareholdings. If the Company fails to utilise the new equity to generate a commensurate increase in earnings, the Enlarged Group's earnings per share will be diluted, and this could lead to a decline in the trading price of the Shares. Any additional debt financing, apart from increasing interest expense and gearing, may be accompanied by conditions that limit the Enlarged Group's ability to pay dividends or require the Enlarged Group to seek lenders' consent for the payment of dividends, or restrict the Enlarged Group's freedom to operate its

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business by requiring lenders' consent for certain corporate actions. If the Enlarged Group is unable to procure the additional funding that may be required on acceptable terms or at all or if the Enlarged Group is unable to service its potential new debt financing, the Enlarged Group's financial position and results, business operations, future growth and prospects may be adversely affected.

The current disruptions, volatility or uncertainty of the credit markets could limit the Enlarged Group's ability to borrow funds or cause its borrowings to be more expensive. As such, the Enlarged Group may be forced to pay unattractive interest rates, thereby increasing its interest expense, decreasing its profitability and reducing its financial flexibility if the Enlarged Group takes on additional debt financing.

3. THE PROPOSED WHITEWASH RESOLUTION

3.1 Rule 14 of the Code

Under Rule 14 of the Code, where (a) any person acquires, whether by a series of transactions over a period of time or not, shares which (taken together with shares held or acquired by persons acting in concert with him) carry 30.0% or more of the voting rights of a company; or (b) any person who, together with persons acting in concert with him, holds not less than 30.0% but not more than 50.0% of the voting rights and such person, or any person acting in concert with him, acquires in any period of six (6) months additional shares carrying more than 1.0% of the voting rights, 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 Vendors

As at the Latest Practicable Date, the Vendors do not hold any interest in any Shares.

Immediately after Completion, the Vendors will collectively hold approximately 63.05% of the Enlarged Share Capital.

As the Vendors are acting in concert, in view of the requirements under Rule 14 of the Code, the Vendors will have an obligation to make a mandatory general offer as a result of the allotment and issuance of the Consideration Shares to the Vendors, unless the obligation is waived by the SIC.

Please refer to Appendix G of this Circular titled "Changes in Shareholding Structure" for shareholding effects of, among other things, the Proposed Acquisition on the shareholding of the existing Shareholders and the Vendors.

Shareholders should note that the Proposed Acquisition is conditional upon the approval for the Proposed Whitewash Resolution, and hence the Proposed Acquisition will not be completed in the event that the Proposed Whitewash Resolution is not approved.

3.3 Conditional Waiver by the SIC

The Vendors sought a waiver from the SIC for the requirement under Rule 14.1 of the Code for the Vendors to make a general offer for the Company in the event the Vendors acquire 30% or more of the Company's total voting rights based on the Enlarged Share Capital as a result of acquiring the Consideration Shares under the Proposed Acquisition.

The SIC had on 16 June 2022 granted the Vendors a waiver of the requirement to make a general offer under Rule 14.1 of the Code as a result of the allotment and issuance of the Consideration Shares to the Vendors under the Proposed Acquisition, subject to the following conditions:

- (a) a majority of holders of voting rights of the Company present and voting at the EGM, held not later than the Proposed Acquisition, approve by way of poll, a resolution to waive their rights to receive a general offer from the Vendors ("**Proposed Whitewash Resolution**");

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- (b) the Proposed Whitewash Resolution is separate from other resolutions;
- (c) the Vendors, parties acting in concert with them and parties not independent of the Proposed Acquisition abstaining from voting on the Proposed Whitewash Resolution;
- (d) the Vendors and their concert parties have not acquired and will not acquire any Shares or instruments convertible into and options in respect of the Shares (other than subscriptions for, rights to subscribe for, instruments convertible into or options in respect of new Shares which have been disclosed in the Circular on the Proposed Whitewash Resolution):
 - (i.) during the period between 22 April 2021 (being the date of the Announcement) and the date Shareholders' approval is obtained for the Proposed Whitewash Resolution, and
 - (ii.) in the six (6) months prior to 22 April 2021 (being the date of the Announcement), but subsequent to negotiations, discussions or the reaching of understandings or agreements with the Directors in relation to the Proposed Acquisition;
- (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 Acquisition;
 - (ii.) the possible dilution effect to existing holders of voting rights of the Company as a result of the issue of the Consideration Shares to the Vendors under the Proposed Acquisition;
 - (iii.) the number and percentage of voting rights in the Company as well as the number of instruments convertible into, rights to subscribe for and options in respect of Shares held by the Vendors and their concert parties as at the Latest Practicable Date;
 - (iv.) specific and prominent reference to the fact that the acquisition of the Consideration Shares by the Vendors will result in the Vendors and their concert parties holding Shares carrying over 49% of the voting rights of the Company, and the Vendors and their concert parties would be free to acquire further Shares without incurring any obligation under Rule 14 of the Code to make a general offer for the Company; and
 - (v.) specific and prominent reference to the fact that Independent Shareholders, by voting for the Proposed Whitewash Resolution, are waiving their rights to a general offer from the Vendors and their concert parties at the highest price paid by the Vendors and their concert parties for the Shares in the past six (6) months preceding the commencement of the offer;
- (g) the Circular states that the waiver granted by the SIC to the Vendors from the requirement to make a general offer under Rule 14 of the Code is subject to the conditions stated at paragraphs (a) to (f) above;
- (h) the Company obtaining the 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 approval of the Proposed Whitewash Resolution must be obtained within three (3) months of 16 June 2022 and the issue of the Consideration Shares under the Proposed Acquisition must be completed within three (3) months of the approval of the Proposed Whitewash Resolution.

As at the date of this Circular, all the above conditions imposed by the SIC, save and except for the condition under sub-paragraph (a), have been satisfied.

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3.4 Implications of the Proposed Whitewash Resolution

Independent Shareholders should note that:

- (a) their approval of the Proposed Whitewash Resolution is a condition precedent to Completion pursuant to the terms of the SPA, and if Independent Shareholders do not vote in favour of the Proposed Whitewash Resolution, the Proposed Acquisition will not take place;
- (b) by voting in favour of the Proposed Whitewash Resolution, they will be waiving their rights to receive a general offer for all of their Shares from the Vendors at the highest price paid by the Vendors for the Shares in the past six (6) months preceding the commencement of the offer; and
- (c) acquisition of the Consideration Shares by the Vendors will result in the Vendors and their concert parties holding Shares carrying over 49% of the voting rights of the Company, and the Vendors and their concert parties would be free to acquire further Shares without incurring any obligation under Rule 14 of the Code to make a general offer for the Company.

3.5 Advice of the IFA

In connection with one of the conditions imposed by the SIC for granting the Whitewash Waiver, Provenance Capital Pte. Ltd. has been appointed as the Independent Financial Adviser to the Recommending Directors in relation to the Proposed Whitewash Resolution.

A summary of the advice of the IFA is set out in Section 22 titled “Advice of the Independent Financial Adviser in relation to the Proposed Whitewash Resolution” of this Circular.

The IFA Letter setting out the IFA’s advice in full is reproduced in Appendix E to this Circular titled “Letter from Provenance Capital Pte. Ltd. to the Recommending Directors”.

The Proposed Whitewash Resolution is one of the Key Resolutions to be voted upon at the EGM whereby if any of the Key Resolutions are not approved, the other Key Resolutions will not be duly passed.

4. THE PROPOSED ALLOTMENT AND ISSUANCE OF THE FA SHARES

The Company is seeking the approval of the Shareholders for the allotment and issuance of 454,545 new Shares at the Issue Price to RHB Bank (“**FA Shares**”), as part payment of RHB Bank’s management fees as the financial adviser to the Company in respect of the Proposed Acquisition with the substantial remaining fees payable in cash. On Completion Date, the Company shall allot and issue the FA Shares to the RHB Bank, representing approximately 0.25% of the Enlarged Share Capital.

The FA Shares will, upon its allotment and issuance, be credited as fully paid-up and free from all Encumbrances and will rank *pari passu* in all respects with the existing issued Shares save for any rights, benefits, dividends and entitlements the record date of which is before the Completion Date.

5. THE PROPOSED ALLOTMENT AND ISSUANCE OF THE ARRANGER SHARES

The Company is seeking the approval of the Shareholders for the allotment and issuance of 5,681,818 new Shares at the Issue Price to the Arranger (“**Arranger Shares**”) in consideration for the Arranger’s services. On Completion Date, the Company shall allot and issue the Arranger Shares to the Arranger, representing approximately 3.15% of the Enlarged Share Capital.

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The Vendors were introduced to the Company by the Arranger. The Arranger is a company registered in British Virgin Islands. The sole shareholder and director of the Arranger is Foo Kok Hian who is an active investor in the equities market and the private equity space. He also has a wealth of experience in development and management of industrial infrastructure, management of private properties as well as provision of general building works with projects ranging from minor building alteration and addition works to construction of landed properties. The Arranger Shares will be allotted and issued as consideration for the Arranger's services.

The number of Arranger Shares was arrived at after negotiations between the Arranger, Vendors and the Company at arm's length and took into account, *inter alia*, the services provided by the Arranger, which amongst others, included introducing the Vendors and the Target to the Company, assisting in organising and facilitating the negotiations between the Company and the Vendors in connection with the Proposed Acquisition.

The Arranger Shares will, upon its allotment and issuance, be credited as fully paid-up and free from all Encumbrances and will rank *pari passu* in all respects with the existing issued Shares save for any rights, benefits, dividends and entitlements the record date of which is before the Completion Date.

6. THE PROPOSED PLACEMENT

6.1 Proposed Placement

The Company intends to carry out a placement exercise for the proposed allotment and issuance of up to 13,650,000 new Shares at the Issue Price ("**Placement Shares**") in reliance on the relevant "safe harbour" exemptions under the SFA and in accordance with the applicable conditions of such exemptions in the SFA ("**Proposed Placement**"). The Proposed Placement will be in compliance with Chapter 8 of the Catalist Rules and if required, the Company will issue an offer information statement in compliance with the SFA for the Proposed Placement. Please refer to Appendix G of this Circular titled "Changes in Shareholding Structure" for shareholding effects of, among other things, the Proposed Placement on the shareholding of the existing Shareholders.

The Placement Shares will represent approximately 7.57% of the Enlarged Share Capital of the Company (assuming all Placement Shares are subscribed for). The Placement Shares will not be placed to any person who is a Director, a Proposed New Director or a substantial shareholder of the Target or the Enlarged Group (as the case may be), or any other person in the categories set out in Rule 812(1) of the Catalist Rules.

Rule 811(1) of the Catalist Rules requires that an issue of shares must not be priced at more than a 10.0% discount to the weighted average price for trades done on the SGX-ST for the full Market Day on which the placement or subscription agreement is signed. Rule 811(3) provides that Rule 811(1) is not applicable if specific Shareholders' approval is obtained for the issuance of shares at a greater discount. As the Placement Shares will be issued at the Issue Price which may be more than 10.0% discounted from the weighted average price for trades done on the SGX-ST prior to the signing of the placement agreement, the Company is seeking the specific approval of Shareholders for the allotment and issuance of the Placement Shares in accordance with Rule 811(3) of the Catalist Rules.

The Company will be appointing a holder of the relevant capital market services license as the placement agent for the Proposed Placement. The final terms of the Proposed Placement (including the placement commission) shall be determined following the entry into a definitive placement agreement.

6.2 Terms of the Proposed Placement

The Placement Shares will be issued upon Completion and upon their allotment and issuance, be credited as fully paid-up and free from all Encumbrances and will rank *pari passu* in all respects with the existing issued Shares save for any rights, benefits, dividends and entitlements the record date of which is before Completion Date.

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The Proposed Placement shall be subject to, *inter alia*, the following conditions being fulfilled:

- (a) completion of the Proposed Acquisition;
- (b) approval by Shareholders for the allotment and issuance of the Placement Shares and all the other Proposed Transactions; and
- (c) approval in-principle for the listing and quotation of the Placement Shares being obtained from the SGX-ST (and not having been revoked or withdrawn on or prior to completion of the Proposed Placement) and, where such approval is subject to conditions, such conditions being reasonably acceptable to the Company.

The Proposed Placement will not result in any transfer of controlling interest in the Company. The Company will not proceed with the Proposed Placement without the prior approval of Shareholders in a general meeting if such issuance would bring about a transfer of controlling interest.

6.3 Use of Proceeds from the Proposed Placement

For illustrative purposes, information in this Section has been presented assuming that the Proposed Placement is in respect of all of the 13,650,000 Placement Shares at the Issue Price. Shareholders should note that the foregoing terms are only indicative, and should not be construed as a representation that the Proposed Placement will be made on those terms.

For illustrative purposes only, the Company intends to utilise the net proceeds from the Proposed Placement in the follow manner:

Use of Proceeds	S\$'000	Estimated amount allocated for each dollar of the gross proceeds from the Proposed Placement (cents)
General working capital	1,305	43.46
Net Proceeds	1,305	43.46
Listing and application fees	62	2.06
Professional fees and expenses ⁽¹⁾	1,503	50.05
Placement commission	90	3.00
Miscellaneous expenses	43	1.43
Gross Proceeds	3,003	100.0

Note:

- (1) This includes fees paid to professionals including financial advisers and sponsor, legal advisers, tax advisers, auditors, valuers and public relations consultants for the Proposed Transactions.

Pending the deployment of the gross proceeds as aforesaid, the funds will be placed in short-term deposits with financial institutions, used to invest in short-term money market instruments and/or used for working capital requirements as the Proposed New Directors may deem appropriate.

The Company will make periodic announcements as and when the proceeds from the Proposed Placement are materially disbursed and state therein whether such a use is in accordance with the stated use and in accordance with the percentage allocated in this Circular. Where there is any material deviation from the stated use of proceeds, the Company will announce the reasons for such deviation. The Company will also provide a status report on the use of the gross proceeds in its annual report. Any material deviation in the use of the net proceeds will be subject to the Catalist Rules and appropriate announcements will be made by the Company on SGXNET.

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Shareholders should note that the terms and timing of the Proposed Placement, including the actual number of Placement Shares will depend on various factors such as market conditions, as well as potential investors' interest in the Shares upon Completion, and there is no certainty or assurance that the Company will be able to place out all or any of the Placement Shares and raise the gross proceeds therefrom.

In the reasonable opinion of the Proposed New Board, there is no minimum amount which must be raised from the Proposed Placement.

6.4 Further Information

The Company will make the necessary follow-up announcements as and when required and/or as and when material developments arise in respect of the Proposed Placement.

7. THE PROPOSED LISTING TRANSFER

Upon Completion, it is proposed that the Company will transfer the listing of its Shares from the Mainboard to the Catalist Board. Shareholders' approval for the Proposed Listing Transfer is a Condition Precedent to the Proposed Acquisition. RHB Bank will be appointed as the continuing sponsor of the Company following completion of the Proposed Listing Transfer.

7.1 Rationale for the Proposed Listing Transfer

Under Rule 1015(3)(a) of the Listing Rules, in order to maintain a Mainboard listing after a reverse takeover, the new business to be acquired by the Company and the Enlarged Group must satisfy one of the quantitative criteria set out in Rule 210(2)(a), (b) or (c) of the Listing Rules, being:

- (a) Rule 210(2)(a): minimum consolidated pre-tax profit (based on the latest full year consolidated audited accounts) of at least S\$30.0 million for the latest financial year and an operating track record of at least three (3) years;
- (b) Rule 210(2)(b): profitable in the latest financial year (pre-tax profit based on the latest full year consolidated audited accounts), has an operating track record of at least three (3) years and has a market capitalisation of not less than S\$150.0 million based on the issue price and post-invitation issued share capital; or
- (c) Rule 210(2)(c): operating revenue (actual or *pro forma*) in the latest completed financial year and a market capitalisation of not less than S\$300.0 million based on the issue price and post-invitation issued share capital.

In connection with the Proposed Acquisition, the Company is proposing to transfer its listing from the Mainboard to the Catalist Board for the following reasons:

- (a) in view of the financial performance of the Target, the Company believes that the Enlarged Group and the new business to be acquired by the Company pursuant to the Proposed Acquisition will not satisfy the quantitative criteria for Mainboard listings under Rule 210(2) of the Listing Rules; and
- (b) the Enlarged Group and the new business to be acquired by the Company pursuant to the Proposed Acquisition will not need to meet any minimum operating track record, profit, share capital or market capitalisation requirements.

The Proposed Listing Transfer will provide the Company with a more suitable platform for the listing and trading of its Shares as the Catalist Board provides a more conducive listing platform for companies who require a flexible regulatory system to float their shares including but not limited to higher thresholds for acquisitions and disposals that do not require shareholders' approval and higher thresholds for share issuances under a general mandate from shareholders. Further, the Company has also been on the watch-list of the SGX-ST due to the Financial Entry Criteria since 5 December 2018. Pursuant to Rule 1315 of the Listing Rules, the Company must take active steps

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to be removed from the watch-list by achieving (i.) a pre-tax profit for the most recent financial year and (ii.) having an average daily market capitalisation of S\$40 million or more over the last 6 months, within 36 months from the date it was placed on the watch-list. Otherwise, the SGX-ST may either remove the Company from the Official List or suspend trading of the Shares with a view to removing the Company from the Official List. Please refer to Section 14.2 of this Circular for more information on the Application for Extension of Time.

In light of the new business, market capitalisation and risk profile of the Enlarged Group, and the requirements of the Financial Entry Criteria, the Board is of the view that the Proposed Listing Transfer and a listing on the Catalist Board will (a) position the Company appropriately and better allow the Company to attract investors in the future, (b) allow the Company to maintain its listing status on the SGX-ST, and (c) allow the Company to exit the watch-list.

7.2 Requirements for the Proposed Listing Transfer

A transfer of listing from the Mainboard to the Catalist Board is governed by Rule 410 of the Catalist Rules. As set out below, subject to Shareholders' approval for the Proposed Listing Transfer, the Company will meet all the requirements for a transfer to the Catalist Board.

7.2.1 Rule 410(1) - Compliance with Rules 406(1), (2)(b), (3), (4) and 407(2) and (3)

Based on the shareholding statistics available to the Company as at the Latest Practicable Date, and assuming Completion, the Proposed Issuance of the FA Shares, the Proposed Issuance of the Arranger Shares, the Proposed Placement and the reduction of Sun Bowen's shareholdings in the Company to less than 5% of the Enlarged Share Capital, approximately 19.85% of the Enlarged Share Capital will be held in the hands of the public and the number of Shareholders is expected to be more than 200. As such, the Company will fulfil the requirements stipulated under the Catalist Rules in relation to the shareholding spread and distribution by having at least 15.0% of the Shares in the hands of the public and more than 200 public Shareholders.

The overall distribution of shareholdings is expected to provide an orderly secondary market in the securities when trading commences, and is unlikely to lead to a corner situation in the Shares.

The Company will comply with Rule 406(3) of the Catalist Rules in that:

- (a) the Proposed New Board and Proposed New Executive Officers of the Enlarged Group have the appropriate experience and expertise to manage the Enlarged Group's business. Tan Kok Heng and Lu King Seng, who are Proposed New Directors, have relevant experience as directors of public listed companies in Singapore, and are familiar with the roles and responsibilities of a director of a public listed company in Singapore. Wee Shuo Siong Milton does not have prior experience as a director of a public listed company in Singapore, but he, along with the other Proposed New Directors have been briefed by the Legal Adviser to the Company on the Proposed Transactions, on the roles and responsibilities of a director of a public listed company in Singapore. In addition, all Proposed New Directors have attended the relevant courses organised by the Singapore Institute of Directors as prescribed by the SGX-ST;
- (b) nothing materially adverse has come to the attention of RHB Bank to suggest that the Proposed New Board, Proposed New Executive Officers and Controlling Shareholders of the Enlarged Group do not have the character and integrity expected of a listed issuer;

For more information on the Proposed New Board and the Proposed New Executive Officers, please refer to Section 15 titled "Proposed New Board and Proposed New Executive Officers" of the Target's Letter to Shareholders; and

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- (c) the Enlarged Group will have at least two (2) non-executive Directors who are independent and free of any material business or financial connection with the Enlarged Group. Please refer to Section 17.3 titled “New Nominating Committee - The New Nominating Committee’s View of the Proposed Independent Directors” of the Target’s Letter to Shareholder for further information. In addition, the Enlarged Group will establish the New Audit Committee, the New Remuneration Committee and the New Nominating Committee, with written terms of reference clearly set out the authority and duties of the committees.

For further information on the board committees that will be established upon Completion, please refer to Sections 17.2, 17.3 and 17.4 titled “New Audit Committee”, “New Nominating Committee” and “New Remuneration Committee” respectively of the Target’s Letter to Shareholders.

As Rule 406(4) of the Catalist Rules is not applicable in relation to reverse takeovers, RHB Bank has provided the confirmation required in Appendix 10A of the Catalist Rules that the Enlarged Group is suitable for listing and complies with the Catalist Rules.

Pursuant to Rule 407(2) of the Catalist Rules, in the reasonable opinion of the Proposed New Board, barring unforeseen circumstances and after taking into account all the factors set out in Section 11.4 titled “Liquidity and Capital Resources” of the Target’s Letter to Shareholders, the working capital available to the Enlarged Group as at the date of this Circular is sufficient for its present requirements and for at least twelve (12) months after Completion.

Pursuant to Rule 407(3) of the Catalist Rules, in the reasonable opinion of RHB Bank, barring unforeseen circumstances and after taking into account all the factors set out in Section 11.4 titled “Liquidity and Capital Resources” of the Target’s Letter to Shareholders, the working capital available to the Enlarged Group as at the date of this Circular is sufficient for its present requirements and for at least twelve (12) months after Completion.

Accordingly, Rule 410(1) of the Catalist Rules will be complied with upon Completion.

7.2.2 Rule 410(2) - The Company is sponsored and the Sponsor provides SGX-ST with a completed Appendix 4D (Transfer Confirmation by Sponsor)

The Proposed New Board proposes to appoint RHB Bank as the Company’s continuing sponsor, subject to the Proposed Listing Transfer taking effect. The Sponsor had on 30 June 2022 provided the SGX-ST with the completed Appendix 4D (Transfer Confirmation by Sponsor) of the Catalist Rules.

Accordingly, Rule 410(2) of the Catalist Rules has been complied with.

7.2.3 Rule 410(3) - The Company provides SGX-ST with a completed Appendix 4E (Applicant’s Listing Agreement)

The Company had on 30 June 2022 in its application to the SGX-ST for the Proposed Listing Transfer provided the SGX-ST with the completed Appendix 4E (Applicant’s Listing Agreement) of the Catalist Rules.

Accordingly, Rule 410(3) of the Catalist Rules has been complied with.

7.2.4 Rule 410(4) - The Company’s Shareholders have approved the Proposed Listing Transfer by special resolution

The Proposed Listing Transfer is subject to the approval of the Shareholders by way of special resolution at the EGM, the notice of which is set out in the Section titled “Notice of Extraordinary General Meeting” of this Circular.

Accordingly, subject to the approval of the Shareholders for the Proposed Listing Transfer at the EGM, Rule 410(4) of the Catalist Rules will be complied with.

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7.2.5 Rule 410(5) - The Company is in compliance with all applicable Listing Rules

The Company confirms that it is in compliance with all applicable Listing Rules.

Accordingly, Rule 410(5) of the Catalyst Rules has been complied with.

8. THE PROPOSED CHANGE OF CORE BUSINESS

Upon Completion, the business of the Enlarged Group will comprise wholly and solely of the Business. Therefore, in connection with the Proposed Acquisition, the Company will be changing its core business to that of the Business ("**Proposed Change of Core Business**").

Please refer to the Target's Letter to Shareholders for more information on the Target and the Business. Please refer to Section 2.7 of this Circular for the risk factors associated with the Proposed Change of Core Business.

9. THE PROPOSED CHANGE OF NAME

In connection with the Proposed Transactions, the Company is proposing to change the name of the Company from "**Fabchem China Limited**" to "**Lincotrade & Associates Holdings Limited**" to better reflect the identity of the Enlarged Group and the new business and activities of the Enlarged Group. The change of name of the Company will only take effect upon Completion.

An application had been made to ACRA on 11 April 2022 for the name "**Lincotrade & Associates Holdings Limited**" and the name has been reserved with ACRA until 2 September 2022.

In line with the Proposed Change of Name of the Company, the Company also intends to adopt the corporate logo as shown below:



Subject to the resolution of the Proposed Change of Name being carried as a special resolution at the EGM, the Company will, upon Completion, lodge the requisite notification with ACRA relating to its change of name. Accordingly, the name "**Fabchem China Limited**" will be substituted with "**Lincotrade & Associates Holdings Limited**" wherever the name "**Fabchem China Limited**" appears in the Constitution.

The Company will issue an announcement to notify Shareholders of the coming into effect of the Company's new name. The Proposed Change of Name does not affect any of the rights of the Shareholders and the legal status of the Company. All existing share certificates of the Company in issue bearing the existing name of the Company will, after the Proposed Change of Name becoming effective, continue to be evidence of title to Shares and will remain valid for trading, settlement, registration and delivery purposes. Shareholders should take note that notwithstanding the change of the Company's name, the Company will not recall any existing share certificates bearing the current name of the Company, which will continue to be prima facie evidence of legal title. No further action is required on the part of the Shareholders.

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10. THE PROPOSED APPOINTMENT OF THE PROPOSED NEW DIRECTORS

Upon Completion, the Company proposes to appoint the Proposed New Directors who are as follows:

- (a) Tan Kok Heng;
- (b) Tan Jit Meng;
- (c) Lu King Seng; and
- (d) Wee Shuo Siong Milton.

For further information on each of the Directors of the Proposed New Board, please refer to Section 15 titled “Proposed New Board and Proposed New Executive Officers” of the Target’s Letter to Shareholders.

11. THE PROPOSED ADOPTION OF THE NEW CONSTITUTION OF THE COMPANY

11.1 Rationale

The Company is taking this opportunity to incorporate and amend regulations in its Constitution to allow the Company to convene, hold and conduct virtual meetings, allow Shareholders to submit instruments appointing proxies by electronic means and allow the Company to issue documents to Shareholders of the Company by electronic means.

11.2 New Constitution

The Company is proposing to adopt the New Constitution, which will replace the Existing Constitution entirely. The following is a summary of the key differences between the New Constitution and the Existing Constitution. Shareholders are advised to read the summary in conjunction with (a) the New Constitution, which is set out in its entirety in Appendix H of this Circular; and (b) the extracts of the proposed key amendments to the Existing Constitution, which is set out in Appendix I of this Circular before deciding on the Special Resolution relating to the Proposed Adoption of the New Constitution.

11.3 Summary of Key Differences

(a) Regulation 61(3)

Regulation 61(3) provides for general meetings to be conducted by electronic means.

(b) Regulation 85(2)

Regulation 85(2) provides that instruments of proxy may be submitted by electronic means.

(c) Regulation 153(2)

Regulation 153(2) provides that circulars and instruments appointing proxies can be given to Shareholders by electronic means.

12. THE PROPOSED NEW SHARE ISSUE MANDATE

12.1 Proposed New Share Issue Mandate

The Company is proposing to seek Shareholders’ approval at the EGM for the Proposed New Share Issue Mandate for the aggregate number of Shares which may be issued, to be determined based on the total number of Shares after Completion. This is in addition to the authorisation to be sought for the proposed Share allotment and issuance in relation to the allotment and issuance of the Consideration Shares as set out in Section 2 of this Circular, the allotment and issuance of the FA Shares as set out in Section 4 of this Circular, the allotment and issuance of the Arranger Shares as set out in Section 5 of this Circular and the allotment and issuance of the Placement Shares as set out in Section 6 of this Circular.

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Specifically, approval from the Shareholders will be sought for, amongst others, authority to be granted pursuant to Regulation 7 of the Existing Constitution, Regulation 7 of the New Constitution and Rule 806 of the Catalist Rules to the Proposed New Board to:

- (a) (i.) allot and issue new Shares (whether by way of rights issue, bonus issue or otherwise); and/or
- (ii.) make or grant offers, agreements or options (collectively, “**Instruments**”) that might or would require Shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) options, warrants, debentures or other Instruments convertible into shares,

at any time and upon such terms and conditions, and for such purposes and to such persons as the Proposed New Board shall in their absolute discretion deem fit; and

- (b) (notwithstanding that the authority conferred by the ordinary resolution may have ceased to be in force) issue shares in pursuance of any Instrument made or granted by the Directors while the ordinary resolution was in force, provided that:
 - (i.) the aggregate number of new Shares and convertible securities to be issued pursuant to such authority shall not exceed 100.0% of the then-existing issued share capital (excluding treasury shares and subsidiary holdings) of the Company and that the aggregate number of new Shares and convertible securities to be issued other than on a *pro rata* basis to the then-existing Shareholders shall not exceed 50.0% of the then-existing issued share capital (excluding treasury shares and subsidiary holdings) of the Company, and
 - (ii.) unless revoked or varied by the Shareholders in general meeting, such authority shall continue in full force until the conclusion of the next AGM or the date by which the next AGM is required by law or the Catalist Rules to be held, whichever is earlier.

For this purpose, the “**then-existing issued share capital**” shall mean the Enlarged Share Capital.

The Proposed New Share Issue Mandate falls within the limits set out in Rule 806(2)(a) of the Catalist Rules.

12.2 Validity of the Proposed New Share Issue Mandate

The Proposed New Share Issue Mandate, if approved by Shareholders at the EGM, shall take force and effect from the date of the EGM and shall continue in force until the earliest of the following:

- (a) the conclusion of the next AGM;
- (b) the expiration of the period within which the next AGM is required to be held pursuant to the Constitution or any applicable laws of Singapore;
- (c) it is carried out to the full extent mandated; or
- (d) it is revoked or varied by ordinary resolution of the Shareholders in a general meeting.

Subject to its continued relevance to the Company, the Proposed New Share Issue Mandate will be put to Shareholders for renewal at subsequent AGMs.

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13. FINANCIAL EFFECTS OF THE PROPOSED TRANSACTIONS

13.1 Bases and Assumptions

The financial effects of the Proposed Transactions on the share capital, earnings, net assets, net tangible assets and gearing of the Enlarged Group have been prepared based on the latest audited consolidated financial results of the Group for the financial year ended 30 June 2021, and the audited financial information of the Target for the financial year ended 30 June 2021.

Shareholders should note that the *pro forma* financial effects of the Proposed Transactions are for illustrative purposes only. The objective is to illustrate what the historical information might have been had the Proposed Transactions been completed at an earlier date. However, such information is not necessarily indicative of the actual results of the operations or the related effects in the financial position that would have been attained had the Proposed Transactions been completed at such an earlier date. Given that the financial effects presented below are *pro forma* in nature and only for illustrative purposes, it does not necessarily represent the actual financial position and/or results of the Enlarged Group immediately after the completion of the Proposed Transactions.

For the purposes of illustration, the financial effects of the Proposed Transactions are computed based on, *inter alia*, the following key assumptions:

- (a) the financial effects of the Proposed Transactions on the earnings and EPS of the Enlarged Group are computed assuming that the Proposed Transactions were completed on 1 July 2020;
- (b) the financial effects of the Proposed Transactions on the NAV, NTA and gearing of the Enlarged Group are computed assuming that the Capital Reduction and the Proposed Transactions were completed on 30 June 2021;
- (c) the proposed allotment and issuance of 113,636,363 Consideration Shares at the Issue Price upon Completion;
- (d) the proposed allotment and issuance of 13,650,000 Placement Shares at the Issue Price upon Completion;
- (e) the proposed allotment and issuance of 454,545 FA Shares at the Issue Price upon Completion;
- (f) the proposed allotment and issuance of 5,681,818 Arranger Shares at the Issue Price upon Completion;
- (g) expenses incurred by the Enlarged Group in relation to the Proposed Transactions are estimated to be approximately S\$1.5 million; and
- (h) final dividend of S\$1.1 million declared by the Target in respect of financial year ended 30 June 2021 was assumed to be declared and paid as at 30 June 2021.

13.2 Financial Effects on the Enlarged Group

(a) NTA / NAV of the Enlarged Group

	Before the Proposed Transactions S\$'000	After the Proposed Acquisition but before the Proposed Placement S\$'000	After the Proposed Acquisition and the Proposed Placement S\$'000
NTA/NAV	325	2,815	5,728
Resultant NTA/NAV	325	2,815	5,728
NTA/NAV per Share (S\$)	0.01	0.02	0.03

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(b) Earnings of the Enlarged Group

	Before the Proposed Transactions S\$'000	After the Proposed Acquisition but before the Proposed Placement S\$'000	After the Proposed Acquisition and the Proposed Placement S\$'000
Loss attributable to Shareholders	(325)	(817)	(907)
Resultant loss attributable to Shareholders	(325)	(817)	(907)
Loss per Share (S\$)	(0.01)	(0.01)	(0.01)

(c) Gearing of the Enlarged Group

	Before the Proposed Transactions S\$'000	After the Proposed Acquisition but before the Proposed Placement S\$'000	After the Proposed Acquisition and the Proposed Placement S\$'000
Total Borrowings	300	9,289	9,289
Total Assets	1,178	21,779	24,692
Gearing (times)	0.25	0.43	0.38

(d) Share Capital of the Enlarged Group

	Before the Proposed Transactions	After the Proposed Acquisition but before the Proposed Placement	After the Proposed Acquisition and the Proposed Placement
Paid-up share capital (S\$'000)	6,237	32,587	35,500
Number of issued Shares ('000)	46,800	166,573	180,223

14. APPLICATIONS TO THE SGX-ST

14.1 Waiver of Rules 1015(1)(a)(ii) and 1015(4)(a) of the Catalist Rules

Pursuant to Rules 1015(1)(a)(ii) and 1015(4)(a) of the Catalist Rules (read with Rule 407(1) of the Catalist Rules), the Company is required to disclose the following:

- (a) last two (2) years of historical financial information (of the assets to be acquired) and one year of *pro forma* financial information (of the enlarged group), and
- (b) information required under Parts 2 to 11 of the Fifth Schedule. In particular, paragraphs 24, 26 and 27 of Part 9 of the Fifth Schedule requires the *pro forma* financial statements of the Enlarged Group to be included in the Circular for the most recent completed financial year, and any applicable interim financial period ("**Applicable Period**"), comprising:
 - (i.) the *pro forma* profit and loss and *pro forma* cash flow statements for the Applicable Period as if the Proposed Acquisition was effected at the beginning of the Applicable Period; and
 - (ii.) the *pro forma* balance sheet as at the end of the Applicable Period as if the Proposed Acquisition was effected at the end of such Applicable Period.

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RHB Bank had applied to the SGX-ST on behalf of the Company to seek a waiver from Rules 1015(1)(a)(ii) and 1015(4)(a) read with Rule 407(1) of the Catalist Rules in respect of disclosure of *pro forma* financial information of the Enlarged Group, specifically, the requirement to present *pro forma* financial statements of the Enlarged Group in relation to the Proposed Acquisition in the Circular, for the following reasons (“**Waiver of Relevant Rules**”):

- (a) following completion of the Disposal and Capital Reduction as announced by the Company on 5 November 2021 and 29 November 2021 respectively, the Company retained minimal cash for general working capital and liabilities comprising essentially the fees of professional advisers and service providers for the Proposed Transactions which are non-recurring in nature. Upon Completion, the Enlarged Group’s business will comprise wholly of the Business. Accordingly, the operations and financial position of the Company’s existing investments and businesses are not relevant to, and will not form part of, the operations and financial position of the Enlarged Group after Completion;
- (b) it would be more meaningful for Shareholders to only consider the financial information (actual and/or *pro forma*) of the Target, as opposed to the *pro forma* financial information of the Enlarged Group, as the financial information (actual and/or *pro forma*) of the Target reflects the economic substance of the Company’s businesses upon Completion, and will allow Shareholders to make a more informed and meaningful assessment of the assets to be acquired. As the future business and assets of the Company will be represented only by the business and assets of the Target following Completion, the presentation of the financial statements (actual and/or *pro forma*) of the Target would already provide the financial information required by Shareholders in arriving at their decision on whether or not to approve the Proposed Transactions at the EGM, including the Proposed Acquisition, and the *pro forma* financial information of the Enlarged Group would not be meaningful nor material to Shareholders in any way;
- (c) the financial information of the Target will be prepared in accordance with the requirements under Part 9 of the Fifth Schedule for inclusion in the Circular as if the Target were to seek an initial public offering on the Catalist Board, and will be reflective of the actual and/or *pro forma* (as the case may be) financial performance and position of the Target;
- (d) Shareholders who wish to have an understanding of the historical financial performance and position of the Company can refer to the Company’s annual reports and periodic financial results announcements; and
- (e) the Company would have to incur additional professional fees and expenses to engage the Reporting Accountant to report on the *pro forma* financial information of the Enlarged Group. The Company is of the view that the cost of preparation and reporting the *pro forma* financial information on the Enlarged Group outweighs the benefits to its Shareholders as the audited financial information and, if applicable, the *pro forma* financial statements of the Target that is proposed to be presented, would adequately reflect the economic substance of the Enlarged Group following Completion. Accordingly, the exclusion of the *pro forma* financial information of the Enlarged Group would not be prejudicial to the Shareholders.

The SGX-ST had on 24 November 2021, informed the Company that it had no objection to granting the Waiver of Relevant Rules subject to the following:

- (a) the Company making an announcement of the waiver granted, stating the reasons for seeking the waiver and the conditions as per Rule 107 of the Listing Rules, and that the Company and/or its Directors are not aware of any other material information in respect of the Company and the Proposed Acquisition which was not formerly disclosed to investors;
- (b) the disclosure of the waiver granted and the bases for seeking the waiver in the Circular; and
- (c) the submission of a written confirmation from the Company that the waiver does not contravene any laws and regulations governing the Company and its constituent documents.

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On 26 November 2021, the Company announced the SGX-ST's grant of the Waiver of Relevant Rules. As at the Latest Practicable Date, all the above conditions have been satisfied.

Accordingly, this Circular, in relation to the financial information of the Target, will comply with Part 9 of the Fifth Schedule and the following financial information of the Target is included in this Circular:

- (a) audited financial information of the Target for the latest three (3) financial years and reviewed or audited financial information for relevant interim periods (if applicable); and
- (b) *pro forma* financial information of the Target for the most recently completed financial year and interim period (if applicable).

14.2 Extension of Time to Exit the Watch-List of the SGX-ST

Application for Extension of Time

As announced by the Company on 26 November 2021, the Company had on 19 November 2021 submitted an application to the SGX-ST seeking an extension of time of up to 4 June 2022 (being an extension of six (6) months from the original deadline of 4 December 2021) for the Company to satisfy the Exit Criteria and comply with Rule 1314.

Pursuant to the Application for Extension of Time, the SGX-ST had on 24 November 2021, informed the Company that it had no objection granting an extension of time of five (5) months to 4 May 2022 ("**Extension of Time**"), subject to the following conditions:

- (a) the Company announcing the Extension of Time granted, the reasons for seeking the Extension of Time including the reasons noted by the SGX-ST, the conditions required under Rule 107 of the Listing Rules and if the Extension of Time conditions have been satisfied. If the Extension of Time conditions have not been met on the date of the announcement, the Company must make an update announcement when the conditions have all been met;
- (b) the submission of the pre-consultation with SGX-ST no later than 15 December 2021;
- (c) the submission of the draft Circular for approval from SGX-ST no later than 31 January 2022;
- (d) the Company convening an extraordinary general meeting by 31 March 2022 to seek the approval of Shareholders for the Proposed Acquisition and Proposed Listing Transfer; and
- (e) completion of the Proposed Transactions by 15 April 2022

(collectively, the "**Milestone Timeline**").

The Extension of Time will not be effective if any of the conditions have not been fulfilled.

More information on the Company's rationale for making the Application for Extension of Time is set out in the Company's announcement of 26 November 2021.

Deferment of Timelines of Waiver Conditions

As announced by the Company on 17 December 2021, the Company had on 10 December 2021, made a further application to SGX-ST requesting for a modification of the Milestone Timeline ("**Application for Deferment**") as the audit of the Target's financials for the last three financial years and review of the latest interim period for the three months ended 30 September 2021 and the legal due diligence by the respective professional advisers required more time. Pursuant to the Application for Deferment, the SGX-ST had on 16 December 2021, confirmed that it had no further comment to the Company's request for a three (3) week deferment of the Milestone Timeline. The new indicative timeline based on a three (3) weeks deferment was as follows:

- (a) the submission of the pre-consultation with SGX-ST no later than 5 January 2022;

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- (b) the submission of the draft Circular for approval from SGX-ST no later than 21 February 2022;
- (c) the Company convening an extraordinary general meeting by 22 April 2022 to seek the approval of Shareholders for the Proposed Acquisition and Proposed Listing Transfer; and
- (d) completion of the Proposed Transactions by 4 May 2022.

Further Extension of Time

As announced by the Company on 4 March 2022, the Company had on 16 February 2022, made an application to SGX-ST for an additional extension of three (3) months for the Company to satisfy the Exit Criteria, and the SGX-ST had on 3 March 2022, confirmed that it had no objection to the Company's application for a further extension of time of three (3) months to 4 August 2022 subject to the following conditions ("**Further Extension of Time**"):

- (a) the Company announcing the Further Extension of Time, the reasons for seeking the Further Extension of Time, the conditions as required under Listing Rule 107 and if the Further Extension of Time conditions have been satisfied. If the Further Extension of Time conditions have not been met on the date of the announcement, the Company must make an update announcement as and when any of the conditions and also when all the conditions have been met;
- (b) the submission of the draft Circular for approval from SGX-ST no later than 20 May 2022;
- (c) the Company convening an extraordinary general meeting by 22 July 2022 to seek the approval of Shareholders for the Proposed Acquisition and Proposed Listing Transfer; and
- (d) completion of the Proposed Transactions by 4 August 2022.

The Further Extension of Time will not be effective if any of the conditions have not been fulfilled.

More information on the Company's rationale for making the application for Further Extension of Time is set out in the Company's announcement of 4 March 2022.

14.3 **Submission to the SGX-ST**

On 17 May 2022, RHB Bank had submitted the pre-admission notification to the SGX-ST. A copy of this Circular has been lodged by RHB Bank with the SGX-ST, acting as agent on behalf of the Authority, on 30 June 2022 for posting on the SGX-ST website.

Pursuant to Part II of Appendix 4F of the Catalist Rules, the SGX-ST is expected to issue a listing and quotation notice in respect of the issuance and allotment of the Consideration Shares, FA Shares, Arranger Shares, and the Placement Shares upon lodgement of this Circular with the SGX-ST, acting as agent on behalf of the Authority.

It should be noted that approval in-principle by the SGX-ST is not to be taken as an indication of the merits of the Proposed Transactions, the Company, the Target, the Enlarged Group, the Shares, the Consideration Shares, FA Shares, Arranger Shares, or the Placement Shares.

15. **SHARE CAPITAL**

As at the date of this Circular, there is only one (1) class of shares in the capital of the Company, being ordinary shares. There are no treasury, founder, management, deferred or unissued shares. The existing Shares (including, but not limited to, the Shares held by the Directors and substantial shareholders) do not carry voting rights which are different from the Consideration Shares, FA Shares, Arranger Shares, and the Placement Shares. The rights of and privileges attached to the Shares are stated in the Constitution. None of the Shareholders have pre-emptive purchase rights in respect of the Shares.

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As at the Latest Practicable Date:

- (a) save as disclosed in Appendix G titled “Changes in Shareholding Structure” of this Circular, the Company is not directly or indirectly owned or controlled, whether severally or jointly, by any person or government;
- (b) save for the Proposed Acquisition, the Directors are not aware of any arrangement the operation of which will result in a change in control of the Company;
- (c) save for the Disposal and the Capital Reduction, all as announced on SGXNET, the Directors are not aware of any event which has occurred between the beginning of the most recent completed financial year and the Latest Practicable Date, which may have a material effect on the financial position and results of the Company; and
- (d) there has not been any public takeover offer by a third party in respect of any of the Shares or by the Company in respect of the shares of another corporation or the units of a business trust, which has occurred between the beginning of the most recently completed financial year and the Latest Practicable Date.

The issued and paid-up share capital of the Company as at the Latest Practicable Date is S\$6,236,584.97.

Save as disclosed below, there were no changes in the issued and paid-up share capital of the Company within the three (3) years preceding the Latest Practicable Date:

Date	Event	Distributable Amount per Share (S\$)	No. of Issued Shares	Issued and Paid-up Capital Prior to Capital Reduction and Cash Distribution (S\$)	Resultant No. of Issued Shares	Resultant Issued and Paid-up Capital (S\$)
29 November 2021	Capital Reduction and Cash Distribution	0.368	46,800,000	23,458,984.97	46,800,000	6,236,584.97

Save as disclosed in Appendix G of this Circular titled “Changes in Shareholding Structure”, as at the Latest Practicable Date:

- (a) no person has, or has the right to be given, an option to subscribe for or purchase any securities or securities-based derivative contracts of the Company;
- (b) the Company does not have any employee share option scheme or performance share award plan, and there is no arrangement for the employees of the Company that involves the issue or grant of options or Shares or any other securities in the Company, and no option to subscribe for or purchase Shares has been granted to, or was exercised by, any Director of the Company; and
- (c) the Company has no treasury shares and none of the Shares are held by or on behalf of the Company.

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16. DIVIDEND POLICY OF THE ENLARGED GROUP

The Company has not declared or paid any dividends for FY2019, FY2020 and FY2021. Please refer to Section 8 titled “Dividends” of the Target’s Letter to Shareholders for information on the dividends declared by the Target during the Relevant Period.

There can be no assurance that dividends will be paid in the future or on the amount or timing of any dividends that may be paid in the future. The declaration and payment of dividends will be determined at the sole discretion of the Proposed New Board, subject to the approval of the Shareholders.

The Company may, by ordinary resolution of its Shareholders at a general meeting, declare dividends but the amount of such dividends shall not exceed the amount recommended by the Proposed New Board. The Proposed New Board may also declare an interim dividend without seeking Shareholders’ approval. The Company may only pay dividends out of its distributable profits pursuant to the Companies Act.

In making their dividend recommendation, the Proposed New Board will take into consideration, inter alia, the performance of the Enlarged Group and the following factors:

- (a) the actual and future financial performance and financial condition;
- (b) the level of cash and retained earnings;
- (c) the current capital commitments, projected capital expenditure and other investment plans;
- (d) the terms of the borrowing arrangements (if any);
- (e) future plans for expansion; and
- (f) any other factors which the Proposed New Board may deem appropriate.

All dividends are paid *pro-rata* among the Shareholders in proportion to the amount paid up on each Shareholder’s Share(s), unless the rights attached to an issue of any Shares provide otherwise. Notwithstanding the foregoing, the payment by the Company to CDP of any dividend payable to a Shareholder whose name is entered in the depository register shall, to the extent of payment made to CDP, discharge the Company from any liability to that Shareholder in respect of that payment. Information relating to taxes payable on dividends is set out in the Section titled “Exchange Controls and Taxation” of this Circular.

Shareholders and prospective investors should note that all the foregoing statements are statements of the intention of the Proposed New Board and shall not constitute legally binding statements in respect of future dividends which may be subject to the sole and absolute discretion of the Proposed New Board. No inference should or can be made from any of the foregoing statements as to actual future profitability of the Enlarged Group or the ability of the Enlarged Group to pay dividends in the future.

17. INTERESTED PERSON TRANSACTIONS AND POTENTIAL CONFLICTS OF INTEREST

17.1 Interested Person Transactions involving the Target and the Enlarged Group

Shareholders should note that upon Completion and the Proposed Listing Transfer, any material transaction entered into between the Enlarged Group and any of the interested persons (namely, the Proposed New Board, the CEO and Controlling Shareholders of the Enlarged Group and/or their respective associates) (“Interested Persons”) would constitute interested person transactions for the purpose of Chapter 9 of the Catalist Rules.

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Please refer to Section 13 titled “Interested Person Transactions” of the Target’s Letter to Shareholders for more information on the Enlarged Group’s transactions with interested persons which are material in the context of the Proposed Acquisition for the Relevant Period. For information on other interested person transactions involving the Company, please see the past announcements and annual reports of the Company.

Following Completion, the Enlarged Group will not enter into any interested person transactions unless it complies with the requirements under Chapter 9 of the Catalist Rules as well as the procedures set out under Section 13.4 titled “Review Procedures for Future Interested Person Transactions” in the Target’s Letter to Shareholders, where applicable.

17.2 Potential Conflicts of Interest

In general, a conflict of interest arises when any of the Proposed New Board, Controlling Shareholders or their associates (immediately after Completion) carries on or has any interest in any other corporation carrying on the same business or dealing in similar products as the Enlarged Group.

Please refer to Section 14 titled “Potential Conflicts of Interest” in the Target’s Letter to Shareholders for more information on such conflicts of interest pertaining to the Enlarged Group.

18. MATERIAL LITIGATION

The Company is not engaged in any legal or arbitration proceedings, including those which are pending or known to be contemplated, which may have or have had in the twelve (12) months immediately preceding the date of this Circular, a material effect on the Company’s financial position or profitability. The Directors have no knowledge of any proceedings pending or threatened against the Company or any facts likely to give rise to any litigation, claims or proceedings which might materially affect the financial position or the business of the Company.

19. MATERIAL CONTRACTS

Save for the SPA, the Disposal SPA, the Previous Loan Agreement, and the Loan Agreement all as announced by the Company on SGXNET as well as engagement agreements with its professional advisers for the Disposal and Proposed Transactions, the Company has not entered into any contracts not in the ordinary course of business in the two (2) years preceding the Latest Practicable Date.

20. MORATORIUM

20.1 Moratorium in respect of Shares held by Tan Jit Meng, Soh Loong Chow Jackie, and existing Controlling Shareholders

Rule 1015(3)(b) of the Catalist Rules provides that moratorium requirements specified in Rules 420, 421 and 422 are applicable to the following persons (“**Moratorium Requirements**”):

- (a) persons who are existing Controlling Shareholders or who will become Controlling Shareholders of the issuer as a result of the asset acquisition; and
- (b) associates of any person in (a).

Upon Completion, Tan Jit Meng and Soh Loong Chow Jackie will receive the Consideration Shares in accordance with the terms of the SPA, and will become new Controlling Shareholders of the Company.

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Accordingly, in compliance with the Moratorium Requirements and to demonstrate their commitment to the Enlarged Group, the following persons have provided undertakings in favour of the Company and the Sponsor as set out below:

Wee Henry

Wee Henry, who is an existing Controlling Shareholder of the Company and will hold 24,665,699 Shares immediately after Completion, the Proposed Issuance of Consideration Shares, the Proposed Issuance of FA Shares, the Proposed Issuance of Arranger Shares and the Proposed Placement (representing approximately 13.69% of the Enlarged Share Capital) by virtue of his deemed interests in the Shares held by Triple Vision pursuant to section 7 of the Companies Act and section 4 of the SFA, and the Shares held by a nominee, Nomura Singapore Limited, has irrevocably and unconditionally undertaken that he will not, and will procure that Triple Vision does not, directly or indirectly, offer, sell, contract to sell, realise, transfer, assign, pledge, grant any option or right to purchase, grant any security over, encumber or otherwise dispose of:

- (a) all or any part of his Shares (adjusted for any bonus issues or sub-division of Shares) for a period of six (6) months from the date of resumption of trading; and
- (b) more than 50.0% of his Shares (adjusted for any bonus issues or sub-division of Shares) for a period of six (6) months thereafter.

Wee Henry will also maintain and preserve the whole of his shareholding in Triple Vision and not sell, transfer, assign, realise, encumber, settle, create any trust over, grant options over, pledge, charge, mortgage, use as security or otherwise dispose of or part with his shareholding in Triple Vision in whole or in part, legally or beneficially, from the date of the undertaking up to and including the end of the period set out in the immediate sub-paragraph (b) above.

Sun Bowen

Sun Bowen, who is an existing Controlling Shareholder of the Company holding 15,140,000 Shares representing 32.35% of the existing share capital of the Company through Fortsmith Investments Limited ("**Fortsmith**"), will not be required to give contractual undertakings to observe the Moratorium Requirements in respect of the existing Shares held by him through Fortsmith pursuant to the Moratorium Waiver (as defined below) obtained by the Company.

As announced by the Company on 25 March 2022, RHB Bank had on 3 March 2022, submitted an application to the SGX-ST on behalf of the Company seeking a waiver from the application of the Moratorium Requirements under Rule 1015(3)(b)(i) of the Catalist Rules in respect of the transfer or disposal of the existing Shares held by Sun Bowen ("**Moratorium Waiver**") for the reasons set out below:

- (a) after Completion and before the Proposed Placement, Sun Bowen's interest will be diluted to 9.09% and he will cease to be a Controlling Shareholder of the Company;
- (b) if the Moratorium Waiver is obtained, Sun Bowen intends to reduce his shareholding to less than 5.0% immediately after Completion via a vendor sale. If such opportunity arises, he will fall outside of the definition of substantial shareholder, which will assist the Company in meeting the public float requirement following Completion amid uncertain market conditions;
- (c) save as disclosed in the Company's application for the Moratorium Waiver, Sun Bowen's associates (as defined in the Catalist Rules) do not have any shareholding interest in the Company;
- (d) Sun Bowen and his associates do not have any interest in the Target. Neither are they or will they be involved in the management and/or the operations of the Target currently, or the Enlarged Group going forward. Furthermore, Sun Bowen will step down as a Director upon Completion. Accordingly, upon Completion, Sun Bowen will not fall within the definition of "promoter" in the Catalist Rules;

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- (e) Sun Bowen and his associates have no interest in the Target to be acquired by the Company pursuant to the Proposed Acquisition. Sun Bowen has not acquired or disposed his Shares held through Fortsmith since 2 February 2007. Accordingly, Sun Bowen is not considered as an investor of the Target or the Company for the purpose of Rule 422 of the Catalist Rules; and
- (f) as the Vendors and Wee Henry will provide undertakings to observe the Moratorium Requirements, their commitment to the Company will be maintained and their interest will be aligned with that of public shareholders. No waiver will be sought by the Company for Wee Henry and he will comply and observe the Moratorium Requirements.

The SGX-ST had on 24 March 2022, informed the Company that it had no objections to granting the Company the Moratorium Waiver with respect to the Moratorium Requirements of Sun Bowen in the Enlarged Group subject to the following:

- (a) the Company making a SGXNET announcement of the Moratorium Waiver granted, stating the reasons for seeking the Moratorium Waiver and the conditions as per Listing Rule 107;
- (b) the disclosure of the Moratorium Waiver granted and the bases for seeking the Moratorium Waiver in the Circular;
- (c) submission of a written confirmation from the Company that the Moratorium Waiver does not contravene any laws and regulations governing the Company and its constituent documents; and
- (d) Sun Bowen reducing his shareholdings in the Company to less than 5% of the share capital of the Enlarged Group by the time of completion of the Proposed Placement.

As at the Latest Practicable Date, the Company has complied with all the conditions in relation to the Moratorium Waiver, save for (d) in relation to the reduction of Sun Bowen's shareholdings in the Company to less than 5.0% of the Enlarged Share Capital, which Sun Bowen will comply with and an announcement relating thereto will be made in due course.

Tan Jit Meng

Tan Jit Meng, who will hold an aggregate of 45,454,545 Shares immediately after Completion, the Proposed Issuance of Consideration Shares, the Proposed Issuance of FA Shares, the Proposed Issuance of Arranger Shares and the Proposed Placement (representing approximately 25.22% of the Enlarged Share Capital), has irrevocably and unconditionally undertaken not to directly or indirectly, offer, sell, contract to sell, realise, transfer, assign, pledge, grant any option or right to purchase, grant any security over, encumber or otherwise dispose of:

- (a) all or any part of its Shares (adjusted for any bonus issues or sub-division of Shares) for a period of six (6) months from the date of resumption of trading; and
- (b) no more than 50.0% of its Shares (adjusted for any bonus issues or sub-division of Shares) for a period of six (6) months thereafter.

Soh Loong Chow Jackie

Soh Loong Chow Jackie, who will hold an aggregate of 45,454,545 Shares immediately after Completion, the Proposed Issuance of Consideration Shares, the Proposed Issuance of FA Shares, the Proposed Issuance of Arranger Shares and the Proposed Placement (representing approximately 25.22% of the Enlarged Share Capital), has irrevocably and unconditionally undertaken not to directly or indirectly, offer, sell, contract to sell, realise, transfer, assign, pledge, grant any option or right to purchase, grant any security over, encumber or otherwise dispose of:

- (a) all or any part of its Shares (adjusted for any bonus issues or sub-division of Shares) for a period of six (6) months from the date of resumption of trading; and

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- (b) no more than 50.0% of its Shares (adjusted for any bonus issues or sub-division of Shares) for a period of six (6) months thereafter.

20.2 Other Voluntary Moratoriums

To demonstrate their commitment to the Enlarged Group, the following persons have provided undertakings in favour of the Company and the Sponsor (as the case may be) as set out below:

Tan Chee Khoon

Tan Chee Khoon, a Vendor, will hold 22,727,273 Shares immediately after Completion, the Proposed Issuance of Consideration Shares, the Proposed Issuance of FA Shares, the Proposed Issuance of Arranger Shares and the Proposed Placement (representing approximately 12.61% of the Enlarged Share Capital).

Tan Chee Khoon has irrevocably and unconditionally undertaken not to directly or indirectly, offer, sell, contract to sell, realise, transfer, assign, pledge, grant any option or right to purchase, grant any security over, encumber or otherwise dispose of:

- (a) all or any part of each of their Shares (adjusted for any bonus issues or sub-division of Shares) for a period of six (6) months from the date of resumption of trading; and
- (b) more than 50.0% of each of their Shares (adjusted for any bonus issues or sub-division of Shares) for a period of six (6) months thereafter.

RHB Bank

As part payment of the RHB Bank's management fees as the Financial Adviser to the Company in respect of the Proposed Acquisition, the Company will allot and issue the FA Shares to RHB Bank, representing approximately 0.25% of the Enlarged Share Capital.

RHB Bank has irrevocably and unconditionally undertaken not to directly or indirectly, offer, sell, contract to sell, realise, transfer, assign, pledge, grant any option or right to purchase, grant any security over, encumber or otherwise dispose of all or any part of its Shares (adjusted for any bonus issues or sub-division of Shares) for a period of three (3) months from the date of resumption of trading. Upon the expiry of the aforementioned moratorium period, RHB Bank has the discretion to dispose of its shareholding interest in the Company.

Arranger

As consideration for the Arranger's services, which amongst others, included introducing the Vendors and the Target to the Company, assisting in organising and facilitating the negotiations between the Company and the Vendors in connection with the Proposed Acquisition, the Company will allot and issue the Arranger Shares to the Arranger, representing approximately 3.15% of the Enlarged Share Capital.

The Arranger has irrevocably and unconditionally undertaken not to directly or indirectly, offer, sell, contract to sell, realise, transfer, assign, pledge, grant any option or right to purchase, grant any security over, encumber or otherwise dispose of all or any part of its Shares (adjusted for any bonus issues or sub-division of Shares) for a period of six (6) months from the date of resumption of trading. Upon the expiry of the aforementioned moratorium period, the Arranger has the discretion to dispose of its shareholding interest in the Company.

21. VOTING UNDERTAKINGS

Wee Henry and Sun Bowen, who are Shareholders with an aggregate interest of 39,805,699 Shares representing approximately 85.05% of the issued Shares as at the Latest Practicable Date have provided undertakings to exercise or procure the exercise of all the voting rights attributable to the Shares held by them to vote in favour of the resolutions tabled at the EGM.

LETTER TO SHAREHOLDERS

22. ADVICE OF THE INDEPENDENT FINANCIAL ADVISER IN RELATION TO THE PROPOSED WHITEWASH RESOLUTION

Pursuant to the condition imposed by SIC in granting the Whitewash Waiver set out in Section 3.3 titled “Conditional Waiver by the SIC” of this Circular, Provenance Capital Pte. Ltd. has been appointed as IFA to the Recommending Directors in respect of the Proposed Whitewash Resolution. A copy of the IFA Letter in relation to the above is reproduced in Appendix E of this Circular. Shareholders are advised to read the IFA Letter in its entirety.

The IFA’s opinion is extracted from Section 8 of the IFA Letter and set out in *italics* as follows and capitalised terms used within these reproduced statements bear the meanings defined for them in the IFA Letter:

“In arriving at our opinion in respect of the Proposed Whitewash Resolution, we have reviewed and deliberated on the following key considerations which we consider to be pertinent in our assessment:

- (a) rationale for and benefits of the Proposed Acquisition;*
- (b) assessment of the Purchase Consideration of the Proposed Acquisition;*
- (c) assessment of the Issue Price of the Consideration Shares;*
- (d) Proposed Whitewash Resolution and the dilution impact on Independent Shareholders; and*
- (e) other relevant considerations.*

Overall, based on our analysis and after having considered carefully the information available to us, we are of the view that the financial terms of the Proposed Acquisition, being the subject of the Proposed Whitewash Resolution, are fair and reasonable, and the Proposed Whitewash Resolution, when considered in the context of the Proposed Acquisition, is not prejudicial to the interest of the Independent Shareholders.

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

23. INTERESTS OF THE FINANCIAL ADVISER AND SPONSOR, INDEPENDENT VALUER AND INDEPENDENT FINANCIAL ADVISER

23.1 Interests of RHB Bank

In the reasonable opinion of the Directors, RHB Bank does not have a material relationship with the Company and/or the Target, save for the following:

- (a) the FA Shares to be allotted and issued as part payment of RHB Bank’s management fees as the Financial Adviser to the Company in respect of the Proposed Acquisition;
- (b) RHB Bank will be the continuing sponsor of the Company pursuant to the Proposed Listing Transfer for a period of three (3) years from the Completion Date; and
- (c) RHB Bank is the Financial Adviser to the Company in respect of the Proposed Acquisition.

23.2 Interests of Mazars LLP

In the reasonable opinion of the Directors, the Independent Valuer, Mazars LLP, does not have a material relationship with the Company and/or the Target save for Mazars LLP being the Independent Valuer.

LETTER TO SHAREHOLDERS

23.3 Interests of Provenance Capital Pte. Ltd.

In the reasonable opinion of the Directors, the Independent Financial Adviser, Provenance Capital Pte. Ltd., does not have a material relationship with the Company and/or the Target, save for Provenance Capital Pte. Ltd. being the Independent Financial Adviser in relation to the Proposed Whitewash Resolution and, earlier, the Disposal, being an interested person transaction.

24. INTERESTS OF EXPERTS

No experts named in this Circular are employed on a contingent basis by the Company and/or the Target, or has a material interest, whether direct or indirect, in the shares of the Company and/or Target, or has a material economic interest, whether direct or indirect, in the Company and/or the Target, including an interest in the Proposed Transactions.

25. INTERESTS OF DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

None of the Directors or substantial shareholders of the Company or their associates has any interest, direct or indirect, in the Proposed Transactions, save for the proposed appointment of Wee Shuo Siong Milton as a Proposed New Director (please refer to sub-section (d) in Section 15.2 titled "Proposed New Board" in the Target's Letter to Shareholders for further details) and save for their respective shareholdings in the Company.

26. ABSTENTION FROM VOTING

In accordance with the conditions of the Whitewash Waiver, the Vendors, their concert parties, and parties not independent of them and the Proposed Acquisition will abstain from voting at the EGM on the ordinary resolution relating to the Proposed Whitewash Resolution. They will also decline to accept appointment as proxies for voting at the EGM in respect of the resolution relating to the Proposed Whitewash Resolution unless the Independent Shareholders appointing them as proxies give specific instructions in their proxy forms as to the manner in which their votes are to be cast in respect of such resolution.

The Company will disregard any votes cast by the Vendors, their concert parties and parties not independent of them and the Proposed Acquisition on the resolution relating to the Proposed Whitewash Resolution.

As at the Latest Practicable Date, the Vendors do not have any voting rights in respect of the Shares.

Save for the Vendor, their concert parties and parties not independent of them and the Proposed Acquisition who will abstain from voting at the EGM on the ordinary resolution relating to the Proposed Whitewash Resolution, there are no other parties who are required to abstain from voting on any of the resolutions tabled in the Notice of EGM contained in this Circular.

27. DIRECTORS' RECOMMENDATION

Having considered and reviewed, amongst other things, the terms of the SPA, the rationale for the Proposed Transactions, the risk factors and other investment considerations, and all other relevant facts set out in this Circular, the Directors are of the opinion that the Proposed Transactions are not prejudicial to the Shareholders and are in the interests of the Company, and accordingly, they recommend that Shareholders vote in favour of all of the Resolutions as set out in the Notice of EGM contained in this Circular.

28. EXTRAORDINARY GENERAL MEETING

The EGM, notice of which is set out in the Section titled "Notice of Extraordinary General Meeting", will be held by electronic means on 22 July 2022 at 10.00 a.m., for the purpose of considering, and if thought fit, passing with or without any modifications, the resolutions set out in the Notice of EGM.

LETTER TO SHAREHOLDERS

29. ACTIONS TO BE TAKEN BY SHAREHOLDERS

- 29.1 Due to the current COVID-19 restriction orders in Singapore, Shareholders will NOT be allowed to attend the EGM in person. Alternative arrangements relating to the conduct of the EGM, including (A) attending the EGM via electronic only means (including arrangements by which the EGM can be accessed via “live” webcast or “live” audio feed), (B) submitting questions in advance of, or live at, the EGM, and addressing of substantial and relevant questions in advance of, or live at, the EGM, and (C) voting at the EGM live by the Shareholder or his/her/its duly appointed proxy(ies) (other than the Chairman of the EGM) via electronic means or by appointing the Chairman of the EGM as proxy to vote on the Shareholder’s behalf at the EGM are set out below:

(a) Pre-registration to observe and/or listen to the EGM proceedings

Shareholders must pre-register themselves, or, where applicable, their appointed proxy(ies) (other than the Chairman of the EGM), at the pre-registration website at the URL: <https://globalmeeting.bigbangdesign.co/fabchem2022egm/> from now till 20 July 2022 at 10.00 a.m. to enable the Company to verify their status as Shareholders.

Following the verification, authenticated Shareholders will receive an email by 10.00 a.m. on 21 July 2022. The email will contain login credentials and instructions to access the live audio-visual webcast or audio-only of the EGM proceedings. Shareholders who do not receive an email by 10.00 a.m. at 21 July 2022, but have registered by 10.00 a.m. on 20 July 2022, should contact the Company at ir@fabchemchina.com.

(b) Submitting questions in advance of, or live at, the EGM

(i.) Submission of questions in advance of the EGM

Shareholders may submit substantial and relevant questions relating to the Resolutions to be tabled for approval at the EGM in advance of the EGM. Such questions must be received by the Company no later than 10.00 a.m. on 18 July 2022, and can be submitted in the following manner:

- **Via the pre-registration website.** Shareholders who pre-register to observe and/or listen to the EGM proceedings may submit their questions via the pre-registration website at the URL: <https://globalmeeting.bigbangdesign.co/fabchem2022egm/>.
- **Via email.** Shareholders may submit their questions via email to ir@fabchemchina.com.
- **By post.** Shareholders may submit their questions by post to the Company at 2 Bukit Merah Central #12-03 Singapore 159835.

To ensure that Shareholders’ substantial and relevant questions are received by the company by the stipulated deadline, Shareholders are strongly encouraged to submit their questions via the pre-registration website and/or via email.

When submitting questions via email or by post, Shareholders should provide the Company with the following details to enable the Company to verify their status as Shareholders: (A) the Shareholder’s full name (as per CDP/CPF/SRS/Scrip-based records), (B) the Shareholder’s address, and (C) the manner in which the Shareholder holds his/her/its Shares.

(ii.) Submission of questions live at the EGM

All Shareholders, or where applicable, their appointed proxy(ies), who have pre-registered for the EGM may also ask the Chairman of the EGM substantial and relevant questions relating to the Resolutions to be tabled at the EGM for approval, live at the EGM, by typing in and submitting their questions through the live chat function via the audio-visual webcast platform. Shareholders will not be able to ask questions live at the EGM via the audio-only stream of the EGM proceedings.

LETTER TO SHAREHOLDERS

(iii.) Addressing Questions

The Board and the Proposed New Board will endeavour to address all substantial and relevant questions (which are related to the Resolutions to be tabled for approval at the EGM) received in advance of the EGM from Shareholders, prior to or during the EGM. The Company will publish the responses to those questions on the Company's website at the URL: <https://www.fabchemchina.com> and on SGXNET at the URL: <http://www.sgx.com/securities/company-announcements> prior to the EGM.

During the EGM itself, the Board and the Proposed New Board will endeavour to address as many substantial and relevant questions related to the Resolutions to be tabled at the EGM for approval, which are submitted after 18 July 2022 and have not already been addressed prior to the EGM, as well as those received live at the EGM itself. Where substantially similar questions are received, the Company will consolidate such questions and consequently not all questions may be individually addressed. The Company retains the sole and absolute discretion in determining which questions are substantial and relevant to the Resolutions to be tabled at the EGM for approval.

(iv.) Minutes of EGM

The Company will publish the minutes as well as responses to the questions received for the EGM on SGXNet and on the Company's corporate website within one month after the EGM, and the minutes will include the responses to substantial and relevant questions from Shareholders which are addressed during the EGM.

(c) Vote live, or appoint proxy(ies) to vote, at the EGM

Shareholders who wish to exercise their voting rights at the EGM may:

- (i.) (where such Shareholders are individuals) vote live via electronic means at the EGM or (whether such Shareholders are individuals or corporates) appoint a proxy(ies) (other than the Chairman of the EGM) to vote live via electronic means at the EGM on their behalf; or
- (ii.) (whether such Shareholders are individuals or corporates) appoint the Chairman of the EGM as their proxy to vote on their behalf at the EGM.

Vote Live at the EGM

Shareholders, who wish to vote live via electronic means at the EGM must first pre-register themselves at the pre-registration website at the URL: <https://globalmeeting.bigbangdesign.co/fabchem2022egm/>.

Shareholders, or where applicable, their appointed proxy(ies) must access the EGM proceedings via the "live" webcast in order to vote live at the EGM and will not be able to do so via the "live" audio feed of the EGM proceedings. Instructions will be provided at the start of the EGM on how to vote.

Appointment of Proxy(ies)

- (i.) Shareholders who wish to appoint proxies (other than the Chairman of the EGM) to attend the EGM and vote "live" at the EGM on their behalf must do both of the following: (A) complete and submit the Proxy Form in accordance with the instructions below, and (B) pre-register the proxy(ies) at the pre-registration website at the URL: <https://globalmeeting.bigbangdesign.co/fabchem2022egm/> by 20 July 2022 at 10.00 a.m.
- (ii.) As an alternative to "live" voting, Shareholders may also vote at the EGM by appointing the Chairman as proxy to vote on their behalf in respect of all the Shares held by them.

LETTER TO SHAREHOLDERS

If a Shareholder wishes to appoint a proxy or proxies (including the Chairman) to vote at the EGM on their behalf, duly completed Proxy Forms must be submitted with the Company in the following manner:

- (i.) If submitted by post, be deposited at the registered office of the Company at 77 Robinson Road, #06-03 Robinson 77, Singapore 068896; or
- (ii.) If submitted electronically, be submitted via email to the Company at ir@fabchemchina.com.

in either case, by 10.00 a.m. on 20 July 2022 (being 48 hours before the time fixed for holding of the EGM). Shareholders may download the Proxy Form from the Company's website at the URL: <https://www.fabchemchina.com> and from SGXNET at the URL: <http://www.sgx.com/securities/company-announcements>.

A Shareholder who wishes to submit the Proxy Form must complete and sign the Proxy Form, before submitting it by post to the address provided above, or before scanning and submitting it by email to the email address provided above. **In view of the current COVID-19 measures which may make it difficult for Shareholders to submit completed proxy forms by post, Shareholders are strongly encouraged to submit completed proxy forms electronically via email.**

In the Proxy Form, the Shareholder should specifically direct the proxy on how he/she is to vote for or vote against (or abstain from voting on) the Resolutions to be tabled at the EGM. If no specific direction as to voting is given, the proxy (including the Chairman of the EGM if he/she is appointed as proxy) will vote or abstain from voting at his/her discretion.

In view of section 81SJ(4) of the SFA, a depositor shall not be regarded as a Shareholder entitled to attend the EGM and to speak and vote thereat unless his/her name appears in the depository register maintained by the CDP at least seventy-two (72) hours before the EGM. Any Shareholder who is holding his/her shares via the CDP but whose name is not registered with the CDP seventy-two (72) hours before the EGM will not be entitled to attend and vote at the EGM. Accordingly, even if such Shareholder deposits his/her proxy form forty-eight (48) hours before the EGM, the proxy(ies) (including the Chairman of the EGM) will not be entitled to vote on his/her behalf at the EGM, and the Company may reject any such instrument appointing the proxy.

A Shareholder (who is not a Relevant Intermediary) entitled to attend and vote at a meeting of the Company is entitled to appoint one or two proxies to attend and vote on his/her/its behalf. A proxy need not be a Shareholder. Any appointment of a proxy by a Shareholder attending the EGM shall be null and void and such proxy shall not be entitled to vote at the EGM. Where a Shareholder appoints two proxies, the appointments shall be invalid unless he/she/it specifies the number of Shares or proportion of his/her/its shareholding to be represented by each proxy.

A Shareholder who is a Relevant Intermediary is entitled to appoint more than two 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 Shareholder. Where such Shareholder appoints two or more proxies, the appointments shall be invalid unless such Shareholder specifies the number of Shares to be represented by each proxy.

(d) Voting by Investors holding Shares through Relevant Intermediaries (including CPF/SRS Investors)

Investors holding Shares through Relevant Intermediaries (including CPF/SRS investors) may exercise their votes in the following manner:

- (i.) vote "live" at the EGM, if they are appointed as proxies by their respective Relevant Intermediaries (including CPF agent banks and SRS operators); or

LETTER TO SHAREHOLDERS

- (ii.) specify their voting instructions to/arrange for their votes to be submitted by their respective Relevant Intermediaries (including CPF agent banks and SRS operators).

Investors holding Shares through Relevant Intermediaries should not make use of the Proxy Form. Only investors holding Shares through Relevant Intermediaries that have been duly appointed as proxies by their respective Relevant Intermediary may vote “live” at the EGM.

CPF/SRS investors who wish to exercise their votes should approach their respective CPF agent bank/SRS operator at least seven working days before the EGM.

30. CONSENTS

- 30.1 RHB Bank, the Financial Adviser to the Company in respect of the Proposed Acquisition and the Sponsor of the Company upon the Proposed Listing Transfer, has given and has not withdrawn its written consent to the issue of this Circular with the inclusion of its name and all references thereto in the form and context in which they appear in this Circular and to act in such capacity in relation to this Circular.
- 30.2 Provenance Capital Pte. Ltd., the Independent Financial Adviser in respect of the Proposed Whitewash Resolution, has given and has not withdrawn its written consent to the issue of this Circular with the inclusion herein of its name, the IFA Letter as set out in Appendix E and all references thereto in the form and context in which they appear in this Circular and to act in such capacity in relation to this Circular.
- 30.3 Mazars LLP, the Independent Valuer commissioned by the Company to conduct a valuation of the Target has given and has not withdrawn its written consent to the issue of this Circular with the inclusion herein of its name, the Valuation Summary Letter as set out in Appendix F, the Valuation Report, and all references thereto in the form and context in which they appear in this Circular and to act in such capacity in relation to this Circular.
- 30.4 RSM Chio Lim LLP, the Independent Auditor to Target and the Reporting Accountant to the Enlarged Group, has given and has not withdrawn its written consent to the issue of this Circular with the inclusion of its name, the “Independent Auditor’s Report on the Financial Statements for the Reporting Years ended 30 June 2019, 2020 and 2021 of Lincotrade & Associates Pte Ltd” as set out in Appendix B, “Independent Auditor’s Review Report on the Unaudited Condensed Interim Financial Statements for the Eight-Month Period Ended 28 February 2022 of Lincotrade & Associates Pte Ltd” as set out in Appendix C, “Independent Auditor’s Assurance Report on the Compilation of the Unaudited Pro Forma Financial Information for the Reporting Year ended 30 June 2021 and Eight-Month Period Ended 28 February 2022 of Lincotrade & Associates Pte Ltd” as set out in Appendix D and all references thereto in the form and context in which they appear in this Circular and to act in such capacity in relation to this Circular.
- 30.5 RSM Chio Lim LLP, the Independent Auditor to the Company for the financial year ended 30 June 2021 has given and has not withdrawn its written consent to the issue of this Circular with the inclusion of its name and all references thereto in the form and context in which they appear in this Circular and to act in such capacity in relation to this Circular.
- 30.6 BDO Advisory Pte. Ltd., the internal auditor to the Target, has given and has not withdrawn its written consent to the issue of this Circular with the inclusion of its name and all references thereto and the statement attributed to it in Section 17.2 titled “New Audit Committee” of the Target’s Letter to Shareholders, in the form and context in which they appear in this Circular and to act in such capacity in relation to this Circular.
- 30.7 Altum Law Corporation, the legal adviser to the Company on the Proposed Transactions, has given and has not withdrawn its written consent to the issue of this Circular with the inclusion of its name and references thereto in the form and context in which they appear in this Circular and to act in such capacity in relation to this Circular.

LETTER TO SHAREHOLDERS

Altum Law Corporation does not make or purport to make any statement in this Circular or any statement upon which a statement in this Circular is based and makes no representation, express or implied, regarding any statement in this Circular and, to the maximum extent permitted by law, expressly disclaim and take no responsibility for any liability to any persons which is based on, or arises out of any statement, information or opinion included or omitted from this Circular.

- 30.8 Solitaire LLP, the legal adviser to the Target on the Proposed Transactions, has given and has not withdrawn its written consent to the issue of this Circular with the inclusion of its name and all references thereto and the statements attributed to it in Section 9.5 titled “Employment of Foreign Workers in Singapore” of the Target’s Letter to Shareholders, in the form and context in which they appear in this Circular and to act in such capacity in relation to this Circular.
- 30.9 Harry Elias Partnership LLP, the legal adviser to RHB Bank on the Proposed Transactions, has given and has not withdrawn its written consent to the issue of this Circular with the inclusion of its name and all references thereto in the form and context in which they appear in this Circular and to act in such capacity in relation to this Circular.
- 30.10 Justin Faye & Partners, the legal adviser to RHB Bank on Malaysia law in relation to the MY Land, has given and not withdrawn its written consent to the issue of this Circular specifically and only in relation to the 2nd Opinion with the inclusion of its name and references thereto and the statements attributed to it in Section 2.7(s) of this Circular, in the form and context in which they appear in this Circular and to act in such capacity in relation to this Circular.
- 30.11 Converging Knowledge Pte Ltd, the independent research firm commissioned by the Company, has given and has not withdrawn its written consent to the issue of this Circular with the inclusion of its name and the Industry Report and all references thereto, and the statements attributed to it in sub-Section 4.13(a) titled “Proven business track record” and Section 5 titled “Industry Overview” of the Target’s Letter to Shareholders, in the form and context in which they appear in this Circular and to act in such capacity in relation to this Circular.

31. DIRECTORS’ RESPONSIBILITY STATEMENT

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this Circular and confirm after making all reasonable enquiries that, to the best of their knowledge and belief, this Circular constitutes full and true disclosure of all material facts about the Proposed Transactions and the Company (save in respect of information pertaining to the Vendors, the Target and the Business) 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 (save for information in respect of the Vendors, the Target and the Business) 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.

32. PROPOSED NEW BOARD’S RESPONSIBILITY STATEMENT

The Proposed New Board collectively and individually accept full responsibility for the accuracy of the information given in the Target’s Letter to Shareholders and any information in this Circular relating to the Vendors, the Target and the Business in connection with the Proposed Transactions and confirm after making all reasonable enquiries that, to the best of their knowledge and belief, this Circular constitutes full and true disclosure of all material facts about the Vendors, the Target and the Business in connection with the Proposed Transactions (insofar as they relate to the Vendors, the Target and the Business) and the Proposed New Board are not aware of any facts the omission of which would make any statement in this Circular misleading.

LETTER TO SHAREHOLDERS

Where information in the Target's Letter to Shareholders and any information in this Circular relating to the Vendors, the Target and the Business in connection with the Proposed Transactions has been extracted from, published or otherwise publicly available sources or obtained from a named source, the sole responsibility of the Proposed New Board and the Vendors has been to ensure that such information have been accurately and correctly extracted from those sources and/or reproduced in the Target's Letter to Shareholders and this Circular in its proper form and context.

33. FINANCIAL ADVISER AND SPONSOR'S RESPONSIBILITY STATEMENT

To the best of RHB Bank's knowledge and belief, this Circular and the Target's Letter to Shareholders constitute full and true disclosure of all material facts about the Proposed Transactions and the Enlarged Group, and RHB Bank is not aware of any facts the omission of which would make any statement in this Circular and the Target's Letter to Shareholders misleading.

34. MISCELLANEOUS

There has been no public takeover by third parties in respect of the Shares or shares of the Target, or by the Company or the Target in respect of other companies' shares or units of a business trust which has occurred from the beginning of the most recently completed financial year to the Latest Practicable Date.

Save as disclosed in this Circular and all public announcements made by the Company, the Board is not aware of any event which has occurred since the end of the most recently concluded financial year to the Latest Practicable Date, which may have a material effect on the financial position and results of the Company.

35. DOCUMENTS FOR INSPECTION

Copies of the following documents may be inspected at the registered office of the Company during normal business hours for a period of six (6) months from the date of this Circular:

- (a) the SPA;
- (b) the Disposal SPA, the Previous Loan Agreement and the Loan Agreement;
- (c) the Independent Auditor's Report on the Financial Statements for the Reporting Years ended 30 June 2019, 2020 and 2021 of Lincotrade & Associates Pte Ltd as set out in Appendix B to this Circular;
- (d) the Independent Auditor's Review Report on the Unaudited Condensed Interim Financial Statements for the Eight-Month Period Ended 28 February 2022 of Lincotrade & Associates Pte Ltd as set out in Appendix C to this Circular;
- (e) the Independent Auditor's Assurance Report on the Compilation of the Unaudited Pro Forma Financial Information for the Reporting Year Ended 30 June 2021 and Eight-Month Period Ended 28 February 2022 of Lincotrade & Associates Pte Ltd as set out in Appendix D to this Circular;
- (f) the IFA Letter as set out in Appendix E to this Circular;
- (g) the Valuation Report;
- (h) the Service Agreement;
- (i) the Moratorium Undertakings;
- (j) the Undertakings to Vote in Favour;

LETTER TO SHAREHOLDERS

- (k) the letters of consent referred to in Section 30 of this Circular;
- (l) the Industry Report;
- (m) the Existing Constitution; and
- (n) the New Constitution as set out in Appendix H to this Circular.

36. ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the Target's Letter to Shareholders and the other appendices to this Circular.

Yours faithfully,

For and on behalf of the Board of Directors of
Fabchem China Limited

Wee Phui Gam
Acting Chairman and Lead Independent Director
30 June 2022

APPENDIX A – LETTER TO SHAREHOLDERS FROM THE PROPOSED NEW BOARD

LINCOTRADE & ASSOCIATES PTE LTD

(Incorporated in the Republic of Singapore)
(Company Registration No. 199105725K)

Proposed New Board:

Tan Kok Heng (Independent and Non-Executive Chairman)
Tan Jit Meng (Managing Director)
Lu King Seng (Independent and Non-Executive Director)
Wee Shuo Siong Milton (Non-Executive and Non-Independent Director)

Registered Office:

39 Sungei Kadut Loop
Singapore 729494

30 June 2022

To: The Shareholders of Fabchem China Limited

Dear Sirs

THE PROPOSED ACQUISITION OF THE ENTIRE ISSUED AND PAID-UP SHARE CAPITAL OF LINCOTRADE & ASSOCIATES PTE LTD FOR AN AGGREGATE CONSIDERATION OF S\$25.0 MILLION

1. INTRODUCTION

This Letter has been prepared by the Proposed New Board, on behalf of the Target, for inclusion in this Circular. Unless the context otherwise requires, all the terms as defined in this Circular shall bear the same meaning when used in this Target's Letter to Shareholders. For the purpose of this Letter, references to "we", "us", "our" or "our company" is a reference to the Target, and may be used interchangeably, and as the context requires, and references to director or directors is a reference to a director or the directors of the Target.

2. OVERVIEW INFORMATION OF THE TARGET

- 2.1 Our company was incorporated on 14 November 1991 in accordance with the Companies Act as a private company limited by shares under the name of Lincotrade & Associate Pte Ltd and bearing the unique entity number 199105725K. It was incorporated with an authorised share capital at the time of S\$200,000 divided into 200,000 ordinary shares of S\$1.00 each. At the time of its incorporation, it had an issued and paid-up capital of S\$50,000, divided into 50,000 ordinary shares. With effect from 14 December 1991, the name of our company was changed to Lincotrade & Associates Pte Ltd.
- 2.2 As at the Latest Practicable Date, the issued and paid-up capital of our company is S\$1,500,000 divided into 1,500,000 ordinary shares. There is only one class of shares, being ordinary shares, in our company's share capital.
- 2.3 As at the Latest Practicable Date, our company does not have any subsidiaries, subsidiary entities, associated companies and/or associated entities. Pursuant to the SPA, on completion, the Company will acquire the entire issued and paid-up capital of our company. No internal restructuring of our company was or will be undertaken prior to the completion of the SPA.
- 2.4 We are principally engaged in the business of the provision of interior designing, renovations and fitting-out ("**interior fitting-out**") services, additions & alterations ("**A&A**") works and other building construction services in Singapore such as the construction of showflats. Over the years, we have become an established interior fitting-out service provider in Singapore with a proven track record. Our customers comprise major property developers and construction companies in Singapore.

Please refer to Section 4 titled "Business Overview" of this Target's Letter to Shareholders for more details on our business.

APPENDIX A – LETTER TO SHAREHOLDERS FROM THE PROPOSED NEW BOARD

3. History

Our company was incorporated in Singapore on 14 November 1991 under the Companies Act as a private company limited by shares. Tan Jit Meng and Soh Loong Chow Jackie, the directors of our company, were two of the founding shareholders. Tan Chee Khoon joined our company as a Junior Site Supervisor in March 1999 and eventually became a director and shareholder of our company in July 2015. When our company was first incorporated, it operated out of 39 Jalan Pemimpin, #01-01 Tat Ann Building, Singapore 577185.

Our early business activities from inception in 1991 till about 1999 comprised mainly renovation works for industrial premises, primarily, the carrying out of partitioning and ceiling plastering works. Our customers at the time were mostly manufacturers occupying industrial premises.

In 1999, we expanded our services to include residential interior fitting-out works as well. In May 1999, we obtained registration with the Building and Construction Authority (“**BCA**”) as a registered contractor under the CR06 Workhead (Interior Decoration & Finishing Works) L4 grade and the CW01 Workhead (Construction – General Building) G4 grade.¹ Registration with the BCA under its Contractors Registration System (“**CRS**”) meant that we were able to provide construction-related services to the public sector. This marked an important milestone for our company as we were then able to tender for renovation works in the public sector as well. Registration under the CRS also meant that we had satisfied certain requirements of the BCA, such as financial capability, technical personnel capability, management certifications and track record.

In 2006, we set up our own processing facility at 83 Sungei Kadut Drive, Level 3, Singapore 729566 and began processing, assembling and manufacturing builders’ carpentry and joinery products such as wardrobes, cabinets, doors and door frames (“**Carpentry Products**”) ourselves. This was a key step in our company’s development as it allowed us greater management oversight of our projects. By having our own processing facility, we have better control over the quality, time and costs of Carpentry Products, which are an integral ingredient of interior fitting-out projects.

In January 2008, we obtained the ISO 9001:2008 certificate for Quality Management Systems and OHSAS 18001:2007 certification for Occupational Safety & Health Management System. In May 2009, we upgraded our CR06 Workhead registration from L4 to L5 grade. In April 2009, we obtained the bizSAFE Star certification which is the highest bizSAFE level that may be awarded under the bizSAFE programme. In May 2009, we obtained the General Builder Licence Class 1, which enabled us to perform general building works of any value.

In May 2015, we acquired our current premises at 39 Sungei Kadut Loop Singapore 729494 from JTC Corporation, which is a leasehold property with a lease duration of 30 years commencing from 1 March 1995 to 28 February 2025. The property has a total land size of 4,047.1 m² to house our office, processing facility and workers’ dormitory.

In February 2018, we obtained the L6 grading under the CR06 Workhead, which is the highest grading under this Workhead, allowing our company to participate in tenders for public sector interior decoration and finishing works projects with no tendering limits. According to the BCA website, there is a total of 39 contractors (including our company) out of a total of 1,868 that are registered with an L6 grading under the CR06 Workhead as at the Latest Practicable Date.² For more information on the different grades under the CW01 and CR06 Workheads and an overview of the BCA contractors registration system, please refer to Section 9 titled “Government Regulations” of this Target’s Letter to Shareholders.

¹ The financial grade for the CW01 Workhead was renamed from G4 grade to C1 grade by the BCA in 2002.

² The information was extracted from the website of the BCA at <https://www.bca.gov.sg/BCADirectory/> accessed on 17 June 2022. The BCA has not consented to the inclusion of the above information in this Target’s Letter to Shareholders for the purpose of Section 249 of the SFA and is therefore not liable for the information under Sections 253 and 254 of the SFA. While we have taken reasonable effort to ensure that the information is extracted accurately and fairly, and has been included in this Target’s Letter to Shareholders in its proper form and context, we have not independently verified the accuracy of the information.

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Over the years, in recognition of our quality management and work safety, we have received various accreditations and awards. Please refer to Section 4.5 titled “Awards and Accreditation” of this Target’s Letter to Shareholders for further details.

A summary of the key milestones achieved by our company since its inception is set out below:

Period / Date	Key Events
November 1991	Our company was incorporated in Singapore to undertake interior fitting-out services.
1990s	Our company was primarily engaged in the carrying out of renovation works for industrial premises, involving partitioning and ceiling plastering works, for customers such as manufacturers of electronic components.
May 1999	<p>Our company obtained the CW01 Workhead (Construction – General Building) G4 grade⁽¹⁾ and CR06 Workhead (Interior Decoration and Finishing Works) L4 grade registration, which enabled us to provide construction-related services to the public sector.</p> <p>In the same year, our company also expanded its range of services by undertaking residential interior fitting-out works.</p>
2000-2010	Our company was engaged to carry out ceiling and partition works for condominium developments such as Cairnhill Circle and Caspian.
2006	Our company set up our own processing facility and began processing, assembling and manufacturing of Carpentry Products.
April 2009	Our company obtained bizSAFE Star from the Workplace Safety and Health Council of Singapore for compliance with the Workplace Safety and Health Act.
May 2009	Our company upgraded from an L4 grade to an L5 grade under the CR06 Workhead, which enabled us to tender for projects of a higher value.
May 2009	Our company obtained General Builder Licence Class 1 which enabled us to perform general building works of any value.
Completed in 2011	Our company was engaged to carry out interior fitting-out, ceiling and partition works at Marina Bay Sands Singapore with a total contract sum of approximately S\$6.8 million.
Completed in 2014	Our company was engaged to carry out ceiling and partition works at Westgate Shopping Centre, with a total contract sum of approximately S\$6.3 million.
Completed in 2014	Our company was engaged to carry out ceiling and partition works at Sky Habitat condominium, with a total contract sum of approximately S\$2.3 million.
Completed in 2014	Our company was engaged to carry out A&A works at Valley Point Shopping Centre, with a total contract sum of approximately S\$3.3 million.
2015	Our company acquired and moved to our current premises at 39 Sungei Kadut Loop Singapore 729494.
February 2018	Our company upgraded from L5 grade to L6 grade under the CR06 Workhead, which permits tendering for public projects with no tendering limits.

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Period / Date	Key Events
Completed in 2018	Our company was engaged to carry out interior fitting-out works at DISTRIi Singapore, with a total contract sum of approximately S\$4.9 million.
Completed in 2021	Our company was engaged to carry out A&A works at the PLUS Building, with a total contract sum of approximately S\$6.8 million.
Completed in 2022	Our company was engaged to carry out interior fitting-out, partitioning and ceiling works at CapitaSpring, with a total contract sum of approximately S\$17.5 million.

Note:

(1) The financial grade for the CW01 Workhead was renamed from G4 grade to the C1 grade by the BCA in 2002.

4. BUSINESS OVERVIEW

4.1. Overview

Our business and operations are based in Singapore. We are engaged in the provision of interior fitting-out services, A&A works and other building construction services primarily for the following three segments: (a) commercial premises, such as offices, hotels, shopping malls and food and beverage establishments; (b) residential premises such as condominium developments; and (c) showflats and sales galleries.

Our interior fitting-out projects encompass space planning and lay-out, interior construction and finishing works on floorings, ceilings, partitions, doors, fixtures and fittings, mechanical, electrical and plumbing (“**MEP**”) works such as air-conditioning installation, water and sewage fit-outs, lighting, power and other works. We also provide A&A works include minor alterations, extension, conversion and upgrading of buildings as well as minor repair and improvement works. In addition, we provide building construction services which mainly consist of the construction of showflats and sales galleries.

We provide interior fitting-out services to our customers either as the main contractor or sub-contractor. Each project that we undertake has a customised scope of work, which differs from project to project, depending on the requirements of our customers. When we are engaged as the main contractor, we are the principal service provider for the project awarded to us and may delegate certain parts of the works to our subcontractors, who will work under the supervision and management of our project management team. For more specialised works such as MEP works and other specialised installation works, we generally subcontract them to subcontractors who are themselves specialists in these areas of works.

As main contractor, we are responsible for the overall implementation of the project in accordance with the required scope of work, which generally includes planning, coordination, monitoring and supervision throughout the entire project duration. When we are engaged as a subcontractor, we perform the specific part(s) of the work subcontracted to us under the main contractor’s supervision and coordination.

Our company currently holds the General Builder Licence Class 1 which is required for the carrying out of building works for which plans are required to be approved by the Commissioner of Building Control (the “**BC Commissioner**”). The General Builder Licence Class 1 allows our company to undertake projects of any value. We are currently registered under the CW01 Workhead (Construction – General Building) C1 grade and CR06 Workhead (Interior Decoration and Finishing Works) L6 grade of the BCA’s CRS. Registration under the CW01 Workhead C1 grade allows us to tender for and carry out projects which involves, inter alia, general building and A&A works on buildings for projects up to a value of S\$4.5 million, whereas registration under the L6 grade for the CR06 Workhead allows us to participate in interior design and planning projects of unlimited value.

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For more information on the builder licensing regime and contractors' registration system in Singapore, please refer to Section 9 titled "Government Regulations" of this Target's Letter to Shareholders.

We are engaged in both public and private sector projects for the provision of interior fitting-out services and/or A&A works. Public sector projects refer to projects carried out at buildings commissioned by the statutory boards and ministries of the Government of Singapore, such as public academic buildings where we are appointed to carry out interior fitting-out and A&A works. Private sector projects in general involve carrying out interior fitting-out services and/or A&A works for commercial or residential premises, or showflats for residential projects.

Highlight of major projects

The key services and recent significant projects for each segment undertaken are set out below:

Segment	Key Projects	Brief Summary of Scope of Work
(a) Commercial	● Northpoint City	● Supply and installation of timber doors and architectural works
	● DISTRii Singapore	● Supply of interior fitting-out works
	● Capri by Fraser China Square	● Supply of interior fitting-out works
	● Woodlands Care Home	● Supply and installation of timber doors and joinery works
	● CapitaSpring (Office Tower)	● Supply and installation of ceiling works
	● PLUS Building	● Supply of A&A works
	● 79 Robinson Road (previously known as CPF Building)	● Supply and installation of ceiling and partition works and joinery work
	● CapitaSpring (Citadines Raffles Place)	● Supply and installation of interior fitting-out works
	● National University of Singapore ("NUS")	● Supply and installation of ceiling and partition works
	● NUHkids Specialist Centre	● Supply of interior fitting-out works
	● National Cancer Centre Singapore	● Supply and installation of joinery works
	● NUS Prince George Park Residences ("NUS-PGPR")	● Supply and installation of joinery works
	● Nexus International School (Singapore) ("NISS")	● Supply and installation of ceiling and partition works
	● TimMac @ Kranji	● Supply and installation of ceiling and partition works, doors and interior fitting-out works
	● Maxwell Chambers	● Supply of A&A works

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Segment	Key Projects	Brief Summary of Scope of Work
(b) Residential	<ul style="list-style-type: none"> • Seaside Residences • Rivertrees Residences • Avenue South Residence • Park Colonial • The Antares 	<ul style="list-style-type: none"> • Supply and installation of Carpentry Products
(c) Showflats	<ul style="list-style-type: none"> • The Clement Canopy • North Park Residences • Jervois Mansions • One Pearl Bank • The Hyde • Amber 45 • Piermont Grand Executive Condominium (“EC”) • Clavon • Parc Greenwich EC • LINQ at Beauty World 	<ul style="list-style-type: none"> • Supply for design and construction of temporary show flat and sales gallery

The above projects vary in sizes. For the above commercial projects, our contract sums awarded can range up to S\$17.5 million. For residential projects, our contract sums awarded can range up to S\$6.5 million and for showflats, the contract sums awarded range up to S\$2.8 million.

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The photographs below showcase some of our recent completed projects.

Commercial Project – Interior of Capri by Fraser China Square

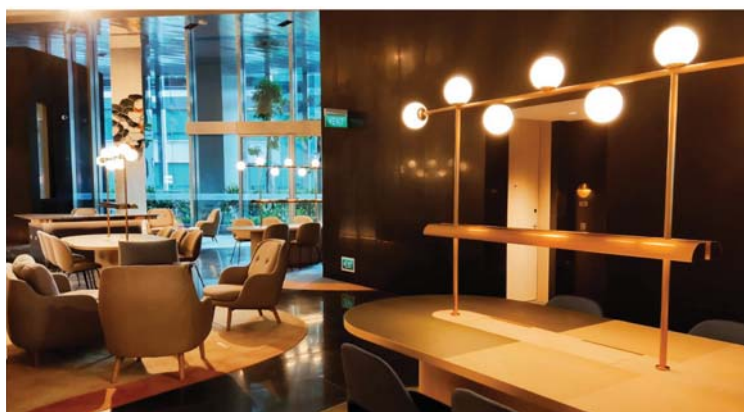


Commercial Project – Interior of a commercial office space at DISTRii Singapore



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Commercial Project – Interior of CapitaSpring (Citadines Raffles Place)



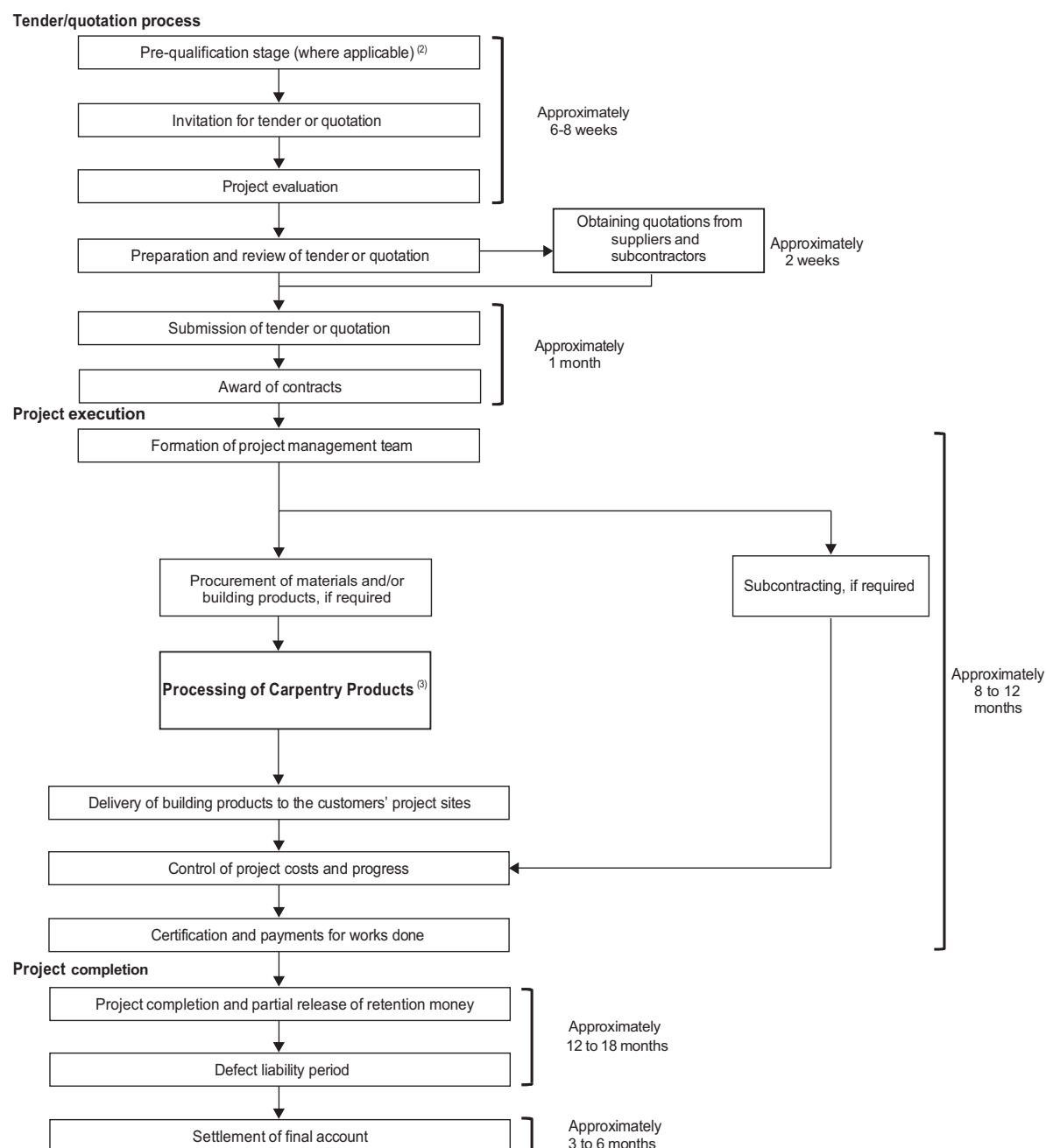
ShowFlat – Showflat and sales gallery at Jervois Mansions



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4.2. Business Process

For illustrative purposes, set out below is a flow-chart⁽¹⁾ summarising the principal steps of our work-flow in a typical interior fitting-out project:



Notes:

- (1) The time frame may vary for different contracts depending on various factors such as the terms of the contract, the nature of the works to be performed, any variations to the contracts and/or our agreement with the customer on the time frame for the principal steps to be undertaken as well as other unforeseeable consequences.
- (2) Please refer to Section 4.3 titled “Processing of Carpentry Products” of this Target’s Letter to Shareholders for a more detailed workflow.

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As shown in the diagram above, our business process generally involves the following steps:

Tender or quotation process

Pre-qualification stage (where applicable)

Where we are invited by a customer to submit a tender or a quotation for engagement as the main contractor, we are generally subject to a pre-qualification assessment by the customer. Pre-qualification involves the customer assessing our eligibility for award of a particular project, and we would usually be provided with brief information of the project, such as the project nature, size, commencement date and certain specific pre-qualification requirements. Pre-qualification requirements usually require us to provide the customer with information of our organisational structure, financial status, and previous track record in similar projects. Where we are engaged as a sub-contractor, there is usually no pre-qualification requirement to fulfil.

Invitation for tender or quotation

Once we have been successfully pre-qualified (in the case of engagement as a main contractor), our customers will invite us to submit a tender for the project. A tender or quotation invitation will normally include a brief description of the products and services to be provided, and the documents required for tender submission before the tender closing date. For public projects, we are generally invited to quote for a specific portion of the project by their main contractors.

Project evaluation

On receiving the brief for the tender or quotation invitation, our quantity surveyors will conduct an internal evaluation on the feasibility of undertaking the project, taking into consideration various factors including its scope, complexity, specific technicality requirements, project timeline, our project commitments and available resources, prevailing market conditions, estimated costs of the project against tender pricing guides, and key contract terms. The project evaluation will be submitted to a director for approval, following which our quantity surveying department will prepare the required documents for a tender or quotation submission.

Preparation and review of tender or quotation

Tender or quotation documents are prepared in accordance with the requirements specified in the tender or quotation invitation, and typically comprise pricing documents and our proposal which includes our corporate profile, track record, licences and certifications, financial support such as performance bonds and other project specific documents.

Obtaining quotations from suppliers and subcontractors

As part of the preparation for the tender or quotation documents, our quantity surveying departments will request for quotations from our list of approved subcontractors for subcontracting costs and our procurement department will obtain costs for the relevant materials. Our quantity surveying and procurement departments will also discuss the project timeline(s) with the subcontractors and materials suppliers to ensure on-time availability of the materials and labour required for the project. Save for situations where it is not possible to obtain more than one quotation such as where the nature of work is specialised, we generally obtain at least three competitive quotations for comparison of prices from our list of approved subcontractors and suppliers. Our quantity surveyor will then prepare the tender or quotation documents based on the most suitable quotation received from the various materials suppliers and subcontractors.

Submission of tender or quotation

The tender or quotation documents will then be reviewed and approved by our director and, thereafter, submitted to the customer for its review. Such review may take up to one month during which there may be various discussion and clarification sought between ourselves and our customer in relation to the documents submitted.

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Award of contracts

If the customer is satisfied with all aspects of our proposal, it will generally award the project to us by way of a letter of award or a letter of acceptance with the principal terms of our engagement including the scope of work, duration, contract sum, payment terms, insurance, performance bond, liquidated damages, defect liability period and indemnities. The letter of award or acceptance together with the tender or quotation documents will constitute the formal contract as between ourselves and the customer. Projects may be awarded subject to conditions to be fulfilled such as the provision of a performance bond to the customer. Performance bonds of up to 10% of the total value of the contract awarded are not unusual in the interior fitting-out industry. Performance bonds are generally required for projects where the Target acts as a main contractor and may at times, be required for projects where the Target acts as a sub-contractor as well. For the Period Under Review, approximately 28.2% of the projects that we carried out required performance bonds.

Project execution

Formation of project management team

Once a contract is awarded to us, we will form a project management team, which typically includes a project director, who will oversee the entire project and the following key members: project manager, site supervisor and safety coordinator.

Our project management team is generally responsible for (a) formulating the detailed plans and schedules; (b) arranging for the necessary materials, equipment and manpower resources; (c) delegating different parts of the works to be completed and collaborating with our subcontractors (if necessary); (d) supervising the progress of the works to be completed and quality of services rendered; (e) preparing the progress report; and (f) organising project meetings and communication with our customers on a regular basis to ensure the works performed fulfil our customers' requirements, and are completed on schedule, within budget and in compliance with all applicable statutory requirements.

Subcontracting (if required)

We engage subcontractors on a project-by-project basis, depending on the requirements of the works to be performed and the availability of our own labour resources. We generally engage subcontractors for the supply and installation of Carpentry Products, MEP works and other on-site installation works. After selecting the most suitable quotation, we will finalise subcontracting arrangements with the subcontractor by preparing a subcontract award. Our quantity surveying department oversees the engagement of subcontractors based on the cost plan of each project. Our directors believe that by engaging subcontractors for these jobs, we are able to manage our projects more effectively by relying on their established expertise and skillsets in specific areas as and when required. We are then able to give more attention to and focus on the overall project management to ensure that a project is delivered on time and to specification.

We have a list of approved subcontractors which is updated on a continuous basis and reviewed annually. We evaluate our subcontractors based on certain key evaluation criteria including reputation, technical knowledge support, pricing, service quality, prompt delivery and defect liability periods. To the best of our knowledge and belief, as at the Latest Practicable Date, all subcontractors on the approved list are independent third parties.

Procurement of materials and/or building products

Materials and building products are sourced by us and/or our subcontractors depending on the nature and requirements of the project. Common materials used in our projects generally include timber door frame, timber door panel, metal door frame, metal door panel, ceiling lining and drywall lining products, plywood, particle board, plastic laminate and other ancillary products such as furniture, hardware and accessories. The costs of such materials and building products, if provided by our subcontractors, are usually included in the subcontracting costs.

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To ensure that the materials and building products sourced by both ourselves and our subcontractors are of the appropriate quality required by the project, our procurement department will conduct quality checks on the materials and building products to be used. Materials and building products which do not require further processing will be directly sent to the project sites for installation or utilisation.

If timber doors and frames, kitchen and vanity cabinets and wardrobes are required to be manufactured or processed, they will be processed at our processing facility prior to assembly and installation.

Depending on our customers' specifications, we order materials, building products and/or Carpentry Products from our list of approved suppliers which is updated on a continuous basis and reviewed annually or suppliers specified by our customers. In maintaining and reviewing our list of approved suppliers, our key evaluation criteria include reputation, pricing, service quality, product quality, salesperson response time, delivery time and product warranty period. To the best of our knowledge and belief, as at the Latest Practicable Date, all suppliers on the approved list are independent third parties.

Processing of Carpentry Products

For more information of our processing workflow, please refer to Section 4.3 titled "Processing of Carpentry Products" of this Target's Letter to Shareholders.

Delivery of Carpentry Products to the customers' project sites

The Carpentry Products processed at our processing facility will be transported to the respective project sites for installation by our own workers or subcontractors. We mainly engage service providers for transportation of the Carpentry Products to the project sites. We may also deliver the Carpentry Products using our own vehicles for projects of smaller scale.

Control of project costs and progress

In order to ensure quality and timely completion of projects within budget, our project team carries out process control measures throughout the project, including budget planning, supervising, inspecting, recording and reporting as and when appropriate. Each budget plan is reviewed and approved by our director. Our project team also conducts regular checks and meetings on-site and holds internal meetings regularly to monitor the project progress, including safety, quality and costs.

Please also refer to Section 4.6 titled "Quality Control" of this Target's Letter to Shareholders for more details on the quality management measures that we carry out throughout the project execution period.

Certification and payment for works done

Our project manager inspects the work progress on site and our quantity surveying department prepares progress payment applications to be submitted on a monthly basis in accordance with the terms of the relevant contract, which sets out the amount of work done and the corresponding value of such work that can be claimed. Our quantity surveyor assesses the amount of work completed and submits a draft progress payment application to our director(s) in accordance with the terms of the relevant contract, which sets out the amount of work done and the corresponding value of such work that can be claimed. Upon approval by our director(s), our quantity surveyor will submit the progress payment application to our customer. Upon receipt and if satisfied that our application for payment is correct, our customer will issue a progress certificate certifying the portion of works completed and the payment amount due. This normally takes around 21 days after the initial progress payment application has been submitted.

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Once the payment certificate is received by us, our accounts department will issue a formal invoice to our customer and record the corresponding progress billing with the certified payment amount. For a majority of our projects, our customer retains approximately 10% of each interim progress payment as retention money, which is usually capped at 5% of the total contract sum. For the Period Under Review, approximately 75.6% of the projects which we carried out involved retention monies.

Project completion

Project completion and partial release of retention money

Prior to completion and handover of a project, our project manager will carry out an inspection for defects with our customer and their professional representatives. Any defects and/or outstanding works discovered will be listed and rectified accordingly. Upon satisfactory completion of inspection by our customer, the customer will issue a completion certificate and the project will be officially handed over to the customer.

Our customer will usually release 50% of the total retention monies held upon issuance of a completion certificate.

Defect liability period

The terms of the contract for a project normally stipulates a defect liability period of between 12 to 18 months, during which we have to rectify any defect found. We generally obtain back-to-back warranties from our subcontractors and where applicable, from our suppliers of certain products such as fire-rated doors or partitions. The terms of such back-to-back warranties given by our subcontractors generally include warranties for quality and finish, and obligations to restore defective work to the standard specified under the contract without any cost to the owner or the company, including all materials, labour, refinishing and other costs incidental to carrying out any rectification work. Back-to-back warranties from suppliers of certain products such as fire-rated doors require that these suppliers either repair any defect or replace the defective product. For the Period Under Review, we have not encountered subcontractors, and where applicable, suppliers, who are unwilling or unable to provide back-to-back warranties when required. In the event that the subcontractors, and where applicable, suppliers, are unwilling to provide such back-to-back warranties, we generally will not proceed to engage such subcontractors or suppliers. We have not had to recover costs pursuant to the back-to-back warranties for the Period Under Review.

Settlement of final account

On the expiry of the defect liability period, all monies held in retention will be released to us in accordance with the terms of the contract. Any performance bond provided to our customers will also be released at the end of the defect liability period.

4.3. Processing of Carpentry Products

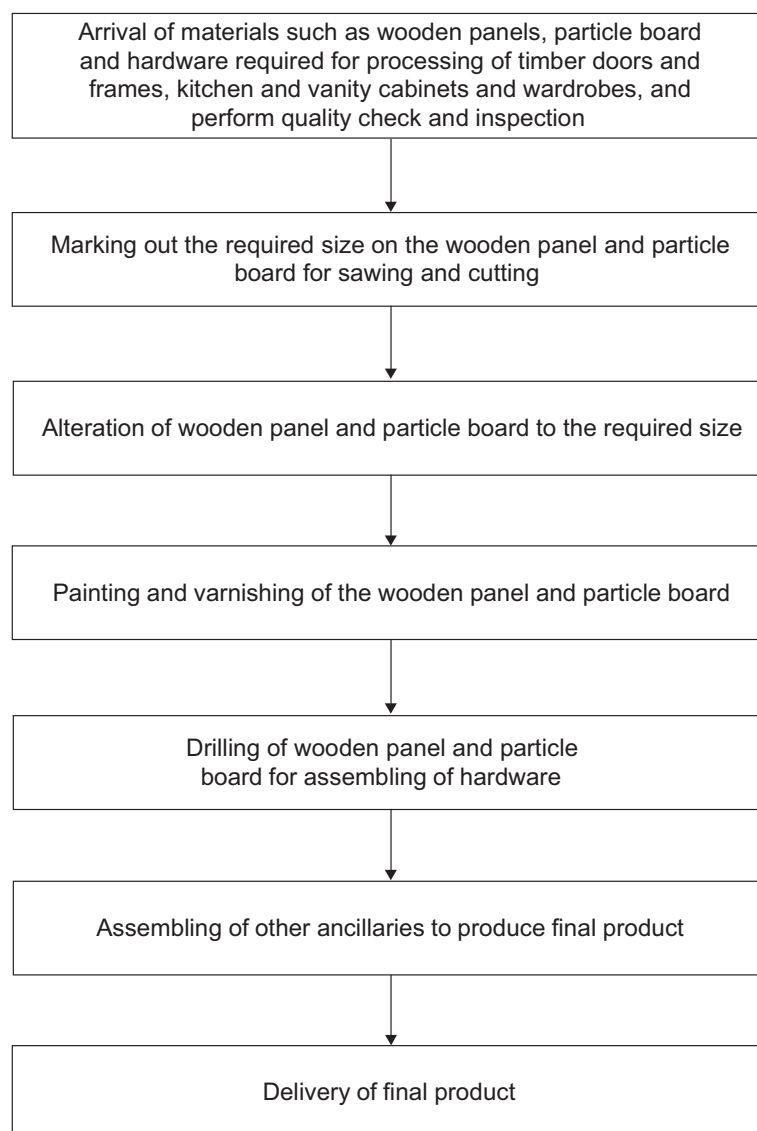
We began to process, assemble and manufacture certain Carpentry Products required for our projects when we set up our own processing facility in 2006. This aspect of our business complements our principal service offering of providing interior fitting-out work. By having our own processing facility, we are able to oversee and have better control over the quality, time and costs of the Carpentry Products used in our projects, which we believe enhances our competitive advantages and ability to meet the project requirements.

Our current facility is located at 39 Sungei Kadut Loop Singapore 729494 and the property has a total gross land area of 4,047.1 m². It is equipped with a storage area for raw materials prior to their manufacturing, processing, finishing or assembling.

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When the raw materials are delivered to our processing facility, our staff will check for (i) correct quantity; (ii) defects; and (iii) correct specifications of the materials required. Any defective or incorrect material will be returned to the suppliers for replacement. After inspection, our processing staff will carry out the necessary works, which generally include alteration, sawing and drilling, assembling of hardware, such as hinges or lock-sets and other processing works including varnishing and painting. A final check on all processed and assembled Carpentry Products will be made before delivery to the project site for installation.

For illustrative purposes, set out below is a flow-chart⁽¹⁾ summarising the principal steps of our work-flow in the manufacturing, processing and finishing of Carpentry Products:



Note:

- (1) The actual work flow may vary for different products depending on various factors such as type of products, type of materials, customers' specifications under the contract and/or condition of the material.

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4.4. Sales and Marketing

Our directors are in charge of formulating and planning our marketing strategies and activities, and we secure new projects mainly from invitations by past or new customers or public tenders.

Although our business is project-based and each project is one-off in nature, many of the projects are secured by invitations from past customers to submit a tender or a quotation due to their satisfaction of the services provided by us in previous projects. New customers are usually acquired via introductions by our existing and/or past customers or by invitations from such new customers who have performed market research and reached out to us to submit a tender or quotation.

Information on open tenders is generally obtained from GeBiz, a Singapore government online procurement portal where the Singapore public sector's invitations for quotations and tenders are posted, and also from local media, business associates as well as invitations to submit tenders or quotations from the private sectors.

We have recently launched our corporate website, <https://www.lincotrade.com.sg> which is part of our initiative to establish our branding.

4.5. Awards and Accreditations

A summary of the key awards and accreditations received by our company since incorporation is set out below:

Date	Key Awards and Accreditations
Jan 2008	Our company obtained the ISO 9001:2008 certificate for Quality Management Systems and OHSAS 18001:2007 certification for Occupational Safety & Health Management System.
Apr 2009	Our company obtained the bizSAFE Star from the Workplace Safety and Health Council of Singapore for Compliance with Workplace Safety and Health Act.
Jan 2011 and Feb 2012	Our company obtained the Certificate of Appreciation from PSA Corporation Limited, for attaining a good safety record in 2010 and 2011 respectively.
Feb 2016	Our company obtained the Singapore Green Label for Wooden Panel Doors made from renewable and sustainable materials from the Singapore Environmental Council.
Mar 2017	Our company obtained the Certificate of Appreciation from PSA Corporation Limited, for attainment of zero accident track record in 2016.
Oct 2017	Our company obtained the ISO 14001:2015 certification for Environmental Management System and ISO 9001:2015 certification for Quality Management System.
Sep 2020	Our company obtained the ISO 45001:2018 certification for Environmental Management System.

4.6. Quality Control

We place strong emphasis on the quality control aspect of our work and the on-time and to-specification delivery of our projects to our customers. To this end, our quality management system is certified to ISO 9001 since 2008 and we have implemented quality assurance procedures in accordance with ISO 9001 which sets out specific requirements for performing different types of works on-site, management processes for each part and stage of the work, responsibilities of personnel of different levels, project planning, project management and supervision, quality inspection and standards, subcontracting requirements, accident reporting and handling of complaints. Our workers and our subcontractors are required strictly to follow all procedures that apply to them.

Our company's key quality control measures are described as follows:-

Selection of subcontractors and suppliers

We ensure that our subcontractors and suppliers have the relevant industry experience and proven track records, required permits and licences and if applicable, relevant qualifications. As stated above, we maintain and review our list of approved subcontractors and suppliers with certain key criteria such as reputation, technical knowledge support, pricing, service quality, product quality, salesperson response time, delivery time, liability and product warranty periods.

Formation of a project management team

Once a project is awarded to us, we will form a project management team led by an experienced project director and comprising members with relevant technical expertise to oversee the execution of a project. Please refer to the sub-section titled "Project execution – Formation of project management team" under Section 4.2 – Business Process of this Target's Letter to Shareholders for more details.

Procurement of materials and/or building products

Our procurement department monitors the quality of materials and products purchased. To ensure the quality of materials and products purchased, our procurement department will ensure that the materials and products are sourced from our list of approved suppliers or suppliers selected by our customers. Upon arrival, the materials and products are inspected by our procurement department. Our procurement staff will check for (i) correct specifications of the materials or products ordered, (ii) defects, and (iii) the correct quantity ordered. Any material or product that falls short of the required specification or is defective in any respect will be returned for replacement.

Control over works performed by subcontractors

Our project managers closely supervise the work of our staff and subcontractors. Our project managers are in frequent communications with our project director(s) who ensure that each project progresses according to agreed timelines, and that the works rendered meet our customers' specifications.

Control over the quality of Carpentry Products

In respect of Carpentry Products that are processed, assembled or manufactured at our processing facility, the project team conducts regular quality inspection during the various stages of processing, assembling and manufacturing. Our processing staff will only commence mass production after the relevant project director is satisfied with the sample product or approval has been given by our customers. At times, we will also be required by our customers to provide a sample of certain Carpentry Products for their approval prior to actual production and/or processing.

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Safety Policy

We adopt a stringent Quality, Environment, Health and Safety (“QEHS”) Policy in accordance with ISO 9001, ISO 14001 and ISO 45001. The scope of our QEHS management system is general building and construction works, and the fabrication of wooden doors and related wood products. We work to meet the QEHS objectives set out under the policy by (a) establishing and following procedures; (b) controlling changes; (c) enforcing formal review and approval; (d) initiating corrective and preventive actions on problem areas identified; (e) monitoring problem solutions; and (f) continually seeking improvements. We are fully committed to providing quality service and products to meet our customers’ needs and applicable statutory and regulatory requirements, enhancing customer satisfaction through effective application of QEHS processes, complying with all applicable requirements in relation to environmental and safety issues, managing our environmental responsibilities in a systematic manner and preventing injury and ill-health at our work premises.

4.7. Processing Facility and Capacity

Our processing facility is located at 39 Sungei Kadut Loop Singapore 729494 and held under a leasehold interest of 30 years commencing from 1 March 1995 to 28 February 2025. The property has a gross land area of 4,047.1 m² and is used to house our office, processing facility, and workers’ dormitory.

Our processing facility is used mainly for the processing, assembling and finishing of doors and door frames, cabinetry works, and manufacturing timber doors and frames, kitchen and vanity cabinets and wardrobes.

As each of our projects has different requirements in terms of the type and number of Carpentry Products, it is not meaningful (and we are not able) to quantify our production capacity based on the number of units.

During the Relevant Period, the capacity of our processing facility has been generally sufficient to meet the requirements of all our projects. When necessary, we can outsource the processing of Carpentry Products to third parties.


During the Relevant Period, the machinery that we have has been sufficient and appropriate to support our interior fitting-out business. They are maintained regularly with machine parts changed as and when necessary. These machine parts are consumables and are used in the ordinary course of the life of a machine, the costs of which are factored into our tenders and quotations.

4.8. Seasonality

We generally do not experience any significant seasonality patterns in our operations and business.

4.9. Intellectual Property Rights

As at the Latest Practicable Date, we have registered the following trademark:

Trademark	Registration No.	Country of Registration	Class ⁽¹⁾	Duration of Trademark
 LINCOTRADE & ASSOCIATES PTE LTD	40201822535W	Singapore	42	31 October 2018 to 31 October 2028

Note:

- (1) “Class” refers to the specification of goods and services under the International Classification of Goods and Services by the World Intellectual Property Organisation. Our company’s trademark is registered under Class 42 for interior design services.

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As at the Latest Practicable Date, our company has registered the following domain name:

Domain Name	Duration of Domain Rights	Status
https://www.lincotrade.com.sg	20 July 2006 to 20 July 2022	Active

The domain rights are renewable on an annual basis. We will renew the domain rights upon the expiry date, and we do not foresee any difficulties in carrying out the renewal.

Save as disclosed, neither our business nor profitability is materially dependent on any patent, trademark or licence.

4.10. Inventory Management

During the Relevant Period, we did not carry significant inventory of any Carpentry Products or building materials. Due to the nature of our business, our inventory is kept to a minimal with building materials purchased on an as-needed and just-in-time basis in accordance with a project's requirements and specifications.

We monitor our purchases of materials on an on-going basis. With supply chain disruptions becoming a worldwide problem, we may have to adjust the timing and quantity of our purchases so that we are able to execute a project when awarded in a timely manner.

4.11. Order Book

We have an order book of approximately S\$76.7 million as at the Latest Practicable Date which will generally be fulfilled in the next 2 years. This amount represents the aggregate contract value of all projects which have been awarded to us either through a tender or quotation process and are currently in various stages of progress, and includes confirmed variation orders for works which have yet to be performed (being the total stated value in the contracts awarded to us plus the value of confirmed variation orders less the portion of revenue already recognised in accordance with our revenue recognition policy as at the respective dates of the completion of the certain stages of these projects).

However, our order book may not be an accurate indicator of our future performance or the actual revenue to be recognised as these depend on the actual work completed and certified by our customers for payment. In addition, in determining the value of the order book as at the Latest Practicable Date, we have not taken into account any potential renegotiations, cancellations or deferment of orders or any other contracts that we may secure, from tenders that we participate in, or otherwise from time to time in the ordinary course of business as at or after the Latest Practicable Date. For further details, please refer to Section 2.7 titled "Risk Factors – The Target's order book may not be indicative of its future revenue and profitability" of the Circular.

4.12. Competition

We operate in a highly competitive industry which competes on various factors such as pricing, quality of services and products and track record. We face competition generally from companies which are also able to offer some or all of the services that we provide, particularly those who are registered under the same BCA grading as us. These companies can be existing competitors or new entrants in the future.

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To the best of our knowledge and belief, we consider the following to be our competitors in each of the business segments that we operate in:

- | | |
|---------------------------------|---|
| (a) Commercial premises | <ul style="list-style-type: none">i. D'Perception Singapore Pte Ltdii. Gennal Industries Pte Ltdiii. New Art Interior Pte Ltdiv. Ngai Chin Construction Pte Ltdv. ACU (1995) Contract Pte Ltd |
| (b) Residential premises | <ul style="list-style-type: none">i. JC Packer's System Pte Ltdii. Corten Interior Solutions Pte Ltdiii. Artform Furniture & Construction Pte Ltdiv. Pearl River Engineering Pte Ltdv. Chng Woodworking Pte Ltd |
| (c) Showflats | <ul style="list-style-type: none">i. Tong Hai Yang Construction Pte Ltdii. PLC (2006) Pte Ltdiii. Juho Construction Pte Ltdiv. Sunpeak Construction Pte Ltd |

To the best of our knowledge and belief, there are no published statistical or official sources of information that may be used to accurately measure the market share of our company.

None of the directors and substantial shareholders of the Target, or the Directors and substantial shareholders of the Company, or the Proposed New Directors and Proposed New Executive Officers or any of their respective associates has any interest, direct or indirect, in any of the competitors listed above.

4.13. Competitive Strengths

We believe we are able to compete effectively against our competitors and within the industry generally with the following competitive strengths:

(a) Proven business track record

We have over 30 years of experience in the interior fitting-out industry and have established a proven track record since our inception. We believe that our proven track record is a key competitive advantage in this industry in securing new projects. Based on the Industry Report by Converging Knowledge, successful tendering of projects in the Industry is highly reliant on the track record, reputation, and reliability to deliver on time and in good quality. These credentials cannot be built overnight as they take time to establish. In addition, industry expertise with experience of the market is one of the major considerations for IFOW players to be shortlisted.

The Industry Report also highlighted that the Industry in Singapore is a competitive and regulated industry with the number of players exceeding 1,800 as licensed with BCA. While the sector appears to be fragmented, the number of IFOW players that are able to undertake projects exceeding S\$15 million in value constitutes less than 3% of the total IFOW licensed players. Larger, more established IFOW players compete on the basis of sound industry expertise, proven track record and experience, ability to customise and meet specific requirements, and reputation. These are also amongst several of the factors for the selection of IFOW players in any competitive project bids.

As one of the 39 contractors (out of a total of 1,868 contractors) that are registered with an L6 grading under the CR06 Workhead as at the Latest Practicable Date,³ we believe we have a distinct advantage over our competitors.

³ *Ibid.*

(b) Good relationships with suppliers, subcontractors and customers

We enjoy good and stable business relationships with our suppliers and subcontractors. With a panel of reliable subcontractors and suppliers, we are able to ensure the availability of subcontractors for specialised and general work that we rely on them for, maintain consistency of quality and enjoy better bargaining power and flexibility in procuring these subcontracted services and building materials. As a dedicated interior fitting-out services provider with in-depth knowledge and experience in executing and managing interior fitting-out works for large projects, and having an established relationship with our suppliers and subcontractors for many years, we believe we have an edge over competitors in terms of operational efficiency and quality of services rendered.

Our commitment to completing projects on-time and to-specification has resulted in us accumulating a good number of repeat customers with whom we continue to develop and expand our business. As stated above in Section 4.4 titled “Sales and Marketing” of this Target’s Letter to Shareholders, many of our projects are secured by invitations from past customers or new customers recommended by our existing or past customers.

(c) In-house processing facilities

Since 2006, we have had our own in-house processing facility to process, assemble and manufacture Carpentry Products to support and complement our interior fitting-out services. Having our own processing facility allows us to have better control over the quality, time and cost of processing which, in turn, ensures compliance with our customers’ specifications and timelines.

(d) Experienced and dedicated management team

Our company is led by an experienced and dedicated management team that participates actively in the day-to-day running of our business and provides regular supervision. Our directors all have over 20 years of experience in the interior fitting-out industry and have established good working relationships with our customers, suppliers and subcontractors. Over the years, and under their leadership, we have completed interior fitting-out projects for various types of premises, ranging from commercial premises such as offices, hotels, food and beverage centres, shopping malls, residential developments, to mixed development premises such as academic buildings and medical centres. The diverse experience of our directors and management team has stood us in good stead and will continue to be instrumental to our future growth and acquisition of market share.

(e) Stringent management of quality, workplace safety and health, and environmental impact control

We are committed to the management of quality, workplace safety and health, and environmental impact in our business. We have adopted and implemented a quality control system that complies with international standards. Our quality management system has been certified to ISO 9001 since January 2008.

We have established an environmental management system to enhance our environmental performance and reduce our impact on the environment. Our environmental system has been certified to ISO 14001 since October 2017. In February 2016, we were also awarded the Singapore Green Label by the Singapore Environmental Council for our wooden panel doors made from renewable and sustainable materials.

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In terms of workplace safety and health, our occupational safety and health management system has been certified to OHSAS 18001 since January 2008. OHSAS 18001 has since been replaced by ISO 45001 which we obtained in September 2020. We have further obtained a bizSAFE Star Certification since April 2009 which is the highest bizSAFE level that may be awarded under the bizSAFE programme organised under the Workplace Safety and Health Council of Singapore. As testament to our commitment to workplace safety and health, we received Certificates of Appreciation from the PSA Corporation Limited on three occasions, in January 2011, February 2012 and March 2017 respectively, for the attainment of good safety records.

We believe the above accreditations help enhance our competitiveness and provide us with more potential business opportunities.

4.14. Major Customers

The following customers accounted for 5.0% or more of our total revenue during the Period Under Review:

Name of customer	Brief summary of products or services supplied	As a percentage of the Target's total revenue (%)			
		FY2019	FY2020	FY2021	8M2022
Nakano Singapore (Pte) Ltd	Supply and installation of Carpentry Products and interior design and fitting-out works	28.7%	4.4%	4.5%	0.2%
Keong Hong Construction Pte Ltd	Supply and installation of Carpentry Products	13.0%	5.6%	0.9%	3.9%
An investment holding company which is a subsidiary of a real estate group in Singapore ⁽¹⁾	Supply for design and construction of temporary show flat and sales gallery	10.6%	1.0%	0.1%	–
Pavo Properties Pte Ltd	Supply of ceiling and partition, interior design and fitting-out works	8.3%	–	–	–
Straits Construction Singapore Pte Ltd	Supply of ceiling and partition, interior design and fitting-out works, and supply and installation of Carpentry Products	5.4%	8.1%	0.1%	–
SH Design and Build Pte Ltd	Supply of ceiling and partition, interior design and fitting-out works, and supply and installation of Carpentry Products	3.2%	5.0%	4.1%	5.8%
Shimizu Corporation	Supply of ceiling and partition, interior design and fitting-out works	1.1%	11.4%	3.0%	7.0%
An engineering and construction firm incorporated in Singapore ⁽¹⁾	Supply of ceiling and partition, interior design and fitting-out works, and supply and installation of Carpentry Products	2.6%	25.5%	30.8%	14.6%

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Name of customer	Brief summary of products or services supplied	As a percentage of the Target's total revenue (%)			
		FY2019	FY2020	FY2021	8M2022
Lum Chang Building Contractors Pte Ltd	Supply of ceiling and partition, interior design and fitting-out works, and supply and installation of Carpentry Products	4.3%	11.4%	0.3%	–
PSA Corporation Limited	Supply of A&A works, and interior design and fitting-out works	–	8.3%	3.1%	4.4%
Capitaland-Plaza Ventures Pte Ltd	Supply of A&A works, and interior design and fitting-out works	–	–	18.4%	–
A construction company incorporated in Singapore ⁽¹⁾	Supply of ceiling and partition, interior design and fitting-out works	0.7%	5.9%	11.2%	10.7%
United TEC Construction Pte Ltd	Supply and installation of Carpentry Products	–	2.2%	10.8%	12.2%
Maxwell Chambers Pte Ltd	Supply of A&A works, and interior design and fitting-out works	–	–	–	9.1%
An engineering and construction company incorporated in Singapore ⁽¹⁾	Supply of ceiling and partition, interior design and fitting-out works, and supply and installation of Carpentry Products	4.0%	0.1%	1.1%	14.5%

Note:

- (1) The identity of this customer has not been disclosed due to non-disclosure clauses contained in the customer's agreement with us and we were not able to obtain the necessary consent from this customer for such disclosure.

The nature of our business is project-based and the projects are one-off in nature. As such, revenue contribution from our major customers varies from year to year, depending on the number, size and scope of projects and the amount of works completed by us and certified by the customers in a particular financial year or period. We may not be awarded projects of a similar size and scope by the same customer from year to year.

None of the directors and substantial shareholders of the Target, or the Directors and substantial shareholders of the Company, or the Proposed New Directors and Proposed New Executive Officers or any of their respective associates has any interest, direct or indirect, in any of the above major customers.

To the best of our knowledge, we are not aware of any information or arrangements which would lead to a cessation or termination of our current relationship with any of our major customers.

To the best of our knowledge, as at the Latest Practicable Date, the company's business and profitability are not materially dependent on any of the above major customers.

To the best of our knowledge and belief, there is no arrangement or understanding with any customers pursuant to which any of the Proposed New Directors and the Proposed New Executive Officers were appointed.

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4.15. Major Suppliers and Subcontractors

Our suppliers and subcontractors supply materials and/or provide subcontracting services to us.

The following are the suppliers and subcontractors from our list of approved subcontractors and suppliers that accounted for 5.0% or more of our total purchases (including subcontracting costs) during the Period Under Review:

Name of supplier	Products or services supplied	As a percentage of the Target's total purchases (including subcontracting costs) (%)			
		FY2019	FY2020	FY2021	8M2022
东莞市祥铠装饰材料有限公司(Xiang Kai Decoration Materials Co. Ltd) ⁽¹⁾	Supply of Carpentry Products and subcontracting services	14.1%	–	–	–
东莞市立祥泰工艺品制造有限公司(Lixiangtai Manufacturing Co. Ltd)	Supply of Carpentry Products	5.0%	6.1%	7.9%	10.0%
ST Building Solutions Pte Ltd	Supply of drywall and ceiling materials	3.7%	11.0%	5.4%	2.0%
WPL Projects Pte Ltd	Subcontractor for stainless steel and metal works	7.7%	1.9%	2.1%	2.3%
WINMAX Engineering Pte Ltd	Subcontractor for metal works	6.1%	0.1%	–	–
He Jiang Contractor	Subcontractor for installation of drywall and ceiling works	3.9%	6.2%	6.3%	4.8%
Sheng Jie Contractor Pte Ltd	Subcontractor for installation of joinery and wet works	1.4%	5.2%	6.8%	5.8%
Designbuild Construction Pte Ltd	Subcontractor for joinery works	0.5%	–	13.2%	10.6%

Note:

- (1) Supply of materials and subcontracting services from 东莞市祥铠装饰材料有限公司(Xiang Kai Decoration Materials Co. Ltd) ceased in FY2019 as the company ended operations in early 2019.

The fluctuations in purchases from our suppliers and subcontractors were a result of our varying requirements for different projects which may not be similar in terms of size and scope. We purchase from suppliers who are able to meet our requirements including that of price, quality and delivery schedules for each particular project. We do not enter into any long-term supply or service contracts with any of our suppliers or subcontractors as this provides us with the flexibility to evaluate and select suppliers and/or subcontractors who are able to give us work of a higher quality at competitive prices.

None of the directors and substantial shareholders of the Target, or the Directors and substantial shareholders of the Company, or the Proposed New Directors and Proposed New Executive Officers or their respective associates has any interest, direct or indirect, in any of the above major suppliers and subcontractors.

To the best of our knowledge and belief, we are not aware of any information or arrangement, which would lead to a cessation or termination of our company's current relationship with any of its major suppliers.

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To the best of our knowledge, as at the Latest Practicable Date, our company's business and profitability are not materially dependent on any one or more of our suppliers or subcontractors. We have a list of different suppliers and subcontractors we work with and we do not rely on any particular supplier or subcontractor.

To the best of our knowledge and belief, there is no arrangement or understanding with any suppliers pursuant to which any of the Proposed New Directors and the Proposed New Executive Officers were appointed.

4.16. Credit Management

Credit policy for our customers

As explained in Section 4.2 titled "Business Process - Certification and payment for works done" of this Target's Letter to Shareholders, we submit our progress payment applications to our customers on a monthly basis in accordance with the terms of the relevant contract, which sets out the amount of work done and the corresponding value of such work that can be claimed. Our customers will issue a progress certificate certifying the works completed and payment amount due. We will issue a formal invoice to our customer upon receipt of the progress certificate. This normally takes around 21 days after the initial progress payment application has been submitted. We typically allow credit terms of 30 days from the date of invoice to our customers.

We manage our credit exposure and mitigate our credit risks by conducting a preliminary assessment of a project including credit evaluations and background checks prior to submitting our tender or quotation. Factors we consider in our credit assessment of a customer include the credit worthiness of the customer, as well as the customer's reputation, capital, financial condition and capacity. We also manage our credit exposure through regular invoicing and managing the amount outstanding from each customer.

We monitor overdue payments closely and determine, on a case-by-case basis, what follow-up actions to take, after engaging with the customer concerned and determining the reason for the overdue payment. If efforts to collect outstanding overdue payments within a reasonable time period are unsuccessful and there are reasonable grounds to believe that the debt is doubtful, we will initiate appropriate legal action within the limitation periods to recover any debt due.

We did not make any allowances for doubtful trade debts during the Period Under Review as we did not experience significant difficulties in collecting our trade receivables.

During the Period Under Review, the turnover days of our trade receivables (excluding retention receivables) ("AR")⁽¹⁾ were as follows:

	FY2019	FY2020	FY2021	8M2022
AR turnover days ⁽²⁾	22	28	40 ⁽³⁾	28

Notes:

- (1) The AR turnover days do not include the retention sums as the retention sums will be held for the duration of the defect liability period. As at the Latest Practicable Date, the aggregate retention receivables outstanding and due is approximately S\$57,000. This represents sums that have not been paid notwithstanding that the defect liability period is over. In general, our customers retain 10% of each interim progress payment as retention money (up to 5% of the total contract sum), of which 50% will be released to us upon completion and issuance of a completion certificate and the balance on the expiry of the defect liability period. Should retention sums be included, the AR turnover days would have been 69 days, 71 days, 73 days and 60 days respectively for FY2019, FY2020, FY2021 and 8M2022.
- (2) AR turnover days = 365 days / AR turnover ratio, where AR turnover ratio = revenue / financial year end or period end AR.
- (3) AR turnover days increased from 28 days in FY2020 to 40 days in FY2021 due to a higher proportion of projects being certified and invoiced.

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Credit terms granted by our suppliers and subcontractors

Payment terms granted by our suppliers and subcontractors are dependent, inter alia, on our relationship with our suppliers and subcontractors as well as the size of the transactions. Generally, our suppliers and subcontractors grant us credit terms ranging from 30 to 90 days from the date of the invoice.

Our trade payables (excluding retention payables) (“AP”)⁽¹⁾ turnover days during the Period Under Review were as follows:

	FY2019	FY2020	FY2021	8M2022
AP turnover days ⁽²⁾	133	112	91	73 ⁽³⁾

Notes:

- (1) In general, we retain 10% of each interim progress payment as retention money (up to 5% of the total contract sum), of which 50% will be released to the subcontractors upon completion and issuance of a completion certificate and the balance on the expiry of the defect liability period.
- (2) AP turnover days = 365 days / AP turnover ratio, where AP turnover ratio = cost of sales / the relevant financial year or period end AP.
- (3) Our AP turnover days decreased from 133 days in FY 2019 to 73 days in 8M2022. The decrease is mainly attributable to shorter credit terms offered by suppliers and subcontractors following the labour shortage in the construction industry leading to them having higher bargaining power when negotiating credit terms.

4.17. Properties and Fixed Assets

Properties owned by the company

As at the Latest Practicable Date, our company owns the following leasehold property (the “Property”):

Lessee	Lessor	Location	Tenure	Approximate Gross Land Area (m ²)	Usage
Lincotrade & Associates Pte Ltd	JTC Corporation	39 Sungei Kadut Loop Singapore 729494	30 years from 1 March 1995 to 28 February 2025	4,047.1	Processing facility, office and workers' dormitory

The interest in the above Property is mortgaged to Maybank Singapore Limited (“**MBB SG**”) to secure facilities granted by MBB SG.

The lease agreement in respect of 39 Sungei Kadut Loop, Singapore 729494 may be unilaterally terminated by the lessor under certain conditions as set out in the lease agreement including the failure to rectify any breaches of the lease agreement within 3 months from the date of written notice of the lessor and any seizure or sale made in respect of the property. As at the Latest Practicable Date, we are not aware of any breach by our company of any obligations under the abovementioned lease agreement that would result in its termination by the lessor.

We are of the view that any unilateral termination by the lessor is unlikely to have a material impact on our business or operations as we believe we will be able to secure alternative premises in the event of such termination.

Save for the above, we do not own and have not leased or licensed any properties as at the Latest Practicable Date.

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As the lease of the Property will expire on 28 February 2025, we have started discussions with JTC Corporation on the potential options for relocation to a larger facility, subject to suitable premises becoming available and cost considerations. We will make an announcement via SGXNET in a timely manner upon procurement of a new lease for our processing facility, office and workers' dormitory.

Other fixed assets

Other fixed assets comprise mainly computer and software, office equipment, machinery and equipment, furniture and fittings and motor vehicles.

As at the Latest Practicable Date, none of our properties and fixed assets was subject to any mortgage, pledge or other encumbrances or otherwise used as security for any bank borrowings, save for the Property as disclosed above and a number of our motor vehicles which are subject to hire purchase agreements. Details of the hire purchase agreements are set out in Section 12 titled "Capitalisation and Indebtedness" of this Target's Letter to Shareholders.

Save as disclosed in Section 9 titled "Government Regulations" of this Target's Letter to Shareholders, as at the Latest Practicable Date, to the best of our knowledge and belief, there are no regulatory requirements or environmental issues that could materially affect our company's utilisation of the Property and fixed assets.

4.18. Research and Development

We do not engage in any research and development activities and have not incurred any research and development expenses during the Relevant Period as the nature of our business does not require us to do so.

4.19. Licences, Permits, Registrations and Approval

Our business activities are located in Singapore, and we are subject to applicable laws, regulations and rules of the various government agencies in Singapore governing the construction industry, of which we are a subset of. These laws, regulations and rules require us to possess various licences or approvals.

As at the Latest Practicable Date, our company holds the following licences, permits, registrations and approvals:

Approvals / Registrations / Licences	Issuing Authority	Financial Grade	Tendering Limits	Validity Period
CW01 (Construction – General Building)	BCA	C1	Up to S\$5.0 million as at 1 July 2022 to 30 June 2023	1 May 2024
CR06 (Interior Decoration & Finishing Works)	BCA	L6	Unlimited	1 May 2024
General Builder Licence Class 1	BCA	–	Unlimited	16 June 2024
bizSAFE STAR Certificate	Workplace Safety and Health Council under the Ministry of Manpower	–	–	25 September 2023
Planning permission for continued use of the Property as a temporary ancillary workers' dormitory for 15 workers	Urban Redevelopment Authority	–	–	8 February 2023

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We will renew and update the above licences and accreditations prior to their respective expiry dates and we are of the opinion that we will not face any difficulties in applying for the new licences on terms acceptable to us.

As at the Latest Practicable Date, we have all the necessary licences and permits to carry on our business and are in compliance with the conditions of the licences and applicable laws and regulations that would materially affect our business operations.

To the best of our knowledge and belief, there are at present no facts or circumstances which would cause such licences and permits to be suspended, revoked or cancelled, as the case may be, or for any renewal of any of these licences to be rejected by the relevant authorities. Save in respect of certain standard documents which are required by the BCA to be provided upon application to renew our licences or registrations, such as our audited financial statements, proof of completed contract value and award documents, we have not been subject to inspection, audit or review by the BCA or other regulatory bodies during the last 10 years, and there have not been any findings by the BCA or any other regulatory bodies made or rectification measures which we had to take out in relation to the above licences during the last 10 years.

Please refer to Section 9 titled “Government Regulations” of this Target’s Letter to Shareholders for more information on the material laws, regulations and guidelines applicable to our company.

4.20. Insurance

As at the Latest Practicable Date, we have taken out the following insurance policies to cover, inter alia, the risks relating to our business operations, human resources and fixed assets:

- (a) industrial all risks insurance;
- (b) contractors’ all risks insurance;
- (c) keyman insurance;
- (d) fire insurance;
- (e) medical insurance and foreign workers’ medical insurance;
- (f) group personal accident insurance;
- (g) group hospital insurance;
- (h) motor insurance;
- (i) workmen injury compensation insurance; and
- (j) public liability insurance.

Each of the aforementioned insurance policies is renewable annually. We believe that we have sufficient insurance coverage in accordance with industry standards and business practices. Depending on our expansion plans and growth in operations, we may increase our insurance coverage where necessary.

4.21. Corporate Social Responsibility

We recognise the importance of corporate social responsibility for our long-term sustainability. As part of our sustainability strategy, we are committed to implementing environmentally friendly policies to reduce our carbon footprint and environmental impact on the environment, climate and community. In recent years, we have employed the use of environmentally friendly materials, such as laminate and veneer made from reconstructed or recycled material, in our projects including our doors to reduce lumbering of forests. In February 2016, we were awarded the Singapore Green Label by the Singapore Environmental Council for our Wooden Panel Doors which are made from renewable and sustainable materials. Since then, the Singapore Green Label has been continually renewed and it is currently valid from 18 February 2022 to 17 February 2024. We intend to build on and enhance these environmentally friendly strategies as part of our corporate social responsibility.

We also recognise the importance of giving back to the community and have made donations to various organisations and associations, including the Mouth and Foot Painting Artists, NKF, Lions Club of Singapore (Khatib Mandarin) and Promisedland Community Services Lifeblood Centre.

We will disclose our corporate social responsibility policies with reference to the SGX-ST's Guide to Sustainability Reporting for Listed Companies, and the Proposed New Directors intend to establish a corporate social responsibility policy which will formally address the Enlarged Group's impact on the local community.

4.22. Prior Listing Attempt by the Target

We intended to seek a listing on the Growth Enterprise Market ("**GEM**") board of the Stock Exchange of Hong Kong in 2019 ("**Proposed HK IPO**") and engaged relevant professionals to assist us in preparing the listing application. Preparations for the application commenced in late 2018 but were aborted around mid-2019 due to uncertain market conditions resulting from the anti-extradition bill protests which took place from March 2019 to early 2020, followed by the onset of the COVID-19 pandemic. No application or consultation was formally made to the Stock Exchange of Hong Kong. Save for the Proposed HK IPO, we have not approached or engaged any other sponsor or issue manager to sponsor a listing application in the last five (5) years.

5. INDUSTRY OVERVIEW

The Company has commissioned Converging Knowledge Pte Ltd ("**Converging Knowledge**"), an independent research firm based in Singapore with offices in Malaysia and Hong Kong, to conduct an independent market research on the interior fitting-out works industry in Singapore (the "**Industry**"). Converging Knowledge's report sets out research and data, inter alia, on: (a) an overview of the Industry; (b) major trends in the Industry; (c) the market size and competitive landscape of the Industry; and (d) prospects in the Industry for the years 2022 to 2025 (the "**Industry Report**").

Converging Knowledge's research is conducted through a combination of primary and desktop (published resources) research. Primary research involved discreet interviews tapping on the knowledge, experience and opinions of relevant companies, industry associations, technical institutions, government bodies and academic institutions. Desktop research included but was not limited to a review of local newspapers, news wires and agencies, leading industry and trade publications, websites of regulator authorities as well as relevant government agencies, and websites of companies.

Unless expressly stated below, all the information and data presented in this Section titled "Industry Overview" and the Section titled "Prospects" are extracted from the Industry Report prepared by Converging Knowledge.

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Shareholders and prospective investors should note that information relating to the Industry Report set out in this Section and elsewhere in this Circular has been provided by Converging Knowledge. While we have taken reasonable action to ensure that information from the Industry Report has been extracted in their proper form and context, and that such statements have been extracted accurately and fairly from the Industry Report, we have not conducted an independent review of the content or independently verified the accuracy and correctness thereof. Shareholders and investors should also be aware that since the date of the Industry Report, there may have been changes in the Industry and the various Sections therein which could affect the accuracy or completeness of the information in this Section.

5.1. The Industry's Structure

The Industry focuses on the tail end of the construction and the addition/alteration process of buildings. Types of interior fitting-out works (“**IFOW**”) generally include the manufacture and/or installation of ceiling, carpentry, joinery, plastering, floor finishing, woodworks, steel and metal works, painting works, sanitary fittings and wares, MEP (which also includes air conditioning, heating, electrical, low voltage cabling, information technology, and audiovisual works), and minor structural works such as staircase, amongst others. Like the construction industry, engineering design capability, market know-how and skills are commonly applicable in the Industry. IFOW players that are capable of delivering solutions and associated works, such as MEP works, are often preferred by customers in Singapore, and such players are often more involved in the master planning of the entire projects, which increases the possibility of securing contracts. Each project requires a significant amount of coordination, management, and arrangement with multiple stakeholders, and involves various construction-related and design professionals, suppliers and skilled workers for installations to be carried out.

The Industry in Singapore is made up of a broad and diverse group of players, each offering different skill sets and competencies. The industry can be generally segmented by the type of projects, comprising, mainly, commercial, industrial, residential, hospitality and entertainment, retail, school, government, and hospitality/ healthcare. The type and scale of a project will determine whether it requires a specific IFOW product/ service or a combination of multiple IFOW products/ services.

Competitive landscape of the Industry

The Industry in Singapore is a competitive and regulated industry with the number of players exceeding 1,800 as licensed with BCA. While the sector appears to be fragmented, the number of IFOW players that are able to undertake projects exceeding S\$15 million in value constitutes less than 3% of the total IFOW licensed players. Larger, more established IFOW players compete on the basis of sound industry expertise, proven track record and experience, ability to customise and meet specific requirements, and reputation. These are also amongst several of the factors for the selection of IFOW players in any competitive project bids. Players that are able to provide a wider range of services, without outsourcing, are often preferred due to higher cost efficiencies derived from economies of scale from integrated operations, and less time needed to liaise with multiple parties. As such, larger IFOW players are often licensed under several BCA workheads and have in-house carpentry and MEP out-fit design capabilities.

There are some IFOW players that are better known to specialise in the interior fit-out of certain portfolios such as hotels, retail establishments, or exhibitions. Likewise, there are several IFOW players that offer highly specialised interior fit-out services such as design and build, and asset enhancement services. However, established IFOW players offering services in these areas are few in numbers. Most IFOW players are executors of the interior fit-out works.

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Major players in the Industry

Players in the Industry are required to be registered with BCA. In identifying the major players in the industry, companies that are registered under BCA Workhead “CR06-Interior Decoration & Finishing Works” and with grading “L6”, the highest category, were shortlisted. Combing through this list of registered companies, there are fewer than 30 players where IFOW is a core service offered. A further cut off is made for companies with revenue above S\$25 million for FYE2020. As a result, thirteen (13) companies have been shortlisted and identified as the major players in the Industry. The table below shows the list of major players and their respective segmented portfolios and project competencies in Singapore.

Comparison of major players in the Industry⁽¹⁾

Name of Company	Govt	Insti	Indus	Resi	Com	Infra	Hos	Pdtn
Lincotrade & Associates Pte Ltd	X	X	X	X	X		X	X
Cheng Meng Furniture Group (Pte.) Ltd.				X	X		X	X
Crown Construction Pte Ltd	X	X	X	X	X		X	X
D’ Perception Singapore Pte Ltd	X		X		X		X	
DB & B Pte Ltd	X	X	X		X			X
Facility Link Pte Ltd	X	X	X		X		X	X
ISG Asia (Singapore) Pte Ltd		X	X		X	X	X	
Ngai Chin Construction Pte Ltd (aka Raffles Interior)		X		X	X		X	X
QXY Resources Pte Ltd	X	X	X	X	X		X	
Shanghai Chong Kee Furniture & Construction Pte Ltd		X	X		X		X	X
Sunray Woodcraft Construction Pte Ltd	X	X	X	X	X	X	X	X
Tarkus Interiors Pte Ltd		X	X	X	X		X	X
W’Ray Construction Pte Ltd				X	X		X	

Source: Compiled by Converging Knowledge

Notes:

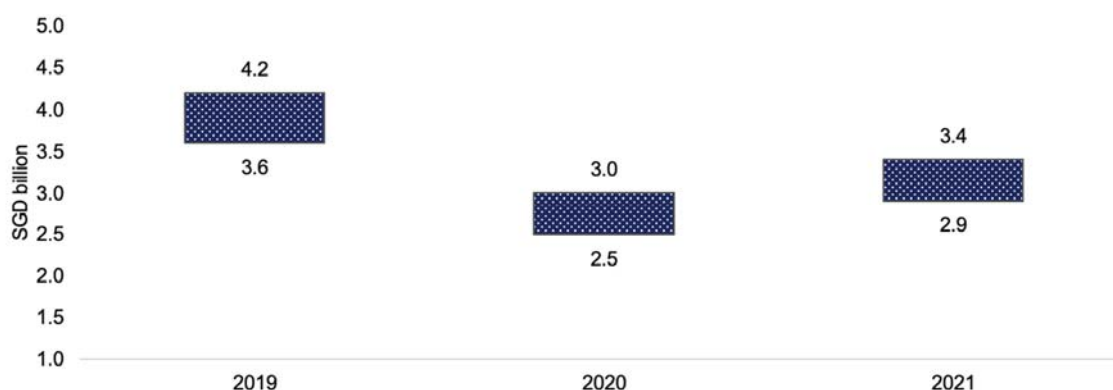
- (1) Information gathered from website and interviews with industry players
- (2) ‘Govt = Government, Insti = Institutions and others, Indus = Industrial, Resi = Residential, Com = Commercial, Infra = Infrastructures, Hos = Hospitality, Pdtn = Carpentry Production facilities

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Estimated market size of the Industry

The Industry in Singapore is estimated to be worth S\$2.9-3.4 billion in 2021, an improvement compared to 2020. By revenue, our company's market share in 2021 was approximately 1.1%-1.3%.

Estimated Market Size of the Industry in Singapore, 2019-2021



Source: Converging Knowledge

5.2. Trend Information

We have observed the following trends based on our operations as well as within the industries in which the company operates, for the next 12 months from the Latest Practicable Date:

- (a) We expect demand for our interior fitting-out services to increase as a result of the expected growth of the Industry and the construction industry at large. For further details, please refer to the Section 5.3 titled "Prospects" of this Target's Letter to Shareholders.
- (b) Overall construction costs, including the costs of raw materials, building products and other supplies may rise due to disruptions to the supply chain caused by COVID-19 pandemic and more recently, the war in Ukraine. Such events have led to inflation and a general increase of cost of providing services. This may affect tender prices by market players, such as ourselves, as companies try to cope with the increased cost structures while still remaining competitive and maintaining an acceptable profit margin.
- (c) Our labour cost is expected to rise due to foreign worker policies having tightened over the years in Singapore. Travel restrictions due to the COVID-19 pandemic have led to a shortage of manpower further increasing manpower costs. While travel restrictions are gradually being eased in Singapore and around the world, we expect that the costs of labour will continue to increase in the near future.
- (d) Our overheads and other operating expenses are also expected to increase due to the expenses incurred in connection with the Proposed Acquisition, and also in future financial years to come due to the ongoing compliance costs of being a public listed company.

Save as disclosed in this Target's Letter to Shareholders and barring any unforeseen circumstances, we are not aware of any other known trends, uncertainties, demands, commitments or events that are reasonably likely to have a material effect on our revenue, profitability, liquidity or capital resources, or that would cause the financial information disclosed in this Target's Letter to Shareholders to be not necessarily indicative of our future operating results or financial condition.

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5.3. Prospects

Save as disclosed in Section 5.2 titled “Trend Information” of this Target’s Letter to Shareholders, barring any unforeseen circumstances, we believe that the demand for interior fitting-out services in Singapore will likely rise in the next 12 months and beyond from the Latest Practicable Date, and will present opportunities for growth for the following reasons:

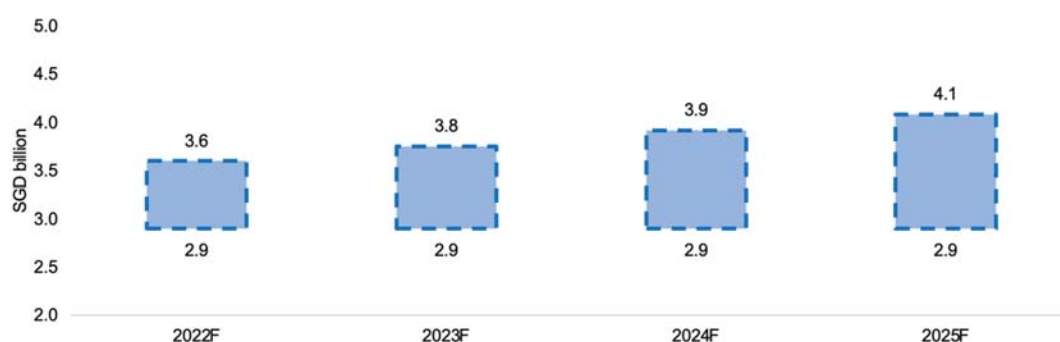
(a) Optimistic growth expected from the construction sector

The BCA projected construction demand (excluding Changi Airport Terminal 5 development and Integrated Resorts expansion) to reach between S\$25 billion and S\$32 billion per annum for the 2022-2025 period. The public sector will continue to lead the demand with various public housing developments and large infrastructure and institutional building projects such as Cross Island MRT Line (Phases 2 & 3), Downtown Line Extension to Sungei Kadut, Singapore Science Centre relocation, Toa Payoh Integrated Development, Alexandra Hospital redevelopment, and a new integrated hospital at Bedok. On the other hand, private sector construction demand is projected to improve steadily, estimated between S\$11.0 billion and S\$14.0 billion per annum in the next three years (2022-2025).

In the private residential segment, additional 47,097 units will be supplied from now to beyond 2025. The number of private residential units expected to be completed in 2021 is low, but will pick up significantly during 2022-2024. Commercial spaces (office and retail) are expected to expand by over 1.1 million m² gross in the next five years, with more projects added to the pipeline after 2021. In terms of industrial space, a total of nearly 4.93 million gross floor area m² is expected to be completed from 2021 to 2025, and 4,962 m² scheduled for completion beyond 2025. Most of this pipeline (89.1%) will be under construction or have received written permission from 2021 onwards, which shows a significant degree of certainty of development and completion. In view of the expected development, IFOW players will benefit from these projects.

Industry players hold a more optimistic view of the Industry in 2022 compared to the previous years, thanks to strong government support in the construction industry as well as a healthy pipeline of projects. Demand for public housing and healthcare and infrastructure projects is anticipated to strengthen in 2022, driving total construction demand in 2022. As the economy starts to pick up paces and recover, private sector demand is expected to improve, particularly in the commercial segment. On the back of the medium-term project pipeline, backlogs of remaining workloads impacted by the COVID-19 outbreak during 2020, and improved business sentiments, the Industry is anticipated to expand in the next three years. Growth in the Industry is estimated to reach up to 5.8% in 2022 and up to a CAGR of 4.3% for the 2023-2025 period.

Forecasted Market Size of the Industry



Source: Converging Knowledge

(b) Strong government support aids growth of the construction industry

The Singapore government remains committed to helping the construction industry to recover from the adverse impacts brought about by the COVID-19 pandemic. Below are some examples of the assistance being provided by the government:

- i. S\$1.36 billion Construction Support Package to help construction firms defray some of the costs associated with the safety management measures (to contain COVID-19), as well as “non-manpower related prolongation costs for public sector construction projects”;
- ii. Support for manpower costs through the Jobs Support Scheme and Foreign Worker Levy waivers and rebates;
- iii. Rental waivers for tenants and lessees of government-owned properties for industrial, office, and agricultural use;
- iv. Sharing the risks for bridging loans to help qualifying Singapore-based companies ease their cash flow; and
- v. Legislative mechanisms to provide relief to construction firms such as the COVID-19 (Temporary Measures) Act, which requires project parties to fairly share the increases in foreign manpower costs due to COVID-19.

In addition to the above measures, the Singapore government is also providing funding support for the development and deployment of green technologies, and works with financial institutions on the financing of energy efficiency retrofits. It remains committed to pursue its sustainable development agenda under the Singapore Green Plan 2030. With the strong support from the Singapore government, the construction industry will eventually recover, with positive spill-over effects on the Industry.

(c) Healthcare, education and transportation projects

There are several key projects in the healthcare, education, and transportation industries that are in the pipeline. In the healthcare industry, the MOH SGH Elective Care Centre with the new National Dental Centre development projects are earmarked for construction. Meanwhile, in the education space, there are private projects in the pipeline such as Lasalle College of the Arts and the extension of the International French School. Lastly, major projects in the transportation industry are also planned such as the Land Transport Authority Integrated Transport Hub at Jurong East. These projects provide good prospects for IFOW players to participate and showcase their capabilities.

6. BUSINESS STRATEGIES AND FUTURE PLANS

Our principal business objective is to further strengthen our market position and expand our core business while exploring acquisitions, investments and other strategic alliances to diversify our income sources. In furtherance of our business objective, we intend to pursue the following business strategies and future plans:

6.1. Focusing on larger value projects

Being an established interior fitting-out service provider in Singapore, we plan to leverage on our market position to take on larger value projects, such as hotels and commercial buildings, in the near future. Such projects typically require more working capital and financing as compared to residential and show flat projects. To this end, we may also need to expand our manpower resources and increase our capital investments to keep up with the growth of our business and maintain our service quality.

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6.2. Strengthening our brand identity

We plan to further strengthen our brand identity in Singapore by increasing our networking efforts through engagement with developers, main contractors and subcontractors.

6.3. Relocation and expanding our production facilities

We own a 4,047.1 m² leasehold property at 39 Sungei Kadut Loop Singapore 729494, which houses our office, processing facility and workers' dormitory. As the lease will expire on 28 February 2025, we have started discussions with JTC Corporation on the potential options for relocation to a larger facility, subject to suitable premises becoming available and cost considerations. This is to cater for an anticipated increase in the business volume in the future, where we intend to increase our production and processing capacity by purchasing new machinery and re-fitting our processing facilities. We plan to secure suitable premises in due course at the appropriate juncture.

6.4. Exploring acquisitions, investments, strategic alliances and/or joint ventures

Depending on the market conditions and feasibility, we will explore acquisitions, investments, strategic alliances and/or joint ventures with parties in complementary businesses in Singapore or overseas, should suitable opportunities arise. We believe this will enable our company to expand the scale of our business, enlarge our customer base, lower our operational risks, and/or increase our range of services.

As at the Latest Practicable Date, we have not made any commitments or entered into any agreements in relation to any acquisition, investment, strategic alliance or joint venture.

7. SHARE CAPITAL AND SHAREHOLDING STRUCTURE

As at the Latest Practicable Date, the issued and paid-up share capital of our company is S\$1.5 million comprising 1,500,000 ordinary shares, issued and fully paid up. There is only one (1) class of shares in the capital of our company, being ordinary shares. All ordinary shares carry the same voting rights of one vote for every one ordinary share held. The rights and privileges attached to the shares of our company are stated in the constitution of our company.

As disclosed in Section 2 titled "Overview Information of the Target" of this Target's Letter to Shareholders, our company was incorporated on 14 November 1991 with an authorised share capital at the time of S\$200,000 divided into 200,000 ordinary shares of S\$1.00 each. At the time of its incorporation, it had an issued and paid-up capital of S\$50,000, divided into 50,000 ordinary shares.

As at the Latest Practicable Date, all issued shares in our company are held by our directors (the Vendors) and are not subject to any pledge, mortgage or any other form of encumbrance. There are no shares that are held by or on behalf of our company.

As at the Latest Practicable Date, no person has been, or is permitted to be, given an option to subscribe for or purchase any securities or securities-based derivatives contracts of our company. As at the Latest Practicable Date, we did not operate, nor have we ever operated, any employee share scheme, and there is no arrangement with any of our employees that involves the issue or grant of options or shares or any other securities or securities-based derivatives of our company.

As at the Latest Practicable Date, the direct and indirect shareholdings in our company are as follows:

Vendors	Direct Interest	
	Number of Shares	%
Tan Jit Meng	600,000	40
Soh Loong Chow Jackie	600,000	40
Tan Chee Khoon	300,000	20

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There has not been any significant change in the percentage ownership of the shares that each of the Vendors holds in our company in the last 3 years prior to the Latest Practicable Date.

Upon Completion, our company will be a wholly owned subsidiary of the Company and the Vendors will no longer hold any shares directly in our company.

As at the Latest Practicable Date, save as disclosed above, our company is not directly or indirectly owned or controlled, whether severally or jointly, by any person or government.

As at the Latest Practicable Date, save for the Proposed Acquisition, there is no other arrangement which may result in a change in control of our company after Completion.

There has not been any public takeover offer by a third party in respect of any of the shares of our company or by our company in respect of the shares of another corporation or the units of a business trust, which has occurred between the beginning of FY2021, being the most recently completed financial year, and the Latest Practicable Date.

There have no changes in the share capital or significant changes in the ownership of the equity interest of our company for the period of three (3) years prior to the Latest Practicable Date.

8. DIVIDENDS

As at the Latest Practicable Date, save as disclosed below, no dividends had been declared or paid or declared but not paid by the company for FY2019, FY2020 and FY2021:

Dividends declared in respect of:		
FY2019 (S\$'000)	FY2020 (S\$'000)	FY2021(S\$'000)
750	400	1,100

Our company has paid out the dividends declared for FY2019 and FY2020. As at the Latest Practicable Date, the dividends declared for FY2021 have not been paid. Our company's intention is that payment be made no later than December 2022. The payment of these dividends is dependent on the financial position of our company and will be distributed only if our company has cash in excess of its working capital requirements for its present requirements and for 18 months after the Completion, and is in compliance with Section 403 of the Companies Act. The New Audit Committee shall monitor the financial position and cash flows of our company in this regard. Notwithstanding that payment of such dividends may be made after the completion of the Proposed Acquisition, the Company will not be entitled to such dividends and the dividends will be paid to the shareholders of our company as at the date of declaration.

We currently do not have a fixed dividend policy. The form, frequency and amount of future dividends on the Shares that the Proposed New Directors may recommend or declare in respect of any particular financial year or period will be subject to the factors outlined below as well as any other factors deemed relevant by the Proposed New Directors:

- (a) the level of our cash and retained earnings;
- (b) our actual and projected financial performance;
- (c) our projected levels of capital expenditure and expansion plans (if any);
- (d) our working capital requirements and general financing condition; and
- (e) restrictions on payment of dividends imposed on us by our financing arrangements (if any).

The amount of dividends declared and paid by us in the past (as disclosed above) should not be taken as an indication of the dividends payable in the future. No inference shall or can be made from any of the foregoing statements as to our actual future profitability or ability to pay dividends in any of the periods discussed. There can be no assurance that dividends will be paid in the future or of the amount or timing of any dividends that will be paid in the future.

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Subject to the New Constitution and in accordance with the Companies Act, the Company may declare an annual dividend subject to the approval of Shareholders in a general meeting but the amount of such dividend shall not exceed the amount recommended by the Proposed New Directors.

The Proposed New Directors may also declare an interim dividend without the approval of the Shareholders. The Company shall pay all dividends declared and approved by Shareholders out of profits.

Information relating to taxes payable on dividends is set out in the Section titled “Exchange Controls and Taxation” in this Circular.

9. GOVERNMENT REGULATIONS

We are subject to all relevant laws and regulations of Singapore and may be affected by policies which may be introduced by the Singapore Government from time to time. We have identified the following main laws and regulations (apart from those pertaining to general business requirements) that materially affect our operations, the relevant regulatory bodies and the licences, permits and approvals typically required for the conduct of our business.

The laws and regulations set out below are not exhaustive and are only intended to provide some general information to the investors and are neither designed nor intended to be a substitute for professional advice. Shareholders and prospective investors should consult their own advisers regarding the implication of Singapore laws and regulations on our company.

We confirm that as at the Latest Practicable Date, our company has obtained all requisite approvals and is in compliance with the relevant laws or regulations it is subject to and which are material to our business operations.

9.1. Builder Licensing

The building and construction industry in Singapore is regulated by the BCA. The Building Control Act (“**BC Act**”) and its subsidiary legislation set out the requirements for licensing of builders. All builders carrying out building works where plans must be approved by the BC Commissioner, and builders that work in specialist areas with a high impact on public safety (“**Specialist Builder**”), require a builder’s licence since 16 June 2009 (a “**Builder’s Licence**”). The requirement applies to both public and private construction projects.

Builders are licensed under two registers, namely the General Builder Register and the Specialist Builder Register. Under the General Builder Register, there are two categories. Holders of the General Builder Class 1 (“**GB1**”) licence are allowed to perform general building works of unlimited value, while holders of the General Builder Class 2 (“**GB2**”) licence are allowed to perform general building works of contract values of S\$6 million or less.

For projects where an accredited checker (“**AC**”) is not required, holders of the GB1 or GB2 licence can carry out all construction works, including the following specialist building works:

- (a) all specialist building works associated with minor specialist building works;
- (b) structural steelwork comprising fabrication and erection works for structures with a cantilever length of not more than 3 metres, a clear span of less than 6 metres and a plan area not exceeding 150 m²;
- (c) pre-cast concrete work comprising casting of pre-cast reinforced concrete slabs or planks on site; and
- (d) such other specialist building works as the Minister for National Development may, by notification in the Gazette, declare to be minor specialist building works.

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For projects where an AC is required, holders of the GB1 or GB2 licence can carry out all construction works except for 6 specialist building works as stipulated under the BC Act and the Building Control (Licensing of Builders) Regulations 2008, namely:

- (a) piling works;
- (b) ground support and stabilisation works;
- (c) site investigation work;
- (d) structural steelwork;
- (e) pre-cast concrete work; and
- (f) in-situ post-tensioning work.

Under the Building Control Regulations 2003 (the “**Building Control Regulations**”), all structural designs of building works are to be checked by an AC, except certain specified minor building works under the Fourth Schedule of the Building Control Regulations, such as residential buildings not exceeding three storeys involving structures that are not the subject to sub-paragraphs (b) to (k) of the Fourth Schedule or shophouses not exceeding 3 storeys (where attic or basement floor exceeding an area of 100 m² shall be considered as a storey).

Every Builder Licence granted will (unless earlier revoked) be valid for the period specified therein, being not more than 3 years. An application for the renewal of a licence must be submitted online to the BCA no later than 1 month before the date of expiry of the licence and accompanied by a renewal fee. A licence may be renewed for such period determined by the BC Commissioner on receipt of a renewal application.

The following requirements must be fulfilled for the grant of a Builder’s Licence:

- (a) *Appointment of an approved person.* The approved person will take charge and direct the management of the business in building works. For a company, the approved person should be a director, a member of the board of management, or an employee (being a person with similar duties and responsibilities of a director or member of its board of management), each of whom meets the requisite qualification and experience.
- (b) *Appointment of a technical controller.* The technical controller will oversee the execution and performance of any building works undertaken by the builder. For Specialist Builders, the technical controller must possess a civil or structural engineering degree from a recognised institution.
- (c) *Minimum paid-up capital.* Not less than S\$300,000 for a GB1 licence and not less than S\$25,000 for a GB2 licence or Specialist Builder licence.
- (d) Payment of licencing fees ranging from S\$1,200 to S\$1,800 for the licence period.

Licensed builders holding a GB1 licence must deploy a prescribed minimum number of construction personnel registered under the Construction Registration of Tradesmen Scheme (“**CoreTrade**”) administered by the BCA in their projects valued S\$20 million or more (inclusive of GST). Workers eligible for registration include locals and suitable longer-staying and experienced foreign workers working in the construction industry in Singapore. Eligible workers must possess relevant qualifications, attend a prescribed familiarisation course and pass a skills assessment.

As at the Latest Practicable Date, our company is a registered holder of a General Builder Licence Class 1 pursuant to the BC Act which is valid until 16 June 2024.

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9.2. Contractors Registration System

In addition to the Builder's Licence, registration under the Contractors Registration System maintained by the BCA is a pre-requisite to carrying out construction projects (as main or sub-contractor) in the Singapore public sector. There are seven (7) major categories of registration: Construction (CW); Construction Related (CR); Mechanical and Electrical (ME); Facilities Management (FM); Trade Heads for sub-contractors (TR); Regulatory Workhead (RW); and Supply (SY).

These seven major categories are further sub-classified into 65 workheads. Each major category of registration has assigned grades that correspond with tendering limits and which are adjusted on an annual basis.

A contractor's grading is determined based on *inter alia*, its financial capability (for example, net worth and paid-up capital, etc), the professional and technical expertise of its personnel, management certifications (for example, ICQA, SAC Accredited ISO9001, ISO14001 and ISO 45001) and its track record in relation to completed projects. The validity for a first-time registration is 3 years. Registrations will automatically lapse unless a renewal (for 3 years) is filed and approved by the BCA.

As at the Latest Practicable Date, our company is registered with C1 grade in the CW01 Workhead and L6 grade in the CR06 Workhead.

The CW01 Workhead covers:

- (a) all types of building works in connection with any structure, being built or to be built, for the support, shelter and enclosure of persons, animals, chattels or movable property of any kind, requiring in its construction the use of more than two unrelated building trades and crafts. Such structure includes the construction of multi-storey car-parks, buildings for parks and playgrounds and other recreational works, industrial plants, and utility plants;
- (b) A&A works on buildings involving structural changes; and
- (c) installation of roofs.

For the period of 1 July 2021 to 30 June 2023, the respective tendering limits under the CW01 Workhead are as follows:

Validity Period for Tendering Limits	Tendering Limit (S\$ million)						
	A1	A2	B1	B2	C1	C2	C3
1 July 2021 to 30 June 2022	unlimited	95	45	15	4.5	1.5	0.75
1 July 2022 to 30 June 2023	unlimited	105	50	16	5.0	1.6	0.8

The CR06 Workhead covers interior design, planning and the decoration of buildings. This includes ceiling panels, partitions, built-in fitments, raised floor works, plastering and tiling. For the period of 1 July 2021 to 30 June 2023, the respective tendering limits under the CW06 Workhead are:

Validity Period for Tendering Limits	Tendering Limit (S\$ million)						
	Single	L6	L5	L4	L3	L2	L1
1 July 2021 to 30 June 2022	unlimited	unlimited	15	7.5	4.5	1.5	0.75
1 July 2022 to 30 June 2023	unlimited	unlimited	16	8	5	1.6	0.8

9.3. Building Control Regulations 2003

Under Section 5(1) the BC Act, an application for approval of plans of any building works shall be made to the BC Commissioner by the developer of those building works. An application for approval of the plans of any building works shall be accompanied by, among others, the name and particulars of the appropriate qualified person, who is either a registered architect or a professional engineer (“**Qualified Person**”), whom the developer or builder of the building works has appointed to prepare the plans of those building works. The plans of the building works have to be prepared in accordance with the Building Control Regulations and such other requirements as the BC Commissioner may from time to time specify.

An application for a permit to carry out structural works must also be made jointly by the developer, the Specialist Builder and the Qualified Person to the BC Commissioner in order to carry out structural works.

Under the BC Act, a builder undertaking any building works shall, inter alia, ensure that the building works are carried out under the supervision of the appropriate Qualified Persons and site supervisors. They shall also undertake their building works in accordance with the BC Act, the Building Control Regulations (where applicable), the relevant plans of the building works approved by the BC Commissioner and supplied to him by the Qualified Person and any other terms or conditions imposed by the BC Commissioner.

Under Section 23 of the BC Act, if the BC Commissioner is of the opinion that any building works have been or are carried out in such a manner as (i) will cause, or will be likely to cause, a risk of injury to any person or damage to any property, (ii) will cause, or will be likely to cause, or may have caused a total or partial collapse of the building in respect of which the building works are or have been carried out, any adjoining or other building or street or land; or (iii) will render, or will be likely to render, or may have rendered the building in respect of which the building works are or have been carried out, any adjoining or other building or street or land so dangerous that it will collapse or be likely to collapse either totally or partially, he may, by order, direct the developer of those building works to immediately stop the building works and to take such remedial or other measures as he may specify to prevent the abovementioned situations from happening.

9.4. Employment Act

The Employment Act 1968 (the “**Employment Act**”) is the main legislation governing employment in Singapore. It provides for the basic terms and conditions at work for employees in Singapore. The Employment Act covers all employees under a contract of service, except seafarers, domestic workers statutory board employee or civil servant. The terms and conditions of employment for employees not covered by the Employment Act will be set forth in their respective employment contracts governed under common law.

Provisions in the Employment Act about rest days, hours of work, annual leave and other conditions of service under Part IV of the Employment Act only apply to:

- (a) a workman (doing manual labour) earning a basic monthly salary of not more than S\$4,500; and
- (b) an employee (other than a workman or a person employed in a managerial or an executive position) who is covered by the Employment Act and earns a monthly basic salary of not more than S\$2,600.

From 1 April 2016, within 14 days from the start of employment, employers must issue key employment terms in writing to employees who: (i) enter into a contract of service on or after 1 April 2016; (ii) are covered by the Employment Act and (iii) are employed for 14 days or more under the contract. Key employment terms include, but are not limited to, the full name of employer and employee, job title, main duties and responsibilities, start date of employment, duration of employment, basic salary, fixed allowances, fixed deductions, overtime pay, leave, medical benefits, probation period and notice period.

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Every term of a contract of service which provides a condition of service less favourable to an employee than any of the conditions of service prescribed by the Employment Act shall be illegal, null and void to the extent that it is so less favourable.

The penalties for a breach of the provisions of the Employment Act are provided under the relevant parts of the Employment Act. Further, under Section 112 of the Employment Act, any person who is guilty of any breach or any offence under the Employment Act for which no penalty is otherwise provided shall be liable on conviction to a fine not exceeding \$5,000 or to imprisonment for a term not exceeding 6 months or to both, and for a subsequent offence under the same Section to a fine not exceeding \$10,000 or to imprisonment for a term not exceeding 12 months or to both.

9.5. Employment of Foreign Workers in Singapore

Employment of Foreign Manpower Act

The Employment of Foreign Manpower Act 1990 (the “**EFMA**”) governs the employment of foreign workers in Singapore. The availability and the employment cost of skilled and unskilled foreign workers are affected by the government’s policies and regulations on the immigration and employment of foreign workers in Singapore.

Under Section 5(1) of the EFMA, no person shall employ a foreign employee without a valid work pass from the MOM. Any person who fails to comply with or contravenes Section 5(1) of the EFMA shall be guilty of an offence and shall (a) be liable on conviction to a fine not less than S\$5,000 and not more than S\$30,000 or to imprisonment for a term not exceeding 12 months or to both, and (b) on a second or subsequent conviction, in the case of an individual, be punished with a fine of not less than S\$10,000 and not more than S\$30,000 and with imprisonment for a term of not less than 1 month and not more than 12 months, or in any other case, be punished with a fine of not less than S\$20,000 and not more than S\$60,000.

The MOM regulates the availability of the foreign workers to the construction industry through, inter alia, the following policy instruments:

- (a) approved source countries;
- (b) quotas based on the man-year entitlements (“**MYE**”) in respect of workers from non-traditional source (“**NTS**”) countries and the People’s Republic of China (the “**PRC**”);
- (c) the imposition of security bonds and levies;
- (d) dependency ratio ceilings based on the ratio of local employee earning a local qualifying salary (“**LQS**”) to foreign workers; and
- (e) skill trade test requirement whereby the foreign worker will need to meet a basic skill requirement before he can work in Singapore.

Source countries and regions

Construction companies may only employ foreign workers from these approved source countries: Malaysia, the PRC, NTS countries (India, Sri Lanka, Thailand, Bangladesh, Myanmar and the Philippines) and North Asian source (“**NAS**”) countries (Hong Kong, Macau, South Korea and Taiwan).

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Prior approval

Construction companies must receive prior approval from the MOM for work permits of foreign workers from NTS countries and the PRC. The prior approval will indicate the number of foreign workers a company may bring in from NTS countries and the PRC. It also determines the number of workers who can have their work permits renewed, or who can be transferred from another company in Singapore. Prior approvals are given based on:

- (a) the duration of the work permits applied for;
- (b) the number of full-time local workers employed by the company over the past 3 months as reflected in the company's Central Provident Fund contribution statements;
- (c) the number of MYE allocated to the company (for NTS and PRC); and
- (d) the remaining number of the company's quota for work permits.

S-pass

In relation to the employment of foreign mid-skilled technical workers, employers must ensure that such persons apply for a S-pass. Application for S-pass is open for all nationalities but is still subject to a foreign worker levy and quota.

The S-pass is intended for foreigners who (a) earn a monthly fixed income of at least S\$2,500 (older, more experienced applicants require higher salaries to qualify); and (b) have degree or diploma level educational qualifications (technical certificates, such as courses for qualified technicians or specialists, can be considered provided that the certification includes at least 1 year of full-time study) and years of relevant work experience.

Man-year entitlements

MYE is a work permit allocation system for employment of construction workers from NTS countries and the PRC. MYE represents the total number of work permit holders a main contractor may employ based on the value of the projects or contracts awarded by the developers or owners. The allocation of MYE is in the form of the number of "man-years" required to complete a project. 1 man-year represents 1 year of employment under a work permit. Only the company that contracts a project directly from the developer or owner (*i.e.*, the main contractor) may apply for MYE, and all levels of subcontractors must obtain their MYE allocation from their main contractors. A main contractor's MYE will expire on the stated completion date of the relevant project.

Quota and levy

The dependency ratio ceiling for the construction industry is currently set at a ratio of 1 full-time local worker earning the LQS to 7 foreign workers. A foreign worker is a work permit holder or S-pass holder.

A Singaporean or Permanent Resident employee employed under a contract of service, including the company's director, is considered as:

- (a) 1 local employee (1 LQS count) if they earn the LQS of at least \$1,400 per month; and
- (b) 0.5 local employee (0.5 LQS count) if they earn half the LQS of at least \$700 to below \$1,400 per month.

This means that for every 1 LQS count, the Company can employ 7 work permit holders or S-pass holders. Further, the number of S-pass holders a company can hire is capped at 18% of the company's total workforce in the construction sector. The quota for S-pass holders for the construction sector will be reduced from 18% to 15% from 1 January 2023.

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From 1 January 2018, at least 10% of the work permit holders in the construction sector must be higher-skilled (“**R1**”) before the employer can hire any new basic-skilled (“**R2**”) construction workers or renew the work permits of existing R2 construction workers. From 1 January 2019, firms that do not meet the 10% R1 minimum will not be able to hire or renew R2 construction workers and will also have the work permits of any excess R2 construction workers revoked.

The employment of work permit holders is also subject to the payment of levies ranging from \$300 to \$950 per month, depending on their nationality, their skill level and whether they qualify for MYE waiver.

Security bond

For each NAS, NTS or PRC construction worker whom an employer has successfully obtained a work permit, a security bond of S\$5,000 in the form of a banker’s guarantee or insurance guarantee is required to be furnished. The security bond must be purchased, and details of the bond furnished to MOM before the worker arrives in Singapore. The bond should take effect on the worker’s arrival date.

Required safety courses

Foreign workers in the construction sector must attend the Apply Workplace Safety and Health in Construction Sites (previously known as the Construction Safety Orientation Course) before their work permits can be issued. Employers must ensure that the foreign workers take the course within 2 weeks of their arrival in Singapore (1 week from completion of the Stay-Home Notice). For foreign workers who have failed the course, the employer must re-register them for the course as soon as possible. If they fail to pass the course within 3 months of arrival, their work permit could be revoked. When renewing a work permit, the foreign worker’s safety course certificate must be valid for more than 1 month on the day of renewal. Otherwise, the work permit will not be renewed. Foreign workers in the construction sector need to retake and pass the safety course once every 2 years if they have worked in the construction sector for 6 years or less and once every 4 years if they have worked in the construction sector for more than 6 years.

Conditions of work permit

Employers must comply with the conditions of the work permits, such as the requirement to provide acceptable accommodation for their foreign workers and registering foreign workers’ address and mobile number information in the Online Foreign Workers Address Service. Other conditions of work permit applicable to employers of foreign construction workers include, inter alia:

- (a) ensuring that the foreign worker performs only those construction activities specified under Part V of the Fourth Schedule of the Employment of Foreign Manpower (Work Passes) Regulations 2012 (the “**Conditions**” and the “**EFMR**” respectively);
- (b) not permitting the foreign worker to be employed by or contracted to any other person or business to do work for that person or business (save as otherwise permitted under the Conditions);
- (c) providing safe working conditions for the foreign worker and taking such measures as are necessary to ensure the safety and health of the foreign worker at work;
- (d) purchasing and maintaining medical insurance with coverage of at least S\$15,000 per 12-month period of the foreign worker’s employment (or for such shorter period where the worker’s period of employment is less than 12 months) for the foreign worker’s in-patient care and day surgery except as the Controller of Work Passes (the “**Controller**”) may otherwise provide by notification in writing. Where the employer purchases group medical insurance policy for its foreign workers, the employer will not be considered to have satisfied the obligation under this condition unless the terms of the employer’s group medical insurance policy are such that each and every individual foreign worker is concurrently covered to the extent as required;

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- (e) purchasing and maintaining work injury compensation insurance for the foreign workers (as further detailed in Section 9.11 below); and
- (f) ensuring that the foreign worker has acceptable accommodation. Such accommodation must be consistent with any written law, directive, guideline, circular or other similar instrument issued by any competent authority.

While we aim to comply with the EFMA and the EFMR at all times, there can be instances of non-compliance due to inadvertent oversight. As set out at Section 4.22 titled “Prior Listing Attempt by the Target” of this Target’s Letter to Shareholders, we attempted to list on the GEM board of the Stock Exchange of Hong Kong in 2019. While preparing for the Proposed HK IPO, we were advised that there may have been some non-compliance with certain conditions of the S Pass of one of our foreign employees who was employed by us from 2009 to 2018. The potential non-compliance arose from a number of sub-contracts we awarded to the foreign employee during his employment concerning the supply of labour for the installation of joinery and carpentry works. The foreign employee provided the sub-contracting services during his employment as he had the capability to source for and manage workers for the projects. The foreign employee was remunerated in this regard. To be clear, such remuneration exceeded the minimum remuneration requirements for S Pass holders. The sub-contracting arrangement with the foreign employee may have been in breach of certain regulatory conditions applicable to S Passes as set out in the Fifth Schedule of the EFMR. Upon discovery of such potential non-compliance, we promptly took remedial action by terminating the foreign employee’s employment and cancelled his S Pass on the same day on 12 October 2018.

In connection with this, our legal advisers, Solitaire LLP, have issued a legal opinion regarding our potential liability under the EFMR and EFMA. Based on Solitaire LLP’s legal opinion, we understand and note that Solitaire LLP is of the view that:

- (a) Notwithstanding that remedial action has been taken, the Controller is empowered under the EFMA to inquire into and determine whether our company has committed a prescribed infringement under the EFMA.
- (b) Under Section 25(2) of the EFMA, the penalty for non-compliance of any regulatory condition of the S Pass is a financial penalty not exceeding S\$10,000, with the amount to be determined by the Controller.
- (c) Under Section 25E(1) of the EFMA, the officers of the employer may also possibly be held liable to the prescribed penalties and be subject to the same maximum financial penalty of S\$10,000.
- (d) Further, the employer may be held liable for abetting the prescribed infringement under Section 25(2) read with Section 25F of the EFMA. In the case of abetment, Section 25F(1) of the EFMA provides that the potential financial penalty to be imposed is likewise the maximum of the prescribed penalty under Section 25(2) which is S\$10,000.
- (e) From experience, the financial penalty will more likely be a fraction of the maximum financial penalty to be imposed (if such a penalty is in fact imposed). This takes into consideration factors including the fact that our company has no prior antecedents and has never faced any investigations or regulatory action by authorities including MOM.
- (f) The Controller may also direct the employer to take action in respect of the contravention.

As at the Latest Practicable Date, there have been no investigations or regulatory action taken against our company or our officers for any contravention in relation to the sub-contracting arrangement with the foreign employee.

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We have since have taken rectification measures to prevent a recurrence of similar non-compliance. Such measures include only awarding sub-contracts to ACRA-registered entities, ensuring that our company retains all records of our foreign workers' work passes and reviewing the conditions of the relevant work passes to make sure that the conditions are adhered to at all times. We believe that the implemented measures are effective in preventing the future recurrence of similar non-compliance by the Enlarged Group. Please refer to the Section titled "Risk Factors" for more information on the possible implications on our company in relation to our employment of foreign manpower due to the above instance of non-compliance.

As at the Latest Practicable Date, save as disclosed above, we are compliant with, and have never been found to be in contravention of the applicable law in relation to the employment of foreign manpower, including the EFMA and the EFMR.

9.6. Central Provident Fund Act

The Central Provident Fund ("CPF") system is a mandatory social security savings plan funded by contributions from employers and employees. The Central Provident Fund Act 1953 ("CPF Act") obligates an employer to make CPF contributions for all employees who are Singapore citizens or permanent residents in Singapore under a contract of service. CPF contributions do not apply to foreigners holding employment passes, S-passes or work permits.

CPF contributions are required for both ordinary wages and additional wages up to the annual ceiling at the applicable prescribed rates which vary based on monthly wages and the age of the employee. An employer must pay both the employer's and employee's shares of the monthly CPF contributions for employees who are Singapore citizens or Singapore permanent residents. CPF contributions are due at the end of the month and an employer has a grace period of 14 days to make payment. An employer may recover the employee's share of CPF contributions through deductions from salary payments. For failure to comply with the CPF Act, an employer may be liable to pay late payment interest charged at 18% per annum (1.5% per month), starting from the first day of the following month after the contributions are due. The minimum interest payable is S\$5 per month. If convicted of an offence under the CPF Act, the employer may also be liable to a fine not exceeding S\$5,000 and no less than \$1,000 per offence or to imprisonment for a term not exceeding six months or to both; and if that person is a repeat offender in relation to the same offence, to a fine not exceeding S\$10,000 and no less than \$2,000 per offence or to imprisonment for a term not exceeding 12 months or to both.

9.7. Environmental Laws and Regulations

Environmental Protection and Management Act

The Environmental Protection and Management Act 1999 of Singapore ("EPMA") provides for the protection and management of the environment and regulates air pollution, water pollution, land pollution and noise control.

Under Section 14 of the EPMA, the principal contractor with control of a construction site may not use combustible materials or fuel burning equipment in restricted areas. A breach of Section 14 constitutes an offence under the EPMA and is punishable on the first conviction with a fine not exceeding S\$20,000 and a further fine not exceeding S\$1,000 for every day or part thereof during which the offence continues after conviction; and on a second or subsequent conviction with a fine not exceeding S\$50,000 and a further fine not exceeding S\$2,000 for every day or part thereof during which the offence continues after conviction.

Under Section 15 of the EPMA, the principal contractor with control of a construction site may not cause the discharge of trade effluent, oil, chemical, sewage or other polluting matters into any drain or land. A breach of this provision constitutes an offence under the EPMA and is punishable under Section 17 of the EPMA on the first conviction with a fine not exceeding S\$50,000 or to imprisonment for a term not exceeding 12 months or to both, and on a second or subsequent conviction with both imprisonment for a term of not less than one month and not more than 12 months and a fine not exceeding S\$100,000.

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Environmental Protection and Management (Noise Control) Regulations

The Environmental Protection and Management (Noise Control) Regulations (Cap. 94A, Section 77) ("**Noise Control Regulations**") requires the owner or occupier of any construction site to ensure that the level of noise emitted from the construction site does not exceed the prescribed levels, and prohibits construction work less than 150 metres from any hospital, home for the aged sick or residential building during certain prescribed periods. Failure to comply with the Noise Control Regulations constitutes an offence and shall be liable on conviction to a fine not exceeding S\$40,000 and to a further fine not exceeding S\$1,000 for every day or part thereof during which the offence continues after conviction.

Environmental Protection and Management (Boundary Noise Limits for Factory Premises) Regulations

The Environmental Protection and Management (Boundary Noise Limits for Factory Premises) Regulations (Cap. 94A, Section 77) ("**Factory Noise Regulations**") requires the owner or occupier of factory premises to ensure that the noise levels emitted from its premises do not exceed the maximum permissible noise levels set out in the Factory Noise Regulations. Failure to comply with the Factory Noise Regulations constitutes an offence and such offender shall be liable on the first conviction to a fine not exceeding S\$5,000 and to a further fine not exceeding S\$200 for every day or part thereof during which the offence continues after conviction, and on a second or subsequent conviction to a fine not exceeding S\$10,000 and to a further fine not exceeding \$300 for every day or part thereof during which the offence continues after conviction.

Environment Public Health Act

The Environment Public Health Act 1987 ("**EPHA**") regulates matters relating to environmental public health, such as the disposal and treatment of industrial waste, and the prevention of public nuisance.

Under Part V of the EPHA, public nuisances are liable to be dealt with by way of a nuisance order on the person causing the nuisance, or the owner/occupier on whose premises the nuisance arises. Public nuisances include, among others, construction sites or factory sites that are in a state that is a nuisance or injurious or dangerous to health, or the production of dust, fumes, vapours or smells that amount to a nuisance or are injurious or dangerous to health. The nuisance order may require, among others, works to be executed or things to be done to abate or prevent the nuisance, or stoppage of the work causing the nuisance. The failure to comply with a nuisance order constitutes an offence under the EPHA and is punishable on a first conviction with a fine not exceeding S\$10,000 and a further fine not exceeding S\$1,000 for every day or part thereof during which the offence continues after conviction, and on a second or subsequent conviction with a fine not exceeding S\$20,000 or imprisonment for a term not exceeding 3 months or to both, and with a further fine not exceeding S\$1,000 for every day or part thereof during which the offence continues after conviction.

Control of Vectors and Pesticides Act

The Control of Vectors and Pesticides Act 1998 ("**CVPA**") governs, among others, the destruction of vectors and the control of vector-borne diseases. The CVPA prohibits the creation of any condition favourable to the propagation or harbouring of vectors. Where it appears to the Director-General that any premises is or may become favourable to the propagation or harbouring of vectors, the Director-General may make an order to the owner or occupier of such premises to, among others, commence vector control work or other specified measures. Failure to comply with such an order is an offence under the CVPA and is punishable with a fine not exceeding S\$20,000 or with imprisonment for a term not exceeding 3 months or with both, and in the case of a second or subsequent conviction, with a fine not exceeding S\$50,000 or with imprisonment for a term not exceeding 6 months or with both.

9.8. Workplace Safety and Health Measures**Workplace Safety and Health Act**

Under the Workplace Safety and Health Act 2006 of Singapore (“**WSHA**”), every employer must take such measures as are necessary and reasonably practicable to ensure the safety and health of its employees at work. These measures include:

- (a) providing and maintaining a work environment that is safe, without risk to health, and adequate as regards facilities and arrangements for the employees’ welfare at work;
- (b) taking adequate safety measures concerning machinery, equipment, plant, article or process used by the employees;
- (c) ensuring that employees are not exposed to hazards arising out of the arrangement, disposal, manipulation, organisation, processing, storage, transport, working or use of things in their workplace, or near their workplace and under the control of the employer;
- (d) developing and implementing procedures for dealing with emergencies; and
- (e) ensuring that employees have adequate instruction, information, training and supervision for them to perform their work.

The Workplace Safety and Health (Construction) Regulations 2007 of Singapore sets out specific duties of an occupier of a worksite that include appointing a workplace safety and health co-ordinator for every worksite stipulated under the regulations to:

- (a) assist the occupier of the worksite to identify any unsafe condition in the worksite or unsafe work practice which is carried out in the worksite; and
- (b) recommend to and assist the occupier of the worksite to implement such reasonably practicable measures to remedy the unsafe condition or unsafe work practice.

The Workplace Safety and Health (General Provisions) Regulations 2007 also impose specific duties on employers. These duties include taking effective measures to protect employees from the harmful effects of exposure to infectious agents and biohazardous materials.

Demerit Point Scheme

The MOM has also implemented a demerit point system for the construction sector. All main contractors and subcontractors will be issued demerit points for breaches under the WSHA and its subsidiary legislation. Under the single-stage demerit point system, the number of demerit points depends on the severity of the infringement. Demerit points for a contractor are calculated by adding the points accumulated from all the worksites under the same contractor. Contractors, including all main and subcontractors, that accumulate a pre-determined number of demerit points within an 18- month period, will be debarred from employing foreign workers. Contractors issued demerit points will be informed by the MOM in writing. The list of contractors with any demerit points will also be made publicly available on the MOM website.

9.9. Foreign Employee Dormitories Act

The Foreign Employee Dormitories Act 2015 (“**FEDA**”), regulated by the MOM, provides a regulatory framework for the provisions of facilities and amenities and the delivery of services to residents of foreign employee dormitories who are foreign workers by providing for the licensing of operators of such dormitories, certain minimum accommodation standards and the promotion of the sustainability of and continuous improvements in the provisions of services to foreign workers who are residents of such dormitories.

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The FEDA is not applicable to our company as we do not house more than 1,000 foreign workers in the dormitory section of our processing facility. Nevertheless, our dormitory which houses a total of 15 foreign workers adheres to the minimum standards prescribed by FEDA such as the maximum number of residents per dormitory room, availability of en-suite toilet per room, and the segmentation of communal facilities such as cooking, dinning and laundry facilities for each floor of the dormitory.

9.10. Building and Construction Industry Security of Payment Act

The Building and Construction Industry Security of Payment Act 2004 of Singapore (“**BCISPA**”), regulated by the BCA, confers a statutory entitlement to progress payments on any person who has carried out any construction work or supplied any goods or services under a contract. The BCISPA also contains provisions relating to, inter alia, the amount of progress payment to which a person who has carried out any construction work is entitled under a contract, the valuation of the construction work carried out and the date on which a progress payment becomes due and payable (even where a construction contract does not provide for such date).

9.11. Workmen’s Compensation

The Work Injury Compensation Act

The Work Injury Compensation Act 2019 (“**WICA**”), which is regulated by the MOM, applies to all employees (with the exception of those set out in the Third Schedule of the WICA) who have entered into or works under a contract of service or apprenticeship with an employer, in respect of injury suffered by them in the course of their employment and sets out, inter alia, the amount of compensation they are entitled to and the method(s) of calculating such compensation. The WICA provides that if in any employment personal injury by accident arising out of and in the course of the employment is caused to an employee, the employer shall be liable to pay compensation in accordance with the provisions of WICA. The WICA does not cover self-employed persons or independent contractors.

The WICA further provides, inter alia, that, where any person (referred to as the principal) in the course of its business or for the purpose of his trade or business contracts with any other person (referred to as the contractor) for the execution by the contractor of the whole or any part of any work, or for the supply of labour to carry out any work, undertaken by the principal, the principal shall be liable to pay to any employee employed in the execution of the work any compensation which he would have been liable to pay if that employee had been immediately employed by the principal.

Several key changes to WICA have taken effect from 1 September 2020, which include, inter alia:

- (a) changes in compensation and medical expenses limits;
- (b) expansion of the scope of compensation to include light duties;
- (c) increase of the salary threshold for non-manual employees requiring work injury compensation insurance; and
- (d) addition of the employers’ obligation to report any instances of leave arising from work injury, including light duties.

Work Injury Compensation Insurance

Pursuant to Section 23 of WICA, an employer needs to get work injury compensation (“WIC”) insurance for all employees doing manual work, as well as all employees earning S\$2,600 or less a month, for both local and foreign employees. From 1 January 2021, all WIC insurance policies must be issued by a designated insurer, and must comply with the MOM’s compulsory terms. The employer may not defray or partly defray the costs of insurance by deducting a sum from the earnings of the employee in his employment. Employers who fail to provide adequate insurance under WICA may be fined up to S\$10,000 and/or imprisoned for up to 12 months. In addition, they may be barred from employing foreign workers in the future. Employers who illegally defray or partly defray their costs by deducting an amount from the employee’s income will be liable upon conviction to a fine not exceeding S\$5,000 or to imprisonment for a term not exceeding 6 months or to both.

Specifically for the construction industry, from 1 September 2020, an employer should not get new project WIC policies. A project WIC policy refers to the portions of project insurance policies that provide coverage for work injury sustained at a project site, or while doing work for a specific project. There are WIC claims that are covered under both a project WIC policy and the employer’s WIC policy. Such duplicate coverage can lead to delays and disputes over who should compensate the injured employee or to reimburse the employer. An employer must get WIC insurance for its employees, even if they are covered by project WIC policies, as project WIC policies do not cover some instances of work injury, such as injury that occurred in company transport or while working outside the project site.

9.12. Companies Act

The Companies Act 1967 of Singapore (the “**Companies Act**”) and its subsidiary legislation regulate the business formation, company structure, shareholder rights, duties of directors and officers and specify other compliance requirements, such as capital maintenance, declaration of dividends, and restrictions against acquisition of shares in the company. Under the Companies Act, a Singapore company has full power and capacity to undertake any business or activity not restricted under its constitution or under applicable law.

9.13. Income Tax Act

A company is regarded as tax resident in Singapore if the control and management of its business is exercised in Singapore.

Singapore corporate taxpayers are subject to Singapore income tax on income accruing in or derived from Singapore and on foreign income received or deemed to be received in Singapore unless otherwise exempted.

The corporate income tax rate in Singapore has been fixed at 17% since 2010. Tax is calculated based on a company’s chargeable income, *i.e.*, taxable revenues less allowable expenses and other allowances. Eligible companies enjoy partial tax exemption prevailing from time to time at reduced tax rates for part of the chargeable income.

9.14. Personal Data Protection Act 2012

The Personal Data Protection Act 2012 (“**PDPA**”) governs the collection, use and disclosure of individuals’ personal data by organisations. An organisation is required to comply with, *inter alia*, the following obligations to:

- (a) obtain the consent of individuals before collecting, using or disclosing his personal data, save in situations required and authorised under the PDPA or any other written law;
- (b) notify the individual of the purpose(s) for which it intends to collect, use or disclose the individual’s personal data on or before such collection, use or disclosure of the personal data;

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- (c) collect, use or disclose personal data about an individual only for purposes that a reasonable person would consider appropriate in the circumstances and, if applicable, have been notified to the individual concerned;
- (d) upon request by the relevant individual (i) provide an individual with his or her personal data in the possession or under the control of the organisation and information about the ways in which the personal data may have been used or disclosed during the past year; and (ii) correct an error or omission in an individual's personal data that is in the possession or under the control of the organisation;
- (e) make a reasonable effort to ensure that personal data collected by or on behalf of the organisation is accurate and complete if the personal data is likely to be used by the organisation to make a decision that affects the individual concerned or disclosed by the organisation to another organisation;
- (f) protect personal data in its possession or under its control by making reasonable security arrangements to prevent unauthorised access, collection, use, disclosure, copying, modification, disposal or similar risks;
- (g) cease to retain documents containing personal data, or remove the means by which the personal data can be associated with particular individuals as soon as it is reasonable to assume that (i) the purpose for which the personal data was collected is no longer being served by the retention of the personal data; and (ii) retention is no longer necessary for legal or business purposes;
- (h) not transfer any personal data to a country or territory outside Singapore except in accordance with the requirements prescribed under the PDPA; and
- (i) develop and implement the necessary policies and practices in order to meet its obligations under the PDPA and make information about its policies and practices available on request.

If an organisation is found to be in breach of the PDPA, the Personal Data Protection Commission of Singapore may require it to (i) stop collecting, using or disclosing personal data in contravention of the PDPA; (ii) destroy personal data collected in contravention of the PDPA; (iii) provide access to or correct the personal data; and/or (iv) pay a financial penalty of an amount not exceeding S\$1 million. A contravention of the PDPA may also give rise to civil or criminal liabilities.

The first phase of amendments of the Personal Data Protection (Amendment) Act 2020 which has taken effect on 1 February 2021 include, inter alia, a mandatory data breach notification which requires organisations to take steps to assess whether a data breach is notifiable under the PDPA. Organisations will be required to notify the Personal Data Protection Commission of a data breach that results in, or is likely to result in, significant harm to affected individuals or affects 500 or more individuals.

9.15. COVID-19 Laws and Regulations

COVID-19 (Temporary Measures) Act

The COVID-19 (Temporary Measures) Act 2020 ("**COTMA**") was passed by the Singapore Parliament on 7 April 2020. The COTMA and its subsidiary legislation provide for temporary relief, arrangements and measures for businesses and individuals in the wake of the COVID-19 pandemic.

In addition to these regulations, the Singapore government introduces various support measures from time to time such as foreign worker levy rebates, the Jobs Support Scheme and the Construction Restart Booster to help alleviate the adverse consequences that the COVID-19 pandemic has caused to businesses in Singapore.

Part 2 – Temporary Relief for Inability to Perform Contracts

Part 2 of the COTMA seeks to offer temporary relief for a prescribed period upon service of a Notification of Relief (“NFR”), from the stipulated types of legal and enforcement actions due to inability to perform contractual obligations arising from the COVID-19 pandemic. For construction and supply contracts, the following reliefs apply upon service of an NFR if the conditions under the COTMA are met:

- (a) First, defaulting parties are provided with a defence against any claims for breach of contract in respect of their inability to supply goods or services in accordance with the terms of their contract if that inability is due to a COVID-19 event and occurs between 1 February 2020 and 28 February 2022 (both dates inclusive).
- (b) Second, any period during which the defaulting party is unable to perform a contractual obligation due to COVID-19 and which falls between 1 February 2020 and 28 February 2022 (both dates inclusive) will be disregarded in calculating any liquidated damages (or other types of damages) payable. These two additional reliefs continue to apply after the expiry of the prescribed period (on 28 February 2022) provided the NFR was served during the prescribed period.
- (c) Third, during the prescribed period, the non-defaulting party may not call upon a performance bond in relation to the defaulting party’s inability to perform a contractual obligation due to COVID-19 at any time earlier than 7 days before the date of expiry of the performance bond.

Contractors affected by COVID-19 can seek temporary relief from legal and enforcement actions by serving an NFR by 28 February 2022. If an agreement cannot be reached or if there is a dispute as to whether the relief triggered by the NFR applies, either party may submit an application for the Assessor’s determination up to two months after the end of the relief period, latest by 30 April 2022.

Part 7 – COVID-19 Control Orders

Under Section 34(1) of the COTMA, the government may make regulations called control orders for the purpose of preventing, protecting against, delaying or otherwise controlling the incidence or transmission of COVID-19 in Singapore.

In exercise of the powers conferred by Section 34(1) of the COTMA, the Minister for Health has made the COVID-19 (Temporary Measures) (Control Order) Regulations 2020 which came in force on 7 April 2020 and which will be discussed below.

Part 8B – Temporary Measures for Cost-Sharing in Construction Contracts

Part 8B of the COTMA provides for cost-sharing of additional non-manpower qualifying costs including the rental of plant or equipment, cost for maintaining the construction site by third parties, cost for extending insurance or bond and rent for premises in Singapore for storage between contracting parties due to delays caused by COVID-19. The qualifying costs must be incurred by the contractor arising from its inability to complete the construction works by the completion date, where such inability is to a material extent caused by a COVID-19 event. Cost-sharing relief under Part 8B apply to delays during the period from 7 April 2020 to 28 February 2022. The cost-sharing percentage is at 50% of the qualifying costs, subject to a monthly cap of 0.2% of contract sum per month and a total of 1.8% of the contract sum.

Cost-sharing relief under Part 8B will apply to all construction contracts (including subcontracts) (a) that were entered into before 25 March 2020, excluding construction contracts that were renewed other than automatically on or after 25 March 2020; (b) if there were construction works that were not certified to be completed under the construction contracts as at 7 April 2020; and (c) that remained in force on 2 November 2020.

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Contractors need to include the cost-sharing claims in their regular payment claims to their customers that engaged their services. Contractors will have to indicate in the claims the period within the specified period between 7 April 2020 and 28 February 2022 in which the contractor was unable to meet the completion date, and include the corresponding qualifying costs incurred for such inability in that particular specified period in the payment claim. Contract parties to construction contracts are encouraged to negotiate in good faith and agree on amicable outcomes for their contracts. Any disputes on cost-sharing shall be treated in a similar manner as a payment dispute under the BCISPA. Contractors can submit an adjudication application under the BCISPA and the BCISPA adjudicators will determine whether the cost-sharing relief applies and the quantum of co-sharing between the parties.

Part 10A – Reliefs for Construction Contracts Affected by Increase in Foreign Manpower Salary Costs

Tightened border control measures, including quotas that limit the inflow of migrant workers, implemented due to the COVID-19 pandemic have led to manpower shortages and increases in manpower cost. To ensure that parties along the value chain in construction projects step up to co-share the increased costs, Part 10A of the COTMA was passed by the Singapore Parliament in May 2021 to provide relief for construction contracts affected by the increase in foreign manpower salary costs by facilitating sharing of the increase in costs between project parties.

Contract parties to construction contracts are encouraged to discuss and arrive at an amicable outcome to share the burden of increased manpower costs. If the contract parties are unable to reach an amicable outcome, Part 10A of COTMA which commenced on 6 August 2021 allows contractors in eligible contracts to apply to an independent assessor (the “**Assessor**”). The Assessor has the power to adjust the contract sum of eligible construction contracts by taking into consideration the increase in foreign manpower salary cost incurred anytime during the period from 1 October 2020 to 31 March 2022 (both dates inclusive). The contractor must show proof of reasonable attempts to negotiate with their customers before they can apply to an Assessor and the last day to apply for an Assessor’s determination is 31 May 2022.

9.16. COVID-19 Safe Management Measures

In addition to the regulations set out below, the government, including the BCA and MOM, imposes sector-specific requirements which are updated from time to time depending on the COVID-19 situation. Such requirements include the implementation of the fast and easy testing and rostered testing regimes for the construction sector.

Workplace Safety and Health (COVID-19 Safe Workplace) Regulations 2021

The Workplace Safety and Health (COVID-19 Safe Workplace) Regulations 2021 (the “**Workplace Regulations**”) were gazetted on 29 December 2021 and came into operation on 1 January 2022. The Workplace Regulations provide for work-from-home arrangements for employees, workplace access and vaccination, and workplace safe management measures.

Under Part 3 of the Workplace Regulations, employers must take necessary measures to ensure that employees and other individuals who enter or remain in work premises are vaccinated against COVID-19 infections. Part 4 of the Workplace Regulations further provides for workplace safe management measures including the wearing of masks when at work premises, maintaining a physical distance of at least one metre between employees and necessary contract tracing and entry controls measures.

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COVID-19 (Temporary Measures) (Control Order) Regulations 2020

In exercise of the powers conferred by Section 34(1) of the COTMA, the Minister for Health has made the COVID-19 (Temporary Measures) (Control Order) Regulations 2020 (the “**COVID-19 Regulations**”) which came in force on 7 April 2020. The Regulations provide for, inter alia, safe management measures in the workplace including special workplace safe management measures at construction sites. Special workplace measures specific to the building sector as set out in Part 1, Schedule 2 of the COVID-19 Regulations include:

- (a) the grouping and deployment of construction and building elements supply workers at the work site in separate groups according to trade, building operation or activity to be carried out and place of residence so as to minimise physical interaction between different segregated teams when they are at work;
- (b) ensuring as far as practicable that construction and building elements supply workers are transported to and from the work site, and be allowed to take breaks at or around the work site, only in their separate segregated teams, so as to minimise physical interaction between the workers in the different segregated teams when they are at work and during their permitted breaks at the work site; and
- (c) maintaining a distance of at least two metres between any two workers if they belong to different segregated teams.

COVID-19 (Temporary Measures) (Foreign Employee Dormitories – Control Order) Regulations 2020

In exercise of the powers conferred by Section 34(1) of the COTMA, the Minister for Health has made the COVID-19 (Temporary Measures) (Foreign Employee Dormitories – Control Order) Regulations 2020 (the “**Dormitory Regulations**”) which came in force on 14 September 2020. The Dormitory Regulations set out safe management measures for foreign employees who are dormitory residents. These include regulations on the entering and leaving of dormitories by residents, minimising physical contact and maintaining segregated rooming arrangements for residents.

10. SELECTED FINANCIAL INFORMATION OF THE TARGET

The following selected financial information of the Target should be read in conjunction with the full text of this Circular, including the “Independent Auditor’s Report and the Audited Financial Statements for the Reporting Years Ended 30 June 2019, 30 June 2020 and 30 June 2021 of Lincotrade & Associates Pte Ltd” and the “Independent Auditor’s Review Report and the Unaudited Condensed Interim Financial Statements for the Eight-Month Ended 28 February 2022 of Lincotrade & Associates Pte Ltd” and the “Independent Auditor’s Report and the Compilation of Unaudited Pro Forma Financial Information of Lincotrade & Associates Pte Ltd for the Reporting Year Ended 30 June 2021 and Eight-Month Ended 28 February 2022” as set out in Appendices B, C and D of this Circular respectively, and Section 11 titled “Management’s Discussion and Analysis of Results of Operations and Financial Position” of this Target’s Letter to Shareholders.

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10.1. Statements of Profit or Loss of the Target

S\$'000	Audited			Unaudited	
	FY2019	FY2020	FY2021	8M2021	8M2022
Revenue	25,061	18,715	37,318	19,388	24,491
Cost of sales	(21,188)	(17,460)	(32,620)	(17,404)	(21,299)
Gross profit	3,873	1,255	4,698	1,984	3,192
Interest income	4	10	10	5	3
Other income and gains	27	268	706	471	171
Administrative expenses	(1,410)	(1,509)	(1,251)	(701)	(1,156)
Finance costs	(31)	(25)	(124)	(74)	(93)
Other expenses	(1,151)	(1,066)	(1,105)	(749)	(790)
Other losses	(917)	(597)	(181)	–	(479)
Profit/(loss) before tax	395	(1,664)	2,753	936	848
Income tax (expense)/income	(324)	27	(395)	(2)	(303)
Profit/(Loss) for the year/period	71	(1,637)	2,358	934	545
Earnings / (loss) per share					
Basic and diluted ⁽¹⁾	0.05	(1.09)	1.57	0.62	0.36

Note:

- (1) Based on 1,500,000 shares, being the weighted number of ordinary shares in issue outstanding during the Period Under Review. There is no dilution of earnings or loss per share as there are no shares under options.

10.2. Statements of Financial Position of the Target

	Audited	Unaudited	Unaudited Pro Forma	
	As at 30 June 2021 S\$'000	As at 28 February 2022 S\$'000	As at 30 June 2021 S\$'000	As at 28 February 2022 S\$'000
ASSETS				
<u>Non-current assets</u>				
Property, plant and equipment	1,893	1,627	1,893	1,627
Right-of-use assets	224	183	224	183
Trade and other receivables	3,021	3,543	3,021	3,543
Deferred tax assets	–	9	–	9
Total non-current assets	5,138	5,362	5,138	5,362
<u>Current assets</u>				
Contract assets	10,534	11,860	10,534	11,860
Other assets	505	362	505	362
Trade and other receivables	4,501	3,449	4,501	3,449
Cash and cash equivalents	3,873	4,809	2,773	3,709
Total current assets	19,413	20,480	18,313	19,380
Total Assets	24,551	25,842	23,451	24,742

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	Audited	Unaudited	Unaudited Pro Forma	
	As at 30 June 2021	As at 28 February 2022	As at 30 June 2021	As at 28 February 2022
	S\$'000	S\$'000	S\$'000	S\$'000
EQUITY AND LIABILITIES				
<u>Equity attributable to owners</u>				
Share capital	1,500	1,500	1,500	1,500
Retained earnings	4,940	5,485	3,840	4,385
Total equity / Net assets	6,440	6,985	5,340	5,885
<u>Non-current liabilities</u>				
Lease liabilities	266	206	266	206
Other financial liabilities	4,594	3,599	4,594	3,599
Total non-current liabilities	4,860	3,805	4,860	3,805
<u>Current liabilities</u>				
Income tax provision	322	242	322	242
Trade and other payables	8,181	7,651	8,181	7,651
Contract liabilities	264	672	264	672
Lease liabilities	89	90	89	90
Other financial liabilities	4,395	6,397	4,395	6,397
Total current liabilities	13,251	15,052	13,251	15,052
Total liabilities	18,111	18,857	18,111	18,857
Total equity and liabilities	24,551	25,842	23,451	24,742

10.3. Basis of preparation for the unaudited pro forma financial information

The summary unaudited pro forma financial information for FY2021 and 8M2022 has been prepared, for illustrative purposes only and based on certain assumptions and after making certain adjustments for the transaction as below (the “**Significant Event**”) to show what (i) the unaudited pro forma statements of financial position of the Target as at 30 June 2021 and 28 February 2022 would have been if the Significant Event had occurred as at 30 June 2021 and 28 February 2022; and (ii) the unaudited pro forma statements of cash flows of the Target for the reporting year ended 30 June 2021 and the eight months period ended 28 February 2022 would have been if the Significant Event had occurred on 30 June 2021 and 28 February 2022 respectively. Due to the nature of the unaudited pro forma financial information, such unaudited pro forma financial information does not represent the Target's actual financial position or cash flows.

The Significant Event is:-

Declaration of final dividends

On 10 March 2022, the shareholders of the Target, approved a final dividend of S\$0.73 per ordinary share of the Target at the Target's annual general meeting totalling S\$1.1 million in respect of the financial year ended 30 June 2021. The Target intends to make payment no later than December 2022. Notwithstanding that payment of such dividends may be made after the completion of the Proposed Acquisition, the Company will not be entitled to such dividends and the dividends will be paid to the shareholders of the Target as at the date of declaration.

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For the purpose of preparation of the unaudited pro forma financial position of the Target as at 30 June 2021 and 28 February 2022, dividends declared by the Target are assumed to have been declared and paid on 30 June 2021 and 28 February 2022 respectively. Accordingly, the balances showing cash and cash equivalents decreased by S\$1.1 million, dividends paid increased by S\$1.1 million and retained profits decreased by S\$1.1 million as at 30 June 2021 and 28 February 2022.

For the purpose of preparation of the unaudited pro forma cash flows of the Target for the reporting year ended 30 June 2021 and the eight-month period ended 28 February 2022, dividends amounting to S\$1.1 million declared by the Target are assumed to have been declared and paid on 30 June 2021 and 28 February 2022 respectively. Accordingly, the balances showing the cash and cash equivalents as at 30 June 2021 and 28 February 2022 decreased by S\$1.1 million.

11. MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL POSITION

The following discussion of the results of operations and financial position has been prepared by the management of the Target and should be read in conjunction with the "Independent Auditor's Report and the Audited Financial Statements for the Reporting Years Ended 30 June 2019, 30 June 2020 and 30 June 2021 of Lincotrade & Associates Pte Ltd", "Independent Auditor's Review Report and the Unaudited Condensed Interim Financial Statements for the Eight-Month Period ended 28 February 2022 of Lincotrade & Associates Pte Ltd" and the "Independent Auditor's Report and the Unaudited Pro Forma Financial Statements for the Reporting Year Ended 30 June 2021 and Eight-Month Period Ended 28 February 2022 of Lincotrade & Associates Pte Ltd" as set out in Appendices B, C, and D respectively of this Circular.

This discussion contains forward-looking statements that involve risks and uncertainties. The actual results may differ significantly from those projected in the forward-looking statements including, but not limited to, those discussed in the "Risk Factors" Section of this Circular. Under no circumstances should the inclusion of such forward-looking statements herein be regarded as a representation, warranty or prediction with respect to the accuracy of the underlying assumptions by the Target, the Sponsor or any other person. Shareholders and prospective investors are cautioned not to place undue reliance on these forward-looking statements that speak only as of the date hereof. Please refer to the "Cautionary Note Regarding Forward-Looking Statements" Section of this Circular.

Except as otherwise indicated, the following discussion is based on the Target's audited financial statements and unaudited condensed interim financial statements.

The unaudited pro forma financial information set out in Appendix D of the Circular has been prepared for illustration purposes only. The unaudited pro forma financial information because of their nature, may not give a true picture of the Target's actual financial results or position.

11.1. Overview

We are a Singapore based company specialising in the provision of interior-fitting out services and A&A works for commercial and residential projects. We also provide building construction services, mainly building showflats and sales galleries. We have a processing facility where we can process and supply the Carpentry Products required for our projects.

During the Period Under Review and as at the Latest Practicable Date, we are a General Builder Licence Class 1 holder and are registered as a grade L6 contractor in the Workhead of Interior Decoration & Finishing Works (CR06) and grade C1 in the Workhead of Construction – General Building (CW01).

During the Period Under Review, our revenue was derived from projects in the following three segments: (a) commercial premises, such as offices, hotels, food and beverage establishments and shopping malls; (b) residential premises such as condominium developments; and (c) showflats.

Please refer to Section 4 titled "Business Overview" of this Target's Letter to Shareholders for further details of our business.

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Revenue

Our interior fitting-out services are provided on a project-by-project basis. Our revenue is generally recognised when (or as) a performance obligation is satisfied, i.e., when control of the goods or services underlying the particular performance obligation is transferred to the customer. We recognise our revenue by using the input method, whereby revenue is recognised on the basis of our efforts or inputs to the satisfaction of a performance obligation such as costs incurred relative to the total expected inputs to the satisfaction of that performance obligation.

Due to the nature of our business, which is project-based and one-off in nature, our revenue in a particular financial year/period would depend mainly on the value of the projects secured and percentage of works completed. In general, more revenue would be recognised in a financial year/period when the construction of a project is well underway during the financial year/period and less revenue recognised when a project is at the initial stage or nearing completion.

The breakdown of our revenue by business segments for the Period Under Review is as follows:-

	FY2019		FY2020		FY2021		8M2021		8M2022	
	S\$'000	%	S\$'000	%	S\$'000	%	S\$'000	%	S\$'000	%
Commercial	14,286	57.0	15,054	80.4	27,837	74.6	15,308	79.0	19,293	78.8
Residential	4,834	19.3	2,069	11.1	3,616	9.7	1,434	7.4	3,775	15.4
Showflats	5,941	23.7	1,592	8.5	5,865	15.7	2,646	13.6	1,423	5.8
	25,061	100.0	18,715	100.0	37,318	100.0	19,388	100.0	24,491	100.0

We derive all our revenue during the Period Under Review from Singapore.

The factors affecting the revenue recognised during the Period Under Review include the following:

- (i) market demand for interior-fitting services from the commercial and residential sectors and property developers for showflats;
- (ii) the stage of a project and/or percentage of works carried out for a project during a particular financial year/period;
- (iii) our ability to compete effectively and secure new contracts;
- (iv) our ability to ensure works and services performed are carried out satisfactorily and within contractual timelines;
- (v) our ability to secure and maintain the relevant licenses, registrations, permits or approvals necessary for our business operations; and
- (vi) our ability to secure performance bonds required for our projects.

Please refer to Section 2.7 titled “Risk Factors” of this Circular for other factors that may affect our revenue and financial performance.

Cost of Sales

Cost of sales refer to costs that are directly related to our project works and can be further divided into subcontracting costs, direct material costs, direct labour costs, and overheads, which amounted to approximately S\$21.2 million, S\$17.5 million, S\$32.6 million, respectively for FY2019, FY2020 and FY2021 and approximately S\$17.4 million and S\$21.3 million for 8M2021 and 8M2022 respectively.

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The table below sets forth a breakdown of our cost of sales by nature and percentage contribution to total cost of sales for the financial years/periods indicated:

	FY2019		FY2020		FY2021		8M2021		8M2022	
	S\$'000	%	S\$'000	%	S\$'000	%	S\$'000	%	S\$'000	%
Subcontracting costs	11,104	52.4	7,885	45.2	19,235	59.0	8,760	50.3	11,582	54.4
Direct material costs	6,218	29.3	6,091	34.9	9,378	28.7	6,250	35.9	6,642	31.2
Direct labour costs	2,901	13.7	2,716	15.5	2,797	8.6	1,652	9.5	2,266	10.6
Overheads	965	4.6	768	4.4	1,210	3.7	742	4.3	809	3.8
Total	21,188	100.0	17,460	100.0	32,620	100.0	17,404	100.0	21,299	100.0

Subcontracting costs refer to the costs of engaging subcontractors from time to time for our projects. Such costs are incurred mainly in relation to projects for the supply and installation of building products, mechanical and electrical works and other on-site installation works. Subcontracting costs accounted for approximately 52.4%, 45.2%, 59.0%, 50.3% and 54.4% of our total cost of sales in FY2019, FY2020, FY2021, 8M2021 and 8M2022, respectively.

Direct material costs are incurred in the purchase of materials used for our projects, such as timber door frame, timber door panel, metal door frame, metal door panel, ceiling lining and drywall lining products, plywood, particle board, plastic laminate and other ancillary products such as furniture, hardware and accessories. Direct material costs accounted for approximately 29.3%, 34.9%, 28.7%, 35.9% and 31.2% of our total cost of sales in FY2019, FY2020, FY2021, 8M2021 and 8M2022, respectively.

Direct labour costs consist of salaries and wages, CPF contribution and other staff benefits for staff directly involved in our project works, such as supervisors and construction workers and accounted for approximately 13.7%, 15.5%, 8.6%, 9.5% and 10.6% of our total cost of sales in FY2019, FY2020, FY2021, 8M2021 and 8M2022, respectively.

Overheads refer to other costs incurred in connection with our projects, such as rental of equipment, transportation expenses and insurance directly attributable to the projects and accounted for approximately 4.6%, 4.4%, 3.7%, 4.3% and 3.8% of our total cost of sales in FY2019, FY2020, FY2021, 8M2021 and 8M2022, respectively.

Commercial segment

The breakdown of cost of sales for the commercial segment is as follows:-

	FY2019		FY2020		FY2021		8M2021		8M2022	
	S\$'000	%	S\$'000	%	S\$'000	%	S\$'000	%	S\$'000	%
Subcontracting costs	5,959	52.6	6,040	43.6	14,916	60.8	7,323	53.0	10,070	59.5
Direct material costs	3,645	32.1	5,251	37.9	6,798	27.7	4,776	34.6	4,634	27.4
Direct labour costs	1,331	11.7	2,096	15.1	2,050	8.4	1,257	9.1	1,670	9.9
Overheads	403	3.6	479	3.4	756	3.1	462	3.3	552	3.2
Total	11,338	100.0	13,866	100.0	24,520	100.0	13,818	100.0	16,926	100.0

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Residential segment

The breakdown of cost of sales for the residential segment is as follows:-

	FY2019		FY2020		FY2021		8M2021		8M2022	
	S\$'000	%	S\$'000	%	S\$'000	%	S\$'000	%	S\$'000	%
Subcontracting costs	1,431	33.2	936	45.3	904	28.1	292	17.7	674	20.6
Direct material costs	1,860	43.2	581	28.2	1,774	55.0	1,074	65.2	1,985	60.6
Direct labour costs	872	20.3	455	22.0	435	13.5	223	13.6	477	14.5
Overheads	144	3.3	92	4.5	110	3.4	58	3.5	142	4.3
Total	4,307	100.0	2,064	100.0	3,223	100.0	1,647	100.0	3,278	100.0

Showflats segment

The breakdown of cost of sales for the showflats segment is as follows:-

	FY2019		FY2020		FY2021		8M2021		8M2022	
	S\$'000	%	S\$'000	%	S\$'000	%	S\$'000	%	S\$'000	%
Subcontracting costs	3,714	67.0	909	59.4	3,415	70.0	1,145	59.1	838	76.5
Direct material costs	713	12.9	259	16.9	806	16.5	400	20.6	23	2.1
Direct labour costs	698	12.6	165	10.8	312	6.4	172	8.9	119	10.9
Overheads	418	7.5	197	12.9	344	7.1	222	11.4	115	10.5
Total	5,543	100.0	1,530	100.00	4,877	100.0	1,939	100.0	1,095	100.0

Our overall cost of sales may be affected by, inter alia, the following key factors:

- changes in prices of direct materials, such as timber wood, plywood, wood joinery, cabinet and door, aluminium, drywall/ceiling partition materials;
- direct labour costs which can be affected by changes in government regulations and requirements on wages such as foreign worker levy and CPF contribution rates, among other things;
- subcontracting costs which are affected by prevailing market demand and supply conditions in the construction industry, turnaround time set for the subcontractor to complete the specified work, and complexity of the work to be subcontracted;
- overheads, such as transportation, insurance, rental of warehouse spaces and site offices;
- types of projects secured and undertaken by us. As shown in the above breakdown of cost of sales for each business segment, in generally, subcontracting costs would account for a more significant percentage of total cost of sales for commercial projects and showflats, while direct material costs and direct labour costs in aggregate would be more significant cost components for residential projects as such projects generally involve the supply and installation of Carpentry Products;
- any significant delay in the project progress schedules and consequential cost overruns and liquidated damages in the event of project delays; and

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(g) our ability to control costs over the project lifespan.

Please refer to Section 2.7 titled “Risk Factors” of the Circular for other factors that might affect our cost of sales.

Gross Profit (“GP”) and Gross Profit Margin (“GPM”)

The gross profit of our company was approximately S\$3.9 million, S\$1.3 million and S\$4.7 million for FY2019, FY2020 and FY2021 respectively and approximately S\$2.0 million and S\$3.2 million for 8M2021 and 8M 2022 respectively.

The following table sets forth a breakdown of our company's GP and GPM by business segments during the Period Under Review:

	FY2019		FY2020		FY2021		8M2021		8M2022	
	GP	GPM	GP	GPM	GP	GPM	GP	GPM	GP	GPM
	S\$'000	%	S\$'000	%	S\$'000	%	S\$'000	%	S\$'000	%
Commercial	2,948	20.6	1,188	7.9	3,317	11.9	1,490	9.7	2,367	12.3
Residential	527	10.9	5	0.2	393	10.9 ⁽¹⁾	(213)	(14.9) ⁽¹⁾	497	13.2
Showflats	398	6.7	62	3.9	988	16.8 ⁽²⁾	707	26.7 ⁽²⁾	328	23.0
	3,873	15.5	1,255	6.7	4,698	12.6	1,984	10.2	3,192	13.0

Notes:

- (1) Gross profit margin for the Residential segment turned positive to 10.9% for FY2021 from negative gross margin of 14.9% for 8M2021 as a result of higher percentage-of-completion from existing projects.
- (2) Gross profit margin for the Showflats segment decreased from 26.7% for 8M2021 to 16.8% for FY2021 due to the commencement of a new showflat project during the four months ended 30 June 2021 which had a lower profit margin.

Please refer to Section 11.2 titled “Review of Results of Operations” of this Target's Letter to Shareholders for the reasons for the fluctuations of our company's GP and GPM during the Period Under Review.

Interest Income

Interest income relates to deposit income derived from deposits placed with financial institutions.

Other Income and Gains

During the Period Under Review, other income and gains consist mainly of government grants under various government-funded schemes, which include foreign worker levy rebate, special employment credit scheme and Jobs Support Scheme, which in aggregate amounted to approximately S\$26,000, S\$264,000, S\$669,000, S\$438,000 and S\$131,000 and accounted for 96.3%, 98.5%, 94.8%, 93.0% and 76.6% of other income in FY2019, FY2020, FY2021, 8M2021 and 8M2022 respectively. Government grants such as the foreign worker levy rebate (extended until June 2022) and Jobs Support Scheme (ended in June 2021) are non-recurring and may be reduced or discontinued at the discretion of the Singapore Government.

Administrative Expenses

Administrative expenses amounted to approximately S\$1.4 million, S\$1.5 million, S\$1.3 million, S\$701,000 and S\$1.2 million in FY2019, FY2020, FY2021, 8M2021 and 8M2022 respectively.

Employee benefits expenses accounted for approximately 93.0% to 98.7% of administrative expenses during the Period Under Review. Employee benefits expenses included directors' remuneration, staff salaries, bonus, CPF contributions and other staff benefits.

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Finance Costs

Finance costs relate to interest expense on lease liabilities, hire purchase payable and loan interest from financial institutions.

Other Expenses

Other expenses amounted to approximately S\$1.2 million, S\$1.1 million, S\$1.1 million, S\$749,000 and S\$790,000 in FY2019, FY2020, FY2021, 8M2021 and 8M2022 respectively. The following table sets forth a breakdown of our company's other operating expenses:

	FY2019	FY2020	FY2021	8M2021	8M2022
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
Depreciation of property, plant and equipment	624	577	580	384	370
Depreciation of right-of-use assets	62	62	62	41	41
Dormitory expenses ⁽¹⁾	–	–	74	72	5
Property tax	63	57	59	36	45
Telecommunication and utilities expenses	85	75	72	45	80
Upkeep expenses ⁽²⁾	143	137	159	109	139
Others miscellaneous expenses ⁽³⁾	174	158	99	62	110
Total	1,151	1,066	1,105	749	790

Other expenses were relatively stable during the Period Under Review.

Notes:

- (1) Relate to the set up and maintenance expenses incurred for the temporary dormitory at our company's premises from July 2020 to March 2022 as part of COVID-19 safety management measures.
- (2) Upkeep expenses relate to upkeep of the building, premises and motor vehicles.
- (3) Other miscellaneous expenses include advertisement expenses, entertainment & refreshment expenses, maintenance expenses, printing and stationery expenses and transportation expenses.

Other Losses

Other losses amounted to approximately S\$917,000, S\$597,000, S\$181,000, S\$NIL and S\$479,000 in FY2019, FY2020, FY2021, 8M2021 and 8M2022 respectively. The following table sets forth a breakdown of our company's other losses during the Period Under Review:

	FY2019	FY2020	FY2021	8M2021	8M2022
Loss from disposal of associate	56	–	–	–	–
Initial public offering expenses	861	597	–	–	–
Reverse takeover expenses	–	–	177	–	479
Others	–	–	4	–	–
	917	597	181	–	479

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Loss from disposal of associate of approximately S\$56,000 relates to the loss from disposal of the company's 20% shareholding in Millennium Fiesta Pte Ltd ("MFPL") to its directors Tan Jit Meng, Soh Loong Chow Jackie and Tan Chee Khoo during FY2019 having considered that MFPL and MSFB are not related and have no contribution to our company's current core business and that it was not part of the company's future plans to venture into the development of commercial properties in Malaysia. Please refer to the paragraph headed "FY2019 vs FY2020 – Other losses" under Section 11.2 titled "Review of Results of Operations" below and Section 13.2(a) titled "Past Interested Person Transactions – Sale of shares in MFPL" of this Target's Letter to Shareholders for details.

Initial public offering expenses were professional fees incurred in connection with the Proposed HK IPO as detailed in Section 4.22 titled "Prior Listing Attempt by the Target" of this Target's Letter to Shareholders.

Reverse takeover expenses were professional fees incurred in connection with the Proposed Acquisition.

Income Tax Expenses/(Income)

Our company is liable to pay corporate income tax in accordance with the tax regulations in Singapore (refer to the Section titled "Exchange Controls and Taxation" in this Circular for details). Our company recorded income tax expenses of approximately S\$324,000, S\$395,000, S\$2,000 and S\$303,000 in FY2019, FY2021, 8M2021 and 8M2022 respectively and income tax credit of approximately S\$27,000 in FY2020.

Inflation

During the Period Under Review, inflation did not have a material impact on our company's financial performance.

11.2. Review of Results of Operations

FY2019 vs FY2020

Revenue

Our revenue decreased by approximately S\$6.4 million or 25.3%, from S\$25.1 million in FY2019 to S\$18.7 million in FY2020. The decrease in revenue was mainly caused by the circuit breaker measures imposed by the Government of Singapore due to the COVID-19 situation in Singapore from 7 April 2020. All of the works were temporarily ceased due to the circuit breaker measures and works were only allowed to resume gradually from September 2020 onwards.

Revenue from the commercial segment increased by approximately S\$768,000 or 5.4%. The increase was mainly due to the higher revenue recognised for drywall and ceiling partition works for NISS, 79 Robinson Road (previously known as CPF Building) and NUS undertaken in FY2020 compared with FY2019. Please refer to Section 4.1 titled "Overview – Highlight of major projects" for recent major projects undertaken by us for details.

The increase was offset by a decrease of approximately S\$2.8 million or 57.2% and S\$4.3 million or 73.2% in revenue from the residential segment and showflats segment respectively. The decrease in revenue from the residential segment was mainly due to the Seaside Residences project which saw recognised revenue of approximately S\$2.6 million during FY2019 but only approximately S\$990,000 during FY2020 as the project was completed during FY2020. Decrease of revenue from the showflats segment was mainly attributable to lack of large value show flat projects in FY2020. In contrast, we completed the showflats for three residential developments in FY2019, namely One Pearl Bank, Piermont Grand EC, and The Hyde.

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Cost of sales

Cost of sales decreased by approximately S\$3.7 million or 17.6% from S\$21.2 million in FY2019 to S\$17.5 million in FY2020, mainly due to a decrease in all categories of cost of sales and in line with the decrease in revenue.

Subcontracting costs decreased by approximately S\$3.2 million or 29.0% from approximately S\$11.1 million in FY2019 to approximately S\$7.9 million in FY2020 mainly due to a decrease of approximately S\$2.8 million in the sub-contracting costs for the show flat segment in line with the decrease in revenue from the show flat segment.

Direct material costs decreased by approximately S\$127,000 or 2.0% from approximately S\$6.2 million in FY2019 to approximately S\$6.1 million in FY2020 mainly due to (i) a decrease of approximately S\$1.3 million in direct material costs incurred for the residential projects, in particular the supply and installation of kitchen cabinets and wardrobes for condominium projects in line with the decrease in revenue in this segment and (ii) a decrease of approximately S\$454,000 in direct materials used for show flat projects. The decrease was partially offset by an increase of approximately S\$1.6 million in direct materials used for the commercial projects in FY2020.

Direct labour costs decreased by approximately S\$185,000 or 6.4% from S\$2.9 million in FY2019 to S\$2.7 million in FY2020 mainly due to the commencement of circuit breaker measures from 7 April 2020.

Overheads decreased by S\$197,000 or 20.4% from S\$965,000 in FY2019 to S\$768,000 in FY2020 in line with the decrease in revenue.

Gross profit and gross profit margin

Gross profit decreased by S\$2.6 million or 67.6%, from S\$3.9 million in FY2019 to S\$1.3 million in FY2020, due to a decrease in gross profit from all business segments.

Gross profit margin also declined from 15.5% in FY2019 to 6.7% in FY2020 mainly due to lower gross profit margins derived from all business segments. Gross profit margin of the commercial segment decreased from 20.6% in FY2019 to 7.9% in FY2020. This was mainly due to additional raw material costs for the A&A works of a commercial project during FY2020.

Gross profit margin of the residential segment decreased from 10.9% in FY2019 to 0.2% in FY2020 mainly due to relatively higher subcontracting costs as we sub-contracted more works in FY2020 as a result of labour shortage caused by Covid-19.

Gross profit from the showflats segment decreased by approximately S\$336,000 or 84.4% from S\$398,000 in FY2019 to S\$62,000 in FY2020 in line with the decrease in revenue. Gross profit margin of the showflats segment decreased from 6.7% in FY2019 to 3.9% in FY2020 accordingly.

Interest income

Our company's interest income relates to interest from bank deposits. The increase in interest income from approximately S\$4,000 in FY2019 to approximately S\$10,000 in FY2020 was due to higher cash and cash equivalents during FY2020 as compared to FY2019.

Other income and gains

Our company's other income and gains increased by approximately S\$241,000, from S\$27,000 in FY2019 to S\$268,000 in FY2020, mainly due to higher government grants received under the Job Support Scheme. Our company received government grants of S\$26,000 and S\$264,000 in FY2019 and FY2020 respectively.

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Administrative expenses

Our company's administrative expenses increased marginally by approximately S\$99,000 or 7.0%, from S\$1.4 million in FY2019 to S\$1.5 million in FY2020 mainly due to increase in directors' remuneration by approximately S\$80,000.

Finance costs

Our company's finance costs decreased by approximately S\$6,000 or 19.4% from S\$31,000 in FY2019 to S\$25,000 in FY2020. The decreased was mainly due to a decrease in interest on lease liabilities.

Other expenses

Our company's other expenses decreased by approximately S\$85,000 or 7.4%, from S\$1.2 million in FY2019 to S\$1.1 million in FY2020. The decrease was mainly due to the lower depreciation of property, plant and equipment charged by approximately S\$47,000 or 7.5% as certain property, plant and equipment was fully depreciated during FY2020.

Other losses

Our company recorded other losses of approximately S\$917,000 and S\$597,000 in FY2019 and FY2020 respectively mainly due to the expenses incurred in connection with the Proposed HK IPO of approximately S\$861,000 and S\$597,000 respectively. Please refer to the Section titled 4.22 of this Target's Letter to Shareholders for more details of the Proposed HK IPO.

The remaining other losses amounting to approximately S\$56,000 in FY2019 was due to the loss from disposal of associate. In June 2019, our company sold its 20% equity interest in MFPL for a cash consideration of S\$750,000. The consideration was based on the financial position of MFPL at 30 June 2018, based on our company's effective interest in the sum of shareholder's equity of MFPL and amount due to shareholders and directors of MFPL, adjusted for our company's share of losses incurred by MFPL from July 2018 to June 2019. Please refer to Section 2.7 titled "Risks relating to the Target and its business – There may be potential implications arising from issues relating to MY Land (as defined below) on the directors and the Enlarged Group" of the Circular and Section 13.2(a) titled "Past Interested Person Transactions – Sale of shares in MFPL" of this Target's Letter to Shareholders for more details.

Income tax expenses/(income)

Our company's income tax expenses of approximately S\$324,000 in FY2019 relates to current year tax of approximately S\$276,000, under adjustments to current tax in respect of prior year of approximately S\$16,000 and deferred tax expenses of approximately S\$32,000. The income tax income of approximately S\$27,000 in FY2020 relates to overprovision in prior year of approximately S\$11,000 and deferred tax income of approximately S\$16,000.

Profit/(Loss) for the financial year

As a result of the above, our company registered a net loss of approximately S\$1.6 million in FY2020 as opposed to a net profit of S\$71,000 in FY2019.

FY2020 vs FY2021

Revenue

Our revenue increased by approximately S\$18.6 million or 99.4%, from S\$18.7 million in FY2020 to S\$37.3 million in FY2021. The increase in revenue was mainly due to relaxation of the circuit breaker measures, which resulted in more works carried out and the increase in recognised revenue from all business segments.

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Revenue recognised from the commercial segment increased by S\$12.7 million or 84.9% from S\$15.1 million in FY2020 to S\$27.8 million in FY2021. The increase in revenue recognised from commercial projects was mainly due to three projects, namely CapitaSpring, PLUS Building and NUS-PGPR. Revenue from the residential segment increased by S\$1.5 million or 74.8% from approximately S\$2.1 million in FY2020 to approximately S\$3.6 million in FY2021 mainly due to (i) a new project, Avenue South Residence; and (ii) more works carried out for Park Colonial, which in aggregate contributed revenue of approximately S\$3.2 million during FY2020.

Revenue from the showflats segment also increased by S\$4.3 million or 268.4% from S\$1.6 million in FY2020 to S\$5.9 million in FY2021, due to the showflats for four residential developments, namely Parc Greenwich EC, Jervois Mansions, The Clement Canopy and LINQ at Beauty World.

Cost of sales

Cost of sales of our company increased by approximately S\$15.1 million or 86.8%, from S\$17.5 million in FY2020 to S\$32.6 million in FY2021, mainly due to an increase of approximately S\$11.4 million or 143.9% in subcontracting costs, an increase of approximately S\$3.3 million or 54.0% in direct material costs and an increase of approximately S\$442,000 or 57.6% in overheads.

Subcontracting costs increased mostly in line with the increase in revenue recognised from the commercial and show flat segments. Subcontracting costs for the commercial segment increased by approximately S\$8.9 million or 147.0% from S\$6.0 million in FY2020 to S\$14.9 million in FY2021. Subcontracting costs for the show flat segment increased by approximately S\$2.5 million or 275.7%, from S\$909,000 in FY2020 to S\$3.4 million in FY2021. Subcontracting costs for the residential segment remained relatively unchanged, despite the increase in revenue by S\$1.5 million or 74.8%, as the increase from residential segment was mainly due to the supply and installation of timber doors, kitchen cabinets and wardrobes, which incurred relatively lower subcontracting costs.

Direct material costs increased by approximately S\$3.3 million or 54.0% from approximately S\$6.1 million in FY2020 to approximately S\$9.4 million in FY2021 due to (i) an increase of S\$1.5 million or 29.5% from the commercial segment; (ii) an increase of S\$1.2 million or 205.3% from the residential segment; and (iii) an increase of S\$547,000 or 211.2% from the showflats segment, which were generally in line with the increase in revenue from all business segments and more work performed after the relaxation of the circuit breaker measures during FY2021. As the residential projects mainly entailed the supply and installation of timber door, kitchen cabinets and wardrobes, direct material costs for the residential segment increased at a relatively higher percentage compared to the increase in revenue from this segment.

Direct labour costs remained relatively stable as majority of the direct labour costs were fixed components.

Overheads increased by approximately S\$442,000 or 57.6% from approximately S\$768,000 to approximately S\$1.2 million mainly due to additional safe management measures which resulted in the increase in certain overheads, such as transportation and site expenses, the increase in freight and handling costs in connection with materials purchased from overseas, and the increase in testing and certification expenses incurred for the projects.

Gross profit and gross profit margin

Our company's gross profit increased by S\$3.4 million or 274.3%, from S\$1.3 million in FY2020 to S\$4.7 million in FY2021 mainly due to an increase in gross profit from all business segments.

Gross profit margin also improved from 6.7% in FY2020 to 12.6% in FY2021 mainly due to higher gross profit margins derived from all the business segments during FY2021 as compared to FY2020.

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Gross profit margin of the commercial segment improved from 7.9% in FY2020 to 11.9% in FY2021 as the direct material costs and overheads increased at a moderate rate of 29.5% and 57.8% respectively and direct labour costs remained relatively unchanged.

Gross profit for showflats improved by approximately S\$926,000 or 1493.5% as a result, gross profit margin of the showflats segment increased from 3.9% in FY2020 to 16.8% in FY2021. The improvement in profit margin was due to relatively smaller increase of 89.1% and 74.6% in direct labour costs and overheads respectively, as compared to the growth of 268.4% in revenue and the increases in subcontracting costs and direct materials by 275.7% and 211.2%, which were in line with the growth in revenue. In general, direct labour costs and overheads are smaller components in show flat projects as shown in the breakdown table under Section “11.1 Overview – Cost of Sales”.

Gross profit margin of the residential segment improved from 0.2% in FY2020 to 10.9% in FY2021 as the increase in costs were mainly due to direct materials costs which increased by S\$1.2 million or 205.3% whereas the other costs remained relatively constant.

Interest income

Our interest income relates to interest from bank deposits. The interest income for FY2020 and FY2021 remained relatively the same at approximately S\$10,000.

Other income and gains

Our other income and gains increased by approximately S\$438,000, from S\$268,000 in FY2020 to S\$706,000 in FY2021, mainly due to higher government grants received under the Job Support Scheme and higher foreign worker levy rebate as the Government of Singapore provided more grants to us as part of the COVID-19 relief measures. We received government grants of S\$264,000 and S\$669,000 in FY2020 and FY2021 respectively.

Administrative expenses

Our company's administrative expenses decreased by approximately S\$258,000 or 17.1%, from S\$1.5 million in FY2020 to S\$1.3 million in FY2021 mainly due to the temporary salary reduction with effect from June 2020 for all employees, including directors. Salary for all employees was adjusted and reinstated with effect from April 2021.

Finance costs

Our company's finance costs increased by approximately S\$99,000 or 396.0% from S\$25,000 in FY2020 to S\$124,000 in FY2021. The increase was mainly due to the increase in interest on term loans of approximately S\$101,000 from S\$7,000 in FY2020 to S\$108,000 in FY2021 as our company increased its term loans from banks during FY2021.

Other expenses

Our company's other expenses increased marginally by approximately S\$39,000 or 3.7%.

Other losses

Our company recorded other losses of S\$181,000 in FY2021 mainly due to expenses incurred for the Proposed Acquisition.

Income tax expense/(income)

The income tax income of approximately S\$27,000 for FY2020 relates to overprovision in prior year of approximately S\$11,000 and deferred tax credit of approximately S\$16,000. Our company's income tax expenses of approximately S\$395,000 in FY2021 relates to current tax expense of S\$420,000 and deferred tax credit of approximately S\$25,000.

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Profit/(Loss) for the financial year

As a result of the above, our company registered a net profit of approximately S\$2.4 million in FY2021 as opposed to a net loss of approximately S\$1.6 million in FY2020.

8M2021 vs 8M2022

Revenue

Revenue of our company increased by approximately S\$5.1 million or 26.3%, from S\$19.4 million in 8M2021 to S\$24.5 million in 8M2022 amidst the gradual reopening of economy in Singapore.

Revenue from the commercial segment increased by S\$4.0 million or 26.0% from S\$15.3 million in 8M2021 to S\$19.3 million in 8M2022. The increase in revenue from the commercial segment was mainly due to (i) two new projects in 8M2022, Maxwell Chambers and a data centre and (ii) more works completed for National Cancer Centre Singapore and NUS-PGPR, in 8M2022, partially offset by a decrease in revenue contribution from CapitaSpring as the project was completed in 8M2022.

Revenue from the residential segment increased by approximately S\$2.4 million or 163.2%, from S\$1.4 million in 8M2021 to approximately S\$3.8 million in 8M2022, mainly due to increase in revenue contribution from Avenue South Residence in 8M2022 compared to 8M2021 and a new project, The Antares, secured in 8M2022.

The increase in revenue from the commercial and residential segments was partially offset by the decrease in revenue from the showflats segment. Revenue attributable to the showflats segment decreased by approximately S\$1.2 million or 46.2% mainly due to less work done for show flat projects during 8M2022 as compared to 8M2021. During 8M2021, the showflats under construction were The Clement Canopy and LINQ at Beauty World, whereas the main showflat project under construction during 8M2022 was Jervois Mansions.

Cost of sales

Cost of sales of our company increased by approximately S\$3.9 million or 22.4%, from approximately S\$17.4 million in 8M2021 to approximately S\$21.3 million in 8M2022. The increase in cost of sales was attributed to the increase in all categories of cost of sales.

Subcontracting costs increased by approximately S\$2.8 million or 32.2%, from S\$8.8 million in 8M2021 to S\$11.6 million in 8M2022. Subcontracting costs increased mostly in line with the increase in revenue from the commercial and residential segments, partially offset by the decrease from the show flat segment. Subcontracting costs for the commercial segment increased by approximately S\$2.8 million or 37.5%, from S\$7.3 million in 8M2021 to S\$10.1 million in 8M2022. Subcontracting costs for the residential segment increased by approximately S\$382,000 or 130.8%, from S\$292,000 in 8M2021 to S\$674,000 in 8M2022. Subcontracting costs for the show flat segment decreased marginally by approximately S\$307,000 from S\$1.1 million in 8M2021 to S\$838,000 in 8M2022 mainly due to decrease in revenue from show flat segment.

Gross profit and gross profit margin

Our gross profit increased by approximately S\$1.2 million or 60.9%, from S\$2.0 million in 8M2021 to S\$3.2 million in 8M2022, mainly due to an increase in gross profit from the commercial and residential segments partially offset by a decrease in gross profit from the showflat segment.

Gross profit from the commercial segment increased by approximately S\$877,000 or 58.9% from S\$1.5 million in 8M2021 to approximately S\$2.4 million in 8M2022 in line with the increase in revenue.

The residential segment registered a gross profit of S\$497,000 in 8M2022, compared to a gross loss of S\$213,000 in 8M2021. The gross loss for 8M2021 mainly due to additional direct material costs as a result of replacement of certain defective materials for a residential project during 8M2021.

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The show flat segment registered a decrease in gross profit of approximately S\$379,000 or 53.6% from S\$707,000 in 8M2021 to approximately S\$328,000 in 8M2022 in line with the decrease in revenue.

Gross profit margin improved from 10.2% in 8M2021 to 13.0% in 8M2022 mainly as a result of a gross profit margin of 13.2% registered by the residential segment in 8M2022, compared to a gross loss of 14.9% in 8M2021.

Interest income

Our company's interest income decreased marginally from S\$5,000 in 8M2021 to S\$3,000 in 8M2022.

Other income and gains

Our company's other income and gains decreased by approximately S\$300,000, from S\$471,000 in 8M2021 to S\$171,000 in 8M2022, mainly due to lower government grants received under the Jobs Support Scheme during 8M2022. We received government grants of S\$438,000 and S\$131,000 in 8M2021 and 8M2022 respectively.

Administrative expenses

Our administrative expenses increased by approximately S\$455,000 or 64.9%, from S\$701,000 in 8M2021 to S\$1.2 million in 8M2022 mainly due to the reinstatement of salary for all employees with effect from April 2021.

Finance costs

Our company's finance costs increased by approximately S\$19,000 or 25.7% from S\$74,000 in 8M2021 to S\$93,000 in 8M2022. The increase was mainly due to the increase in interest on term loans of approximately S\$19,000 from S\$64,000 in 8M2021 to S\$83,000 in 8M2022, as interest payments commenced from September 2020 and November 2020 for two of the term loans.

Other expenses

Our company's other expenses increased marginally by approximately S\$41,000 or 5.5%.

Other losses

We recorded other losses of S\$479,000 in 8M2022 as a result of the expenses incurred in connection with the Proposed Acquisition.

Income tax expenses

The income tax expenses of our company increased by approximately S\$301,000 from S\$2,000 in 8M2021 to S\$303,000 in 8M2022. The increase was mainly due to the non-deductible expenses for the Proposed Acquisition and an under adjustments to current tax in respect of prior period of approximately S\$70,000, partially offset by the deferred tax income of approximately S\$9,000.

Profit for the financial period

As a result of the above, our company registered a net profit of approximately S\$934,000 and S\$545,000 in 8M2021 and 8M2022 respectively.

11.3. Review of Financial Position

Non-Current Assets

Non-current assets of our company comprise (i) property, plant & equipment, (ii) right-of-use assets, (iii) trade and other receivables and (iv) deferred tax assets. Non-current assets amounted to approximately S\$5.1 million and S\$5.4 million, representing 20.9% and 20.7% of our company's total assets as at 30 June 2021 and 28 February 2022 respectively.

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Property, plant and equipment

Property, plant and equipment comprise leasehold properties, being 39 Sungei Kadut Loop, Singapore 729494 (“**JTC Land**”), leasehold improvement, furniture and fitting, motor vehicles, office equipment and tools and equipment. Property, plant and equipment amounted to approximately S\$1.9 million and S\$1.6 million, representing 36.8% and 30.3% of our company’s non-current assets as at 30 June 2021 and 28 February 2022 respectively. The decrease in property, plant and equipment was mainly due to depreciation expenses recognised during 8M2022 of approximately S\$377,000, partially offset by the acquisition of property, plant and equipment of approximately S\$111,000.

Right-of-use assets

Right-of-use assets refer to the land lease from the Jurong Town Corporation in respect of the JTC Land and is depreciated over the lease period from 31 August 2015 to 28 February 2025. Right-of-use assets amounted to approximately S\$224,000 and S\$183,000, representing 4.4% and 3.4% of our company’s non-current assets as at 30 June 2021 and 28 February 2022 respectively. The decrease in right-of-use assets was due to the depreciation of the right-of-use assets.

Trade and other receivables

Trade and other receivables comprise mainly retention receivables. Retention receivables refer to a portion of the contract value, normally between 5% and 10% of the total contract value withheld by our company’s customers as security against our company failing to adequately complete its obligation under the contract. Typically, half of the retention monies will be released upon substantial completion and the remaining released upon final completion (which is after the defect liability period, being usually between 12 and 18 months from the substantial completion date of the main contract or upon issuance of final completion certificate under the main contract). The retention monies that are receivable after 12 months from the reporting date are recorded as non-current. Trade and other receivables amounting to S\$3.0 million and S\$3.5 million, representing 58.8% and 66.1% of our company’s non-current assets as at 30 June 2021 and 28 February 2022 respectively, mainly relate to retention receivables from the commercial projects undertaken by our company. Total retention receivables as at 30 June 2021 and 28 February 2022 was S\$3.4 million and S\$3.7 million respectively. The increase of approximately S\$347,000 in retention receivables was due to new projects commencing during 8M2022. As at the Latest Practicable Date, we do not foresee any difficulty in recovering trade receivables including retention receivables from our customers.

Deferred tax assets

Deferred tax assets relate to unrecognised deferred tax assets offset by the deferred tax relating to the depreciation expense on right-of-use assets and interest on lease liabilities. Recognised deferred tax assets amounted to approximately S\$9,000, representing 0.2% of our company’s non-current assets as at 28 February 2022.

Current Assets

Current assets comprise (i) contract assets, (ii) other assets, (iii) trade and other receivables and (iv) cash and cash equivalents. Current assets amounted to S\$19.4 million and S\$20.5 million, representing 79.1% and 79.3% of our company’s total assets as at 30 June 2021 and 28 February 2022 respectively.

Contract assets

Contract assets primarily relate to our company’s right to consideration for work completed but not billed at the reporting date on construction contracts and any impairment losses recognised in the reporting year. The contract assets are transferred to the receivables when the rights become unconditional. This usually occurs when the work is certified by the customers and the Company invoices the customers. Contract assets amounted to approximately S\$10.5 million and S\$11.9 million, representing 54.3% and 57.9% of our company’s current assets as at 30 June 2021 and 28 February 2022. The contract assets as at 28 February 2022 mainly relate to works carried out for Avenue South Residence, Maxwell Chambers and NUS-PGPR and pending certification by customers.

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Other assets

Other assets comprise advances paid to suppliers, deposits to secure services and prepayment for expenses. Other assets amounted to approximately S\$505,000 and S\$362,000, representing 2.6% and 1.8% of our company's current assets as at 30 June 2021 and 28 February 2022 respectively.

Trade and other receivables

Trade and other receivables comprise mainly (i) trade receivables from customers, (ii) retention monies that are receivables in 12 months from the reporting date and (iii) other receivables and loan to staffs. Trade and other receivables amounted to approximately S\$4.5 million and S\$3.4 million, representing 23.2% and 16.8% of our company's current assets as at 30 June 2021 and 28 February 2022. The decrease in trade and other receivables was due to faster recovery of trade receivables from customers during 8M2022. Trade receivables (excluding retention receivables) turnover days reduced from 40 days in FY2021 to 28 days in 8M2022.

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and fixed deposits pledged for banking facilities. Cash and cash equivalents amounted to approximately S\$3.9 million and S\$4.8 million, representing 20.0% and 23.5% of our company's current assets as at 30 June 2021 and 28 February 2022. Please refer to the Section titled "Liquidity and Capital Resources" for more details on the changes of cash and cash equivalents during the Period Under Review.

Equity

Equity of our company comprises share capital and retained earnings. Equity attributable to equity holders of our company amounted to approximately S\$6.4 million and S\$7.0 million as at 30 June 2021 and 28 February 2022 respectively. The increase of approximately S\$545,000 in equity was attributable to the net profit recorded in 8M2022.

Non-current Liabilities

Non-current liabilities comprise (i) lease liabilities and (ii) other financial liabilities. Non-current liabilities amounted to approximately S\$4.9 million and S\$3.8 million, representing 26.8% and 20.2% of our company's total liabilities as at 30 June 2021 and 28 February 2022 respectively.

Lease liabilities

Lease liabilities relate to the non-current portion of our company's lease in respect of the JTC Land and motor vehicles. Lease liabilities amounted to approximately S\$266,000 and S\$206,000, representing 5.5% and 5.4% of our company's non-current liabilities as at 30 June 2021 and 28 February 2022 respectively.

Other financial liabilities

Other financial liabilities refer to the non-current portion of the secured bank loans obtained to finance working capital. Other financial liabilities amounted to approximately S\$4.6 million and S\$3.6 million, representing 94.5% and 94.6% of our company's non-current liabilities as at 30 June 2021 and 28 February 2022 respectively. The decrease was mainly due to repayment of secured bank loans during the 8-month period ended 28 February 2022.

Current Liabilities

Current liabilities comprise (i) income tax provision, (ii) trade and other payables, (iii) contract liabilities, (iv) lease liabilities and (v) other financial liabilities. Current liabilities amounted to approximately S\$13.3 million and S\$15.1 million, representing 73.2% and 79.8% of our company's total liabilities as at 30 June 2021 and 28 February 2022 respectively.

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Income tax provision

Income tax provision refers to the liability to pay corporate income tax in accordance with the tax regulations in Singapore. Income tax provision amounted to approximately S\$322,000 and S\$242,000, representing 2.4% and 1.6% of our company's current liabilities as at 30 June 2021 and 28 February 2022 respectively.

Trade and other payables

Trade payables mainly comprise payables to subcontractors and suppliers, including retention of subcontractor fees. Trade and other payables amounted to approximately S\$8.2 million and S\$7.7 million, representing 61.7% and 50.8% of our company's current liabilities as at 30 June 2021 and 28 February 2022 respectively. The decrease in trade and other payables was mainly due to shorter credit terms offered by suppliers and subcontractors due to labour shortage in the construction industry. Trade payables (excluding retention payables) turnover days reduced from 91 days in FY2021 to 73 days in 8M2022.

Contract liabilities

Contract liabilities primarily relate to advance consideration received from customers. Contract liabilities amounted to approximately S\$264,000 and S\$672,000, representing 2.0% and 4.5% of our company's current liabilities as at 30 June 2021 and 28 February 2022 respectively.

Lease liabilities

Lease liabilities relate to the current portion of our company's lease in respect of the JTC Land and motor vehicles. Lease liabilities amounted to approximately S\$89,000 and S\$90,000, representing 0.7% and 0.6% of our company's current liabilities as at 30 June 2021 and 28 February 2022 respectively.

Other financial liabilities

Other financial liabilities refer to the bills payable and the current portion of the secured bank loans obtained to finance working capital. Other financial liabilities amounted to approximately S\$4.4 million and S\$6.4 million, representing 33.2% and 42.5% of our company's current liabilities as at 30 June 2021 and 28 February 2022 respectively. The increase was mainly due to increase in bills payable of approximately S\$1.9 million or 64.3% to repay creditors and partially offset by the repayment of bank loans.

11.4. Liquidity and Capital Resources

During the Period Under Review, our company financed its operations mainly through a combination of shareholders' equity (including retained earnings), loans and borrowings from banks and net cash generated from operating activities. Our company's principal uses of cash have been for (a) working capital requirements; (b) capital expenditures; (c) repayment of loans and bank borrowings and interest expense; and (d) lease payments.

As at 28 February 2022, our company had cash and cash equivalents of S\$4.8 million and net working capital of approximately S\$5.4 million. As at 28 February 2022, our company recorded shareholders' equity of S\$7.0 million.

We recorded net working capital of S\$706,000, S\$6.2 million and S\$5.4 million as at 30 June 2019, 30 June 2021 and 28 February 2022 respectively and recorded negative working capital of S\$276,000 as at 30 June 2020. The negative working capital in FY2020 was mainly due to the classification of the non-current portion of the bank borrowings as current, due to the breach of loan covenants as at 30 June 2020 which were subsequently waived by the bank. Net working capital increased from negative S\$276,000 as at 30 June 2020 to S\$6.2 million as at 30 June 2021 mainly due to the increase in contract assets and trade and other receivables as more works were performed after the relaxation of the circuit breaker measures. Net working capital decreased from S\$6.2 million as at 30 June 2021 to S\$5.4 million as at 28 February 2022 mainly due to the increase in bills payable.

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As at the Latest Practicable Date, our company had cash and cash equivalents of approximately S\$3.5 million.

As at the Latest Practicable Date, approximately S\$3.3 million or 99.7% of our trade receivables (excluding retention receivables) as at 28 February 2022 have been collected, including S\$1.1 million of the trade receivables which were past due as at 28 February 2022, barring unforeseen circumstances, we do not expect any material expected credit loss for trade receivables to be made post-Completion for the remaining balance.

In assessing whether the Enlarged Group has sufficient working capital, the Proposed New Board and the Sponsor and Financial Adviser have considered the following:-

- (i) our company's revenue grew from S\$25.1 million in FY2019 (pre-pandemic) to approximately S\$37.3 million in FY2021 and recorded revenue of approximately S\$24.5 million in 8M2022 as opposed to S\$19.4 million in 8M2021. Our company registered net profit of S\$2.4 million in FY2021 and S\$545,000 (including one-off expenses of S\$479,000 for the Proposed Acquisition) in 8M2022;
- (ii) our company's revenue declined to approximately S\$18.7 million and registered net loss of approximately S\$1.6 million in FY2020 mainly due to the circuit breaker measures beginning from April 2020 and the one-off expenses of S\$597,000 incurred in connection with the Proposed HK IPO;
- (iii) our company recorded net profit of approximately S\$71,000 in FY2019 partially due to the one-off expenses of S\$861,000 for the Proposed HK IPO;
- (iv) our company has cash and cash equivalents of S\$3.5 million as at the Latest Practicable Date;
- (v) the cash flows required to fulfill our order book of approximately S\$76.7 million as at the Latest Practicable Date;
- (vi) our company has unutilised credit facilities of up to S\$3.8 million as at the Latest Practicable Date. Please refer to Section 12 titled "Capitalisation and Indebtedness" of this Target's Letter to Shareholders for further details;
- (vii) the Enlarged Group does not envisage any material capital expenditures in the next 12 months;
- (viii) as at the date of lodgment of this Circular, our company does not have any material contingent liabilities;
- (ix) the potential claims for liquidated damages (if any) by our customers for delay in completion or other losses suffered by them where we are in breach of any terms of the contract by off-setting the same from the retention monies or enforcing the performance bonds;
- (x) the payment of dividend of S\$1.1 million in respect of the reporting year ended 30 June 2021 by December 2022;
- (xi) our company had pro forma cash and cash equivalents amounting to approximately S\$2.8 million and S\$3.7 million as at 30 June 2021 and 28 February 2022 respectively;
- (xii) our company had pro forma net current assets amounting to approximately S\$5.1 million and S\$4.3 million as at 30 June 2021 and 28 February 2022 respectively;
- (xiii) the expected scheduled repayment of borrowings and interest expenses in the 12-month period after Completion arising from the borrowings taken up by our company; and

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- (xiv) an aggregate loan of up to S\$1 million had been granted to the Company by Triple Vision by way of a loan agreement dated 26 April 2022.

The Proposed New Board is of the reasonable opinion that, having made due and careful enquiry and after taking into account the factors set out above and the expected cash flows generated from the Enlarged Group's operating activities, the working capital available to the Enlarged Group as at the date of this Circular is sufficient for its present requirements and for at least 12 months after the Completion.

The Sponsor and Financial Adviser is of the reasonable opinion that, having made due and careful enquiry and after taking into account the factors set out above and the expected cash flows generated from the Enlarged Group's operating activities, the working capital available to the Enlarged Group as at the date of this Circular is sufficient for its present requirements and for at least 12 months after the Completion.

For the avoidance of doubt, the Proposed New Board and the Sponsor and Financial Adviser did not take into account the net proceeds to be raised from the issuance of New Shares (if any) in arriving at the aforementioned opinions. None of the proceeds to be raised from the Proposed Placement will be used to pay for any dividends of the Enlarged Group.

A summary of our company's cash flows for the Period Under Review is set out below. The following cash flow summary should be read in conjunction with the full text of this Appendix A and the Circular, including the "Independent Auditor's Report and the Audited Financial Statements for the Reporting Years Ended 30 June 2019, 30 June 2020 and 30 June 2021 of Lincotrade & Associates Pte Ltd", "Independent Auditor's Review Report and the Unaudited Condensed Interim Financial Statements for the Eight-Month Period Ended 28 February 2022 of Lincotrade & Associates Pte Ltd" and the "Independent Auditor's Report and the Unaudited Pro Forma Financial Statements for the Reporting Year Ended 30 June 2021 and Eight-Month Period Ended 28 February 2022 of Lincotrade & Associates Pte Ltd" as set out in Appendices B, C and D respectively of this Circular.

S\$'000	Audited			Unaudited		Unaudited Pro Forma
	FY2019	FY2020	FY2021	8M2022	FY2021	8M2022
Net cash generated from / (used in) operating activities	90	494	(4,153)	189	(4,153)	189
Net cash generated from / (used in) investing activities	639	(34)	(61)	(108)	(61)	(108)
Net cash generated (used in) / from financing activities	(832)	2,588	3,657	855	2,557	(245)
Net (decrease) / increase in cash and cash equivalents	(103)	3,048	(557)	936	(1,657)	(164)
Cash and cash equivalents at beginning of financial year	904	801	3,849	3,292	3,849	3,292
Cash and cash equivalents at end of financial year/period	801	3,849	3,292	4,228	2,192	3,128
Cash and cash equivalents as per Statement of financial position	1,076	4,427	3,873	4,809	2,773	3,709
Fixed deposits pledged for bank facilities	(275)	(578)	(581)	(581)	(581)	(581)
	801	3,849	3,292	4,228	2,192	3,128

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FY2019

In FY2019, our company recorded operating cash flows before changes in working capital of approximately S\$1.2 million. Net cash used in working capital amounted to approximately S\$476,000, which was mainly due to (i) an increase in contract assets of approximately S\$1.3 million; (ii) a decrease in trade and other payables of approximately S\$1.9 million; (iii) an increase in other assets of S\$351,000; and (iv) partially offset by a decrease in trade and other receivables of approximately S\$3.1 million. Our company also paid income tax of approximately S\$658,000. As a result, net cash generated from operating activities amounting to approximately S\$90,000.

Net cash generated from investing activities amounted to approximately S\$639,000 was mainly due to the proceeds from disposal of an associate of S\$750,000, partially offset by purchase of plant and equipment of approximately S\$115,000. Please refer to Section 13.2(a) titled “Past Interested Person Transactions – Sale of shares in MFPL” for details of the disposal of an associate.

Net cash used in financing activities amounted to approximately S\$832,000 mainly due to payment of dividends of approximately S\$1.5 million and repayment of bank loans of approximately S\$461,000, which was partially offset by the increase in bills payable of approximately S\$670,000 and net increase in amounts due to directors of approximately S\$644,000.

As a result of the above, there was a net decrease of approximately S\$103,000 in cash and cash equivalents from S\$904,000 as at 1 July 2018 to S\$801,000 as at 30 June 2019.

FY2020

In FY2020, our company recorded operating cash flows used in operating activities before working capital changes of approximately S\$966,000. Net cash generated from working capital amounted to approximately S\$1.7 million, which was mainly due to a decrease in contract assets of approximately S\$2.2 million, a decrease in trade and other receivables of approximately S\$947,000, a decrease in other assets of approximately S\$305,000 and an increase in contract liabilities of approximately S\$618,000, which was partially offset by a decrease in trade and other payables of approximately S\$2.4 million. Our company also paid income tax of approximately S\$243,000. As a result, net cash generated from operating activities amounted to approximately S\$494,000.

Net cash used in investing activities mainly related to purchase of plant and equipment of approximately S\$44,000.

Net cash flows from financing activities of approximately S\$2.6 million was mainly due to bank borrowings received of approximately S\$3.0 million to finance working capital requirements and increased in bill payables of approximately S\$1.3 million, which was partially offset by the net repayment of amounts due to directors of approximately S\$700,000, the payment of dividends of S\$400,000, cash restricted in use of S\$303,000 and repayment of bank loans of S\$171,000.

As a result of the above, there was a net increase of approximately S\$3.0 million in cash and cash equivalents, from S\$801,000 as at 1 July 2019 to S\$3.8 million as at 30 June 2020.

FY2021

In FY2021, our company recorded operating cash flows before working capital changes of approximately S\$3.5 million. Net cash used in working capital amounted to approximately S\$7.6 million, which was mainly due to (i) an increase in contract assets of approximately S\$6.0 million as a result of an increase in on-going projects as at 30 June 2022 including CapitaSpring, TimMac@ Kranji, Avenue South Residence and the Jervois Mansions showflat; (ii) an increase in trade and other receivables of approximately S\$3.7 million mainly attributable to the increase in year-end invoicing which is in line with the increase in revenue during FY2021; and (iii) partially offset by the increase in trade and other payables of approximately S\$2.7 million mainly due to the increase in year-end billing from suppliers and subcontractors. Our company also paid income tax of approximately S\$98,000. As a result, net cash used in operating activities amounted to S\$4.2 million.

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Net cash used in investing activities mainly related to purchase of plant and equipment of approximately S\$71,000.

Net cash flows from financing activities of approximately S\$3.7 million was mainly due to bank borrowings received of approximately S\$3.0 million to finance working capital requirements and increase in bill payables of approximately S\$1.1 million, which was partially offset by the net movements in amounts due to directors of S\$200,000 and payment of interest expenses of approximately S\$108,000.

As a result of the above, there was a net decrease of approximately S\$557,000 in cash and cash equivalents, from S\$3.8 million as at 1 July 2020 to S\$3.3 million as at 30 June 2021.

8M2022

In 8M2022, our company recorded operating cash flows before working capital changes of approximately S\$1.4 million. Net cash used in working capital amounted to approximately S\$775,000, mainly due to (i) an increase in contract assets of approximately S\$1.3 million mainly from higher contract assets as at 28 February 2022 due to works carried out for Avenue South Residence, Maxwell Chambers and NUS-PGPR; (ii) the decrease in trade and other payables of approximately S\$530,000 resulting from shorter credit terms offered by suppliers and subcontractors due to labour shortage in the construction industry; (iii) partially offset by a decrease in trade and other receivables of approximately S\$530,000 due to faster collection of trade receivables, an increase in contract liabilities of approximately S\$408,000 from advance payment collected for new projects secured during 8M2022 and a decrease in other assets of approximately S\$143,000 due to lower advances paid to suppliers. Our company also paid income tax of approximately S\$392,000. As a result, net cash generated from operating activities amounted to approximately S\$189,000.

Net cash used in investing activities mainly related to purchase of plant and equipment of approximately S\$111,000.

Net cash flows from financing activities of approximately S\$855,000 was mainly due to an increase in bill payables of approximately S\$1.9 million, which was partially offset by the repayment of term loans of approximately S\$914,000.

As a result of the above, there was a net increase of approximately S\$936,000 in cash and cash equivalents from approximately S\$3.3 million as at 1 July 2021 to approximately S\$4.2 million as at 28 February 2022.

11.5. Capital Expenditures, Divestments, Commitments And Contingent Liabilities

Capital expenditures made by our company during the Period Under Review and for the period from 1 March 2022 to the Latest Practicable Date were as follows:

S\$'000	Audited FY2019	Audited FY2020	Audited FY2021	Unaudited 8M2022	Unaudited 1 March 2022 to the Latest Practicable Date
Acquisitions					
Furniture and fittings	–	–	–	11	–
Office equipment	40	29	13	80	35
Motor vehicles	90	15	163	20	–
Tools and equipment	–	–	10	–	–
Total expenditures	130	44	186	111	35

The above capital expenditures were financed by internally generated funds.

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The following table sets out our company's divestments during the Period Under Review and for the period from 1 March 2022 to the Latest Practicable Date:

S\$'000	Audited FY2019	Audited FY2020	Audited FY2021	Unaudited 8M2022	Unaudited 1 March 2022 to the Latest Practicable Date
Office equipment	13	–	–	19	–
Tools and equipment	–	–	–	2	190
Total divestments	13	–	–	21	190

The divestments in FY2019, 8M2022 and 1 March 2022 to the Latest Practicable Date were mainly related to our company's retirement of office equipment and tools and equipment.

Lease commitments

With the adoption of SFRS(I) 16 Leases, the lease commitments of our company are reflected in our company's financial statements and comprised leasehold property and motor vehicles.

As at the Latest Practicable Date, our company had lease commitments as follows:

	S\$'000
Not later than one (1) year	89
Later than one (1) year but not later than five (5) years	184
Total	273

We intend to finance the above lease commitments from internal resources.

Please refer to Section 4.17 titled "Properties and Fixed Assets" of this Target's Letter to Shareholders for more details.

Capital commitments

As at the Latest Practicable Date, our company does not have any material capital commitments.

Contingent Liabilities

As at the Latest Practicable Date, our company does not have any material contingent liabilities.

Foreign Exchange Risks Management

The financial statements of our company are presented in S\$, which is the functional currency of our company, and the presentation currency for the financial statements. Transactions in a currency other than the functional currency are translated into our company's functional currency using the exchange rates at the respective transaction dates. Currency translation differences from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the closing rate at the balance sheet date are recognised in the profit and loss statement.

To the extent that our revenue, purchases and operating costs are not sufficiently matched in the same currency and to the extent that there are timing differences between receipt and payment, our company will be exposed to any adverse fluctuations in exchange rates. Any restrictions over the conversion or timing of conversion of foreign currencies may also expose our company to adverse fluctuations in exchange rates.

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Our company recorded a net foreign exchange gain of approximately S\$4,000 for FY2020. Since our company's foreign exchange exposure is not material, our company currently does not have any formal policy for hedging against foreign exchange exposure and has not undertaken any hedging activities during the Period Under Review. Going forward, our company may employ hedging instruments to manage our foreign exchange exposure should the need arise. Prior to implementing any formal hedging policies, our company will seek the approval of the Proposed New Board on the policy and put in place adequate procedures which shall be reviewed and approved by the New Audit Committee. Thereafter, all hedging transactions entered into by our company will be in accordance with the set policies and procedures.

CHANGES IN ACCOUNTING POLICY AND DISCLOSURE ON ADOPTION OF NEW ACCOUNTING STANDARDS

The audited financial statements of our company and the unaudited condensed interim financial statements included in Appendices B and C to this Circular, respectively have been prepared in accordance with SFRS(I)s. These are our company's first financial statements prepared in accordance with SFRS(I)s and SFRS(I) 1 First-time Adoption of Singapore Financial Reporting Standards (International) has been applied.

In adopting SFRS(I)s, our company is required to apply all of the specific transition requirements in SFRS(I) 1 First-time Adoption of Singapore Financial Reporting Standards (International). Our company's opening statement of financial position has been prepared as at 1 July 2018, which is our company's date of transition to SFRS(I)s.

The same accounting policies are applied throughout all periods presented in the audited financial statements and the unaudited condensed interim financial statements in Appendices B and C of this Circular, respectively, subject to the mandatory exceptions and optional exemptions under SFRS(I) 1. For first-time adopters, SFRS(I)s allow the exemptions from the retrospective application of certain requirements under SFRS(I)s. The application of the mandatory exceptions and the optional exemptions in SFRS(I) 1 did not have significant impact on the financial performance and financial position of our company.

Please refer to Note 2 of the Independent Auditor's Report on the Financial Statements for the Reporting Years Ended 30 June 2019, 2020 and 2021 as set out in Appendix B of this Circular for a discussion of new standards and interpretations under SFRS(I)s which have been adopted by our company from 1 July 2018, 1 July 2019 and 1 July 2020, as the case may be. Except for SFRS(I) 16 Leases, there is no material impact on the financial performance and financial position of the financial statements in the year of initial application.

Please refer to Note 2 of the Independent Auditor's Report on the Financial Statements for the Reporting Years Ended 30 June 2019, 2020 and 2021 as set out in Appendix B of this Circular for a discussion of new standards, amendments to standards and interpretations that have been issued at the end of the reporting period but are not yet effective for our company for the annual periods beginning on or after 1 July 2021.

Save for the effect of any mandatory or early adoption by our company of any applicable future new or revised amendments to SFRS(I) that could result in retrospective adjustments, our company currently has no intention to make any changes to our accounting policy in the next 12 months that may result in material adjustments to the disclosed financials for the Period Under Review.

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12. CAPITALISATION AND INDEBTEDNESS

The following information should be read together with “Independent Auditor’s Report and the Audited Financial Statements for the Reporting Years Ended 30 June 2019, 30 June 2020 and 30 June 2021 of Lincotrade & Associates Pte Ltd” and the “Independent Auditor’s Review Report and the Unaudited Condensed Interim Financial Statements for the Eight-Month Ended 28 February 2022 of Lincotrade & Associates Pte Ltd” and the “Independent Auditor’s Report and the Compilation of Unaudited Pro Forma Financial Information of Lincotrade & Associates Pte Ltd for the Reporting Year Ended 30 June 2021 and Eight-Month Ended 28 February 2022” as set out in Appendix B, C and D of this Circular, respectively, and Section 11 titled “Management’s Discussion and Analysis of Results of Operations and Financial Position” of this Target’s Letter to Shareholders.

The following table shows our cash and cash equivalents as well as our capitalisation and indebtedness of our company as at 1 May 2022:

- (a) on an actual basis on the unaudited statement of financial position of our company as at 1 May 2022; and
- (b) as adjusted for the net proceeds from the issuance of the Placement Shares.

	As at 1 May 2022	
	Unaudited S\$’000	As adjusted for the net proceeds from the issuance of the Placement Shares ⁽¹⁾ S\$’000
Cash and bank balances	5,389	7,592
Indebtedness		
<i>Current:</i>		
● secured and guaranteed	7,569	7,569
● secured and non-guaranteed	2	2
● unsecured and guaranteed	–	–
● unsecured and non-guaranteed	65	65
<i>Non-current:</i>		
● secured and guaranteed	3,411	3,411
● secured and non-guaranteed	–	–
● unsecured and guaranteed	–	–
● unsecured and non-guaranteed	128	128
Total indebtedness	11,175	11,175
Shareholders’ equity		
Share capital	1,500	30,763
Retained earnings	6,405	4,255
Total shareholders’ equity	7,905	35,018
Total capitalisation and indebtedness	19,080	46,193

Note:

- (1) Assuming 13.65 million Placement Shares are issued at S\$0.22 each after taking into account placement commission of approximately S\$90,000 in total.

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Save for (i) changes in working capital; (ii) scheduled monthly repayments on our leases and term loans; and (iii) changes in our shareholders' equity and reserves arising from our day-to-day operations in the ordinary course of business, there were no material changes to our capitalisation and indebtedness since 2 May 2022 to the Latest Practicable Date.

The management monitors the capital on the basis of the debt-to-adjusted capital ratio. This ratio is calculated as net debt / total equity.

The increase in debt-to-adjusted capital ratio from 20.04% in FY2020 to 84.95% in FY2021 was mainly due to increase in net debt of approximately S\$4.7 million from S\$0.8 million in FY2020 to S\$5.5 million in FY2021 to fund the working capital of the Target. This is in line with the increase in revenue by approximately S\$18.6 million or 99.4% from S\$18.7 million in FY2020 to S\$37.3 million in FY2021, pursuant to the relaxation of the circuit breaker measures which resulted in more works carried out.

As at the Latest Practicable Date, our company is not subject to any loan covenant which includes debt-to-adjusted capital ratio. Please refer to page B-39 of Appendix B of the Circular for further details.

Credit Facilities

As at 28 February 2022 and as at the Latest Practicable Date, we maintain the following credit facilities:

Financial Institution	Type of facilities	Amount of facilities granted as at 28 February 2022 (S\$'000)	Amount of facilities granted as at the Latest Practicable Date (S\$'000)	Amount utilised as at 28 February 2022 (S\$'000)	Amount utilised as at the Latest Practicable Date (S\$'000)	Amount unutilised as at 28 February 2022 (S\$'000)	Amount unutilised as at the Latest Practicable Date (S\$'000)	Interest rates	Maturity profile
Oversea-Chinese Banking Corporation Limited ("OCBC") ⁽⁶⁾	Trade	2,500	2,500	–	–	2,500	2,500	Varied interest rates depending on the facility ⁽¹⁾	Letters of credit: Maximum tenor of 120 days Trust receipts: Maximum tenor of 120 days Draft loans (purchase): Maximum tenor of 120 days Draft loans (purchase) – pre-shipment: Maximum tenor of 60 days
Standard Chartered Bank (Singapore) ⁽⁷⁾ Limited ("SCB")	Import invoice financing	3,000	3,000	2,002	1,893	998	1,107	Varied interest rates depending on the facility ⁽²⁾	Maximum tenor of 120 days
SCB ⁽⁷⁾	Term loan	5,000	5,000	5,000	5,000	–	–	Fixed rate of 2.25% p.a.	27 May 2025

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Financial Institution	Type of facilities	Amount of facilities granted as at 28 February 2022 (\$S'000)	Amount of facilities granted as at the Latest Practicable Date (\$S'000)	Amount utilised as at 28 February 2022 (\$S'000)	Amount utilised as at the Latest Practicable Date (\$S'000)	Amount unutilised as at 28 February 2022 (\$S'000)	Amount unutilised as at the Latest Practicable Date (\$S'000)	Interest rates	Maturity profile
The Hongkong and Shanghai Banking Corporation Limited ("HSBC") ⁽⁸⁾	Trade	1,500	1,500	1,463	1,500	37	–	Varied interest rates depending on the facility ⁽³⁾	Documentary credit line: Maximum tenor of 60 days Loan against import with trust receipt line: Maximum tenor of 120 days Pre-shipment buyer loan: Maximum tenor of 30 days Post-shipment buyer loan: Maximum tenor of 120 days
HSBC ⁽⁸⁾	Trade	–	1,500	–	1,438	–	62	Varied interest rates depending on the facility ⁽³⁾	Documentary credit line: Maximum tenor of 60 days Loan against import with trust receipt line: Maximum tenor of 120 days Pre-shipment buyer loan: Maximum tenor of 30 days Post-shipment buyer loan: Maximum tenor of 120 days
HSBC ⁽⁸⁾	Term loan	1,000	1,000	1,000	1,000	–	–	Fixed rate of 2% p.a.	4 September 2025
HSBC ⁽⁸⁾	Guarantee and corporate credit card	1,000	1,302	689	1,262	351	40	Varied interest rates depending on the facility ⁽⁴⁾	Document credit line: Maximum tenor of 30 days Clean import loan 1: Maximum tenor of 120 days Clean import loan 2: Maximum tenor of 120 days
Malayan Banking Berhad ("MBB") ⁽⁹⁾	Letter of credit and trust receipt financing	2,000	2,000	1,909	1,922	91	78	Varied interest rates depending on the facility ⁽⁵⁾	Sight/Local/ Usance Letter of Credit: Up to 120 days Trust receipt financing: Up to 120 days

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Financial Institution	Type of facilities	Amount of facilities granted as at the Latest Practicable Date		Amount of facilities utilised as at the Latest Practicable Date		Amount of facilities unutilised as at the Latest Practicable Date		Interest rates	Maturity profile
		February 2022 (\$'000)	February 2022 (\$'000)	February 2022 (\$'000)	February 2022 (\$'000)	February 2022 (\$'000)	February 2022 (\$'000)		
Maybank Singapore Limited ("MBB SG") ⁽¹⁰⁾	Hire Purchase	98	98	98	98	–	–	1.88% flat p.a. (or effective interest rate of 3.5932263% p.a.)	20 April 2026
Toyota Financial Services Singapore Pte Ltd ("Toyota") ⁽¹⁰⁾	Hire purchase	77	77	77	77	–	–	2.99% flat p.a. (or effective interest rate of 5.6242% p.a.)	21 September 2025
Total		16,175	17,977	12,238	14,190	3,977	3,787		

Notes:

- (1) The interest rates of the facilities are as follows:
 - a. Letters of Credit: As per OCBC's prevailing schedule of charges
 - b. Trust receipts: 1.8% p.a. over OCBC's prevailing cost of funds
 - c. Draft loans (purchase) and draft loans (purchase) pre-shipment: 1.8% p.a. over OCBC's prevailing cost of funds; and
 - d. Shipping guarantee / airway bills: As per OCBC's prevailing schedule of charges
- (2) The interest rates of the facilities are as follows:
 - a. Import Invoice Financing: SCB's costs of funds plus 1.5% p.a. for S\$ bills and plus 2% for foreign currency bills
- (3) The interest rates of the facilities are as follows:
 - a. Document credit line: HSBC's Standard Tariff Commission Rate; and
 - b. Loan against import with trust receipt line, pre-shipment buyer loan and post-shipment buyer loan: 1.6% p.a. over HSBC's cost of funds for drawings in S\$ and 1.6% p.a. above the term secured overnight financing rate ("SOFR") reference rate for drawings in USD
- (4) The interest rates of the facilities are as follows:
 - a. Guarantee facility: 1% p.a. on the face value of the guarantees issued and/or to be issued, for the number of months or part thereof, calculated from the issuance or effective date (whichever is earlier) to the expiry date or the end of the claim period (whichever is later) of such guarantee subject to a minimum charge of SGD100/- per issuance, whichever is higher; and
 - b. Corporate credit card facility: At HSBC's prevailing rates.
- (5) The interest rates of the facilities are as follows:
 - a. Sight/local/usance letter of credit: 0.125% per month for a minimum of 2 months; and
 - b. Trust receipt facility: 1.3% p.a. above MBB's cost of funds.
- (6) Based on the terms of these facilities, prior consent is required to be obtained upon any change in shareholding of our company. OCBC has provided written consent to the change in shareholding of our company following Completion and has confirmed that all terms and conditions governing the facilities shall remain unchanged.
- (7) Based on the terms of these facilities, prior consent is required to be obtained upon any change in shareholders of our company. SCB has provided written consent to the change in shareholding of our company following Completion and confirmed that the facilities granted by SCB to our company will continue on their existing terms in all respects.
- (8) Based on the terms of these facilities, prior consent is required to be obtained upon any change in shareholding of our company. HSBC has confirmed that it has no objections to the change in shareholding by way of supplemental facility letters which provide that Tan Jit Meng, Soh Loong Chow Jackie and Tan Chee Khoon shall hold in aggregate no less than 55% of the shares of our company (whether directly or indirectly) with any change that results in them holding less than 55% of the shares of our company to be subject to the prior written consent of HSBC.

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- (9) Based on the terms of these facilities, prior consent is required to be obtained upon any change in shareholding of our company. MBB SG has provided written confirmation that it has no objections to the change in shareholding of our company following Completion.
- (10) These facilities do not contain provisions relating to the change in control and other restrictions requiring any consent or waiver from the respective lenders.

The amount of facilities granted, amount of utilised facilities and amount of unutilised facilities were approximately S\$16.2 million, S\$12.2 million and S\$4.0 million respectively as at 28 February 2022.

As at the Latest Practicable Date, there are no material changes in our cash and cash equivalents, capitalisation and indebtedness as disclosed above, save for the scheduled repayments on our borrowings and changes to our cash and cash equivalents arising from our day-to-day operations in the ordinary course of business.

Pursuant to Rule 728 of the Catalist Rules, Tan Jit Meng and Soh Loong Chow Jackie, who will be Controlling Shareholders of the Company post-Completion, and Tan Chee Khoon have provided undertakings to notify the Company, as soon as they become aware of any share pledging relating to their respective Shares, and of any event which will be an event of default, an enforcement event or an event that would cause acceleration of the repayment of the principal amount of the relevant loan or debt facilities. The Company will also comply with the announcement requirements under Rule 728(2) of the Catalist Rules upon any such notification by any of the Controlling Shareholders.

In the event that the Enlarged Group enters into a loan agreement or issues debt securities that contain a specified condition, and the breach of this specified condition will be an event of default, an enforcement event or an event that would cause acceleration of the repayment of the principal amount of the loan or debt securities, significantly affecting the operations of the Enlarged Group or results in the Enlarged Group facing a cash flow problem, we will immediately announce the details of the specified condition(s) in accordance with Rule 704(33) of the Catalist Rules, and the level of these facilities that may be affected by a breach of such specified condition. Pursuant to Rule 704(33) of the Catalist Rules, a “specified condition” is a condition that makes reference to the shareholding interests of any Controlling Shareholder, or a restriction on any change of control of the Company post-Completion.

As at the Latest Practicable Date, to the best of our knowledge, our company is not in breach of any of the terms and conditions or covenants associated with any credit arrangement or bank loan which could materially affect our company’s business operations, operating results or financial position. The Enlarged Group will maintain a permanent schedule of negative and affirmative covenants for each credit and facility arrangement, and the CFO and finance team will monitor and review the schedule on a regular basis. Where a covenant has not been complied with, the Enlarged Group shall take immediate action to remedy such non-compliance. We believe that such measures are effective to ensure compliance with the loan covenants by the Enlarged Group.

13. INTERESTED PERSON TRANSACTIONS

This section sets out the interested person transactions entered into by our company and interested persons as described in Section 13.1 (“**Interested Persons**”) below during the Relevant Period as well as interested person transactions entered into by the Company for the period from 1 July 2021 to the Latest Practicable Date.

In line with Chapter 9 of the Catalist Rules, a transaction of value less than S\$100,000 is not considered material in the context of the Proposed Acquisition and is not taken into account for the purposes of aggregation in this section.

Shareholders should note that upon Completion and the Proposed Listing Transfer, our company will become a subsidiary of the Company. Accordingly, transactions between any Enlarged Group Company and any interested person (namely, the Proposed New Board and Controlling Shareholders of the Company and/or their respective Associates) would constitute interested person transactions under Chapter 9 of the Catalist Rules.

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13.1. Interested Persons

The following is a list of Interested Persons who had transacted with our company during the Relevant Period:

- (a) Tan Jit Meng who is currently the Managing Director and a shareholder of our company. Upon Completion, he will be a Controlling Shareholder and the Proposed New Managing Director of the Company.
- (b) Soh Loong Chow Jackie who is currently a director and shareholder of our company. Upon Completion, he will be a Controlling Shareholder and a Proposed New Executive Officer of the Company.
- (c) Tan Chee Khoon who is currently a director and shareholder of our company. Upon Completion, he will be a substantial shareholder and a Proposed New Executive Officer of the Company.

13.2. Past Interested Person Transactions

Details of the past transactions between our company and the Interested Persons, for the Period Under Review are as follows:

(a) Sale of shares in MFPL

On 14 June 2019, our company sold 20 ordinary shares it held in Millennium Fiesta Pte Ltd (“MFPL”) (being 20% of the MFPL’s issued share capital (“MFPL Shares”)) to Tan Jit Meng, Soh Loong Chow Jackie and Tan Chee Khoon, each of whom purchased from our company 40%, 40% and 20% of the MFPL Shares. The sale was made on a commercial and at arms-length basis and not taking into consideration the fair value of the MY Land. The total consideration of S\$750,000 for the MFPL Shares was based on MFPL’s financial position as at 30 June 2018, calculated based on our company’s effective interest (20%) in the sum total of all shareholders’ equity in MFPL and the amount due to shareholders and directors of MFPL, adjusted for our company’s effective interest (20%) share of losses incurred by MFPL from July 2018 to June 2019 of approximately S\$247,000 mainly due to depreciation cost, impairment loss on investment property and administrative expenses. There was no independent valuation conducted for the purpose of this sale. We are of the view that it is not prejudicial to the interest of our company as the sale consideration was based on MFPL’s book value as at 30 June 2018, adjusted for the amount due to shareholders and directors of MFPL and the Target’s share of losses incurred by MFPL from July 2018 to June 2019. We do not intend to enter into similar transactions following the Completion.

(b) Provision of mortgage over property in favour of facilities granted to our company

The director, Soh Loong Chow Jackie and his spouse, executed a mortgage over their property in favour of facilities granted by DBS Bank Limited (“DBS”) to our company on 18 September 2015. The property was jointly owned by Soh Loong Chow Jackie and his spouse. The facilities granted by DBS have been cancelled in May 2019 and the mortgage was fully discharged in July 2019 respectively.

While the provision of the mortgage was not on an arm’s length basis and not on normal commercial terms, it was not prejudicial to the interests of our company and its shareholders since no consideration was paid to Soh Loong Chow Jackie and/or his spouse in the provision of the mortgage as security for the facilities granted by DBS to our company. We do not intend to enter into similar transactions following the Completion.

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(c) Provision of guarantees by Tan Jit Meng, Soh Loong Chow Jackie and Tan Chee Khoon

The directors, Tan Jit Meng, Soh Loong Chow Jackie and Tan Chee Khoon, have provided personal guarantees for credit facilities granted by various lenders to our company during the Relevant Period, the details of which are set out below.

Interested Person(s)	Borrower	Lender	Type of Facility	Date of Facility	Date of Termination / Discharge of Facility	Interest Rates	Principal Amount / Facility Limit (\$'000)	Largest Amount Outstanding under the Guaranteed Facilities during the Relevant Period (\$)
Tan Jit Meng	Target	Mercedes-Benz Financial Services Singapore Limited ("Mercedes")	Hire purchase	16 May 2014	16 April 2019	2.3% flat p.a. (or effective interest rate of 4.5228% p.a.)	72.592	50,000
Tan Jit Meng	Target	Mercedes	Hire purchase	13 June 2014	13 May 2019	2.3% flat p.a. (or effective interest rate of 4.5228% p.a.)	76.772	50,000
Tan Jit Meng	Target	Mercedes	Hire purchase	14 July 2014	14 June 2019	2.3% flat p.a. (or effective interest rate of 4.5228% p.a.)	67.616	50,000
Tan Jit Meng	Target	MBB	Hire purchase	27 October 2015	29 September 2020	2.28% flat p.a. (or effective interest rate of 4.489738% p.a.)	97.224	54,600
Tan Jit Meng, Soh Loong Chow Jackie and Tan Chee Khoon, jointly and severally	Target	SCB	Receivables purchase facility	30 July 2019	23 February 2021	1.25% p.a. above SCB's cost of funds	3,800	101,330.30
Tan Jit Meng, Soh Loong Chow Jackie and Tan Chee Khoon, jointly and severally	Target	DBS	Overdraft, trade and term loan facilities	18 September 2015	10 May 2019	Varied interest rates depending on the facility ⁽¹⁾	6,010	—

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Notes:

- (1) The interest rates of the facilities are as follows:
- a. Overdraft facility 1: DBS' prevailing prime rate plus 2.50% p.a.;
 - b. Trade facilities 1: DBS' prevailing prime rate plus 0.75% p.a. (for S\$ denominated bills) and DBS' prevailing cost of funds plus 3.00% p.a. (for foreign currency denominated bills);
 - c. Term loan 1: 1st year – DBS' prevailing Enterprise Financing Rate ("EFR") minus 3.60%; 2nd year – DBS' prevailing EFR minus 3.30%; and for subsequent years – DBS' prevailing EFR minus 2.50%;
 - d. Term loan 2: 1st year – DBS' prevailing EFR minus 3.60%; 2nd year – DBS' prevailing EFR minus 3.30%; and for subsequent years – DBS' prevailing EFR minus 2.50%; and
 - e. Term loan 3: 1st year – DBS' prevailing EFR minus 3.60%; 2nd year – DBS' prevailing EFR minus 3.30%; and 3rd year – DBS' prevailing EFR minus 2.50%.

Tan Jit Meng, Soh Loong Chow Jackie and Tan Chee Khoon did not receive any consideration from our company for the provision of the above-mentioned guarantees.

While the provision of these personal guarantees was not on an arm's length basis and not on normal commercial terms, they were not prejudicial to the interests of our company and its shareholders since no consideration was paid to Tan Jit Meng, Soh Loong Chow Jackie and Tan Chee Khoon.

As at the Latest Practicable Date, the above personal guarantees have been discharged as the respective loans and facilities have been either been fully repaid or cancelled. Tan Jit Meng, Soh Loong Chow Jackie and Tan Chee Khoon have provided other guarantees for facilities granted to our company which are present and on-going interested person transactions. Please refer to Section 13.3(a) titled "Present and On-going Interested Person Transactions – Provision of guarantees by Tan Jit Meng, Soh Loong Chow Jackie and Tan Chee Khoon" of this Target's Letter to Shareholders for more details.

(d) Provision of loans by Tan Jit Meng, Soh Loong Chow Jackie and Tan Chee Khoon

During the Relevant Period, Tan Jit Meng, Soh Loong Chow Jackie and Tan Chee Khoon provided loans to our company for working capital purposes:

- i. in March 2019, loans of S\$200,000, S\$200,000 and S\$100,000 were provided by Tan Jit Meng, Soh Loong Chow Jackie and Tan Chee Khoon respectively to our company; and
- ii. in May 2019, loans of S\$160,000, S\$160,000 and S\$80,000 were provided by Tan Jit Meng, Soh Loong Chow Jackie and Tan Chee Khoon respectively to our company.

In addition, as at 30 June 2020, outstanding dividends payable to Tan Jit Meng, Soh Loong Chow Jackie and Tan Chee Khoon in the amounts of S\$80,000, S\$80,000 and S\$40,000 declared on 28 February 2020 were reclassified as amounts due to directors.

The provision of the above loans to our company were unsecured, interest-free and without fixed terms of repayment. While the provision of these loans was not on an arm's length basis or on normal commercial terms, the loans were not prejudicial to the interests of our company.

As at the Latest Practicable Date, the above loans have all been fully repaid. We do not intend to enter into such similar transactions with Tan Jit Meng, Soh Loong Chow Jackie and Tan Chee Khoon following the Completion.

(e) Provision of indemnities by Tan Jit Meng, Soh Loong Chow Jackie and Tan Chee Khoon in favour of financial institutions in consideration of the issuance of performance bonds to our customers

During the Relevant Period, Tan Jit Meng, Soh Loong Chow Jackie and Tan Chee Khoon provided indemnities in favour of various financial institutions in consideration of the issuance of performance bonds to our customers for our projects.

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The indemnities provided by Tan Jit Meng, Soh Loong Chow Jackie and Tan Chee Khoon were without any consideration paid by our company. While the indemnities were not on an arm's length basis and not on commercial terms, we are of the view that it was not and will not be prejudicial to the interests of our company since no consideration was or will be paid to Tan Jit Meng, Soh Loong Chow Jackie or Tan Chee Khoon for the provision of the aforesaid indemnities.

As at the Latest Practicable Date, the above indemnities have been discharged as the respective projects of our company for which the performance bonds were granted by the financial institutions have been completed. Tan Jit Meng, Soh Loong Chow Jackie and Tan Chee Khoon have provided other indemnities to financial institutions which are present and on-going interested person transactions. Please refer to Section 13.3(c) titled "Present and On-Going Interested Person Transactions – Provision of indemnities by Tan Jit Meng, Soh Loong Chow Jackie and Tan Chee Khoon in favour of financial institutions in consideration of the issuance of performance bonds to our customers" of this Target's Letter to Shareholders for more details.

13.3. Present and On-Going Interested Person Transactions

(a) Provision of guarantees by Tan Jit Meng, Soh Loong Chow Jackie and Tan Chee Khoon

During the Relevant Period, our directors, Tan Jit Meng, Soh Loong Chow Jackie and Tan Chee Khoon provided personal guarantees for credit facilities granted by various lenders to our company, which are subsisting as at the Latest Practicable Date, and the details of which are set out below.

Interested Person(s)	Borrower	Lender	Type of Facility	Date of Facility	Interest Rates	Principal Amount / Facility Limit (S\$'000)	Largest Amount Outstanding under the Guaranteed Facilities during the Relevant Period (S\$)
Tan Jit Meng, Soh Loong Chow Jackie and Tan Chee Khoon, jointly and severally	Target	MBB	Letter of credit and trust receipt receivable financing facility	22 December 2017	Varied interest rates depending on the facility ⁽¹⁾	2,000	280,070.97
Tan Jit Meng, Soh Loong Chow Jackie and Tan Chee Khoon, jointly and severally	Target	HSBC	Guarantee and corporate credit card	3 June 2019	Varied interest rates depending on the facility ⁽²⁾	1,302	688,880

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Interested Person(s)	Borrower	Lender	Type of Facility	Date of Facility	Interest Rates	Principal Amount / Facility Limit (S\$'000)	Largest Amount Outstanding under the Guaranteed Facilities during the Relevant Period (S\$)
Tan Jit Meng, Soh Loong Chow Jackie and Tan Chee Khoon, jointly and severally	Target	SCB	Import invoice financing	30 July 2019	SCB's cost of funds plus 1.5% p.a. for S\$ bills and SCB's cost of funds plus 2% for foreign currency bills	3,000	534,324.47
Tan Jit Meng, Soh Loong Chow Jackie and Tan Chee Khoon, jointly and severally	Target	SCB	Term loan	18 May 2020	2.25% p.a.	5,000	5,000,000
Tan Jit Meng, Soh Loong Chow Jackie and Tan Chee Khoon, jointly and severally	Target	HSBC	Working capital loan	20 July 2020	2% p.a.	1,000	1,000,000
Tan Jit Meng, Soh Loong Chow Jackie and Tan Chee Khoon, jointly and severally	Target	HSBC	Trade facility	16 February 2022	Varied interest rates depending on the facility ⁽³⁾	1,500	276,540.43
Tan Jit Meng, Soh Loong Chow Jackie and Tan Chee Khoon, jointly and severally	Target	HSBC	Trade facility	29 March 2022	Varied interest rates depending on the facility ⁽³⁾	1,500	131,600.00
Tan Jit Meng and Soh Loong Chow Jackie and Tan Chee Khoon, jointly and severally	Target	OCBC	Trade facility	8 February 2022	Varied interest rates depending on the facility ⁽⁴⁾	2,500	–
Tan Jit Meng	Target	MBB SG	Hire purchase	20 April 2021	1.88% flat p.a. (or effective interest rate of 3.5932263% p.a.)	98.371	64,600

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Interested Person(s)	Borrower	Lender	Type of Facility	Date of Facility	Interest Rates	Principal Amount / Facility Limit (\$'000)	Largest Amount Outstanding under the Guaranteed Facilities during the Relevant Period (\$)
Tan Jit Meng	Target	Toyota	Hire purchase	21 September 2020	2.99% flat p.a. (or effective interest rate of 5.6242% p.a.)	77.275	50,000

Notes:

- (1) The interest rates of the facilities are as follows:
 - a. Sight/local/usance letter of credit: 0.125% per month for a minimum of 2 months; and
 - b. Trust receipt facility: 1.3% p.a. above MBB's cost of funds.
- (2) The interest rates of the facilities are as follows:
 - a. Guarantee facility: 1% p.a. on the face value of the guarantees issued and/or to be issued, for the number of months or part thereof, calculated from the issuance or effective date (whichever is earlier) to the expiry date or the end of the claim period (whichever is later) of such guarantee subject to a minimum charge of SGD100/- per issuance, whichever is higher; and
 - b. Corporate credit card facility: At HSBC's prevailing rates.
- (3) The interest rates of the facilities are as follows:
 - a. Document credit line: HSBC's Standard Tariff Commission Rate; and
 - b. Loan against import with trust receipt line, pre-shipment buyer loan and post-shipment buyer loan: 1.6% p.a. over HSBC's cost of funds for drawings in S\$ and 1.6% p.a. above the term SOFR reference rate for drawings in USD
- (4) The interest rates of the facilities are as follows:
 - a. Letters of Credit: As per OCBC's prevailing schedule of charges
 - b. Trust receipts: 1.8% p.a. over OCBC's prevailing cost of funds
 - c. Draft loans (purchase) and draft loans (purchase) preshipment: 1.8% p.a. over OCBC's prevailing cost of funds; and
 - d. Shipping guarantee / airway bills: As per OCBC's prevailing schedule of charges

Tan Jit Meng, Soh Loong Chow Jackie and Tan Chee Khoon did not receive any and will not be receiving any consideration from our company for the provision of the above-mentioned guarantees. As these guarantees are in respect of credit facilities that will continue after Completion, they are interested person transactions for the purpose of Chapter 9 of the Catalyst Rules.

We are of the view that while the provision of these personal guarantees was not on an arm's length basis and not on commercial terms, they were not and will not be prejudicial to the interests of the Company and Shareholders since no consideration was or will be paid to Tan Jit Meng, Soh Loong Chow Jackie and Tan Chee Khoon.

We intend to request for the discharge of the above personal guarantees provided by Tan Jit Meng, Soh Loong Chow Jackie and Tan Chee Khoon following Completion and replace them with guarantees provided by the Company. We do not expect any material change in the terms and conditions of the relevant facilities arising from the release and discharge of the above personal guarantees. Should the lenders be unwilling to release and discharge the above personal guarantees, Tan Jit Meng, Soh Loong Chow Jackie and Tan Chee Khoon will continue to provide the relevant personal guarantees. Tan Jit Meng, Soh Loong Chow Jackie and Tan Chee Khoon have not and will not be receiving any consideration (monetary

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or otherwise) for the provision of the above personal guarantees. Following Completion, all guarantees required for similar loans and facilities granted to the Enlarged Group will be provided by the Company, and the Enlarged Group does not intend for Tan Jit Meng, Soh Loong Chow Jackie and Tan Chee Khoon to continue providing such personal guarantees in their individual capacity.

(b) Provision of a master indemnity by Tan Jit Meng and Tan Chee Khoon

During the Relevant Period, Tan Jit Meng and Tan Chee Khoon jointly provided a master indemnity, which is currently subsisting, in consideration of security bonds issued by Liberty Insurance Pte Ltd for our company's foreign workers in the amount of S\$5,000 per bond.

The master indemnity provided by Tan Jit Meng and Tan Chee Khoon was without any consideration paid by our company. While the master indemnity was not on an arm's length basis and not on commercial terms, we are of the view that it was not and will not be prejudicial to the interests of our company since no consideration was or will be paid to Tan Jit Meng or Tan Chee Khoon for the provision of the aforesaid indemnity.

We intend to request for the discharge of the above master indemnity provided by Tan Jit Meng and Tan Chee Khoon following Completion and replace them with a master indemnity provided by the Company. We do not expect any material change in the terms and conditions of the security bonds arising from the release and discharge of the above master indemnity. Should the relevant financial institution be unwilling to release and discharge the above master indemnity, Tan Jit Meng and Tan Chee Khoon will continue to provide the indemnity. Tan Jit Meng and Tan Chee Khoon have not and will not be receiving any consideration (monetary or otherwise) for the provision of the above indemnity. Following Completion, all indemnities for similar security bonds will be provided by the Company, and the Enlarged Group does not intend for Tan Jit Meng and Tan Chee Khoon to continue providing the indemnity in their individual capacity.

(c) Provision of indemnities by Tan Jit Meng, Soh Loong Chow Jackie and Tan Chee Khoon in favour of financial institutions in consideration of the issuance of performance bonds to our customers

During the Relevant Period, Tan Jit Meng, Soh Loong Chow Jackie and Tan Chee Khoon provided indemnities in favour of various financial institutions in consideration of the issuance of performance bonds to our customers for our projects.

The indemnities provided by Tan Jit Meng, Soh Loong Chow Jackie and Tan Chee Khoon were without any consideration paid by our company. While the indemnities were not on an arm's length basis and not on commercial terms, we are of the view that it was not and will not be prejudicial to the interests of our company since no consideration was or will be paid to Tan Jit Meng, Soh Loong Chow Jackie or Tan Chee Khoon for the provision of the aforesaid indemnities.

We intend to request for the discharge of the above indemnities provided by Tan Jit Meng, Soh Loong Chow Jackie and Tan Chee Khoon following Completion and replace them with indemnities provided by the Company. We do not expect any material change in the terms and conditions of the relevant performance bonds arising from the release and discharge of the above indemnities. Should the financial institutions be unwilling to release and discharge the above indemnities, Tan Jit Meng, Soh Loong Chow Jackie and Tan Chee Khoon will continue to provide the relevant indemnities. Tan Jit Meng, Soh Loong Chow Jackie and Tan Chee Khoon have not and will not be receiving any consideration (monetary or otherwise) for the provision of the above indemnities. Following Completion, all indemnities for similar performance bonds for our projects will be provided by the Company, and the Enlarged Group does not intend for Tan Jit Meng, Soh Loong Chow Jackie and Tan Chee Khoon to continue providing such indemnities in their individual capacity.

(d) Provision of Shareholder's Loan by Triple Vision to the Company

The Company had on 26 April 2022, entered into the Loan Agreement with Triple Vision for the Loan granted by Triple Vision to the Company of up to an aggregate amount of S\$1,000,000 at any time. The outstanding amounts drawn down by the Company under the Loan shall be repaid by the Company to Triple Vision beginning from the date falling 12 months from the Completion Date (or any later date as may be agreed upon between the Company and Triple Vision), in eight (8) equal monthly instalments spread over eight (8) consecutive calendar months starting from the date of the first instalment, subject to any fiscal, taxation or other laws and regulations applicable to the Company. While the Loan constitutes an interested person transaction under Chapter 9 of the Listing Rules (as applicable during the time of entry into the Loan Agreement) by virtue of Triple Vision's controlling interest in the Company, the value of the transaction i.e. the amount at risk to the Company (being the interest payable by the Company to Triple Vision on the Loan pursuant to Rule 909(3) of the Listing Rules) is less than 5% under Rule 906 and less than 3% under Rule 905 of the Company's audited net tangible assets at the material time, as the Loan is interest-free and no interest shall accrue on default by the Company.

Immediately after Completion, Triple Vision's shareholding in the Company will reduce from 52.16% to approximately 13.55% of the Enlarged Share Capital and it will cease to be a controlling shareholder of the Company. Notwithstanding the foregoing, the Loan will remain as an on-going interested person transaction for the Enlarged Group upon Completion as Triple Vision will remain as an interested person pursuant to Rule 904(b) of the Catalyst Rules due to it being an associate of Wee Shuo Siong Milton, a Proposed New Director, by virtue of it being a company in which Wee Shuo Siong Milton or his immediate family together (directly or indirectly) having an interest of 30% or more.

While the Loan is not on an arm's length basis and not on commercial terms, we are of the view that it was not and will not be prejudicial to the interests of the Enlarged Group as the Loan is interest-free and no interest shall accrue on default by the Company.

Please refer to the Company's announcement dated 26 April 2022 for more details on the Loan and Loan Agreement, and to Section 15.2 of this Letter for more details on Wee Shuo Siong Milton's appointment as a Proposed New Director and his relationship with Wee Henry.

13.4. Review Procedures for Future Interested Person Transactions

As at the Latest Practicable Date, the Enlarged Group has no intention of entering into any transaction with any of the Interested Persons after Completion, but should any such transactions be proposed, the following guidelines and the relevant provisions under Chapter 9 of the Catalyst Rules will apply.

To ensure that future transactions with Interested Persons (if any) are undertaken on normal commercial terms and are consistent with the Enlarged Group's usual business practices and policies, and on terms which are generally no more favourable than those extended to unrelated third parties, the following procedures will be implemented by the Enlarged Group.

In relation to any purchase of products or procurement of services from Interested Persons, quotes from at least 2 unrelated third parties in respect of the same or substantially the same type of transactions will be used as comparisons wherever possible. The purchase price, procurement price or fee for services shall not be higher than the most competitive price of 2 comparative prices from 2 unrelated third parties. In determining the most competitive price or fee, the New Audit Committee will review the comparables, taking into account all pertinent factors, including but not limited to, the suitability, quality and cost of the product or service and the experience and expertise of the supplier.

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In relation to any sale of products or provision of services to Interested Persons, the price, fee, profit margin and terms of at least 2 other completed transactions of the same or substantially the same type of transactions with unrelated third parties are to be used as bases for comparison wherever possible. The Interested Persons shall not be charged at rates more favourable than that charged to unrelated third parties, taking into account all pertinent factors, including but not limited to customer requirements, creditworthiness and discounts that may be extended to regular customers of our company.

In relation to the leasing of properties from or to an Interested Person, the New Audit Committee shall take appropriate steps to ensure that the rent charged is comparable to the prevailing market rates, including adopting measures such as making relevant enquiries with landlords of similar properties, obtaining suitable reports or reviews published by property agents, and obtaining independent valuation reports by property valuers, where appropriate. The rent payable shall be based on the most competitive market rental rate of similar properties in terms of size, suitability and location.

Where it is not possible to compare against the terms of other transactions with unrelated third parties and given that the products and/or services may be purchased only from an interested person, the interested person transaction will be approved by the Chief Financial Officer, if he has no interest in the transaction, or failing which, the New Audit Committee, in accordance with the Enlarged Group's usual business practices and policies. In determining the transaction price payable to the interested person for such products and/or services, factors such as, but not limited to, quantity, quality, requirements and specifications will be taken into account.

The Enlarged Group shall monitor all interested person transactions entered into by the Enlarged Group by categorising the transactions as follows:

- (a) all interested person transactions above S\$100,000 but below 3.0% of the latest audited NTA of the Enlarged Group (either individually or as part of a series or aggregated with other transactions involving the same Interested Person during the same financial year) shall be approved by the Chief Financial Officer prior to entry. The Chief Financial Officer shall be a person who has no interest, directly or indirectly, in the transaction; and
- (b) for interested person transactions where the value thereof amounts to 3.0% or more of the latest audited NTA of the Enlarged Group, the Enlarged Group shall obtain the approval of the New Audit Committee prior to entering into the transaction. Where a New Audit Committee member has an interest, directly or indirectly, in the transaction, he shall abstain from participating in the review of the transaction. In the event of an equality of votes pertaining to any interested person transactions put forth to the New Audit Committee for approval, the New Audit Committee chairman shall have the casting vote. Should the casting vote be exercised, such circumstances leading to the exercise of the casting vote shall be properly minuted, including the steps taken to assess the objections of the dissenting Independent Director and attempts for consensus to be reached between the Independent Directors. Further, the dissenting view shall also be minuted.

Pursuant to Rule 905(4) of the Catalist Rules, in the event that the latest audited NTA of the Enlarged Group is negative, the Chief Financial Officer shall consult the New Audit Committee, or where required under Chapter 9 of the Catalist Rules, through its Sponsor consult the SGX-ST, on the appropriate benchmark to calculate the relevant thresholds above, which may be based on the Company's market capitalisation.

Any contracts to be made with an Interested Person shall not be approved unless the pricing is determined in accordance with the Enlarged Group's usual business practices and policies, consistent with the usual rate given or price received by the Enlarged Group for the same or substantially similar type of transactions between the Enlarged Group and unrelated parties, and the terms are no more favourable than those extended to or received from unrelated parties.

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For the purposes above, where applicable, contracts for the same or substantially similar type of transactions entered into between the Enlarged Group and unrelated third parties will be used as a basis for comparison to determine whether the price and terms offered to or received from an Interested Person are no more favourable than those extended to unrelated parties.

Before any agreement or arrangement with an Interested Person that is not in the ordinary course of business of the Enlarged Group is transacted, prior approval must be obtained from the New Audit Committee. In the event that a member of the New Audit Committee is interested in any interested person transactions, he will abstain from reviewing that particular transaction. Any decision to proceed with such an agreement or arrangement would be recorded for review by the New Audit Committee.

The Enlarged Group shall maintain a register to record all interested person transactions that are entered into by the Enlarged Group, including any pertinent factor(s) considered and/or quotations obtained from unrelated third parties to support the price, fee, rental and/or terms of the interested person transaction, and the review and/or approval of the New Audit Committee. The register shall be maintained by personnel (who shall not be interested in any of the interested person transactions) who are duly delegated to do so by the New Audit Committee and any exceptions or departures from the review procedures shall be reported and highlighted to the New Audit Committee immediately. In addition, the Enlarged Group will maintain a register of Interested Persons and ensure that the list is circulated to the Enlarged Group's employees whenever it is updated. The Enlarged Group shall make the necessary disclosures in the annual reports of such interested person transactions (as may be required by applicable law and the Catalist Rules).

All interested person transactions shall be subject to review by the New Audit Committee on a half-yearly basis to ensure that they are carried out at arm's length and in accordance with the procedures outlined above and to ensure that the prevailing rules and regulations of the SGX-ST (in particular, Chapter 9 of the Catalist Rules) are complied with. The finance team of the Enlarged Group will prepare the relevant information to assist the New Audit Committee in its review. Furthermore, if during these periodic reviews, the New Audit Committee believes that the guidelines and procedures as outlined above are not sufficient to ensure that the interested person transactions will be conducted on normal commercial terms, on an arms' length basis and that the interests of the Enlarged Group and its minority Shareholders are not prejudiced, the Enlarged Group will adopt new guidelines and procedures. The New Audit Committee may request for an independent financial adviser's opinion on such guidelines and procedures as it deems fit.

In addition, the New Audit Committee will include the review of interested person transactions as part of its standard procedures while examining the adequacy of the Enlarged Group's internal controls. The Proposed New Board will also ensure that all disclosures, approvals and other requirements on interested person transactions, including those required by prevailing legislation, the Catalist Rules and accounting standards, and the recommendations and guidelines set out in the Code of Corporate Governance 2018, are complied with. Such transactions will also be subject to Shareholders' approval if deemed necessary by the Catalist Rules. In accordance with Rule 919 of the Catalist Rules, Interested Persons and their Associates shall abstain from voting, or acting as proxies unless given specific instructions as to voting by the Shareholder(s), on resolutions approving such interested person transactions.

14. POTENTIAL CONFLICTS OF INTEREST

Save as disclosed in Section 13 titled "Interested Person Transactions", none of the Proposed New Board or Controlling Shareholders of the Enlarged Group and/or their respective Associates has an interest, directly or indirectly in:

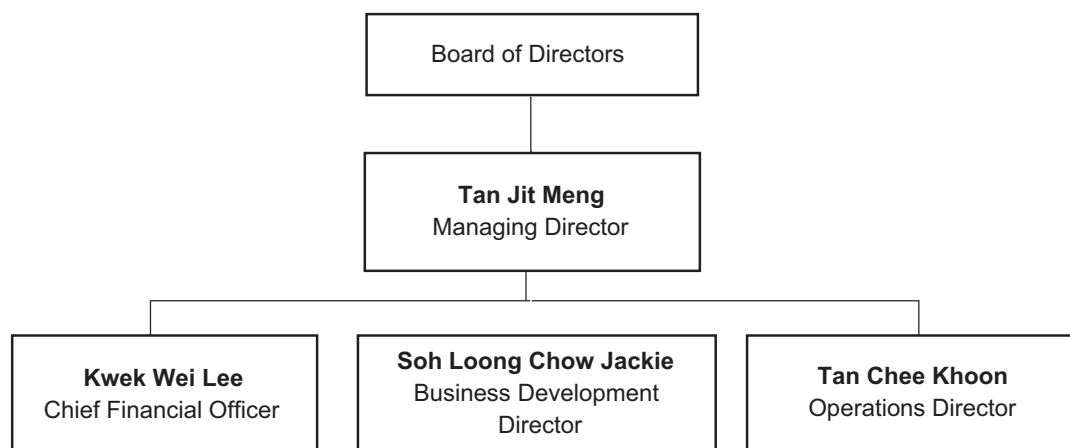
- (a) any material transaction to which a company in the Enlarged Group was or is to be a party;
- (b) any entity carrying on the same business or dealing in similar services which competes materially and directly with the business of the Enlarged Group; and
- (c) any entity that is a customer or supplier of goods or services to the Enlarged Group.

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15. PROPOSED NEW BOARD AND PROPOSED NEW EXECUTIVE OFFICERS

15.1. Management Reporting Structure

The Company proposes to constitute the Proposed New Board and appoint a new senior management team following Completion. Accordingly, following Completion, the proposed management reporting structure of the Company will be as follows:



15.2. Proposed New Board

On Completion, the following persons are proposed to be appointed to the Board:-

- (a) Tan Kok Heng (Independent Non-Executive Chairman);
- (b) Tan Jit Meng (Managing Director);
- (c) Lu King Seng (Independent Non-executive Director); and
- (d) Wee Shuo Siong Milton (Non-independent Non-executive Director).

The particulars of the Proposed New Board as at the Latest Practicable Date are as follows:

Name	Age	Address	Proposed Position in the Enlarged Group
Tan Kok Heng	58	c/o 39 Sungei Kadut Loop Singapore 729494	Independent Non-executive Chairman
Tan Jit Meng	58	c/o 39 Sungei Kadut Loop Singapore 729494	Managing Director
Lu King Seng	52	c/o 39 Sungei Kadut Loop Singapore 729494	Independent Non-executive Director
Wee Shuo Siong Milton	31	c/o 39 Sungei Kadut Loop Singapore 729494	Non-independent Non-executive Director

Tan Kok Heng, the proposed Independent Non-Executive Chairman, is currently the Executive Director and CEO of Sunway RE Capital Pte Ltd (“**Sunway**”), the real estate investment management arm of Sunway Berhad. At Sunway, Dr Tan oversees the real estate fund management business. His responsibilities include deal origination and fund raising, with an emphasis on setting up listed and unlisted funds, with the objective of building Sunway’s overseas property business as well as growing its recurring income. Prior to joining Sunway, Dr Tan was CEO of Fund Management Business and Head of Property Investment of Sime Darby Property

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Berhad (“SDPB”) from April 2011 to October 2018. He was instrumental in setting up several private real estate and development funds for SDPB, as well as being involved in numerous joint ventures. Dr. Tan also sits on the board of Elite Commercial REIT as the alternate director to Evan Cheah Yean Shin who is its non-independent, non-executive Director.

Dr Tan graduated from the National University of Singapore with a Bachelor of Science (Hons) in Estate Management. He also holds a Graduate Diploma in Financial Management from the Singapore Institute of Management, Master of International Business from the Curtin University of Technology, Australia and Doctorate (Transdisciplinary Studies) from Central Queensland University, Australia. He is also a member of the Singapore Institute of Directors.

Tan Jit Meng, the proposed Managing Director, is the co-founder and current Managing Director of our company. Prior to co-founding our company in November 1991, he worked as a Foreman for Linco (Private) Limited, a company engaged in the business of providing partition and ceiling works, from July 1987 to September 1991. Tan Jit Meng has been a Director of our company since its incorporation in November 1991. He was later promoted to Deputy Managing Director in January 1998 and Managing Director in July 2000. Throughout his time with our company, he has been responsible for overseeing its operations, including business development, project and financial management. He will continue with these areas of responsibility following Completion. Tan Jit Meng obtained his Singapore-Cambridge General Certificate of Education (Ordinary Level) in 1982.

Lu King Seng, the proposed Independent Director, has more than 24 years of commercial and audit experience. He has been the director of Orion Business Advisory Pte Ltd (principally engaged in providing business management, consultancy and transaction advisory services) since June 2014. He was chief financial officer in SinCo Technologies Pte Ltd from January 2005 to March 2013, where he was primarily responsible for overseeing the financial and accounting functions of the company. Mr Lu obtained his Malaysian Higher School Certificate (equivalent to the General Certificate of Education (Advanced Level)) in 1990. Mr Lu attended Emile Woolf International, London and obtained membership with the Association of Chartered Certified Accountants in 1999 and was subsequently admitted a Fellow of the Association in 2004. Mr Lu was admitted as a member of the Institute of Chartered Public Accountants of Singapore and the Singapore Institute of Directors in 2012. He is also independent director of other companies listed on the SGX-ST and The Stock Exchange of Hong Kong.

Wee Shuo Siong Milton, the proposed Non-independent Non-executive Director, is currently the Head of Marketing at Nature's Farm Retail Pte Ltd (“**Nature's Farm**”), a health food and supplement distribution company with a retail presence in Singapore. At Nature's Farm, he oversees the development and execution of marketing strategies, campaigns and events, as well as identification of new market segments and opportunities. Prior to joining Nature's Farm in March 2022, he spent close to 5 years as a Business Development Manager in Imperium Crown Limited from June 2017 to February 2022, a property investment and development company listed on the Catalist board of the SGX-ST, where he was responsible primarily for the sourcing and evaluation of potential deals as well as studying of industry and market trends. From January 2015 to May 2017, Mr Wee worked in event management companies where he was involved in project management as well as event planning and execution. He graduated from the University of Queensland with a Masters in Business and from the University of Adelaide with a Bachelor of Innovation & Entrepreneurship. He also holds an Advanced Diploma in Business Administration from Macquarie University and is an associate member of the Singapore Institute of Directors.

(a) Experience as director of a listed company

Of the Proposed New Directors, Tan Kok Heng and Lu King Seng have prior experience as directors of companies listed on the SGX-ST.

Tan Jit Meng and Wee Shuo Siong Milton do not have prior experience as a director of a company listed on the SGX-ST but they have completed the applicable mandatory training as prescribed under Schedule 1 of Practice Note 4D of the Catalist Rules to familiarise themselves with the roles and responsibilities of a director of a SGX-ST listed company.

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In addition, all of the Proposed New Directors have been briefed by the Legal Adviser to the Company on the roles and responsibilities of a director of a public listed company in Singapore.

(b) Present and past directorships of the Proposed New Directors

The list of present and past directorships of the Proposed New Directors over the last five (5) years up to the Latest Practicable Date is set out below:

Name	Present Directorships	Past Directorships
Tan Kok Heng	<ul style="list-style-type: none"> • Sunway RE Capital Pte Ltd • Elite Commercial REIT Management Pte Ltd • Sunway RE Capital Advisors (SG) Pte Ltd • Sunway RE Capital Advisors (UK) Pte Ltd • Sunway Residence (Guernsey) Limited • Sunway Residence (Singapore) Pte Ltd • Sunway Residence (Guernsey) Holdings Ltd • Sunway Residence (Guernsey) 2 Limited • Sunway MBU RE Capital Advisors (UK) Ltd 	<ul style="list-style-type: none"> • 087 Capital Pte Ltd • Shaw Brothers (M) Sdn Bhd • Darby Park (Vietnam) Limited • Aster Investment Holding Pte Ltd • Aster (Dunearn) Pte Ltd • Aster (Alexandra) Pte Ltd • Aster (Kilang) Pte Ltd • Sime Darby Property (Dunearn) Pte Ltd • Darby Park (Management) Pte Ltd • Darby Park (Singapore) Pte Ltd • Sime Darby Property (Alexandra) Pte Ltd • Sime Darby Property (Amston) Pte Ltd • Sime Darby Property (Kilang) Pte Ltd • Sime Darby Property (Vietnam) Pte Ltd • Sime Darby Property Singapore Ltd • Sime Darby Real Estate Management Pte Ltd • Battersea Project Holding Co, Ltd • Sapphire Industrial Asset Investment Holding Pte Ltd • Sapphire Australian Industrial Asset Investment Holding Pte Ltd
Tan Jit Meng	<ul style="list-style-type: none"> • Target • Millennium Fiesta Pte Ltd 	<ul style="list-style-type: none"> • Convergence Automotive (Pte Ltd)

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Name	Present Directorships	Past Directorships
Lu King Seng	<ul style="list-style-type: none"> • Geo Energy Resources Limited • Taka Jewellery Holdings Limited • Jlogo Holdings Limited • Orion Advisory Pte Ltd • Orion Business Advisory Pte Ltd • Supreme Wagon Automotive Pte Ltd (Dormant) • Orion Polymer Pte Ltd • Orion Business Consultancy Pte Ltd (Dormant) 	<ul style="list-style-type: none"> • Swag Ev Pte Ltd
Wee Shuo Siong Milton	–	<ul style="list-style-type: none"> • Edgem Pte Ltd

(c) Relationships of the Proposed New Directors

Wee Shuo Siong Milton, a Proposed New Director, is the son of Wee Henry, who is the current Controlling Shareholder of the Company as at the Latest Practicable Date and will be a substantial shareholder of the Company, holding 24,665,699 Shares, representing 13.69% of the Enlarged Share Capital upon Completion.

Save for the above, as at the Latest Practicable Date, none of the Proposed New Directors has any family relationship with another director of the Proposed New Board, the Proposed New Executive Officers, the substantial shareholders and Directors of the Company, or the substantial shareholders and directors of the Target.

(d) Appointment of the Proposed New Board

Pursuant to the terms of the SPA, Wee Henry shall be titled to nominate and appoint one nominee as a non-executive director of the Company following Completion, subject to the nominee's qualification under the Act and clearance by the New Nominating Committee and the Sponsor and where applicable the relevant regulator(s) for a minimum period of 12 months with effect from Completion Date and thereafter, for so long as he retains beneficial interest of at least 5% of the Company's Enlarged Share Capital. Wee Shuo Siong Milton, the son of Wee Henry, is the proposed non-executive and non-independent director of the Proposed New Board pursuant to the terms of the SPA.

Save for Wee Shuo Siong Milton, there is no arrangement or understanding with any of the substantial shareholders or directors of the Company or the Target, customers or suppliers or other persons pursuant to which any of them or any person nominated by any of them will be appointed to the Proposed New Board.

None of the Proposed Independent Directors sits on the board of any principal subsidiary based in jurisdictions other than Singapore. As at the Latest Practicable Date, our company does not have any subsidiaries, subsidiary entities, associated companies and/or associated entities.

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15.3. Proposed New Executive Officers

The particulars of the Proposed New Executive Officers are as follows:

Name	Age	Address	Proposed Position in the Enlarged Group
Kwek Wei Lee	43	c/o 39 Sungei Kadut Loop Singapore 729494	Chief Financial Officer
Soh Loong Chow Jackie	54	c/o 39 Sungei Kadut Loop Singapore 729494	Business Development Director
Tan Chee Khoon	46	c/o 39 Sungei Kadut Loop Singapore 729494	Operations Director

Kwek Wei Lee, the proposed Chief Financial Officer, is currently the Finance Manager (Group Accounts) of the Company and is responsible for the financial, accounting, budgeting and taxation matters of the Group. Prior to joining the Company in April 2005, he was an Audit Senior with Ernst & Young, Singapore, an international audit firm, from January 2003 to March 2005, where he was involved in the audit of public listed companies and multinational companies. From December 2000 to December 2002, he was a Senior Audit Assistant with BDO LLP (formerly known as BDO International), Singapore, an international audit firm. Kwek Wei Lee obtained a Diploma with Merit in Accountancy from Ngee Ann Polytechnic in June 1998. He is a Chartered Accountant of Singapore and fellow member of the Association of Chartered Certified Accountants in UK.

Soh Loong Chow Jackie, the proposed Business Development Director, is the co-founder and currently a director of our company. Prior to co-founding our company in November 1991, he worked as a Foreman for Linco (Private) Limited, a company engaged in the business of providing partition and ceiling works, from October 1987 to September 1991. Soh Loong Chow has been a Director of our company since its incorporation in November 1991. Throughout his time with our company, he has been responsible for all our company's marketing and business development matters. He will continue with these areas of responsibility following Completion. Soh Loong Chow Jackie obtained his Singapore-Cambridge General Certificate of Education (Ordinary Level) in 1984.

Tan Chee Khoon, the proposed Operations Director, is currently a director of our company. He joined our company in March 1999 as a Junior Site Supervisor and was subsequently promoted to Site Supervisor in August 1999, Site Coordinator in January 2000, Project Manager in September 2005, General Manager in January 2008 and became a shareholder and a director in July 2015. Throughout his time as a director of our company since July 2015, Tan Chee Khoon has been responsible for all our company's tendering and project management matters. He will continue with these areas of responsibility following Completion. Tan Chee Khoon obtained his Diploma in Civil Engineering from the Federal Institute of Technology (Malaysia) in 1997.

(a) Present and past directorships of the Proposed New Executive Officers

The list of present and past directorships of the Proposed New Executive Officer over the last five (5) years up to the Latest Practicable Date is set out below:

Name	Present Directorships	Past Directorships
Kwek Wei Lee	<ul style="list-style-type: none"> AI-Sus Technologies Pte Ltd 	–
Soh Loong Chow Jackie	<ul style="list-style-type: none"> Target Possible Capital Sdn Bhd Millennium Fiesta Sdn Bhd Millennium Fiesta Pte Ltd 	<ul style="list-style-type: none"> Younique Capital Pte Ltd

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Name	Present Directorships	Past Directorships
Tan Chee Khoon	<ul style="list-style-type: none"> ● Target ● Possible Capital Sdn Bhd ● Millennium Fiesta Sdn Bhd ● Millennium Fiesta Pte Ltd 	—

(b) Relationships of the Proposed New Executive Officers

None of the Proposed New Executive Officers has any family relationship with any member of the Proposed New Board, Proposed New Executive Officer, substantial shareholders or directors of the Company or the Target.

(c) Appointment of the Proposed New Executive Officers

There is no arrangement or understanding with any of the directors or substantial shareholders of the Company or Target, customers or suppliers or other persons pursuant to which any of them or any person nominated by any of them will be appointed as a Proposed New Executive Officer.

15.4. Remuneration of the Proposed New Board and Proposed New Executive Officers

The compensation (which includes benefits-in-kind, contributions to CPF and directors' fees and bonuses) paid during FY2020 and FY2021 to the Proposed New Board and the Proposed New Executive Officers for services rendered to our company in any capacity on an aggregate basis is disclosed in the following remuneration bands⁽¹⁾, and the estimated compensation (including benefits-in-kind, contributions to CPF and directors' fees and bonuses) expected to be paid for the current financial year is as follows:

Names	FY2020	FY2021	FY2022 (estimated)
Proposed New Board			
Tan Kok Heng	— ⁽²⁾	— ⁽²⁾	Band A
Tan Jit Meng	Band B	Band B	Band B
Lu King Seng	— ⁽²⁾	— ⁽²⁾	Band A
Wee Shuo Siong Milton	— ⁽²⁾	— ⁽²⁾	Band A
Proposed New Executive Officers			
Kwek Wei Lee	— ⁽²⁾	— ⁽²⁾	Band A
Soh Loong Chow Jackie	Band B	Band B	Band B
Tan Chee Khoon	Band B	Band A	Band B

Notes:

(1) "Band A" refers to remuneration of between S\$0 and S\$250,000 per annum, "Band B" refers to remuneration of between S\$250,001 and S\$500,000 per annum and "Band C" refers to remuneration of between S\$500,001 and S\$750,000 per annum.

(2) Not appointed or employed by our company during the relevant financial years.

Save as disclosed above and in Section 15.5 titled "Service Agreement" of this Target's Letter to Shareholders, no compensation was paid to any of the Proposed New Directors or the Proposed New Executive Officers in FY2020 and in FY2021, and no compensation is expected to be paid to any of the Proposed New Directors or the Proposed New Executive Officers in FY2022 pursuant to any bonus or profit-sharing plan or any other profit-linked agreement or arrangement.

As at the Latest Practicable Date, we have not set aside or accrued any amounts to provide pension, retirement or similar benefits to our directors or employees.

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15.5. Service Agreement

The Company has entered into a service agreement (the “**Service Agreement**”) with the Proposed New Managing Director, namely, Tan Jit Meng for an initial period of three (3) years subject to and with effect from Completion (“**Initial Term**”).

Unless earlier terminated in accordance with the terms of the Service Agreement, and subject to the approval the New Remuneration Committee, New Nominating Committee and the Proposed New Board, Tan Jit Meng’s employment and appointment under the Service Agreement shall be automatically renewed and extended by the Company on the same terms herein (unless other terms are otherwise agreed to in writing by the Parties with the approval of the New Remuneration Committee), by further successive periods of three (3) years in each instance, upon the expiry of (a) the Initial Term or (b) each successive period of extended employment and appointment (as the case may be). Under the terms of the Service Agreement, Tan Jit Meng’s appointment as a Proposed New Director on the Proposed New Board will be subject to re-nomination and re-appointment at least once every three years in compliance with Catalist Rule 720(4).

The Service Agreement may be terminated for any reason whatsoever by either party giving six (6) months’ written notice to the non-terminating party. The Company may also terminate the Service Agreement immediately without notice if Tan Jit Meng, *inter alia*, commits a material breach of any provision in the Service Agreement, neglects or refuses, without reasonable cause, to attend to the business or affairs of the Company, is guilty of any offence which involves fraud, misrepresentation, misconduct, moral turpitude or dishonesty in any jurisdiction, becomes bankrupt, is guilty of conduct likely to bring himself or the Company into disrepute, loses or lacks mental capacity, or is disqualified to be a director in any jurisdiction. No compensation or liability whatsoever shall be payable or incurred by the Company after such immediate termination. There is no severance payment entitlement upon termination of the employment under the Service Agreement.

Pursuant to the terms of the Service Agreement, Tan Jit Meng is entitled to (a) a monthly basic salary of S\$30,000; and (b) an annual wage supplement (the “**AWS**”) of the equivalent of one month’s basic salary at the end of each calendar year pro-rated according to the actual number of days of employment completed by Tan Jit Meng in that calendar year. There is no fixed bonus component to the remuneration under the Service Agreement. The abovementioned salary shall be subject to annual review by the Proposed New Board and/or the New Remuneration Committee, and may be amended after such review by the Proposed New Board and/or the New Remuneration Committee. All travel, accommodation, entertainment and other expenses reasonably and properly incurred by Tan Jit Meng in the performance of his official responsibilities or duties will be borne by the Company.

Pursuant to the terms of the Service Agreement, Tan Jit Meng shall dutifully, honestly and diligently discharge all such duties and responsibilities relating to his role as Managing Director and shall not, *inter alia*, without the prior written consent of the Proposed New Board be engaged in, concerned or interested in or carry on, in any capacity, any business which will compete (whether directly or indirectly) with or is similar to the business carried on by the Company in Singapore or any country in which the Company has operations or carried on business, during his period of employment and for one (1) year after ceasing to be employed under the Service Agreement. Tan Jit Meng has also undertaken not to, *inter alia*, put himself into a conflict of interest position with respect to his duties in the Company, or solicit or entice away any officer, manager, employee, customer or supplier of the Company, during his period of employment and for one (1) year after ceasing to be employed under the Service Agreement.

If there should be any pending investigation by the Company or any regulatory authority into whether Tan Jit Meng has committed any breach of law, the Company shall be entitled to suspend him without remuneration (including AWS) or benefits for such duration as the investigation is going.

Tan Jit Meng is also bound by the terms of his Service Agreement to not disclose any confidential information concerning the business or affairs of the Company.

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Had the Service Agreement been in existence since the beginning of FY2021, the aggregate remuneration paid to Tan Jit Meng would have been approximately S\$402,000 instead of approximately S\$288,000 and the unaudited pro forma profit before tax and unaudited pro forma profit attributable to owners of the Target for FY2021 would have been approximately S\$2.6 million (instead of S\$2.8 million) and S\$2.3 million (instead of S\$2.4 million), respectively.

Contracts of employment will be entered into by the Company or the Enlarged Group and the Proposed New Executive Officers. The terms of the contracts of employment will be subject to the review and approval of the New Remuneration Committee, and will provide for usual employment terms including remuneration, leave entitlement and grounds for termination.

Save as disclosed above, there are no existing or proposed service agreements between the Company or the Enlarged Group and the Proposed New Board. There are no existing or proposed service agreements entered or to be entered into by the Proposed New Board with the Enlarged Group which provide for benefits upon termination of employment.

15.6. Material Background Information

Save as disclosed below, none of the Proposed New Directors, Proposed New Executive Officers or Controlling Shareholders of the Company upon Completion is or was involved in any of the following events:

- (a) during the last ten (10) years, an application or a petition under any bankruptcy laws of any jurisdiction filed against him or her or against a partnership of which he or she was a partner at the time when he or she was a partner or at any time within two (2) years after the date he or she ceased to be a partner;
- (b) during the last ten (10) years, an application or a petition under any law of any jurisdiction filed against an entity (not being a partnership) of which he or she was a director or an equivalent person or a key executive, at the time when he or she was a director or an equivalent person or a key executive of that entity or at any time within two (2) years after the date he or she ceased to be a director or an equivalent person or a key executive of that entity, for the winding-up or dissolution of that entity or, where that entity is the trustee of a business trust, that business trust, on the ground of insolvency;
- (c) any unsatisfied judgment against him or her;
- (d) a conviction of any offence, in Singapore or elsewhere, involving fraud or dishonesty which is punishable with imprisonment, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he or she is aware) for such purpose;
- (e) a conviction of any offence, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he or she is aware) for such breach;
- (f) during the last ten (10) years, judgment entered against him or her in any civil proceeding in Singapore or elsewhere involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or a finding of fraud, misrepresentation or dishonesty on his or her part, or has been the subject of any civil proceedings (including any pending civil proceedings of which he or she is aware) involving an allegation of fraud, misrepresentation or dishonesty on his or her part;
- (g) a conviction in Singapore or elsewhere of any offence in connection with the formation or management of any entity or business trust;
- (h) disqualification from acting as a director or an equivalent person of any entity (including the trustee of a business trust), or from taking part directly or indirectly in the management of any entity or business trust;

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- (i) has ever been the subject of any order, judgment or ruling of any court, tribunal or governmental body permanently or temporarily enjoining him or her from engaging in any type of business practice or activity;
- (j) has ever, to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of affairs of:
 - (i) any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere;
 - (ii) any entity (not being a corporation) which has been investigated for a breach of any law or regulatory requirement governing such entities in Singapore or elsewhere;
 - (iii) any business trust which has been investigated for breach of any law or regulatory requirement governing business trusts in Singapore or elsewhere; or
 - (iv) any entity or business trust which has been investigated for a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere,in connection with any matter occurring or arising during the period when he was so concerned with the entity or business trust; and
- (k) has ever been the subject of any current or past investigation or disciplinary proceedings, or has been reprimanded or issued any warning, by the Authority or any other regulatory authority, exchange, professional body or government agency, whether in Singapore or elsewhere.

Disclosure in relation to Lu King Seng

The Proposed Independent Director, Lu King Seng has been the independent director of Jlogo Holding Limited (“**Jlogo**”) since April 2018. Jlogo was subject to a fine of HKD 12,000 imposed by the Companies Registry of Hong Kong in November 2021. The fine was imposed in relation to Jlogo’s failure or late filing of return required for changes in the Registered Particulars of Registered Non-Hong Kong Companies under the Companies Ordinance of Hong Kong, in relation to its registered office address. Jlogo has made the necessary rectification by making the relevant filing with the Companies Registry of Hong Kong, announcing the change of registered office address in June 2021, and paying the fine.

16. EMPLOYEES

As of the Latest Practicable Date, our company has a workforce of 113 full-time employees who are all located within our office in Singapore.

The breakdown of the number of our full-time employees by business function as at 30 June 2019, 30 June 2020, 30 June 2021 and as at 28 February 2022 is as follows:

Function	As at 30 June 2019	As at 30 June 2020	As at 30 June 2021	As at 28 February 2022
Management	3	3	3	3
Administration, Finance, Marketing and Human Resource	6	6	6	7
Quantity Surveying and Procurement	6	6	5	9
Project	73	74	73	80
Total	88	89	87	99⁽¹⁾

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Note:

- (1) The increase in full-time employees from 30 June 2021 to 28 February 2022 was due to larger projects undertaken by us during the period.

Any new employment of related employees and the proposed terms of their employment will be subject to the review and approval of the New Remuneration Committee. In the event that a member of the New Remuneration Committee is related to the employee under review, that member will abstain from conducting such review.

Our company does not hire temporary employees in any significant number.

Our employees are not members of any trade or employees' union. The relationship and cooperation between the management team and staff has been good and is expected to continue to remain so in the future. There has not been any incidence of work stoppages or labour disputes which affected our operations.

No remuneration was paid or is to be paid to any of the Proposed New Board, Proposed New Executive Officers or employees through any arrangement that involves the issue or grant of options or shares or any other securities or securities-based derivatives contracts of our company or the Company post-Completion.

Save as set out in Section 15.5 titled "Service Agreement" of this Target's Letter to Shareholders, our company does not have in place any formal bonus or profit-sharing plan or any other profit-linked agreement or arrangement with any of our employees and bonuses are expected to be paid on a discretionary basis.

As at the Latest Practicable Date, other than the amounts set aside or accrued as required for compliance with the applicable laws of Singapore, no amounts have been set aside or accrued by our company to provide for pension, retirement or similar benefits for any of its employees.

During the Period Under Review, save as disclosed below, there are no family relationships between any of our employees and our directors, executive officers and/or substantial shareholders. The details of the related employee and the remuneration (including salary, bonus, contributions to CPF, allowances and benefits-in-kind) paid to the related employee in FY2020 and FY2021 for the services rendered to our company are set out as follows:

Name	Position Held	Relationship	Period of Employment	FY2020	FY2021
Ms Emillia Priscilla Diapary	Assistant Marketing Manager	Spouse of Tan Chee Khoon	January 2012 to October 2021	Band B ⁽¹⁾	Band B ⁽¹⁾

Note:

- (1) Remuneration bands:
"Band A" means up to S\$50,000 per annum.
"Band B" means from S\$50,001 to S\$100,000 per annum.

As at the Latest Practicable Date, none of our employees is related to the shareholders and directors of the Target, the Proposed New Board and substantial shareholders of the Company.

17. CORPORATE GOVERNANCE

17.1. Board Practices

The Proposed New Board recognises the importance of good corporate governance and will use their best efforts to implement the good practices recommended in the Code of Corporate Governance 2018.

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Following the appointment of the Proposed New Directors, the Company will have four (4) Directors, of which two (2) will be Independent Directors.

None of the Proposed Independent Directors has any existing business or professional relationship of a material nature with the Enlarged Group, members of the Proposed New Board and/or the substantial shareholders of the Enlarged Group. None of the Proposed Independent Directors is related to any of the current directors and substantial shareholders of the Target, or the Directors and substantial shareholders of the Company, or any other Proposed New Directors or Proposed New Executive Officers.

The Proposed New Board will have overall responsibility for the corporate governance of the Enlarged Group so as to protect and enhance long-term Shareholder value. It will set the overall strategy for the Enlarged Group and supervise executive management and monitor their performance. Apart from its statutory responsibilities, the Proposed New Board will be responsible for:

- (a) reviewing the financial performance and condition of the Enlarged Group;
- (b) approving the Enlarged Group's strategic plans, key operational initiatives, major investment and funding decisions; and
- (c) identifying principal risks of the Enlarged Group's business and ensuring the implementation of appropriate systems to manage the risks.

The Proposed New Board will hold meetings at least twice a year, with additional meetings for particular matters convened when necessary. The Proposed New Board will also periodically review the internal controls and risk management systems of the Company to ensure that there are sufficient guidelines and procedures in place to monitor its operations.

The Proposed New Board will continue to implement a policy of providing full disclosure of material corporate information through announcements, press releases, Shareholders' circulars as well as through interim and annual financial results announcements.

Every Proposed New Director will be expected, in the course of carrying out his duties, to act in good faith, provide insights and consider at all times the interests of the Company.

All other matters will be delegated to the various committees whose actions will be monitored by the Proposed New Board. These committees include the New Audit Committee, the New Nominating Committee and the New Remuneration Committee. Each committee operates within clearly defined terms of reference and functional procedures. Please see Sections 17.2, 17.3 and 17.4 on the New Audit Committee, New Nominating Committee and New Remuneration Committee.

17.2. New Audit Committee

The New Audit Committee will comprise Lu King Seng, Tan Kok Heng and Wee Shuo Siong Milton. The chairman of the New Audit Committee will be Lu King Seng.

The New Audit Committee will assist the Proposed New Board in discharging its responsibility to safeguard the Enlarged Group's assets, maintain adequate accounting records and develop and maintain effective systems of internal control, with the overall objective of ensuring that the management creates and maintains an effective control environment in the Enlarged Group. The New Audit Committee shall meet, at a minimum, twice a year.

The New Audit Committee will provide a channel of communication between the Proposed New Board, the management and the external auditors on matters relating to audit.

APPENDIX A – LETTER TO SHAREHOLDERS FROM THE PROPOSED NEW BOARD

The New Audit Committee shall meet periodically to perform the following functions:

- (a) assist the Proposed New Board in the discharge of its responsibilities on financial reporting matters;
- (b) review the audit plans and scope of work of the external auditors and internal auditors, the results of the external and internal auditors' review and evaluation of the Enlarged Group's system of internal controls, and their management letters on the internal controls and the management's response, and monitor the implementation of the internal control recommendations made by the external and internal auditors;
- (c) review and report to the Proposed New Board at least annually on the adequacy and effectiveness of the Enlarged Group's internal controls (addressing financial, operational, compliance and information technology risks) and risk management systems (such review to be carried out internally or with the assistance of any competent third parties) and discuss issues and concerns, if any, prior to the incorporation of the Proposed New Board's comments in the Enlarged Group's annual report;
- (d) review the adequacy, effectiveness, independence, scope and results of the external audit and the Enlarged Group's internal audit function;
- (e) make recommendations to the Proposed New Board on establishing an adequate, effective and independent internal audit function (which can be in-house or outsourced to a reputable accounting/auditing firm or corporation), and ensure that the internal audit function is adequately resourced and staffed with persons with the relevant qualifications and experience and that the internal auditors comply with the standards set by nationally or internationally recognised professional bodies;
- (f) review the interim financial results and annual audited financial statements and the external auditor's report on the annual audited financial statements, and review and discuss any significant adjustments, major risk areas, changes in accounting policies and practices, significant financial reporting issues and judgements, compliance with Singapore financial reporting standards as well as compliance with the Catalist Rules and other statutory or regulatory requirements, concerns and issues arising from their audits including any matters which the internal and external auditors may wish to discuss in the absence of management, to ensure the integrity of the financial statements of the Enlarged Group and any announcements relating to the Enlarged Group's financial performance, before submission to the Proposed New Directors for approval;
- (g) meet with the external auditor, and with the internal auditor, in each case without the presence of the management, at least annually;
- (h) review and discuss with the Enlarged Group's external and internal auditors, and if necessary, commission and review the findings of internal investigations in matters where there is any suspected fraud, irregularity or infringement of any relevant laws, rules or regulations, which has or is likely to have a material impact on the Enlarged Group's operating results or financial position, and review the management's response thereto;
- (i) review and ensure the co-ordination among the Enlarged Group's internal auditor, external auditor and management, including assistance given by management to the auditors;
- (j) consider the independence and objectivity of the external auditor, taking into account the non-audit services provided by the external auditor and the fees paid for such non-audit services, if any;
- (k) review and approve transactions within the scope of Chapter 9 of the Catalist Rules (if any);

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- (l) make recommendations to the Proposed New Board on the proposals to the Company's Shareholders with regard to the appointment, re-appointment and removal of the external auditor, and the remuneration and terms of engagement of the external auditor;
- (m) review and approve the Enlarged Group's hedging policies (if any), and conduct periodic reviews of the hedging policies, together with the transactions and hedging activities undertaken by the Enlarged Group;
- (n) review the Enlarged Group's compliance with such functions and duties as may be required by statute or the Catalist Rules or as recommended by the Code of Corporate Governance 2018, including such amendments as may be made thereto from time to time;
- (o) review any potential conflicts of interests and set out a framework to resolve or mitigate such potential conflicts of interests, and monitor compliance with such framework;
- (p) establish and review the policy and arrangements by which employees of the Enlarged Group or any other persons may safely raise concerns about possible improprieties in financial reporting or other matters and ensure that there are arrangements in place for independent investigation of such concerns and appropriate follow-up actions in relation thereto, and ensure that the Enlarged Group publicly discloses, and clearly communicates to employees, the existence of a whistle-blowing policy and procedures for raising such concerns;
- (q) review the assurance from the Chief Financial Officer on the financial records and financial statements;
- (r) review the Enlarged Group's financial risk areas, with a view to providing an independent oversight on the Enlarged Group's financial reporting, with the outcome of such review to be disclosed in the annual reports, or if the findings are material, to be immediately announced via SGXNET;
- (s) review and establish procedures for receipt, retention and treatment of complaints received by the Enlarged Group, inter alia, criminal offences involving the Enlarged Group or its employees, questionable accounting, auditing, business, safety or other matters that impact negatively on the Enlarged Group;
- (t) review the risk profile of the Enlarged Group and the appropriate steps to be taken to mitigate and manage risks at acceptable levels determined by the Proposed New Board;
- (u) undertake such other reviews and projects as may be requested by the Proposed New Board and report to the Proposed New Board its findings from time to time on matters arising and requiring the attention of the New Audit Committee;
- (v) review and approve transactions falling within the scope of Chapter 10 of the Catalist Rules (if any); and
- (w) undertake such other reviews and matters as may be requested by the Proposed New Board and report to the Proposed New Board its findings from time to time on matters arising therefrom and which require the attention of the New Audit Committee.

Each member of the New Audit Committee shall abstain from reviewing and deliberating on any transactions or voting on any resolutions in respect of matters in which he is interested.

The above scope will be included as part of the New Audit Committee's terms of reference.

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Pursuant to the completion of the Proposed Transactions, the business of the Enlarged Group will comprise wholly of the business of the Target, and thus the internal controls of the Company and the Target will be harmonised. Therefore, in preparation for the Proposed Acquisition, the Target has commissioned BDO Advisory Pte Ltd as internal auditor to conduct an internal control review of key business processes for identifying gaps within the internal controls framework and recommending controls improvement plans to the Target.

The New Audit Committee has held discussions with Kwek Wei Lee, the proposed new Chief Financial Officer, the internal auditor, as well as RSM Chio Lim LLP, in relation to the Target's internal controls. The Proposed New Board has noted that no material internal control weakness had been raised by RSM Chio Lim LLP in the course of their audit of the Target's financial statements for FY2019, FY2020 and FY2021. The Proposed New Board also noted that the internal auditor has reviewed the implementation of the recommendations for observations raised in relation to the Target's internal controls and noted that management has implemented corrective actions to rectify all material matters identified. The internal auditor is of the view that the corrective actions implemented and to be implemented as of end January 2022 satisfactorily addressed the material internal control weaknesses identified. As part of the New Audit Committee's terms of reference, the New Audit Committee shall continue to review the Enlarged Group's implementation of the internal control recommendations made by the internal auditors and follow up on and review the effectiveness of the implementation of the proposed rectification measures for the low risk internal control weaknesses identified by the internal auditors during their due diligence for the Proposed Acquisition.

Based on the risk management system and internal controls established and maintained by the Target, work performed by the internal and external auditors, and reviews performed by management, the Proposed New Board, after making all reasonable enquiries and to the best of its knowledge and belief, with the concurrence of the New Audit Committee, is of the opinion that the internal controls (including financial, operational, compliance and information technology controls) and risk management systems of the Enlarged Group are adequate and effective as at the Latest Practicable Date to address the financial, operational, compliance and information technology risks which the Enlarged Group considers relevant and material to its operations.

The Proposed New Board notes that the system of internal controls and risk management systems provides reasonable, but not absolute, assurance that the Enlarged Group will not be adversely affected by any event that could be reasonably foreseen as it works to achieve its business objectives. In this regard, the Proposed New Board also notes that no system of internal controls and risk management systems can provide absolute assurance against the occurrence of material errors, poor judgment in decision making, human error, losses, fraud or other irregularities.

The New Audit Committee shall establish and maintain on an ongoing basis, an effective internal audit function that is adequately resourced and independent, to ensure that the Enlarged Group's internal controls remain adequate and effective. In accordance with rule 719(1) of the Catalyst Rules, the New Audit Committee may commission an independent audit on internal controls and risk management systems for its assurance or where it is not satisfied with the systems of internal controls and risk management. In arriving at the decision, the New Audit Committee shall consider the recommendations of the Sponsor. Upon completion of the internal control audit, appropriate disclosure will be made via SGXNET of any material, price-sensitive internal control weaknesses and any follow-up actions to be taken by the Proposed New Board.

Proposed Chief Financial Officer

The New Audit Committee, after having:

- (a) conducted an interview with Kwek Wei Lee;
- (b) considered his qualifications and past working experience (as described in Section 15.3 titled "Proposed New Executive Officers" of this Target's Letter to Shareholders);
- (c) observed his abilities, familiarity, diligence and competency in relation to the financial matters and information of our company; and

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- (d) noted the absence of negative feedback from the Independent Auditor and Reporting Accountant and the internal auditor,

confirms that, after making all reasonable enquiries, and to the best of its knowledge and belief, nothing has come to its attention to cause it to believe that Kwek Wei Lee does not have the competence, character and integrity expected of a chief financial officer of a listed issuer.

The New Audit Committee is of the view that Kwek Wei Lee is suitable for the position of the Chief Financial Officer of the Enlarged Group. Kwek Wei Lee shall be subject to a performance appraisal by the New Audit Committee on an annual basis to ensure satisfactory performance.

17.3. New Nominating Committee

The New Nominating Committee will comprise Tan Kok Heng, Lu King Seng and Wee Shuo Siong Milton. The chairman of the New Nominating Committee will be Tan Kok Heng.

The New Nominating Committee shall meet periodically to perform the following functions:

- (a) make recommendations to the Board on relevant matters relating to:
- i. the review of succession plans for the Directors, in particular, the appointment and/or replacement of the Chairman and Executive Officers;
 - ii. the process and criteria for evaluation of the performance of the Board, its board committees and Directors, and assess the contribution of each Director to the effectiveness of the Board;
 - iii. the review of training and professional development programmes for the Board and its Directors; and
 - iv. the appointment and re-appointment of Directors (including alternate directors, if any), taking into consideration each Director's competencies, commitment, contribution and performance (for example, attendance, preparedness, participation and candour) including, if applicable, his performance as an Independent Director;
- (b) ensure that all Directors submit themselves for re-nomination and re-election at least once every three (3) years in accordance with the Constitution;
- (c) determine the composition of the board of Directors, taking into account the future requirements of the Enlarged Group, as well as the need for Directors who, as a group, provide an appropriate balance and diversity of skills, experience, gender, age and knowledge of the Enlarged Group, and other considerations as set out in the Code, so as to avoid groupthink and foster constructive debate, and set the objectives for achieving board diversity and review the Enlarged Group's progress towards achieving these objectives;
- (d) review and approve any employment of persons related to our Directors, Key Executive Officers or substantial shareholders and the proposed terms of their employment;
- (e) determine on an annual basis, and as and when circumstances require, whether or not a Director is independent having regard to the Code, the Catalist Rules and any other salient factors;
- (f) in respect of a Director who has multiple board representations on various companies, if any, review and decide, on an annual basis (or more frequently as the New Nominating Committee deems fit), whether such Director is able to and has been adequately carrying out his duties as a Director, having regard to the competing time commitments that are faced by the Director when serving on multiple boards and discharging his duties towards other principal commitments, and establish guidelines on what a reasonable and maximum number of directorships and principal commitments for each Director (or type of Director) shall be;

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- (g) assess whether each Director is able to and has been adequately carrying out his duties as a Director;
- (h) ensure that new Directors are aware of their duties and obligations;
- (i) ensuring that the Directors disclose their relationships with the Enlarged Group, related corporations, substantial shareholders or officers, if any, which may affect their independence and review such disclosures from the Directors and highlight these to the Board as required; and
- (j) generally to undertake such functions and duties as may be required by statute or the Catalist Rules and by such amendments made thereto from time to time.

In addition, the New Nominating Committee will develop a process for evaluating the performance of the Board, its board committees and recommend for the Board's approval the objective performance criteria and process for the evaluation of the effectiveness of the board of Directors as a whole, and of each board committee separately, as well as the contribution by the chairman of the board of Directors and each individual Director to the board of Directors. The evaluation should consider the composition of the board of Directors (balance of skills, gender, experience, independence, knowledge of the Company, and diversity), board practices and conduct, and how the board of Directors as a whole adds value to the Company. The New Nominating Committee shall consider the use of peer comparisons and other objective third party benchmarks. These performance criteria shall not be changed from year to year, and where circumstances deem it necessary for any of the criteria to be changed, the onus shall be on the board of Directors to justify its decision. The evaluation of individual Director's performance shall aim to assess whether each Director is willing and able to constructively challenge and contribute effectively to the board of Directors, and demonstrate commitment to his roles on the board of Directors (including the roles of the Chairman of the board of Directors and chairman of a board committee). The chairman of the board of Directors shall undertake a formal annual assessment and act on the results of the performance evaluation and, in consultation with the New Nominating Committee, propose, where appropriate, new members to be appointed to the board of Directors or seek the resignation of Directors.

Each member of the New Nominating Committee shall abstain from deliberating and voting on resolutions in respect of the assessment of his performance or independence or re-nomination as a Director. In the event that any member of the New Nominating Committee has an interest in a matter being deliberated upon by the New Nominating Committee, he will abstain from participating in the review and approval process relating to that matter.

The above scope will be included as part of the New Nominating Committee's terms of reference.

The New Nominating Committee's view of the Proposed Independent Directors

The New Nominating Committee and the Proposed New Board (other than Tan Kok Heng and Lu King Seng), have considered the following:

- (a) the principal occupation and commitments of the Proposed Independent Directors;
- (b) the confirmations by the Proposed Independent Directors that they are able to devote sufficient time and attention to the affairs of the Company;
- (c) the confirmations by the Proposed Independent Directors that each of them is not accustomed or under an obligation, whether formal or informal, to act in accordance with the directions, instructions or wishes of any substantial shareholder, and has no relationship with the Enlarged Group, its related corporations, its substantial shareholders or its officers that could interfere or be reasonably perceived to interfere, with the exercise of his or her independent business judgement with a view to the best interests of the Enlarged Group;

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- (d) none of the Proposed Independent Directors is or was in the past 3 financial years employed by the Enlarged Group or its related corporations;
- (e) none of the immediate family members of the Proposed Independent Directors is or was in the past 3 financial years employed by the Enlarged Group or its related corporations or were persons whose remuneration was or is determined by the Remuneration Committee;
- (f) the Proposed Independent Directors' working experience and expertise in different areas of specialisation; and
- (g) the composition of the Proposed New Board.

In considering the above factors, the New Nominating Committee and the Proposed New Board (other than Tan Kok Heng and Lu King Seng) have conducted an assessment of the ability of Tan Kok Heng and Lu King Seng to diligently carry out their duties, in view of their other listed board representations and principal commitments. As at the Latest Practicable Date, Lu King Seng sits on the boards of 2 companies listed on the SGX-ST and 1 company on The Stock Exchange of Hong Kong whereas Tan Kok Heng sits on the board of Elite Commercial REIT as the alternate director to Mr Evan Cheah Yean Shin who is its non-independent, non-executive Director. Notwithstanding the foregoing, the New Nominating Committee and the Proposed New Board (other than Tan Kok Heng and Lu King Seng) having considered the input of Tan Kok Heng and Lu King Seng and obtained a better understanding of their commitments towards their listed board representations and principal commitments, are satisfied that Tan Kok Heng and Lu King Seng are able to devote adequate time and attention to the affairs of the Company. The New Nominating Committee (with Tan Kok Heng and Lu King Seng abstaining in respect of each of their own appraisals) will continue to monitor and determine annually whether each of Tan Kok Heng and Lu King Seng will be able to devote sufficient time and attention to the affairs of the Enlarged Group and adequately carry out his duties as an Independent Director of the Company.

The New Nominating Committee and the Proposed New Board (other than Tan Kok Heng and Lu King Seng) are of the view that (i) the Proposed Independent Directors are individually and collectively able to commit sufficient time and resources to discharge their respective duties, and are suitable and possess the relevant experience to be appointed as Proposed Independent Directors of the Company post Completion; and (ii) the Proposed Independent Directors, as a whole, represent a strong and independent element on the Proposed New Board which is able to exercise objective judgment on corporate affairs independently from the Controlling Shareholders. Tan Kok Heng and Lu King Seng have abstained from participating in the deliberations on their ability to carry out their duties as a Proposed Independent Director.

17.4. New Remuneration Committee

The New Remuneration Committee will comprise Tan Kok Heng, Lu King Seng and Wee Shuo Siong Milton. The chairman of the New Remuneration Committee will be Tan Kok Heng.

The New Remuneration Committee shall meet periodically to perform the following functions:

- (a) review and recommend to the Board for approval a framework of remuneration for the Directors and Executive Officers as well as the specific remuneration packages for each Executive Director and Executive Officer, ensuring that a significant and appropriate proportion of the remuneration is structured so as to link rewards to corporate and individual performance. All aspects of remuneration, including but not limited to Directors' fees, salaries, allowances, bonuses, options, share-based incentives and awards, benefits-in-kind and termination payments shall be covered, with the aim to be fair and avoid rewarding poor performance;

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- (b) review annually the remuneration, bonuses, pay increments and/or promotions of employees who are related to the Directors or substantial shareholders to ensure that their remuneration packages are in line with staff remuneration guidelines and commensurate with their respective job scopes and level of responsibilities, and review and approve any new employment of related employees and the proposed terms of their employment, and review and recommend to the Board, for endorsement, the specific remuneration packages for each of the Directors and the Executive Officers;
- (c) review the terms of performance-related remuneration or incentive schemes (if any) and determine the eligibility criteria of the employees who can participate in such schemes;
- (d) review the Enlarged Group's obligations arising in the event of termination of service contracts entered into between the Enlarged Group and the Directors or Executive Officers, as the case may be, to ensure that the service contracts contain fair and reasonable termination clauses which are not overly generous;
- (e) if necessary, seek expert advice within and/or outside the Enlarged Group on remuneration matters, ensuring that existing relationships, if any, between the Company and its appointed remuneration consultants will not affect the independence and objectivity of the remuneration consultants;
- (f) propose, for adoption by the Board, measurable, appropriate and meaningful performance targets for assessing the performance of our key management personnel, individual Directors and of the Board as a whole;
- (g) perform an annual review of the remuneration packages in order to maintain their attractiveness to retain and motivate the Directors and the Executive Officers, and to align the interests of the Directors and the Executive Officers with the interests of the Shareholders and other stakeholders and promote the long-term success of the Enlarged Group;
- (h) ensure that the remuneration of non-Executive Directors is appropriate in light of their level of contribution, taking into account factors such as effort, time spent, and responsibilities;
- (i) ensure the remuneration policies and systems of the Enlarged Group, as approved by the Board, support the Enlarged Group's objectives and strategies and are consistently being administered and adhered to within the Enlarged Group;
- (j) reviewing the remuneration policies, level and mix of remuneration, the procedure for setting remuneration, and the relationships between remuneration, performance and value creation and the statements in the annual report with a view to achieving clear disclosure of the same; and
- (k) generally undertake such other function and duties as may be required by statute or the Catalist Rules and by such amendments made thereto from time to time.

Each member of the New Remuneration Committee shall abstain from reviewing, deliberating and voting on any resolution in respect of his remuneration package or that of any employees who are related to him. In the event that any member of the New Remuneration Committee has an interest in a matter being deliberated upon by the Remuneration Committee, such member will abstain from participating in the review and approval process relating to that matter.

The above scope will be included as part of the New Remuneration Committee's terms of reference.

APPENDIX A – LETTER TO SHAREHOLDERS FROM THE PROPOSED NEW BOARD

18. GENERAL AND STATUTORY INFORMATION

18.1. Material Contracts

Save for the SPA (for further details, please refer to Section 2 titled “The Proposed Acquisition and Proposed Issuance of Consideration Shares” in the Circular), our company has not entered into any contracts which are not in the ordinary course of business in the two (2) years preceding the date of lodgment of this Circular.

18.2. Material Litigation

Our company has not been engaged in any legal or arbitration proceedings, including those which are pending or known to be contemplated, which may have, or which have had in the last 12 months before the date of the lodgement of this Circular, a material effect on the financial position or profitability of the Enlarged Group.

18.3. Miscellaneous

Save as disclosed Section 2.7 titled “Risk Factors” of this Circular and Section 12 titled “Capitalisation and Indebtedness” and Section 11 titled “Management’s Discussion and Analysis of Results of Operations and Financial Position” of this Target’s Letter to Shareholders, the Proposed Board of Directors is not aware of any relevant event which has occurred since 1 March 2022 up to the Latest Practicable Date which may have a material effect on the results of operations and financial position of the Target or the financial information provided in this Circular.

18.4. Our Contact Details

Our contact details are set out below:

Address of registered office	:	39 Sungei Kadut Loop Singapore 729494
Telephone number	:	+65 6366 8500
Fax number	:	+65 6367 7003
Email address	:	info@lincotrade.com.sg

**APPENDIX B – INDEPENDENT AUDITOR’S REPORT ON THE FINANCIAL
STATEMENTS FOR THE REPORTING YEARS ENDED 30 JUNE 2019, 2020
AND 2021 OF LINCOTRADE & ASSOCIATES PTE LTD**

LINCOTRADE & ASSOCIATES PTE LTD

(Registration No.: 199105725K)

Statement by Directors and Financial Statements

Years Ended 30 June 2019, 30 June 2020 and 30 June 2021

**APPENDIX B – INDEPENDENT AUDITOR’S REPORT ON THE FINANCIAL
STATEMENTS FOR THE REPORTING YEARS ENDED 30 JUNE 2019, 2020
AND 2021 OF LINCOTRADE & ASSOCIATES PTE LTD**

LINCOTRADE & ASSOCIATES PTE LTD

Statement by Directors and Financial Statements

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**APPENDIX B – INDEPENDENT AUDITOR’S REPORT ON THE FINANCIAL
STATEMENTS FOR THE REPORTING YEARS ENDED 30 JUNE 2019, 2020
AND 2021 OF LINCOTRADE & ASSOCIATES PTE LTD**

LINCOTRADE & ASSOCIATES PTE LTD

Statement by Directors

The directors of LINCOTRADE & ASSOCIATES PTE LTD (the “Company”) are pleased to present the financial statements of the Company for the reporting years ended 30 June 2019, 30 June 2020 and 30 June 2021.

In the opinion of the directors,

- (a) the accompanying financial statements are drawn up so as to give a true and fair view of the financial position of the Company as at 30 June 2019, 30 June 2020 and 30 June 2021 and the financial performance, changes in equity and cash flows of the Company for each of the reporting years ended 30 June 2019, 30 June 2020 and 30 June 2021; and
- (a) at the date of the statement there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

The board of directors approved and authorised these financial statements for issue.

On behalf of the directors

.....
Tan Jit Meng
Director

30 June 2022

.....
Soh Loong Chow Jackie
Director

**APPENDIX B – INDEPENDENT AUDITOR’S REPORT ON THE FINANCIAL
STATEMENTS FOR THE REPORTING YEARS ENDED 30 JUNE 2019, 2020
AND 2021 OF LINCOTRADE & ASSOCIATES PTE LTD**

LINCOTRADE & ASSOCIATES PTE LTD

The Board of Directors
Lincotrade & Associates Pte Ltd
39 Sungei Kadut Loop
Singapore 729494

Dear Sirs,

Report on the audit of the combined financial statements

Opinion

We have audited the financial statements of LINCOTRADE & ASSOCIATES PTE LTD (the “Company”), which comprise the statements of financial position as at 30 June 2019, 30 June 2020 and 30 June 2021, the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows for each of the reporting years ended 30 June 2019, 30 June 2020 and 30 June 2021, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements of the Company are properly drawn up in accordance with the Singapore Financial Reporting Standards (International) (“SFRS(I)s”) so as to give a true and fair view of the financial position as at 30 June 2019, 30 June 2020 and 30 June 2021 and of the financial performance, changes in equity and cash flows for each of the reporting years ended 30 June 2019, 30 June 2020 and 30 June 2021.

Basis for opinion

We conducted our audit in accordance with Singapore Standards on Auditing (“SSAs”). Our responsibilities under those standards are further described in the auditor’s responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the Accounting and Corporate Regulatory Authority (“ACRA”) Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities (“ACRA Code”) together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of management and director for the financial statements

Management is responsible for the preparation of the financial statements that give a true and fair view in accordance with SFRS(I)s, and for devising and maintaining a system of internal accounting controls sufficient to provide reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

APPENDIX B – INDEPENDENT AUDITOR’S REPORT ON THE FINANCIAL STATEMENTS FOR THE REPORTING YEARS ENDED 30 JUNE 2019, 2020 AND 2021 OF LINCOTRADE & ASSOCIATES PTE LTD

LINCOTRADE & ASSOCIATES PTE LTD

Responsibilities of management and director for the financial statements (cont’d)

In preparing the financial statements, management is responsible for assessing the Company’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The directors’ responsibilities include overseeing the Company’s financial reporting process.

Auditor’s responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors’ report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- (a) Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- (b) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control.
- (c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- (d) Conclude on the appropriateness of management’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors’ report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors’ report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- (e) Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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LINCOTRADE & ASSOCIATES PTE LTD

Auditor’s responsibilities for the audit of the financial statements (cont’d)

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Restriction on distribution and use

This report is made solely to you as a body and for inclusion in the Circular of Fabchem China Limited to be issued in relation to the proposed acquisition of shares in the Company, which constitutes a reverse takeover offer of Fabchem China Limited.

The engagement partner on the audit resulting in this independent auditor’s report is Derek How Beng Tiong.

RSM Chio Lim LLP
Public Accountants and
Chartered Accountants
Singapore

30 June 2022

**APPENDIX B – INDEPENDENT AUDITOR’S REPORT ON THE FINANCIAL
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LINCOTRADE & ASSOCIATES PTE LTD

**Statements of Profit or Loss and Other Comprehensive Income
Reporting years ended 30 June 2019, 30 June 2020 and 30 June 2021**

	<u>Note</u>	<u>2019</u> \$'000	<u>2020</u> \$'000	<u>2021</u> \$'000
Revenue	5	25,061	18,715	37,318
Cost of sales		(21,188)	(17,460)	(32,620)
Gross profit		3,873	1,255	4,698
Interest income		4	10	10
Other income and gains	6	27	268	706
Administrative expenses	7	(1,410)	(1,509)	(1,251)
Finance costs	10	(31)	(25)	(124)
Other expenses	8	(1,151)	(1,066)	(1,105)
Other losses	6	(917)	(597)	(181)
Profit / (loss) before tax		395	(1,664)	2,753
Income tax (expense) / income	11	(324)	27	(395)
Profit / (loss) for the year and total comprehensive income / (loss)		71	(1,637)	2,358
Earnings / (loss) per share				
Basic and diluted (\$)	12	0.05	(1.09)	1.57

The accompanying notes form an integral part of these financial statements.

**APPENDIX B – INDEPENDENT AUDITOR’S REPORT ON THE FINANCIAL
STATEMENTS FOR THE REPORTING YEARS ENDED 30 JUNE 2019, 2020
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LINCOTRADE & ASSOCIATES PTE LTD

Statements of Financial Position

As at 30 June 2019, 30 June 2020 and 30 June 2021

	<u>Note</u>	<u>2019</u> \$'000	<u>2020</u> \$'000	<u>2021</u> \$'000
ASSETS				
<u>Non-current assets</u>				
Property, plant and equipment	13	2,904	2,327	1,893
Right-of-use assets	14	348	286	224
Investment in associate	15	–	–	–
Trade and other receivables	17	2,517	2,020	3,021
Total non-current assets		<u>5,769</u>	<u>4,633</u>	<u>5,138</u>
<u>Current assets</u>				
Contract assets	16	6,700	4,516	10,534
Other assets	18	591	286	505
Trade and other receivables	17	2,243	1,793	4,501
Cash and cash equivalents	19	1,076	4,427	3,873
Total current assets		<u>10,610</u>	<u>11,022</u>	<u>19,413</u>
Total assets		<u>16,379</u>	<u>15,655</u>	<u>24,551</u>
EQUITY AND LIABILITIES				
<u>Equity attributable to owners</u>				
Share capital	20	1,500	1,500	1,500
Retained earnings		4,619	2,582	4,940
Total equity		<u>6,119</u>	<u>4,082</u>	<u>6,440</u>
<u>Non-current liabilities</u>				
Deferred tax liabilities	11	41	25	–
Lease liabilities	21	315	250	266
Other financial liabilities	22	–	–	4,594
Total non-current liabilities		<u>356</u>	<u>275</u>	<u>4,860</u>
<u>Current liabilities</u>				
Income tax provision		254	–	322
Trade and other payables	23	8,736	5,685	8,181
Contract liabilities	16	–	618	264
Lease liabilities	21	73	66	89
Other financial liabilities	22	841	4,929	4,395
Total current liabilities		<u>9,904</u>	<u>11,298</u>	<u>13,251</u>
Total liabilities		<u>10,260</u>	<u>11,573</u>	<u>18,111</u>
Total equity and liabilities		<u>16,379</u>	<u>15,655</u>	<u>24,551</u>

The accompanying notes form an integral part of these financial statements.

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Statements of Changes in Equity

Reporting years ended 30 June 2019, 30 June 2020 and 30 June 2021

	<u>Share capital</u> \$'000	<u>Retained earnings</u> \$'000	<u>Foreign currency reserves</u> \$'000	<u>Total equity</u> \$'000
Previous year:				
At 1 July 2018	1,500	5,298	(21)	6,777
Changes in equity:				
Total comprehensive income for the year	–	71	–	71
Reclassification of foreign currency translation	–	–	21	21
Dividends (Note 24)	–	(750)	–	(750)
At 30 June 2019	<u>1,500</u>	<u>4,619</u>	<u>–</u>	<u>6,119</u>
Previous year:				
At 1 July 2019	1,500	4,619	–	6,119
Changes in equity:				
Total comprehensive loss for the year	–	(1,637)	–	(1,637)
Dividends (Note 24)	–	(400)	–	(400)
At 30 June 2020	<u>1,500</u>	<u>2,582</u>	<u>–</u>	<u>4,082</u>
Current year:				
At 1 July 2020	1,500	2,582	–	4,082
Changes in equity:				
Total comprehensive income for the year	–	2,358	–	2,358
At 30 June 2021	<u>1,500</u>	<u>4,940</u>	<u>–</u>	<u>6,440</u>

The accompanying notes form an integral part of these financial statements.

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LINCOTRADE & ASSOCIATES PTE LTD

Statements of Cash Flows

Reporting years ended 30 June 2019, 30 June 2020 and 30 June 2021

	<u>2019</u> \$'000	<u>2020</u> \$'000	<u>2021</u> \$'000
<u>Cash flows from operating activities</u>			
Profit/(loss) before tax	395	(1,664)	2,753
Adjustments:			
Depreciation of property, plant and equipment	684	621	620
Depreciation of right-of-use assets	62	62	62
Loss on disposal of associate	56	–	–
Interest income	(4)	(10)	(10)
Interest expense	31	25	124
Operating cash flows before changes in working capital	1,224	(966)	3,549
Contract assets	(1,318)	2,184	(6,018)
Trade and other receivables	3,098	947	(3,709)
Other assets	(351)	305	(219)
Contract liabilities	–	618	(354)
Trade and other payables	(1,905)	(2,351)	2,696
Net cash flows from/(used in) operations	748	737	(4,055)
Income taxes paid	(658)	(243)	(98)
Net cash flows from/(used in) operating activities	90	494	(4,153)
<u>Cash flows from investing activities</u>			
Purchase of plant and equipment (Note 19C)	(115)	(44)	(71)
Proceed from disposal of associate (Note 15A)	750	–	–
Interest received	4	10	10
Net cash flows from/(used in) investing activities	639	(34)	(61)
<u>Cash flows from financing activities</u>			
Increase of term loans	–	3,000	3,000
Repayments of term loans	(461)	(171)	–
Increase of bills payable, net	670	1,259	1,060
Cash restricted in use	(105)	(303)	(3)
Lease liabilities – principal and interest portion paid	(121)	(90)	(92)
Dividend paid	(1,450)	(400)	–
Net movements in amounts due to directors	644	(700)	(200)
Interest paid	(9)	(7)	(108)
Net cash flows (used in)/from financing activities	(832)	2,588	3,657
<u>Net (decrease)/increase in cash and cash equivalents</u>	(103)	3,048	(557)
Cash and cash equivalents at beginning of year	904	801	3,849
Cash and cash equivalents at end of year (Note 19A)	801	3,849	3,292

The accompanying notes form an integral part of these financial statements.

APPENDIX B – INDEPENDENT AUDITOR’S REPORT ON THE FINANCIAL STATEMENTS FOR THE REPORTING YEARS ENDED 30 JUNE 2019, 2020 AND 2021 OF LINCOTRADE & ASSOCIATES PTE LTD

LINCOTRADE & ASSOCIATES PTE LTD

Notes to the Financial Statements

Reporting years ended 30 June 2019, 30 June 2020 and 30 June 2021

1. General

LINCOTRADE & ASSOCIATES PTE LTD (the “Company”) is incorporated in Singapore with limited liability. The financial statements are presented in Singapore Dollar (\$), which is the Company’s functional currency. All financial information presented in Singapore Dollar has been rounded to the nearest thousand (\$’000), unless otherwise indicated.

The directors approved and authorised these financial statements for issue on the date of the statement by directors.

The principal activities of the Company are primarily the provision of interior design, renovation, carpentry and joinery services, carrying out of interior fitting-out works, and manufacturing of builders’ carpentry and joinery.

The financial statements are prepared solely for inclusion in the Circular of Fabchem China Limited (incorporated in Singapore) in connection with the proposed acquisition of 100% shares in the Company, if undertaken and completed, is expected to result in a reverse takeover offer of Fabchem China Limited under the Listing Manual of the Singapore Exchange Limited.

The registered office is located at 39 Sungei Kadut Loop, Singapore 729494.

Uncertainties relating to the Covid-19 pandemic

The Covid-19 pandemic and the aftermath of the pandemic has had, or may have, on the reporting entity based on known information that extends to the nature of the products and services offered, customers, supply chain, staffing and geographic regions in which the reporting entity operates. Other than as addressed in specific notes, there does not currently appear to be either any significant impact upon the financial statements or any significant uncertainties with respect to events or conditions which may impact the reporting entity unfavourably as at the reporting date or subsequently as a result of the pandemic.

2. Significant accounting policies and other explanatory information

2A. Basis of preparation

The financial statements of the Company have been drawn up in accordance with Singapore Financial Reporting Standards (International) (“SFRS(I)s”) and the related Interpretations to SFRS(I)s (“SFRS(I) INT”) as issued by the Singapore Accounting Standards Council. The financial statements are prepared on a going concern basis under the historical cost convention except where other SFRS(I)s requires an alternative treatment (such as fair values) as disclosed where appropriate in these financial statements. The accounting policies in SFRS(I)s may not be applied when the effect of applying them is not material. The disclosures required by SFRS(I)s need not be provided if the information resulting from that disclosure is not material. Other comprehensive income comprises items of income and expense (including reclassification adjustments) that are not recognised in the profit or loss, as required or permitted by SFRS(I)s.

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 2E.

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LINCOTRADE & ASSOCIATES PTE LTD

2. Significant accounting policies and other explanatory information (cont’d)

2B. New or amended Accounting Standards and Interpretations adopted

The Company adopted SFRS(I)s for the first time for reporting year ended 30 June 2021 with a date of transition to SFRS(I)s of 1 July 2018. The last statutory financial statements prepared in accordance with previous FRS were for the year ended 30 June 2020. There were no material adjustments required from the adoption of SFRS(I) 1 *First-time Adoption of Singapore Financial Reporting Standards (International)*.

As a first-time adopter of SFRS(I)s, the Company has applied retrospectively, accounting policies based on each SFRS(I) effective as at end of the first SFRS(I)s reporting year, except for areas of exceptions and optional exemptions set out in SFRS(I) 1 (none were significant).

2C. Significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Revenue recognition

The financial reporting standard on revenue from contracts with customers establishes a five-step model to account for revenue arising from contracts with customers. Revenue is recognised at an amount that reflects the consideration to which the entity expects to be entitled in exchange for transferring goods or services to a customer (which excludes estimates of variable consideration that are subject to constraints, such as right of return exists, trade discounts, volume rebates and changes to the transaction price arising from modifications), net of any related sales taxes and excluding any amounts collected on behalf of third parties. An asset (goods or services) is transferred when or as the customer obtains control of that asset. As a practical expedient the effects of any significant financing component is not adjusted if the payment for the good or service will be within one year.

Long term construction contracts

For long-term contracts for constructing and developing an asset the customer value is created over time during the contract period and it is accounted for as a single performance obligation that is satisfied over time. This is because the customer simultaneously receives and consumes the benefits of the entity’s performance in processing each transaction as and when each transaction is processed; the performance creates or enhances an asset that the customer controls as the asset is created or enhanced (for example, work in progress); or the performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date. The revenue is recognised over time by using the input method. For the input method the revenue is recognised on the basis of the efforts or inputs to the satisfaction of a performance obligation such as costs incurred relative to the total expected inputs to the satisfaction of that performance obligation.

When the current estimates of the total amount of consideration expected to be received in exchange for transferring promised goods or services to the customer, and contract cost indicate a loss, a provision for the entire loss on the contract is made as soon as the loss becomes evident. An adjustment is also made to reflect the effects of the customer’s credit risk. The loss on a contract is reported as an additional contract cost (an operating expense), and not as a reduction of revenue or a non-operating expense.

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LINCOTRADE & ASSOCIATES PTE LTD

2. Significant accounting policies and other explanatory information (cont’d)

2C. Significant accounting policies (cont’d)

Other income

Interest income is recognised using the effective interest method.

Rental income – Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease unless another systematic basis is representative of the time pattern of the user’s benefit, even if the payments are not on that basis.

Government grants

Government grants are recognised at fair value when there is reasonable assurance that the conditions attaching to them will be complied with and that the grants will be received. Grants in recognition of specific expenses are recognised in profit or loss on a systematic basis over the periods necessary to match them with the related costs that they are intended to compensate. The grant related to assets is presented in the statement of financial position by recognising the grant as deferred income that is recognised in profit or loss on a systematic basis over the useful life of the asset and in the proportions in which depreciation expense on those assets is recognised.

Employee benefits

Contributions to a defined contribution retirement benefit plan are recorded as an expense as they fall due. The Company’s legal or constructive obligation is limited to the amount that it is obligated to contribute to an independently administered fund (such as the Central Provident Fund in Singapore, a government managed defined contribution retirement benefit plan). For employee leave entitlement the expected cost of short-term employee benefits in the form of compensated absences is recognised in the case of accumulating compensated absences, when the employees render service that increases their entitlement to future compensated absences; and in the case of non-accumulating compensated absences, when the absences occur. A liability for bonuses is recognised where the entity is contractually obliged or where there is constructive obligation based on past practice.

Borrowing costs

Borrowing costs are interest and other costs incurred in connection with the borrowings and are recognised as an expense in the period in which they are incurred. Interest expense is calculated using the effective interest rate method.

Foreign currency transactions

The functional currency is the Singapore dollar as it reflects the primary economic environment in which the Company operates. Transactions in foreign currencies are recorded in the functional currency at the rates ruling at the dates of the transactions. At each end of the reporting year, recorded monetary balances and balances measured at fair value that are denominated in non-functional currencies are reported at the rates ruling at the end of the reporting year and fair value measurement dates respectively. All realised and unrealised exchange adjustment gains and losses are dealt with in profit or loss except when a gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss is recognised in other comprehensive income. The presentation currency of the financial statements is in the Company’s functional currency.

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2. Significant accounting policies and other explanatory information (cont’d)

2C. Significant accounting policies (cont’d)

Income tax

The income taxes are accounted using the asset and liability method that requires the recognition of taxes payable or refundable for the current year and deferred tax liabilities and assets for the future tax consequence of events that have been recognised in the financial statements or tax returns. The measurements of current and deferred tax liabilities and assets are based on provisions of the enacted or substantially enacted tax laws; the effects of future changes in tax laws or rates are not anticipated. Tax expense (tax income) is the aggregate amount included in the determination of profit or loss for the reporting year in respect of current tax and deferred tax. Current and deferred income taxes are recognised as income or as an expense in profit or loss unless the tax relates to items that are recognised in the same or a different period outside profit or loss. For such items recognised outside profit or loss the current tax and deferred tax are recognised (a) in other comprehensive income if the tax is related to an item recognised in other comprehensive income and (b) directly in equity if the tax is related to an item recognised directly in equity. Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same income tax authority. The carrying amount of deferred tax assets is reviewed at each end of the reporting year and is reduced, if necessary, by the amount of any tax benefits that, based on available evidence, are not expected to be realised. A deferred tax amount is recognised for all temporary differences, unless the deferred tax amount arises from the initial recognition of an asset or liability in a transaction which (i) is not a business combination; and (ii) at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

Property, plant and equipment

Property, plant and equipment are carried at cost on initial recognition and after initial recognition at cost less any accumulated depreciation and any accumulated impairment losses. Depreciation is provided on a straight-line method to allocate the gross carrying amounts of the assets (other than mining assets) less their residual values over their estimated useful lives of each part of an item of these assets are as follows:

Furniture and fittings	–	5 years
Leasehold property	–	Over remaining lease term
Leasehold improvement	–	5 years
Motor vehicles	–	5 years
Office equipment	–	3 to 5 years
Tools and equipment	–	5 years

An asset is depreciated when it is available for use until it is derecognised even if during that period the item is idle. Fully depreciated assets still in use are retained in the financial statements.

The gain or loss arising from the derecognition of an item of property, plant and equipment is measured as the difference between the net disposal proceeds, if any, and the carrying amount of the item and is recognised in profit or loss. The residual value and the useful life of an asset is reviewed at least at each end of the reporting year and, if expectations differ significantly from previous estimates, the changes are accounted for as a change in an accounting estimate, and the depreciation charge for the current and future periods are adjusted.

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2. Significant accounting policies and other explanatory information (cont’d)

2C. Significant accounting policies (cont’d)

Property, plant and equipment (cont’d)

Cost also includes acquisition cost, borrowing cost capitalised and any cost directly attributable to bringing the asset or component to the location and condition necessary for it to be capable of operating in the manner intended by management. Subsequent costs are recognised as an asset only when it is probable that future economic benefits associated with the item will flow to the entity and the cost of the item can be measured reliably. All other repairs and maintenance are charged to profit or loss when they are incurred.

Right-of-use assets

The right-of-use assets relate to land lease from Jurong Town Corporation (“JTC Land”).

The right-of-use asset is recognised at the commencement date of a lease. The right-of-use assets are measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the Company expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

The Company has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are expensed to profit or loss as incurred.

The useful lives of JTC land is 10 years.

Carrying amounts of non-financial assets

Irrespective of whether there is any indication of impairment, an annual impairment test is performed at about the same time every year on an intangible asset with an indefinite useful life or an intangible asset not yet available for use. The carrying amount of other non-financial assets is reviewed at each end of the reporting year for indications of impairment and where an asset is impaired, it is written down through profit or loss to its estimated recoverable amount. The impairment loss is the excess of the carrying amount over the recoverable amount and is recognised in profit or loss. The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs of disposal and its value in use. When the fair value less costs of disposal method is used, any available recent market transactions are taken into consideration. When the value in use method is adopted, in assessing the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). At each end of the reporting year non-financial assets other than goodwill with impairment loss recognised in prior periods are assessed for possible reversal of the impairment. An impairment loss is reversed only to the extent that the asset’s carrying amount does not exceed the carrying amount that would have been measured, net of depreciation or amortisation, if no impairment loss had been recognised.

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2. Significant accounting policies and other explanatory information (cont’d)

2C. Significant accounting policies (cont’d)

Financial instruments

Recognition and derecognition of financial instruments

A financial asset or a financial liability is recognised in the statement of financial position when, and only when, the entity becomes party to the contractual provisions of the instrument. All other financial instruments (including regular-way purchases and sales of financial assets) are recognised and derecognised, as applicable, using trade date accounting or settlement date accounting. A financial asset is derecognised when the contractual rights to the cash flows from the financial asset expire or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the entity neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset. A financial liability is removed from the statement of financial position when, and only when, it is extinguished, that is, when the obligation specified in the contract is discharged or cancelled or expires.

At initial recognition the financial asset or financial liability is measured at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

Classification and measurement of financial assets

- (i) Financial asset classified as measured at amortised cost: A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at fair value through profit or loss (“FVTPL”), that is (a) the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and (b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Typically trade and other receivables, bank and cash balances are classified in this category.

- (ii) Financial asset that is a debt asset instrument classified as measured at fair value through other comprehensive income (“FVTOCI”):

There were no financial assets classified in this category at end of the reporting year.

- (iii) Financial asset that is an equity investment measured at FVTOCI:

There were no financial assets classified in this category at end of the reporting year.

- (iv) Financial asset classified as measured at FVTPL:

There were no financial assets classified in this category at end of the reporting year.

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2. Significant accounting policies and other explanatory information (cont’d)

2C. Significant accounting policies (cont’d)

Financial instruments (cont’d)

Classification and measurement of financial liabilities

Financial liabilities are classified as at FVTPL in either of the following circumstances: (1) the liabilities are managed, evaluated and reported internally on a fair value basis; or (2) the designation eliminates or significantly reduces an accounting mismatch that would otherwise arise. All other financial liabilities are carried at amortised cost using the effective interest method. Reclassification of any financial liability is not permitted.

Cash and cash equivalents

Cash and cash equivalents include bank and cash balances, on demand deposits and any highly liquid debt instruments purchased with an original maturity of three months or less. For the statement of cash flows the item includes cash and cash equivalents less cash subject to restriction and bank overdrafts payable on demand that form an integral part of cash management.

Provisions

A liability or provision is recognised when there is a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. A provision is made using best estimates of the amount required in settlement and where the effect of the time value of money is material, the amount recognised is the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense. Changes in estimates are reflected in profit or loss in the reporting year they occur.

Leases of lessee

A lease conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration. A right-of-use asset is capitalised in the statement of financial position, measured at the present value of the unavoidable future lease payments to be made over the lease term. A liability corresponding to the capitalised right-of-use asset is also recognised, adjusted for lease prepayments, lease incentives received, initial direct costs incurred and an estimate of any future restoration, removal or dismantling costs. The right-of-use asset is depreciated over the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. An interest expense is recognised on the lease liability (included in finance costs). For short-term leases of 12 months or less and leases of low-value assets (such as personal computers and small office equipment) where an accounting policy choice exists under the lease standard, the lease payments are expensed to profit or loss as incurred on a straight line basis over the remaining lease term.

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2. Significant accounting policies and other explanatory information (cont’d)

2C. Significant accounting policies (cont’d)

Fair value measurement

The fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When measuring the fair value of an asset or a liability, market observable data to the extent possible is used. If the fair value of an asset or a liability is not directly observable, an estimate is made using valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs (eg by use of the market comparable approach that reflects recent transaction prices for similar items, discounted cash flow analysis, or option pricing models refined to reflect the issuer’s specific circumstances). Inputs used are consistent with the characteristics of the asset / liability that market participants would take into account. The entity’s intention to hold an asset or to settle or otherwise fulfil a liability is not taken into account as relevant when measuring fair value.

Fair values are categorised into different levels in a fair value hierarchy based on the degree to which the inputs to the measurement are observable and the significance of the inputs to the fair value measurement in its entirety: Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities. Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (ie as prices) or indirectly (ie derived from prices). Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs). Transfers between levels of the fair value hierarchy are recognised at the end of the reporting period during which the change occurred.

The carrying values of current financial instruments approximate their fair values due to the short-term maturity of these instruments and the disclosures of fair value are not made when the carrying amount of current financial instruments is a reasonable approximation of the fair value. The fair values of non-current financial instruments may not be disclosed separately unless there are significant differences at the end of the reporting year and in the event the fair values are disclosed in the relevant notes to the financial statements.

Segment reporting

The reporting entity discloses financial and descriptive information about its consolidated reportable segments. Reportable segments are operating segments or aggregations of operating segments that meet specified criteria. Operating segments are components about which separate financial information is available that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing the performance. Generally, financial information is reported on the same basis as is used internally for evaluating operating segment performance and deciding how to allocate resources to operating segments.

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2. Significant accounting policies and other explanatory information (cont’d)

2D. New accounting standards and interpretations not yet mandatory or early adopted

A number of new standards, interpretations and amendments to standards were issued by the Singapore Accounting Standards Council. These new or amended standards and interpretations will only be effective for future reporting years and earlier application is permitted. However, the Company has not early adopted the new or amended standards and interpretations in preparing these financial statements.

The following new accounting standards and interpretations are not expected to have a significant impact on the Company’s financial statements.

<u>SFRS(I) No.</u>	<u>Title</u>	<u>Effective date for periods beginning on or after</u>
SFRS (I) 1-1	Amendments to SFRS(I) 1-1: Classification of Liabilities as Current or Non-current	1 January 2023
SFRS(I) 1-8	Amendments to SFRS(I) 1-8: Definition of Accounting Estimates	1 January 2023
SFRS(I) 1-12, SFRS(I) 1	Amendments to SFRS(I) 1-12: Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
SFRS (I) 1-16	Amendments to SFRS(I) 1-16: Property, Plant and Equipment—Proceeds before Intended Use	1 January 2022
SFRS (I) 1-37	Amendments to SFRS(I) 1-37: Onerous Contracts – Cost of Fulfilling a Contract	1 January 2022
SFRS (I) 3	Amendments to SFRS(I) 3: Reference to the Conceptual Framework	1 January 2022
SFRS(I) 16	Amendment to SFRS(I) 16: Covid-19-Related Rent Concessions beyond 30 June 2021	1 April 2021
Various	Amendments to SFRS(I) 9, SFRS(I) 7, and SFRS(I) 16: Interest Rate Benchmark Reform – Phase 2	1 January 2021
Various	Annual Improvements to SFRS(I)s 2018-2020: Amendment To SFRS(I) 9 Financial Instruments – Fees in the ‘10 per cent’ Test for Derecognition of Financial Liabilities Amendment To Illustrative Examples Accompanying SFRS(I) 16 Leases - Lease Incentives	1 January 2022
Various	Amendments to SFRS(I) 1-1 and SFRS(I) Practice Statement 2: Disclosure of Accounting Policies	1 January 2023

2E. Critical judgements, assumptions and estimation uncertainties

The critical judgements made in the process of applying the accounting policies that have the most significant effect on the amounts recognised in the financial statements and the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting year, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities currently or within the next reporting year are discussed below.

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2. Significant accounting policies and other explanatory information (cont’d)

2E. Critical judgements, assumptions and estimation uncertainties (cont’d)

These estimates and assumptions are periodically monitored to ensure they incorporate all relevant information available at the date when financial statements are prepared. However, this does not prevent actual figures differing from estimates.

Revenue recognised over time

For revenue recognition arising from contracts with customers and the consequential financial performance of the Company, there are significant judgements exercised and assumptions made by management relating to the measurement and timing of revenue recognition and the recognition of related balances in the statement of financial position, such as contract assets and contract liabilities, that result from the performance of the contracts. These judgements are inherently subjective and may cover future events such as the achievement of contractual milestones and performance levels. Assumptions are made for certain contracts relating to contract extensions and amendments. The related account balances at the end of the reporting years are disclosed in the Notes 5 and 16 on revenues, contract assets and contract liabilities.

Estimation of contract costs for construction contracts

The Company has significant ongoing construction contracts. For these contracts, revenue is recognised over time by reference to the Company’s progress towards the completion of the construction contracts. The measure of progress is determined based on the proportion of contract costs incurred to date to the estimated total contract costs (“input method”).

Management has to estimate the contract costs to complete, which are used in the input method to determine the revenue. When it is probable that the total unavoidable costs of meeting the obligations under the contract exceed the transaction prices (“contract sum”), a provision for onerous contracts is recognised immediately.

Significant judgement is used to estimate these total contract costs to complete. In making these estimates, management has relied on the expertise of professionals to determine the progress of the construction and also on past experience of completed projects.

As at 30 June 2021, \$10,534,000 (2020: \$4,516,000; 2019: \$6,700,000) of the Company’s contract assets are subject to the estimation of progress towards completion using the input method. If the total contract cost of on-going contracts to be incurred had been higher/lower by 10% from management’s estimates, the Company’s revenue and contract assets would have been lower/higher by \$2,647,000 (2020: \$990,000; 2019: \$560,000) respectively.

Allowance for trade and other receivables and contract assets:

The assessment of the expected credit losses (ECL) requires a degree of estimation and judgement. In measuring the expected credit losses, management considers all reasonable and supportable information such as the reporting entity’s past experience at collecting receipts, any increase in the number of delayed receipts in the portfolio past the average credit period, and forward looking information such as forecasts of future economic conditions (including the impact of the Covid-19 pandemic). The carrying amounts might change materially within the next reporting year but these changes may not arise from assumptions or other sources of estimation uncertainty at the end of the reporting year. The carrying amount is disclosed in Note 16 on contract assets and Note 17 on trade and other receivables.

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3. Related party relationships and transactions

The financial reporting standard on related party disclosures requires the reporting entity to disclose: (a) transactions with its related parties; and (b) relationships between parents and subsidiaries irrespective of whether there have been transactions between those related parties. A party is related to a party if the party controls, or is controlled by, or can significantly influence or is significantly influenced by the other party.

The ultimate controlling parties during these reporting years presented are Mr Tan Jit Meng, Mr Soh Loong Chow Jackie and Mr Tan Chee Khoon, who are also the directors of the Company.

In addition to the transactions and balances disclosed elsewhere in these financial statements, the transactions and arrangements between the Company and other related parties are shown below.

Key management compensation

	<u>2019</u> \$'000	<u>2020</u> \$'000	<u>2021</u> \$'000
Salaries and other short-term employee benefits	<u>927</u>	<u>1,007</u>	<u>825</u>

The above amounts are included under employee benefits expense. Included in the above amounts are the following items:

	<u>2019</u> \$'000	<u>2020</u> \$'000	<u>2021</u> \$'000
Directors' remuneration	<u>927</u>	<u>1,007</u>	<u>825</u>

Key management personnel are directors and those persons having authority and responsibility for planning, directing and controlling activities of the company directly or indirectly. The above amounts for key management compensation are for three (2020: three; 2019: three) directors.

Other receivables from and other payables to related parties:

The trade transactions and the related receivables and payables balances arising from sales and purchases of goods and services are disclosed elsewhere in the notes to the financial statements.

The movements in other payables to directors are as follows:

	<u>2019</u> \$'000	<u>2020</u> \$'000	<u>2021</u> \$'000
<u>Other payables:</u>			
Balance at beginning of the year	256	900	200
Amounts paid in	900	200	–
Amounts paid out	<u>(256)</u>	<u>(900)</u>	<u>(200)</u>
Balance at end of the year (Note 23)	<u>900</u>	<u>200</u>	<u>–</u>

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4. Financial information by operating segment

4A. Information about reportable segment profit or loss, assets and liabilities

Disclosure of information about operating segments are made as required by the financial reporting standard Operating Segments. This disclosure standard has no impact on the reported financial performance or financial position of the reporting entity.

For management purposes the Company is organised into the following major strategic operating segments that offer different products and services: (1) Commercial, (2) Residential, and (3) Showflats. Such a structural organisation is determined by the nature of risks and returns associated with each business segment and it defines the management structure as well as the internal reporting system. It represents the basis on which the management reports the primary segment information that is available and that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing the performance. They are managed separately because each business requires different strategies.

The segments and the types of products and services are as follows:

- (1) Commercial – Provision of construction services to commercial buildings;
- (2) Residential – Provision of construction services to residential buildings; and
- (3) Showflats – Building of Showflats.

Segment results consist of costs directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Inter-segment sales are measured on the basis that the entity actually used to price the transfers. Internal transfer pricing policies of the Company are as far as practicable based on market prices. The accounting policies of the operating segments are the same as those described in the summary of significant accounting policies.

The management reporting system evaluates performances based on a number of factors. However, the primary profitability measurement to evaluate a segment’s operating results is gross profit.

Segment assets consist principally of trade receivables that are directly attributable to a segment.

The following tables illustrate the information about the reportable segment profit or loss, assets and liabilities.

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4B. Profit or loss from continuing operations and reconciliations

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4C. Assets, liabilities and reconciliations

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4. Financial information by operating segment (cont’d)

4D. Geographical information

	<u>Revenue</u>			<u>Non-current assets</u>		
	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
Singapore	<u>25,061</u>	<u>18,715</u>	<u>37,318</u>	<u>5,769</u>	<u>4,633</u>	<u>5,138</u>

4E. Information about major customers

Customers who individually account for 5% or more of the Company’s revenue is detailed below:

	<u>2019</u>	<u>2020</u>	<u>2021</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
Top 1 customer in more than 1 segment	7,182	4,766	11,481
Top 2 customers in more than 1 segment	10,439	6,900	18,364
Top 3 customers in more than 1 segment	<u>13,085</u>	<u>9,028</u>	<u>22,526</u>

5. Revenue

	<u>2019</u>	<u>2020</u>	<u>2021</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
Revenue from long term construction contracts	<u>25,061</u>	<u>18,715</u>	<u>37,318</u>

Revenue from construction contracts is recognised over time and generated locally.

6. Other income and gains and (other losses)

	<u>2019</u>	<u>2020</u>	<u>2021</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
Bad debt recovered	1	–	–
Foreign exchange gain	–	4	–
Government grants ^(a)	26	264	669
Initial public offering expenses ^(b)	(861)	(597)	–
Reverse takeover expenses ^(c)	–	–	(177)
Loss from disposal of associate	(56)	–	–
Rental income	–	–	37
Others	–	–	(4)
Net	<u>(890)</u>	<u>(329)</u>	<u>525</u>
Presented in profit or loss as:			
Other income and gains	27	268	706
Other losses	(917)	(597)	(181)
Net	<u>(890)</u>	<u>(329)</u>	<u>525</u>

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6. Other income and gains and (other losses) (cont’d)

- (a) Included in government grants were Job Support Scheme grants of \$403,000 (2020: \$143,000; 2019: Nil). The purpose of the Job Support Scheme was to provide wage support to employers to help them retain their local employees during this period of economic uncertainty amid Covid-19.
- (b) These relate to professional fees incurred in reporting years ended 30 June 2019 and 30 June 2020 that were substantially for the purposes of an initial public offering (“IPO”) of the Company on The Stock Exchange of Hong Kong Limited. However, the IPO was aborted by the Company during the reporting year ended 30 June 2020.
- (c) These related to professional fees incurred in the reporting year ended 30 June 2021 that were substantially for purposes of the reverse takeover (“RTO”) of Fabchem China Limited, a company listed on The Singapore Exchange Securities Trading Limited.

7. Administrative expenses

The major components included in administrative expenses are as follows:

	<u>2019</u> \$’000	<u>2020</u> \$’000	<u>2021</u> \$’000
Employee benefits expense (Note 9)	<u>1,360</u>	<u>1,443</u>	<u>1,207</u>

8. Other expenses

The major components included in other expenses are as follows:

	<u>2019</u> \$’000	<u>2020</u> \$’000	<u>2021</u> \$’000
Depreciation of property, plant and equipment (Note 13)	624	577	580
Depreciation of right-of-use assets (Note 14)	<u>62</u>	<u>62</u>	<u>62</u>

9. Employee benefits expense

	<u>2019</u> \$’000	<u>2020</u> \$’000	<u>2021</u> \$’000
Salaries, allowance and bonuses	3,397	3,496	3,405
Contributions to defined contribution plan	605	470	460
Other staff benefits	259	193	138
Total employee benefits expense	<u>4,261</u>	<u>4,159</u>	<u>4,003</u>

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9. Employee benefits expense (cont’d)

The employee benefits expense is charged under:

	<u>2019</u> \$'000	<u>2020</u> \$'000	<u>2021</u> \$'000
Administrative expenses (Note 7)	1,360	1,443	1,207
Cost of sales	2,901	2,716	2,796
	<u>4,261</u>	<u>4,159</u>	<u>4,003</u>

10. Finance costs

	<u>2019</u> \$'000	<u>2020</u> \$'000	<u>2021</u> \$'000
Interest on lease liabilities	22	18	16
Interest on term loans	9	7	108
Total	<u>31</u>	<u>25</u>	<u>124</u>

11. Income tax

11A. Components of tax expense recognised in profit or loss

	<u>2019</u> \$'000	<u>2020</u> \$'000	<u>2021</u> \$'000
<u>Current tax expense:</u>			
Current tax expense	276	–	420
Under / (over) adjustments in respect of prior periods	16	(11)	–
Subtotal	<u>292</u>	<u>(11)</u>	<u>420</u>
<u>Deferred tax expense / (income):</u>			
Deferred tax expense / (income)	15	(23)	(9)
Under / (over) adjustments in respect of prior periods	17	7	(16)
Subtotal	<u>32</u>	<u>(16)</u>	<u>(25)</u>
Total income tax expense / (income)	<u>324</u>	<u>(27)</u>	<u>395</u>

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11. Income tax (cont’d)

11A. Components of tax expense recognised in profit or loss (cont’d)

The income tax in profit or loss varied from the amount of income tax amount determined by applying the Singapore income tax rate of 17.0% (2020: 17.0%; 2019: 17.0%) to profit or loss before income tax as a result of the following differences:

	<u>2019</u> \$’000	<u>2020</u> \$’000	<u>2021</u> \$’000
Profit / (loss) before tax	<u>395</u>	<u>(1,664)</u>	<u>2,753</u>
Income tax expense / (income) at the above rate	67	(282)	468
Non-deductible items	305	224	126
Non-taxable income	(1)	(25)	(96)
Tax exemption and rebate	(17)	–	(17)
Unrecognised deferred tax assets	–	(88)	78
Deferred tax liabilities over recognised	–	(23)	23
Utilisation of deferred tax assets not previously recognised	–	85	(85)
Under / (over) adjustments in respect of prior periods	33	(4)	(16)
Others	(63)	86	(86)
Total income tax expense / (income)	<u>324</u>	<u>(27)</u>	<u>395</u>

There are no income tax consequences of dividends to owners of the Company.

The major not deductible / (not taxable) items include the following:

	<u>2019</u> \$’000	<u>2020</u> \$’000	<u>2021</u> \$’000
Government grant from Job Support Scheme	–	(143)	(403)
Initial public offering expenses	861	597	–
Reverse takeover expenses	–	–	177
Depreciation of non-qualifying assets	<u>682</u>	<u>542</u>	<u>557</u>

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11. Income tax (cont’d)

11B. Deferred tax expense (income) recognised in profit or loss

	<u>2019</u> \$'000	<u>2020</u> \$'000	<u>2021</u> \$'000
Excess of book value of plant and equipment over tax values	32	(39)	(8)
Deferred tax relating to depreciation expense on right-of-use assets and interest on lease liabilities	–	(3)	(1)
Tax loss carryforwards	–	(85)	85
Unrecognised deferred tax assets	–	88	(78)
Deferred tax liabilities over recognised	–	23	(23)
Net	<u>32</u>	<u>(16)</u>	<u>(25)</u>

11C. Deferred tax balance in the statement of financial position

The amount of each type of the deferred tax income or expense recognised in profit or loss for is not presented because it is apparent from the changes in the amounts recognised in the statements of financial position as below:

	<u>2019</u> \$'000	<u>2020</u> \$'000	<u>2021</u> \$'000
<u>Deferred tax (liabilities) / assets:</u>			
Excess of book value of plant and equipment over tax values	(41)	(2)	6
Deferred tax relating to depreciation expense on right-of-use assets and interest on lease liabilities	–	3	4
Tax loss carryforwards	–	85	–
Unrecognised deferred tax assets	–	(88)	(10)
Deferred tax liabilities over recognised	–	(23)	–
Net	<u>(41)</u>	<u>(25)</u>	<u>–</u>

As at the end of the reporting years, the Company did not recognise deferred tax assets in respect of tax losses carryforwards as it is not material.

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12. Earnings / (loss) per share

The following table illustrates the numerators and denominators used to calculate basic and diluted earnings / (loss) per share of no par value:

	<u>2019</u>	<u>2020</u>	<u>2021</u>
A. Numerators: Earnings / (loss) attributable to equity			
Continuing operations: Earnings / (loss) attributable to equity holders (\$'000)	<u>71</u>	<u>(1,637)</u>	<u>2,358</u>
B. Denominators: weighted average number of equity shares			
Basic and diluted ('000)	<u>1,500</u>	<u>1,500</u>	<u>1,500</u>

The weighted average number of ordinary shares refers to shares in issue outstanding during the reporting year.

The basic amount per share ratio is based on the weighted average number of ordinary shares outstanding during each reporting year.

There is no dilution of loss per share as there are no shares under options. The denominators used are the same as those detailed above for both basic and diluted earnings per share.

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13. Property, plant and equipment

	Leasehold property \$'000	Leasehold improvements \$'000	Furniture and fittings \$'000	Motor vehicles \$'000	Office equipment \$'000	Tools and equipment \$'000	Total \$'000
<u>Cost:</u>							
At 1 July 2018	4,205	181	103	372	222	414	5,497
Additions	–	–	–	90	40	–	130
Disposals	–	–	–	–	(13)	–	(13)
At 30 June 2019	4,205	181	103	462	249	414	5,614
Additions	–	–	–	15	29	–	44
At 30 June 2020	4,205	181	103	477	278	414	5,658
Additions	–	–	–	163	13	10	186
At 30 June 2021	4,205	181	103	640	291	424	5,844
<u>Accumulated depreciation:</u>							
At 1 July 2018	1,201	68	45	272	185	268	2,039
Depreciation for the year	451	36	20	89	32	56	684
Disposals	–	–	–	–	(13)	–	(13)
At 30 June 2019	1,652	104	65	361	204	324	2,710
Depreciation for the year	451	36	18	44	27	45	621
At 30 June 2020	2,103	140	83	405	231	369	3,331
Depreciation for the year	451	36	18	45	30	40	620
At 30 June 2021	2,554	176	101	450	261	409	3,951
<u>Net book value:</u>							
At 30 June 2019	2,553	77	38	101	45	90	2,904
At 30 June 2020	2,102	41	20	72	47	45	2,327
At 30 June 2021	1,651	5	2	190	30	15	1,893

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13. Property, plant and equipment (cont’d)

Leasehold property with carrying value of \$1,651,000 (2020: \$2,102,000; 2019: \$2,553,000) is pledged to a bank for credit facilities (see Note 22).

Motor vehicles with carrying value of \$160,000 (2020: \$24,000; 2019: \$48,000) are under hire purchase agreements as disclosed in Note 21.

Allocation of the depreciation expense as follows:

	<u>2019</u> \$'000	<u>2020</u> \$'000	<u>2021</u> \$'000
Cost of sales	56	44	40
Other expenses (Note 8)	624	577	580
At end of the year	<u>684</u>	<u>621</u>	<u>620</u>

14. Right-of-use assets

	<u>JTC Land</u> \$'000
<u>At cost:</u>	
At beginning and end of the reporting years ended 30 June 2019, 30 June 2020 and 30 June 2021	<u>586</u>
<u>Accumulated depreciation:</u>	
At 1 July 2018	176
Depreciation for the year	<u>62</u>
At 30 June 2019	238
Depreciation for the year	<u>62</u>
At 30 June 2020	300
Depreciation for the year	<u>62</u>
At 30 June 2021	<u>362</u>
<u>Carrying value:</u>	
At 30 June 2019	<u>348</u>
At 30 June 2020	<u>286</u>
At 30 June 2021	<u>224</u>

Land lease from the Jurong Town Corporation (“JTC Land”) is amortised over the lease period commencing from 31 August 2015 and will expire on 28 February 2025.

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15. Investments in associate

	<u>2019</u> \$'000	<u>2020</u> \$'000	<u>2021</u> \$'000
Movements in carrying value:			
Balance at beginning of the year	785	–	–
Disposal (Note 15A)	<u>(785)</u>	<u>–</u>	<u>–</u>
Balance at end of year	<u>–</u>	<u>–</u>	<u>–</u>
Carrying value comprising:			
Share of net book value of associate	<u>–</u>	<u>–</u>	<u>–</u>
<u>Name of associate, country of incorporation, place of operations and principal activities</u>	<u>Cost in books of Company</u>		
	<u>2019</u> \$'000	<u>2020</u> \$'000	<u>2021</u> \$'000
	<u>2019</u> %	<u>2020</u> %	<u>2021</u> %
Millennium Fiesta Pte. Ltd. Singapore Investment holding	– – –	– – –	– – –

15A. Disposal of associate

The Company disposed of all of its interest in the associate, Millennium Fiesta Pte. Ltd. (“MFPL”) to the directors of the Company for a consideration of \$750,000. The transaction was completed on 14 June 2019.

A net loss on disposal of \$56,000 was recognised in the profit or loss included under other losses (Note 6) following the derecognition, being the consideration receivable on disposal less the net carrying amount of the investment in associate. No tax charge or credit arose from the transaction. The associate’s unaudited financial statements as at 30 June 2019 was used to determine the above gain / loss on disposal of the associate.

The carrying amount of the assets and liabilities of the associate at the date of disposal are detailed as follows:

	<u>MFPL</u> \$'000
Net carrying amount of assets disposed	785
Loss on disposal (Note 6)	(56)
Reclassification of foreign currency translation reserve	<u>21</u>
Total consideration	<u>750</u>

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16. Contract assets and (contract liabilities)

	<u>2019</u> \$'000	<u>2020</u> \$'000	<u>2021</u> \$'000
Contract assets (Note 16A)	<u>6,700</u>	<u>4,516</u>	<u>10,534</u>
Contract liabilities (Note 16B)	<u>–</u>	<u>618</u>	<u>264</u>

16A. Contract assets

The contract assets are for the Company’s rights to consideration for work completed but not billed at the reporting date on construction contracts less any impairment losses, if any, recognised in the reporting year. The contract assets are transferred to the receivables when the rights become unconditional. This usually occurs when the Company invoices the customers.

The movements in contract assets are as follows:

	<u>2019</u> \$'000	<u>2020</u> \$'000	<u>2021</u> \$'000
At beginning of the year	5,382	6,700	4,516
Revenue recognised for performance obligation satisfied overtime	22,635	16,745	34,521
Transfer to trade receivables	<u>(21,317)</u>	<u>(18,929)</u>	<u>(28,503)</u>
At end of the year	<u>6,700</u>	<u>4,516</u>	<u>10,534</u>

16B. Contract liabilities

The contract liabilities primarily relate to the advance consideration received from customers for which transfer of control occurs, and therefore revenue is recognised. The entity recognises revenue on the satisfaction of the performance obligation.

The movements in contract liabilities are as follows:

	<u>2019</u> \$'000	<u>2020</u> \$'000	<u>2021</u> \$'000
At beginning of the year	–	–	618
Performance obligation satisfied – revenue recognised during the reporting year	–	(1,860)	(1,969)
Additions of contract liabilities from deposit paid by customers during the year	–	634	–
Consideration received or receivable	<u>–</u>	<u>1,844</u>	<u>1,615</u>
At end of the year	<u>–</u>	<u>618</u>	<u>264</u>

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16. Contract assets and (contract liabilities) (cont’d)

Transaction price allocated to the remaining performance obligations (over time method): Management expects that the aggregate amount of the transaction price allocated to unsatisfied performance obligations as of 30 June 2021 is approximately \$28,442,000 (2020: \$42,342,000; 2019: \$31,101,000) will be recognised as revenue as the Company continues to perform to complete the contracts, which is expected to occur over the next 3 years. The amount disclosed above does not include variable consideration which may be subject to significant risk of reversal.

The Company has applied the practical expedient not to disclose information about its remaining performance obligations if:

- a) The performance obligation is part of a contract that has an original expected duration for one year or less, or
- b) The Company recognises revenue in the amount to which the Company has a right to invoice customers in amounts that correspond directly with the value to the customer of the Company’s performance completed to date.

17. Trade and other receivables

	<u>2019</u> \$’000	<u>2020</u> \$’000	<u>2021</u> \$’000
<u>Current:</u>			
<u>Trade receivables:</u>			
Outside parties	1,505	1,413	4,139
Retention receivables	685	203	352
Subtotal	<u>2,190</u>	<u>1,616</u>	<u>4,491</u>
<u>Other receivables:</u>			
Outside parties	47	170	–
Loans to staff	6	7	10
Subtotal	<u>53</u>	<u>177</u>	<u>10</u>
Total trade and other receivables, current	<u>2,243</u>	<u>1,793</u>	<u>4,501</u>
<u>Non-current:</u>			
<u>Trade receivables:</u>			
Retention receivables	<u>2,517</u>	<u>2,020</u>	<u>3,021</u>
<u>Retention receivables</u>			

Retention receivables are intended to provide customers with protection from the Company failing to adequately complete some or all of its obligations under the contract. The retention receivables are generally on terms from 12 to 24 months.

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17. Trade and other receivables (cont’d)

Trade receivables

The expected credit losses (“ECL”) on the trade receivables (including retention receivables) and contract assets are based on the simplified approach to measuring expected credit losses which uses a lifetime ECL allowance approach for all trade receivables and contract assets recognised from initial recognition of these assets. The Company has only a few customers and which can be credit risk graded individually and these are recorded at inception net of expected lifetime ECL. These customers were graded as low risk individually and no significant increase in credit risk since initial recognition. No loss allowance was necessary.

At every reporting date the historical observed default rates are updated and changes in the forward-looking estimates (including the impact of the Covid-19 pandemic) are analysed. The ageing are as follows:

	<u>2019</u> \$'000	<u>Gross amount</u> <u>2020</u> \$'000	<u>2021</u> \$'000
Trade receivables:			
Not past due	4,033	3,315	6,903
Past due:			
1 to 30 days past due	650	56	570
31 to 60 days past due	1	152	38
61 to 90 days past due	–	46	–
Over 90 days past due	23	67	1
Total	<u>4,707</u>	<u>3,636</u>	<u>7,512</u>

The total is for trade receivables generated under the financial reporting standard on revenue recognition.

There are no collateral held as security and other credit enhancements for the trade receivables.

As part of the process of setting customer credit limits, different credit terms are used. The average credit period generally granted to trade customers is about 30 days (2020: 30 days; 2019: 30 days). But some customers take a longer period to settle the amounts.

Concentration of trade receivable customers (including retention receivables) at end of reporting year is as follows:

	<u>2019</u> \$'000	<u>2020</u> \$'000	<u>2021</u> \$'000
Top 1 customer	574	518	3,252
Top 2 customers	1,144	995	4,427
Top 3 customers	<u>1,468</u>	<u>1,256</u>	<u>5,000</u>

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17. Trade and other receivables (cont’d)

Other receivables

Other receivables at amortised cost set out above are subject to the ECL model under the financial reporting standard on financial instruments. Other receivables at amortised cost and which can be graded as low risk individually are considered to have low credit risk. At the end of the first reporting period no loss allowance is recognised because there has not been a significant increase in credit risk since initial recognition. No loss allowance is necessary.

18. Other assets

	<u>2019</u> \$'000	<u>2020</u> \$'000	<u>2021</u> \$'000
Advances paid to suppliers	–	–	300
Deposits to secure services	294	261	179
Prepayments	297	25	26
Total	<u>591</u>	<u>286</u>	<u>505</u>

19. Cash and cash equivalents

	<u>2019</u> \$'000	<u>2020</u> \$'000	<u>2021</u> \$'000
Cash at banks	801	3,849	3,292
Fixed deposits with banks	275	578	581
	<u>1,076</u>	<u>4,427</u>	<u>3,873</u>

The rates of interest for the cash on interest earning balances ranged between 0.05% and 0.85% per annum (2020: 1.10% and 1.46%; 2019: 0.05% and 1.46%).

19A. Cash and cash equivalents in the statement of cash flows

	<u>2019</u> \$'000	<u>2020</u> \$'000	<u>2021</u> \$'000
Amount as shown above	1,076	4,427	3,873
Fixed deposits pledged for bank facilities	(275)	(578)	(581)
Cash and cash equivalents for statements of cash flows purposes at end of the years	<u>801</u>	<u>3,849</u>	<u>3,292</u>

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19. Cash and cash equivalents (cont’d)

19B. Reconciliation of liabilities arising from financing activities

	At beginning of the year \$'000	Cash flows \$'000	Non-cash changes \$'000		At end of the year \$'000
<u>2019</u>					
Amount due to directors	256	644	–		900
Dividend payables	700	(1,450)	750	(d)	–
Lease liabilities	472	(121)	22	(a)	388
			15	(b)	
Other financial liabilities	632	200	9	(c)	841
Total liabilities from financing activities	2,060	(727)	796		2,129
<u>2020</u>					
Amount due to directors	900	(700)	–		200
Dividend payables	–	(400)	400	(d)	–
Lease liabilities	388	(90)	18	(a)	316
Other financial liabilities	841	4,081	7	(c)	4,929
Total liabilities from financing activities	2,129	2,891	425		5,445
<u>2021</u>					
Amount due to directors	200	(200)	–		–
Lease liabilities	316	(92)	16	(a)	355
			115	(b)	
Other financial liabilities	4,929	3,952	108	(c)	8,989
Total liabilities from financing activities	5,445	3,660	239		9,344

(a) Accretion of interest.

(b) Acquisition of motor vehicles under hire purchase arrangements (Note 19C).

(c) Term loan interest.

(d) Declaration of dividend (Note 24).

19C. Non-cash transactions

	<u>2019</u> \$'000	<u>2020</u> \$'000	<u>2021</u> \$'000
Acquisition of property, plant and equipment (Note 13)	130	44	186
Acquisitions under hire purchase agreements (Note 19B)	(15)	–	(115)
Cash disbursed to purchase property, plant and equipment	115	44	71

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20. Share capital

	<u>Authorised share capital</u> \$'000	<u>Number of shares issued</u> '000
<u>Ordinary shares of no par value:</u>		
Balance at beginning and end of reporting years ended 30 June 2019, 30 June 2020 and 30 June 2021	<u>1,500</u>	<u>1,500</u>

The ordinary shares of no par value are fully paid, carry one vote each and have no right to fixed income. The Company is not subject to any externally imposed capital requirements.

Capital management

The objectives when managing capital are: to safeguard the reporting entity’s ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, and to provide an adequate return to shareholders by pricing products and services commensurately with the level of risk. The management sets the amount of capital in proportion to risk. The Company manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the management may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt.

The management monitors the capital on the basis of the debt-to-adjusted capital ratio. This ratio is calculated as net debt / adjusted capital (as shown below). Net debt is calculated as total borrowings (excluding amount due to directors) less cash and cash equivalents.

	<u>2019</u> \$'000	<u>2020</u> \$'000	<u>2021</u> \$'000
<u>Net debt:</u>			
All current and non-current borrowings including leases	1,229	5,245	9,344
Less cash and cash equivalents	<u>(1,076)</u>	<u>(4,427)</u>	<u>(3,873)</u>
Net debt	<u>153</u>	<u>818</u>	<u>5,471</u>
<u>Adjusted capital:</u>			
Total equity	<u>6,119</u>	<u>4,082</u>	<u>6,440</u>
Debt-to-adjusted capital ratio	<u>2.50%</u>	<u>20.04%</u>	<u>84.95%</u>

The unfavourable change as shown by the increase in the debt-to-adjusted capital ratio over these reporting years resulted primarily from the increase in new debt.

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21. Lease liabilities

	<u>2019</u> \$'000	<u>2020</u> \$'000	<u>2021</u> \$'000
Lease liabilities, current	73	66	89
Lease liabilities, non-current	315	250	266
	<u>388</u>	<u>316</u>	<u>355</u>

Movements of lease liabilities for the reporting year are as follows:

At beginning of the year	472	388	316
Additions	15	–	115
Accretion of interest	22	18	16
Lease payments	(121)	(90)	(92)
At end of the year	<u>388</u>	<u>316</u>	<u>355</u>

The Company has leases relating to land and motor vehicles.

The JTC Land lease terms are negotiated and amounts payable are subject to an escalation clause but the amount of the increase is not to exceed a certain percentage and subject to following:

- (i) the lease prohibits the Company from selling or pledging the underlying leased asset as security unless permitted by the owner and;
- (ii) there is no option to purchase the underlying leased asset outright at the end of the lease.

Also see Note 14.

Other information about the leasing activities relating to the right-of-use assets are summarised as follows:

	<u>JTC Land</u>	<u>Motor vehicles</u>
Number of right-of-use assets		
- 2019	1	2
- 2020	1	2
- 2021	1	3
Remaining term – range		
- 2019	5.7 years	1 to 3 years
- 2020	4.7 years	2 years
- 2021	3.7 years	1 to 5 years
Number of leases with renewal option	<u>1</u>	<u>–</u>

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21. Lease liabilities (cont’d)

The interest rate applied to lease liabilities are as follows:

	<u>JTC Land</u>	<u>Motor vehicles</u>
Weighted average incremental borrowing rate		
- 2019	5.25%	—
- 2020	5.25%	—
- 2021	5.25%	—
Weighted effective interest rate		
- 2019	—	3.92%
- 2020	—	3.92%
- 2021	—	2.79%

The lease liability above does not include the short-term leases of less than 12 months and leases of low-value underlying assets. Variable lease payments which do not depend on an index or a rate or based on a percentage of revenue are not included from the initial measurement of the lease liability and the right-of-use assets.

Only variable lease payments that depend on an index or a rate; payments that vary to reflect changes in market rental rates are included in the measurement of the lease liability. Such variable amounts that are unpaid at the commencement date are included in the measurement of lease liability. Variable lease payments would also include extension options and termination options; residual value guarantees; and leases not yet commenced to which the lessee is committed. The variable lease payments that are based on revenue are recognised in profit or loss in the year in which the condition that triggers those payments occurs.

Lease liabilities under operating leases are secured by the right-of-use assets because these will revert to the lessor in the event of default.

Motor vehicles under hire purchase agreements are secured by a legal charge over the leased assets and a personal guarantee from a director of the Company. The related motor vehicles are disclosed in Note 13.

A summary of the maturity analysis of lease liabilities is disclosed in Note 26E. Total cash outflows from leases are shown in the statement of cash flows. The related right-of-use-assets are disclosed in Note 14.

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is re-measured to reflect any reassessment or modification, or if there are changes to in-substance fixed payments. When the lease liability is re-measured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

There were no future cash outflows to which the lessee is potentially exposed that are not reflected in the measurement of lease liabilities above.

At reporting year date there were no commitments on leases which had not yet commenced.

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21. Lease liabilities (cont’d)

Apart from the disclosures made in other notes to the financial statements, amounts relating to leases include the following:

	<u>2019</u> \$'000	<u>2020</u> \$'000	<u>2021</u> \$'000
Expense relating to short-term leases	94	138	161

22. Other financial liabilities

	<u>2019</u> \$'000	<u>2020</u> \$'000	<u>2021</u> \$'000
<u>Secured</u>			
Term loan I (Note 22A)	–	3,000	3,000
Term loan II (Note 22A)	–	–	2,000
Term loan III (Note 22A)	–	–	1,000
Term loan IV (Note 22A)	171	–	–
Bills payable (Note 22B)	670	1,929	2,989
	<u>841</u>	<u>4,929</u>	<u>8,989</u>

Presented in statements of financial position

- Non-current	–	–	4,594
- Current	841	4,929	4,395
	<u>841</u>	<u>4,929</u>	<u>8,989</u>

The fixed interest rates paid were as follows:

Term loan I (secured)	–	2.25%	2.25%
Term loan II (secured)	–	–	2.25%
Term loan III (secured)	–	–	2.00%

The range of floating interest rates paid were as follows:

Term loan IV (secured)	1.85% to 3.50%	2.32% to 2.40%	–
Bills payable (secured)	3.87% to 4.50%	2.18% to 3.21%	2.08% to 2.33%

The carrying amounts are assumed to be a reasonable approximation of fair value.

22A. Term loans

The repayment terms of the term loans are as follows:

- (i) Term loan I is repayable by monthly principal instalments of \$65,000 commencing from 1 July 2021 and monthly interest repayments shall commence from 1 July 2020 until the loan matures on 27 May 2025.
- (ii) Term loan II is repayable by monthly principal instalments of \$44,000 commencing from 1 July 2021 and monthly interest repayments shall commence from 1 November 2020 until the loan matures on 27 May 2025.

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22. Other financial liabilities (cont’d)

22A. Term loans (cont’d)

(iii) Term loan III is repayable by monthly principal instalments of \$20,000 commencing on 24 October 2021 and monthly interest repayments shall commence from 4 September 2020 until the loan matures on 4 September 2025.

(iv) Term loan IV was fully settled in November 2019.

Term loans I, II and III are covered and secured by:

- (a) Joint and several personal guarantees from the directors of the Company; and
- (b) Charge over term deposits of the Company.

Term loan I:

At end of the reporting year ended 30 June 2020, the Company did not fulfil the following financial covenants:

- (i) The aggregate dividends declared by the Company in respect of each financial year ended shall not exceed 50% of its net profit before tax for each of its financial year; and
- (ii) The debt service coverage ratio ending on the last day of its financial half-year ended shall be in ratio of no less than 1:1.

Accordingly, the term loan I was shown as a current liability as at 30 June 2020. The breach was remedied in the reporting year ended 30 June 2021.

22B. Bills payable

Bills payable are on 8 to 70 days (2020: 93 to 120 days; 2019: 30 to 114 days) terms.

These bills payable under the bank facilities are covered and secured by:

- (a) Joint and several personal guarantees from the directors of the Company;
- (b) A legal mortgage over the leasehold property; and
- (c) Charge over term deposits of the Company.

23. Trade and other payables

	<u>2019</u> \$'000	<u>2020</u> \$'000	<u>2021</u> \$'000
<u>Trade payables:</u>			
Outside parties	7,701	5,366	8,117
Retention payables	135	118	63
Subtotal	7,836	5,484	8,180

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23. Trade and other payables (cont’d)

	<u>2019</u> \$'000	<u>2020</u> \$'000	<u>2021</u> \$'000
Other payables:			
Outside parties	–	1	1
Amount due to directors (Note 3)	900	200	–
Subtotal	<u>900</u>	<u>201</u>	<u>1</u>
Total trade and other payables	<u>8,736</u>	<u>5,685</u>	<u>8,181</u>

24. Dividends on equity shares

	<u>2019</u> \$'000	<u>2020</u> \$'000	<u>2021</u> \$'000
Interim tax-exempt dividends paid in respect of the reporting year ended 30 June 2020 of \$0.27 per ordinary share	–	400	–
Interim tax-exempt dividends paid in respect of the reporting year ended 30 June 2019 of \$0.50 per ordinary share	<u>750</u>	<u>–</u>	<u>–</u>
	<u>750</u>	<u>400</u>	<u>–</u>

The directors have proposed that a final dividend of \$0.73 per share with a total of \$1,100,000 be paid to shareholders in respect of the reporting year ended 30 June 2021 after the annual general meeting. There are no income tax consequences on the reporting entity. This dividend is subject to approval by shareholders at the next annual general meeting and has not been included as a liability in these financial statements. The proposed dividend is payable in respect of all ordinary shares in issue at the end of the reporting year and including any new qualifying shares issued up to the date the dividend becomes payable.

In respect of the dividends declared for FY2021, the company’s intention is to make the payment no later than December 2022.

**APPENDIX B – INDEPENDENT AUDITOR’S REPORT ON THE FINANCIAL
STATEMENTS FOR THE REPORTING YEARS ENDED 30 JUNE 2019, 2020
AND 2021 OF LINCOTRADE & ASSOCIATES PTE LTD**

LINCOTRADE & ASSOCIATES PTE LTD

25. Financial instrument: information on financial risks

25A. Categories of financial assets and liabilities

The following table categorises the carrying amount of financial assets and liabilities recorded at the end of the reporting year:

	<u>2019</u> \$'000	<u>2020</u> \$'000	<u>2021</u> \$'000
<u>Financial assets:</u>			
Financial assets at amortised cost	<u>5,836</u>	<u>8,240</u>	<u>11,395</u>
<u>Financial liabilities:</u>			
Financial liabilities at amortised cost	<u>9,965</u>	<u>10,930</u>	<u>17,525</u>

Further quantitative disclosures are included throughout these financial statements.

25B. Financial risk management

The main purpose for holding or issuing financial instruments is to raise and manage the finances for the entity’s operating, investing and financing activities. There are exposures to the financial risks on the financial instruments such as credit risk, liquidity risk and market risk comprising interest rate, currency risk and price risk exposures. Management has certain practices for the management of financial risks. However these are not documented in formal written documents. The following guidelines are followed: All financial risk management activities are carried out and monitored by senior management staff. All financial risk management activities are carried out following acceptable market practices. There have been no changes to the exposure to risk; the objectives, policies and processes for managing the risk and the methods used to measure the risk

25C. Fair values of financial instruments

The analyses of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 are disclosed in the relevant notes to the financial statements. These include the significant financial instruments stated at amortised cost and at fair value in the statement of financial position. The carrying values of current financial instruments approximate their fair values due to the short-term maturity of these instruments and the disclosures of fair value are not made when the carrying amount of current financial instruments is a reasonable approximation of the fair value.

25D. Credit risk on financial assets

Financial assets that are potentially subject to concentrations of credit risk and failures by counterparties to discharge their obligations in full or in a timely manner. These arise principally from cash balances with banks, cash equivalents, receivables and other financial assets. The maximum exposure to credit risk is the total of the fair value of the financial assets at the end of the reporting year. Credit risk on cash balances with banks and any other financial instruments is limited because the counter-parties are entities with acceptable credit ratings. For expected credit losses (“ECL”) on financial assets, the three-stage approach in the financial reporting standard on financial instruments is used to measure the impairment allowance. Under this general approach the financial assets move through the three stages as their credit quality changes.

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LINCOTRADE & ASSOCIATES PTE LTD

25. Financial instrument: information on financial risks (cont’d)

25D. Credit risk on financial assets (cont’d)

On initial recognition, a day-1 loss is recorded equal to the 12 month ECL (or lifetime ECL for trade receivables), unless the assets are considered credit impaired. However, a simplified approach is permitted by the financial reporting standards on financial instruments for financial assets that do not have a significant financing component, such as trade receivables and other financial assets. For credit risk on trade receivables an ongoing credit evaluation is performed on the financial condition of the debtors and an impairment loss is recognised in profit or loss. Reviews and assessments of credit exposures in excess of designated limits are made. Renewals and reviews of credits limits are subject to the same review process.

Note 19 discloses the maturity of the cash and cash equivalents balances. Cash and cash equivalents are also subject to the impairment requirements of the standard on financial instruments. There was no identified impairment loss.

25E. Liquidity risk – financial liabilities maturity analysis

The liquidity risk refers to the difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. It is expected that all the liabilities will be settled at their contractual maturity. The average credit period taken to settle trade payables is about 60 days (2020: 60 days; 2019: 60 days). The classification of the financial assets is shown in the statement of financial position as they may be available to meet liquidity needs and no further analysis is deemed necessary.

The following table analyses the non-derivate financial liabilities by remaining contractual maturity (contractual and undiscounted cash flows).

	Less than <u>one year</u> \$'000	Between two to five <u>years</u> \$'000	More than <u>five years</u> \$'000	<u>Total</u> \$'000
<u>2019</u>				
Gross lease liabilities	90	306	49	445
Gross other financial liabilities	852	–	–	852
Trade and other payables	8,736	–	–	8,736
At end of the year	<u>9,678</u>	<u>306</u>	<u>49</u>	<u>10,033</u>
<u>2020</u>				
Gross lease liabilities	80	274	–	354
Gross other financial liabilities	5,154	–	–	5,154
Trade and other payables	5,685	–	–	5,685
At end of the year	<u>10,919</u>	<u>274</u>	<u>–</u>	<u>11,193</u>

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LINCOTRADE & ASSOCIATES PTE LTD

25. Financial instrument: information on financial risks (cont’d)

25E. Liquidity risk – financial liabilities maturity analysis (cont’d)

	<u>Less than one year</u>	<u>Between two to five years</u>	<u>More than five years</u>	<u>Total</u>
<u>2021</u>				
Gross lease liabilities	103	288	–	391
Gross other financial liabilities	4,521	4,768	–	9,289
Trade and other payables	8,181	–	–	8,181
At end of the year	<u>12,805</u>	<u>5,056</u>	<u>–</u>	<u>17,861</u>

The undiscounted amounts on the bank borrowings with fixed interest rates are determined by reference to the conditions existing at the reporting date.

The above amounts disclosed in the maturity analysis are the contractual undiscounted cash flows and such undiscounted cash flows differ from the amount included in the statement of financial position. When the counterparty has a choice of when an amount is paid, the liability is included on the basis of the earliest date on which it can be required to pay.

The undrawn borrowing facilities are available for operating activities and to settle other commitments. Borrowing facilities are maintained to ensure funds are available for the operations.

A schedule showing the maturity of financial liabilities and unused bank facilities is provided regularly to management to assist in monitoring the liquidity risk. The unused bank facilities as at year end were \$1,511,000 (2020: \$6,571,000; 2019 \$8,630,000).

The Company has bank guarantees given to third parties as a result of construction contracts undertaken. The management is of the view that no material liabilities will arise from these bank guarantees at the date of authorisation for the release of these financial statements.

	<u>2019 \$'000</u>	<u>2020 \$'000</u>	<u>2021 \$'000</u>
Performance guarantee issued in favour of customers	<u>2,127</u>	<u>1,302</u>	<u>1,538</u>

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LINCOTRADE & ASSOCIATES PTE LTD

25. Financial instrument: information on financial risks (cont’d)

25F. Interest rate risk

The interest rate risk exposure is from changes in interest rates and it mainly concerns financial liabilities. The interest from financial assets including cash balances is not significant. The following table analyses the breakdown of the significant financial instruments by type of interest rates:

	<u>2019</u> \$'000	<u>2020</u> \$'000	<u>2021</u> \$'000
<u>Financial liabilities with interest:</u>			
Fixed rates	388	3,316	6,355
Floating rates	841	1,929	2,989
	<u>1,229</u>	<u>5,245</u>	<u>9,344</u>

The interest rates are disclosed in the respective notes.

Sensitivity analysis: The effect on pre-tax loss is not significant.

25G. Foreign currency risks

The Company are not exposed to significant foreign currency risk.

26. Changes and adoption of financial reporting standards

For the current reporting period new or revised SFRS(I)s were issued by the Singapore Accounting Standards Council. Those applicable new or revised standards did not require any significant modification of the measurement methods or the presentation in the financial statements.

<u>SFRS (I) No.</u>	<u>Title</u>
SFRS (I) 16	Leases (and Leases - Illustrative Examples & Amendments to Guidance on Other Standards)
SFRS (I) INT 23	Uncertainty over Income Tax Treatments
SFRS (I) 1-12	Improvements (2017) – Amendments: Income Taxes
SFRS (I) 1-23	Improvements (2017) – Amendments: Borrowing Costs
SFRS (I) 3	Improvements (2017) – Amendments: Business Combinations
SFRS (I) 16	Amendment to SFRS (I) 16: COVID-19 Related Rent Concessions

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LINCOTRADE & ASSOCIATES PTE LTD

(Registration No.: 199105725K)

Statement by directors and unaudited condensed interim financial statements

For the eight-month period ended 28 February 2022

**APPENDIX C – INDEPENDENT AUDITOR’S REVIEW REPORT ON THE UNAUDITED
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LINCOTRADE & ASSOCIATES PTE LTD

Statement by Directors

The directors of LINCOTRADE & ASSOCIATES PTE LTD (the “Company”) are pleased to present the unaudited condensed interim financial statements of the Company for the eight-month period ended 28 February 2022.

In the opinion of directors:

- (a) the accompanying unaudited condensed interim financial statements of Lincotrade & Associates Pte Ltd (the “Company”) as at and for the eight-month period ended 28 February 2022 are drawn up in accordance with the Singapore Financial Reporting Standards (International) (“SFRS(I)”) 1-34 Interim Financial Reporting; and
- (b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

On behalf of the board of directors

.....
Tan Jit Meng
Director

.....
Soh Loong Chow Jackie
Director

30 June 2022

APPENDIX C – INDEPENDENT AUDITOR’S REVIEW REPORT ON THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE EIGHT-MONTH PERIOD ENDED 28 FEBRUARY 2022 OF LINCOTRADE & ASSOCIATES PTE LTD

LINCOTRADE & ASSOCIATES PTE LTD

The Board of Directors
Lincotrade & Associates Pte Ltd
39 Sungei Kadut Loop
Singapore 729494

Dear Sirs,

Report on the review of unaudited condensed interim financial statements

We have reviewed the accompanying unaudited condensed interim financial statements of LINCOTRADE & ASSOCIATES PTE LTD (the “Company”) set out on pages C-4 to C-33, which comprise the unaudited condensed interim statement of financial position of the Company as at 28 February 2022, the related unaudited condensed interim statement of profit or loss and other comprehensive income, unaudited condensed interim statement of changes in equity and unaudited condensed interim statement of cash flows for the eight-month period ended 28 February 2022, and other explanatory information. The Company’s management is responsible for the preparation and presentation of these unaudited condensed interim financial statements in accordance with Singapore Financial Reporting Standard (International) (“SFRS(I)”) 1-34 Interim Financial Reporting. Our responsibility is to express a conclusion on the unaudited condensed interim financial statements based on our review.

Scope of review

We conducted our review in accordance with Singapore Standard on Review Engagements 2410 Review of Interim Financial Information Performed by the Independent Auditor of the Entity. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Singapore Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying unaudited condensed interim financial statements are not prepared, in all material respects, in accordance with SFRS(I) 1-34 Interim Financial Reporting.

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LINCOTRADE & ASSOCIATES PTE LTD

Restriction on distribution and use

This report is made solely to you as a body and for inclusion in the Circular of Fabchem China Limited to be issued in relation to the proposed acquisition of shares in the Company, which constitutes a reverse takeover offer of Fabchem China Limited.

The engagement partner on the review resulting in this independent auditor’s review report is Derek How Beng Tiong.

RSM Chio Lim LLP
Public Accountants and
Chartered Accountants
Singapore

30 June 2022

**APPENDIX C – INDEPENDENT AUDITOR’S REVIEW REPORT ON THE UNAUDITED
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LINCOTRADE & ASSOCIATES PTE LTD

**Condensed Interim Statement of Profit or Loss and Other Comprehensive Income
For The Eight-Month Period Ended 28 February 2022**

		Eight-month period ended 28 February	
	<u>Note</u>	<u>2021</u> \$'000 (Unaudited)	<u>2022</u> \$'000 (Unaudited)
Revenue	5	19,388	24,491
Cost of sales		(17,404)	(21,299)
Gross profit		1,984	3,192
Interest income		5	3
Other income and gains	6	471	171
Administrative expenses	7	(701)	(1,156)
Finance costs	10	(74)	(93)
Other expenses	8	(749)	(790)
Other losses	6	–	(479)
Profit before tax		936	848
Income tax expense	11	(2)	(303)
Profit for the year and total comprehensive income		934	545
Earnings per share			
Basic and diluted (\$)	12	0.62	0.36

See accompanying notes to the condensed interim financial statements.

**APPENDIX C – INDEPENDENT AUDITOR’S REVIEW REPORT ON THE UNAUDITED
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ENDED 28 FEBRUARY 2022 OF LINCOTRADE & ASSOCIATES PTE LTD**

LINCOTRADE & ASSOCIATES PTE LTD

**Condensed Interim Statement of Financial Position
As at 28 February 2022**

	<u>Note</u>	30 June 2021 \$'000 (Audited)	28 February 2022 \$'000 (Unaudited)
ASSETS			
<u>Non-current assets</u>			
Property, plant and equipment	13	1,893	1,627
Right-of-use assets	14	224	183
Trade and other receivables	16	3,021	3,543
Deferred tax assets		–	9
Total non-current assets		5,138	5,362
<u>Current assets</u>			
Contract assets	15	10,534	11,860
Other assets	17	505	362
Trade and other receivables	16	4,501	3,449
Cash and cash equivalents	18	3,873	4,809
Total current assets		19,413	20,480
Total assets		24,551	25,842
EQUITY AND LIABILITIES			
<u>Equity attributable to owners</u>			
Share capital	19	1,500	1,500
Retained earnings		4,940	5,485
Total equity		6,440	6,985
<u>Non-current liabilities</u>			
Lease liabilities	20	266	206
Other financial liabilities	21	4,594	3,599
Total non-current liabilities		4,860	3,805
<u>Current liabilities</u>			
Income tax provision		322	242
Trade and other payables	22	8,181	7,651
Contract liabilities	15	264	672
Lease liabilities	20	89	90
Other financial liabilities	21	4,395	6,397
Total current liabilities		13,251	15,052
Total liabilities		18,111	18,857
Total equity and liabilities		24,551	25,842

See accompanying notes to the condensed interim financial statements.

**APPENDIX C – INDEPENDENT AUDITOR’S REVIEW REPORT ON THE UNAUDITED
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LINCOTRADE & ASSOCIATES PTE LTD

**Condensed Interim Statement of Changes in Equity
For The Eight-Month Period Ended 28 February 2022**

	Share capital \$'000	Retained earnings \$'000	Total equity \$'000
<u>28 February 2021</u>			
Opening balance at 1 July 2020 (audited)	1,500	2,582	4,082
Changes in equity:			
Total comprehensive income for the period	–	934	934
Closing balance at 28 February 2021 (unaudited)	1,500	3,516	5,016
<u>28 February 2022</u>			
Opening balance at 1 July 2021 (audited)	1,500	4,940	6,440
Changes in equity:			
Total comprehensive income for the period	–	545	545
Closing balance at 28 February 2022 (unaudited)	1,500	5,485	6,985

See accompanying notes to the condensed interim financial statements.

**APPENDIX C – INDEPENDENT AUDITOR’S REVIEW REPORT ON THE UNAUDITED
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LINCOTRADE & ASSOCIATES PTE LTD

**Condensed Interim Statement of Cash Flows
For The Eight-Month Period Ended 28 February 2022**

	Eight-month period ended 28 February	
	2021	2022
	\$'000	\$'000
	(Unaudited)	(Unaudited)
<u>Cash flows from operating activities</u>		
Profit before tax	936	848
Adjustments:		
Depreciation of property, plant and equipment	410	377
Depreciation of right-of-use assets	41	41
Interest income	(5)	(3)
Interest expense	74	93
Operating cash flows before changes in working capital	1,456	1,356
Contract assets	(3,818)	(1,326)
Trade and other receivables	(397)	530
Other assets	51	143
Contract liabilities	(151)	408
Trade and other payables	(996)	(530)
Net cash flows (used in) from operating activities	(3,855)	581
Income taxes paid	–	(392)
Net cash flows (used in) from operating activities	(3,855)	189
<u>Cash flows from investing activities</u>		
Purchase of plant and equipment	(43)	(111)
Interest received	5	3
Net cash flows used in investing activities	(38)	(108)
<u>Cash flows from financing activities</u>		
Increase of term loans	3,000	–
Repayments of term loans	–	(914)
Increase of bills payable, net	1,051	1,921
Lease liabilities – principal portion and interest paid	(60)	(69)
Net movements in amounts due to directors	(200)	–
Interest paid	(64)	(83)
Net cash flows from financing activities	3,727	855
Net (decrease) increase in cash and cash equivalents	(166)	936
Cash and cash equivalents at beginning of period	3,849	3,292
Cash and cash equivalents at end of period (Note 18A)	3,683	4,228

See accompanying notes to the condensed interim financial statements.

APPENDIX C – INDEPENDENT AUDITOR’S REVIEW REPORT ON THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE EIGHT-MONTH PERIOD ENDED 28 FEBRUARY 2022 OF LINCOTRADE & ASSOCIATES PTE LTD

LINCOTRADE & ASSOCIATES PTE LTD

Notes to the unaudited condensed interim financial statements For the eight-month period ended 28 February 2022

1. General

Corporate information

LINCOTRADE & ASSOCIATES PTE LTD (the “Company”) is incorporated in Singapore with limited liability. These unaudited condensed interim financial statements are presented in Singapore Dollar (\$), which is the Company’s functional currency. All financial information presented in Singapore Dollar has been rounded to the nearest thousand (\$’000), unless otherwise indicated.

The directors approved and authorised these financial statements for issue on the date of the statement by directors.

The principal activities of the Company are primarily the provision of interior design, renovation, carpentry and joinery services, carrying out of interior fitting-out works, and manufacturing of builders’ carpentry and joinery.

The unaudited condensed interim financial statements are prepared solely for inclusion in the Circular of Fabchem China Limited (incorporated in Singapore) in connection with the proposed acquisition of 100% shares in the Company, if undertaken and completed, is expected to result in a reverse takeover offer of Fabchem China Limited under the Listing Manual of the Singapore Exchange Limited.

Basis of preparation

The unaudited condensed interim financial statements for the eight-month period ended 28 February 2022 have been prepared in accordance with Singapore Financial Reporting Standard (International) 1-34 Interim Financial Reporting (“SFRS (I) 1-34”) as issued by the Singapore Accounting Standards Council.

The accounting policies and methods of computation applied in these unaudited condensed interim financial statements are consistent with those of the latest audited annual financial statements. However, the typical notes and information included in the latest audited annual financial statements for the reporting years ended 30 June 2019, 30 June 2020 and 30 June 2021 are not included in these interim financial statements except for the selected explanatory notes included to explain events and transactions that are significant to an understanding of the changes in the performance and financial position the Company since the latest audited annual financial statements.

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2. Significant accounting policies and other explanatory information

2A. Significant accounting policies

The accounting policies adopted are consistent with those followed in the preparation of the Company’s audited financial statements for the latest reporting year ended 30 June 2021.

2B. Critical judgements, assumptions and estimation uncertainties

These estimates and assumptions are periodically monitored to ensure they incorporate all relevant information available at the date when financial statements are prepared. However, this does not prevent actual figures differing from estimates. The nature and the carrying amount of such significant assets and liabilities are disclose with further details in the relevant Notes to these condensed interim financial statements.

3. Related party relationships and transactions

The financial reporting standard on related party disclosures requires the reporting entity to disclose: (a) transactions with its related parties; and (b) relationships between parents and subsidiaries irrespective of whether there have been transactions between those related parties. A party is related to a party if the party controls, or is controlled by, or can significantly influence or is significantly influenced by the other party.

The ultimate controlling parties during these reporting periods presented are Mr Tan Jit Meng, Mr Soh Loong Chow Jackie and Mr Tan Chee Khoon, who are also the directors of the Company.

In addition to the transactions and balances disclosed elsewhere in these financial statements, the transactions and arrangements between the Company and other related parties are shown below.

Key management compensation

	Eight-month period ended 28 February	
	<u>2021</u>	<u>2022</u>
	\$'000	\$'000
	(Unaudited)	(Unaudited)
Salaries and other short-term employee benefits	<u>461</u>	<u>707</u>

The above amounts are included under employee benefits expense. Included in the above amounts are the following items:

	Eight-month period ended 28 February	
	<u>2021</u>	<u>2022</u>
	\$'000	\$'000
	(Unaudited)	(Unaudited)
Directors’ remuneration	<u>461</u>	<u>707</u>

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3. Related party relationships and transactions (cont’d)

Key management personnel are directors and those persons having authority and responsibility for planning, directing and controlling activities of the company directly or indirectly. The above amounts for key management compensation are for three (2021: three) directors.

Other receivables from and other payables to related parties:

The trade transactions and the related receivables and payables balances arising from sales and purchases of goods and services are disclosed elsewhere in the notes to the financial statements.

The movements in other payables to directors are as follows:

	30 June 2021 \$'000 (Audited)	28 February 2022 \$'000 (Unaudited)
<u>Other payables:</u>		
Balance at beginning of the year / period	200	—
Amounts paid out	(200)	—
Balance at end of the year / period	<u>—</u>	<u>—</u>

4. Segment information

4A. Information about reportable segment profit or loss, assets and liabilities

Disclosure of information about operating segments are made as required by the financial reporting standard Operating Segments. This disclosure standard has no impact on the reported financial performance or financial position of the reporting entity.

For management purposes the Company is organised into the following major strategic operating segments that offer different products and services: (1) Commercial, (2) Residential, and (3) Showflats. Such a structural organisation is determined by the nature of risks and returns associated with each business segment and it defines the management structure as well as the internal reporting system. It represents the basis on which the management reports the primary segment information that is available and that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing the performance. They are managed separately because each business requires different strategies.

The segments and the types of products and services are as follows:

- (1) Commercial – Provision of construction services to commercial buildings;
- (2) Residential – Provision of construction services to residential buildings; and
- (3) Showflats – Building of Showflats.

Segment results consist of costs directly attributable to a segment as well as those that can be allocated on a reasonable basis.

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LINCOTRADE & ASSOCIATES PTE LTD

4. Segment information (cont’d)

4A. Information about reportable segment profit or loss, assets and liabilities (cont’d)

Segment results consist of costs directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Inter-segment sales are measured on the basis that the entity actually used to price the transfers. Internal transfer pricing policies of the Company are as far as practicable based on market prices. The accounting policies of the operating segments are the same as those described in the summary of significant accounting policies.

The management reporting system evaluates performances based on a number of factors. However, the primary profitability measurement to evaluate a segment’s operating results is gross profit.

The financial performance is not affected by any the seasonality or cyclicity of interim operations.

Segment assets consist principally of trade receivables that are directly attributable to a segment.

The following tables illustrate the information about the reportable segment profit or loss, assets and liabilities.

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LINCOTRADE & ASSOCIATES PTE LTD

4. Segment information (cont’d)

4B. Profit or loss from continuing operations and reconciliations

Eight-month period ended 28 February 2021 (unaudited)

	<u>Commercial</u>	<u>Residential</u>	<u>Showflats</u>	<u>Unallocated</u>	<u>Total</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
Revenue by segment					
External revenue	15,308	1,434	2,646	–	19,388
Segment results :–					
Gross profit	1,490	(213)	707	–	1,984
Interest income				5	5
Finance costs				(74)	(74)
Depreciation of property, plant and equipment				(384)	(384)
Depreciation of right-of-use assets				(41)	(41)
Employee benefits expenses				(692)	(692)
Unallocated corporate expenses				(333)	(333)
Other gains				471	471
Profit before tax					936
Income tax expense					(2)
Profit after tax					934

Eight-month period ended 28 February 2022 (unaudited)

	<u>Commercial</u>	<u>Residential</u>	<u>Showflats</u>	<u>Unallocated</u>	<u>Total</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
Revenue by segment					
External revenue	19,293	3,775	1,423	–	24,491
Segment results :–					
Gross profit	2,367	497	328	–	3,192
Interest income				3	3
Finance costs				(93)	(93)
Depreciation of property, plant and equipment				(370)	(370)
Depreciation of right-of-use assets				(41)	(41)
Employee benefits expenses				(1,075)	(1,075)
Unallocated corporate expenses				(460)	(460)
Other losses				(308)	(308)
Profit before tax					848
Income tax expense					(303)
Profit after tax					545

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4. Segment information (cont’d)

4C. Assets and reconciliations

As at 30 June 2021 (audited)

	<u>Commercial</u>	<u>Residential</u>	<u>Showflats</u>	<u>Unallocated</u>	<u>Total</u>
	\$'000	\$'000	\$'000	\$'000	\$'000
<u>Reportable segment assets</u>					
Trade and other receivables	5,835	1,160	517	10	7,522
Contract assets	6,895	1,750	1,889	–	10,534
Cash and cash equivalents				3,873	3,873
Other assets				505	505
Property, plant and equipment				1,893	1,893
Right-of-use assets				224	224
Total assets					<u>24,551</u>
<u>Reportable segment liabilities</u>					
Trade and other payables	–	–	–	8,181	8,181
Contract liabilities	264	–	–	–	264
Income tax provision				322	322
Lease liabilities				355	355
Other financial liabilities				8,989	8,989
Total liabilities					<u>18,111</u>
Capital expenditure for the year				(186)	<u>(186)</u>

As at 28 February 2022 (unaudited)

	<u>Commercial</u>	<u>Residential</u>	<u>Showflats</u>	<u>Unallocated</u>	<u>Total</u>
	\$'000	\$'000	\$'000	\$'000	\$'000
<u>Reportable segment assets</u>					
Trade and other receivables	5,790	765	434	3	6,992
Contract assets	7,660	3,095	1,105	–	11,860
Cash and cash equivalents				4,809	4,809
Other assets				362	362
Property, plant and equipment				1,627	1,627
Right-of-use assets				183	183
Deferred tax assets				9	9
Total assets					<u>25,842</u>
<u>Reportable segment liabilities</u>					
Trade and other payables	–	–	–	7,651	7,651
Contract liabilities	534	–	138	–	672
Income tax provision				242	242
Lease liabilities				296	296
Other financial liabilities				9,996	9,996
Total liabilities					<u>18,857</u>
Capital expenditure for the period				(111)	<u>(111)</u>

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4. Segment information (cont’d)

4E. Geographical information

	Eight-month period ended 28 February	
	<u>2021</u> \$'000 (Unaudited)	<u>2022</u> \$'000 (Unaudited)
<u>Revenue</u>		
Singapore	19,388	24,491
	30 June <u>2021</u> \$'000 (Audited)	28 February <u>2022</u> \$'000 (Unaudited)
<u>Non-current assets</u>		
Singapore	5,138	5,362

4F. Information on major customers

Customers who individually account for 5% or more of the Company’s revenue is detailed below:

	Eight-month period ended 28 February	
	<u>2021</u> \$'000 (Unaudited)	<u>2022</u> \$'000 (Unaudited)
Top 1 customer in more than 1 segment	5,873	3,584
Top 2 customers in more than 1 segment	10,671	7,139
Top 3 customers in more than 1 segment	13,044	10,126

5. Revenue

	Eight-month period ended 28 February	
	<u>2021</u> \$'000 (Unaudited)	<u>2022</u> \$'000 (Unaudited)
Revenue from long term construction contracts	19,388	24,491

Revenue from construction contracts is recognised over time and generated locally.

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6. Other income and gains and (other losses)

	Eight-month period ended 28 February	
	2021	2022
	\$'000	\$'000
	(Unaudited)	(Unaudited)
Government grants ^(a)	438	131
Reverse takeover expenses ^(b)	–	(479)
Others	33	40
Total	<u>471</u>	<u>(308)</u>
Presented in profit or loss as:		
Other income and gains	471	171
Other losses	–	(479)
Net	<u>471</u>	<u>(308)</u>

(a) Included in government grants were Job Support Scheme grants of \$40,000 (2021: \$212,000). The purpose of the Job Support Scheme was to provide wage support to employers to help them retain their local employees during this period of economic uncertainty amid Covid-19.

(b) These related to professional fees incurred in the reporting period ended 28 February 2022 that were substantially for purposes of the reverse takeover (“RTO”) of Fabchem China Limited, a company listed on The Singapore Exchange Securities Trading Limited.

7. Administrative expenses

The major components included in administrative expenses are as follows:

	Eight-month period ended 28 February	
	2021	2022
	\$'000	\$'000
	(Unaudited)	(Unaudited)
Employee benefits expense (Note 9)	<u>692</u>	<u>1,075</u>

8. Other expenses

The major components included in other expenses are as follows:

	Eight-month period ended 28 February	
	2021	2022
	\$'000	\$'000
	(Unaudited)	(Unaudited)
Depreciation of property, plant and equipment (Note 13)	384	370
Depreciation of right-of-use assets (Note 14)	<u>41</u>	<u>41</u>

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9. Employee benefits expense

	Eight-month period ended 28 February	
	2021	2022
	\$'000	\$'000
	(Unaudited)	(Unaudited)
Salaries, allowance and bonuses	2,043	2,740
Contributions to defined contribution plan	195	449
Other staff benefits	106	152
Total employee benefits expense	<u>2,344</u>	<u>3,341</u>
The employee benefits expense is charged under:		
Administrative expenses (Note 7)	692	1,075
Cost of sales	1,652	2,266
Total	<u>2,344</u>	<u>3,341</u>

10. Finance costs

	Eight-month period ended 28 February	
	2021	2022
	\$'000	\$'000
	(Unaudited)	(Unaudited)
Interest on lease liabilities	10	10
Interest on term loans	64	83
Total	<u>74</u>	<u>93</u>

11. Income tax

11A. Components of tax expense recognised in profit or loss

	Eight-month period ended 28 February	
	2021	2022
	\$'000	\$'000
	(Unaudited)	(Unaudited)
<u>Current tax expense:</u>		
Current tax expense	2	242
Under adjustments in respect of prior periods	–	70
Subtotal	<u>2</u>	<u>312</u>
<u>Deferred tax income:</u>		
Deferred tax income	–	(9)
Subtotal	<u>–</u>	<u>(9)</u>
Total income tax expense	<u>2</u>	<u>303</u>

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11. Income tax

11A. Components of tax expense recognised in profit or loss (cont’d)

The income tax in profit or loss varied from the amount of income tax amount determined by applying the Singapore income tax rate of 17.0% (2021: 17.0%) to profit before income tax as a result of the following differences:

	Eight-month period ended 28 February	
	2021 \$'000	2022 \$'000
	(Unaudited)	(Unaudited)
Profit before tax	936	848
Income tax expense at the above rate	158	144
(Non-taxable income) non-deductible items	(62)	116
Unrecognised deferred tax assets	(81)	(10)
Tax exemption and rebate	(8)	(17)
Under adjustments in respect of prior periods	–	70
Others	(5)	–
Total tax expense	2	303

There are no income tax consequences of dividends to owners of the Company.

The major not deductible / (not taxable) items include the following:

	Eight-month period ended 28 February	
	2021 \$'000	2022 \$'000
	(Unaudited)	(Unaudited)
Government grant from Job Support Scheme	(212)	(40)
Reverse takeover expenses	–	479
Depreciation of non-qualifying assets	81	365

11B. Deferred tax expense (income) recognised in profit or loss

	Eight-month period ended 28 February	
	2021 \$'000	2022 \$'000
	(Unaudited)	(Unaudited)
Excess of tax values over book values of plant and equipment	2	–
Deferred tax relating to depreciation expense on right-of use assets and interest on lease liabilities	2	(1)
Tax loss carryforwards	(85)	–
Unrecognised deferred tax assets	81	10
Total deferred tax income	–	9

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11. Income tax (cont’d)

11C. Deferred tax balance in the unaudited condensed interim statement of financial position

The amount of each type of the deferred tax income or expense recognised in profit or loss for is not presented because it is apparent from the changes in the amounts recognised in the statements of financial position as below:

	30 June 2021 \$'000 (Audited)	28 February 2022 \$'000 (Unaudited)
Deferred tax assets / (liabilities):		
Excess of tax values over book values of plant and equipment	6	6
Deferred tax relating to depreciation expense on right-of use assets and interest on lease liabilities	4	3
Unrecognised deferred tax assets	(10)	–
Net	<u>–</u>	<u>9</u>

12. Earnings per share

The following table illustrates the numerators and denominators used to calculate basic and diluted earnings / (loss) per share of no par value:

	Eight-month period ended 28 February	
	2021 (Unaudited)	2022 (Unaudited)
A. Numerators: Earnings attributable to equity		
Continuing operations: Earnings attributable to equity holders (\$'000)	<u>934</u>	<u>545</u>
B. Denominators: weighted average number of equity shares		
Basic and diluted ('000)	<u>1,500</u>	<u>1,500</u>

The weighted average number of ordinary shares refers to shares in issue outstanding during the reporting year.

The basic amount per share ratio is based on the weighted average number of ordinary shares outstanding during each reporting year.

There is no dilution of loss per share as there are no shares under options. The denominators used are the same as those detailed above for both basic and diluted earnings per share.

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13. Property, plant and equipment

	Leasehold property \$'000	Leasehold improvements \$'000	Furniture and fittings \$'000	Motor vehicles \$'000	Office equipment \$'000	Tools and equipment \$'000	Total \$'000
<u>Cost:</u>							
At 30 June 2020 (audited)	4,205	181	103	477	278	414	5,658
Additions	–	–	–	163	13	10	186
At 30 June 2021 (audited)	4,205	181	103	640	291	424	5,844
Additions	–	–	11	20	80	–	111
Disposals	–	–	–	–	(19)	(2)	(21)
At 28 February 2022 (unaudited)	4,205	181	114	660	352	422	5,934
<u>Accumulated depreciation:</u>							
At 30 June 2020 (audited)	2,103	140	83	405	231	369	3,331
Depreciation for the year	451	36	18	45	30	40	620
At 30 June 2021 (audited)	2,554	176	101	450	261	409	3,951
Depreciation for the period	300	4	2	37	27	7	377
Disposals	–	–	–	–	(19)	(2)	(21)
At 28 February 2022 (unaudited)	2,854	180	103	487	269	414	4,307
<u>Net book value:</u>							
At 30 June 2020 (audited)	2,102	41	20	72	47	45	2,327
At 30 June 2021 (audited)	1,651	5	2	190	30	15	1,893
At 28 February 2022 (unaudited)	1,351	1	11	173	83	8	1,627

Leasehold property with carrying value of \$1,351,000 (2021: \$1,651,000) is pledged to a bank for credit facilities (see Note 21).

Motor vehicles with carrying value of \$173,000 (2021: \$160,000) are under hire purchase agreements as disclosed in Note 20.

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13. Property, plant and equipment (cont’d)

Allocation of the depreciation expense as follows:

	Year ended 30 June <u>2021</u> \$'000 (Audited)	Eight-month period ended 28 February <u>2022</u> \$'000 (Unaudited)
Cost of sales	40	7
Other expenses (Note 8)	580	370
At end of the year / period	<u>620</u>	<u>377</u>

14. Right-of-use assets

	<u>JTC Land</u> \$'000
<u>Cost:</u>	
At 30 June 2020 (audited), 30 June 2021 (audited) and 28 February 2022 (unaudited)	<u>586</u>
<u>Accumulated depreciation:</u>	
At 30 June 2020 (audited)	300
Depreciation for the year	62
At 30 June 2021 (audited)	<u>362</u>
Depreciation for the period	41
At 28 February 2022 (unaudited)	<u>403</u>
<u>Carrying value:</u>	
At 30 June 2020 (audited)	<u>286</u>
At 30 June 2021 (audited)	<u>224</u>
At 28 February 2022 (unaudited)	<u>183</u>

Land lease from the Jurong Town Corporation (“JTC Land”) is amortised over the lease period commencing from 31 August 2015 and will expire on 28 February 2025.

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15. Contract assets and (contract liabilities)

	30 June <u>2021</u> \$'000 (Audited)	28 February <u>2022</u> \$'000 (Unaudited)
Contract assets (Note 15A)	<u>10,534</u>	<u>11,860</u>
Contract liabilities (Note 15B)	<u>264</u>	<u>672</u>

15A. Contract assets

The contract assets are for the Company’s rights to consideration for work completed but not billed at the reporting date on construction contracts less any impairment losses, if any, recognised in the reporting year. The contract assets are transferred to the receivables when the rights become unconditional. This usually occurs when the Company invoices the customers.

The movements in contract assets are as follows:

	30 June <u>2021</u> \$'000 (Audited)	28 February <u>2022</u> \$'000 (Unaudited)
At beginning of the year / period	4,516	10,534
Revenue recognised for performance obligation satisfied overtime	34,521	24,490
Transfer to trade receivables	<u>(28,503)</u>	<u>(23,164)</u>
At end of the year / period	<u>10,534</u>	<u>11,860</u>

15B. Contract liabilities

The contract liabilities primarily relate to the advance consideration received from customers for which transfer of control did not occur, and therefore revenue is not recognised. The entity recognises revenue on the satisfaction of the performance obligation.

The movements in contract liabilities are as follows:

	30 June <u>2021</u> \$'000 (Audited)	28 February <u>2022</u> \$'000 (Unaudited)
At beginning of the year	618	264
Performance obligation satisfied – revenue recognised during the reporting year / period	(1,969)	(5,788)
Additions of contract liabilities from deposit paid by customers during the year / period	–	576
Consideration received or receivable	<u>1,615</u>	<u>5,620</u>
At end of the year / period	<u>264</u>	<u>672</u>

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15. Contract assets and (contract liabilities) (cont’d)

Transaction price allocated to the remaining performance obligations (over time method): Management expects that the aggregate amount of the transaction price allocated to unsatisfied performance obligations as of 28 February 2022 is approximately \$40,621,000 (30 June 2021: \$28,442,000) will be recognised as revenue as the Company continues to perform to complete the contracts, which is expected to occur over the next 3 years. The amount disclosed above does not include variable consideration which may be subject to significant risk of reversal.

The Company has applied the practical expedient not to disclose information about its remaining performance obligations if:

- a) The performance obligation is part of a contract that has an original expected duration for one year or less, or
- b) The Company recognises revenue in the amount to which the Company has a right to invoice customers in amounts that correspond directly with the value to the customer of the Company’s performance completed to date.

16. Trade and other receivables

	30 June <u>2021</u> \$’000 (Audited)	28 February <u>2022</u> \$’000 (Unaudited)
<u>Current:</u>		
<u>Trade receivables:</u>		
Outside parties	4,139	3,270
Retention receivables	352	177
Subtotal	<u>4,491</u>	<u>3,447</u>
<u>Other receivables:</u>		
Outside parties	–	2
Loans to staff	10	–
Subtotal	<u>10</u>	<u>2</u>
Total trade and other receivables, current	<u>4,501</u>	<u>3,449</u>
<u>Non-current:</u>		
<u>Trade receivables:</u>		
Retention receivables	<u>3,021</u>	<u>3,543</u>

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16. Trade and other receivables (cont’d)

Retention receivables

Retention receivables are intended to provide customers with protection from the Company failing to adequately complete some or all of its obligations under the contract. The retention receivables are generally on terms from 12 to 24 months.

Trade receivables

The expected credit losses (“ECL”) on the trade receivables (including retention receivables) and contract assets are based on the simplified approach to measuring expected credit losses which uses a lifetime ECL allowance approach for all trade receivables and contract assets recognised from initial recognition of these assets. The Company has only a few customers and which can be credit risk graded individually and these are recorded at inception net of expected lifetime ECL. These customers were graded as low risk individually and no significant increase in credit risk since initial recognition. No loss allowance was necessary.

At every reporting date the historical observed default rates are updated and changes in the forward-looking estimates (including the impact of the Covid-19 pandemic) are analysed. The ageing are as follows:

	30 June <u>2021</u> \$'000 (Audited)	28 February <u>2022</u> \$'000 (Unaudited)
Trade receivables:		
Not past due	6,903	5,855
Past due:		
1 to 30 days past due	570	922
31 to 60 days past due	38	204
61 to 90 days past due	–	–
Over 90 days past due	1	9
Total	<u>7,512</u>	<u>6,990</u>

The total is for trade receivables and contract assets generated under the financial reporting standard on revenue recognition.

There are no collateral held as security and other credit enhancements for the trade receivables.

As part of the process of setting customer credit limits, different credit terms are used. The average credit period generally granted to trade customers is about 30 days (2021: 30 days). But some customers take a longer period to settle the amounts.

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16. Trade and other receivables (cont’d)

Trade receivables (cont’d)

Concentration of trade receivable customers (including retention receivables) at end of reporting year/period is as follows:

	30 June <u>2021</u> \$'000 (Audited)	28 February <u>2022</u> \$'000 (Unaudited)
Top 1 customer	3,252	1,846
Top 2 customers	4,427	2,689
Top 3 customers	<u>5,000</u>	<u>3,409</u>

Other receivables

Other receivables at amortised cost set out above are subject to the ECL model under the financial reporting standard on financial instruments. Other receivables at amortised cost and which can be graded as low risk individually are considered to have low credit risk. At the end of the first reporting period no loss allowance is recognised because there has not been a significant increase in credit risk since initial recognition. No loss allowance is necessary.

17. Other assets

	30 June <u>2021</u> \$'000 (Audited)	28 February <u>2022</u> \$'000 (Unaudited)
Advances paid to suppliers	300	120
Deposits to secure services	179	218
Prepayments	<u>26</u>	<u>24</u>
Total	<u>505</u>	<u>362</u>

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18. Cash and cash equivalents

	30 June 2021 \$'000 (Audited)	28 February 2022 \$'000 (Unaudited)
Cash at banks	3,292	4,228
Fixed deposits with banks	581	581
	<u>3,873</u>	<u>4,809</u>

The rates of interest for the cash on interest earning balances ranged between 0.05% and 0.85% per annum (2021: 0.05% and 0.85%).

18A. Cash and cash equivalents in the statement of cash flows

	30 June 2021 \$'000 (Audited)	28 February 2022 \$'000 (Unaudited)
Amount as shown above	3,873	4,809
Fixed deposits pledged for bank facilities (Note 21)	<u>(581)</u>	<u>(581)</u>
Cash and cash equivalents for statements of cash flows purposes at end of the year / period	<u>3,292</u>	<u>4,228</u>

18B. Reconciliation of liabilities arising from financing activities

	At beginning of the period \$'000	Cash flows \$'000	Non-cash changes \$'000		At end of the period \$'000
Period ended 28 February 2021 (unaudited)					
Amount due to directors	200	(200)	–		–
Lease liabilities	316	(60)	10	(a)	316
			50	(d)	
Other financial liabilities	4,929	987	64	(b)	8,980
		3,000		(c)	
Total liabilities from financing activities	<u>5,445</u>	<u>3,727</u>	<u>124</u>		<u>9,296</u>
Period ended 28 February 2022 (unaudited)					
Lease liabilities	355	(69)	10	(a)	296
Other financial liabilities	8,989	924	83	(b)	9,996
Total liabilities from financing activities	<u>9,344</u>	<u>855</u>	<u>93</u>		<u>10,292</u>

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18. Cash and cash equivalents (cont’d)

18B. Reconciliation of liabilities arising from financing activities (cont’d)

- (a) Accretion of interest.
- (b) Term loan interest.
- (c) Addition of term loan.
- (d) Acquisition of motor vehicles under hire purchase arrangements (Note 18C).

18C. Non-cash transactions

	Eight-month period ended 28 February	
	<u>2021</u> \$'000 (Unaudited)	<u>2022</u> \$'000 (Unaudited)
Acquisitions under hire purchase agreements (Note 18B)	<u>50</u>	<u>–</u>

19. Share capital

	<u>Authorised share capital</u> \$'000	<u>Number of shares issued</u> '000
<u>Ordinary shares of no par value:</u> At 1 July 2020 (audited), 30 June 2021 (audited) and 28 February 2022 (unaudited)	<u>1,500</u>	<u>1,500</u>

The ordinary shares of no par value are fully paid, carry one vote each and have no right to fixed income. The Company is not subject to any externally imposed capital requirements.

Capital management

The objectives when managing capital are: to safeguard the reporting entity’s ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, and to provide an adequate return to shareholders by pricing products and services commensurately with the level of risk. The management sets the amount of capital in proportion to risk. The Company manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the management may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt.

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LINCOTRADE & ASSOCIATES PTE LTD

19. Share capital (cont’d)

Capital management (cont’d)

The management monitors the capital on the basis of the debt-to-adjusted capital ratio. This ratio is calculated as net debt / adjusted capital (as shown below). Net debt is calculated as total borrowings less cash and cash equivalents.

	30 June 2021 \$'000 (Audited)	28 February 2022 \$'000 (Unaudited)
<u>Net debt:</u>		
All current and non-current borrowings including leases	9,344	10,292
Less: cash and cash equivalents	(3,873)	(4,809)
Net debt	<u>5,471</u>	<u>5,483</u>
<u>Adjusted capital:</u>		
Total equity	<u>6,440</u>	<u>6,985</u>
Debt-to-adjusted capital ratio	<u>84.95%</u>	<u>78.50%</u>

The improvement as shown by the decrease in the debt-to-adjusted capital ratio for the period 28 February 2022 resulted primarily from improved retained earnings.

20. Lease liabilities

	30 June 2021 \$'000 (Audited)	28 February 2022 \$'000 (Unaudited)
Lease liabilities, current	89	90
Lease liabilities, non-current	266	206
	<u>355</u>	<u>296</u>

Movements of lease liabilities for the reporting year / period are as follows:

At beginning of the year / period	316	355
Additions	115	–
Accretion of interest	16	10
Lease payments	(92)	(69)
At end of the year / period	<u>355</u>	<u>296</u>

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20. Lease liabilities (cont’d)

The Company has leases relating to land and motor vehicles.

The JTC Land lease terms are negotiated and amounts payable are subject to an escalation clause but the amount of the increase is not to exceed a certain percentage and subject to following:

- (i) the lease prohibits the Company from selling or pledging the underlying leased asset as security unless permitted by the owner and;
- (ii) there is no option to purchase the underlying leased asset outright at the end of the lease.

Also see Note 14.

Other information about the leasing activities relating to the right-of-use assets are summarised as follows:

	<u>JTC Land</u>	<u>Motor vehicles</u>
Number of right-of-use assets		
- 30 June 2021	1	3
- 28 February 2022	1	3
Remaining term – range		
- 30 June 2021	3.7 years	1 to 5.0 years
- 28 February 2022	3.0 years	1 to 4.3 years
Number of leases with renewal option	<u>1</u>	<u>–</u>

The interest rate applied to lease liabilities are as follows:

	<u>JTC Land</u>	<u>Motor vehicles</u>
Weighted average incremental borrowing rate		
- 30 June 2021	5.25%	–
- 28 February 2022	5.25%	–
Weighted effective interest rate		
- 30 June 2021	–	2.79%
- 28 February 2022	<u>–</u>	<u>2.79%</u>

The lease liability above does not include the short-term leases of less than 12 months and leases of low-value underlying assets. Variable lease payments which do not depend on an index or a rate or based on a percentage of revenue are not included from the initial measurement of the lease liability and the right-of-use assets.

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20. Lease liabilities (cont’d)

Only variable lease payments that depend on an index or a rate; payments that vary to reflect changes in market rental rates are included in the measurement of the lease liability. Such variable amounts that are unpaid at the commencement date are included in the measurement of lease liability. Variable lease payments would also include extension options and termination options; residual value guarantees; and leases not yet commenced to which the lessee is committed. The variable lease payments that are based on revenue are recognised in profit or loss in the year in which the condition that triggers those payments occurs.

Lease liabilities under operating leases are secured by the right-of-use assets because these will revert to the lessor in the event of default.

Motor vehicles under hire purchase agreements are secured by a legal charge over the leased assets and a personal guarantee from a director of the Company. The related motor vehicles are disclosed in Note 13.

A summary of the maturity analysis of lease liabilities is disclosed below. Total cash outflows from leases are shown in the statement of cash flows. The related right-of-use-assets are disclosed in Note 14.

	Less than <u>one year</u> \$'000	Between two <u>to five years</u> \$'000	<u>Total</u> \$'000
<u>30 June 2021</u>			
Gross lease liabilities	<u>103</u>	<u>288</u>	<u>391</u>
<u>28 February 2022</u>			
Gross lease liabilities	<u>102</u>	<u>220</u>	<u>322</u>

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is re-measured to reflect any reassessment or modification, or if there are changes to in-substance fixed payments. When the lease liability is re-measured, the corresponding adjustment is reflected in the right-of-use assets, or profit and loss if the right-of-use assets is already reduced to zero.

There were no future cash outflows to which the lessee is potentially exposed that are not reflected in the measurement of lease liabilities above.

At reporting year date there were no commitments on leases which had not yet commenced.

Apart from the disclosures made in other notes to the financial statements, amounts relating to leases include the following:

	Eight-month period ended <u>28 February</u>	
	<u>2021</u> \$'000	<u>2022</u> \$'000
	(Unaudited)	(Unaudited)
Expense relating to short-term leases	<u>119</u>	<u>55</u>

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21. Other financial liabilities

	30 June 2021 \$'000 (Audited)	28 February 2022 \$'000 (Unaudited)
<u>Secured</u>		
Term loan I (secured) (Note 21A)	3,000	2,518
Term loan II (secured) (Note 21A)	2,000	1,672
Term loan III (secured) (Note 21A)	1,000	896
Bills payable (secured) (Note 21B)	2,989	4,910
	8,989	9,996
Presented in statements of financial position		
- Non-current	4,594	3,599
- Current	4,395	6,397
	8,989	9,996

The fixed interest rates paid were as follows:

Term loan I (secured)	2.25%	2.25%
Term loan II (secured)	2.25%	2.25%
Term loan III (secured)	2.00%	2.00%

The range of floating interest rates paid were as follows:

Bills payable (secured)	2.08% to 2.33%	1.80% to 2.34%
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The carrying amounts are assumed to be a reasonable approximation of fair value.

21A. Term loans

The repayment terms of the term loans are as follows:

- (i) Term loan I's principal repayment shall commence on 1 July 2021 and monthly interest repayments shall commence from 1 July 2020 until the loan matures on 27 May 2025.
- (ii) Term loan II's principal repayment shall commence on 1 July 2021; and monthly interest repayments shall commence from 1 November 2020 until the loan matures on 27 May 2025.
- (iii) Term loan III's principal repayment shall commence on 24 October 2021 and monthly interest repayments shall commence from 4 September 2020 until the loan matures on 4 September 2025.

Term loans I, II and III are covered and secured by:

- (a) Joint and several personal guarantees from the directors of the Company; and
- (b) Charge over term deposits of the Company.

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21. Other financial liabilities (cont’d)

21B. Bills payable

Bills payable are on 7 to 112 days (2021: 8 to 70 days) terms.

These bills payable under the bank facilities are covered and secured by:

- (a) Joint and several personal guarantees from the directors of the Company;
- (b) A legal mortgage over the leasehold property; and
- (c) Charge over term deposits of the Company.

22. Trade and other payables

	30 June 2021 \$'000 (Audited)	28 February 2022 \$'000 (Unaudited)
<u>Trade payables:</u>		
Outside parties	8,117	7,325
Retention payables	63	324
Subtotal	<u>8,180</u>	<u>7,649</u>
 <u>Other payables:</u>		
Outside parties	<u>1</u>	<u>2</u>
Subtotal	<u>1</u>	<u>2</u>
Total trade and other payables	<u><u>8,181</u></u>	<u><u>7,651</u></u>

23. Dividends on equity shares

The directors have proposed that a final dividend of \$0.73 per share for the financial year ended 30 June 2021 with a total of \$1,100,000 be paid to shareholders in respect of the reporting year ended 30 June 2021 after the annual general meeting on 10 March 2022. There are no income tax consequences on the reporting entity. The proposed dividend is payable in respect of all ordinary shares in issue at the end of the reporting year and including any new qualifying shares issued up to the date the dividend becomes payable.

In respect of the dividends declared for FY2021, the company’s intention is to make the payment no later than December 2022.

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24. Bank guarantees

The Company has bank guarantees given to third parties as a result of construction contracts undertaken. The management is of the view that no material liabilities will arise from these bank guarantees at the date of authorisation for the release of these financial statements.

	30 June <u>2021</u> \$'000 (Audited)	28 February <u>2022</u> \$'000 (Unaudited)
Performance guarantee issued in favour of customers	<u>1,538</u>	<u>1,153</u>

25. Changes and adoption of financial reporting standards

For the current reporting period new or revised SFRS(I)s were issued by the Singapore Accounting Standards Council. Those applicable to the Company are listed below. Those applicable new or revised standards did not require any significant modification of the measurement methods or the presentation in the financial statements.

<u>SFRS (I) No.</u>	<u>Title</u>
SFRS (I) PS 2	SFRS(I) Practice Statement 2 Making Materiality Judgements The Conceptual Framework for Financial Reporting

26. New or amended standards in issue but not yet effective

For the future reporting years certain new or revised SFRS(I)s were issued by the Singapore Accounting Standards Council and these will only be effective for future reporting years. Those applicable to the reporting entity for future reporting years are listed below.

<u>SFRS(I) No.</u>	<u>Title</u>	<u>Effective date for periods beginning on or after</u>
SFRS (I) 1-1	Amendments to SFRS(I) 1-1: Classification of Liabilities as Current or Non-current	1 January 2023
SFRS(I) 1-8	Amendments to SFRS(I) 1-8: Definition of Accounting Estimates	1 January 2023
SFRS(I) 1-12, SFRS(I) 1	Amendments to SFRS(I) 1-12: Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
SFRS (I) 1-16	Amendments to SFRS(I) 1-16: Property, Plant and Equipment—Proceeds before Intended Use	1 January 2022
SFRS (I) 1-37	Amendments to SFRS(I) 1-37: Onerous Contracts – Cost of Fulfilling a Contract	1 January 2022

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26. New or amended standards in issue but not yet effective (cont’d)

<u>SFRS(I) No.</u>	<u>Title</u>	<u>Effective date for periods beginning on or after</u>
SFRS (I) 3	Amendments to SFRS(I) 3: Reference to the Conceptual Framework	1 January 2022
SFRS(I) 16	Amendment to SFRS(I) 16: Covid-19-Related Rent Concessions beyond 30 June 2021	1 April 2021
Various	Amendments to SFRS(I) 9, SFRS(I) 7, and SFRS(I) 16: Interest Rate Benchmark Reform – Phase 2	1 January 2021
Various	Annual Improvements to SFRS(I)s 2018-2020: Amendment To SFRS(I) 9 Financial Instruments – Fees in the ‘10 per cent’ Test for Derecognition of Financial Liabilities Amendment To Illustrative Examples Accompanying SFRS(I) 16 Leases - Lease Incentives	1 January 2022
Various	Amendments to SFRS(I) 1-1 and SFRS(I) Practice Statement 2: Disclosure of Accounting Policies	1 January 2023

The transfer to the applicable new or revised standards from the effective dates is not expected to result in any significant modification of the measurement methods or the presentation in the financial statements for the following year from the known or reasonably estimable information relevant to assessing the possible impact that application of the new or revised standards may have on the financial statements in the period of initial application.

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LINCOTRADE & ASSOCIATES PTE LTD

30 June 2022

The Board of Directors
Lincotrade & Associates Pte Ltd
39 Sungei Kadut Loop
Singapore 729494

Report on the compilation of unaudited pro forma financial information

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of LINCOTRADE & ASSOCIATES PTE LTD (the “Company”) by management. The unaudited pro forma financial information of the Company consists of the pro forma statements of financial position as at 30 June 2021 and 28 February 2022 and pro forma statements of cash flows for the reporting year ended 30 June 2021 and the eight-month period ended 28 February 2022 and related notes as set out on pages D-5 to D-11 of the Circular issued by the Company. The applicable criteria on the basis of which management has compiled the unaudited pro forma financial information are described in Note 3.

The unaudited pro forma financial information has been compiled by the management to illustrate the impact of the Significant Event set out in explanatory Note 2 on:

- (i) the unaudited pro forma financial position of the Company as at 30 June 2021 and 28 February 2022 as if the Significant Event had occurred on 30 June 2021 and 28 February 2022; and
- (ii) the unaudited pro forma cash flows of the Company for the reporting year ended 30 June 2021 and the eight-month period ended 28 February 2022 as if the Significant Event had occurred on 30 June 2021 and 28 February 2022.

The pro forma adjustments do not have any material effect on the financial performance of the Company for the reporting year ended 30 June 2021 and eight-month period ended 28 February 2022. Accordingly, the unaudited pro forma statements of profit or loss and other comprehensive income for the reporting year ended 30 June 2021 and eight-month period ended 28 February 2022 have not been presented.

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Report on the compilation of unaudited pro forma financial information (cont’d)

As part of this process, information about the Company’s financial position and cash flows have been extracted by management from the Company’s audited financial statement for the reporting year ended 30 June 2021 and the unaudited condensed interim financial statements for the eight-month period ended 28 February 2022, on which the audit and review reports have been published respectively.

Management’s responsibility for the unaudited pro forma financial information

Management is responsible for compiling the unaudited pro forma financial information on the basis as described in Note 3.

Our independence and quality control

We have complied with the independence and other ethical requirement of the Accounting and Corporate Regulatory Authority Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

The firm applies Singapore Standard on Quality Control 1 and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Auditor’s responsibilities

Our responsibility is to express an opinion about whether the unaudited pro forma financial information has been compiled, in all material respects, by management on the basis as described in Note 3.

We conducted our engagement in accordance with Singapore Standard on Assurance Engagements (SSAE) 3420, Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus (“SSAE 3420”), issued by the Institute of Singapore Chartered Accountants. This standard requires that the auditors comply with ethical requirements and plan and perform procedures to obtain reasonable assurance about whether management has compiled, in all material respects, the unaudited pro forma financial information of the Company on the basis of the applicable criteria as described in Note 3.

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Auditor’s responsibilities (cont’d)

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the unaudited pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the unaudited pro forma financial information.

The purpose of the unaudited pro forma financial information included in the Circular is solely to illustrate the impact of a Significant Event or transaction on unadjusted financial information of the entity as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the events or transactions at the respective dates would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been compiled, in all material respects, on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the management in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- (i) the related pro forma adjustments give appropriate effect to those criteria; and
- (ii) the unaudited pro forma financial information of the Company reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the auditor’s judgement, having regard to the auditor’s understanding of the nature of the Company, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information of the Company.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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Opinion

In our opinion:

- (a) the unaudited pro forma financial information has been compiled:
 - (i) in a manner consistent with the accounting policies adopted by the Company in its latest audited financial statement for the reporting year ended 30 June 2021, which are in accordance with Singapore Financial Reporting Standards (International);
 - (ii) on the basis of the applicable criteria stated in Note 3 of the unaudited pro forma financial information of the Company; and
- (b) each material adjustment made to the information used in the preparation of the unaudited pro forma financial information is appropriate for the purpose of preparing such unaudited pro forma financial information.

Restriction of distribution and use

This report is made solely to you as a body and for inclusion in the Circular of Fabchem China Limited to be issued in relation to the proposed acquisition of shares in the Company, which constitutes a reverse takeover offer of Fabchem China Limited.

The engagement partner on the compilation resulting in this independent auditor’s assurance report is Derek How Beng Tiong.

RSM Chio Lim LLP
Public Accountants and
Chartered Accountants
Singapore

30 June 2022

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**Unaudited Pro Forma Statement of Financial Position
As At 30 June 2021**

	Audited statement of financial position \$'000	Unaudited pro forma adjustment \$'000	Unaudited pro forma statement of financial position \$'000
ASSETS			
<u>Non-current assets</u>			
Property, plant and equipment	1,893	–	1,893
Right-of-use assets	224	–	224
Trade and other receivables	3,021	–	3,021
Total non-current assets	5,138	–	5,138
<u>Current assets</u>			
Contract assets	10,534	–	10,534
Other assets	505	–	505
Trade and other receivables	4,501	–	4,501
Cash and cash equivalents	3,873	(1,100)	2,773
Total current assets	19,413	(1,100)	18,313
Total assets	24,551	(1,100)	23,451
EQUITY AND LIABILITIES			
<u>Equity</u>			
Share capital	1,500	–	1,500
Retained earnings	4,940	(1,100)	3,840
Total equity	6,440	(1,100)	5,340
<u>Non-current liabilities</u>			
Lease liabilities	266	–	266
Other non-financial liabilities	4,594	–	4,594
Total non-current liabilities	4,860	–	4,860
<u>Current liabilities</u>			
Income tax payable	322	–	322
Trade and other payables	8,181	–	8,181
Contract liabilities	264	–	264
Lease liabilities	89	–	89
Other financial liabilities	4,395	–	4,395
Total current liabilities	13,251	–	13,251
Total liabilities	18,111	–	18,111
Total equity and liabilities	24,551	(1,100)	23,451

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**Unaudited Pro Forma Condensed Interim Statement of Financial Position
As At 28 February 2022**

	Unaudited condensed interim statement of financial position \$'000	Unaudited pro forma adjustment \$'000	Unaudited pro forma condensed interim statement of financial position \$'000
ASSETS			
<u>Non-current assets</u>			
Property, plant and equipment	1,627	–	1,627
Right-of-use assets	183	–	183
Trade and other receivables	3,543	–	3,543
Deferred tax asset	9	–	9
Total non-current assets	<u>5,362</u>	<u>–</u>	<u>5,362</u>
<u>Current assets</u>			
Contract assets	11,860	–	11,860
Other assets	362	–	362
Trade and other receivables	3,449	–	3,449
Cash and cash equivalents	4,809	(1,100)	3,709
Total current assets	<u>20,480</u>	<u>(1,100)</u>	<u>19,380</u>
Total assets	<u>25,842</u>	<u>(1,100)</u>	<u>24,742</u>
EQUITY AND LIABILITIES			
<u>Equity</u>			
Share capital	1,500	–	1,500
Retained earnings	5,485	(1,100)	4,385
Total equity	<u>6,985</u>	<u>(1,100)</u>	<u>5,885</u>
<u>Non-current liabilities</u>			
Lease liabilities	206	–	206
Other non-financial liabilities	3,599	–	3,599
Total non-current liabilities	<u>3,805</u>	<u>–</u>	<u>3,805</u>
<u>Current liabilities</u>			
Income tax payable	242	–	242
Trade and other payables	7,651	–	7,651
Contract liabilities	672	–	672
Lease liabilities	90	–	90
Other financial liabilities	6,397	–	6,397
Total current liabilities	<u>15,052</u>	<u>–</u>	<u>15,052</u>
Total liabilities	<u>18,857</u>	<u>–</u>	<u>18,857</u>
Total equity and liabilities	<u>25,842</u>	<u>(1,100)</u>	<u>24,742</u>

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**Unaudited Pro Forma Statement of Cash Flows
Year Ended 30 June 2021**

	Audited statement of cash flows \$'000	Unaudited pro forma adjustment \$'000	Unaudited pro forma statement of cash flows \$'000
<u>Cash flows from operating activities</u>			
Profit before tax	2,753	–	2,753
Adjustments:		–	
Depreciation of property, plant and equipment	620	–	620
Depreciation of right-of-use assets	62	–	62
Interest income	(10)	–	(10)
Interest expense	124	–	124
Operating cash flows before changes in working capital	3,549	–	3,549
Contract assets	(6,018)	–	(6,018)
Trade and other receivables	(3,709)	–	(3,709)
Other assets	(219)	–	(219)
Contract liabilities	(354)	–	(354)
Trade and other payables	2,696	–	2,696
Net cash flows used in operations	(4,055)	–	(4,055)
Income taxes paid	(98)	–	(98)
Net cash flows used in operating activities	(4,153)	–	(4,153)
<u>Cash flows from investing activities</u>			
Purchase of plant and equipment	(71)	–	(71)
Interest received	10	–	10
Net cash flows used in investing activities	(61)	–	(61)
<u>Cash flows from financing activities</u>			
Increase of term loans	3,000	–	3,000
Increase of bill payables, net	1,060	–	1,060
Cash restricted in use	(3)	–	(3)
Lease liabilities – principal and interest portion paid	(92)	–	(92)
Interest paid	(108)	–	(108)
Dividend paid to equity owners	–	(1,100)	(1,100)
Net movements in amounts due to directors	(200)	–	(200)
Net cash flows from financing activities	3,657	(1,100)	2,557
Net decrease in cash and cash equivalents	(557)	(1,100)	(1,657)
Cash and cash equivalents at beginning of year	3,849	–	3,849
Cash and cash equivalents at end of year	3,292	(1,100)	2,192

**APPENDIX D – INDEPENDENT AUDITOR’S ASSURANCE REPORT ON THE
COMPILATION OF THE UNAUDITED PRO FORMA FINANCIAL INFORMATION
FOR THE REPORTING YEAR ENDED 30 JUNE 2021 AND EIGHT-MONTH PERIOD
ENDED 28 FEBRUARY 2022 OF LINCOTRADE & ASSOCIATES PTE LTD**

LINCOTRADE & ASSOCIATES PTE LTD

**Unaudited Pro Forma Condensed Interim Statement of Cash Flows
For The Eight-Month Period Ended 28 February 2022**

	Unaudited statement of cash flows \$'000	Unaudited pro forma adjustment \$'000	Unaudited pro forma statement of cash flows \$'000
<u>Cash flows from operating activities</u>			
Profit before tax	848	—	848
Adjustments:		—	
Depreciation of property, plant and equipment	377	—	377
Depreciation of right-of-use assets	41	—	41
Interest income	(3)	—	(3)
Interest expense	93	—	93
Operating cash flows before changes in working capital	1,356	—	1,356
Contract assets	(1,326)	—	(1,326)
Trade and other receivables	530	—	530
Other assets	143	—	143
Contract liabilities	408	—	408
Trade and other payables	(530)	—	(530)
Net cash flows from operations	581	—	581
Income taxes paid	(392)	—	(392)
Net cash flows from operating activities	189	—	189
<u>Cash flows from investing activities</u>			
Purchase of plant and equipment	(111)	—	(111)
Interest received	3	—	3
Net cash flows used in investing activities	(108)	—	(108)
<u>Cash flows from financing activities</u>			
Repayments of term loans	(914)	—	(914)
Increase of bill payables, net	1,921	—	1,921
Lease liabilities – principal portion and interest paid	(69)	—	(69)
Interest paid	(83)	—	(83)
Dividend paid to equity owners	—	(1,100)	(1,100)
Net cash flows from (used in) financing activities	855	(1,100)	(245)
Net increase (decrease) in cash and cash equivalents	936	(1,100)	(164)
Cash and cash equivalents at beginning of year	3,292	—	3,292
Cash and cash equivalents at end of year	4,228	(1,100)	3,128

**APPENDIX D – INDEPENDENT AUDITOR’S ASSURANCE REPORT ON THE
COMPILATION OF THE UNAUDITED PRO FORMA FINANCIAL INFORMATION
FOR THE REPORTING YEAR ENDED 30 JUNE 2021 AND EIGHT-MONTH PERIOD
ENDED 28 FEBRUARY 2022 OF LINCOTRADE & ASSOCIATES PTE LTD**

LINCOTRADE & ASSOCIATES PTE LTD

**Notes to the unaudited pro forma financial information for the reporting year ended 30 June 2021
and eight-month period ended 28 February 2022**

1. Corporate information

LINCOTRADE & ASSOCIATES PTE LTD (the “Company”) was incorporated on 14 November 1991 under the Companies Act as a private limited company domiciled in Singapore.

The registered office is located at 39 Sungei Kadut Loop, Singapore 729494.

The principal activities of the Company are primarily the provision of interior design, renovation, carpentry and joinery services, carrying out of interior fitting-out works, and manufacturing of builders’ carpentry and joinery.

2 Significant Event and pro forma adjustment

Declaration of final dividends

Save for the following significant event discussed, the directors, as at the date of this report, are not aware of any other significant event subsequent to 28 February 2022.

On 10 March 2022, the shareholders of LINCOTRADE & ASSOCIATES PTE LTD, approved a final dividend of \$0.73 per ordinary share of the Company at the Company’s annual general meeting totalling \$1,100,000 in respect of the reporting year ended 30 June 2021. The Company intends to make payment no later than December 2022. Notwithstanding that payment of such dividends may be made after the completion of the Proposed Acquisition, the Company will not be entitled to such dividends and the dividends will be paid to the shareholders of the Company as at the date of declaration.

For the purpose of preparation of the unaudited pro forma financial position of the Company as at 30 June 2021 and 28 February 2022, dividends declared by the Company are assumed to have been declared and paid on 30 June 2021 and 28 February 2022 respectively. Accordingly, the balances showing cash and cash equivalents decreased by \$1,100,000, dividends paid increased by \$1,100,000 and retained profits decreased by \$1,100,000 as at 30 June 2021 and 28 February 2022.

For the purpose of preparation of the unaudited pro forma cash flows of the Company for the reporting year ended 30 June 2021 and the eight-month period ended 28 February 2022, dividends amounting to \$1,100,000 declared by the Company are assumed to have been declared and paid on 30 June 2021 and 28 February 2022 respectively. Accordingly, the balances showing the cash and cash equivalents as at 30 June 2021 and 28 February 2022 decreased by \$1,100,000.

**APPENDIX D – INDEPENDENT AUDITOR’S ASSURANCE REPORT ON THE
COMPILATION OF THE UNAUDITED PRO FORMA FINANCIAL INFORMATION
FOR THE REPORTING YEAR ENDED 30 JUNE 2021 AND EIGHT-MONTH PERIOD
ENDED 28 FEBRUARY 2022 OF LINCOTRADE & ASSOCIATES PTE LTD**

LINCOTRADE & ASSOCIATES PTE LTD

**Notes to the unaudited pro forma financial information for the reporting year ended 30 June 2021
and eight-month period ended 28 February 2022 (cont’d)**

3. Basis of preparation of the unaudited pro forma financial information

- 3.1 The unaudited pro forma financial information of the Company is expressed in Singapore Dollar (“\$”). All financial information presented in Singapore Dollar has been rounded to the nearest thousand (\$’000), unless otherwise indicated.
- 3.2 The unaudited pro forma financial information of the Company for the reporting year ended 30 June 2021 and eight-month period ended 28 February 2022 have been compiled based on:
- (a) the audited financial statements of the Company for the reporting year ended 30 June 2021, which were prepared by management in accordance with the Singapore Financial Reporting Standards (International), and were audited by RSM Chio Lim LLP, in accordance with Singapore Standards on Auditing. The independent auditor’s report relating to the aforementioned audited financial statements was not subject to any qualification; and
 - (b) the unaudited condensed interim financial statements of the Company for the eight-month period ended 28 February 2022, which were prepared by management in accordance with Singapore Financial Reporting Standard (International) 1-34, Interim Financial Reporting (“SFRS(I) 1-34”) and reviewed by RSM Chio Lim LLP, Singapore in accordance with Singapore Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity”. The auditor’s review report on these condensed interim financial statements was not subject to any qualification.
- 3.3 The unaudited pro forma financial information of the Company for the reporting year ended 30 June 2021 and for the eight-month period ended 28 February 2022 are prepared for illustrative purposes only. These are prepared based on certain assumptions and after making certain adjustments to show that:
- (a) the unaudited pro forma financial position of the Company as at 30 June 2021 and 28 February 2022 would have been if the approval and payment of interim dividends as described in Note 2 had taken place on that date; and
 - (b) the unaudited pro forma cash flows of the Company for the reporting year ended 30 June 2021 and the eight-month period ended 28 February 2022 as if the Significant Event had occurred on 30 June 2021 and 28 February 2022 respectively.

The objective of the unaudited pro forma financial information of the Company is to show what the historical financial information would have had the declaration and payment of interim dividends occurred as at 30 June 2021 and 28 February 2022. However, the unaudited pro forma financial information of the Company is not necessarily indicative of the related effects on the financial position that would have been attained had the event actually existed earlier.

**APPENDIX D – INDEPENDENT AUDITOR’S ASSURANCE REPORT ON THE
COMPILATION OF THE UNAUDITED PRO FORMA FINANCIAL INFORMATION
FOR THE REPORTING YEAR ENDED 30 JUNE 2021 AND EIGHT-MONTH PERIOD
ENDED 28 FEBRUARY 2022 OF LINCOTRADE & ASSOCIATES PTE LTD**

LINCOTRADE & ASSOCIATES PTE LTD

**Notes to the unaudited pro forma financial information for the reporting year ended 30 June 2021
and eight-month period ended 28 February 2022 (cont’d)**

4. Significant accounting policies

The unaudited pro forma financial information of the Company has been prepared using the same accounting policies and methods of computation as disclosed in Note 2 in the preparation of the audited financial statements of the Company for the reporting year ended 30 June 2021.

The unaudited pro forma financial information of the Company has been prepared for inclusion in the Circular in connection with the offering of the shares of the Company on the Catalist and should be read in conjunction with the audited financial statements of the Company for the reporting years ended 30 June 2019, 30 June 2020 and 30 June 2021 as set out in Appendix B of the Circular and the unaudited condensed interim financial statements for the eight-month period ended 28 February 2022.

APPENDIX E – LETTER FROM PROVENANCE CAPITAL PTE. LTD. TO THE RECOMMENDING DIRECTORS

PROVENANCE CAPITAL PTE. LTD.

(Company Registration Number: 200309056E)
(Incorporated in the Republic of Singapore)
96 Robinson Road #13-01 SIF Building
Singapore 068899

30 June 2022

To: The Recommending Directors of Fabchem China Limited
(who are deemed to be independent in respect of the Proposed Whitewash Resolution)

Mr Wee Phui Gam (Acting Chairman and Lead Independent Director)
Mr Bao Hongwei (Managing Director)
Mr Sun Bowen (Non-Executive and Non-Independent Director)
Professor Jiang Rongguang (Independent Director)

Dear Sirs,

THE PROPOSED WHITEWASH RESOLUTION IN CONNECTION WITH THE PROPOSED ACQUISITION OF THE ENTIRE ISSUED AND PAID-UP SHARE CAPITAL OF LINCOTRADE & ASSOCIATES PTE LTD, WHICH WOULD RESULT IN A REVERSE TAKEOVER OF FABCHEM CHINA LIMITED

*Unless otherwise defined or the context otherwise requires, all terms used in this letter ("**Letter**") have the same meanings as defined in the circular to shareholders of Fabchem China Limited dated 30 June 2022 ("**Circular**"). For the purposes of this Letter, the Latest Practicable Date is 17 June 2022 as defined in the Circular.*

1. INTRODUCTION

1.1 Disposal of existing business of the Company and Cash Distribution to Shareholders

Fabchem China Limited ("**Company**") is listed on the Mainboard of the Singapore Exchange Securities Trading Limited ("**SGX-ST**"). The Company was placed on the watch-list of the SGX-ST due to the Financial Entry Criteria on 5 December 2018 ("**Watch-List**").

Following the completion in December 2021 of the disposal of the Company's entire business ("**Disposal**") and the distribution of bulk of the cash proceeds from the Disposal ("**Cash Distribution**") to shareholders of the Company ("**Shareholders**") via a capital reduction ("**Capital Reduction**") as approved by Shareholders at the extraordinary general meeting ("**EGM**") of the Company held on 14 October 2021, the Company ceased to have any operating business and was deemed a "cash company" under Rule 1018 of the SGX-ST Listing Manual ("**Listing Manual**") with effect from 4 November 2021. Under the Listing Manual, the SGX-ST will proceed to delist the Company if it is unable to meet the requirements for a new listing within 12 months (with a maximum extension of another 6 months with the approval of the SGX-ST) from the date it becomes a cash company.

1.2 Proposed Acquisition of Lincotrade & Associates Pte Ltd ("**Target**")

In anticipation of the above requirement on a "cash company" and to exit from the Watch-List, the Company had identified the Target as a potential target which could meet the listing requirements of the SGX-ST to maintain its listing status on the SGX-ST.

APPENDIX E – LETTER FROM PROVENANCE CAPITAL PTE. LTD. TO THE RECOMMENDING DIRECTORS

On 22 April 2021 (“**Announcement Date**”), the Company announced that it had on that day entered into a sale and purchase agreement (“**SPA**”) with Mr Tan Jit Meng, Mr Soh Loong Chow Jackie and Mr Tan Chee Khoo (collectively, “**Vendors**”) and the Target to acquire the entire issued and fully paid-up share capital of the Target for a purchase consideration of S\$25.0 million (“**Purchase Consideration**”), to be fully satisfied by the issuance to the Vendors of an aggregate of 113,636,363 new shares in the capital of the Company (“**Consideration Shares**”), at the issue price (“**Issue Price**”) of S\$0.22 for each Consideration Share (“**Proposed Acquisition**”).

The Target is engaged primarily in the provision of interior designing, renovations and fitting-out services, additions & alterations works and other building construction services in Singapore (“**Business**”). The Target does not have any subsidiary or associated companies.

The Proposed Acquisition would, upon completion (“**Completion**”), result in a reverse takeover (“**RTO**”) of the Company under Rule 1015 of the Listing Manual, and a change of name of the Company from “Fabchem China Limited” to “Lincotrade & Associates Holdings Limited”. In connection with the Proposed Acquisition, the Company will also seek to transfer its listing from the Mainboard to the Catalist Board of the SGX-ST (“**Proposed Listing Transfer**”).

Proposed Whitewash Resolution

Upon the allotment and issuance of the Consideration Shares, the Vendors, who presently do not hold any shares in the capital of the Company (“**Shares**”), will own more than 50% of the enlarged share capital of the Company, and accordingly, would incur an obligation to make a mandatory general offer (“**Mandatory Offer**”) for the remaining Shares not already owned or controlled by them and their concert parties under Rule 14 of The Singapore Code on Takeovers and Mergers (“**Code**”) unless such obligation is waived by the Securities Industry Council (“**SIC**”).

As it is not the intention of the Vendors to make a Mandatory Offer for the remaining Shares, an application was made to seek an exemption from the SIC to waive the obligation of the Vendors to make the Mandatory Offer (“**Whitewash Waiver**”) as a result of the issuance of the Consideration Shares to the Vendors pursuant to the Proposed Acquisition.

On 16 June 2022, the SIC had granted the Whitewash Waiver to the Vendors, subject to the satisfaction of certain conditions, including *inter alia*, the approval of the proposed whitewash resolution (“**Proposed Whitewash Resolution**”) by the majority of the independent Shareholders (“**Independent Shareholders**”) present and voting at the EGM, by way of a poll, to waive their rights to receive a Mandatory Offer from the Vendors, and the appointment of an independent financial adviser (“**IFA**”) to advise the Independent Shareholders on the Proposed Whitewash Resolution.

The Company is seeking Shareholders’ approval at the EGM for, among other things, the Proposed Acquisition, Proposed Whitewash Resolution, change of name of the Company to “Lincotrade & Associates Holdings Limited” and Proposed Listing Transfer.

1.3 Recommending Directors

As at the Latest Practicable Date, the Directors of the Company (“**Directors**”) are:

- (i) Mr Wee Phui Gam (Acting Chairman and Lead Independent Director);
- (ii) Mr Bao Hongwei (Managing Director);
- (iii) Mr Sun Bowen (Non-Executive and Non-Independent Director); and
- (iv) Professor Jiang Rongguang (Independent Director).

APPENDIX E – LETTER FROM PROVENANCE CAPITAL PTE. LTD. TO THE RECOMMENDING DIRECTORS

The Company confirms that all the Directors are deemed independent for the purposes of the Proposed Whitewash Resolution, as none of them is interested in or related to the Vendors and/or the Target (“**Recommending Directors**”).

1.4 Appointment of Provenance Capital as the IFA

In connection with the Proposed Whitewash Resolution, the Company has appointed us, Provenance Capital Pte. Ltd. (“**Provenance Capital**”), as the IFA to advise the Recommending Directors for the purposes of the Proposed Whitewash Resolution.

This Letter is therefore addressed to the Recommending Directors and sets out, *inter alia*, our evaluation of the terms of the Proposed Acquisition and our opinion on the Proposed Whitewash Resolution (when considered in the context of the Proposed Acquisition). This Letter forms part of the Circular which provides, *inter alia*, details of the Proposed Acquisition, Proposed Whitewash Resolution and recommendation of the Recommending Directors to the Independent Shareholders.

2. TERMS OF REFERENCE

Provenance Capital has been appointed as the IFA to advise the Recommending Directors in respect of the Proposed Whitewash Resolution.

We are not and were not involved in or responsible for, in any aspect, the discussions in relation to the Proposed Acquisition and/or Proposed Whitewash Resolution, nor were we involved in the deliberations leading up to the decision on the part of the Directors to propose the Proposed Acquisition and/or Proposed Whitewash Resolution or to obtain the approval of Shareholders for the Proposed Acquisition and/or Proposed Whitewash Resolution, and we do not, by this Letter, warrant the merits of the Proposed Acquisition and/or Proposed Whitewash Resolution, other than to express an opinion on whether the financial terms of the Proposed Acquisition, being the subject of the Proposed Whitewash Resolution, are fair and reasonable, and the Proposed Whitewash Resolution, when considered in the context of the Proposed Acquisition, is not prejudicial to the interest of the Independent Shareholders.

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

In the course of our evaluation, we have held discussions with the Directors, Management and/or the Company’s professional advisers (where applicable) and have examined and relied to a considerable extent on the information set out in the Circular, other publicly available information collated by us and the information, representations, opinions, facts and statements provided to us, whether written or verbal, by the Directors, Management and/or the professional advisers (where applicable). Whilst care has been exercised in reviewing the information which we have relied upon, 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 responsibility for the accuracy, completeness or adequacy of such information or representations. We have nevertheless made such reasonable enquiries and judgment on the reasonable use of such information, as were

APPENDIX E – LETTER FROM PROVENANCE CAPITAL PTE. LTD. TO THE RECOMMENDING DIRECTORS

deemed necessary, and have found no reason to doubt the accuracy or reliability of the information and representations.

We have not independently verified and have assumed that all statements of fact, belief, opinion and intention made by the Directors in the Circular in relation to the Proposed Acquisition and/or the Proposed Whitewash Resolution have been reasonably made after due and careful enquiry. Whilst care has been exercised in reviewing the information which we have relied on, we have not independently verified the information but nevertheless have made reasonable enquiries and exercised judgment on the reasonable use of such information, as were deemed necessary, and have found no reason to doubt the accuracy or reliability of the information and representations.

Save as disclosed, we would like to highlight that all information relating to the Company and the Target which we have relied upon in arriving at our opinion has been obtained from publicly available information and/or from the Directors, Management and the professional advisers (where applicable). We have not independently assessed and do not warrant or accept any responsibility as to whether the aforesaid information adequately represents a true and fair position of the financial, operational and business affairs of the Company and the Target at any time or as at the Latest Practicable Date.

The scope of our appointment does not require us to conduct a comprehensive independent review of the business, operations or financial condition of the Company and/or the Target, or to express, and we do not express, a view on the future growth prospects, value and earnings potential of the Company and the Target upon Completion ("**Enlarged Group**"). Such review or comments, if any, remain the responsibility of the Directors and Management, although we may draw upon their views or make such comments in respect thereof (to the extent deemed necessary or appropriate by us) in arriving at our opinion as set out in this Letter. We have not obtained from the Company any projection of the future performance including financial performance of the Enlarged Group, and we did not conduct discussions with the Directors and Management on, and did not have access to, any business plan and financial projections of the Enlarged Group. In addition, we are not expressing any view as to the prices at which the Shares may trade or the future value, financial performance or condition of the Company and/or the Enlarged Group, upon or after the completion of the Proposed Acquisition.

We have not made an independent evaluation or appraisal of the assets and liabilities of the Company and/or the Target (including without limitation, property, plant and equipment).

In connection with the Proposed Acquisition, the Company had commissioned Mazars LLP as the valuer ("**Mazars**" or "**Independent Valuer**") to carry out an independent business valuation of a 100% equity interest of the Target as at 28 February 2022 ("**Valuation Date**"). The Independent Valuer had issued its valuation report ("**Valuation Report**") and the valuation summary letter ("**Valuation Summary Letter**") both dated 21 June 2022. The Valuation Summary Letter is set out in Appendix F to the Circular and the Valuation Report is available as a document for inspection.

We are not experts in the evaluation or appraisal of the assets concerned, and for the purposes of evaluating and assessing the terms of the Proposed Acquisition, being the subject of the Proposed Whitewash Resolution, we have taken into account, *inter alia*, the independent business valuation of the Target by the Independent Valuer for such appraisal but we have not made any independent verification of the content thereof.

Our opinion as set out in this Letter is based on market, economic, industry, monetary and other conditions (if applicable) prevailing as at the Latest Practicable Date and the information and representations provided to us as at the Latest Practicable Date. In arriving at our opinion, with the consent of the Directors and the Company, we have taken into account certain other factors and have made certain assumptions as set out in this Letter. We assume no responsibility to update, revise or reaffirm our opinion in light of any subsequent development after the Latest

APPENDIX E – LETTER FROM PROVENANCE CAPITAL PTE. LTD. TO THE RECOMMENDING DIRECTORS

Practicable Date that may affect our opinion contained herein. Shareholders should take note of any announcement, relevant to the Proposed Acquisition and/or the Proposed Whitewash Resolution, which may be released by the Company after the Latest Practicable Date.

In rendering our advice and giving our recommendation, we did not have regard to the specific investment objectives, financial situation, tax position, risk profiles or unique needs and constraints of any Shareholder or any specific group of Shareholders. As each Shareholder may have different investment objectives and profiles, we recommend that any individual Shareholder or group of Shareholders who may require specific advice in relation to his or their investment portfolio(s) or objective(s) consult his or their stockbroker, bank manager, solicitor, accountant, tax adviser or other professional adviser immediately.

The Company has been separately advised by its own professional advisers in the preparation of the Circular (other than this Letter). We have had no role or involvement and have not and will not provide any advice (financial or otherwise) in the preparation, review and verification of the Circular (other than this Letter). Accordingly, we take no responsibility for and express no view, whether express or implied, on the contents of the Circular (other than this Letter and the extract of our opinion in the Circular).

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 purposes, other than for the purposes of the EGM and the Proposed Whitewash Resolution, at any time and in any manner without the prior written consent of Provenance Capital in each specific case.

We have prepared this Letter for the use of the Recommending Directors in connection with their consideration of the Proposed Whitewash Resolution and their advice to the Independent Shareholders arising thereof. The recommendation to be made to the Independent Shareholders in relation to the Proposed Whitewash Resolution shall remain the responsibility of the Recommending Directors.

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

Responsibility Statement by the Directors

The Directors have confirmed that, having made all reasonable enquiries and to the best of their respective knowledge and belief, information and representations provided to us by the Company are accurate. They have also confirmed that, upon making all reasonable enquiries and to their best knowledge and belief, all material information available to them in connection with the Proposed Acquisition and/or the Proposed Whitewash Resolution, the Company and/or the Target have been disclosed to us, that such information is true, complete and accurate in all material respects and that there is no other material information or fact, the omission of which would cause any information disclosed to us or the facts of or in relation to the Proposed Acquisition and/or the Proposed Whitewash Resolution, the Company and/or the Target stated in the Circular to be inaccurate, incomplete or misleading in any material respect. The Directors have jointly and severally accepted full responsibility for such information described herein.

3. SALIENT INFORMATION ON THE COMPANY AND THE ENLARGED GROUP

3.1 Overview

The Company is incorporated in Singapore and has been listed on the Mainboard of the SGX-ST since 17 April 2006. The Company was placed on the Watch-List due to the Financial Entry Criteria on 5 December 2018.

APPENDIX E – LETTER FROM PROVENANCE CAPITAL PTE. LTD. TO THE RECOMMENDING DIRECTORS

In an attempt to take active steps to exit from the Watch-List, the Company had, on 4 November 2021, completed the disposal of its entire existing loss-making business to its major Shareholder, Mr Wee Henry, via the disposal of the Company's entire interest in its principal subsidiary, Shandong Yinguang Technology Co., Ltd. (山东银光科技有限公司), for a cash consideration of S\$18.0 million. Bulk of the cash proceeds from the Disposal, totalling S\$17.2 million, was distributed to Shareholders via the Capital Reduction on 21 December 2021 on the basis of a Cash Distribution of S\$0.368 per Share.

With the completion of the Disposal and Cash Distribution, the Company ceased to have any operating business, with minimal net assets and is deemed as a "cash company" under Rule 1018(1) of the Listing Manual. As at the Latest Practicable Date, based on the Company's latest announcement of its monthly valuation of assets and utilisation of cash, as at 30 April 2022, the net assets of the Company amounted to S\$129,000 including cash of S\$382,000.

On 22 April 2021, the Company had entered into the SPA with the Vendors to acquire the Target for a Purchase Consideration of S\$25.0 million to be fully satisfied by the issuance of 113,636,363 Consideration Shares to the Vendors at the Issue Price of S\$0.22 for each Consideration Share. The Target will become a wholly-owned subsidiary of the Company after the Proposed Acquisition. The Proposed Acquisition will result in a RTO of the Company under Rule 1015 of the Listing Manual.

Upon Completion, the Proposed Acquisition will enable the Company to exit from the Watch-List, acquire a new business and remain listed on the SGX-ST under the Catalist Board.

As set out in Section 14.2 of the Circular, the Company was granted extension of time by the SGX-ST to, *inter alia*, convene the EGM by 22 July 2022 and complete the Proposed Acquisition by 4 August 2022.

To assist the Company on the Proposed Acquisition, as announced by the Company on 26 April 2022, Triple Vision Pte. Ltd. ("**Lender**"), a controlling Shareholder which is wholly-owned by Mr Wee Henry, had agreed to grant an interest-free loan of up to S\$1.0 million ("**Loan**") to the Company to be used for the payment of professional fees and expenses incurred for the Proposed Acquisition. Such Loan shall be repaid in 8 monthly instalments from the maturity date of the Loan, which is 12 months after the date of completion of the Proposed Acquisition, or any later date as may be agreed by the Lender and the Company. As at the Latest Practicable Date, the amount of Loan drawn was S\$270,000 which was used to pay for the said expenses. Accordingly, the Company is in a net liability position of S\$197,000 as at 31 May 2022 as announced after the Latest Practicable Date by the Company on 24 June 2022.

3.2 Share capital, Board of Directors and controlling Shareholders

Share capital of the Company

As at the Latest Practicable Date, the Company's paid-up share capital was S\$6.2 million comprising 46,800,000 Shares. The Company does not have any outstanding instruments convertible into, rights to subscribe for, and options in respect of, the Shares or securities which carry voting rights in the Company.

The Shares were last transacted on 17 June 2022 at S\$0.100. Based on the 46,800,000 outstanding Shares and the last transacted Share price of S\$0.100, the market capitalisation of the Company was approximately S\$4.7 million. Based on the Company's latest announcement of its monthly valuation of assets and utilisation of cash as at the Latest Practicable Date, the Company has minimal net assets of S\$129,000 as at 30 April 2022. The market capitalisation of the Company as a listed shell with minimal net assets is approximately S\$10.3 million, implied by the Issue Price for the Consideration Shares.

APPENDIX E – LETTER FROM PROVENANCE CAPITAL PTE. LTD. TO THE RECOMMENDING DIRECTORS

Following the issue of the Consideration Shares for the Proposed Acquisition and other related share issues including the FA Shares, Arranger Shares and the Placement Shares (as defined and described in Section 4.4 of this Letter), the issued share capital of the Company will be substantially increased from S\$6.2 million comprising 46.8 million Shares to approximately S\$35.5 million comprising 180.2 million Shares ("**Enlarged Share Capital**"). Each of the Consideration Share, FA Share, Arranger Share and Placement Share will be issued at the same Issue Price of S\$0.22. The proposed placement of the Placement Shares ("**Proposed Placement**") is conditional upon, *inter alia*, the Completion of the Proposed Acquisition.

Based on the Enlarged Share Capital and the Issue Price of S\$0.22, the market capitalisation of the Company would be S\$39.6 million.

Board of Directors of the Company

As at the Latest Practicable Date, the current board of directors of the Company comprises:

- (i) Mr Wee Phui Gam (Acting Chairman and Lead Independent Director);
- (ii) Mr Bao Hongwei (Managing Director);
- (iii) Mr Sun Bowen (Non-Executive and Non-Independent Director); and
- (iv) Professor Jiang Rongguang (Independent Director).

As none of the Directors is interested in or related to the Vendors and/or the Target, the Company has confirmed that all the Directors are deemed independent, and will constitute the Recommending Directors for the purposes of making their recommendation to the Independent Shareholders in relation to the Proposed Whitewash Resolution.

Pursuant to the Proposed Acquisition, the current board of directors of the Company will step down after Completion and the new board of directors of the Company, comprising the following members, will be re-constituted:

- (a) Dr Tan Kok Heng (Independent and Non-Executive Chairman);
- (b) Mr Tan Jit Meng (Managing Director);
- (c) Mr Lu King Seng (Independent and Non-Executive Director); and
- (d) Mr Wee Shuo Siong Milton ("**Mr Milton Wee**") (Non-Executive and Non-Independent Director).

Pursuant to the terms of the SPA, Mr Wee Henry is entitled to nominate and appoint one nominee as a non-executive director of the Company following Completion, for a minimum period of 12 months with effect from Completion Date and thereafter, for so long as he retains beneficial interest of at least 5% of the Company's Enlarged Share Capital. Mr Milton Wee, the son of Mr Wee Henry, is Mr Wee Henry's nominated director as the proposed Non-Executive and Non-Independent Director of the Company.

In view of the above relationship, the Loan extended by Triple Vision to the Company as described in Section 3.1 of this Letter, will remain as an on-going interested person transaction for the Enlarged Group upon Completion. The Loan is not on arm's length basis and not on commercial terms, as the Loan is interest-free.

Details on the proposed new board of directors of the Company are set out in Section 15 of Appendix A to the Circular.

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Controlling Shareholders of the Company

Presently, the Company has 2 controlling Shareholders, namely (a) Mr Wee Henry who has a direct and indirect interest of 52.70% in the Company, and (b) Mr Sun Bowen who has an indirect interest of 32.35% in the Company.

Post Completion, both Mr Wee Henry and Mr Sun Bowen will cease to be controlling Shareholders, as their shareholding interests in the Company will be substantially diluted to less than 15% each. Mr Wee Henry will remain as a substantial Shareholder (with approximately 13.69% in the Enlarged Share Capital) and has granted a moratorium on his Shares pursuant to the moratorium requirements under Rule 1015(3) of the Catalist Rules (“**Moratorium Undertakings**”).

Immediately after Completion and before the Proposed Placement, Mr Sun Bowen’s interest will be diluted to approximately 9.09%. He had obtained a waiver from the Moratorium Undertaking requirements from the SGX-ST subject to various conditions including reducing his shareholding interest in the Company to less than 5% of the Enlarged Share Capital by the time of completion of the Proposed Placement.

The Vendors, namely Mr Tan Jit Meng and Mr Soh Loong Chow Jackie will become new controlling Shareholders (each holding 25.22% of the Enlarged Share Capital), while Mr Tan Chee Khoon will become a substantial Shareholder (holding approximately 12.61% of the Enlarged Share Capital). They will collectively hold approximately 63.05% of the Enlarged Share Capital. Mr Tan Jit Meng will be the Managing Director of the Company, and Mr Soh Loong Chow Jackie and Mr Tan Chee Khoon will be Executive Officers of the Company. Each of them has granted their respective Moratorium Undertakings on their Shares.

Details on the above Moratorium Undertakings are set out in Section 20 of the Circular and Section 4.5 of this Letter.

3.3 New core business and change of name of the Company

With the Proposed Acquisition, the business of the Enlarged Group will comprise wholly of the Business of the Target i.e. the provision of interior designing, renovations and fitting-out services, additions & alteration works and other building construction services in Singapore. Accordingly, the Company is seeking Shareholders’ approval for the proposed change of its core business.

Details of the risk factors associated with the Business are set out in Section 2.7 of the Circular. Some of the headline material risk factors are listed in Section 7.5.4 of this Letter.

In addition, the Company is seeking Shareholders’ approvals for the Proposed Listing Transfer i.e. the transfer of the Company’s listing from the Mainboard to the Catalist Board, and the change of its name from “Fabchem China Limited” to “Lincotrade & Associates Holdings Limited”.

4. PROPOSED ACQUISITION

Information on the Proposed Acquisition is set out in Section 2 of the Circular. Salient information on the Proposed Acquisition is set out below.

4.1 The Target

The Target is incorporated in Singapore on 14 November 1991 as a private limited company. As at the Latest Practicable Date, the issued and paid-up capital of the Target is S\$1.5 million

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comprising 1.5 million ordinary shares (“**Sale Shares**”). The Target does not have any subsidiary or associated companies.

Mr Tan Jit Meng, Mr Soh Loong Chow Jackie and Mr Tan Chee Khoon, who are directors of the Target, own 40.0%, 40.0% and 20.0% of the Sale Shares.

4.2 Key terms of the Proposed Acquisition

Pursuant to the terms of the SPA, the Vendors have agreed to sell to the Company and the Company has agreed to purchase from the Vendors all the Sale Shares at the Purchase Consideration of S\$25.0 million, which shall be fully satisfied by the Company at Completion by the allotment and issuance of 113,636,363 Consideration Shares to the Vendors in proportion to their equity interest in the Target, at the Issue Price of S\$0.22 for each Consideration Share.

The Purchase Consideration was determined at arm’s length on a “willing-buyer, willing-seller” basis, and on the basis that the Independent Valuer’s appraised value of a 100% equity interest in the Target is not less than S\$25.0 million.

The Company had commissioned Mazars, as the Independent Valuer, to determine the Market Value of the 100% equity interest in the Target as at 28 February 2022, being the Valuation Date. The Independent Valuer had concluded in its Valuation Report and Valuation Summary Letter (both dated 21 June 2022) that based on the Income and the Market Approach, it had estimated the Market Value range of 100% equity interest of the Target to be approximately S\$25,164K to S\$29,031K as at the Valuation Date.

Accordingly, under the terms of the SPA, the Purchase Consideration for the Target is determined to be \$25.0 million.

Each of the Consideration Share, Arranger Share, FA Share and Placement Share will be issued at the same Issue Price of \$0.22. The Issue Price was derived following negotiations among the Company, Vendors and the Target, and other considerations.

4.3 Conditions Precedent

The Proposed Acquisition is subject to various conditions precedent (“**Conditions Precedent**”) including the following:

- (a) Shareholders’ approval at the EGM of all the ordinary and special resolutions to be tabled at the EGM;
- (b) unqualified opinion by the IFA on the Proposed Whitewash Resolution;
- (c) approval of the SGX-ST for the Proposed Acquisition, being a RTO, and related matters, the in-principle approval for the listing of the new Shares on the Catalist Board and the fulfilment of such conditions that the SGX-ST may impose;
- (d) the whitewash waiver being granted by the SIC and the fulfilment of such conditions that the SIC may impose (“**SIC Conditions**”);
- (e) appraised value of 100% equity interest of the Target is not less than S\$25.0 million;
- (f) Moratorium Undertakings by various parties (please see Sections 3.2 and 4.5 of this Letter, and Section 20 of the Circular); and
- (g) respective undertakings by Mr Wee Henry and Mr Sun Bowen to vote in favour of all the resolutions tabled at the EGM (“**Undertakings**”).

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Details of the Conditions Precedent are set out in Section 2.5.5 of the Circular.

All the above Conditions Precedent, save for the approval of Shareholders to be obtained at the forthcoming EGM, have been fulfilled or satisfied.

4.4 Proposed resolutions at the EGM

The Company is seeking Shareholders' approval to pass the following Key Resolutions and Conditional Resolutions at the EGM:

Key Resolutions

- (a) the Proposed Acquisition;
- (b) the issuance of the Consideration Shares;
- (c) the Proposed Whitewash Resolution;
- (d) the issue of 454,545 new Shares ("**FA Shares**") to RHB Bank Berhad ("**Financial Adviser**" and "**Sponsor**") as part-payment for its management fees;
- (e) the issue of 5,681,818 new Shares ("**Arranger Shares**") to Prestige Fame Limited ("**Arranger**") for its role as an arranger for the Proposed Acquisition;
- (f) the Proposed Placement of up to 13,650,000 Placement Shares in cash to raise gross proceeds of up to S\$3.0 million for the Enlarged Group;
- (g) the Proposed Listing Transfer;
- (h) the proposed change of core business;
- (i) the proposed change of name of the Company from "Fabchem China Limited" to "Lincotrade & Associates Holdings Limited";
- (j) the proposed appointment of new directors of the Company, namely Mr Tan Jit Meng and Mr Milton Wee;

Conditional Resolutions

- (k) the proposed appointment of new directors of the Company, namely Dr Tan Kok Heng and Mr Lu King Seng;
- (l) the proposed adoption of new constitution of the Company; and
- (m) the proposed new share issue mandate.

All the proposed Key Resolutions at the EGM are inter-conditional upon one another, and in the event that any of the Key Resolutions is not passed, other resolutions would not be carried. Each of the Conditional Resolutions is conditional upon the Key Resolutions being passed. If any of the Key Resolutions is not passed, the Conditional Resolutions will not be passed.

In this regard, the existing controlling Shareholders, namely Mr Wee Henry and Mr Sun Bowen, who hold 52.7% and 32.4% respectively (collectively own 85.1%) of the total number of existing Shares as at the Latest Practicable Date, have provided Undertakings to exercise or procure the exercise of all the voting rights attributable to the Shares held by them, to vote in favour of the resolutions to be tabled at the EGM. In view of the above Undertakings, all the ordinary and special resolutions to be tabled at the EGM will therefore be passed.

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The Enlarged Share Capital of the Company upon Completion and on the assumption that all 13,650,000 Placement Shares are issued and subscribed for, will increase to approximately S\$35.5 million comprising 180.2 million Shares.

4.5 Moratorium Undertakings

To demonstrate their commitment to the Enlarged Group and in compliance with the Catalist Rules, Mr Tan Jit Meng and Mr Soh Loong Chow Jackie, who will become the new controlling Shareholders, have each provided to the Company and the Sponsor, their Moratorium Undertakings with respect to all their Shares for a period of 6 months from the date of Completion and in respect of more than 50% of their Shares for a further period of 6 months thereafter.

Pursuant to the Moratorium Undertakings, the respective parties have given their irrevocable and unconditional undertakings not to directly or indirectly, offer, sell, contract to sell, realise, transfer, assign, pledge, grant any option or right to purchase, grant any security over, encumber or otherwise dispose of their relevant Shares during the moratorium period.

Similarly, in compliance with the Catalist Rules, the existing controlling Shareholder, Mr Wee Henry, has also given his Moratorium Undertaking with respect to all his Shares for a period of 6 months from the date of Completion and more than 50% of his Shares for a further period of 6 months thereafter.

As set out in Section 3.2 of this Letter under the caption entitled “Controlling Shareholders”, Mr Sun Bowen will cease to be a controlling Shareholder and his interest in the Company will be diluted to approximately 9.09% after the Completion and before the Proposed Placement. He has obtained a waiver from the Moratorium Undertaking requirement from the SGX-ST subject to various conditions including reducing his shareholding interest in the Company to less than 5% of the Enlarged Share Capital by the time of completion of the Proposed Placement. The present scenario is for Mr Sun Bowen to dispose of 6.6 million of his existing Shares, resulting in him owning less than 5% of the Enlarged Share Capital, which will be deemed as Shares held in the hands of the public.

Mr Tan Chee Khoo (who is not required to comply with the moratorium under the Catalist Rules as he will not be a controlling Shareholder after Completion), has voluntarily given his moratorium undertaking (“**Voluntary Moratorium Undertaking**”) with respect to all his Consideration Shares for a period of 6 months from the date of Completion and more than 50% of his Consideration Shares for a further period of 6 months thereafter.

Likewise, the Financial Adviser and the Arranger have each given their Voluntary Moratorium Undertaking with respect to all their FA Shares and Arranger Shares respectively for a period of 3 months and 6 months respectively from the date of Completion. Upon the expiry of the respective moratorium periods, each of the Financial Adviser and the Arranger has the discretion to dispose of their shareholding interests in the Company.

4.6 Change in shareholding structure of the Company

The respective shareholding interests of the above parties before and immediately after Completion and the Proposed Placement are summarised in the table below:

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	Before		After	
	No. of Shares	%	No. of Shares	%
<u>Existing controlling Shareholders</u>				
- Mr Wee Henry	24,665,699	52.70	24,665,699	13.69
- Mr Sun Bowen ⁽¹⁾	15,140,000	32.35	-	-
Existing controlling/substantial Shareholders	39,805,699	85.05	24,665,699	13.69
<u>Vendors as new controlling/substantial Shareholders</u>				
- Mr Tan Jit Meng	-	-	45,454,545	25.22
- Mr Soh Loong Chow Jackie	-	-	45,454,545	25.22
- Mr Tan Chee Khoon	-	-	22,727,273	12.61
New controlling/substantial Shareholders	-	-	113,636,363	63.05
<u>Financial Adviser/Arranger</u>				
- Financial Adviser	-	-	454,545	0.25
- Arranger	-	-	5,681,818	3.15
Financial Adviser/Arranger	-	-	6,136,363	3.40
<u>Public Shareholders</u>				
- Existing public Shareholders ⁽²⁾	6,994,301	14.95	6,994,301	3.88
- Placement Shares ⁽³⁾	-	-	13,650,000	7.57
- Mr Sun's sale of existing Shares	-	-	6,600,000	3.66
- Mr Sun Bowen ⁽¹⁾	-	-	8,540,000	4.74
Public Shareholders⁽⁴⁾	6,994,301	14.95	35,784,301	19.86⁽⁵⁾
Total	46,800,000	100.00	180,222,726	100.00

Notes:

- (1) under the present scenario, Mr Sun Bowen intends to dispose of 6.6 million of his existing Shares and will accordingly cease to be a substantial Shareholder after Completion and the Proposed Placement. As a result, the remaining 8.54 million Shares held by him will be considered as Shares held in the hands of the public;
- (2) existing public Shareholders' interests will be diluted significantly from 14.95% to 3.88% post Completion due to the issuance of the significant number of new Shares in connection with the RTO exercise and the Proposed Placement;
- (3) based on the maximum number of Placement Shares;
- (4) immediately after Completion and the Proposed Placement, an aggregate of 35,784,301 Shares, representing 19.86% of the Enlarged Share Capital, will be deemed held by public Shareholders; and
- (5) does not add up to 19.86% due to rounding.

Details of the changes in shareholding structure of the Company are set out in Appendix G to the Circular.

5. SALIENT INFORMATION ON THE TARGET

Details of the Target are set out in Section 2.3.1 of the Circular and Appendix A to the Circular entitled "Letter to Shareholders from the Proposed New Board".

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5.1 Overview

Mr Tan Jit Meng and Mr Soh Loong Chow Jackie, who are directors of the Target, are the two founding shareholders of the Target. Mr Tan Chee Khoon joined the Target as a Junior Site Supervisor in March 1999 and eventually became a director and shareholder of the Target in July 2015.

The Target currently holds a General Builder Licence Class 1 and is currently registered under the CW01 Workhead (Construction – General Building) C1 grade and CR06 Workhead (Interior Decoration & Finishing Works) L6 grade with the Building and Construction Authority of Singapore. Registration under the CW01 Workhead C1 grade allows the Target to tender for and carry out projects which involve, *inter alia*, general building and additions & alterations works on buildings for projects up to a value of S\$4.5 million, whereas registration under the L6 grade for the CR06 Workhead allows the Target to participate in interior design and planning projects of unlimited value.

The Target is engaged primarily in the provision of interior designing, renovations and fitting-out (“**interior fitting-out**”) services, additions & alterations works and other building construction services in Singapore such as the construction of showflats. The processing, assembly and manufacturing of builders’ carpentry and joinery products are presently carried out at the Target’s own processing facility located at 39 Sungei Kadut Loop, Singapore 729494. Over the years, the Target has become an established interior fitting-out service provider in Singapore with a proven track record. Their customers comprise major property developers and construction companies in Singapore.

The Target’s main business segments are: (a) commercial projects such as offices, hotels, food and beverage establishments and shopping malls; (b) residential projects such as condominium developments; and (c) showflats and sales galleries. Commercial segment contributed bulk of the total revenue of the Target.

5.2 Salient financial information of the Target

Financial information of the Target is set out in Sections 10 and 11 of Appendix A to the Circular.

5.2.1 Financial performance of the Target

Set out below is a summary of the financial performance of the Target for the last three financial years ended 30 June 2021 i.e. FY2019, FY2020 and FY2021, and for the 8 months ended 28 February 2022 (“**8M2022**”) and the corresponding period for the preceding year (i.e. 8M2021).

S\$'000	Audited			Unaudited	
	FY2019	FY2020	FY2021	8M2021	8M2022
Revenue	25,061	18,715	37,318	19,388	24,491
Gross profit	3,873	1,255	4,698	1,984	3,192
Other income and gains	27	268	706	471	171
Other losses	(917)	(597)	(181)	-	(479)
Profit/(loss) for the year/period	71	(1,637)	2,358	934	545
Adjusted profit/(loss) for the year/period ⁽¹⁾	961	(1,308)	1,833	463	853

Source: Section 10.1 of Appendix A to the Circular

Note:

- (1) we have computed the adjusted figures based on profit/(loss) after tax for the year/period after excluding other income and gains, and other losses.

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FY2020 vs FY2019

Revenue decreased by approximately S\$6.4 million or 25.3%, from S\$25.1 million in FY2019 to S\$18.7 million in FY2020 due mainly to the circuit breaker measures imposed by the Singapore Government from 7 April 2020 in view of the COVID-19 situation in Singapore. All of the works were temporarily ceased due to the circuit breaker measures and works were only allowed to resume gradually from September 2020 onwards.

Gross profit decreased by S\$2.6 million or 67.6%, from S\$3.9 million in FY2019 to S\$1.3 million in FY2020 and gross profit margin declined from 15.5% in FY2019 to 6.7% in FY2020, due mainly to overall lower revenue and lower margins from all business segments in FY2020.

Other income and gains increased by S\$241,000 from S\$27,000 in FY2019 to S\$268,000 in FY2020, due mainly to higher government grants received.

Other losses in FY2019 and FY2020 relate mainly to expenses which the Target had incurred in its prior listing attempt to list on the Growth Exchange Market board of the Stock Exchange of Hong Kong in 2019 ("**Proposed HK IPO**"). Preparation for the Proposed HK IPO was aborted around mid-2019. No application was formally made to the Stock Exchange of Hong Kong. The remaining other losses of S\$56,000 in FY2019 were due to the loss from disposal of an associate.

As a result of the above, the Target incurred a net loss of S\$1.6 million in FY2020 compared to a net profit of S\$71,000 in FY2019.

As other income and gains, and other losses are exceptional items for the Target, we have excluded these items to determine the adjusted net profit/(loss) of the Target for the purpose of our evaluation of the financial performance of the Target.

Accordingly, excluding other income and gains, and other losses, the Target would have a higher adjusted net profit of S\$1.0 million in FY2019 and a lower adjusted net loss of S\$1.3 million in FY2020.

FY2021 vs FY2020

Revenue increased by approximately S\$18.6 million or 99.4%, from S\$18.7 million in FY2020 to S\$37.3 million in FY2021, due mainly to the relaxation of the circuit-breaker measures, which resulted in more works being carried out and an increase in revenue from all the Target's business segments.

Gross profit increased by S\$3.4 million or 274.3%, from S\$1.3 million in FY2020 to S\$4.7 million in FY2021 and gross profit margin also improved from 6.7% in FY2020 to 12.6% in FY2021, due mainly to higher margins achieved from all business segments and higher revenue in FY2021.

Other income and gains increased by S\$438,000, from S\$268,000 in FY2020 to S\$706,000 in FY2021, due mainly to higher government grants received as the Singapore Government provided more grants to the Target as part of the COVID-19 relief measures.

Other losses decreased by approximately S\$416,000 or 69.7% from S\$597,000 in FY2020 to S\$181,000 in FY2021. Other losses incurred in FY2021 were due to expenses incurred for the Proposed Acquisition.

Arising from the above, the Target registered a net profit of S\$2.4 million in FY2021 compared to a net loss of S\$1.6 million in FY2020.

Excluding other income and gains, and other losses, the Target would have a lower adjusted net profit of S\$1.8 million in FY2021 and a lower adjusted net loss of S\$1.3 million in FY2020.

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8M2022 vs 8M2021

Revenue increased by approximately S\$5.1 million or 26.3%, from S\$19.4 million in 8M2021 to S\$24.5 million in 8M2022, amidst the gradual reopening of the economy in Singapore.

Gross profit increased by approximately S\$1.2 million or 60.9%, from S\$2.0 million in 8M2021 to S\$3.2 million in 8M2022, due to increase in overall revenue. Gross profit margin also improved from 10.2% in 8M2021 to 13.0% in 8M2022, due mainly to higher gross profit margins achieved from both commercial and residential segments during 8M2022.

Other income and gains decreased by S\$300,000 from S\$471,000 in 8M2021 to S\$171,000 in 8M2022, due mainly to lower government grants received during 8M2022.

Other losses of S\$479,000 incurred in 8M2022 were in relation to the expenses incurred for the Proposed Acquisition.

The Target recorded a lower net profit of S\$545,000 in 8M2022, compared to a net profit of S\$934,000 in 8M2021, due mainly to an increase in administrative expenses by S\$0.5 million as the Target reinstated salaries for all its employees with effect from April 2021.

Excluding other income and gains, and other losses, the Target would have a higher adjusted net profit of S\$853,000 in 8M2022 and a lower adjusted net profit of S\$463,000 in 8M2021.

Order book of the Target

As disclosed in Section 4.11 of Appendix A to the Circular, as at the Latest Practicable Date, the Target has an order book of approximately S\$76.7 million, which will generally be fulfilled in the next 2 years. This amount represents the aggregate contract value of all projects which have been awarded to the Target and are currently in various stages of progress, and includes confirmed variation orders of works which have yet to be performed.

5.2.2 Financial position of the Target

The unaudited statement of financial position and unaudited pro forma statement of financial position of the Target as at 28 February 2022 are set out below:

As at 28 February 2022 S\$'000	Unaudited	Unaudited Pro Forma
<u>Non-current assets</u>		
Property, plant and equipment ("PPE")	1,627	1,627
Right-of-use assets	183	183
Trade and other receivables	3,543	3,543
Deferred tax assets	9	9
	5,362	5,362
<u>Current assets</u>		
Contract assets	11,860	11,860
Other assets	362	362
Trade and other receivables	3,449	3,449
Cash and cash equivalents	4,809	3,709
	20,480	19,380
Total assets	25,842	24,742

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As at 28 February 2022 S\$'000	Unaudited	Unaudited Pro Forma
<u>Non-current liabilities</u>		
Lease liabilities	206	206
Other financial liabilities	3,599	3,599
	3,805	3,805
<u>Current liabilities</u>		
Income tax provision	242	242
Trade and other payables	7,651	7,651
Contract liabilities	672	672
Lease liabilities	90	90
Other financial liabilities	6,397	6,397
	15,052	15,052
Total liabilities	18,857	18,857
Equity attributable to owners		
Share capital	1,500	1,500
Retained earnings	5,485	4,385
Total equity / Net assets	6,985	5,885

Source: Section 10.2 of Appendix A to the Circular

On 10 March 2022, shareholders of the Target approved a final dividend totalling S\$1.1 million at the Target's annual general meeting in respect of FY2021 which has not been paid out as at the Latest Practicable Date. The Target intends to make payment no later than December 2022. The payment of these dividends is dependent on the financial position of the Target and will be distributed only if the Target has cash in excess of its working capital requirements for its present requirements and for 18 months after the Completion, and that it is in compliance with Section 403 of the Companies Act. Notwithstanding that the payment for such dividends may be made after the Completion, the Target will not be entitled to such dividends, and the dividends will be paid to the shareholders of the Target as at the date of declaration.

Pro forma statement of financial position of the Target as at 28 February 2022 was prepared on the assumption that the above dividend had been declared and paid on 28 February 2022. Accordingly, cash balance and retained earnings of the Target as at 28 February 2022 decreased by S\$1.1 million.

Other items in the pro forma statement of financial position of the Target as at 28 February 2022 remain the same as the unaudited statement of financial position as at that date.

Assets

As at 28 February 2022, the Target had total assets of S\$26.0 million comprising mainly contract assets of S\$11.9 million (45.9% of total assets), and trade and other receivables of S\$7.0 million (27.1% of total assets).

Contract assets relate primarily to the Target's right to consideration for work completed but not billed yet.

Trade and other receivables comprise mainly retention receivables. The retention monies that are receivable after 12 months from the reporting date are recorded as non-current, and they relate mainly to retention receivables from the commercial projects undertaken by the Target.

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The Target owns a 4,047.1 square meters leasehold property located at 39 Sungei Kadut Loop, Singapore 729494, which houses the Target's office, processing facility and workers' dormitory. The net book value of the leasehold property and leasehold improvements amounting to a total of S\$1.4 million are classified under PPE while the carrying value of the land lease pertaining to the property amounting to S\$183,000 is recorded under right-of-use assets. The land is leased from Jurong Town Corporation ("JTC") for a period commencing from 31 August 2015 and will expire on 28 February 2025.

As disclosed in Section 6.3 of Appendix A to the Circular, as the lease will expire on 28 February 2025, the Target had started discussions with JTC on the potential options for relocation to a larger facility, subject to suitable premises becoming available and cost considerations.

Liabilities

As at 28 February 2022, the Target had total liabilities of S\$18.9 million comprising mainly other financial liabilities of S\$10.0 million (53.0% of total liabilities), and trade and other payables of S\$7.7 million (40.6% of total liabilities). Other financial liabilities comprise mainly bank borrowings of S\$5.1 million and bills payables of S\$4.9 million.

Equity

The Target does not have any intangible assets. Hence, its net asset value ("NAV") is the same as its net tangible assets ("NTA").

Following the impact of the dividend of S\$1.1 million in respect of FY2021 to be paid out post FY2021, the pro forma NAV of the Target as at 28 February 2022 is S\$5.9 million.

5.3 Implied valuation multiples of the Target based on the Purchase Consideration

For the purposes of our analysis, we have considered the valuation of the Target implied by the Purchase Consideration and based on the historical financial information of the Target in terms of the earnings approach and net asset backing approach as explained below.

Price-earnings ratio ("PER")

PER is a commonly used earnings approach which illustrates the valuation ratio of the current market value of a company's shares relative to its earnings per share. The PER is affected by, *inter alia*, the capital structure of a company, its tax position as well as its accounting policies relating to depreciation and intangible assets. The PER is commonly used for the purpose of illustrating the profitability and hence the valuation of a company as a going concern.

As set out in Section 5.2.1 of this Letter, the other income and gains, and other losses are exceptional items for the Target, and hence we have excluded these items to determine the adjusted net profit/(loss) of the Target for the purpose of our evaluation of the financial performance of the Target.

Based on the trailing 12 months period ("T12M") from 1 March 2021 to 28 February 2022, the Target's adjusted net profit for T12M is S\$2.2 million. Accordingly, the historical PER of the Target implied by the Purchase Consideration is **11.2 times** respectively.

Price-to-NAV ("P/NAV") ratio

P/NAV ratio is a commonly used net asset backing approach which shows the extent to which the shares of a company is backed by its net assets.

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The NAV based valuation approach provides an estimate of the value of a company assuming the hypothetical sale of all its assets over a reasonable period of time and would be more relevant for asset-based companies or where the subject company intends to realise or convert the uses of all or most of its assets. Such a valuation approach would be particularly appropriate when applied in circumstances where the business is to cease operations or where the profitability of the business being valued is not sufficient to sustain an earnings-based valuation.

Based on the Target's unaudited pro forma financial position as at 28 February 2022, the pro forma NAV of the Target is S\$5.9 million. Accordingly, the P/NAV ratio implied by the Purchase Consideration is **4.2 times**.

5.4 Independent valuation of the Target

For the purposes of the Proposed Acquisition, the Company had commissioned Mazars as the Independent Valuer to determine the Market Value of 100% equity interest in the Target as at 28 February 2022, being the Valuation Date.

Market Value is defined by the International Valuation Standards Council as *"the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion"*.

The Independent Valuer had considered the three generally-accepted valuation approaches, namely the Income Approach, the Market Approach and the Cost Approach. The following is extracted from Section 3 of the Valuation Summary Letter:

"On the basis that L&A's operations are expected to continue for the foreseeable future, we have relied on the income approach and the market approach to estimate the Market Value range of the 100% equity interest in L&A.

Since the market approach is performed from a market participant's perspective whereby the resulting valuation would be a marketable minority value, a control premium is applied to derive the market value range on a financial control basis. The control premium that we have applied is based on the FactSet Mergerstat/ BVR study which gives indications on the level of control premiums and minority interest discount. The most recent study we have referenced to was performed in the first quarter of 2021 which was conducted on both domestic (US) and international transactions for publicly traded companies across multiple industries (i.e. agriculture, mining, construction, manufacturing, transportation, wholesale trade, retail, finance, insurance, real estate, services and others). The control premium of 29.5% is derived from the median control premiums over the period 2015 to 1Q21. This period was selected according to the standard business valuation practice at Mazars.

The value of L&A is dependent on its ongoing operations rather than the current net book value of its tangible assets and liabilities. As such, we have not relied on the cost approach in this engagement. We did not rely on the Guideline Transaction Method as the transaction multiples typically include deal specific synergy and conditions. We did not rely on the cost approach as it fails to capture the income-generating potential of the Target."

Further details on the Income and Market Approaches

The Independent Valuer had adopted the discounted cash flow method under the Income Approach and estimated the Market Value range of the Target to be approximately S\$26,321K and S\$30,728K based on:

- the financial forecast and assumptions provided by the management of the Target from 1 March 2022 to 30 June 2022 (i.e. 4M2022) to FY2026;

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- the weighted average cost of capital of 12.7% to discount the projected free cash flow to firm for the forecast period;
- projected capital expenditure of S\$2.5 million each in FY2025 and FY2026 for the Target's new facility as the lease on its existing facility located at 39 Sungei Kadut Loop will expire on February 2025 and the Target will have to relocate;
- a terminal value assuming a long-term growth rate of 1.5% based on the projected inflation rate in Singapore; and
- adjustments to enterprise value to arrive at the equity value of the Target including the declared dividend of S\$1.1 million to be paid out to existing shareholders of the Target no later than December 2022.

Under the Market Approach, the Independent Valuer had valued the Target based on EV/EBITDA multiple and the normalised FY2021 EBITDA of the Target of S\$2,986K, and estimated the Market Value range of the Target to be between S\$25,164K and S\$29,031K based on:

- the median range of the EV/EBITDA multiples of between 7.0 times and 8.0 times of comparable listed companies in the same industry as the Target. The comparable listed companies are listed on the stock exchanges of Japan, Hong Kong and Singapore;
- a normalised EBITDA of the Target of S\$2,986K using FY2021 EBITDA as a proxy for sustainable EBITDA and after adjusting for one-off items and deducting rental payment for factory (reversal of FRS 116 – Leases adjustment); and
- applying a control premium of 29.5% to the above range of values to derive the Market Value range of the Target on a financial control basis. The Independent Valuer had explained in its Valuation Report that a controlling interest is more valuable than a minority interest as minority shareholders often have little or no control over the operations and strategic directions of the subject company. Control premium is the amount or a percentage by which the pro-rata value of a controlling interest exceeds the pro-rata value of a minority interest. This would imply an EV/EBITDA multiple range of the Target at between 8.9 times and 10.2 times based on the Target's normalised EBITDA and after taking into account a control premium of 29.5%.

Conclusion of value

Based on the Income and Market Approach, the Independent Valuer had estimated the Market Value range of 100% equity interest of the Target to be **S\$25,164K to S\$29,031K** as at the Valuation Date.

As the valuation of the Target determined by the Independent Valuer is not less than S\$25.0 million, under the terms of the SPA, the Purchase Consideration for the Proposed Acquisition is therefore determined to be at S\$25.0 million.

6. PROPOSED WHITEWASH RESOLUTION

6.1 Whitewash Waiver

Under Rule 14.1 of the Code, where (a) any person who acquires whether by a series of transactions over a period of time or not, shares which (taken together with shares held or acquired by persons acting in concert with him) carrying 30% or more of the voting rights in the company; or (b) any person who together with persons acting in concert with him, holds not

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less than 30% but not more than 50% of the voting rights in the company and such person, or any person acting in concert with him, acquires in any period of 6 months additional shares carrying more than 1% voting rights, he is required to make a Mandatory Offer for all the shares in the company which he does not already own or control.

As at the Latest Practicable Date, the Vendors do not hold any interest in the Shares.

Immediately after Completion and the Proposed Placement, upon the issuance of the Consideration Shares, FA Shares, Arranger Shares and Placement Shares, the Vendors will collectively own approximately 63.05% of the Enlarged Share Capital of the Company.

Accordingly, the Vendors will be required to make a Mandatory Offer for the Shares not already owned or controlled by them and their concert parties under Rule 14.1 of the Code unless such an obligation is waived by the SIC.

An application was made to the SIC on behalf of the Vendors for the Whitewash Waiver to waive the Vendors of their obligation to make the Mandatory Offer for the Company under Rule 14.1 of the Code as a result of the issuance of the Consideration Shares to the Vendors.

6.2 SIC Conditions

On 16 June 2022, the SIC had granted the Whitewash Waiver to the Vendors subject to the satisfaction of SIC Conditions, details of which are set out in Section 3.3 of the Circular.

The SIC Conditions include *inter alia* the following:

- (a) the Proposed Whitewash Resolution to be approved by a majority of the Shareholders present and voting at the EGM, by way of a poll, and the Vendors, parties acting in concert with them and parties not independent of the Proposed Acquisition will need to abstain from voting on the Proposed Whitewash Resolution;
- (b) the IFA to advise the Independent Shareholders on the Proposed Whitewash Resolution; and
- (c) to rely on the Proposed Whitewash Resolution, approval of the Proposed Whitewash Resolution must be obtained within 3 months from 16 June 2022 and the issue of the Consideration Shares to the Vendors must be completed within 3 months of the date of the approval of the Proposed Whitewash Resolution.

The Independent Shareholders are therefore asked to vote, on a poll, on the Proposed Whitewash Resolution as an ordinary resolution at the EGM.

6.3 We wish to highlight to the Recommending Directors to advise the Independent Shareholders that:

- the Proposed Acquisition is conditional upon them voting in favour of the Proposed Whitewash Resolution, and if Independent Shareholders do not vote in favour of the Proposed Whitewash Resolution, the Proposed Acquisition will not take place;
- by voting in favour of the Proposed Whitewash Resolution, Shareholders will be waiving their rights to a Mandatory Offer from the Vendors at the highest price paid by the Vendors and their concert parties for the Shares in the past 6 months preceding the commencement of the offer; and

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- the allotment and issue of the Consideration Shares to the Vendors pursuant to the Proposed Acquisition will result in the Vendors and their concert parties holding Shares carrying over 49% of the voting rights in the Company based on the Enlarged Share Capital of the Company at Completion, and the Vendors and their concert parties would thereafter be free to acquire further Shares without incurring any obligation under Rule 14 of the Code to make a general offer.

In this regard, we wish to highlight that in view of the Undertakings given by Mr Wee Henry and Mr Sun Bowen as set out in Sections 4.3 and 4.4 of this Letter, all the ordinary and special resolutions to be tabled at the EGM, including the Proposed Whitewash Resolution, will therefore be passed.

7. EVALUATION OF THE PROPOSED WHITEWASH RESOLUTION

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

- (a) rationale for and benefits of the Proposed Acquisition;
- (b) assessment of the Purchase Consideration of the Proposed Acquisition;
- (c) assessment of the Issue Price of the Consideration Shares;
- (d) Proposed Whitewash Resolution and the dilution impact on Independent Shareholders; and
- (e) other relevant considerations.

7.1 Rationale for and benefits of the Proposed Acquisition

It is not within our terms of reference to comment or express an opinion on the merits of the Proposed Acquisition or the future prospects of the Company and/or the Enlarged Group after the Proposed Acquisition. Nevertheless, we have reviewed the Company's rationale for and benefits of the Proposed Acquisition as set out in Section 2.2 of the Circular.

We note the following salient points:

- the Company has been on the Watch-List since 5 December 2018 and is deemed a "cash company" with effect from 4 November 2021 following the disposal of its entire existing business for cash. Further, following the Cash Distribution to Shareholders of bulk of the cash proceeds from the above Disposal, the Company is left with minimal assets comprising mainly cash as at the Latest Practicable Date;
- under Rule 1315 of the Listing Manual, the Company must take active steps to exit from the Watch-List within 36 months from the date it was placed on the Watch-List. Otherwise, the SGX-ST may either remove the Company from the Official List or suspend trading of the Shares with a view to removing the Company from the Official List. In addition, under Rule 1018 of the Listing Manual in relation to "cash company", the SGX-ST will proceed to delist the Company if it is unable to meet the requirements for a new listing within 12 months (with a maximum extension of another 6 months with the approval of the SGX-ST), from the date it becomes a cash company. The Company was granted extension of time by the SGX-ST to exit from the Watch-List, in particular, to convene its EGM for the Proposed Acquisition by 22 July 2022 and complete the Proposed Acquisition by 4 August 2022;

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- the current Board is of the view that the Proposed Acquisition and Proposed Listing Transfer are in the best interests of the Company and Shareholders, as it presents an opportunity for the Company to meet the SGX-ST's requirements of a new listing on the Catalist Board, allowing the Company to maintain its listing status on the SGX-ST, and to exit the Watch-List; and
- the current Board also believes that the Proposed Acquisition will have the potential to increase the market capitalisation and widen the investor base of the Company, thereby enabling the Company to attract more extensive analyst coverage and increase investors' interest in the Shares.

7.2 Assessment of the Purchase Consideration of the Proposed Acquisition

In assessing the Purchase Consideration of the Proposed Acquisition, we have taken into consideration the following:

- (a) independent valuation of the Target; and
- (b) comparison with valuation statistics of comparable listed companies.

7.2.1 Independent valuation of the Target

The Independent Valuer had estimated the Market Value range of 100% equity interest of the Target to be approximately S\$25.2 million to S\$29.0 million as at the Valuation Date.

The Purchase Consideration of S\$25.0 million is therefore supported by the independent market valuation. The Purchase Consideration represents a discount of between 0.7% and 13.9% to the above Market Value range of the Target.

Salient information on the independent valuation of the Target is set out in Section 5.4 of this Letter.

7.2.2 Comparison with valuation statistics of comparable listed companies

The Target is principally engaged in the provision of interior designing, renovations and fitting-out services, additions & alterations works, and other building construction services in Singapore.

We have therefore considered the valuation statistics of listed companies that are involved in businesses which can be considered as broad proxies to the principal business activities of the Target for comparison ("**Comparable Companies**"). As there is only one Comparable Company listed on the SGX-ST, we have expanded our search to include companies listed on the Stock Exchange of Hong Kong ("**HKSE**"). In total, there are 7 Comparable Companies, one listed on the SGX-ST and 6 listed on the HKSE.

We have made a comparison of the valuation statistics based on the PER and P/NAV ratio of the Comparable Companies against those of the Target as at the Latest Practicable Date.

We had discussions with Management about the suitability and reasonableness of the selected Comparable Companies acting as a basis for comparison with the Target. Relevant information has been extracted from Bloomberg L.P., publicly available annual reports and/or public announcements of the selected Comparable Companies. We make no representations or warranties, expressed or implied, as to the accuracy or completeness of such information. The accounting policies of the selected Comparable Companies with respect to the values for which the assets, revenue or cost are recorded may differ from that of the Target.

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We wish to highlight that the selected Comparable Companies are not exhaustive and it should be noted that there may not be any listed company that is directly comparable with the Target in terms of location, business activities, customer base, size of operations, asset base, geographical spread of activities, geographical markets, track record, financial performance, operating and financial leverage, future prospects, liquidity, quality of earnings, accounting policies, risk profile and other relevant criteria. As such, any comparison made herein is necessarily limited and it may be difficult to place reliance on the comparison of valuation statistics for the selected Comparable Companies. Therefore, any comparison made serves only as an illustrative guide.

A brief description of the selected Comparable Companies, as extracted from Bloomberg L.P. and/or their respective annual reports, is set out below:

Comparable Company	Stock Exchange	Principal Businesses
Kingsmen Creatives Ltd (" Kingsmen ")	SGX-ST	Kingsmen specialises in the design and production of interiors, exhibitions, decorations, museums and thematics. It also engages in the development and operation of experiential and themed attractions, as well as the provision of corporate marketing and other related services.
Pico Far East Holdings Ltd (" Pico ")	HKSE	Pico is principally engaged in the design and fabrication of exhibitions, meeting architecture, museum and themed entertainment fits out, and branding activation. It also organises exhibitions and conferences and provides hall management services.
Sundart Holdings Ltd (" Sundart ")	HKSE	Sundart specialises in the provision of interior fitting-out, alteration and addition, construction works, as well as the manufacturing, sourcing and distribution of interior decorative materials. It serves customers in Hong Kong and Macau.
IBI Group Holdings Ltd (" IBI ")	HKSE	IBI operates as a building contractor, focusing on providing industrial, commercial, and office interior renovation and refurbishment services in Hong Kong and Macau.
K W Nelson Interior Design and Contracting Group Ltd (" K W Nelson ")	HKSE	K W Nelson operates as an interior decorator and provides interior designing, project management services, and fitting-out works for contracting offices, retail spaces and other fields in Hong Kong.
DCB Holdings Ltd (" DCB ")	HKSE	DCB specialises in the provision of fitting-out and renovation services for different types of premises in the private sector. Such premises include residential apartments and dwellings, showflats, clubhouses, offices, public areas, shops and shopping malls in Hong Kong.
Lai Group Holding Co Ltd (" Lai Group ")	HKSE	Lai Group is principally engaged in the provision of interior design and fit-out services in Hong Kong.

Source: Bloomberg L.P. and/or respective annual reports of the Comparable Companies

The comparison of the valuation statistics of the Comparable Companies and the Target as at the Latest Practicable Date is set out below:

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Comparable Company	Last financial year end	Market capitalisation as at the Latest Practicable Date (\$ million equivalent)	PER ⁽¹⁾ (times)	P/NAV ⁽²⁾ (times)
<u>SGX</u>				
Kingsmen	31 Dec 2021	55.5	N/A	0.5
<u>HKSE</u>				
Pico	31 Oct 2021	252.2	23.7	0.7
Sundart	31 Dec 2021	149.1	2.3	0.3
IBI	31 Mar 2021	43.9	4.6	1.5
K W Nelson	31 Dec 2021	32.1	N/A	1.4
DCB	31 Mar 2021	31.2	N/A	2.2
Lai Group	31 Mar 2021	6.2	N/A	0.8
High			23.7	2.2
Low			2.3	0.3
Mean			10.2	1.1
Median			4.6	0.8
Target (implied by the Purchase Consideration)	30 Jun 2021	25.0	11.2 (based on adjusted T12M net profit)	4.2 (based on pro forma NAV as at 28 February 2022)

Source: Bloomberg L.P., annual reports and latest publicly available financial information of the Comparable Companies

Notes:

- (1) the PERs of the Comparable Companies are computed based on their T12M profits attributable to owners of the company as set out in their latest available published interim results or latest full year results, whichever is applicable, as at the Latest Practicable Date, after excluding COVID-related government grants and rental concessions. N/A means not applicable as the Comparable Companies had incurred losses after adjustments; and
- (2) the P/NAV ratios of the Comparable Companies are computed based on (a) their respective NAV values as set out in their latest published financial statements and/or annual reports available as at the Latest Practicable Date; and (b) their market capitalisations as at the Latest Practicable Date.

Based on the above, we note the following:

- (a) of the 7 Comparable Companies, 4 are loss-making after excluding COVID-related government grants and rental concessions, and only 3 have PER statistics. We note that the PER of the Target of 11.2 times implied by the Purchase Consideration is within the wide range of the PER statistics of the Comparable Companies of between 2.3 and 23.7 times. The mean and median PER statistics of the Comparable Companies are 10.2 and 4.6 times respectively, compared to the PER of the Target of 11.2 times; and
- (b) the P/NAV ratio of the Target of 4.2 times implied by the Purchase Consideration is significantly above the upper end of the range of the P/NAV ratio of 2.2 times, and hence higher than the mean and median P/NAV ratios of the Comparable Companies of 1.1 and 0.8 times respectively. However, as the Target is valued as a profitable going concern and is not dependent on being asset-heavy as in a real estate company, the P/NAV ratio is less relevant as a valuation metric to assess the Target.

Shareholders should note that the above comparison with the Comparable Companies is purely for illustrative purposes only.

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7.3 Assessment of the Issue Price of the Consideration Shares

In assessing the Issue Price of the Consideration Shares, we have taken into consideration the following:

- (a) comparison with the historical trading performance of the Shares following the Cash Distribution; and
- (b) comparison with shell premium of other SGX-ST listed companies in RTO situations.

7.3.1 Comparison with the historical trading performance of the Shares following the Cash Distribution

Generally, trading liquidity on the Shares is very low.

Following Shareholders' approval for *inter alia* the Cash Distribution at the EGM on 14 October 2021, the Shares had commenced trading on an "ex-Cash Distribution" basis on 13 December 2021.

Initially, the Shares had traded at a high of S\$0.150 on 13 and 14 December 2021, based on daily closing prices. Since then, the Shares had traded from a low of S\$0.043 on 23 March 2022 and up to S\$0.100 on 17 June 2022, i.e the Latest Practicable Date.

During this period from 13 December 2021 to the Latest Practicable Date, trades on the Shares were done on only 23 days out of 129 market days, with an average daily traded volume of 12,217 Shares during these 23 traded days.

The Proposed Acquisition was announced on the basis that the new controlling Shareholders would inject the Target's business into the Company and they would in turn acquire a controlling interest of the Company as a "clean" listed shell with minimal assets and no ongoing existing business.

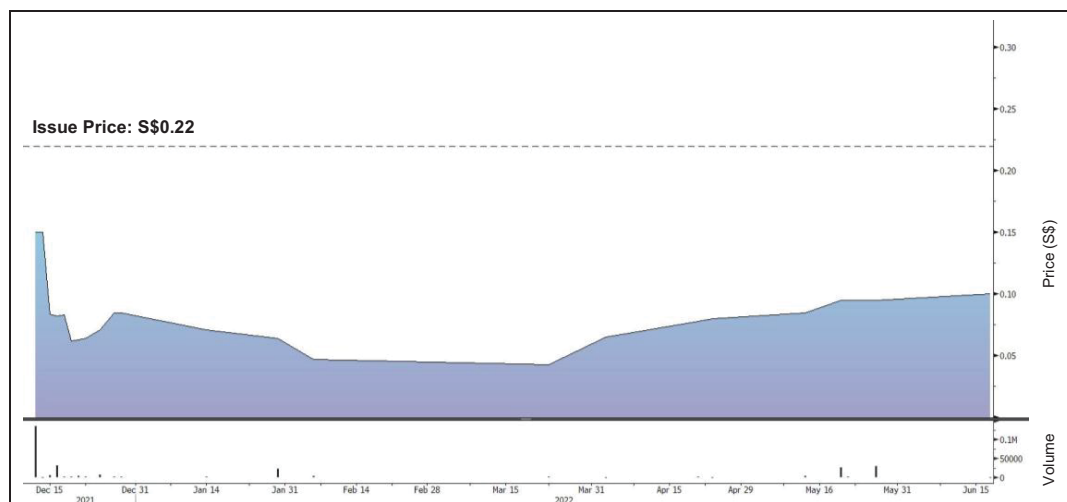
The Issue Price of S\$0.22 for each Consideration Share was therefore negotiated between the Company and the Vendors based on the perceived "shell value" of the Company. Based on the Issue Price and the 46,800,000 outstanding Shares as at the Announcement Date, the implied "shell value" of the Company is approximately S\$10.3 million.

In comparison, based on the last done price of the Shares on 17 June 2022, being the Latest Practicable Date, the market capitalisation of the Company is S\$4.7 million.

The chart below illustrates the historical trading performance of the Shares between 13 December 2021 and up to the Latest Practicable Date ("**Period Under Review**"):

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Price movement and trading volume of the Shares for the Period Under Review



Source: Bloomberg L.P.

Our observations

- based on the above, the Issue Price of S\$0.22 is at a premium of 120% above the last transacted price on the Shares on 17 June 2022, and the implied “shell value” of the Company of S\$10.3 million is significantly higher than the market capitalisation of the Company of S\$4.7 million as at the Latest Practicable Date; and
- the Company has minimal net assets which amounted to S\$129,000 as at 30 April 2022, based on the Company’s latest announcement of its monthly valuation of assets and utilisation of cash as at the Latest Practicable Date. In view of the minimal net assets of the Company, this will not have a material impact on the implied “shell value” of the Company.

7.3.2 Comparison with shell premium of other SGX-ST listed companies in RTO situations

We have also made a comparison of the shell premia of selected SGX-ST listed companies in similar RTO situations, which were announced and completed in the last 6 years (“**Precedent RTO Transactions**”).

These Precedent RTO Transactions include selected SGX-ST listed companies (i) which had minimal NAV, or the existing assets or businesses of these companies were disposed of for cash as part of the RTO exercise or its NAV comprised mainly cash; and (ii) the purchase consideration for the incoming assets was fully satisfied via the issuance of new shares of the listed companies to the new controlling shareholder(s).

There are 4 of such Precedent RTO Transactions.

We wish to highlight that the Precedent RTO Transactions set out below are by no means exhaustive and the information relating to the Precedent RTO Transactions was compiled from publicly available information. In addition, the Precedent RTO Transactions may not be directly comparable to the RTO exercise to be carried out by the Company, in terms of business activities, scale of operations, market capitalisation, geographical spread, risk profile, accounting policies, financial performance, operating and financial leverage, track record and future prospects.

As such, any comparison made with respect to the Precedent RTO Transactions is intended to serve as an illustrative guide only.

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A brief description of the selected Precedent RTO Transactions based on the respective announcements and circulars pertaining to these transactions is set out below:

Name	SGX-ST Mainboard / Catalyst	Description of the listed company	Description of incoming business in the RTO exercise
SHC Capital Asia Limited (“ SHC ”) (now known as Memories Group Limited)	Catalist	Deemed a “cash company” under Catalist Rules; distribution of excess cash to shareholders via capital reduction, after setting aside S\$5 million cash in the company pursuant to the terms of the RTO	Principally engaged in the provision of tourism services
China Bearing Singapore Ltd. (“ China Bearing ”) (now known as Silkroad Nickel Ltd.)	Transfer from Mainboard to Catalist	Deemed a “cash company” under Catalist Rules; net asset position of S\$11 million comprising substantially cash	Principally engaged in the business of exploration, mining, production and sale of nickel ore
Lereno Bio-Chem Ltd (“ Lereno ”) (now known as KTMG Limited)	Catalist	Deemed a “cash company” under Catalist Rules; insignificant NAV position after capitalisation and waiver of existing amount owing to various parties including a substantial shareholder and a director	Principally engaged in contract manufacturing of apparel
Jason Holdings Limited (“ JHL ”) (now known as Revez Corporation Ltd.)	Catalist	Existing business to be disposed of for minimal consideration, resulting in net liability position of S\$1.2 million	Principally engaged in the provision of creative IT solutions

Source: Circulars of the respective Precedent RTO Transactions

Name	Date of announcement ⁽¹⁾	Date of completion	NAV ⁽²⁾ (S\$' million)	Implied market capitalisation ⁽³⁾ (S\$' million)	Implied listed shell premium ⁽⁴⁾ (S\$' million)
SHC	24 Oct 2016	26 Dec 2017	5.0	11.5	6.5
China Bearing	1 Nov 2016	5 Jul 2018	11.1	20.0	9.0
Lereno	29 Sep 2017	18 Feb 2019	0.0	5.5	5.5
JHL	5 Nov 2018	23 May 2019	(1.2)	10.0	11.2
High					11.2
Low					5.5
Mean					8.1
Median					7.8

Company	22 April 2021	0.1⁽⁵⁾	10.3	10.2
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Source: Announcements and circulars of the respective Precedent RTO Transactions

Notes:

- (1) announcement date of the sale and purchase agreement of the respective Precedent RTO Transactions;
- (2) NAV or adjusted NAV of the Precedent RTO Transactions as disclosed in the respective companies' circulars;
- (3) implied by the issue price of the new shares issued by the respective listed companies and their existing issued number of shares, and in the case of Lereno, after the capitalisation of amount owing to various parties;
- (4) based on the excess of the implied market capitalisation above the NAV of the respective listed companies; and
- (5) based on the Company's latest monthly announcement of its net assets as at 30 April 2022.

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Based on the above, we note that the implied listed shell premium accorded to the Company is at the upper end of the range, and above the mean and median shell premia of the Precedent RTO Transactions.

7.4 Proposed Whitewash Resolution and the dilution impact on Independent Shareholders

As set out in Section 4 of this Letter, on Completion, the Company will issue the Consideration Shares, FA Shares and Arranger Shares to the respective parties, and on the assumption that the Company proceeds with the Proposed Placement of the maximum number of Placement Shares, the issuance of these new Shares will significantly dilute the existing shareholding interest of the Independent Shareholders after Completion and the Proposed Placement.

The shareholding interests of the various parties before and after Completion and the Proposed Placement are summarised in the table below:

	Before		After	
	No. of Shares	%	No. of Shares	%
<u>Existing controlling Shareholders</u>				
- Mr Wee Henry	24,665,699	52.70	24,665,699	13.69
- Mr Sun Bowen ⁽¹⁾	15,140,000	32.35	-	-
Existing controlling/substantial Shareholders	39,805,699	85.05	24,665,699	13.69
<u>Vendors as new controlling/substantial Shareholders</u>				
- Mr Tan Jit Meng	-	-	45,454,545	25.22
- Mr Soh Loong Chow Jackie	-	-	45,454,545	25.22
- Mr Tan Chee Khoon	-	-	22,727,273	12.61
New controlling/substantial Shareholders	-	-	113,636,363	63.05
<u>Financial Adviser/Arranger</u>				
- Financial Adviser	-	-	454,545	0.25
- Arranger	-	-	5,681,818	3.15
Financial Adviser/Arranger	-	-	6,136,363	3.40
<u>Public Shareholders</u>				
- Existing public Shareholders ⁽²⁾	6,994,301	14.95	6,994,301	3.88
- Placement Shares ⁽³⁾	-	-	13,650,000	7.57
- Mr Sun's sale of existing Shares	-	-	6,600,000	3.66
- Mr Sun Bowen ⁽¹⁾	-	-	8,540,000	4.74
Public Shareholders⁽⁴⁾	6,994,301	14.95	35,784,301	19.86⁽⁵⁾
Total	46,800,000	100.00	180,222,726	100.00

Notes:

- (1) under the present scenario, Mr Sun Bowen intends to dispose of 6.6 million of his existing Shares and will accordingly cease to be a substantial Shareholder after Completion and the Proposed Placement. As a result, the remaining 8.54 million Shares held by him will be considered as Shares held in the hands of the public;
- (2) existing public Shareholders' interests will be diluted significantly from 14.95% to 3.88% post Completion due to the issuance of the significant number of new Shares in connection with the RTO exercise and the Proposed Placement;
- (3) based on the maximum number of Placement Shares;
- (4) immediately after Completion and the Proposed Placement, an aggregate of 35,784,301 Shares, representing 19.86% of the Enlarged Share Capital, will be deemed held by public Shareholders; and
- (5) does not add up to 19.86% due to rounding.

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Our observations

- (a) As at the Latest Practicable Date, the Vendors do not hold any Shares. The issuance of the Consideration Shares to the Vendors will result in them holding collectively 63.05% of the Enlarged Share Capital of the Company. Mr Tan Jit Meng and Mr Soh Loong Chow Jackie will each become a new controlling Shareholder;
- (b) As the Vendors will collectively own more than 50% of the Enlarged Share Capital, they will be able to pass all ordinary resolutions proposed by the Company at Shareholders' general meetings, other than resolutions where they are conflicted to vote on e.g. in relation to interested person transactions where the Vendors are deemed as interested persons;
- (c) The existing controlling Shareholders, namely Mr Wee Henry and Mr Sun Bowen, will cease to be controlling Shareholders after Completion. Mr Wee Henry remains as a substantial Shareholder immediately after Completion. Mr Wee Henry has nominated his son, Mr Milton Wee, as a Non-Executive and Non-Independent Director of the Company.
- (d) If Mr Sun Bowen disposes of some of his existing Shares before Completion, he will cease to be a substantial Shareholder and his remaining shareholding interest of less than 5% of the Enlarged Share Capital will be considered as part of public float of the Company;
- (e) The Vendors, Mr Wee Henry, Financial Adviser and the Arranger, who have given their respective Moratorium Undertakings or Voluntary Moratorium Undertakings in relation to their Shares will not be considered as public Shareholders during the relevant moratorium period;
- (f) The aggregate shareholding interest of the existing public Shareholders will be diluted significantly from 14.95% to 3.88% due to the issuance of the significant number of new Shares for the RTO exercise including the Proposed Placement;
- (g) The Company will maintain its public float at above 15.0% as a result of the Proposed Placement of up to 13,650,000 Placement Shares, the disposal of some of Mr Sun Bowen's existing Shares to unrelated parties and the re-classification of Mr Sun Bowen's remaining Shares (of less than 5% of the Enlarged Share Capital) as shares held in the hands of the public;
- (h) The Proposed Acquisition is conditional upon *inter alia* the approval of the Proposed Whitewash Resolution by the Shareholders at the EGM, by way of a poll, with the Vendors, parties acting in concert with them and parties not independent of the Proposed Acquisition abstaining from voting on the Proposed Whitewash Resolution.
- (i) We note that the Vendors and their concert parties do not hold any Shares. The Proposed Whitewash Resolution would therefore be voted on by existing Shareholders. In this regard, we wish to highlight that in view of the Undertakings given by Mr Wee Henry and Mr Sun Bowen as set out in Sections 4.3 and 4.4 of this Letter, all the ordinary and special resolutions to be tabled at the EGM, including the Proposed Whitewash Resolution, will be passed;
- (j) Independent Shareholders should note that the Whitewash Waiver, if approved at the forthcoming EGM, will waive the requirement of the Vendors and their concert parties from making the general offer for all the remaining Shares at the highest price paid or agreed to be paid by them for the Shares in the last six months preceding the commencement of the offer;

APPENDIX E – LETTER FROM PROVENANCE CAPITAL PTE. LTD. TO THE RECOMMENDING DIRECTORS

- (k) Independent Shareholders should also note that the issue of the Consideration Shares will result in the Vendors and their concert parties holding over 49% of the Enlarged Share Capital, and the Vendors and their concert parties can thereafter be free to acquire further Shares without incurring any Mandatory Offer obligations; and
- (l) To rely on the Whitewash Waiver, the Proposed Whitewash Resolution must be obtained within 3 months from 16 June 2022 and the issue of the Consideration Shares to the Vendors must be completed within 3 months of the date of the approval of the Proposed Whitewash Resolution.

7.5 Other relevant considerations

7.5.1 Undertakings by existing controlling Shareholders to vote in favour of the resolutions

As set out in Sections 4.3 and 4.4 of this Letter, the existing controlling Shareholders, namely Mr Wee Henry and Mr Sun Bowen, who hold 52.7% and 32.4% respectively (and collectively 85.1%) of the total number of existing Shares as at the Latest Practicable Date, have provided Undertakings to exercise or procure the exercise of all the voting rights attributable to the Shares held by them, to vote in favour of all the resolutions to be tabled at the EGM.

In view of the above Undertakings, all the ordinary and special resolutions to be tabled at the EGM will therefore be passed.

7.5.2 All new Shares to be issued at the same Issue Price

We note that the Consideration Shares, FA Shares, Arranger Shares and the Placement Shares are to be issued at the same Issue Price.

As the Vendors are unrelated to the Financial Adviser, Arranger and the potential placees for the Proposed Placement, the Consideration Shares to be issued to the Vendors could be viewed as being transacted on terms similar to and not more favourable than unrelated third parties.

7.5.3 Financial effects on the Enlarged Group after the RTO exercise

Details on the financial effects of the Proposed Acquisition and Proposed Placement on the Enlarged Group in connection with the RTO exercise are set out in Section 13 of the Circular. The financial effects are computed based on the respective latest audited financial information of the Company and the Target for FY2021, and certain assumptions. The Company and the Target have similar financial year end i.e. 30 June.

Shareholders should note that the financial effects are for illustrative purposes only and do not purport to be an indication or a projection of the results and financial position of the Enlarged Group after the completion of the RTO exercise.

In summary, we note that the RTO exercise would result in the following financial effects on the Enlarged Group:

- (i) Share Capital

The paid-up share capital of the Company will be enlarged significantly due mainly to the issuance of the Consideration Shares, FA Shares, Arranger Shares and Placement Shares at the Issue Price.

The paid-up capital will increase from S\$6.2 million comprising 46.8 million Shares to approximately S\$35.5 million comprising 180.2 million Shares.

APPENDIX E – LETTER FROM PROVENANCE CAPITAL PTE. LTD. TO THE RECOMMENDING DIRECTORS

(ii) NAV/NTA of the Enlarged Group

The NAV of the Enlarged Group will increase by the NAV of the Target and the Proposed Placement less estimated expenses for the RTO exercise.

(iii) Earnings of the Enlarged Group

The Enlarged Group will have a resultant higher loss after the Proposed Acquisition and Proposed Placement despite the net profit achieved by the Target due mainly to the one-off estimated expenses incurred for the RTO exercise.

7.5.4 Risk factors relating to the Target and its Business

The Company has identified a list of risk factors relating to the Target and its Business which will be relevant to the Enlarged Group. Details of the risk factors are set out in Section 2.7 of the Circular.

Some of the headline material risk factors are listed below:

- (a) the Target's projects are non-recurring in nature. The Target's financial performance depends on its ability to secure new projects and its historical financial performance may not be indicative of its future financial performance;
- (b) the Target's order book may not be indicative of its future revenue and profitability;
- (c) the Target is dependent on its suppliers for the supply of raw materials and building products;
- (d) the Target is dependent on the services of its subcontractors;
- (e) the Target may face cost overruns in its projects;
- (f) the Target may be liable for delays in the completion of projects and any resulting liquidated damages;
- (g) re-measurement terms of works and/or variation orders could result in the total contract sum of its project being reduced;
- (h) the Target's ability to secure new projects may depend on its ability to secure performance bond guarantees and other bank facilities, and its performance bonds may be forfeited in the event of any non-fulfilment of contract performance by the Target;
- (i) the Target is exposed to its customers' credit risks and may face liquidity issues should there be any delays in projects by Target or its subcontractors, or delays in certifying works completed and/or late non-payments by its customers;
- (j) disputes, claims or legal proceedings may have a material and adverse impact on the Target's business;
- (k) the Target is dependent on foreign labour and inability to obtain foreign labour or increased costs of foreign labour could materially affect its operations and financial performance;
- (l) the Target is dependent on key personnel for its continued success;

APPENDIX E – LETTER FROM PROVENANCE CAPITAL PTE. LTD. TO THE RECOMMENDING DIRECTORS

- (m) the lease in respect of the Target's current premises will expire on 28 February 2025 and relocation may cause disruption to its operations;
- (n) any non-renewal, suspension, downgrading or revocation of any of the Target's licences, permits or its registrations under the Contractors Registration System could adversely affect its operations and financial performance; and
- (o) the Target had and may in future have negative cash flows from operating activities.

7.5.5 Reconstitution of the Board and appointment of new Directors

As set out in Section 3.2 of this Letter, the current board of directors of the Company will step down after Completion and the new board of directors of the Company, comprising the following members, will be re-constituted:

- (a) Dr Tan Kok Heng (Independent and Non-Executive Chairman);
- (b) Mr Tan Jit Meng (Managing Director);
- (c) Mr Lu King Seng (Independent and Non-Executive Director); and
- (d) Mr Milton Wee (Non-Executive and Non-Independent Director).

As mentioned in Sections 3.2 and 7.4 of this Letter, Mr Milton Wee is the son of Mr Wee Henry, who through his direct and indirect interest in the Company, will cease to be the Controlling Shareholder but will remain as a substantial Shareholder immediately after Completion.

8. OUR OPINION

In arriving at our opinion in respect of the Proposed Whitewash Resolution, we have reviewed and deliberated on the following key considerations which we consider to be pertinent in our assessment:

- (a) rationale for and benefits of the Proposed Acquisition;
- (b) assessment of the Purchase Consideration of the Proposed Acquisition;
- (c) assessment of the Issue Price of the Consideration Shares;
- (d) Proposed Whitewash Resolution and the dilution impact on Independent Shareholders; and
- (e) other relevant considerations.

Overall, based on our analysis and after having considered carefully the information available to us, we are of the view that the financial terms of the Proposed Acquisition, being the subject of the Proposed Whitewash Resolution, are fair and reasonable, and the Proposed Whitewash Resolution, when considered in the context of the Proposed Acquisition, is not prejudicial to the interest of the Independent Shareholders.

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

APPENDIX E – LETTER FROM PROVENANCE CAPITAL PTE. LTD. TO THE RECOMMENDING DIRECTORS

Our opinion, as disclosed in this Letter, is based on publicly available information and information provided by the Directors and Management, and does not reflect any projections of future financial performance of the Company and/or the Enlarged Group after the completion of the Proposed Acquisition. In addition, our opinion is based on the economic and market conditions prevailing as at the Latest Practicable Date and is solely confined to our views on the Proposed Whitewash Resolution.

We have prepared this Letter for the use of the Recommending Directors in connection with their consideration of the Proposed Whitewash Resolution and their advice to the Independent Shareholders arising thereof. The recommendation to be made to the Independent Shareholders in relation to the Proposed Whitewash Resolution shall remain the responsibility of the Recommending 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 purposes, other than for the purposes of the EGM and the Proposed Whitewash Resolution, at any time and in any manner without the prior written consent of Provenance Capital in each specific case.

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
PROVENANCE CAPITAL PTE. LTD.

Wong Bee Eng
Chief Executive Officer

APPENDIX F – VALUATION SUMMARY LETTER

21 June 2022

The Board of Directors
Fabchem China Limited
8 Robinson Road
#03-00
Singapore 048544

INDEPENDENT VALUATION SUMMARY LETTER

IN RELATION TO PROPOSED ACQUISITION OF ALL THE ISSUED AND FULLY-PAID SHARES IN THE CAPITAL OF LINCOTRADE & ASSOCIATES PTE LTD RESULTING IN A REVERSE TAKEOVER (“RTO”) UNDER CHAPTER 10 OF THE LISTING RULES (“PROPOSED ACQUISITION”)

Dear Sirs/Madames,

1. Introduction

Mazars LLP (“Mazars”) have been engaged by Fabchem China Limited (“Fabchem” or the “Client”) to perform an independent business valuation exercise to estimate the Market Value range of the 100% equity interest in Lincotrade & Associates Pte Ltd (“L&A” or the “Target”) in relation to the Proposed Acquisition and RTO. The valuation exercise was performed as of 28 February 2022 (the “Valuation Date”).

This letter is addressed strictly to Fabchem and has been prepared solely for the purpose of disclosure as an appendix in the Client’s Circular to be issued in relation to the Proposed Acquisition and RTO. All capitalised terms used in this letter shall have the same meanings as ascribed to them in the Circular. This is a summary of the information contained in our independent business valuation report dated 21 June 2022 (the “**Valuation Report**”). Accordingly, this letter should be read in conjunction with the full text of the Valuation Report.

Our Valuation Report was prepared in accordance with the requirements of International Valuation Standards (“IVS”).

2. Terms of Reference

This letter and the Valuation Report do not constitute any opinion or an advice concerning the merits of any potential acquisition or investment and the fairness of the contemplated terms thereof. The decision to proceed with any acquisition, investment or divestment or otherwise based on the information contained in this letter and the Valuation Report belongs entirely to the Client. We assume no responsibility or liability for any loss suffered by any party as a result of their reliance on information contained in this letter and the Valuation Report.

Our valuation analysis is based on financial statements, management accounts and other inputs provided by the management of Fabchem and/or L&A (the “Management”). We have not audited, reviewed, or compiled the financial information provided to us and, accordingly, we express no audit opinion or any other form of assurance on this information. The accuracy of such information is the sole responsibility of the Management. Our conclusion of value is conditional upon the completeness, accuracy and fair presentation of the information from the Management.

Public information and industry and statistical information have been obtained from sources we believe to be reliable. However, we make no representation as to the accuracy or completeness of such information and have performed no procedures to corroborate the information. We assume no responsibility for the accuracy and the reasonableness of such information.

APPENDIX F – VALUATION SUMMARY LETTER

3. Valuation Approach and Methodology

This valuation exercise was performed on Market Value basis. Market Value is defined by the International Valuation Standards Council (“IVSC”) as *“the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.”*

We have considered all three generally accepted valuation approaches, namely the income approach, the market approach, and the cost approach.

On the basis that L&A’s operations are expected to continue for the foreseeable future, we have relied on the income approach and the market approach to estimate the Market Value range of the 100% equity interest in L&A.

Since the market approach is performed from a market participant’s perspective whereby the resulting valuation would be a marketable minority value, a control premium is applied to derive the market value range on a financial control basis. The control premium that we have applied is based on the FactSet Mergerstat/ BVR study which gives indications on the level of control premiums and minority interest discount. The most recent study we have referenced to was performed in the first quarter of 2021 which was conducted on both domestic (US) and international transactions for publicly traded companies across multiple industries (i.e. agriculture, mining, construction, manufacturing, transportation, wholesale trade, retail, finance, insurance, real estate, services and others). The control premium of 29.5% is derived from the median control premiums over the period 2015 to 1Q21. This period was selected according to the standard business valuation practice at Mazars.

The value of L&A is dependent on its ongoing operations rather than the current net book value of its tangible assets and liabilities. As such, we have not relied on the cost approach in this engagement.

We did not rely on the Guideline Transaction Method as the transaction multiples typically include deal specific synergy and conditions. We did not rely on the cost approach as it fails to capture the income-generating potential of the Target.

4. Reliance on Information

In conducting our Valuation, we have held discussions with the Management and we have read information provided by them and other publicly available information, upon which our valuation analyses is based. Further, we have relied upon representations of Fabchem that all material information available to them with respect to L&A that is relevant for the purpose of our Valuation, has been disclosed to us.

In undertaking the Valuation, we considered, inter alia, the following:

- a) Financial forecast and supporting information for L&A for the period from 1 March 2022 to 30 June 2022 (“4M2022”) to FY2026 (the “Projections”), as provided by Management.
- b) Audited financial statements of L&A for FY17 to FY21, as provided by Management.
- c) Unaudited management accounts of L&A for the period 1 July 2021 to 28 February 2022 (“8M22”), as provided by Management.
- d) Singapore Interior-Fitting Out Industry Report prepared by Converging Knowledge, dated 20 April 2022.
- e) Discussions with Management on L&A’s business and Projections.

We have relied upon, and have not independently verified the accuracy, completeness and adequacy of all such information provided or otherwise made available to us or relied upon by us as described above, whether written or verbal, and no representation or warranty, expressed or implied, is made and no responsibility is accepted by us concerning the accuracy, completeness or adequacy of all such information.

APPENDIX F – VALUATION SUMMARY LETTER

5. Critical Assumptions

Our conclusions are primarily dependent on the following assumptions:

- L&A will be able to achieve the projected revenue growth rates and profit margins throughout the forecast period.
- L&A will be able to complete all the pipeline projects expected in FY22 and FY23 at the stipulated revenue and costs.
- L&A will maintain their good reputation in both the residential and commercial sector.
- L&A will be able to hire and retain all the staff, laborers and subcontractors throughout the forecast period.
- The operations of L&A will not be affected by unforeseen disaster, disruptive technology, unforeseen competition or adverse government policies during the forecast period.
- L&A will continue to have sufficient liquidity and funding to continue its operations for the foreseeable future.
- L&A's expansion plans and relocation into the new facility by end of FY26 will go ahead as planned.
- There are no material undisclosed or contingent liabilities that have not been brought to our attention during the course of the engagement.

6. Key Risks and Limitations

We note the following key risks and limitations in our valuation analyses:

- We have not performed any technical or operational due diligence on L&A.
- We are not expressing an opinion on the commercial merits or structure of the Proposed Acquisition and neither are we required to nor have we conducted a comprehensive review of the business, operational or financial condition of L&A. Hence, this letter does not purport to contain all the information that may be necessary or desirable to fully evaluate the Proposed Acquisition and RTO.
- In arriving at our valuation conclusion, we have not had regard to any general or specific investment objectives, financial situation or individual circumstances of any investor or potential investor and, accordingly, it may not be relied upon as such by any person.
- Our results depend on the Projections for L&A. However, when events and circumstances do not occur as expected, there may be differences between predicted and actual results, and those differences may be material.
- Our Valuation conclusion is based upon the information available as at the Valuation Date. Economic conditions, market factors and changes in the performance of the Target may result in our conclusions becoming outdated.
- By its very nature, valuation work cannot be regarded as an exact science and the conclusions arrived at in many cases will of necessity be subjective and dependent on the exercise of individual judgement. There is, therefore, no indisputable single value and we have expressed our analysis as falling within a likely range.

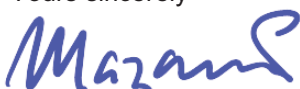
APPENDIX F – VALUATION SUMMARY LETTER

7. Conclusion of Value

Based on the methodology and analysis as detailed in the Valuation Report, as of Valuation Date, the Market Value of the 100% share capital of L&A is estimated to be approximately **S\$25,164k to S\$29,031k**.

Our conclusion is based upon prevailing market, economic, industry, monetary and other conditions and information made available to us as of the date of the Valuation Report. Such conditions may change significantly over a relatively short period of time and we assume no responsibility and are not required to update, revise or reaffirm our conclusion to reflect events or developments subsequent to the issue of our final Valuation Report.

Yours sincerely

A handwritten signature in blue ink, appearing to read 'Mazars', is written over the printed name.

Mazars LLP
(Lai Keng Wei, CVA)

APPENDIX G – CHANGES IN SHAREHOLDING STRUCTURE

Details of the changes in the aggregate interest (direct and deemed) of the Company before and after the Proposed Transactions are set out in the table below:

	Before the Proposed Transactions			After the Proposed Acquisition but before the Proposed Placement			After the Proposed Acquisition and the Proposed Placement		
	Direct Interest	Indirect Interest	%	Direct Interest	Indirect Interest	%	Direct Interest	Indirect Interest	%
	Number of shares	Number of shares		Number of shares	Number of shares		Number of shares	Number of shares	
Directors									
Wee Phui Gam	–	–	–	–	–	–	–	–	–
Sun Bowen ⁽¹⁾	–	15,140,000	32.35	–	15,140,000	9.09	–	15,140,000	8.40 ⁽¹⁾
Bao Hongwei	–	–	–	–	–	–	–	–	–
Jiang Rongguang	–	–	–	–	–	–	–	–	–
Proposed New Directors									
Tan Kok Heng	–	–	–	–	–	–	–	–	–
Tan Jit Meng	–	–	–	45,454,545	–	–	45,454,545	25.22	–
Lu King Seng	–	–	–	–	–	–	–	–	–
Wee Shuo Siong Milton	–	–	–	–	–	–	–	–	–

Note:

- (1) Sun Bowen will reduce his shareholdings in the Company to less than 5% of the Enlarged Share Capital by the time of completion of the Proposed Placement. The stated shareholding of 8.40% is for illustrative purposes only.

APPENDIX G – CHANGES IN SHAREHOLDING STRUCTURE

	Before the Proposed Transactions			After the Proposed Acquisition but before the Proposed Placement			After the Proposed Acquisition and the Proposed Placement		
	Direct Interest	Indirect Interest		Direct Interest	Indirect Interest		Direct Interest	Indirect Interest	
	Number of shares	%		Number of shares	%		Number of shares	%	
Existing Substantial Shareholders									
Triple Vision Pte. Ltd.	24,411,499	52.16	–	24,411,499	14.66	–	24,411,499	13.55	–
Fortsmith Investments Limited	15,140,000	32.35	–	15,140,000	9.09	–	15,140,000	8.40	–
Wee Henry ⁽²⁾	–	–	24,665,699	52.70	–	24,665,699	14.81	–	24,665,699
Sun Bowen ⁽¹⁾	–	–	15,140,000	32.35	–	15,140,000	9.09	–	15,140,000
Vendors ⁽³⁾									
Tan Jit Meng	–	–	–	45,454,545	27.29	–	45,454,545	25.22	–
Soh Loong Chow Jackie	–	–	–	45,454,545	27.29	–	45,454,545	25.22	–
Tan Chee Khoon	–	–	–	22,727,273	13.64	–	22,727,273	12.61	–
Other Shareholders									
RHB Bank ⁽⁴⁾	–	–	–	454,545	0.27	–	454,545	0.25	–
Prestige Fame Limited ⁽⁵⁾	–	–	–	5,681,818	3.41	–	5,681,818	3.15	–
Nomura Singapore Limited ⁽²⁾	254,200	0.54	–	254,200	0.15	–	254,200	0.14	–
Other Existing Public Shareholders	6,994,301	14.95	–	6,994,301	4.20	–	6,994,301	3.88	–
New Public Shareholders ⁽⁶⁾	–	–	–	–	–	–	13,650,000	7.57	–
Total	46,800,000	100.00	–	166,572,726	100.00	–	180,222,726	100.00 ⁽⁷⁾	–

Notes:

- (1) Sun Bowen is deemed to be interested in the shares held by Fortsmith Investments Limited by virtue of Section 7 of the Companies Act and Section 4 of the SFA. Sun Bowen will reduce his shareholdings in the Company to less than 5.0% of the Enlarged Share Capital by the time of completion of the Proposed Placement. The stated shareholding of 8.40% is for illustrative purposes only.
- (2) Wee Henry is deemed to be interested in the shares held by Triple Vision Pte. Ltd. by virtue of Section 7 of the Companies Act and Section 4 of the SFA. Wee Henry is also deemed to be interested in the shares held by a nominee, Nomura Singapore Limited.
- (3) The Company shall allot and issue the Consideration Shares to the Vendors in proportion to the Vendors' Respective Shareholdings, being approximately 40.0%, 40.0% and 20.0% in relation to Tan Jit Meng, Soh Loong Chow Jackie and Tan Chee Khoon respectively.
- (4) The Company shall allot and issue the FA Shares to RHB Bank in part-payment for their professional fees in respect of the Proposed Acquisition.
- (5) The Company shall allot and issue the Arranger Shares to Prestige Fame Limited in respect of the Proposed Acquisition.
- (6) Pursuant to the Proposed Placement.
- (7) The figures do not add up to 100.0% due to rounding errors.

APPENDIX H – THE NEW CONSTITUTION

THE COMPANIES ACT 1967 OF SINGAPORE

PUBLIC COMPANY LIMITED BY SHARES

CONSTITUTION

of

FABCHEM CHINA LIMITED

(Adopted by Special Resolution passed on [●] 2022)

INTERPRETATION

1. In this Constitution, if not inconsistent with the subject or context, the words standing in the first column of the Table next hereinafter contained shall bear the meanings set opposite to them respectively in the second column thereof:-

Interpretation

WORDS

MEANINGS

“Act”	The Companies Act 1967 of Singapore, or any statutory modification, amendment or re-enactment thereof for the time being in force or any and every other act for the time being in force concerning companies and affecting the Company and any reference to any provision as so modified, amended or re-enacted or contained in any such subsequent Companies Act or other act concerning companies and affecting the Company.
‘Alternate Director’	An alternate director appointed pursuant to Regulation 100.
‘book-entry securities’	The documents evidencing title to listed securities which are deposited by a Depositor with the Depository and are registered in the name of the Depository or its nominee, and which are transferable by way of a book-entry in the Depository Register and not by way of an instrument of transfer.
“Chairman”	The chairman of the Directors or the chairman of the General Meeting as the case may be.
“the Company”	The abovenamed Company by whatever name from time to time called.
“this Constitution”	This Constitution or other regulations of the Company for the time being in force.
“Director”	Includes any person acting as a Director of the Company and includes any person duly appointed and acting for the time being as an alternate Director.
“Directors”	The Directors for the time being of the Company or such number of them as have authority to act for the Company.

APPENDIX H – THE NEW CONSTITUTION

“dividend”	Means the dividend permissible under the Act and includes bonus and payment by way of bonus.
“General Meeting”	A general meeting of the Company.
“market day”	A day on which the Stock Exchange is open for trading in securities.
“Member”	A Member of the Company, save that references in this Constitution to “Member” shall, where the Act requires, exclude the Company where it is a Member by reason of its holding of its shares as treasury shares.
“month”	Calendar month.
“Office”	The registered office of the Company for the time being.
“paid-up”	Includes credited as paid-up.
“registered address” or “address”	In relation to any Member, his physical address for the service or delivery of notices or documents personally or by post, except where otherwise expressly provided in this Constitution.
“Register of Members”	The Register of Members of the Company pursuant to Section 190 of the Act.
“Seal”	The Common Seal of the Company or in appropriate cases the Official Seal or duplicate Common Seal.
“Secretary”	The secretary or secretaries appointed under this Constitution and shall include any person entitled to perform the duties of the Secretary temporarily.
“shares”	The shares issued by the Company, and “share” shall be construed accordingly.
“Stock Exchange”	The Singapore Exchange Securities Trading Limited for so long as the shares of the Company are listed and quoted on the Singapore Exchange Securities Trading Limited and/or such other stock exchange in respect of which the shares of the Company are listed or quoted.
“writing” and “written”	Written or produced by any substitute for writing or partly one and partly another and shall include (except where otherwise expressly specified in this Constitution or the context otherwise requires, and subject to any limitations, conditions or restrictions contained in the Act) any representation or reproduction of words, symbols or other information which may be displayed in a visible form, whether in a physical document or in an electronic communication or form or otherwise howsoever.
“year”	Calendar year.

APPENDIX H – THE NEW CONSTITUTION

The expressions “Depositor”, “Depository”, “Depository Agent” and “Depository Register” shall have the meanings ascribed to them respectively in the Securities and Futures Act Cap 2001 of Singapore

The expressions “Chief Executive Officer”, “current address”, “electronic communication”, “Ordinary Resolution”, “relevant intermediary”, “Special Resolution” and “treasury shares” shall have the meanings ascribed to them respectively in the Act.

References in this Constitution to “holder(s)” of shares or a class of shares shall:-

- (a) exclude the Depository or its nominee (as the case may be) except where otherwise expressly provided in this Constitution or where the term “registered holders” or “registered holder” is used in this Constitution;
- (b) where the context so requires, be deemed to include references to Depositors whose names are entered in the Depository Register in respect of those shares; and
- (c) except where otherwise expressly provided in this Constitution, exclude the Company in relation to shares held by it as treasury shares,

and “holding” and “held” shall be construed accordingly.

Words denoting the singular number only shall include the plural and vice versa.

Words denoting the masculine gender only shall include the feminine gender.

Words denoting persons shall include corporations.

Save as aforesaid, any words or expressions used in the Act and the Interpretation Act 1965 of Singapore shall, if not inconsistent with the subject or context, bear the same meanings in this Constitution.

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

A Special Resolution shall be effective for any purpose for which an Ordinary Resolution is expressed to be required under any provision of this Constitution.

The headnotes and marginal notes are inserted for convenience of reference only and shall not affect the construction of this Constitution.

NAME

2. The name of the Company is “FABCHEM CHINA LIMITED”. Name

REGISTERED OFFICE

3. The Office of the Company shall be at such place as the Directors shall from time to time determine. Office

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POWER

4. Subject to the provisions of the Act and any other written law and this Constitution, the Company has:-
- (a) full capacity to carry on or undertake any business or activity, do any act or enter into any transaction; and
- (b) for the purposes of paragraph (a) above, full rights, powers and privileges.
- Objects

LIABILITY OF MEMBERS

5. The liability of the Members is limited.
- Liability of Members

SHARES

6. The Company may, subject to and in accordance with the Act, purchase or otherwise acquire its issued shares on such terms and in such manner as the Company may from time to time think fit. If required by the Act, any share which is so purchased or acquired by the Company shall, unless held in treasury in accordance with the Act, be deemed to be cancelled immediately on purchase or acquisition by the Company. On the cancellation of any share as aforesaid, the rights and privileges attached to that share shall expire. In any other instance, the Company may hold or deal with any such share which is so purchased or acquired by it in such manner as may be permitted by, and in accordance with, the Act.
- Power to repurchase shares
7. Subject to the Act and this Constitution, no shares may be issued by the Directors without the prior approval of the Company in General Meeting but subject thereto and to Regulation 53, and to any special rights attached to any shares for the time being issued, the Directors may allot and issue shares or grant options over or otherwise dispose of the same to such persons on such terms and conditions and for such consideration (if any) and at such time and subject or not to the payment of any part of the amount (if any) thereof in cash as the Directors may think fit, and any shares may be issued with such preferential, deferred, qualified or special rights, privileges or conditions, as the Directors may think fit, and preference shares may be issued which are or at the option of the Company are liable to be redeemed, the terms and manner of redemption being determined by the Directors provided always that:-
- Issue of shares
- (a) (subject to any direction to the contrary that may be given by the Company in General Meeting) any issue of shares for cash to Members holding shares of any class shall be offered to such Members in proportion as nearly as may be to the number of shares of such class then held by them and the provisions of the second sentence of Regulation 53(1) with such adaptations as are necessary shall apply; and
- (b) any other issue of shares, the aggregate of which would exceed the limits referred to in Regulation 53(2), shall be subject to the approval of the Company in General Meeting.
8. (1) The Company has power to issue different classes of shares.
- Issue of different classes of shares
- (2) The rights attaching to shares of a class other than ordinary shares shall be expressed in this Constitution.
- Shares of a class other than ordinary shares

APPENDIX H – THE NEW CONSTITUTION

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| (3) | The Company may issue shares for which no consideration is payable to the Company. | Issue of shares for no consideration |
| (4) | Preference shares may be issued subject to such limitation thereof as may be prescribed by the Stock Exchange. In such an event, the total number of preference shares shall not exceed the total number of issued ordinary shares at any time. Preference shareholders shall have the same rights as ordinary shareholders as regards receiving of notices, reports and balance sheets and attending General Meetings, and preference shareholders shall also have the right to vote at any General Meeting convened for the purpose of reducing the capital or winding-up or sanctioning a sale of the undertaking of the Company or where the proposal to be submitted to the General Meeting directly affects their rights and privileges or when the dividend on the preference shares is more than six months in arrear. | Preference shares |
| (5) | The Company has power to issue further preference capital ranking equally with, or in priority to, preference shares already issued. | Issue of further preference capital |
| 9. | The Company shall not exercise any right in respect of treasury shares other than as provided by the Act. Subject thereto, the Company may hold or deal with its treasury shares in the manner authorised by, or prescribed pursuant to, the Act. | Treasury shares |

VARIATION OF RIGHTS

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| 10. | If, at any time the share capital is divided into different classes, subject to the provisions of the Act, preference capital, other than redeemable preference capital, may be repaid and the special rights attached to any class (unless otherwise provided by the terms of issue of the shares of that class) may, whether or not the Company is being wound up, be varied or abrogated with the sanction of a Special Resolution passed at a separate General Meeting of the holders of shares of the class and to every such Special Resolution the provisions of the Act shall with such adaptations as are necessary apply. To every such separate General Meeting the provisions of this Constitution relating to General Meetings shall <i>mutatis mutandis</i> apply; but so that the necessary quorum shall be two persons at least holding or representing by proxy at least one-third of the issued shares of the class and any holder of shares of the class present in person or by proxy may demand a poll. Provided always that where the necessary majority for such a Special Resolution is not obtained at the General Meeting, consent in writing if obtained from the holders of three-fourths of the issued shares of the class concerned within two months of the General Meeting shall be as valid and effectual as a Special Resolution carried at the General Meeting. | Variation of rights |
| 11. | The rights conferred upon the holders of the shares of any class issued with preferred or other rights shall, unless otherwise expressly provided by the terms of issue of the shares of that class or by this Constitution as is in force at the time of such issue, be deemed to be varied by the issue of further shares ranking equally therewith. | Issue of further shares with special rights |
| 12. | (1) The Company may pay commissions or brokerage as may be lawful on any issue of shares at such rate or amount and in such manner as the Directors may deem fit. Such commissions or brokerage may be satisfied by the payment of cash or the allotment of fully or partly paid shares or partly in one way and partly in the other. The payment or agreement to pay a commission or the conferring of an option shall lie in the discretion of the Directors on behalf of the Company. | Power to pay commission and brokerage |

APPENDIX H – THE NEW CONSTITUTION

- (2) Any expenses (including commissions or brokerage) incurred directly by the Company in the issue of new shares may be paid out of the proceeds of the issue or the Company's share capital. Such payment shall not be taken as reducing the amount of share capital in the Company.
13. If any shares of the Company are issued for the purpose of raising money to defray the expenses of the construction of any works or buildings or the provision of any plant which cannot be made profitable for a long period, the Company may, subject to the conditions and restrictions mentioned in the Act, pay interest on so much of the share capital (except treasury shares) as is for the time being paid up and may charge the same to capital as part of the cost of the construction or provision. Power to charge interest on capital
14. Except as required by law, no person shall be recognised by the Company as holding any share upon any trust and the Company shall not be bound by or compelled in any way to recognise (even when having notice thereof) any equitable, contingent, future or partial interest in any share or any interest in any fractional part of a share or (except only as by this Constitution or by law otherwise provided) any other rights in respect of any share, except an absolute right to the entirety thereof in the person (other than the Depository or its nominee (as the case may be)) entered in the Register of Members as the registered holder thereof or (as the case may be) the person whose name is entered in the Depository Register in respect of that share. Exclusion of equities
15. Except as herein provided no person shall exercise any rights or privileges of a Member until he is registered in the Register of Members or (as the case may be) the Depository Register as a Member and shall have paid all calls and other moneys due for the time being on every share held by him. Exercise of Member's rights
16. When two or more persons are registered as the holders of any share they shall be deemed to hold the same as joint tenants with benefit of survivorship subject to the following provisions:- Joint holders
- (a) The Company shall not be bound to register more than three persons as the holders of any share except in the case of executors or administrators (or trustees) of the estate of a deceased Member.
- (b) For the purposes of a quorum joint-holders of any share shall be treated as one Member.
- (c) Only one certificate shall be issued in respect of any share.
- (d) Only the person whose name stands first in the Register of Members as one of the joint-holders of any share shall be entitled to delivery of the certificate relating to such share or to receive notices from the Company. Any notice served on any one of the joint-holders shall be deemed to have been duly served on all of them.
- (e) The joint-holders of any share shall be liable severally as well as jointly in respect of calls and any other payments which ought to be made in respect of such share.
- (f) Any one of the joint-holders of any share may give effectual receipts for any dividend, return of capital or other sum of money payable to such joint-holders in respect of such share.

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- (g) On the death of any one of the joint-holders of any share, the survivor or survivors shall be the only person or persons recognised by the Company as having any title to such share but the Directors may require such evidence of death as they think necessary to call for.
- (h) If more than one of such joint-holders are present in person or proxy at any General Meeting, only that one of the joint-holders or his attorney or proxy whose name stands first in the Register of Members or (as the case may be) the Depository Register amongst those so present in person or proxy shall be entitled to vote in respect of any of the shares so held.

SHARE CERTIFICATES

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| 17. Every certificate shall be issued under the Seal (where the Company has a Seal) or executed as a deed in accordance with the Act and shall specify the number and class of shares to which it relates, whether the shares are fully or partly paid up, and the amount (if any) unpaid thereon and any other information the Act may require. No certificate shall be issued representing shares of more than one class. | Certificates |
| 18. Every person whose name is entered as a Member in the Register of Members shall be entitled within ten market days (or such other period as may be approved by the Stock Exchange) of the closing date of any application for shares or, as the case may be, the date of lodgement of a registrable transfer or on a transmission of shares to one certificate for all his shares of any one class or several certificates in reasonable denominations each for a part of the shares so allotted or transferred. If a Member shall require several certificates each for a part of the shares so allotted or transferred or included in the transmission or if a Member transfers part only of the shares comprised in a certificate or requires the Company to cancel any certificate or certificates and issue new certificates for the purpose of subdividing his holding in a different manner the Member shall pay prior to the issue of the certificates or certificate a fee not exceeding S\$2 for each such new certificate as the Directors may determine. Provided that where the Member is a Depositor, the delivery by the Company to the Depository of provisional allotments or share certificates in respect of the aggregate entitlements of Depositors to new shares offered by way of rights issue or other preferential offering or bonus issue shall to the extent of the delivery discharge the Company from any further liability to each such Depositor in respect of his individual entitlement. | Entitlement to certificates |
| 19. Subject to the provisions of the Act, if any certificate shall be defaced, worn out, destroyed, lost or stolen, a new certificate may be issued in lieu thereof on such evidence being produced and a letter of indemnity (if required) being given by the shareholder, transferee, person entitled, purchaser, member firm or member company of the Stock Exchange or on behalf of its or their client or clients as the Directors shall require, and (in case of defacement or wearing out) on delivery up of the old certificate and in any case on payment of such sum not exceeding S\$2 as the Directors may from time to time require. In the case of destruction, loss or theft, a shareholder or person entitled to whom such new certificate is given shall also bear the loss and pay to the Company all expenses incidental to the investigations by the Company of the evidence of such destruction or loss. | Issue of replacement certificates |

APPENDIX H – THE NEW CONSTITUTION

TRANSFER OF SHARES

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| 20. | Subject to the provisions of this Constitution, all transfers of shares shall be effected by written instrument of transfer in the form as approved by the Stock Exchange and acceptable to the Directors. | Form of transfer of shares |
| 21. | The instrument of transfer of any share shall be signed by or on behalf of both the transferor and the transferee and be witnessed, save that an instrument of transfer in respect of which the transferee is the Depository or its nominee (as the case may be) shall be effective although not signed or witnessed by or on behalf of the Depository or its nominee (as the case may be). The transferor shall remain the holder of the share concerned until the name of the transferee is entered in the Register of Members in respect thereof. The Directors may dispense with the execution of the instrument of transfer by the transferee and the requirement that the instrument of transfer be witnessed in any case in which they think fit in their discretion to do so. | Execution of transfer of shares |
| 22. | No shares shall in any circumstances be transferred to any infant, bankrupt or person who is mentally disordered and incapable of managing himself or his affairs but nothing herein contained shall be construed as imposing on the Company any liability in respect of the registration of such transfer if the Company has no actual knowledge of the same. | Person under disability |
| 23. | There shall be no restriction on the transfer of fully paid up shares (except as required by law, the listing rules of the Stock Exchange or the rules and/or bye-laws governing the Stock Exchange) but the Directors may in their discretion decline to register any transfer of shares upon which the Company has a lien and in the case of shares not fully paid up may refuse to register a transfer to a transferee of whom they do not approve. Provided always that in the event of the Directors refusing to register a transfer of shares, they shall within ten market days beginning with the date on which the application for a transfer of shares was made, serve a notice in writing to the applicant stating the facts which are considered to justify the refusal as required by the Act. | Directors' power to decline to register |
| 24. | If the Directors refuse to register a transfer of any share, they shall within ten market days after the date on which the transfer was lodged with the Company, send to the transferor and the transferee notice of refusal as required by the Act. | Notice of refusal |
| 25. | The Directors may decline to register any instrument of transfer unless:-

(a) such fee not exceeding S\$2 as the Directors may from time to time require, is paid to the Company in respect thereof;

(b) the amount of proper duty (if any) with which each instrument of transfer is chargeable under any law for the time being in force relating to stamps is paid;

(c) the instrument of transfer is deposited at the Office or at such other place (if any) as the Directors may appoint accompanied by a certificate of payment of stamp duty (if any), the certificates of the shares to which the transfer relates, and such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer and, if the instrument of transfer is executed by some other person on his behalf, the authority of the person so to do; and

(d) the instrument of transfer is in respect of only one class of shares. | Terms of registration of transfers |

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All instruments of transfer which are registered may be retained by the Company, but any instrument of transfer which the Directors may decline to register shall be returned to the person depositing the same except in the case of fraud.

26. (1) The Company shall be entitled to destroy all instruments of transfer which have been registered at any time after the expiration of six years from the date of registration thereof and all dividend mandates and notifications of change of address at any time after the expiration of six years from the date of recording thereof and all share certificates which have been cancelled at any time after the expiration of six years from the date of the cancellation thereof and it shall be conclusively presumed in the favour of the Company that every entry in the Register of Members purporting to have been made on the basis of an instrument of transfer or other documents so destroyed was duly and properly made and every instrument of transfer so destroyed was a valid instrument and effective instrument duly and properly registered and every share certificate so destroyed was a valid and effective certificate duly and properly cancelled and every other document hereinbefore mentioned so destroyed was a valid and effective document in accordance with the recorded particulars thereof in the books or records of the Company. Provided that:–
- Retention of transfers
- (a) the Company shall adequately record for future reference the information required to be contained in any company records;
 - (b) the provisions aforesaid shall apply only to the destruction of a document in good faith and without notice of any claim (regardless of the parties thereto) to which the document might be relevant;
 - (c) nothing herein contained shall be construed as imposing upon the Company any liability in respect of the destruction of any such document earlier than as aforesaid or in any circumstances which would not attach to the Company in the absence of this Regulation;
 - (d) references herein to the destruction of any document include references to the disposal thereof in any manner; and
 - (e) references herein to company records shall include records kept in hard copy form or electronic form.
- (2) The registration of transfers may be suspended at such times and for such period as the Directors may from time to time determine provided always that such registration shall not be suspended for more than thirty days in any year. The Company shall give prior notice of such suspension as may be required to the Stock Exchange, stating the period and the purpose or purposes of such suspension.
- Suspension of registration

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27. (1) Nothing in this Constitution shall preclude the Directors from recognising a renunciation of the allotment of any share by the allottee in favour of some other person. Renunciation of allotment
- (2) Neither the Company nor its Directors nor any of its officers shall incur any liability for registering or acting upon a transfer of shares apparently made by sufficient parties, although the same may, by reason of any fraud or other cause not known to the Company or its Directors or other officers, be legally inoperative or insufficient to pass the property in the shares proposed or professed to be transferred, and although the transfer may, as between the transferor and transferee, be liable to be set aside, and notwithstanding that the Company may have notice that such instrument of transfer was signed or executed and delivered by the transferor in blank as to the name of the transferee or the particulars of the shares transferred, or otherwise in defective manner. And in every such case, the person registered as transferee, his executors, administrators and assigns, alone shall be entitled to be recognised as the holder of such shares and the previous holder shall, so far as the Company is concerned, be deemed to have transferred his whole title thereto.
- (3) The provisions in this Constitution relating to the transfer, transmission or certification of shares shall not apply to the transfer of book-entry securities.

TRANSMISSION OF SHARES

28. (1) In the case of the death of a Member whose name is entered in the Register of Members, the survivor or survivors where the deceased was a joint-holder, and the executors or administrators of the deceased where he was a sole or only surviving holder, shall be the only persons recognised by the Company as having any title to his interest in the shares. Survivor, executors or administrators entitled to shares of a deceased Member
- (2) In the case of the death of a Member who is a Depositor, the survivor or survivors where the deceased was a joint-holder, and the executors or administrators of the deceased where he was a sole or only surviving holder and where such executors or administrators are entered in the Depository Register in respect of any shares of the deceased Member, shall be the only persons recognised by the Company as having any title to his interest in the shares. Survivor, executors or administrators entitled to shares of a deceased Depositor
- (3) Nothing in this Regulation shall release the estate of a deceased holder from any liability in respect of any share solely or jointly held by him. Estate of deceased holder
29. Any of the following: Transmission of shares
- (1) person(s) becoming entitled to the legal title in a share in consequence of the death or bankruptcy of a Member whose name is entered in the Register of Members or by virtue of a vesting order by a court of competent jurisdiction and recognised by the Company as having any title to that share;
- (2) guardian(s) of an infant becoming entitled to the legal title in a share and whose name is entered in the Register of Members; or

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- (3) person(s) being entrusted with the management of the estate of a Member whose name is entered in the Register of Members and (i) who is mentally disordered and incapable of managing himself or his affairs or (ii) whose person or estate is liable to be dealt with in any way under the law relating to mental capacity,

may, upon such evidence being produced as may from time to time properly be required by the Directors and subject as hereinafter provided, elect either to be registered himself as holder of the share or transfer the share to some other person, but the Directors shall, in either case, have the same right to decline or suspend registration as they would have had in the case of a transfer of the share by a Member.

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| 30. | If the person so becoming entitled shall elect to be registered himself, he shall deliver or send to the Company a notice in writing (in a form approved by the Directors) signed by him stating that he so elects. If he shall elect to transfer the share to another person, he shall testify his election by executing to that person an instrument of transfer of the share. All the limitations, restrictions and provisions of this Constitution relating to the right to transfer and the registration of transfers of shares shall be applicable to any such notice or transfer as aforesaid as if the event upon which transmission took place had not occurred and the notice or transfer were a transfer signed by the person from whom the title by transmission is derived. | Requirements regarding transmission of shares |
| 31. | A person becoming entitled to a share by transmission shall be entitled to receive and give a discharge for any dividends or other moneys payable in respect of the share, and shall be entitled to any advantages to which he would be entitled if he were the Member in respect of the share, except that he shall not, before being registered as a Member in the Register of Members or before his name shall have been entered in the Depository Register in respect of the share, be entitled to exercise any of the rights or privileges as a Member in relation to General Meetings. | Rights of persons entitled to a share by transmission |
| 32. | The Directors may at any time give notice requiring any person entitled to a share by transmission to elect either to be registered as a Member himself or to transfer the share, and if the notice is not complied with within ninety days the Directors may thereafter withhold payment of all dividends, or other moneys payable in respect of the share until the requirements of the notice have been complied with. | Person entitled may be required to register or transfer share |
| 33. | There shall be paid to the Company in respect of the registration of any probate, letters of administration, certificate of marriage or death, power of attorney or other document relating to or affecting the title to any shares, such fee not exceeding S\$2 as the Directors may from time to time require or prescribe. | Fee for registration of probate, etc |

CALLS ON SHARES

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| 34. | The Directors may from time to time make calls upon the Members in respect of any moneys unpaid on their shares as the Directors think fit notwithstanding the conditions of allotment thereof made payable at fixed times, and each Member shall (subject to receiving at least fourteen days' notice specifying the time or times and place of payment) pay to the Company, by instalments (if so required by the Company), at the time or times and place so specified the amount called on his shares. A call may be revoked or postponed as the Directors may determine. | Amounts and periods |
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| 35. | A call shall be deemed to have been made at the time when the resolution of the Directors authorising the call was passed. | When made |
| 36. | If a sum called in respect of a share or any instalment payable thereof is not paid before or on the day appointed for payment thereof, the person from whom it is due shall pay interest on such sum or instalment from the day appointed for payment thereof to the time of actual payment at such rate not exceeding eight per cent per annum as the Directors may determine, and shall also pay all costs, charges and expenses which the Company may have incurred or become liable for in order to recover payment of or in consequence of non-payment of such call but the Directors shall be at liberty to waive payment of such interest, costs, charges and expenses wholly or in part. | Interest on overdue calls |
| 37. | Any sum which by the terms of issue of a share becomes payable on allotment or at any fixed date shall for the purposes of this Constitution be deemed to be a call duly made and payable on the date fixed for payment, and in case of non-payment all the relevant provisions of this Constitution as to payment of interest and expenses, forfeiture or otherwise shall apply as if such sum had become payable by virtue of a call duly made and notified. | On allotment |
| 38. | The Directors may, from time to time, make arrangements on the issue of shares to differentiate between the holders of such shares as to the amount of calls to be paid and the times of payment of such calls. | Directors may differentiate between holders |
| 39. | The Directors may, if they think fit, receive from any Member willing to advance the same all or any part of the moneys uncalled and unpaid upon the shares held by him and such payments in advance of calls shall extinguish, so far as the same shall extend, the liability upon the shares in respect of which they are made, and upon the moneys so received or so much thereof as from time to time exceed the amount of the call then made upon the shares concerned, the Company may pay interest at such rate not exceeding eight per cent per annum as the Member paying such sum and the Directors agree upon. Capital paid on shares in advance of calls shall not whilst carrying interest confer a right to participate in profits. | Payment in advance of calls |
| 40. | The Directors may apply all dividends which may be declared in respect of any shares in payment of any calls made or instalments payable and which may remain unpaid in respect of the same shares. | Lien on dividends to pay call |

LIEN AND FORFEITURE

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| 41. | The Company shall have a first and paramount lien and charge on every share (not being a fully paid share) registered in the name of each Member (whether solely or jointly with others) and on the dividends declared or payable in respect thereof. Such lien shall be restricted to unpaid calls and instalments upon the specific shares in respect of which such moneys are due and unpaid, and to such amount as the Company may be called upon by law to pay in respect of the shares of the Member or deceased Member. The Directors may however waive any lien which has arisen and may resolve that any share shall for any limited period be exempt wholly or partially from the provisions of this Regulation. | Company's lien |
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APPENDIX H – THE NEW CONSTITUTION

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| 42. | For the purpose of enforcing such lien the Directors may sell all or any of the shares subject thereto in such manner as they think fit but no sale shall be made until such time as the moneys owing to the Company are presently payable and until a notice in writing stating the amount due and demanding payment and giving notice of intention to sell in default shall have been served in such manner as the Directors shall think fit on such Member or the person (if any) entitled to effect a transmission of the shares and who shall have produced to the Company satisfactory evidence of such capacity and default in payment shall have been made by him or them for fourteen days after such notice. Provided always that if a Member has died or become mentally disordered and incapable of managing himself or his affairs or bankrupt and no person has given to the Company satisfactory proof of his right to effect a transmission of the shares held by such Member the Directors may exercise such power of sale without serving any such notice. | Notice to pay the amount due, and sale on non-compliance therewith |
| 43. | Upon any sale being made by the Directors of any shares to satisfy the lien of the Company thereon the proceeds shall be applied first in the payment of the costs of such sale, and next in satisfaction of the debt, obligation, engagement or liability of the Member whose shares have been forfeited to the Company and the residue (if any) shall be paid to such Member or as he shall direct or to his executors, administrators or assigns. | Application of sale proceeds |
| 44. | A statutory declaration in writing that the declarant is a Director and that a share has been duly forfeited or surrendered or sold to satisfy a lien of the Company on a date stated in the declaration shall be conclusive evidence of the facts stated therein as against all persons claiming to be entitled to the share, and such declaration and the receipt of the Company for the consideration (if any) given for the share on the sale, re-allotment or disposal thereof together (where the same be required) with the share certificate delivered to a purchaser (or where the purchaser is a Depositor, to the Depository or its nominee (as the case may be)) or allottee thereof shall (subject to the execution of a transfer if the same be required) constitute good title to the share and the share shall be registered in the name of the person to whom the share is sold, reallotted or disposed of or, where such person is a Depositor, the Company shall procure that his name be entered in the Depository Register in respect of the share so sold, re-allotted or disposed of. Such purchaser shall not be bound to see to the application of the purchase money (if any) nor shall his title to the share be affected by any irregularity or invalidity in the proceedings relating to the forfeiture, surrender, sale, re-allotment or disposal of the share. | Title to shares forfeited or surrendered or sold to satisfy a lien |
| 45. | In the event of a forfeiture of shares or a sale of shares to satisfy the Company's lien thereon the Member or other person who prior to such forfeiture or sale was entitled thereto shall be bound to deliver and shall forthwith deliver to the Company the certificate or certificates held by him for the shares so forfeited or sold. | Certificate of shares to be delivered to the Company |
| 46. | If a Member fails to pay any call or any part thereof on the day appointed for payment thereof, the Directors may, at any time thereafter during such time as any part of the call or instalment remains unpaid, serve a notice on him requiring payment of so much of the call or instalment as is unpaid, together with any interest which may have accrued and any expenses incurred by the Company by reason of such non-payment. | If call or instalment not paid, notice may be given |

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| 47. The notice shall name a further day (not earlier than the expiration of fourteen days from the date of service of the notice) on or before which the payment required by the notice is to be made, and shall state that in the event of non-payment at or before the time appointed, the shares in respect of which the call was made will be liable to be forfeited. | Form of notice |
| 48. If the requirements of such notice as aforesaid are not complied with, any share in respect of which the notice has been given may at any time thereafter before all payments required by the notice have been made, be forfeited by a resolution of the Directors to that effect. Such forfeiture shall include all dividends declared in respect of the forfeited share and not actually paid before the forfeiture. The Directors may accept a surrender of any share liable to be forfeited hereunder. | If notice not complied with shares may be forfeited |
| 49. A share so forfeited or surrendered shall become the property of the Company and may be sold, re-allotted or otherwise disposed of either to the person who was before such forfeiture or surrender the holder thereof or entitled thereto, or to any other person, upon such terms and in such manner as the Directors shall think fit, and at any time before a sale, re-allotment or disposition the forfeiture or surrender may be cancelled on such terms as the Directors think fit, subject to compliance with all applicable laws. To give effect to any such sale, the Directors may, if necessary, authorise some person to transfer or effect the transfer of a forfeited or surrendered share to any such person as aforesaid. | Sale of shares forfeited |
| 50. A Member whose shares have been forfeited or surrendered shall cease to be a Member in respect of the shares, but shall notwithstanding the forfeiture or surrender remain liable to pay to the Company all moneys which at the date of forfeiture or surrender were payable by him to the Company in respect of the shares with interest thereon at eight per cent per annum (or such lower rate as the Directors may approve) from the date of forfeiture or surrender until payment, in the same manner in all respects as if the shares had not been forfeited, and to satisfy all (if any) the claims and demands which the Company might have enforced in respect of the shares at the time of forfeiture, without any deduction of allowance for the value of the shares at the time of forfeiture. Such liability shall cease if and when the Company receives payment in full of all such money in respect of the shares and the Directors may waive payment of such interest either wholly or in part. | Rights and liabilities of Members whose shares have been forfeited or surrendered |
| 51. The provisions of this Constitution as to forfeiture shall apply in the case of non-payment of any sum which, by the terms of issue of a share, becomes payable at a fixed time as if the same had been payable by virtue of a call duly made and notified. | Forfeiture applies to non-payment of call due at fixed time |

ALTERATION OF CAPITAL

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| 52. Any share in the Company may be issued with such preferred, deferred or other special, limited or conditional rights, or subject to such restrictions, whether as regards dividend, return of capital, voting or otherwise, as the Company may from time to time by Ordinary Resolution or, if required by the Act, by Special Resolution determine (or, in the absence of any such determination, but subject to the Act, as the Directors may determine) and subject to the provisions of the Act, the Company may issue preference shares which are, or at the option of the Company are, liable to be redeemed. | Rights and privileges of new shares |
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53. (1) Subject to any direction to the contrary that may be given by the Company in General Meeting or except as permitted under the listing rules of the Stock Exchange or the rules and/or bye-laws governing the Stock Exchange, all new shares shall before issue be offered to such persons who as at the date of the offer are entitled to receive notices from the Company of General Meetings in proportion as far as the circumstances admit, to the number of the existing shares to which they are entitled. In offering such new shares in the first instance to all the then holders of any class of shares, the offer shall be made by notice specifying the number of shares offered and limiting the time within which the offer if not accepted will be deemed to be declined, and after the expiration of that time or on the receipt of an intimation from the person to whom the offer is made that he declines to accept the shares offered, the Directors may dispose of those shares in such manner as they think most beneficial to the Company and the Directors may as they think most beneficial to the Company dispose of any such new shares which, by reason of the proportion borne by them to the shares held by holders entitled to any such offer or by reason of any other difficulty in apportioning the same, cannot in the opinion of the Directors be conveniently offered under this Regulation.
- Issue of new shares to Members
- (2) Notwithstanding Regulation 53(1), the Company may by Ordinary Resolution in General Meeting give to the Directors a general authority, either unconditionally or subject to such conditions as may be specified in the Ordinary Resolution, to:-
- General authority for Directors to issue new shares and make or grant Instruments
- (a) (i) issue shares of the Company whether by way of rights, bonus or otherwise; and/or
- (ii) make or grant offers, agreements or options (collectively, “Instruments”) that might or would require shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) warrants, debentures or other instruments convertible into shares; and
- (b) (notwithstanding the authority conferred by the Ordinary Resolution may have ceased to be in force) issue shares in pursuance of any Instrument made or granted by the Directors while the Ordinary Resolution was in force, provided that:-
- (i) the aggregate number of shares and convertible securities to be issued pursuant to the Ordinary Resolution (including shares to be issued in pursuance of Instruments made or granted pursuant to the Ordinary Resolution) shall be subject to such limits and manner of calculation as may be prescribed by the Stock Exchange;
- (ii) in exercising the authority conferred by the Ordinary Resolution, the Company shall comply with the provisions of the listing rules of the Stock Exchange or the rules and/or bye-laws governing the Stock Exchange for the time being in force (unless such compliance is waived by the Stock Exchange) and this Constitution; and

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- (iii) (unless revoked or varied by the Company in General Meeting) the authority conferred by the Ordinary Resolution shall not continue in force beyond the conclusion of the Annual General Meeting next following the passing of the Ordinary Resolution, or the date by which such Annual General Meeting is required by law to be held, or the expiration of such other period as may be prescribed by the Act (whichever is the earliest).
 - (3) Notwithstanding Regulation 53(1) above but subject to any applicable law, the Directors shall not be required to offer any new shares to Members to whom by reason of foreign securities laws such offers may not be made without registration of the shares or a prospectus or other document, but to sell the entitlements to the new shares on behalf of such Members in such manner as they think most beneficial to the Company.
- 54. Except so far as otherwise provided by the conditions of issue or by this Constitution, all new shares shall be subject to the provisions of the Act and this Constitution with reference to allotments, payment of calls, lien, transfer, transmission, forfeiture and otherwise. New shares otherwise subject to provisions of the Act and this Constitution
- 55. (1) Subject to and in accordance with the applicable laws, the Act and this Constitution, the Company may by Ordinary Resolution:- Power to consolidate, subdivide and redenominate shares
 - (a) consolidate and divide all or any of its shares;
 - (b) cancel any shares which, at the date of the passing of the Ordinary Resolution, have not been taken or agreed to be taken by any person or which have been forfeited and diminish the amount of its share capital by the amount of the shares so cancelled;
 - (c) subdivide its shares or any of them provided always that in such subdivision the proportion between the amount paid and the amount (if any) unpaid on each reduced share shall be the same as it was in the case of the share from which the reduced share is derived; and
 - (d) convert its share capital or any class of shares from one currency to another currency.
- (2) The Company may by Special Resolution, subject to and in accordance with the Act, convert one class of shares into another class of shares. Power to convert shares
- 56. The Company may by Special Resolution reduce its share capital, or any other undistributable reserve in any manner and subject to any incident authorised and consent required by law. Without prejudice to the generality of the foregoing, upon cancellation of any share purchased or otherwise acquired by the Company pursuant to this Constitution and the Act, the number of issued shares of the Company shall be diminished by the number of the shares so cancelled, and, where any such cancelled share was purchased or acquired out of the capital of the Company, the amount of share capital of the Company shall be reduced accordingly. Power to reduce capital

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CONVERSION OF SHARES INTO STOCK

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| 57. | The Company may by Ordinary Resolution convert any paid-up shares into stock, and may from time to time by like resolution reconvert any stock into paid-up shares of any denomination. | Conversion of shares into stock and re-conversion |
| 58. | The holders of stock may transfer the same or any part thereof in the same manner and subject to the same Regulations as and subject to which the shares from which the stock arose might prior to conversion have been transferred or as near thereto as circumstances admit; but the Directors may from time to time fix the minimum number of stock units transferable and restrict or forbid the transfer of fractions of that minimum. | Transfer of stock |
| 59. | The holders of stock shall, according to the number of stock units held by them, have the same rights, privileges and advantages as regards dividend, return of capital, voting and other matters, as if they held the shares from which the stock arose; but no such privilege or advantage (except participation in dividend and return of capital and the assets on winding up) shall be conferred by any such number of stock units which would not if existing in shares have conferred that privilege or advantage; and no such conversion shall affect or prejudice any preference or other special privileges attached to the shares so converted. | Rights of stockholders |
| 60. | The provisions of this Constitution which are applicable to paid-up shares shall, so far as circumstances will admit, apply to stock, and the words “share” and “shareholder” therein shall include “stock” and “stockholder”. | Shares/stock |

GENERAL MEETINGS

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| 61. | (1) Save as otherwise permitted under the Act, an Annual General Meeting shall be held once in every year, at such time (within a period of 4 months after the end of each financial year while it is listed on the Stock Exchange, or within a period of not more than 6 months after the end of each financial year in the case that the Company ceases to be listed on the Stock Exchange) and place in Singapore as may be determined by the Directors. Unless such requirement is waived by the Stock Exchange, the interval between the end of each financial year and the date of the Annual General Meeting shall not exceed such period as may be prescribed by the Stock Exchange from time to time. | Annual General Meeting |
| | (2) All General Meetings other than Annual General Meetings shall be called Extraordinary General Meetings and shall be held at such time and place in Singapore as may be determined by the Directors. | Extraordinary General Meeting |
| | (3) Subject to compliance with relevant laws, regulations and the listing rules of the Stock Exchange or the rules of any stock exchange upon which the shares of the Company may be listed, any General Meeting may be held entirely, or to any extent as determined by the Directors, by any virtual or electronic audio-visual means of communication, whether in its entirety or linked to the main place of a General Meeting by such means, in such manner that all Members and Directors participating in the General Meeting are able to adequately communicate with each other, and vote, whether on a show of hands or by a poll. Participation in a General Meeting in the manner set out in this Regulation shall constitute presence in person of such Member at such General Meeting and shall count towards the quorum, and such Member shall be entitled to exercise all rights under a General Meeting. Such a General Meeting shall be deemed to take place where the largest group of Members (or | General Meetings via Electronic Means |

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their proxy, or in the case of a corporation, their respective corporate representatives) present for purposes of the General Meeting is assembled or, if there is no such group, where the Chairman of the General Meeting is present. The Directors shall be entitled to require that all voting at the General Meeting be by way of proxies executed by the Members giving instructions to the Chairman of the General Meeting and/or in accordance with Regulation 77(4)(c) and/or in such other manner as the Directors may determine in their sole discretion. The Directors shall also be entitled to regulate the manner in which such General Meetings are to be held, including but not limited to procedures on identification of the Member and requiring prior registration of the Member prior to the General Meeting. The other Regulations governing General Meetings shall apply *mutatis mutandis* to any General Meeting convened in the manner set out in this Regulation.

62. The Directors may, whenever they think fit, convene an Extraordinary General Meeting and Extraordinary General Meetings shall also be convened by such requisition or, in default, may be convened by such requisitionists as provided by the Act. If at any time there are not within Singapore sufficient Directors capable of acting to form a quorum at a meeting of Directors, any Director may convene an Extraordinary General Meeting in the same manner as nearly as possible as that in which meetings may be convened by the Directors.

Calling
Extraordinary
General Meetings

NOTICE OF GENERAL MEETINGS

63. (1) Any General Meeting at which it is proposed to pass a Special Resolution or (save as provided by the Act) a resolution of which special notice has been given to the Company shall be called by at least twenty one days' notice in writing and any Annual General Meeting and any other General Meeting by at least fourteen days' notice in writing. The period of notice shall in each case be exclusive of the day on which it is served or deemed to be served and of the day on which the General Meeting is to be held and shall be given in the manner hereinafter mentioned to such persons as are under the provisions herein contained and the Act entitled to receive such notices from the Company; provided that a General Meeting notwithstanding that it has been called by a shorter notice than that specified above shall be deemed to have been duly called if it is so agreed:-
- (a) in the case of an Annual General Meeting by all the Members entitled to attend and vote thereat; and
- (b) in the case of an Extraordinary General Meeting by a majority in number of the Members having a right to attend and vote thereat, being a majority together holding not less than 95 per cent of the total voting rights of all the Members having a right to vote at that meeting.

Notice of General
Meetings

Provided also that the accidental omission to give notice to, or the non-receipt of notice by any person entitled thereto, shall not invalidate the proceedings at any General Meeting.

So long as the shares in the Company are listed on the Stock Exchange, at least fourteen days' notice of any General Meeting shall be given by advertisement in the daily press and in writing to the Stock Exchange.

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| (2) | Notice of every General Meeting shall be given to:- | Persons entitled to receive notice |
| (a) | every Member; | |
| (b) | every person entitled to a share in consequence of the death or bankruptcy or otherwise of a Member who but for the same would be entitled to receive notice of the General Meeting; and | |
| (c) | the Auditor for the time being of the Company. | |
| 64. | (1) Every notice calling a General Meeting shall specify the place in Singapore, the day and hour of the meeting and the arrangements for Members to participate in the meeting by electronic means if applicable, and there shall appear with reasonable prominence in every such notice a statement that a Member entitled to attend and vote is entitled to appoint a proxy to attend and to vote instead of him and that a proxy need not be a Member. | Contents of notice |
| | (2) In the case of an Annual General Meeting, the notice shall also specify the meeting as such. | Notice of Annual General Meeting |
| | (3) In the case of any General Meeting at which business other than routine business is to be transacted, the notice shall specify the general nature of the business; and if any resolution is to be proposed as a Special Resolution or as requiring special notice, the notice shall contain a statement to that effect. | Nature of special business to be specified |
| 65. | Routine business shall mean and include only business transacted at an Annual General Meeting of the following classes, that is to say:- | Routine business |
| | (a) declaring dividends; | |
| | (b) considering and adopting the financial statements, the Directors' statement, the Auditor's report and other documents required to be attached to the financial statements; | |
| | (c) appointing or re-appointing the Auditor and fixing the remuneration of the Auditor or determining the manner in which such remuneration is to be fixed; and | |
| | (d) appointing or re-appointing Directors in place of those retiring by rotation or otherwise and fixing the remuneration of the Directors. | |
| 66. | Any notice of a General Meeting to consider special business shall be accompanied by a statement regarding the effect of any proposed resolution in respect of such special business. | Special business |

PROCEEDINGS AT GENERAL MEETINGS

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| 67. | No business shall be transacted at any General Meeting unless a quorum is present at the time when the meeting proceeds to business. Save as herein otherwise provided, two Members present in person or by proxy shall form a quorum. For the purpose of this Constitution, "Member" includes a person attending by proxy or by attorney or as representing a corporation which is a Member but shall, as required by the Act, exclude the Company where it is a Member by reason of its holding of treasury shares. Provided that (i) a proxy representing more than one Member shall only count as one Member for the purpose of determining the quorum; and (ii) where a Member (who is not a relevant intermediary) is represented by more than one proxy such proxies shall count as only one Member for the purpose of determining the quorum. | Quorum |
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| 68. | <p>If within half an hour from the time appointed for the General Meeting (or such longer interval as the Chairman of the meeting may think fit to allow) a quorum is not present, the meeting, if convened on the requisition of Members, shall be dissolved. In any other case it shall stand adjourned to the same day in the next week (or if that day is a public holiday then to the next business day following that public holiday) at the same time and place in Singapore, or to such other day and at such other time and place in Singapore as the Directors may determine, and if at such adjourned meeting a quorum is not present within fifteen minutes from the time appointed for holding the meeting, the Members present in person or by proxy shall be deemed to be a quorum.</p> | <p>Adjournment if
quorum not present</p> |
| 69. | <p>The Chairman, if any, of the Directors shall preside as Chairman at every General Meeting. If there be no such Chairman or if at any General Meeting he be not present within fifteen minutes after the time appointed for holding the meeting or be unwilling to act, the Members present shall choose one of the Directors to be Chairman of the meeting or, if no Director be present or if all the Directors present decline to take the chair, one of their number present to be Chairman.</p> | <p>Chairman</p> |
| 70. | <p>The Chairman may, with the consent of any General Meeting at which a quorum is present (and shall if so directed by the meeting) adjourn the meeting from time to time (or <i>sine die</i>) and from place to place, but no business shall be transacted at any adjourned meeting except business which might lawfully have been transacted at the meeting from which the adjournment took place. Where a General Meeting is adjourned <i>sine die</i>, the time and place in Singapore for the adjourned meeting shall be fixed by the Directors. When a General Meeting is adjourned for thirty days or more or <i>sine die</i>, notice of the adjourned meeting shall be given as in the case of the original meeting. Save as aforesaid, it shall not be necessary to give any notice of an adjournment or of the business to be transacted at an adjourned General Meeting.</p> | <p>Adjournment</p> |
| 71. | <p>(1) If required by the listing rules of the Stock Exchange or the rules and/or bye-laws governing the Stock Exchange, all resolutions at General Meetings shall be voted by poll (unless such requirement is waived by the Stock Exchange).</p> <p>(2) Subject to Regulation 71(1), at any General Meeting a resolution put to the vote at the General Meeting shall be decided on a show of hands unless a poll be (before or on the declaration of the result of the show of hands) demanded:-</p> <p>(a) by the Chairman of the General Meeting; or</p> <p>(b) by at least two Members present in person or by proxy and entitled to vote thereat; or</p> <p>(c) by any Member or Members present in person or by proxy and representing not less than five per cent of the total voting rights of all the Members having the right to vote at the General Meeting; or</p> <p>(d) by a Member or Members present in person or by proxy, holding shares conferring a right to vote at the General Meeting, being shares on which an aggregate sum has been paid up equal to not less than five per cent of the total sum paid up on all the shares (excluding treasury shares) conferring that right.</p> | <p>Mandatory polling</p> <p>Method of voting
where mandatory
polling not required</p> |

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A demand for a poll made pursuant to this Regulation 71(2) shall not prevent the continuance of the General Meeting for the transaction of any business, other than the question on which the poll has been demanded. Unless a poll is demanded (and the demand is not withdrawn) or is required pursuant to Regulation 71(1), a declaration by the Chairman of the General Meeting that a resolution has been carried or carried unanimously or by a particular majority or lost and an entry to that effect in the minute book shall be conclusive evidence of the fact without proof of the number or proportion of the votes recorded in favour of or against the resolution. A demand for a poll made pursuant to this Regulation 71(2) may be withdrawn.

- 72 (1) Where a poll is taken, it shall be taken in such manner (including the use of ballot or voting papers or tickets) as the Chairman may direct and the result of the poll shall be deemed to be the resolution of the General Meeting. The Chairman may (and, if required by the listing rules of the Stock Exchange or the rules and/or bye-laws governing the Stock Exchange or if so requested by the meeting, shall) appoint at least one scrutineer and may adjourn the meeting to some time and place in Singapore fixed by him for the purpose of declaring the result of the poll.
- (2) Without limiting the generality of Regulation 72(1) above, a poll may be taken by electronic means in such manner as the Chairman may direct.
- (3) Subject to the listing rules of the Stock Exchange or the rules and/or bye-laws governing the Stock Exchange, the scrutineer(s) shall:
- (a) be independent of the persons undertaking the polling process;
 - (b) ensure that satisfactory procedures of the voting process are in place before the General Meeting;
 - (c) direct and supervise the count of the votes cast through proxy and in person; and
 - (d) where the scrutineer is interested in the resolution(s) to be passed at the General Meeting, refrain from acting as the scrutineer for such resolution(s).
73. If any votes be counted which ought not to have been counted or might have been rejected, the error shall not vitiate the result of the voting unless it be pointed out at the same General Meeting or at any adjournment thereof and not in any case unless it shall in the opinion of the Chairman be of sufficient magnitude. Votes counted in error
74. In the case of an equality of votes, whether on a poll or on a show of hands, the Chairman of the meeting at which the poll or show of hands takes place shall be entitled to a second or casting vote. Chairman's casting vote
75. A poll on the election of a Chairman or on a question of adjournment shall be taken forthwith. A poll on any other question shall be taken either immediately or at such subsequent time (not being more than thirty days from the date of the General Meeting) and place in Singapore as the Chairman may direct. No notice need be given of a poll not taken immediately. Time for taking a poll
76. After the Chairman of any meeting has declared the General Meeting to be over and has left the chair, no business or question shall under any pretext whatsoever be brought forward or discussed. End of General Meeting

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VOTE OF MEMBERS

77. (1) Subject and without prejudice to any special privileges or restrictions as to voting for the time being attached to any class of shares for the time being forming part of the capital of the Company and subject also to Regulation 9, each Member entitled to vote may vote in person or by proxy. Every Member who is present in person or by proxy shall:-
- Voting rights of Members
- (a) on a poll, have one vote for every share which he holds or represents; and
 - (b) on a show of hands, have one vote, provided that:-
 - (i) in the case of a Member who is not a relevant intermediary and who is represented by two (2) proxies, only one of the two proxies as determined by that Member or, failing such determination, by the Chairman of the meeting (or by a person authorised by him) in his sole discretion shall be entitled to vote on a show of hands; and
 - (ii) in the case of a Member who is a relevant intermediary and who is represented by two (2) or more proxies, each proxy shall be entitled to vote on a show of hands.
- For the purpose of determining the number of votes which a Member, being a Depositor, or his proxy may cast at any General Meeting on a poll, the reference to shares held or represented shall, in relation to shares of that Depositor, be the number of shares entered against his name in the Depository Register as at 72 hours before the time of the relevant General Meeting.
- (2) The Company shall be entitled and bound, in determining rights to vote and other matters in respect of a completed instrument of proxy submitted to it, to have regards to the instructions (if any) given by and the notes (if any) set out in the instrument of proxy.
- Notes and instructions
- (3) Save as otherwise provided in the Act:-
- Appointment of proxies
- (a) a Member who is not a relevant intermediary may appoint not more than two proxies to attend, speak and vote at the same General Meeting. Where such Member's form of proxy appoints more than one (1) proxy, the proportion of the shareholding concerned to be represented by each proxy shall be specified in the form of proxy; and
 - (b) a Member who is a relevant intermediary may appoint more than two (2) proxies to attend, speak and vote at the same General Meeting, 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 (2) proxies, the number and class of shares in relation to which each proxy has been appointed shall be specified in the form of proxy.

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| (4) | In any case where a Member is a Depositor, the Company shall be entitled and bound:- | Shares entered in
Depository Register |
| (a) | to reject any instrument of proxy lodged by that Depositor if he is not shown to have any shares entered against his name in the Depository Register as at 72 hours before the time of the relevant General Meeting; and | |
| (b) | to accept as the maximum number of votes which in aggregate the proxy or proxies appointed by that Depositor is or are able to cast on a poll a number which is the number of shares entered against the name of that Depositor in the Depository Register as at 72 hours before the time of the relevant General Meeting, whether that number is greater or smaller than the number specified in any instrument of proxy executed by or on behalf of that Depositor. | |
| (c) | Subject to this Constitution, the Act and the listing rules of the Stock Exchange, the Directors may, at their sole discretion, approve and implement, subject to such security measures as may be deemed necessary or expedient, such voting methods to allow members who are unable to vote in person at any general meeting the option to vote in absentia, including but not limited to voting by mail, electronic mail or facsimile. | Voting in Absentia |
| 78. | Any corporation which is a Member may by resolution of its directors or other governing body authorise such person as it thinks fit to act as its representative at any General Meeting or of any class of Members and the persons so authorised shall be entitled to exercise the same powers on behalf of the corporation as the corporation would exercise if it were an individual Member and such corporation shall for the purpose of this Constitution (but subject to the Act) be deemed to be present in person at any such General Meeting if a person so authorised is present thereat. | Corporations acting
by representatives |
| 79. | (1) Where there are joint holders of any share any one of such persons may vote and be reckoned in a quorum at any General Meeting either personally or by proxy as if he were solely entitled thereto and if more than one of such joint holders be so present at any General Meeting that one of such persons so present whose name stands first in the Register of Members or (as the case may be) the Depository Register in respect of such share shall alone be entitled to vote in respect thereof. Several executors or administrators of a deceased Member in whose name any share stands shall for the purpose of this Regulation be deemed joint holders thereof. | Voting rights or joint
holders |
| | (2) A Member who becomes incapable of managing himself or his affairs or whose person or estate is liable to be dealt with in any way under the law relating to mental disorders may vote whether on a show of hands or on a poll by his committee, <i>curator bonis</i> or such other person as properly has the management of his estate and any such committee, curator bonis or other person may vote by proxy or attorney, provided that such evidence as the Directors may require of the authority of the person claiming to vote shall have been deposited at the Office not less than seventy-two hours before the time appointed for holding the Meeting. | Voting rights of
Members who are
subject to mental
disorders |

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| 80. Subject to the provisions of this Constitution every Member shall be entitled to be present and to vote at any General Meeting either personally or by proxy and to be reckoned in a quorum in respect of shares fully paid and in respect of partly paid shares where calls are not due and unpaid. | Rights to vote |
| 81. No objection shall be raised to the qualification of any voter except at the General Meeting or adjourned General Meeting at which the vote objected to is given or tendered and every vote not disallowed at such meeting shall be valid for all purposes. Any such objection made in due time shall be referred to the Chairman of the meeting whose decision shall be final and conclusive. | Objections |
| 82. On a poll, votes may be given either personally or by proxy and a person entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way. | Votes on a poll |
| 83. (1) An instrument appointing a proxy shall be in writing and:-

(a) in the case of an individual shall be:-

(i) signed by the appointor or his attorney if the instrument of proxy is delivered personally or sent by post; or

(ii) authorised by that individual through such method and in such manner as may be approved by the Directors, if the instrument is submitted by electronic communication; and

(b) in the case of a corporation shall be:-

(i) either given under its common seal or signed on its behalf by an attorney or a duly authorised officer of the corporation if the instrument of proxy is delivered personally or sent by post; or

(ii) authorised by that corporation through such method and in such manner as may be approved by the Directors, if the instrument is submitted by electronic communication. | Execution of proxies |

The Directors may, for the purposes of Regulations 83(1)(a)(ii) and 83(1)(b)(ii), designate procedures for authenticating any such instrument, and any such instrument not so authenticated by use of such procedures shall be deemed not to have been received by the Company.

The signature on, or authorisation of, such instrument need not be witnessed. Where an instrument appointing a proxy is signed or authorised on behalf of the appointor (which shall, for purposes of this paragraph include a Depositor) by an attorney, the letter or power of attorney or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the instrument of proxy pursuant to Regulation 85, failing which the instrument may be treated as invalid.

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| (2) | <p>The Directors may, in their absolute discretion:-</p> <p>(a) approve the method and manner for an instrument appointing a proxy to be authorised; and</p> <p>(b) designate the procedure for authenticating an instrument appointing a proxy, as contemplated in Regulations 83(1)(a)(ii) and 83(1)(b)(ii) for application to such Members or class of Members as they may determine. Where the Directors do not so approve and designate in relation to a Member (whether of a class or otherwise), Regulation 83(1)(a)(i) and/or (as the case may be) Regulation 83(1)(b)(i) shall apply.</p> | <p>Directors may approve method and manner, and designate procedure, for electronic communications</p> |
| 84. | <p>A proxy need not be a Member.</p> | <p>A proxy need not be Member</p> |
| 85. | <p>(1) An instrument appointing a proxy or the power of attorney or other authority, if any:-</p> <p>(a) if sent personally or by post, must be left at the Office or such other place (if any) as is specified for the purpose in the notice convening the General Meeting; or</p> <p>(b) if submitted by email or other electronic communication, must be received through such means as may be specified for that purpose in or by way of a note to or in any document accompanying the notice convening the General Meeting,</p> <p>and in either case not less than 72 hours before the time appointed for the holding of the General Meeting or adjourned General Meeting (or in the case of a poll before the time appointed for the taking of the poll) to which it is to be used and in default shall not be treated as valid. The deposit of an instrument appointing a proxy does not preclude the Member concerned from attending and voting in person at the General Meeting, as well as at any adjournment of such General Meeting to which it relates. In such events, the appointment of the proxy or proxies is deemed to be revoked by the Member concerned at the point when the Member attends the General Meeting.</p> <p>(2) The Directors may, in their absolute discretion, and in relation to such Members or class of Members as they may determine, specify the means through which instruments appointing a proxy may be submitted by electronic communications, as contemplated in Regulation 85(1)(b). Where the Directors do not so specify in relation to a Member (whether of a class or otherwise), Regulation 85(1)(a) shall apply.</p> | <p>Deposit of proxies</p> |
| | <p>(2) The Directors may, in their absolute discretion, and in relation to such Members or class of Members as they may determine, specify the means through which instruments appointing a proxy may be submitted by electronic communications, as contemplated in Regulation 85(1)(b). Where the Directors do not so specify in relation to a Member (whether of a class or otherwise), Regulation 85(1)(a) shall apply.</p> | <p>Directors may specify means for electronic communications</p> |
| 86. | <p>An instrument appointing a proxy shall be deemed to include the right to demand or join in demanding a poll, to move any resolution or amendment thereto and to speak at the General Meeting.</p> | <p>Rights of proxies</p> |
| 87. | <p>An instrument appointing a proxy shall be in writing in any usual or common form or in any other form which the Directors may approve. An instrument appointing a proxy shall, unless the contrary is stated therein be valid as well for any adjournment of the General Meeting as for the General Meeting to which it relates and need not be witnessed.</p> | <p>Form of proxies</p> |

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88. A vote given in accordance with the terms of an instrument of proxy (which for the purposes of this Constitution shall also include a power of attorney) shall be valid notwithstanding the previous death or mental disorder of the principal or revocation of the proxy, or of the authority under which the proxy was executed or the transfer of the share in respect of which the proxy is given, provided that no intimation in writing of such death, mental disorder, revocation or transfer shall have been received by the Company at the Office (or such other place as may be specified for the deposit of instruments appointing proxies) before the commencement of the General Meeting or adjourned General Meeting (or in the case of a poll before the time appointed for the taking of the poll) at which the proxy is used.
- Intervening death or mental disorder of principal not to revoke proxy

DIRECTORS

89. The number of Directors all of whom shall be natural persons shall not unless otherwise determined by a General Meeting from time to time be less than one. The Company may, subject to this Constitution, vary the minimum number of Directors by Ordinary Resolution from time to time.
- Appointment and number of Directors
90. A Director need not be a Member and shall not be required to hold any share qualification unless and until otherwise determined by the Company in General Meeting but he shall be entitled to attend and speak at General Meetings.
- Share qualification
91. The general remuneration of the Directors shall from time to time be determined by the Company in General Meeting. Such remuneration shall be divided among them in such proportions and manner as the Directors may agree or failing agreement, equally. Fees payable to Directors shall not be increased except pursuant to a resolution passed at a General Meeting, where notice of the proposed increase has been given in the notice convening the meeting.
- Remuneration of Directors
92. (1) Each Director shall in addition to any other remuneration be entitled to be reimbursed for all travelling, hotel and other expenses properly incurred by him for the purpose of attending meetings of the Directors or of any committee or any General Meeting or otherwise in the course of the Company's business.
- Expenses
- (2) The Directors may grant special remuneration to any of their number who being called upon shall be willing to render any special or extra services to the Company, including but not limited to, serving on any committee, or to go or reside abroad in connection with the conduct of any of the affairs of the Company. Such special remuneration may be made payable to such Director in addition to or in substitution for his ordinary remuneration as a Director, and may be made payable by a lump sum or by way of salary, or, except in the case of a non-executive director, by a percentage of profits, or by any or all of those modes.
- Extra remuneration
- (3) Fees payable to non-executive Directors shall be a fixed sum, and not by a commission on or a percentage of profits or turnover. Salaries payable to executive Directors may not include a commission on or a percentage of turnover.
- Payment of remuneration
93. The Directors on behalf of the Company may pay a gratuity or pension or allowance on retirement to any Director who has held any other salaried office or place of profit with the Company or to his widow or dependents and may make contributions to any fund and pay premiums for the purchase or provision of any such gratuity, pension or allowance.
- Pensions

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94. Other than the office of Auditor, a Director may hold any other office or place of profit under the Company and he or any firm of which he is a member may act in a professional capacity for the Company in conjunction with his office of Director for such period and on such terms (as to remuneration and otherwise) as the Directors may determine. No Director or intending Director or Chief Executive Officer (or person(s) holding equivalent position(s)) or intending Chief Executive Officer (or person(s) holding equivalent position(s)) shall be disqualified by his office from contracting or entering into any arrangement or transaction with the Company either as vendor, purchaser or otherwise nor shall such contract, arrangement or transaction or any contract, arrangement or transaction entered into by or on behalf of the Company in which any Director or Chief Executive Officer (or person(s) holding equivalent position(s)) shall be in any way interested be avoided nor shall any Director or Chief Executive Officer (or person(s) holding equivalent position(s)) so contracting or being so interested be liable to account to the Company for any profit realised by any such contract, arrangement or transaction by reason only of such Director or Chief Executive Officer (or person(s) holding equivalent position(s)) holding that office or of the fiduciary relation thereby established but every Director and Chief Executive Officer (or person(s) holding an equivalent position(s)) shall observe the provisions of the Act relating to the disclosure of the interests of the Directors and Chief Executive Officers (or person(s) holding an equivalent position(s)) in transactions or proposed transactions with the Company or of any office or property held by a Director or a Chief Executive Officer (or person(s) holding an equivalent position(s)) which might create duties or interests in conflict with his duties or interests as a Director or a Chief Executive Officer (or person(s) holding equivalent position(s)), as the case may be, and any contract or arrangement to be entered into by or on behalf of the Company in which any Director or the Chief Executive Officer (or person(s) holding an equivalent position(s)) shall be in any way interested shall be subject to any requirements that may be imposed by the Stock Exchange. A Director shall not vote in respect of any contract or arrangement or any other proposal whatsoever in which he has any personal material interest, directly or indirectly. A Director shall not be counted in the quorum at a meeting in relation to any resolution on which he is debarred from voting.
- Power of Directors and Chief Executive Officers to hold office of profit and to contract with Company
95. (1) A Director or Chief Executive Officer (or person(s) holding an equivalent position(s)) may be or become a director of or hold any office or place of profit (other than as Auditor) or be otherwise interested in any company in which the Company may be interested as vendor, purchaser, shareholder or otherwise and unless otherwise agreed shall not be accountable for any fees, remuneration or other benefits received by him as a director or officer of or by virtue of his interest in such other company.
- Holding of office in other companies
- (2) The Directors may exercise the voting power conferred by the shares in any company held or owned by the Company in such manner and in all respects as the Directors think fit in the interests of the Company (including the exercise thereof in favour of any resolution appointing the Directors or any of them to be directors of such company or voting or providing for the payment of remuneration to the directors of such company) and any such Director may vote in favour of the exercise of such voting powers in the manner aforesaid notwithstanding that he may be or be about to be appointed a director of such other company.
- Exercise of voting power

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96. The Directors may from time to time appoint one or more of their body to be Managing Director or Chief Executive Officer(s) of the Company (or such person or persons holding equivalent position(s)) and may from time to time (subject to the provisions of any contract between him or them and the Company) remove or dismiss him or them from office and appoint another or others in his or their place or places. Where an appointment is for a fixed term such term shall not exceed three years. The appointment of any Director to any executive office (inducing the office of the Chief Executive Officer) shall not automatically determine if he ceases for any cause to be a Director, unless the contract or resolution under which he holds office shall expressly state otherwise.
- Appointment of Managing Director / Chief Executive Officer(s)
- For the avoidance of doubt, nothing in Regulations 95 to 99 of this Constitution shall be deemed or construed to restrict or preclude the Company from appointing both Chief Executive Officer(s) as well as Managing Director(s).
97. A Managing Director or Chief Executive Officer (or person holding an equivalent position) who is a Director shall subject to the provisions of any contract between him and the Company be subject to the same provisions as to retirement by rotation, resignation and removal as the other Directors.
- Managing Director / Chief Executive Officer to be subject to retirement by rotation
98. The remuneration of a Managing Director or Chief Executive Officer (or person holding an equivalent position) shall from time to time be fixed by the Directors and may subject to this Constitution be by way of salary or commission or participation in profits or by any or all these modes but he shall not under any circumstances be remunerated by a commission on or a percentage of turnover.
- Remuneration of Managing Director / Chief Executive Officer
99. A Managing Director or Chief Executive Officer (or person holding an equivalent position) shall at all times be subject to the control of the Directors.
- Powers of Managing Director / Chief Executive Officer

ALTERNATE DIRECTORS

100. (a) A Director who is absent or about to be absent from Singapore may appoint any person (other than another Director) approved by the majority of his co-Directors to be his alternate Director in the Company and may at any time remove any such alternate Director so appointed from office.
- Alternate Director
- (b) An alternate Director shall (subject to his giving to the Company an address in Singapore) be entitled to receive notices of all meetings of the Directors and to attend and vote as a Director at such meetings at which the Director appointing him is not personally present and generally to perform all functions of his appointor as a Director in his absence.
- (c) An alternate Director shall ipso facto cease to be an alternate Director if his appointor ceases for any reason to be a Director otherwise than by retiring and being re-elected at the same meeting.
- (d) All appointments and removals of alternate Directors shall be effected in writing under the hand of the Director making or terminating such appointment left at the Office.
- (e) No Director may act as an alternate Director of the Company. A person shall not act as alternate Director to more than one Director at the same time.

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- (f) An alternate Director shall be entitled to contract and be interested in and benefit from contracts or arrangements or transactions and to be repaid expenses and to be indemnified to the same extent *mutatis mutandis* as if he were a Director but he shall not be entitled to receive from the Company in respect of his appointment as alternate Director any remuneration except only such part (if any) of the remuneration otherwise payable to his principal as such principal may by notice in writing to the Company from time to time direct.

GENERAL POWERS OF DIRECTORS

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| 101. The business and the affairs of the Company shall be managed by, or under the direction or supervision of, the Directors. The Directors may exercise all such powers of the Company as are not by the Act or this Constitution required to be exercised by the Company in General Meeting. The Directors shall not carry into effect any proposals for selling or disposing of the whole or substantially the whole of the Company's undertaking unless such proposals have been approved by Members in a General Meeting. The general powers given by this Regulation 101 shall not be limited or restricted by any special authority or power given to the Directors by any other Regulation of this Constitution. | General powers of Directors to manage Company's business |
| 102. The Directors may from time to time by power of attorney appoint any company, firm or person or any fluctuating body of persons whether nominated directly or indirectly by the Directors to be the attorney or attorneys of the Company for such purposes and with such powers, authorities and discretions (not exceeding those vested in or exercisable by the Directors under this Constitution) and for such period and subject to such conditions as they may think fit, and any such power of attorney may contain such provisions for the protection and convenience of persons dealing with such attorney as the Directors may think fit and may also authorise any such attorney to sub-delegate all or any of the powers, authorities and discretions vested in him. | Power to appoint attorneys |
| 103. The Directors may establish any local boards or agencies for managing any affairs of the Company, either in Singapore or elsewhere and may appoint any persons to be members of such local boards or any managers or agents, and may fix their remuneration, and may delegate to any local board, manager or agent any of the powers, authorities and discretions vested in the Directors, with power to subdelegate, and may authorise the members of any local board or any of them to fill any vacancies therein and to act notwithstanding vacancies, and any such appointment or delegation may be made upon such terms and subject to such conditions as the Directors may think fit and the Directors may remove any person so appointed, and may annul or vary any such delegation but no person acting in good faith and without notice of any such annulment or variation shall be affected thereby. | Power to establish local boards, etc |
| 104. The Company or the Directors on behalf of the Company may in exercise of the powers in that behalf conferred by the Act cause to be kept a Branch Register, or Branch Registers, of Members, and the Directors may (subject to the provisions of the Act) make and vary such Regulations as they may think fit in respect of the keeping of any such Register. | Power to keep a Branch Register |
| 105. All cheques, promissory notes, drafts, bills of exchange, and other negotiable or transferable instruments and all receipts for moneys paid to the Company shall be signed, drawn, accepted, endorsed or otherwise executed, as the case may be, in such manner as the Directors shall from time to time by resolution determine. | Signature of cheque and bills |

APPENDIX H – THE NEW CONSTITUTION

BORROWING POWERS

106. The Directors may borrow or raise money from time to time for the purpose of the Company or secure the payment of such sums as they think fit and may secure the repayment or payment of such sums by mortgage or charge upon all or any of the property or assets of the Company or by the issue of debentures (whether at par or at discount or premium) or otherwise as they may think fit.
- Directors' borrowing powers

MEETINGS AND PROCEEDINGS OF DIRECTORS

107. (1) The Directors may meet together either in person or by telephone, radio, conference television or similar communication equipment or any other form of audio, audio-visual, electronic or instantaneous communication by which all persons participating in the meeting are able to hear and be heard by all other participants, for the dispatch of business and adjourn and otherwise regulate their meetings as they think fit and a quorum for such teleconference meetings shall be the same as the quorum required of a Directors' meeting provided under this Constitution. A resolution passed by such a conference shall, notwithstanding that the Directors are not present together at one place at the time of conference, be deemed to have been passed at a meeting of the Directors held on the day and at the time at which the conference was held and shall be deemed to have been held at the Office of the Company, unless otherwise agreed, and all Directors participating at that meeting shall be deemed for all purposes of this Constitution to be present at that meeting.
- Meetings of Directors
- (2) Questions arising at any meeting shall be decided by a majority of votes and in case of an equality of votes the Chairman of the meeting shall have a second or casting vote except when only two Directors are present and form a quorum or only two Directors are competent to vote on the question.
- Votes
108. A Director may, and the Secretary on the requisition of a Director shall, at any time summon a meeting of the Directors but it shall not be necessary to give notice of a meeting of Directors to any Director for the time being absent from Singapore.
- Notice of meeting
109. The quorum necessary for the transaction of the business of the Directors may be fixed by the Directors and unless so fixed at any other number shall (except where the Company has only one Director) be two. A meeting of the Directors at which a quorum is present shall be competent to exercise all the powers and discretions for the time being exercisable by the Directors.
- Quorum
110. A Director notwithstanding his interest may be counted in the quorum present at any meeting whereat he or any other Director is appointed to hold any such office or place of profit under the Company or whereat the terms of any such appointment are arranged, and he may vote on any such appointment or arrangement other than his own appointment or the arrangement of the terms thereof.
- Effect of interest of Director on quorum
111. The continuing Directors may act notwithstanding any vacancies but if and so long as the number of Directors is reduced below the minimum number fixed by or in accordance with this Constitution the continuing Directors or Director may, except in an emergency, act only for the purpose of filling up such vacancies or of summoning General Meetings. If there be no Directors or Director able or willing to act, then any two Members may summon a General Meeting for the purpose of appointing Directors.
- Proceedings in case of vacancies

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| 112. The Directors may from time to time elect a Chairman and if desired a Deputy Chairman and determine the period for which he is or they are to hold office. The Deputy Chairman will perform the duties of the Chairman during the Chairman's absence for any reason. The Chairman and in his absence the Deputy Chairman shall preside as Chairman at meetings of the Directors but if no such Chairman or Deputy Chairman be elected or if at any meeting the Chairman and the Deputy Chairman be not present within five minutes after the time appointed for holding the same, the Directors present shall choose one of their number to be Chairman of such meeting. | Chairman and Deputy Chairman of Directors |
| 113. A resolution in writing signed by a majority of the Directors (who are not disqualified from voting) shall be as effective as a resolution passed at a meeting of the Directors duly convened and held and may consist of several documents in the like form each signed by one or more of the Directors. The expressions "in writing" and "signed" include approval by any such Director by telefax, telex, cable or telegram or any form of electronic communication approved by the Directors for such purpose from time to time incorporating, if the Directors deem necessary, the use of security and/or identification procedures and devices approved by the Directors. | Resolutions in writing |
| 114. The Directors may delegate any of their powers to committees consisting of such member or members of their body and (if thought fit) one or more other persons co-opted as hereinafter provided. Any committee so formed shall in the exercise of the powers so delegated conform to any regulations that may be imposed on them by the Directors. Any such regulations may provide for or authorise the co-option to the committee of persons other than Directors and for such co-opted members to have voting rights as members of the committee. | Power to appoint committees |
| 115. The meetings and proceedings of any such committee consisting of two or more members shall be governed by the provisions of this Constitution regulating the meetings and proceedings of the Directors, so far as the same are applicable and are not superseded by any regulations made by the Directors under the last preceding Regulation. | Proceedings at committee meeting |
| 116. All acts done by any meeting of Directors or of a committee of Directors or by any person acting as Director shall as regards all persons dealing in good faith with the Company, notwithstanding that there was some defect in the appointment of any such Director or person acting as aforesaid or that they or any of them were disqualified or had vacated office or were not entitled to vote be as valid as if every such person had been duly appointed and was qualified and had continued to be a Director and had been entitled to vote. | Validity of acts of Directors in spite of some formal defect |

ROTATION OF DIRECTORS

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| 117. Subject to this Constitution and to the provisions of the Act, at each Annual General Meeting one-third of the Directors for the time being, or if their number is not a multiple of three, the number nearest to but not less than one-third with a minimum of one, shall retire from office and a Director at an Annual General Meeting shall retain office until the close of the meeting, whether adjourned or not. | Retirement of Directors by rotation |
| 118. The Directors to retire in every year shall be those who, being subject to retirement by rotation, have been longest in office since their last re-election or appointment, but as between persons who became or were last re-elected Directors on the same day those to retire shall (unless they otherwise agree among themselves) be determined by lot. A retiring Director shall be eligible for re-election. | Selection of Directors to retire |

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119. The Company at the General Meeting at which a Director retires under any provision of this Constitution may by Ordinary Resolution fill up the vacated office by electing a person thereto. In default the retiring Director shall be deemed to have been re-elected, unless:-
- Filling vacated office
- (a) at such General Meeting it is expressly resolved not to fill up such vacated office or a resolution for the re-election of such Director is put to the meeting and lost; or
 - (b) such Director is disqualified under the Act from holding office as a Director or has given notice in writing to the Company that he is unwilling to be re-elected; or
 - (c) such Director is disqualified from acting as a director in any jurisdiction for reasons other than on technical grounds.
120. Without prejudice and subject to compliance with any applicable provisions of the Act and any other written law or regulation, no person other than a Director retiring at a General Meeting shall, unless recommended by the Directors for election, be eligible for appointment as a Director at any General Meeting unless not less than eleven clear days (i.e. exclusive of the date on which the notice is given as well as the date of the General Meeting) before the date appointed for the General Meeting there shall have been left at the Office a notice in writing signed by some Member (other than the person to be proposed) duly qualified to attend and vote at the meeting for which such notice is given of his intention to propose such person for election or notice in writing signed by the person to be proposed giving his consent to the nomination and signifying his candidature for the office, Provided that in the case of a person recommended by the Directors for election, not less than nine clear days' notice (i.e. exclusive of the date on which the notice is given as well as the date of the General Meeting) shall be necessary, and notice of each and every such person proposed shall be served on the Members at least seven days prior to the General Meeting at which the election is to take place.
- Notice of intention to appoint Director
121. In accordance with the provisions of the Act, the Company may by Ordinary Resolution of which special notice has been given remove any Director before the expiration of his period of office, notwithstanding any provision of this Constitution or of any agreement between the Company and such Director but without prejudice to any claim he may have for damages for breach of any such agreement. The Company in General Meeting may appoint another person in place of a Director so removed from office and any person so appointed shall be subject to retirement by rotation at the same time as if he had become a Director on the day on which the Director in whose place he is appointed was last elected a Director. In default of such appointment the vacancy so arising may be filled by the Directors as a casual vacancy.
- Removal of Directors
122. The Company may by Ordinary Resolution appoint any person to be a Director either to fill a casual vacancy or as an additional Director. Without prejudice thereto the Directors shall have power at any time, and from time to time, to do so but so that the total number of Directors shall not at any time exceed the maximum number fixed by or in accordance with this Constitution. Any person so appointed under this Regulation shall hold office only until the next Annual General Meeting and shall then be eligible for re-election but shall not be taken into account in determining the number of Directors who are to retire by rotation at such meeting.
- Power to fill casual vacancies and to appoint additional Director

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VACATION OF OFFICE OF DIRECTORS

123. Subject as herein otherwise provided or to the terms of any subsisting agreement, the office of a Director shall be vacated in any one of the following events, namely:-
- Vacation of office of Directors
- (a) if he shall become prohibited by reason of any order made under the Act or the relevant listing rules of the Stock Exchange or the rules and/or bye-laws governing the Stock Exchange from acting as a Director;
 - (b) becomes disqualified from being a director by virtue of his disqualification or removal or the revocation of his or her appointment as a director, as the case may be, under the Act or any other applicable law;
 - (c) ceases to be a director by virtue of the Act;
 - (d) if he shall become disqualified from acting as a director in any jurisdiction for reasons other than on technical grounds (in which case he must immediately resign from the Board);
 - (e) if a receiving order is made against him, he becomes bankrupt or if he suspends payment or makes any arrangement or composition with his creditors;
 - (f) if he becomes mentally disordered and incapable of managing himself or his affairs, or if in Singapore or elsewhere an order shall be made by any court claiming jurisdiction in that behalf on the ground (however formulated) of mental disorder for his detention or for the appointment of a guardian or for the appointment of a receiver or other person (by whatever name called) to exercise powers with respect to his property or affairs during his term of office;
 - (g) without prejudice to the provisions of the Act, if he resigns from his office by notice in writing to the Company;
 - (h) if he absents himself from the meetings of the Directors during a period of six (6) months without special leave of absence from the Board and they pass a resolution that he has by reason of such absence vacated office; and
 - (i) if he is removed from office pursuant to a resolution passed under the provisions of Regulation 121.

SECRETARY

124. The Secretary or Secretaries shall, and a Deputy or Assistant Secretary or Secretaries may be, appointed by the Directors for such term, at such remuneration and upon such conditions as they may think fit, provided that such person has not been debarred under the Act from acting as a Secretary; and any Secretary, Deputy or Assistant Secretary so appointed may be removed by them, but without prejudice to any claim he may have for damages for breach of any contract of service between him and the Company. The appointment and duties of the Secretary or Secretaries shall not conflict with the provisions of the Act.
- Secretary

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SEAL

125. (1) Where the Company has a Seal, the Directors shall provide for the safe custody of the Seal which shall not be used without the authority of the Directors or of a committee authorised by the Directors in that behalf. Seal
- (2) Subject to the provisions of the Act and every other act being in force concerning companies and affecting the Company, every instrument to which the Seal shall be affixed shall be signed autographically by two Directors or by one Director and the Secretary or some other person appointed by the Directors in place of the Secretary for such purpose, save that as regards any certificates for shares or debentures or other securities of the Company, the Directors may by resolution determine that such signatures or either of them shall be affixed by some method or system of mechanical signature. Affixing seal
- (3) Where the Company has a Seal, the Company may exercise the powers conferred by the Act with regard to having an Official Seal for use abroad, and such powers shall be vested in the Directors. Official Seal
- (4) Where the Company has a Seal, the Company may have a duplicate Common Seal as referred to in the Act which shall be a facsimile of the Common Seal with the addition on its face of the words "Share Seal". Share Seal
- (5) Unless otherwise provided under the Act, the Company may execute a document described or expressed as a deed without affixing a seal onto the document by signature:
- (i) on behalf of the Company by a Director and Secretary;
 - (ii) on behalf of the Company by at least two Directors; or
 - (iii) on behalf of the Company by a Director of the Company in the presence of a witness who attests the signature.
- (6) A document described or expressed as a deed that is signed on behalf of the Company in accordance with paragraph (5) has the same effect as if the document were executed under the Seal of the Company.

AUTHENTICATION OF DOCUMENTS

126. Any Director or the Secretary or any person appointed by the Directors for the purpose shall have power to authenticate any documents affecting the constitution of the Company and any resolutions passed by the Company or the Directors or any committee, and any books, records, documents, accounts and financial statements relating to the business of the Company, and to certify copies thereof or extracts therefrom as true copies or extracts; and where any books, records, documents, accounts or financial statements are elsewhere than at the Office, the local manager and other officer of the Company having custody thereof shall be deemed to be a person appointed by the Directors as aforesaid. Any authentication or certification made pursuant to this Regulation may be made by any electronic means approved by the Directors from time to time for such purpose incorporating, if the Directors deem necessary, the use of security procedures or devices approved by the Directors. Power to authenticate documents

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| 127. A document purporting to be a copy of a resolution of the Directors or an extract from the minutes of a meeting of Directors which is certified as such in accordance with the provisions of the last preceding Regulation shall be conclusive evidence in favour of all persons dealing with the Company upon the faith thereof that such resolution has been duly passed or, as the case may be, that such extract is a true and accurate record of a duly constituted meeting of the Directors. | Certified copies of resolutions of the Directors |
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MINUTES AND BOOKS

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| 128. The Directors shall cause minutes to be kept in books to be provided for the purpose:-

(a) of all appointments of officers made by the Directors;

(b) of the names of the Directors present at each meeting of Directors and of any committee of Directors; and

(c) of all resolutions and proceedings at all General Meetings and of any class of Members, of the Directors and of committees of Directors. | Minutes |
| 129. Any register, index, minute book, accounting record, minute or other book required by this Constitution or by the Act to be kept by or on behalf of the Company may, subject to and in accordance with the Act, be kept in hard copy form or in electronic form, and arranged in the manner that the Directors think fit. If such records are kept in electronic form, the Directors shall ensure that they are capable of being reproduced in hard copy form, and shall provide for the manner in which the records are to be authenticated and verified. In any case where such records are kept otherwise than in hard copy form, the Directors shall take reasonable precautions for ensuring the proper maintenance and authenticity of such records, guarding against falsification and facilitating the discovery of any falsifications. | Form of registers, etc |

FINANCIAL STATEMENTS

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| 130. The Directors shall cause to be kept such accounting and other records as are necessary to comply with the provisions of the Act and shall cause those records to be kept in such manner as to enable them to be conveniently and properly audited. | Directors to keep proper accounting records |
| 131. Subject to the provisions of the Act, the books of accounts shall be kept at the Office or at such other place or places as the Directors think fit within Singapore. No Member (other than a Director) shall have any right of inspecting any account or book or document or other recording of the Company except as is conferred by law or authorised by the Directors or by an Ordinary Resolution of the Company. | Location and inspection |
| 132. In accordance with the provisions of the Act, the Directors shall cause to be prepared and to be laid before the Company in General Meeting such financial statements, balance sheets, reports, statements and other documents as may be necessary. Whenever so required, the interval between the close of a financial year of the Company and the date of the Company's Annual General Meeting shall not exceed four months (or such other period as may be permitted by the Act). | Presentation of financial statements |

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133. A copy of the financial statements and, if required, the balance sheet (including every document required by the Act to be attached thereto), which is duly audited and which is to be laid before the Company in General Meeting accompanied by a copy of the Auditor's report thereon, shall not less than fourteen days before the date of the General Meeting be sent to every Member and to every other person who is entitled to receive notices of General Meetings from the Company under the provisions of the Act or of this Constitution, provided that:-
- Copies of financial statements
- (a) these documents may be sent less than fourteen days before the date of the General Meeting if all persons entitled to receive notices of General Meetings from the Company so agree and the relevant listing rules of the Stock Exchange or the rules and/or bye-laws governing the Stock Exchange are complied with; and
- (b) this Regulation shall not require a copy of these documents to be sent to any person of whose address the Company is not aware or to more than one of the joint holders of a share in the Company or the several persons entitled thereto in consequence of the death or bankruptcy of the holder or otherwise but any Member to whom a copy of these documents has not been sent shall be entitled to receive a copy free of charge on application at the Office.

AUDITOR

134. An Auditor shall be appointed and his duties regulated in accordance with the provisions of the Act. Every Auditor of the Company shall have a right of access at all times to the accounting and other records of the Company and shall make his report as required by the Act.
- Appointment of Auditor
135. Subject to the provisions of the Act, all acts done by any person acting as an Auditor shall, as regards all persons dealing in good faith with the Company, be valid, notwithstanding that there was some defect in his appointment or that he was at the time of his appointment not qualified for appointment.
- Validity of acts of Auditor in spite of some formal defect
136. An Auditor shall be entitled to attend any General Meeting and to receive all notices of and other communications relating to any General Meeting which any Member is entitled to receive and to be heard at any General Meeting on any part of the business of the General Meeting which concerns him as Auditor.
- Auditor's right to receive notices of and attend General Meetings

DIVIDENDS

137. The Company may by Ordinary Resolution declare dividends, but no dividend shall exceed the amount recommended by the Directors. Unless otherwise provided under the Act, no dividend may be paid to the Company in respect of treasury shares.
- Declaration of ordinary dividend
138. Subject to Regulation 137, the Directors may from time to time pay to the Members such interim dividends as appear to the Directors to be justified by the profits of the Company.
- Interim dividend
139. No dividend shall be paid otherwise than out of profits.
- Dividend only out of profits

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140. Subject to any rights or restrictions attached to any shares or class of shares and except as otherwise permitted under the Act:-

Application and
apportionment of
dividends

- (a) all dividends in respect of shares must be paid in proportion to the number of shares held by a Member but where shares are partly paid all dividends must be apportioned and paid proportionately to the amounts paid or credited as paid on the partly paid shares; and
- (b) all dividends must be apportioned and paid proportionately to the amounts so paid or credited as paid during any portion or portions of the period in respect of which the dividend is paid.

For the purposes of this Regulation, an amount paid or credited as paid on a share in advance of a call is to be ignored.

141. (1) Whenever the Directors or the Company in General Meeting have or has resolved or proposed that a dividend (including an interim, final, special or other dividend) be paid or declared on the ordinary share capital of the Company, the Directors may further resolve that Members entitled to such dividend be entitled to elect to receive an allotment of ordinary shares credited as fully paid in lieu of cash in respect of the whole or such part of the dividend as the Directors may think fit. In such case, the following provisions shall apply:-

Scrip dividend
scheme

- (a) the basis of any such allotment shall be determined by the Directors;
- (b) the Directors shall determine the manner in which Members shall be entitled to elect to receive an allotment of ordinary shares credited as fully paid in lieu of cash in respect of the whole or such part of any dividend in respect of which the Directors shall have passed such a resolution as aforesaid, and the Directors may make such arrangements as to the giving of notice to Members, providing for forms of election for completion by Members (whether in respect of a particular dividend or dividends or generally), determining the procedure for making such elections or revoking the same and the place at which and the latest date and time by which any forms of election or other documents by which elections are made or revoked must be lodged, and otherwise make all such arrangements and do all such things, as the Directors consider necessary or expedient in connection with the provisions of this Regulation;
- (c) the right of election may be exercised in respect of the whole of that portion of the dividend in respect of which the right of election has been accorded, provided that the Directors may determine, either generally or in any specific case, that such right shall be exercisable in respect of the whole or any part of that portion; and
- (d) the dividend (or that part of the dividend in respect of which a right of election has been accorded) shall not be payable in cash on the ordinary shares in respect whereof the share election has been duly exercised (the "elected ordinary shares") and in lieu and in satisfaction thereof ordinary shares shall be allotted and credited as fully paid to the holders of the elected ordinary shares on the basis of allotment determined as aforesaid and for such

APPENDIX H – THE NEW CONSTITUTION

purpose and notwithstanding the provisions of Regulation 152, the Directors may (i) capitalise and apply the amount standing to the credit of any of the Company's reserve accounts as the Directors may determine, such sum as may be required to pay up in full the appropriate number of ordinary shares for allotment and distribution to and among the holders of the elected ordinary shares on such basis or (ii) apply the sum which would otherwise have been payable in cash to the holders of the elected ordinary shares towards payment of the appropriate number of ordinary shares for allotment and distribution to and among the holders of the elected ordinary shares on such basis.

- (2) (a) The ordinary shares allotted pursuant to the provisions of paragraph (1) of this Regulation shall rank *pari passu* in all respects with the ordinary shares then in issue save only as regards participation in the dividend which is the subject of the election referred to above (including the right to make the election referred to above) or any other distributions, bonuses or rights paid, made declared or announced prior to or contemporaneous with the payment or declaration of the dividend which is the subject of the election referred to above, unless the Directors shall otherwise specify.
- (b) The Directors may do all acts and things considered necessary or expedient to give effect to the provisions of paragraph (1) of this Regulation, with full power to make such provisions as they think fit in the case of shares becoming distributable in fractions (including, notwithstanding any provision to the contrary in this Constitution, provisions whereby, in whole or in part, fractional entitlements are aggregated and sold and the net proceeds distributed to those entitled, or are disregarded or rounded up or down, or whereby the benefit of fractional entitlements accrues to the Company rather than to the Members concerned).
- (3) The Directors may on any occasion when they resolve as provided in paragraph (1) of this Regulation determine that rights of election under that paragraph shall not be made available to Members who are registered in the Register of Members or (as the case may be) the Depository Register, or in respect of ordinary shares the transfer of which is registered, after such date as the Directors may fix subject to such exceptions as the Directors think fit, and in such event the provisions of this Regulation shall be read and construed subject to such determination.
- (4) The Directors may on any occasion when they resolve as provided in paragraph (1) of this Regulation further determine that no allotment of shares or rights of election for shares under that paragraph shall be made available or made to Members whose registered addresses entered in the Register of Members or (as the case may be) the Depository Register are outside Singapore or to such other Members or class of Members as the Directors may in their sole discretion decide and in such event the only entitlement of the Members aforesaid shall be to receive in cash the relevant dividend resolved or proposed to be paid or declared.

Record date

Eligibility

APPENDIX H – THE NEW CONSTITUTION

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| (5) Notwithstanding the foregoing provisions of this Regulation, if at any time after the Directors' resolution to apply the provisions of paragraph (1) of this Regulation in relation to any dividend but prior to the allotment of ordinary shares pursuant thereto, the Directors shall consider that by reason of any event or circumstance (whether arising before or after such resolution) or by reason of any matter whatsoever it is no longer expedient or appropriate to implement that proposal, the Directors may at their own discretion and without assigning any reason therefore, cancel the proposed application of paragraph (1) of this Regulation. | Disapplication |
| 142. The Directors may retain any dividends or other moneys payable on or in respect of a share on which the Company has a lien, and may apply the same in or towards satisfaction of the debts, liabilities, or engagements in respect of which the lien exists. | Dividend may be retained |
| 143. Any General Meeting declaring a dividend may direct payment of such dividend wholly or partly by the distribution of specific assets and in particular of paid up shares, debentures or debenture stock of any other company or in any one or more of such ways, and the Directors shall give effect to such resolution and where any difficulty arises in regard to such distribution, the Directors may settle the same as they think expedient, and in particular may issue fractional certificates and fix the value for distribution of such specific assets or any part thereof and may determine that cash payments shall be made to any Members upon the footing of the value so fixed in order to adjust the rights of all parties and may vest any such specific assets in trustees as may seem expedient to the Directors. No valuation, adjustment or arrangement so made shall be questioned by any Member. | Payment of dividend in specie |
| 144. Any dividend, interest or other moneys payable in cash on or in respect of shares may be paid by cheque or warrant order sent through the post directed to the registered address of the holder or person entitled thereto in consequence of the death or bankruptcy of the holder or in the case of joint holders, to the registered address of that one of the joint holders who is first named in the Register of Members or (as the case may be) the Depository Register or to such person and to such address as the holder or joint holders or such person entitled thereto may in writing direct. Every such cheque or warrant shall be payable to the order of the person to whom it is sent or to such person as the holder or joint holders or person or persons entitled to the share in consequence of the death or bankruptcy of the holder may direct and payment of the cheque if purporting to be endorsed or the receipt of any such person shall be a good discharge to the Company. | Payment by post |
| 145. Every such cheque or warrant shall be sent at the risk of the person entitled to the money represented thereby, and the Company shall not be responsible for the loss of any cheque or warrant which shall be sent by post duly addressed to the person for whom it is intended. | Company not responsible for loss |
| 146. No unpaid dividend shall bear interest against the Company. | No interest |
| 147. A transfer of shares shall not pass the right to any dividend declared thereon before the registration of the transfer. | No dividend before registration |
| 148. The Directors may retain the dividends payable upon shares in respect of which any person is under the provisions as to the transmission of shares hereinbefore contained entitled to become a Member or which any person under that Regulation is entitled to transfer, until such person shall become a Member in respect thereof or shall duly transfer the same. | Power to retain dividends pending transmission |

APPENDIX H – THE NEW CONSTITUTION

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| 149. The payment by the Directors of any unclaimed dividends or other moneys payable on or in respect of a share into a separate account shall not render the Company a trustee in respect thereof. All dividends unclaimed after being declared may be invested or otherwise made use of by the Directors for the benefit of the Company and any dividend unclaimed after a period of six years from the date of declaration of such dividend may be forfeited and if so shall revert to the Company but the Directors may at any time thereafter at their absolute discretion annul any such forfeiture and pay the dividend so forfeited to the person entitled thereto prior to the forfeiture. If the Depository returns any such dividend or moneys to the Company, the relevant Depositor shall not have any right or claim in respect of such dividend or moneys against the Company if a period of six years has elapsed from the date of the declaration of such dividend or the date on which such other moneys are first payable. | Unclaimed dividends |
| 150. A payment by the Company to the Depository of any dividend or other moneys payable to a Depositor shall, to the extent of the payment made, discharge the Company from any liability to the Depositor in respect of that payment. | Payment to Depository good discharge |

RESERVES

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| 151. The Directors may, from time to time including before recommending any dividend, set aside out of the profits of the Company and carry to reserve such sums as they think proper which, at the discretion of the Directors, shall be applicable for meeting contingencies or for the gradual liquidation of any debt or liability of the Company or for repairing or maintaining the works, plant and machinery of the Company or for special dividends or bonuses or for equalising dividends or for any other purpose to which the profits of the Company may properly be applied and pending such application may either be employed in the business of the Company or be invested. The Directors may divide the reserve into such special funds as they think fit and may consolidate into one fund any special funds or any parts of any special funds into which the reserve may have been divided. The Directors may also without placing the same to reserve carry forward any profits which they may think it not prudent to divide. | Power to carry profit to reserve |
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CAPITALISATION OF PROFITS AND RESERVES

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| 152. (1) The Directors may, with the sanction of an Ordinary Resolution of the Company, including any Ordinary Resolution passed pursuant to Regulation 53(2):-

(a) issue bonus shares for which no consideration is payable to the Company to the persons registered as holders of shares in the Register of Members or (as the case may be) the Depository Register at the close of business on:-

(i) the date of the Ordinary Resolution (or such other date as may be specified therein or determined as therein provided); or

(ii) (in the case of an Ordinary Resolution passed pursuant to Regulation 53(2)) such other date as may be determined by the Directors,

in proportion to their then holdings of shares; and/or | Power to capitalise profits |
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APPENDIX H – THE NEW CONSTITUTION

(b) capitalise any sum standing to the credit of any of the Company's reserve accounts or other undistributable reserve or any sum standing to the credit of profit and loss account by appropriating such sum to the persons registered as holders of shares in the Register of Members or (as the case may be) in the Depository Register at the close of business on:-

(i) the date of the Ordinary Resolution (or such other date as may be specified therein or determined as therein provided); or

(ii) (in the case of an Ordinary Resolution passed pursuant to Regulation 53(2)) such other date as may be determined by the Directors,

in proportion to their then holdings of shares and applying such sum on their behalf in paying up in full new shares (or, subject to any special rights previously conferred on any shares or class of shares for the time being issued, new shares of any other class not being redeemable shares) for allotment and distribution credited as fully paid up to and amongst them as bonus shares in the proportion aforesaid.

(2) The Directors may do all acts and things considered necessary or expedient to give effect to any such bonus issue or capitalisation under Regulation 152(1), with full power to the Directors to make such provisions as they think fit for any fractional entitlements which would arise on the basis aforesaid (including provisions whereby fractional entitlements are disregarded or the benefit thereof accrues to the Company rather than to the Members concerned). The Directors may authorise any person to enter on behalf of all the Members interested into an agreement with the Company providing for any such bonus issue or capitalisation and matters incidental thereto and any agreement made under such authority shall be effective and binding on all concerned.

Power to give effect to bonus issues and capitalisations

(3) In addition and without prejudice to the powers provided for by Regulations 152(1) and 152(2), the Directors shall have power to issue shares for which no consideration is payable and/or to capitalise any undivided profits or other moneys of the Company not required for the payment or provision of any dividend on any shares entitled to cumulative or noncumulative preferential dividends (including profits or other moneys carried and standing to any reserve or reserves) and to apply such profits or other moneys in paying up in full new shares, in each case on terms that such shares shall, upon issue:-

Power to issue free shares and/or to capitalise reserves for share-based incentive plans and Directors' remuneration

(a) be held by or for the benefit of participants of any share incentive or option scheme or plan implemented by the Company and approved by shareholders in General Meeting and on such terms as the Directors shall think fit; or

(b) be held by or for the benefit of non-executive Directors as part of their remuneration under Regulation 91 and/or Regulation 92(2) approved by shareholders in General Meeting in such manner and on such terms as the Directors shall think fit.

The Directors may do all such acts and things considered necessary or expedient to give effect to any of the foregoing.

APPENDIX H – THE NEW CONSTITUTION

NOTICES

153. (1) Any notice or document (including a share certificate) may be served by the Company on any Member either personally or by sending it through the post in a prepaid letter or wrapper addressed to such Member at his registered address entered in the Register of Members or (as the case may be) the Depository Register, or (if he has no registered address within Singapore) to the address, if any, within Singapore supplied by him to the Company or (as the case may be) supplied by him to the Depository as his address for the service of notices, or by delivering it to such address as aforesaid. Service of notices
- (2) Without prejudice to the provisions of Regulation 153(1), but subject otherwise to the Act and any regulations made under the Act relating to electronic communications and any listing rules of the Stock Exchange or the rules and/or bye-laws governing the Stock Exchange, any notice or document (including, without limitation, any accounts, balance-sheet, financial statements or reports, circulars, letters, annual reports or notices) which is required or permitted to be given, sent or served under the Act or any listing rules of the Stock Exchange or the rules and/or bye-laws governing the Stock Exchange or under this Constitution by the Company, or by the Directors, to a Member may be given, sent or served using electronic communications:- Electronic communications
- (a) to the current email address of that person; or
- (b) by making it available on a website prescribed by the Company from time to time; or
- (c) in such manner as such Member expressly consents to receiving notices and documents by giving notice in writing to the Company, in accordance with the provisions of, or as otherwise provided by, the statutes and/or any other applicable regulations or procedures,
- in accordance with the provisions of this Constitution or the Act or any listing rules of the Stock Exchange or the rules and/or bye-laws governing the Stock Exchange. Without prejudice to the generality of the foregoing, in the event that any notice or document is to be given, sent or served according to (b) above, the Directors may give such notification relating to the address of the website and access to such notice or document in such manner as the Directors may determine at their discretion, subject to the Act and any regulations made under the Act relating to electronic communications and any listing rules of the Stock Exchange or the rules and/or bye-laws governing the Stock Exchange.
- (3) Subject to the Act and any under the Act made thereunder relating to electronic communications and any listing rules of the Stock Exchange or the rules and/or bye-laws governing the Stock Exchange, a Member shall be deemed to have agreed to receive such notice or document by way of such electronic communications and shall not have a right to elect to receive a physical copy of such notice or document, unless otherwise provided under applicable laws. Implied consent

APPENDIX H – THE NEW CONSTITUTION

- (4) Notwithstanding Regulation 153(3), the Directors may, at their discretion, or will, if so required by the Act, any regulations made under the Act relating to electronic communications or any listing rules of the Stock Exchange or the rules and/or bye-laws governing the Stock Exchange, give a Member an opportunity, on at least one occasion, to elect within a specified period of time whether to receive such notice or document by way of electronic communications or as a physical copy, and subject to Regulation 153(5) below, a Member shall be deemed to have consented to receive such notice or document by way of electronic communications if he was given such an opportunity and he failed to make an election within the specified time, and he shall not in such an event have a right to receive a physical copy of such notice or document, unless otherwise provided under applicable laws. Deemed consent
- (5) Any election or deemed election by a Member pursuant to Regulation 153(4) above is a standing election but the Member may make a fresh election at any time, provided that until the Member makes a fresh election, the election or deemed election that is conveyed to the Company last in time prevails over all previous elections as that Member's valid and subsisting election in relation to all documents and notices to be sent pursuant to Regulation 153(4) above, and a fresh election shall not apply to notices sent prior to the time of such fresh election.
- (6) Regulations 153(2), (3), (4) and (5) above shall not apply to such notices or documents which are excluded from being given, sent or served by electronic communications or means pursuant to the Act and any regulations made under the Act relating to electronic communications and any listing rules of the Stock Exchange or the rules and/or bye-laws governing the Stock Exchange.
- (7) Where a notice or document is given, sent or served to a Member by making it available on a website pursuant to Regulation 153(2)(b), the Company shall give separate notice to the Member of the publication of the notice or document on that website and the manner in which the notice or document may be accessed by any one or more of the following means:
- (a) by sending such separate notice to the Member personally or through the post pursuant to Regulation 153(1);
 - (b) by sending such separate notice to the Member using electronic communications to his current address pursuant to Regulation 153(2)(a);
 - (c) by way of advertisement in the daily press; and/or
 - (d) by way of announcement on any Stock Exchange upon which shares in the Company may be listed.
154. All notices with respect to any shares to which persons are jointly entitled shall be given to whichever of such persons is named first on the Register of Members or (as the case may be) the Depository Register and notice so given shall be sufficient notice to all the holders of such shares. Service of notices in respect of joint holders

APPENDIX H – THE NEW CONSTITUTION

155. A Member who (having no registered address within Singapore) has not supplied to the Company or (as the case may be) the Depository an address within Singapore for the service of notices or documents shall not be entitled to receive any notice or document from the Company. Service of notices on Members abroad
156. A person entitled to a share in consequence of the death or bankruptcy of a Member or otherwise upon supplying to the Company such evidence as the Directors may reasonably require to show his title to the share, and upon supplying also to the Company or (as the case may be) the Depository an address within Singapore for the service of notices, shall be entitled to have served upon him at such address any notice or document to which the Member but for his death or bankruptcy or otherwise would be entitled and such service shall for all purposes be deemed a sufficient service of such notice or document on all persons interested (whether jointly with or as claiming through or under him) in the share. Save as aforesaid any notice or document delivered or sent by post to or left at the address of any Member or given, sent or served by electronic communications in pursuance of this Constitution shall (notwithstanding that such Member be then dead or bankrupt or otherwise not entitled to such share and whether or not the Company have notice of the same) be deemed to have been duly served in respect of any share registered in the name of such Member in the Register of Members or, where such member is a Depositor, entered against his name in the Depository Register as sole or first-named joint holder. Service of notices after death etc. on a Member
157. (1) Any notice or other document if sent by post and whether by airmail or not shall be deemed to have been served at the time the envelope or wrapper containing the same is posted, and in proving such service by post it shall be sufficient to prove that the letter or wrapper containing the same was properly addressed and put into the post office as a prepaid letter or wrapper. When notice given by post deemed served
- (2) Subject to any applicable laws relating to electronic communications, including, *inter alia*, the Act and the provisions of any listing rules of the Stock Exchange or the rules and/or bye-laws governing the Stock Exchange, where a notice or document is given, sent or served by electronic communications:- When notice given by electronic communications deemed served
- (a) to the current email address of a person pursuant to Regulation 153(2)(a), it shall be deemed to have been duly given, sent or served at the time of transmission of the electronic communication by the email server or facility operated by the Company or its service provider to the current email address of such person (notwithstanding any delayed receipt, non-delivery or “returned mail” reply message or any other error message indicating that the electronic communication was delayed or not successfully sent), unless otherwise provided under the Act and/or any other applicable regulations or procedures; and
- (b) by making it available on a website pursuant to Regulation 153(2)(b), it shall be deemed to have been duly given, sent or served on the date on which the notice or document is first made available on the website, or unless otherwise provided under the Act and/or any other applicable regulations or procedures.
158. When a given number of days’ notice or notice extending over any other period is required to be given, the day of service shall, unless it is otherwise provided or required by this Constitution or by the Act, not be counted in such number of days or period. Day of service not counted

APPENDIX H – THE NEW CONSTITUTION

WINDING UP

159. If the Company shall be wound up the liquidator may, with the sanction of a Special Resolution of the Company and any other sanction required by the Act, divide amongst the Members in specie or kind the whole or any part of the assets of the Company (including any shares in any other company received by the liquidator as consideration for the sale of the whole or part of the Company's assets and whether they shall consist of property of the same kind or not) and any such division may be otherwise than in accordance with the existing rights of the Members and may, for such purpose set such value as he deems fair upon any property to be divided as aforesaid and may determine how such division shall be carried out as between the Members or different classes of Members. The liquidator may, with the like sanction, vest the whole or any part of such assets in trustees upon such trusts for the benefit of the contributories as the liquidator, with the like sanction, shall think fit, but so that no Member shall be compelled to accept any shares or other securities whereon there is any liability. This Regulation is without prejudice to the rights of persons whose shares are issued on special terms. If any division is resolved otherwise than in accordance with the existing rights of the Members, the Members shall have the same right of dissent and consequential rights as if such resolution were a Special Resolution passed pursuant to Section 306 of the Act.

Winding up

INDEMNITY

160. (1) Subject to the provisions of and so far as may be permitted by the Act, every Director, Secretary or other officer of the Company shall be entitled to be indemnified by the Company against all costs, charges, losses, expenses and liabilities incurred or to be incurred by him in the execution and discharge of his duties as an officer of the Company or in relation thereto (including without any limitation any liability incurred by him in defending any proceedings, civil or criminal, which relate to anything done or omitted or alleged to have been done or omitted by him as an officer or employee of the Company and in which judgment is given in his favour (or the proceedings otherwise disposed of without any finding or admission of any material breach of duty on his part) or in which he is acquitted or in connection with any application under any statute for relief from liability in respect of any such act or omission in which relief is granted to him by the court) unless the same shall happen through his own negligence, default, breach of duty or breach of trust. Without prejudice to the generality of the foregoing, no Director, Secretary or other officer of the Company shall be liable for the acts, receipts, neglects or defaults of any other Director or officer or for joining in any receipt or other act for conformity or for any loss or expense happening to the Company through the insufficiency or deficiency of title to any property acquired by order of the Directors for or on behalf of the Company or for the insufficiency or deficiency of any security in or upon which any of the moneys of the Company shall be invested or for any loss or damage arising from the bankruptcy, insolvency or tortious act of any person with whom any moneys, securities or effects shall be deposited or left or for any other loss, damage or misfortune whatsoever which shall happen in the execution of the duties of his office or in relation thereto unless the same shall happen through his own negligence, default, breach of duty or breach of trust.

Indemnity of
Directors and
officers

APPENDIX H – THE NEW CONSTITUTION

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| (2) | Without prejudice to the generality of Regulation 160(1) above, every Director, Secretary or other officer of the Company is to be indemnified out of the assets of the Company against any liability (other than any liability referred to in Section 172B(1)(a) or (b) of the Act) incurred by the Director, Secretary or officer to a person other than the Company which attaches to the Director, Secretary or officer of the Company in connection with any negligence, default, breach of duty or breach of trust in relation to the Company. | Indemnity of Directors and officers against third party liability |
| (3) | Every Auditor is to be indemnified out of the assets of the company against any liability incurred by the Auditor in defending any proceedings, whether civil or criminal, in which judgment is given in the Auditor's favour or in which the Auditor is acquitted or in connection with any application under the Act in which relief is granted to the Auditor by the Court in respect of any negligence, default, breach of duty or breach of trust. | Indemnity of Auditor |
| (4) | Subject to the provisions of and so far as may be permitted by the Act, the Company shall be permitted to provide every Director with defence funding, provided that (A) in the case of defence funding permitted under Section 163A of the Act, such defence funding shall be repaid in accordance with Section 163A(2), or (B) in the case of defence funding permitted under Section 163B of the Act, such defence funding shall be repaid upon any action taken by a regulatory authority against him. Such defence funding may be subject to such rate of interest as may be determined by the Board of Directors. In this Regulation 160(4), "defence funding" shall mean the provision of funds by way of a loan to a director to meet expenditure incurred or to be incurred, (i.) in the case of defence funding permitted under Section 163A of the Act, in defending any criminal or civil proceedings in connection with any alleged negligence, default, breach of duty or breach of trust by that person in relation to the entity at risk, or in connection with an application for relief or any action to enable such director to avoid incurring such expenditure; or (ii.) in the case of defence funding permitted under Section 163B of the Act, in defending himself in an investigation by a regulatory authority or against any action proposed to be taken by a regulatory authority in connection with any alleged negligence, default, breach of duty or breach of trust in relation to the entity at risk, or any action to enable such director to avoid incurring such expenditure. | Defence Funding |
| (5) | The Directors may decide to purchase and maintain insurance, at the expense of the Company for the benefit of any Director or other officer of the Company and its subsidiaries (if any) in respect of any liabilities mentioned in this Regulation 160. This Regulation 160 does not authorise any indemnity which would be prohibited or rendered void by any provision of the Act or by any other provision of law. | |

SECRECY

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| 161. | No Member shall be entitled to require discovery of or any information respecting any detail of the Company's trade or any matter which may be in the nature of a trade secret, mystery of trade or secret process which may relate to the conduct of the business of the Company and which in the opinion of the Directors it will be inexpedient in the interest of the Members to communicate to the public save as may be authorised by law or required by the listing rules of the Stock Exchange or the rules and/or bye-laws governing the Stock Exchange. | Secrecy |
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APPENDIX H – THE NEW CONSTITUTION

PROCEDURAL IRREGULARITY DISREGARDED

162. Any meeting held for the purposes of this Constitution which is not also held for the purposes of the Act, and any proceeding at any such meeting or otherwise under these presents which is not also a proceeding under the Act, shall nevertheless not be invalidated by reason of any procedural irregularity unless the High Court of Singapore shall have declared that the irregularity has caused or may cause substantial injustice that cannot be remedied by any order of the Court and that the said meeting is accordingly void or the said proceeding is accordingly invalid, provided that nothing herein shall apply to any matter which is regulated by Section 72 of the Act.

PERSONAL DATA

163. (1) Subject to any written law or regulation, a Member who is a natural person is deemed to have consented to the collection, use and disclosure of his personal data (whether such personal data is provided by that Member or is collected through a third party) by the Company (or its agents or service providers) from time to time for any of the following purposes:-
- (a) implementation and administration of any corporate action by the Company (or its agents or service providers);
 - (b) internal analysis and/or market research by the Company (or its agents or service providers);
 - (c) investor relations communications by the Company (or its agents or service providers);
 - (d) administration by the Company (or its agents or service providers) of that Member's holding of shares in the Company;
 - (e) implementation and administration of any service provided by the Company (or its agents or service providers) to its Members to receive notices of meetings, annual reports and other shareholder communications and/or for proxy appointment, whether by electronic means or otherwise;
 - (f) processing, administration and analysis by the Company (or its agents or service providers) of Members, proxies and representatives appointed for any General Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to any General Meeting (including any adjournment thereof);
 - (g) implementation and administration of, and compliance with, any provision of this Constitution;
 - (h) compliance with any applicable laws, listing rules, take-over rules, regulations and/or guidelines; and/or
 - (i) purposes which are reasonably related to any of the above purpose.

Personal data of
Members

APPENDIX H – THE NEW CONSTITUTION

- (2) Any Member who appoints a proxy and/or representative for any General Meeting and/or any adjournment thereof is deemed to have warranted that where such Member discloses the personal data of such proxy and/or representative to the Company (or its agents or service providers), that Member has obtained the prior consent of such proxy and/or representative for the collection, use and disclosure by the Company (or its agents or service providers) of the personal data of such proxy and/or representative for the purposes specified in Regulations 163(1)(f) and 163(1)(h), and is deemed to have agreed to indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of such Member's breach of warranty.

Personal data of
proxies and/or
representatives

APPENDIX I – EXTRACTS OF THE PROPOSED KEY AMENDMENTS TO THE EXISTING CONSTITUTION

Set out below are the key provisions in the New Constitution which are significantly different from the equivalent provisions in the Existing Constitution, or which have been included in the New Constitution as new provisions.

**Regulation
61 of the New
Constitution**

- (3) Subject to compliance with relevant laws, regulations and the listing rules of the Stock Exchange or the rules of any stock exchange upon which the shares of the Company may be listed, any General Meeting may be held entirely, or to any extent as determined by the Directors, by any virtual or electronic audio-visual means of communication, whether in its entirety or linked to the main place of a General Meeting by such means, in such manner that all Members and Directors participating in the General Meeting are able to adequately communicate with each other, and vote, whether on a show of hands or by a poll. Participation in a General Meeting in the manner set out in this Regulation shall constitute presence in person of such Member at such General Meeting and shall count towards the quorum, and such Member shall be entitled to exercise all rights under a General Meeting. Such a General Meeting shall be deemed to take place where the largest group of Members (or their proxy, or in the case of a corporation, their respective corporate representatives) present for purposes of the General Meeting is assembled or, if there is no such group, where the Chairman of the General Meeting is present. The Directors shall be entitled to require that all voting at the General Meeting be by way of proxies executed by the Members giving instructions to the Chairman of the General Meeting and/or in accordance with Regulation 77(4)(c) and/or in such other manner as the Directors may determine in their sole discretion. The Directors shall also be entitled to regulate the manner in which such General Meetings are to be held, including but not limited to procedures on identification of the Member and requiring prior registration of the Member prior to the General Meeting. The other Regulations governing General Meetings shall apply *mutatis mutandis* to any General Meeting convened in the manner set out in this Regulation.

General Meetings via
Electronic Means

**Regulation
85 of the New
Constitution**

- (2) The Directors may, in their absolute discretion, and in relation to such Members or class of Members as they may determine, specify the means through which instruments appointing a proxy may be submitted by electronic communications, as contemplated in Regulation 85(1)(b). Where the Directors do not so specify in relation to a Member (whether of a class or otherwise), Regulation 85(1)(a) shall apply.

Directors may specify
means for electronic
communications

APPENDIX I – EXTRACTS OF THE PROPOSED KEY AMENDMENTS TO THE EXISTING CONSTITUTION

**Regulation
153 of the New
Constitution**

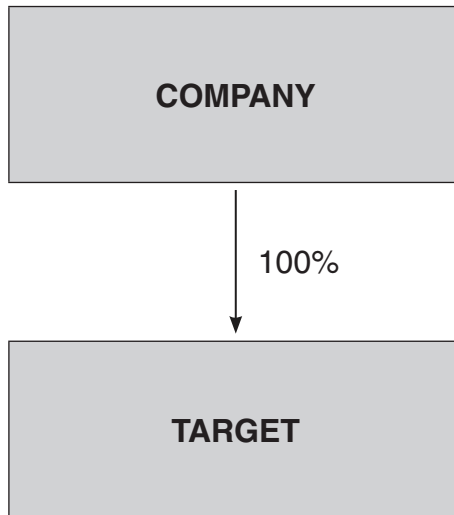
(2) Without prejudice to the provisions of Regulation 153(1), but subject otherwise to the Act and any regulations made under the Act relating to electronic communications and any listing rules of the Stock Exchange or the rules and/or bye-laws governing the Stock Exchange, any notice or document (including, without limitation, any accounts, balance-sheet, financial statements or reports, circulars, letters, annual reports or notices) which is required or permitted to be given, sent or served under the Act or any listing rules of the Stock Exchange or the rules and/or bye-laws governing the Stock Exchange or under this Constitution by the Company, or by the Directors, to a Member may be given, sent or served using electronic communications:-

Electronic
communications

- (a) to the current address of that person; or
- (b) by making it available on a website prescribed by the Company from time to time; or
- (c) in such manner as such Member expressly consents to receiving notices and documents by giving notice in writing to the Company, in accordance with the provisions of, or as otherwise provided by, the statutes and/or any other applicable regulations or procedures,

in accordance with the provisions of this Constitution or the Act or any listing rules of the Stock Exchange or the rules and/or bye-laws governing the Stock Exchange. Without prejudice to the generality of the foregoing, in the event that any notice or document is to be given, sent or served according to (b) above, the Directors may give such notification relating to the address of the website and how access to such notice or document in such manner as the Directors may determine at their discretion, subject to the Act and any regulations made under the Act relating to electronic communications and any listing rules of the Stock Exchange or the rules and/or bye-laws governing the Stock Exchange.

APPENDIX J – ENLARGED GROUP STRUCTURE



NOTICE OF EXTRAORDINARY GENERAL MEETING

FABCHEM CHINA LIMITED

(Company Registration No.: 200413128G)

(Incorporated in the Republic of Singapore)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an Extraordinary General Meeting (“**EGM/Meeting**”) of Fabchem China Limited (“**Company**”) will be held by way of electronic means (via LIVE WEBCAST and AUDIO ONLY MEANS) on 22 July 2022, at 10.00 a.m. for the purpose of considering and, if thought fit, passing with or without amendments, the Resolutions as set out below.

All capitalised terms used in this notice which are not defined herein shall have the meanings ascribed to them in the circular dated 30 June 2022 (“**Circular**”) to shareholders of the Company (“**Shareholders**”).

This Notice of EGM along with its accompanying proxy form has been made available on SGXNET and the Company’s corporate website which may be accessed at the URL: <https://www.fabchemchina.com>. A printed copy of this Notice of EGM and the accompanying proxy form will NOT be despatched to Shareholders.

Shareholders should note that:

- (a) **Ordinary Resolutions 1, 2, 3, 4, 5, 6, 7, 8, 9 as well as Special Resolutions 1 and 2 (“Key Resolutions”)** are inter-conditional upon each other; and
- (b) **Ordinary Resolutions 10, 11, 12 as well as Special Resolution 3 are conditional upon the passing of the Key Resolutions (“Conditional Resolutions”).**

This means that if any of the Key Resolutions are not passed, the other Key Resolutions would not be passed, and if any of the Key Resolutions are not passed, the Conditional Resolutions would not be passed.

Please refer to Section 1.3 of this Circular titled “Inter-Conditionality of Resolutions” for more details.

AS ORDINARY RESOLUTIONS

ORDINARY RESOLUTION 1: THE PROPOSED ACQUISITION

THAT subject to and contingent upon the passing of the Key Resolutions:

- (1) approval be and is hereby given for the Company to undertake the Proposed Acquisition in accordance with the terms of the SPA as described in the Circular; and
- (2) the Directors be and are hereby authorised to (a) carry out and implement the Proposed Acquisition in accordance with the SPA, and (b) complete and do all such acts and things (including executing such documents and approving any amendments, alterations or modifications to any documents as may be required) as they may consider expedient or necessary to give effect to this Ordinary Resolution 1 as they or each of them may in their or each of their absolute discretion deem fit in the interests of the Company.

ORDINARY RESOLUTION 2: THE PROPOSED ISSUANCE OF CONSIDERATION SHARES

THAT subject to and contingent upon the passing of the Key Resolutions:

- (1) the proposed allotment and issuance to the Vendors of an aggregate 113,636,363 Consideration Shares to the Vendors in proportion to the Vendors’ Respective Shareholdings, credited as fully paid-up, at the Issue Price of S\$0.22 per Consideration Share in accordance with the terms of the SPA, be and is hereby approved; and

NOTICE OF EXTRAORDINARY GENERAL MEETING

- (2) the Directors be and are hereby authorised to complete and do all such acts and things (including executing such documents and approving any amendments, alterations or modifications to any documents as may be required) as they may consider expedient or necessary to give effect to this Ordinary Resolution 2 as they or each of them may in their or each of their absolute discretion deem fit in the interest of the Company.

ORDINARY RESOLUTION 3: THE PROPOSED WHITEWASH RESOLUTION

THAT subject to and contingent upon the passing of the Key Resolutions, the Independent Shareholders of the Company, hereby, on a poll taken, unconditionally and irrevocably waive their right under Rule 14 of the Singapore Code on Take-Overs and Mergers to receive a mandatory general offer from the Vendors, for all the Shares in the capital of the Company in issue not already owned, controlled or agreed to be acquired by the Vendors, as a result of the allotment and issuance of the Consideration Shares upon Completion.

ORDINARY RESOLUTION 4: THE PROPOSED ISSUANCE OF THE FA SHARES

THAT subject to and contingent upon the passing of the Key Resolutions:

- (1) the proposed allotment and issuance of 454,545 FA Shares at the Issue Price of S\$0.22 per FA Share to RHB Bank as part payment of RHB Bank's professional fees as the financial adviser to the Company in respect of the Proposed Acquisition be and is hereby approved; and
- (2) the Directors be and are hereby authorised to complete and do all such acts and things (including executing such documents and approving any amendments, alterations or modifications to any documents as may be required) as they may consider expedient or necessary to give effect to this Ordinary Resolution 4 as they or each of them may in their or each of their absolute discretion deem fit in the interest of the Company.

ORDINARY RESOLUTION 5: THE PROPOSED ISSUANCE OF THE ARRANGER SHARES

THAT subject to and contingent upon the passing of the Key Resolutions:

- (1) the proposed allotment and issuance of 5,681,818 Arranger Shares at the Issue Price of S\$0.22 per Arranger Share to the Arranger in consideration of the Arranger's services to the Company in respect of the Proposed Acquisition be and is hereby approved; and
- (2) the Directors be and are hereby authorised to complete and do all such acts and things (including executing such documents and approving any amendments, alterations or modifications to any documents as may be required) as they may consider expedient or necessary to give effect to this Ordinary Resolution 5 as they or each of them may in their or each of their absolute discretion deem fit in the interest of the Company.

ORDINARY RESOLUTION 6: THE PROPOSED PLACEMENT

THAT subject to and contingent upon the passing of the Key Resolutions:

- (1) the Directors be and are hereby authorised to allot and issue up to 13,650,000 Placement Shares at the Issue Price of S\$0.22 per Placement Share; and
- (2) the Directors be and are hereby authorised to complete and do all such acts and things (including executing such documents and approving any amendments, alterations or modifications to any documents as may be required) as they may consider expedient or necessary to give effect to this Ordinary Resolution 6 as they or each of them may in their or each of their absolute discretion deem fit in the interest of the Company.

NOTICE OF EXTRAORDINARY GENERAL MEETING

ORDINARY RESOLUTION 7: THE PROPOSED CHANGE OF CORE BUSINESS

THAT subject to and contingent upon the passing of the Key Resolutions, approval be and is hereby granted for the Company to change the core business of the Company to the Proposed New Business:

- (1) subject to compliance with the Catalist Rules requiring approval from Shareholders in certain circumstances, the Company be and is hereby authorised to invest in, purchase or otherwise acquire or dispose of from time to time, any such assets, businesses, investments and shares/interests in any entity that is in the Proposed New Business for the purpose of or in connection with the Proposed Change of Core Business on such terms and conditions as the Directors may deem fit, and such Directors be and are hereby authorised to take such steps and exercise such discretion and do all such acts and things as they deem desirable, necessary or expedient to give effect to any such investment, purchase, acquisition or disposal or to effect to this Ordinary Resolution 7; and
- (2) the Directors be and are hereby authorised to complete and do all such acts and things (including executing such documents and approving any amendments, alterations or modifications to any documents as may be required) as they may consider expedient or necessary to give effect to this Ordinary Resolution 7 as they or each of them may in their or each of their absolute discretion deem fit in the interest of the Company.

ORDINARY RESOLUTION 8: THE PROPOSED APPOINTMENT OF TAN JIT MENG AS A PROPOSED NEW DIRECTOR

THAT subject to and contingent upon the passing of the Key Resolutions and Completion, Tan Jit Meng be and is hereby appointed as a director of the Company with effect from Completion.

ORDINARY RESOLUTION 9: THE PROPOSED APPOINTMENT OF WEE SHUO SIONG MILTON AS A PROPOSED NEW DIRECTOR

THAT subject to and contingent upon the passing of the Key Resolutions and Completion, Wee Shuo Siong Milton be and is hereby appointed as a director of the Company with effect from Completion.

ORDINARY RESOLUTION 10: THE PROPOSED APPOINTMENT OF TAN KOK HENG AS A PROPOSED NEW DIRECTOR

THAT subject to and contingent upon the passing of the Key Resolutions and Completion, Tan Kok Heng be and is hereby appointed as a director of the Company with effect from Completion.

ORDINARY RESOLUTION 11: THE PROPOSED APPOINTMENT OF LU KING SENG AS A PROPOSED NEW DIRECTOR

THAT subject to and contingent upon the passing of the Key Resolutions and Completion, Lu King Seng be and is hereby appointed as a director of the Company with effect from Completion.

ORDINARY RESOLUTION 12: THE PROPOSED NEW SHARE ISSUE MANDATE

That subject to and contingent upon the passing of the Key Resolutions and Completion, the Proposed New Share Issue Mandate be and is hereby approved and that authority be and is hereby given to each of the Directors:

- (1) pursuant to section 161 of the Companies Act and subject to and in accordance with the terms of the Constitution, to allot and issue Shares at any time and upon such terms and conditions, and to such persons as the Directors shall in their absolute discretion deem fit, provided that the aggregate number of new Shares to be issued pursuant to such authority shall not exceed 100% of the then existing issued share capital of the Company, and that the aggregate number of shares to be issued other than on a *pro rata* basis to the then existing Shareholders shall not exceed 50% of the then existing issued share capital of the Company, and, unless revoked or varied by the Shareholders at a general meeting, such authority shall continue in full force until the conclusion of the next annual general meeting or the date by which the next annual general meeting is required by law to be held, whichever is earlier; and

NOTICE OF EXTRAORDINARY GENERAL MEETING

- (2) to complete and do all such acts and things (including executing such documents and approving any amendments, alterations or modifications to any documents as may be required) as they may consider expedient or necessary to give effect to this Ordinary Resolution 12 as they or each of them may in their or each of their absolute discretion deem fit in the interest of the Company.

AS SPECIAL RESOLUTIONS

SPECIAL RESOLUTION 1: THE PROPOSED LISTING TRANSFER

That subject to and contingent upon the passing of Key Resolutions, approval be and is hereby given, pursuant to Rule 410(4) of the Catalist Rule for the Company to transfer from the Mainboard to the Catalist Board.

SPECIAL RESOLUTION 2: THE PROPOSED CHANGE OF NAME

That subject to and contingent upon the passing of the Key Resolutions and subject to the approval of the Accounting and Corporate Regulatory Authority, the Proposed Change of Name of the Company from “Fabchem China Limited” to “Lincotrade & Associates Holdings Limited” be and is hereby approved, and that the Directors be and are hereby authorised to complete and do all such acts and things as they may consider necessary or expedient to give effect to this Special Resolution 2.

SPECIAL RESOLUTION 3: THE PROPOSED ADOPTION OF THE NEW CONSTITUTION OF THE COMPANY

That subject to and contingent upon the passing of the Key Resolutions, the New Constitution of the Company as set out in Appendix H of this Circular be and is hereby approved and adopted as the Constitution of the Company in substitution for, and to the exclusion of, the Existing Constitution and that the Directors and each of them be and are hereby authorised to complete and do all such acts and things as they may consider necessary or expedient to give effect to this Special Resolution 3.

By Order of the Board

Wee Phui Gam
Acting Chairman and Lead Independent Director

30 June 2022

NOTICE OF EXTRAORDINARY GENERAL MEETING

Notes:

1. The EGM is being convened, and will be held, by electronic means pursuant to the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020.
2. Alternative arrangements relating to attendance at the EGM via electronic means (including arrangements by which the meeting can be electronically accessed via live audio-visual webcast or live audio-only stream), submission of questions in advance of, or live, at the EGM, addressing of substantial and relevant questions prior to, or at, the EGM and voting "live" by the Shareholders or their appointed proxy(ies) (excluding the Chairman of the EGM (as defined below)) or by appointing the Chairman of the EGM as proxy at the EGM, are set out in Sections 28 and 29 of this Circular. The Circular may be accessed at the Company's website at the URL: <https://www.fabchemchina.com>, and will also be made on SGXNET at the URL: <http://www.sgx.com/securities/company-announcements>.
3. **As a precautionary measure due to the current COVID-19 situation in Singapore, Shareholders will not be able to attend the EGM in person. Shareholders (whether individuals or corporates) who wish to exercise their voting rights at the EGM may vote "live" themselves or via their appointed proxy(ies) (excluding the Chairman of the EGM), or appoint the chairman of the EGM ("Chairman of the EGM") as their proxy to attend, speak and vote on their behalf at the EGM.** In appointing their proxy(ies), Shareholders (whether individuals or corporates) must give specific instructions as to voting, or abstentions from voting, in the Proxy Form, failing which the proxy(ies) (including the Chairman of the EGM if he/she is appointed as proxy) will vote or abstain from voting at his/her discretion.
4. The proxy(ies) need not be a Shareholder.
5. The instrument appointing the proxy(ies) must:
 - (a) if submitted by post, be deposited at the registered office of the Company at 77 Robinson Road, #06-03 Robinson 77, Singapore 068896; or
 - (b) if submitted electronically, be submitted via email to the Company at ir@fabchemchina.com.

in either case no later than 10.00 a.m. on 20 July 2022, and in default the instrument of proxy shall not be treated as valid. Shareholders who wish to submit an instrument of proxy must first download, complete and sign the instrument of proxy, before submitting it by post to the address provided above, or before scanning and sending it by email to the email address provided above.
6. The instrument appointing the proxy(ies) must be signed by the appointor or his attorney duly authorised in writing. Where the instrument appointing the proxy(ies) is executed by a corporation, it must be either under its common seal or signed on its behalf by a duly authorised officer or attorney.
7. Where an instrument appointing the proxy(ies) is signed on behalf of the appointor by an attorney, the power of attorney (or other authority) or a duly certified copy thereof must (failing previous registration with the Company) be attached to the instrument of proxy, failing which the instrument may be treated as invalid.
8. In the case of shares entered in the depository register, the Company may reject an instrument of proxy if the Shareholder, being the appointor, is not shown to have shares entered against his/her/its name in the depository register as at 72 hours before the time appointed for holding the EGM, as certified by The Central Depository (Pte) Limited to the Company.

Important Reminders

Due to the constantly evolving COVID-19 situation, the Company may be required to change its EGM arrangements at short notice. Shareholders are advised to regularly check the Company's website or announcements released on SGXNET for updates on the EGM. **Further, in view of the current COVID-19 measures which may make it difficult for Shareholders to submit completed proxy forms by post, Shareholders are strongly encouraged to submit completed proxy forms electronically via email.**

Personal data privacy:

By (a) submitting an instrument appointing the proxy(ies) to attend, speak and vote at the EGM and or at any adjournment thereof, (b) completing the pre-registration in accordance with this Notice of EGM, or (c) submitting any question prior to the EGM in accordance with this Notice of EGM, the Shareholder consents to the collection, use and disclosure of his/her/its personal data by the Company (or its agents or service providers) for the following purposes:

- (i.) processing, administration and analysis by the Company (or its agents or service providers) of proxy forms appointing the proxy(ies) for the EGM (including any adjournment thereof);
- (ii.) processing of the pre-registration for purposes of granting access to Shareholders to the "live" webcast or "live" audio feed of the EGM proceedings and providing them with any technical assistance where necessary;
- (iii.) addressing substantial and relevant questions from Shareholders received before the EGM and if necessary, following up with the relevant Shareholders in relation to such questions;
- (iv.) preparation and compilation of the attendance lists, proxy lists, minutes and other documents relating to the EGM (including any adjournment thereof), and
- (v.) enabling the Company (or its agents or service providers) to comply with any applicable laws, listing rules, take-over rules, regulations and/or guidelines.

PROXY FORM

FABCHEM CHINA LIMITED

(Company Registration No.: 200413128G)
(Incorporated in the Republic of Singapore)

PROXY FORM

Extraordinary General Meeting

This form of proxy has been made available on SGXNet and the Company's website at <https://www.fabchemchina.com>. A printed copy of this form of proxy will NOT be dispatched to Shareholders.

IMPORTANT

- Due to the current COVID-19 restriction orders in Singapore, Shareholders will not be able to attend the EGM in person. Shareholders will be able to watch the proceedings of the EGM through a "live" webcast via their mobile phones, tablets or computers or listen to these proceedings through a "live" audio feed via telephone. In order to do so, Shareholders who wish to watch the "live" webcast or listen to the "live" audio feed must pre-register by 10.00 a.m. on 18 July 2022, at the URL: <https://globalmeeting.bigbangdesign.co/fabchem2022egm/>. Following authentication of their status as Shareholders, authenticated Shareholders will receive email instructions on how to access the webcast and audio feed of the proceedings of the EGM by 10.00 a.m. on 21 July 2022. Shareholders who do not receive an email by 10.00 a.m. on 21 July 2022 should contact the Company by email at ir@fabchemchina.com.
- Shareholders who wish to exercise their voting rights at the EGM may:
 - (where the Shareholder is an individual) attend and vote "live" at the EGM;
 - (where the Shareholder is an individual or a corporate) appoint proxy(ies) (other than the Chairman of the EGM) to attend and vote "live" at the EGM on their behalf; and
 - (where the Shareholder is an individual or a corporate) appoint the Chairman of the EGM as proxy to vote on their behalf.Shareholders who wish to appoint proxy(ies) (other than the Chairman of the EGM) to vote "live" at the EGM on their behalf must, in addition to completing and submitting this Proxy Form in accordance with the instructions set out in the notes below, complete pre-registration of the proxy(ies) at the pre-registration website at the URL: <https://globalmeeting.bigbangdesign.co/fabchem2022egm/> by 20 July 2022 at 10.00 a.m.
- For investors holding shares of the Company through Relevant Intermediaries (as defined in the Circular) including CPF/SRS investors, this Proxy Form is not valid for use and shall be ineffective for all intents and purposes if used or purported to be used by them. Such investors who wish to exercise their voting rights should approach their Relevant Intermediaries as soon as possible. CPF/SRS investors should approach their respective CPF agent banks or SRS operators at least **seven (7) working days** before the EGM.

I/We* _____ (Name) _____ (NRIC/Passport No.*)

of _____ (Address)

being a Shareholder/Shareholders* of **Fabchem China Limited** ("Company"), hereby appoint

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

and/or

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or failing whom, the Chairman of the extraordinary general meeting of the Company ("**EGM/Meeting**"), as my/our* proxy/proxies to vote for me/us* on my/our* behalf at the EGM to be held by way of electronic means (via LIVE WEBCAST and AUDIO ONLY MEANS) on 22 July 2022 at 10.00 a.m. and at any adjournment thereof. I/We* direct the my/our* proxy/proxies to vote for or against, or abstain from voting on the Resolutions to be 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 own discretion.

The Resolutions put to the vote at the EGM shall be decided by way of poll.

Shareholders should note that (a) Ordinary Resolutions 1, 2, 3, 4, 5, 6, 7, 8, 9 as well as Special Resolutions 1 and 2 ("Key Resolutions") are inter-conditional upon each other, and (b) Ordinary Resolutions 10, 11, 12 and Special Resolution 3 are conditional upon the passing of the Key Resolutions ("Conditional Resolutions"). This means that if any of the Key Resolutions are not passed, the other Key Resolutions would not be passed, and if any of the Key Resolutions are not passed, the Conditional Resolutions would not be passed.

No.	RESOLUTIONS	For	Against	Abstain
1.	Ordinary Resolution 1 The Proposed Acquisition			
2.	Ordinary Resolution 2 The Proposed Issuance of Consideration Shares			



PROXY FORM

No.	RESOLUTIONS	For	Against	Abstain
3.	<u>Ordinary Resolution 3</u> The Proposed Whitewash Resolution			
4.	<u>Ordinary Resolution 4</u> The Proposed Issuance of FA Shares			
5.	<u>Ordinary Resolution 5</u> The Proposed Issuance of Arranger Shares			
6.	<u>Ordinary Resolution 6</u> The Proposed Placement			
7.	<u>Ordinary Resolution 7</u> The Proposed Change of Core Business			
8.	<u>Ordinary Resolution 8</u> The Proposed Appointment of Tan Jit Meng as a Proposed New Director			
9.	<u>Ordinary Resolution 9</u> The Proposed Appointment of Wee Shuo Siong Milton as a Proposed New Director			
10.	<u>Ordinary Resolution 10</u> The Proposed Appointment of Tan Kok Heng as a Proposed New Director			
11.	<u>Ordinary Resolution 11</u> The Proposed Appointment of Lu King Seng as a Proposed New Director			
12.	<u>Ordinary Resolution 12</u> The Proposed New Share Issue Mandate			
13.	<u>Special Resolution 1</u> The Proposed Listing Transfer			
14.	<u>Special Resolution 2</u> The Proposed Change of Name			
15.	<u>Special Resolution 3</u> The Proposed Adoption of the New Constitution			

Notes: If you wish to exercise all your votes "For", "Against" or "Abstain", please tick within the box provided. Alternatively, please indicate the number of shares the proxy(ies), is directed to vote "For", "Against" or "Abstain".

Dated this _____ day of _____ 2022

Total number of Shares Held

Signature(s) of Shareholder(s)/Common Seal

**Delete where inapplicable*

IMPORTANT: PLEASE READ NOTES ON THE REVERSE

PROXY FORM

NOTES: IMPORTANT

1. If the Shareholder has shares entered against his name in the depository register (maintained by The Central Depository (Pte) Limited), he should insert that number of shares. If the Shareholder has shares registered in his name in the Register of Members (maintained by or on behalf of the Company), he should insert that number of shares. If the Shareholder has shares entered against his name in the depository register and shares registered in his name in the Register of Members, he should insert the aggregate number of shares. If no number is inserted, this form of proxy will be deemed to relate to all the shares held by the Shareholder.
2. Alternative arrangements relating to attendance at the EGM via electronic means (including arrangements by which the meeting can be electronically accessed via live audio-visual webcast or live audio-only stream), submission of questions in advance of, or live, at the EGM, addressing of substantial and relevant questions prior to, or at, the EGM and voting "live" by the Shareholders or their appointed proxy(ies) (excluding the Chairman of the EGM (as defined below)) or by appointing the Chairman of the EGM as proxy at the EGM, are set out in Sections 28 and 29 of this Circular. The Circular may be accessed at the Company's website at the URL: <https://www.fabchemchina.com/>, and will also be made on SGXNET at the URL: <http://www.sgx.com/securities/company-announcements>.
3. **As a precautionary measure due to the current COVID-19 situation in Singapore, Shareholders will not be able to attend the EGM in person. Shareholders (whether individuals or corporates) who wish to exercise their voting rights at the EGM may vote "live" themselves or via their appointed proxy(ies) (excluding the Chairman of the EGM) or appoint the chairman of the EGM ("Chairman of the EGM") as their proxy to attend, speak and vote on their behalf at the EGM.** In appointing their proxy(ies), Shareholders (whether individuals or corporates) must give specific instructions as to voting, or abstentions from voting, in the form of proxy, failing which the proxy(ies) (including the Chairman of the EGM if he/she is appointed as proxy) will vote or abstain from voting at his/her discretion.
4. The proxy(ies), need not be a Shareholder of the Company.
5. The instrument appointing the Chairman of the EGM as proxy must:
 - (a) if submitted by post, be deposited at the registered office of the Company at 77 Robinson Road, #06-03 Robinson Road 77, Singapore 068896; or
 - (b) if submitted electronically, be submitted via email to the Company at ir@fabchemchina.com.

In either case no later than 10.00 a.m. on 20 July 2022, and in default the instrument of proxy shall not be treated as valid. Shareholders who wish to submit an instrument of proxy must first download, complete and sign the instrument of proxy, before submitting it by post to the address provided above, or before scanning and sending it by email to the email address provided above.
6. The instrument appointing the proxy(ies) must be signed by the appointor or his attorney duly authorised in writing. Where the instrument appointing the proxy(ies) is executed by a corporation, it must be either under its common seal or signed on its behalf by a duly authorised officer or attorney.
7. Where an instrument appointing the proxy(ies) is signed on behalf of the appointor by an attorney, the power of attorney (or other authority) or a duly certified copy thereof must (failing previous registration with the Company) be attached to the instrument of proxy, failing which the instrument may be treated as invalid.
8. In the case of shares entered in the depository register, the Company may reject an instrument of proxy if the member, being the appointor, is not shown to have shares entered against his/her/its name in the depository register as at 72 hours before the time appointed for holding the EGM, as certified by The Central Depository (Pte) Limited to the Company.
9. Similarly, Shareholders who holds his/her/its shares through a Relevant Intermediary (including SRS investors) and who wish to exercise his/her votes by appointing the Chairman of the EGM as proxy should approach his/her Relevant Intermediary (including his/her SRS operators) to submit his/her voting instructions at least seven (7) working days prior to the date of the EGM.

"Relevant Intermediary" means:

- (a) a banking corporation licensed under the Banking Act 1970 or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity;
- (b) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act 2001 and who holds shares in that capacity; or
- (c) the Central Provident Fund Board established by the Central Provident Fund Act 1953, 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 Shareholders 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.

Important Reminders

Due to the constantly evolving COVID-19 situation, the Company may be required to change its EGM arrangements at short notice. Shareholders are advised to regularly check the Company's website or announcements released on SGXNET for updates on the Extraordinary General Meeting. Further, in view of the current COVID-19 measures which may make it difficult for Shareholders to submit completed proxy forms by post, Shareholders are strongly encouraged to submit completed proxy forms electronically via email.