

**CIRCULAR DATED 7 MARCH 2017**

**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.**

**IF YOU ARE IN DOUBT ABOUT ITS CONTENTS OR THE ACTION THAT YOU SHOULD TAKE, YOU SHOULD CONSULT YOUR STOCKBROKER, BANK MANAGER, SOLICITOR, ACCOUNTANT, TAX ADVISER OR OTHER PROFESSIONAL ADVISER IMMEDIATELY.**

If you have sold or transferred all your ordinary shares in the capital of Singapore eDevelopment Limited (the “**Company**”) represented by physical share certificate(s), you should forward this Circular together with the Notice of Extraordinary General Meeting and the enclosed Proxy Form immediately to the purchaser or the transferee or to the stockbroker, bank or agent through whom the sale or transfer was effected for onward transmission to the purchaser or the transferee.

The ordinary shares of the Company are listed for quotation on SGX-Catalist. Companies listed on SGX-Catalist may carry higher investment risk when compared with larger or more established companies listed on the SGX-ST Main Board. In particular, companies may list on SGX-Catalist without a track record of profitability and there is no assurance that there will be a liquid market in the shares or units of shares traded on SGX-Catalist. 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).

This Circular has been prepared by the Company and its contents have been reviewed by the Company’s sponsor, Hong Leong Finance Limited (the “**Sponsor**”), for compliance with the relevant rules of the SGX-ST. The Sponsor has not independently verified the contents of this Circular.

This Circular has not been examined or approved by the SGX-ST. The Sponsor and the SGX-ST assumes no responsibility for the contents of this Circular, including the correctness of any of the statements or opinions made or reports contained in this Circular. The SGX-ST has not in any way considered the merits of the securities being offered for investment.

The contact person for the Sponsor is Mr Tang Yeng Yuen, Vice President, Head of Corporate Finance, at 16 Raffles Quay, #40-01A Hong Leong Building, Singapore 048581, telephone (65) 6415 9886.



## **SINGAPORE EDEVELOPMENT LIMITED**

(Company Registration No. 200916763W)  
(Incorporated in the Republic of Singapore)

### **CIRCULAR TO SHAREHOLDERS**

#### **IN RELATION TO**

**THE PROPOSED CONVERSION OF THE HBD LOAN (AS DEFINED HEREIN) AND THE PROPOSED ALLOTMENT AND ISSUANCE OF 372,855,000 NEW ORDINARY SHARES (“CONVERSION SHARES”) IN THE CAPITAL OF THE COMPANY AT THE CONVERSION PRICE OF S\$0.040 FOR EACH CONVERSION SHARE AND 1,864,275,000 FREE DETACHABLE WARRANTS (“2017 WARRANTS”), EACH CARRYING THE RIGHT TO SUBSCRIBE FOR ONE (1) NEW ORDINARY SHARE IN THE CAPITAL OF THE COMPANY (“EXERCISED SHARE”) AT AN EXERCISE PRICE OF S\$0.048 FOR EACH EXERCISED SHARE, ON THE BASIS OF FIVE (5) 2017 WARRANTS FOR EVERY ONE (1) CONVERSION SHARE TO HENGFAI BUSINESS DEVELOPMENT PTE. LTD., AN ASSOCIATE OF MR CHAN HENG FAI, A DIRECTOR AND CONTROLLING SHAREHOLDER OF THE COMPANY (THE “PROPOSED CONVERSION”)**

**Independent Financial Adviser in relation to the Proposed Conversion**



**PROVENANCECAPITAL**

### **PROVENANCE CAPITAL PTE. LTD.**

(Company Registration No: 200309056E)  
(Incorporated in the Republic of Singapore)

#### **IMPORTANT DATES AND TIMES:**

Last date and time for lodgement of Proxy Form	:	19 March 2017 at 10.30 a.m.
Date and time of Extraordinary General Meeting	:	22 March 2017 at 10.30 a.m.
Place of Extraordinary General Meeting	:	Pan Pacific Singapore, Ocean 6, Level 2 7 Raffles Boulevard, Marina Square Singapore 039595

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## DEFINITIONS

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In this Circular, unless the context otherwise requires or it is otherwise stated, the following words and expressions shall have the following meanings:

- “2016 Rights cum Warrants Issue”* : The rights cum warrants issue for which Shareholders’ approval had been obtained on 15 September 2016 and which was completed in October 2016
- “2016 Warrants”* : The warrants issued in connection with the 2016 Rights cum Warrants Issue
- “2017 Warrants”* : 1,864,275,000 free detachable warrants in registered form, to be allotted and issued by the Company together with the Conversion Shares pursuant to the Proposed Conversion, and where the context so admits, such additional warrants as may be required or permitted to be issued by the Company subject to, and in accordance with the terms and conditions of the warrants to be set out in the Deed Poll (any such additional warrants to rank *pari passu* with the then existing warrants and for all purposes to form part of the same series of warrants, save as may otherwise be provided in the terms and conditions of the warrants to be set out in the Deed Poll, each warrant entitling the holder thereof to subscribe for one (1) Exercised Share at an Exercise Price of S\$0.048 for each Exercised Share
- “associate”* : (a) In relation to any Director, chief executive officer, substantial Shareholder or Controlling Shareholder (being an individual) means:
- (i) his immediate family;
  - (ii) the trustees of any trust of which he or his immediate family is a beneficiary or, in the case of a discretionary trust, is a discretionary object; and
  - (ii) any company in which he and his immediate family together (directly or indirectly) have an interest of 30.00% or more; and
- (b) In relation to a substantial Shareholder or a Controlling Shareholder (being a company) means any other company which is its subsidiary or holding company or is a subsidiary of such holding company or one in the equity of which it and/or such other company or companies taken together (directly or indirectly) have an interest of 30.00% or more
- “Audit and Risk Management Committee”* : The audit and risk management committee of the Company for the time being, unless otherwise stated
- “Board” or “Board of Directors”* : The board of directors of the Company for the time being, unless otherwise stated
- “Business Day”* : A day on which the banks in Singapore are open for business (excluding Saturdays, Sundays and gazetted public holidays)
- “Catalist Rules”* : The SGX-ST Listing Manual Section B: Rules of Catalist, as amended or modified from time to time

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## DEFINITIONS

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“CDP”	: The Central Depository (Pte) Limited
“Circular”	: This circular to Shareholders
“Companies Act”	: The Companies Act (Cap. 50) of Singapore, as amended or modified from time to time
“Company”	: Singapore eDevelopment Limited
“Constitution”	: The Constitution of the Company, as may be amended or modified from time to time
“Controlling Shareholder”	: A person who:  (a) holds directly or indirectly 15.00% or more of the total number of issued Shares excluding treasury Shares in the Company. The SGX-ST may determine that a person who satisfies this paragraph is not a controlling shareholder; or  (b) in fact exercises control over the Company
“Conversion Price”	: Means the issue price of S\$0.040 for each Conversion Share
“Conversion Share”	: Means the 372,855,000 new Shares to be allotted and issued by the Company to HBD on the terms and subject to the conditions set out in the Loan Conversion Agreement
“Deed Poll”	: The deed poll to be executed by the Company constituting the 2017 Warrants and containing, <i>inter alia</i> , provisions for the protection of the rights and interests of the Warrantholders
“Director”	: A director of the Company for the time being
“EGM”	: The extraordinary general meeting of the Company to be convened for the purposes of considering and, if thought fit, passing with or without modifications, the Proposed Resolutions set out in the Notice of EGM
“EPS”	: Earnings per Share
“Exercise Period”	: The period during which the 2017 Warrants may be exercised, commencing on and including the date of issue of the 2017 Warrants and expiring at 5.00 p.m. on the date immediately preceding the fifth (5 <sup>th</sup> ) anniversary of the date of issue of the 2017 Warrants, unless such date is a date on which the Register of Members of the Company is closed or is not a Market Day, in which event the 2017 Warrants shall expire on the date prior to closure of the Register of Members of the Company or on the immediately preceding Market Day, as the case may be, but excluding such period(s) during which the Register of Warrantholders may be closed, subject to, and in accordance with the terms and conditions of the 2017 Warrants to be set out in the Deed Poll

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## DEFINITIONS

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<i>“Exercise Price”</i>	: Means the exercise price of S\$0.048 for each Exercised Share payable upon exercise of a 2017 Warrant, subject to certain adjustments, and in accordance with the terms and conditions of the 2017 Warrants to be set out in the Deed Poll
<i>“Exercised Shares”</i>	: Up to 1,864,275,000 new Shares to be allotted and issued by the Company, upon exercise of the 2017 Warrants, subject to, and in accordance with the terms and conditions of the 2017 Warrants to be set out in the Deed Poll
<i>“FY”</i>	: Financial year ended or ending 31 December, as the case may be, unless otherwise stated
<i>“Gross Proceeds”</i>	: Has the meaning ascribed to it in Section 5 of this Circular
<i>“Group”</i>	: The Company and its subsidiaries collectively
<i>“HBD”</i>	: Hengfai Business Development Pte. Ltd., a Singapore-incorporated company in which Mr Chan Heng Fai is a director and sole shareholder. Mr Chan Heng Fai is an Executive Director and the Chief Executive Officer of the Company. Mr Chan Heng Fai is also a Controlling Shareholder of the Company
<i>“HBD Loan”</i>	: A principal amount of US\$10,500,000.00 disbursed by HBD pursuant to a loan agreement dated 21 August 2015 entered into between HBD and SeD Home Inc. (which was subsequently re-assigned to the Company) for the grant of a loan facility of up to a principal amount of US\$15,000,000.00
<i>“IFA”</i>	: Provenance Capital Pte. Ltd., the independent financial adviser to the Recommending Directors
<i>“IFA Letter”</i>	: The letter dated 7 March 2017 from the IFA to the Recommending Directors in respect of the Proposed Conversion as an interested person transaction as set out in Appendix I of this Circular
<i>“Latest Practicable Date”</i>	: 1 March 2017, being the latest practicable date prior to the printing of this Circular
<i>“Loan Conversion Agreement”</i>	: The loan conversion agreement dated 25 January 2017 entered into between the Company and HBD
<i>“LQN”</i>	: The listing and quotation notice to be sought from the SGX-ST in respect of the Conversion Shares and Exercised Shares
<i>“Market Day”</i>	: A day on which the SGX-ST is open for trading of securities
<i>“Notice of EGM”</i>	: The notice of EGM which is set out in this Circular
<i>“NTA”</i>	: Net tangible asset
<i>“Proposed Conversion”</i>	: Has the meaning ascribed to it in Section 1.1 of this Circular
<i>“Proposed Resolutions”</i>	: The ordinary resolution as set out in the Notice of EGM
<i>“Proxy Form”</i>	: The proxy form in respect of the EGM enclosed in this Circular

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## DEFINITIONS

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<i>“Recommending Directors”</i>	: Directors who are regarded as independent in respect of the Proposed Conversion, namely Mr Basil Chan, Mr Chan Yu Meng, Mr Tao Yeoh Chi, and Mr Wong Tat Keung
<i>“Record Date”</i>	: In relation to any dividends, rights, allotments or other distributions, the date as at the close of the business (or such other time as may have been notified by the Company) on which Shareholders must be registered with the Company or CDP, as the case may be, in order to participate in such dividends, rights, allotments or distributions
<i>“Register of Members”</i>	: Register of members of the Company
<i>“Securities Account”</i>	: The securities accounts maintained by Depositors with CDP but not including the securities accounts maintained with a Depository Agent
<i>“SFA”</i>	: The Securities and Futures Act (Cap. 289) of Singapore, as amended or modified from time to time
<i>“SGX-Catalist”</i>	: The sponsor-supervised listing platform of the SGX-ST
<i>“SGX-ST”</i>	: Singapore Exchange Securities Trading Limited
<i>“SGXNET”</i>	: SGX-ST’s network, a system network used by listed companies in sending information and announcements to the Exchange or any other system networks prescribed by the SGX-ST
<i>“Share Registrar”</i>	: Boardroom Corporate & Advisory Services Pte. Ltd.
<i>“Shareholders”</i>	: The registered holders of Shares in the Register of Members, except that where the registered holder is CDP, the term <i>“Shareholders”</i> in relation to Shares held by CDP shall mean the persons named as Depositors in the Depository Register maintained by CDP and to whose Securities Accounts such Shares are credited
<i>“Shares”</i>	: Ordinary shares in the capital of the Company
<i>“Sponsor”</i>	: Hong Leong Finance Limited, the sponsor of the Company
<i>“subsidiary”</i>	: A company which is for the time being a subsidiary of the Company, as defined by Section 5 of the Companies Act
<i>“Substantial Shareholder”</i>	: A person who has an interest or interests in voting Shares in the Company representing not less than 5.00% of all the voting Shares
<i>“USA”</i>	: United States of America
<i>“Warrant Agent”</i>	: Boardroom Corporate & Advisory Services Pte. Ltd.
<i>“Warrantholders”</i>	: The registered holders of the 2017 Warrants in the Register of Warrantholders, except that where the registered holder is CDP, the term <i>“Warrantholders”</i> shall, in relation to the 2017 Warrants held by CDP shall mean the persons named as Depositors in the Depository Register maintained by CDP and to whose Securities Accounts such 2017 Warrants are credited

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## DEFINITIONS

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### Currencies, Units and Others

“S\$” and “cents” : Singapore dollars and cents respectively, the lawful currency of the Republic of Singapore

“US\$” : US dollars, the lawful currency of the United States of America

“%” : Per centum or percentage

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

The term “*associate*”, “*associated company*” and “*subsidiary*” shall have the same meanings ascribed to them respectively in the Catalist Rules and the Companies Act.

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

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

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

Any discrepancies in tables included herein between the amounts and the totals thereof are due to rounding. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures that precede them.

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

### **Cautionary Note on Forward-Looking Statements**

*All statements other than statements of historical facts included in this Circular are or may be forward-looking statements. Forward-looking statements include but are not limited to those using words such as “expect”, “anticipate”, “believe”, “estimate”, “intend”, “project”, “plan”, “strategy”, “forecast” and similar expressions or future or conditional verbs such as “if”, “will”, “would”, “should”, “could”, “may” and “might”. These statements reflect the Company’s current expectations, beliefs, hopes, intentions or strategies regarding the future and assumptions in light of currently available information. Such forward-looking statements are not guarantees of future performance or events and involve known and unknown risks and uncertainties. Accordingly, actual results may differ materially from those described in such forward-looking statements. Shareholders should not place undue reliance on such forward-looking statements, and the Company undertakes any obligation to update publicly or revise any forward-looking statements, subject to compliance with all applicable laws and regulations and/or the Catalist Rules and/or any other regulatory or supervisory body or agency.*

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## LETTER TO SHAREHOLDERS

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### SINGAPORE EDEVELOPMENT LIMITED

(Company Registration Number: 200916763W)  
(Incorporated in Singapore)

#### Board of Directors:

Basil Chan	(Independent and Non-Executive Chairman)
Chan Heng Fai	(Executive Director and Chief Executive Officer)
Chan Tung Moe	(Executive Director)
Tao Yeoh Chi	(Independent Director)
Chan Yu Meng	(Independent Director)
Wong Tat Keung	(Independent Director)

#### Registered Office:

10 Winstedt Road,  
Block A #02-02  
Singapore 227977

7 March 2017

To: The Shareholders of Singapore eDevelopment Limited

Dear Sir/Madam

## 1. INTRODUCTION

### 1.1 EGM

The Directors are convening an EGM to be held on 22 March 2017 to seek Shareholders' approval in relation to the proposed conversion of the HBD Loan and the proposed allotment and issuance of 372,855,000 Conversion Shares at the Conversion Price of S\$0.040 for each Conversion Share and 1,864,275,000 free detachable 2017 Warrants, each carrying the right to subscribe for one (1) Exercised Share at an Exercise Price of S\$0.048 for each Exercised Share, on the basis of five (5) 2017 Warrants for every one (1) Conversion Share to HBD, an associate of Mr Chan Heng Fai, a Director and Controlling Shareholder of the Company (the "**Proposed Conversion**").

The Proposed Conversion constitutes an interested person transaction under Chapter 9 of the Catalyst Rules and is therefore subject to the approval of the Shareholders.

The allotment and issuance of the Conversion Shares and the 2017 Warrants to HBD shall fully discharge the Company's obligations to repay the HBD Loan. Subject to completion of the Proposed Conversion, HBD agrees to waive all interest accrued and outstanding on the HBD Loan. Interest is payable on the HBD Loan at a rate of 6.00% per annum commencing from 1 January 2017. As at the Latest Practicable Date, the aggregate interest accrued and outstanding is US\$103,561.64.

### 1.2 Circular to Shareholders

The purpose of this Circular is to provide Shareholders with information relating to, and to seek Shareholders' approval for the Proposed Resolutions to be tabled at the EGM, the notice of which is set out in this Circular. This Circular has been prepared solely for the purpose set out herein and may not be relied upon by any persons (other than Shareholders) nor for any other purpose.

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

## 2 THE PROPOSED CONVERSION

### 2.1 Introduction

On 26 January 2017, the Company announced, *inter alia*, that the Company had on 25 January 2017 entered into a Loan Conversion Agreement with Mr Chan Heng Fai and HBD, pursuant to which HBD agreed to subscribe for, and the Company agreed to allot and issue to HBD, 372,855,000 Conversion Shares at the Conversion Price and five (5) 2017 Warrants for every one



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## LETTER TO SHAREHOLDERS

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(1) Conversion Share allotted and issued to HBD to fully discharge the Company's obligations to repay the HBD Loan on the terms and subject to the conditions set out in the Loan Conversion Agreement.

Each 2017 Warrant shall entitle the holder thereof to subscribe for one (1) Exercised Share at an Exercise Price of S\$0.048 for each Exercised Share at any time during the Exercise Period subject to, and in accordance with the terms and conditions of the 2017 Warrants to be set out in the Deed Poll.

The number of Conversion Shares was calculated based on the principal amount of the HBD Loan in Singapore Dollars converted from US Dollars at the prevailing exchange rate of US\$1.0000:S\$1.4204 as at the date of the Loan Conversion Agreement.

Rule 804 of the Catalist Rules provides that except in the case of an issue made on a *pro rata* basis to shareholders or a scheme referred to in Part VIII of Chapter 8 of the Catalist Rules, no director of an issuer, or associate of the director, may participate directly or indirectly in an issue of equity securities or convertible securities unless shareholders in general meeting have approved the specific allotment. Such directors and associates must abstain from exercising any voting rights on the matter.

Rule 812(1)(a) and Rule 812(1)(d) of the Catalist Rules further provide that an issue must not be placed to an issuer's directors and substantial shareholders, or corporations in whose shares the issuer's directors and substantial shareholders have an aggregate interest of at least 10.00%, unless specific shareholder approval for such a placement has been obtained.

HBD is a Controlling Shareholder of the Company, and Mr Chan Heng Fai is a director and sole shareholder of HBD. Mr Chan Heng Fai is an Executive Director and the Chief Executive Officer of the Company. Mr Chan Heng Fai is also a Controlling Shareholder of the Company. Accordingly, the Company is seeking Shareholders' approval for the Proposed Conversion at the EGM.

### **2.2 Authority to allot and issue the Conversion Shares, the 2017 Warrants and/or the Exercised Shares**

Rule 805 of the Catalist Rules provides that except where an issuer had previously obtained a general share issue mandate at a general meeting as provided in Rule 806 of the Catalist Rules, the issuer must obtain the prior approval of shareholders in general meeting for the issue of shares or convertible securities or the grant of options carrying rights to subscribe for share of the issuer.

The allotment and issuance of the Conversion Shares, the 2017 Warrants and/or the Exercised Shares will be made pursuant to a specific mandate and the Company is seeking specific Shareholders' approval for the allotment and issuance of the Conversion Shares, the 2017 Warrants and/or the Exercised Shares in accordance with Rule 805(1) of the Catalist Rules and Section 161 of the Companies Act.

Mr Chan Heng Fai, HBD and their associates shall abstain from voting on the resolution approving the Proposed Conversion, and the allotment and issuance of the Conversion Shares, the 2017 Warrants and/or the Exercised Shares in accordance with Rule 812(2) of the Catalist Rules.

The offers of the Conversion Shares, the 2017 Warrants and/or the Exercised Shares are made pursuant to the exemption under Section 272B of the SFA. Accordingly, no prospectus or offer information statement will be issued by the Company in connection with the Proposed Conversion, and allotment and issuance of the Conversion Shares, the 2017 Warrants and/or the Exercised Shares.

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## LETTER TO SHAREHOLDERS

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### 3. TERMS OF THE PROPOSED CONVERSION

#### 3.1 Conditions precedent

The completion of the Proposed Conversion is conditional upon, *inter alia*:

- (i) the Company having obtained Shareholders' approval for the allotment and issuance of the Conversion Shares, the 2017 Warrants and/or the Exercised Shares to HBD in compliance with the Catalist Rules such as (i) Rule 812 of the Catalist Rules in relation to a placement of shares to the Company's Directors and Substantial Shareholders and/or corporations in whose shares the Company's Directors and Substantial Shareholders have an aggregate interest of at least 10.00%; and (ii) Rule 906 of the Catalist Rules in relation to the Proposed Conversion as an interested person transaction;
- (ii) the LQN for the Conversion Shares and/or the Exercised Shares on SGX-Catalist being obtained from the SGX-ST via the Sponsor and not revoked or amended as at the completion date of the Proposed Conversion and, where such approval is subject to conditions, such conditions being reasonably acceptable to the Company and HBD;
- (iii) an opinion from the IFA in relation to the proposed conversion of the HBD Loan, and the allotment and issuance of the new Conversion Shares, the new 2017 Warrants and the new Exercised Shares being obtained;
- (iv) the allotment and issuance of the Conversion Shares not being prohibited by any statute, order, rule or regulation promulgated after the date of the Loan Conversion Agreement by any applicable legislative, executive or regulatory body or authority of Singapore;
- (v) the issue of the 2017 Warrants not being prohibited by any statute, order, rule or regulation promulgated after the date of the Loan Conversion Agreement by any applicable legislative, executive or regulatory body or authority of Singapore;
- (vi) there having been no occurrence of any event or discovery of any fact rendering any of the warranties in the Loan Conversion Agreement untrue or incorrect in any material respect as at the completion date of the Proposed Conversion, and as if such warranties in the Loan Conversion Agreement had been given again on the completion date of the Proposed Conversion; and
- (vii) the Company and HBD not being in breach of any of the undertakings and the covenants in the Loan Conversion Agreement as at the completion date of the Proposed Conversion.

The Sponsor will make an application on behalf of the Company to the SGX-ST for the listing of the Conversion Shares and the Exercised Shares. An announcement of the receipt of the LQN in relation to the Conversion Shares and the Exercised Shares (including the conditions that may be required to be fulfilled) will be made in due course when the LQN is obtained.

#### 3.2 Conversion Price

The Conversion Price of S\$0.040 for each Conversion Share represents a discount of approximately 2.44% on the volume weighted average price of the Shares traded on the SGX-ST on 24 January 2017 which was the full Market Day on which Shares were traded immediately preceding the date of the Loan Conversion Agreement.

The Conversion Price was agreed upon following arm's length negotiations between the Company and HBD, taking into consideration, the market price of the Company's Shares.

#### 3.3 Other salient terms of the Proposed Conversion

Subject to completion of the Proposed Conversion, HBD agrees to waive all interest accrued and outstanding on the HBD Loan. Interest is payable on the HBD Loan at a rate of 6.00% per annum commencing from 1 January 2017. As at the Latest Practicable Date, the aggregate interest accrued and outstanding is US\$103,561.64.

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## LETTER TO SHAREHOLDERS

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Mr Chan Heng Fai and HBD undertake that during the Exercise Period:

- (i) they shall not exercise their convertible securities in the Company (including the 2017 Warrants obtained upon conversion) and they shall not acquire further Shares; and
- (i) they shall procure that their associates shall not exercise their convertible securities in the Company and their associates shall not acquire further Shares,

which will increase the aggregate shareholding interest of Mr Chan Heng Fai, HBD and their associates in the Company to more than 90.00% of the total number of issued Shares of the Company.

In the event that the aggregate shareholding interest of Mr Chan Heng Fai, HBD and their associates in the Company increases to more than 90.00% of the total number of issued Shares of the Company, Mr Chan Heng Fai, HBD and their associates may be required to make a compulsory acquisition in accordance with the Companies Act.

### 3.4 Terms of the 2017 Warrants issue

The Company also proposes to issue five (5) free detachable 2017 Warrants for each Conversion Share allotted and issued to HBD. Each 2017 Warrant shall entitle the Warrantholder to subscribe for one (1) Exercised Share at an Exercise Price of S\$0.048 for each Exercised Share at any time during the Exercise Period. The 2017 Warrants which have not been exercised at the expiry of the Exercise Period shall lapse and cease to be valid for any purpose.

The 2017 Warrants are detachable from the Conversion Shares upon issue, and will be issued in registered form, subject to, and in accordance with the terms and conditions of the 2017 Warrants to be set out in the Deed Poll. The 2017 Warrants will **NOT** be listed and traded on the SGX-ST.

The 2017 Warrants shall be freely transferrable at any time upon its issuance.

The Exercise Price and/or the number of 2017 Warrants may, after their issue, be subject to adjustments under certain circumstances. The circumstances which will result in adjustments of the Exercise Price and/or the number of 2017 Warrants will be set out in the Deed Poll. These circumstances will include, without limitation, consolidation or subdivision of Shares, capitalisation issues, rights issues and certain capital distributions. All adjustments made to the Exercise Price and/or the number of 2017 Warrants will be announced by the Company.

An announcement on the expiry of the 2017 Warrants will be made and a notice will be sent to all Warrantholders at least one (1) month before the expiry of the Exercise Period. After the issue of the 2017 Warrants, in the event of any material alteration to the terms of the 2017 Warrants to the advantage of the Warrantholders, Shareholders' approval will be required for such alteration(s), except where the alterations are made pursuant to the terms and conditions of the 2017 Warrants to be set out in the Deed Poll.

The Exercised Shares when issued shall rank *pari passu* in all respects with the then existing Shares, save for any dividends, rights, allotments or other distributions, the Record Date for which falls before the date of issue of the Exercised Shares.

The proposed Exercise Price of S\$0.048 for each Exercised Share represents a premium of approximately 17.07% on the volume weighted average price of the Shares traded on the SGX-ST on 24 January 2017 which was the full Market Day on which Shares were traded immediately preceding the date of the Loan Conversion Agreement.

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## LETTER TO SHAREHOLDERS

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### 3.5 Principal terms and conditions of the 2017 Warrants

- Number of 2017 Warrants** : 1,864,275,000 2017 Warrants
- Basis of allotment** : Five (5) free detachable 2017 Warrants for every one (1) Conversion Share
- Detachability and NO trading of the 2017 Warrants** : The 2017 Warrants will be detached from the Conversion Shares upon issue. The 2017 Warrants will **NOT** be listed and traded on the SGX-ST. The 2017 Warrants shall be freely transferrable at any time upon its issuance.
- No listing of the 2017 Warrants; Listing of the Exercised Shares** : The Sponsor will make an application on behalf of the Company to the SGX-ST for the listing of the Exercised Shares. An announcement of the receipt of the LQN in relation to the Exercised Shares (including the conditions that may be required to be fulfilled) will be made in due course when the LQN is obtained. As the 2017 Warrants will not be listed and traded on the SGX-ST, the Company will not be making an application for the listing of the 2017 Warrants.
- Form and subscription rights** : The 2017 Warrants will be issued in registered form and will be constituted by the Deed Poll. Each 2017 Warrant shall entitle the Warranholder to subscribe for one (1) Exercised Share at an Exercise Price of S\$0.048 for each Exercised Share at any time during the Exercise Period subject to, and in accordance with the terms and conditions of the 2017 Warrants to be set out in the Deed Poll.
- Exercise Price** : S\$0.048 for each Exercised Share payable upon exercise of a 2017 Warrant, subject to certain adjustments, and in accordance with the terms and conditions of the 2017 Warrants to be set out in the Deed Poll.
- Exercise Period** : The 2017 Warrants may be exercised at any time commencing on and including the date of issue of the 2017 Warrants and expiring at 5.00 p.m. on the date immediately preceding the fifth (5<sup>th</sup>) anniversary of the date of issue of the 2017 Warrants, unless such date is a date on which the Register of Members of the Company is closed or is not a Market Day, in which event the 2017 Warrants shall expire on the date prior to closure of the Register of Members of the Company or on the immediately preceding Market Day, as the case may be, but excluding such period(s) during which the Register of Warranholders may be closed, subject to, and in accordance with the terms and conditions of the 2017 Warrants to be set out in the Deed Poll.

The 2017 Warrants which have not been exercised at the expiry of the Exercise Period shall lapse and cease to be valid for any purpose.

The Company shall, at least one (1) month before the expiry of the Exercise Period, give notice to the Warranholders in accordance with the terms and conditions of the 2017 Warrants to be set out in the Deed

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## LETTER TO SHAREHOLDERS

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Poll, and an announcement will be made. In particular, the Company shall take reasonable steps to notify the Warrantheolders in writing of the expiry of the Exercise Period and such notice shall be delivered by post to the addresses of the Warrantheolders as recorded in the Register of Warrantheolders to be maintained by the Warrant Agent or in the case of Warrantheolders whose 2017 Warrants are registered in the name of CDP, their addresses as shown the records of the same.

**Mode of payment for exercise of the 2017 Warrants** : The Warrantheolders who exercise their 2017 Warrants must pay the Exercise Price by way of remittance in Singapore currency by banker's draft or cashier's order drawn on a bank in Singapore in favour of the Company for the full amount of the Exercise Price payable in respect of the 2017 Warrants Exercised.

**Adjustments** : The Exercise Price and/or the number of 2017 Warrants may, after their issue, be subject to adjustments under certain circumstances. The circumstances which will result in adjustments of the Exercise Price and/or the number of 2017 Warrants will be set out in the terms and conditions of the 2017 Warrants to be set out in the Deed Poll.

These circumstances will include, without limitation, consolidation or subdivision of Shares, capitalisation issues, rights issues and certain capital distributions.

Any additional 2017 Warrants issued pursuant to such adjustments shall rank *pari passu* with the then existing 2017 Warrants and for all purposes to form part of the same series of 2017 Warrants, save as may otherwise be provided in the terms and conditions of the 2017 Warrants to be set out in the Deed Poll.

All adjustments made to the Exercise Price and/or the number of 2017 Warrants will be announced by the Company on SGXNET.

**Status of Exercised Shares** : The Exercised Shares when issued shall rank *pari passu* in all respects with the then existing Shares (save as may otherwise be provided in the terms and conditions of the 2017 Warrants to be set out in the Deed Poll) save for any dividends, rights, allotments or other distributions, the Record Date for which falls before the date of the issue of the Exercised Shares.

**Modifications of rights of Warrantheolders** : The Company may, without the consent of the Warrantheolders but in accordance with the terms and conditions of the Deed Poll, effect modifications to the terms and conditions of the Deed Poll including, without limitation, the terms and conditions of the 2017 Warrants, which, in the opinion of the Company, (i) is not materially prejudicial to the interests of the Warrantheolders or is of a formal, technical or minor nature; (ii) is to correct a manifest error or to comply with mandatory provisions of Singapore law; or (iii) is to vary or replace provisions

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relating to the transfer or exercise of the 2017 Warrants, including the issue of Exercised Shares arising from the exercise thereof or meetings of Warranholders in order to facilitate the exercise of the 2017 Warrants or in connection with the implementation and operation of the book-entry (scripless) settlement system in respect of trades of the Company's securities on the SGX-ST.

Any such modification shall be binding on all Warranholders and all persons having an interest in the 2017 Warrants and shall be notified to them in accordance with the terms and conditions of the 2017 Warrants as set out in the Deed Poll, as soon as practicable thereafter.

Without prejudice to any provision of the Deed Poll, any material alteration in the terms and conditions of the 2017 Warrants to the advantage of the Warranholders is subject to the Shareholders' approval except where the alterations are made pursuant to the terms and conditions of the 2017 Warrants as set out in the Deed Poll.

For the avoidance of doubt, the Company may not extend the Exercise Period of an existing 2017 Warrant or issue a new 2017 Warrant to replace an existing 2017 Warrant.

### **Transfer and transmission**

: The 2017 Warrants shall be transferable in lots entitling Warranholders to subscribe for whole numbers of Exercised Shares. A 2017 Warrant may only be transferred in the manner prescribed in the terms and conditions of the 2017 Warrants set out in the Deed Poll including, *inter alia*, the following:

- (i) Lodgement of Certificates and Transfer Forms – a Warranholder whose 2017 Warrants are registered in his own name (the “**Transferor**”) shall lodge, during normal business hours on any Business Day so as to be received at the specified office of the Warrant Agent, the Transferor's warrant certificate(s) together with an instrument of transfer (the “**Transfer Form**”) duly completed and signed by, or on behalf of, the Transferor and the transferee and duly stamped in accordance with any law for the time being in force relating to stamp duty and accompanied by the fees and expenses set out in the Deed Poll;
- (ii) Deceased Warranholder – the executors and administrators of a deceased Warranholder whose 2017 Warrants are registered in his/her name (not being one of several joint holders whose 2017 Warrants are registered in their joint names), and, in the case of one or more of several such joint Warranholders, the survivor or survivors of such joint holder shall be the only persons recognised by the Company and the Warrant Agent as having title to the 2017 Warrants registered in the name of a

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deceased Warrantheader. Such persons shall, on producing to the Warrant Agent such evidence as may be required by the Warrant Agent to prove their title, and on the completion of a Transfer Form and the payment of the fees and expenses set out in the Deed Poll, be entitled to be registered as a holder of the 2017 Warrants or to make such transfer as the deceased holder could have made; and

- (iii) Effective Date of Transfer – A Transferor shall be deemed to remain a holder of the 2017 Warrant until the name of the transferee is entered in the Register of Warrantheaders by the Warrant Agent.

### **Winding-up**

: Where there is a member's voluntary winding-up of the Company for the purpose of reconstruction or amalgamation pursuant to a scheme of arrangement to which the Warrantheaders, or some person designated by them, shall have approved by way of a special resolution passed at a meeting of the Warrantheaders duly convened and held in accordance with the provisions contained in the Deed Poll by a majority consisting of not less than three-fourths of the votes cast thereon, the terms of such scheme of arrangement shall be binding on all the Warrantheaders and all persons having an interest in the 2017 Warrants.

If notice is given by the Company to its members to convene a general meeting for the purposes of considering a members' voluntary winding-up of the Company, every Warrantheader shall be entitled, no later than two (2) Business Days prior to the proposed general meeting, by irrevocable surrender of his 2017 Warrant certificate(s) to the Company with the notice for the exercise of the 2017 Warrants duly completed, together with all relevant payments payable, to elect to be treated as if he had exercised the 2017 Warrants to the extent of the number of 2017 Warrants exercised and had on such date been the holder of the Exercised Shares. The Exercised Shares will be allotted to such Warrantheader as soon as possible and in any event no later than the day immediately prior to the date of the proposed general meeting.

Subject to the foregoing, if the Company is wound up for any other reason, all 2017 Warrants which are not exercised shall lapse and cease to be valid for any purpose.

### **Further issues**

: Subject to the terms and conditions of the 2017 Warrants as set out in the Deed Poll, the Company shall be at liberty to issue Shares to Shareholders either for cash or as a bonus distribution and to issue further subscription rights, on such terms and conditions as the Company deems fit but the Warrantheaders shall not have any

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participation rights in such further issues of Shares or subscription rights unless otherwise resolved by the Company in general meeting or in the event of a takeover offer to acquire Shares.

**Warrant Agent** : Boardroom Corporate & Advisory Services Pte. Ltd.

**Governing law** : Laws of the Republic of Singapore

For the avoidance of doubt, Shareholders should note that the 2017 Warrants will **NOT** be listed and traded on the SGX-ST. However, the Exercised Shares (in the event such 2017 Warrants are exercised) will be listed and traded on the SGX-ST.

#### 4. DETAILS OF HBD

HBD is a Controlling Shareholder of the Company, and Mr Chan Heng Fai is a director and sole shareholder of HBD. Mr Chan Heng Fai is an Executive Director and the Chief Executive Officer of the Company. Mr Chan Heng Fai is also a Controlling Shareholder of the Company. Mr Chan Tung Moe, an Executive Director of the Company is the son of Mr Chan Heng Fai.

#### 5. RATIONALE AND USE OF PROCEEDS

Further to the internal restructuring exercise announced by the Company on 28 December 2016, and after careful consideration and deliberation by the management of the Company, the Company is proposing to capitalise the HBD Loan to improve its balance sheet and reduce its gearing ratio. The Company has approached several banks and hedge funds in the USA for financing but has so far not been successful in obtaining financing on terms favourable to the Company. The improved balance sheet and reduced gearing ratio would help the Company obtain bank financing on terms which are more favourable to the Company.

In addition, the Company had also announced on 28 December 2016 that the Company and HBD had mutually agreed to extend the HBD Loan for one (1) year to 31 December 2017 with interest payable at a rate of 6.00% per annum commencing from 1 January 2017. Accordingly, the total aggregate interest that may accrue under the HBD Loan from 1 January 2017 to 31 December 2017 is US\$630,000.00. Subject to completion of the Proposed Conversion, HBD has agreed to waive all interest accrued and outstanding on the HBD Loan. Therefore, completion of the Proposed Conversion would result in savings of US\$630,000.00 for the Company.

Lastly, if and when the 2017 Warrants are exercised into the Exercised Shares over the next five (5) years from the date of issue of the 2017 Warrants, the Company will raise new equity funds through the proceeds from the Exercise Price for each Exercised Share. Such proceeds shall be used to finance business expansions, acquisitions and investments, and/or the general working capital of the Group, at the discretion of the Company.

Assuming all the 2017 Warrants are exercised into the Exercised Shares, the Company will raise gross proceeds of S\$89,485,200.00 (the "**Gross Proceeds**").

The Company undertakes to make periodic announcements on the use of the Gross Proceeds as and when such proceeds are materially disbursed and will report on the use of the Gross Proceeds in the annual report(s) of the Company, until such time when such proceeds have been fully utilised. Where there is any material deviation from the stated use of proceeds, the Company will announce the reasons for such deviation.

Pending the deployment of the Gross Proceeds, such proceeds may be placed as deposits with financial institutions or invested in short term money markets or debt instruments or for any other purposes on a short term basis as the Directors may in their absolute discretion deem fit, from time to time.



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### 6. CONFIRMATION BY THE DIRECTORS

The Directors are of the opinion that:

- (i) after taking into consideration the present bank facilities, the working capital available to the Group is sufficient to meet its present requirements; and
- (ii) after taking into consideration the present bank facilities, the proposed conversion of the HBD Loan into Conversion Shares and the Gross Proceeds, the working capital available to the Group is sufficient to meet its present requirements.

### 7. FINANCIAL EFFECTS OF THE PROPOSED CONVERSION

The financial effects of the Proposed Conversion set out below are strictly for illustrative purposes only and do not purport to be indicative or a projection of the results and financial position of the Company and the Group after the Proposed Conversion. The table below sets out the financial effects of the Proposed Conversion based on and taking into account the following bases and assumptions:

- (i) the unaudited consolidated financial statements of the Company for FY2016;
- (ii) issuance of 8,212,810 Shares after FY2016 pursuant to the exercise of the 2016 Warrants (the “**2016 Warrants Exercise**”) which were issued in connection with the 2016 Rights cum Warrants Issue;
- (iii) the Gross Proceeds from the exercise of the 2017 Warrants (the “**2017 Warrants Exercise**”) is approximately S\$89,485,200.00;
- (iv) the financial impact on the consolidated NTA per Share is computed based on the assumption that the 2016 Warrants Exercise, the 2017 Warrants Exercise and the Proposed Conversion were completed on 31 December 2016;
- (v) the financial impact on the consolidated EPS is computed based on the assumption that the 2016 Warrants Exercise, the 2017 Warrants Exercise and the Proposed Conversion were completed on 1 January 2016; and
- (vi) the financial impact on the gearing ratio is computed based on the assumption that the 2016 Warrants Exercise, the 2017 Warrants Exercise and the Proposed Conversion were completed on 31 December 2016.

	Before completion of the Proposed Conversion	After completion of the Proposed Conversion
Shareholders' fund (S\$'000)	29,910	44,824
Total Borrowings (S\$'000)	36,971	22,057
Number of Shares ('000)	578,075	950,930
Weighted average number of Shares ('000)	411,600	784,455
NTA (S\$'000)	26,428	41,342
NTA per Share (Singapore cents)	4.57	4.35
EPS (Singapore cents)	(1.70)	(0.89)
Gearing (%)	55.28	32.98

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	Before completion of the Proposed Conversion	After completion of the Proposed Conversion and exercise of all 2017 Warrants by HBD
Shareholders' fund (S\$'000)	29,910	134,309
Total Borrowings (S\$'000)	36,971	22,057
Number of Shares ('000)	578,075	2,815,205
Weighted average number of Shares ('000)	411,600	2,648,730
NTA (S\$'000)	26,428	130,827
NTA per Share (Singapore cents)	4.57	4.65
EPS (Singapore cents)	(1.70)	(0.26)
Gearing (%)	55.28	14.11

### 8. SHAREHOLDING EFFECTS OF THE PROPOSED CONVERSION

Upon the completion of the Proposed Conversion, the Company's issued share capital will increase from 578,075,062 Shares to 950,930,062 Shares.

The shareholding effects of the Proposed Conversion are set out below:

	Before completion of the Proposed Conversion <sup>(1)</sup>		After completion of the Proposed Conversion <sup>(1)</sup>	
	No. of Shares	% <sup>(2)</sup>	No. of Shares	% <sup>(3)</sup>
Mr Chan Heng Fai <sup>(4)</sup>	70,933,333	12.27	70,933,333	7.46
HBD	261,906,163	45.31	634,761,163	66.75
Public	245,235,566	42.42	245,235,566	25.79

**Notes:**

- (1) Assuming no other holders of instruments convertible into, rights to subscribe for and options in respect of the Shares exercise and convert such instruments, rights and options.
- (2) Based on the existing share capital of the Company of 578,075,062 Shares as at the date of this announcement.
- (3) Based on the enlarged share capital of the Company of 950,930,062 Shares after the allotment and issuance of 372,855,000 Conversion Shares pursuant to the Proposed Conversion.
- (4) Mr Chan Heng Fai is a director and sole shareholder of HBD and is deemed interested in the Shares held by HBD. As at the date of this announcement, Mr Chan Heng Fai also held 1,061,333 employee share options.

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The shareholding effects of the Proposed Conversion and the exercise of all 2017 Warrants by HBD are set out below:

	Before completion of the Proposed Conversion <sup>(1)</sup>		After completion of the Proposed Conversion and exercise of all 2017 Warrants by HBD <sup>(1)</sup>	
	No. of Shares	% <sup>(2)</sup>	No. of Shares	% <sup>(3)</sup>
Mr Chan Heng Fai <sup>(4)</sup>	70,933,333	12.27	70,933,333	2.52
HBD	261,906,163	45.31	2,499,036,163	88.77
Public	245,235,566	42.42	245,235,566	8.71 <sup>(5)</sup>

**Notes:**

- (1) Assuming no other holders of instruments convertible into, rights to subscribe for and options in respect of the Shares exercise and convert such instruments, rights and options.
- (2) Based on the existing share capital of the Company of 578,075,062 Shares as at the date of this announcement.
- (3) Based on the enlarged share capital of the Company of 2,815,205,062 Shares after (a) the allotment and issuance of 372,855,000 Conversion Shares pursuant to the Proposed Conversion; and (b) on the assumption that HBD exercises all its 2017 Warrants into 1,864,275,000 Exercised Shares.
- (4) Mr Chan Heng Fai is a director and sole shareholder of HBD and is deemed interested in the Shares held by HBD. As at the date of this announcement, Mr Chan Heng Fai also held 1,061,333 employee share options.
- (5) Mr Chan Heng Fai and HBD have undertaken that during the Exercise Period, they shall not increase the aggregate shareholding interest of themselves and their associates in the Company to more than 90.00% of the total number of issued Shares of the Company. Please refer to Section 3.3 of this Circular for more details.

The shareholding effects of the Proposed Conversion, the exercise of all 2017 Warrants by HBD, and the exercise of all 2016 Warrants by Mr Chan Heng Fai and HBD are set out below:

	Before completion of the Proposed Conversion <sup>(1)</sup>		After completion of the Proposed Conversion and exercise of all 2017 Warrants by HBD, and exercise of all 2016 Warrants by Mr Chan Heng Fai and HBD <sup>(1) (2)</sup>	
	No. of Shares	% <sup>(3)</sup>	No. of Shares	% <sup>(4)</sup>
Mr Chan Heng Fai <sup>(5)</sup>	70,933,333	12.27	105,849,998	3.15
HBD	261,906,163	45.31	3,013,930,978	89.57
Public	245,235,566	42.42	245,235,566	7.29 <sup>(6)</sup>

**Notes:**

- (1) Assuming no other holders of instruments convertible into, rights to subscribe for and options in respect of the Shares exercise and convert such instruments, rights and options.
- (2) Assuming there are no adjustments to the number of 2016 Warrants issued in connection with the 2016 Rights cum Warrants Issue as a result of the Proposed Conversion.
- (3) Based on the existing share capital of the Company of 578,075,062 Shares as at the date of this announcement.

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- (4) Based on the enlarged share capital of the Company of 3,365,016,542 Shares after (a) the allotment and issuance of 372,855,000 Conversion Shares pursuant to the Proposed Conversion; (b) on the assumption that HBD exercises all its 2017 Warrants into 1,864,275,000 Exercised Shares; and (c) on the assumption that Mr Chan Heng Fai and HBD exercise all their 2016 Warrants into 549,811,480 Shares.
- (5) Mr Chan Heng Fai is a director and sole shareholder of HBD and is deemed interested in the Shares held by HBD. As at the date of this announcement, Mr Chan Heng Fai also held 1,061,333 employee share options.
- (6) Mr Chan Heng Fai and HBD have undertaken that during the Exercise Period, they shall not increase the aggregate shareholding interest of themselves and their associates in the Company to more than 90.00% of the total number of issued Shares of the Company. Please refer to Section 3.3 of this Circular for more details.

The shareholding effects of the Proposed Conversion, the exercise of all 2017 Warrants by HBD, the exercise of all 2016 Warrants by Mr Chan Heng Fai and HBD, and the exercise by Mr Chan Heng Fai of all share options under a stock option agreement entered into between Mr Chan Heng Fai and Mr Toh Soon Huat (the “**Stock Option Agreement**”) are set out below:

	Before completion of the Proposed Conversion <sup>(1)</sup>		After completion of the Proposed Conversion and exercise of all 2017 Warrants by HBD, exercise of all 2016 Warrants by Mr Chan Heng Fai and HBD, and exercise of all share options under the Stock Option Agreement by Mr Chan Heng Fai <sup>(1) (2)</sup>	
	No. of Shares	% <sup>(3)</sup>	No. of Shares	% <sup>(4)</sup>
Mr Chan Heng Fai <sup>(5)</sup>	70,933,333	12.27	131,791,098	3.92
HBD	261,906,163	45.31	3,013,930,978	89.57
Public	245,235,566	42.42	219,294,466	6.52 <sup>(6)</sup>

**Notes:**

- (1) Assuming no other holders of instruments convertible into, rights to subscribe for and options in respect of the Shares exercise and convert such instruments, rights and options.
- (2) Assuming there are no adjustments to the number of 2016 Warrants issued in connection with the 2016 Rights cum Warrants Issue as a result of the Proposed Conversion.
- (3) Based on the existing share capital of the Company of 578,075,062 Shares as at the date of this announcement.
- (4) Based on the enlarged share capital of the Company of 3,365,016,542 Shares after (a) the allotment and issuance of 372,855,000 Conversion Shares pursuant to the Proposed Conversion; (b) on the assumption that HBD exercises all its 2017 Warrants into 1,864,275,000 Exercised Shares; (c) on the assumption that Mr Chan Heng Fai and HBD exercise all their 2016 Warrants into 549,811,480 Shares; and (d) on the assumption that Mr Chan Heng Fai exercises the option to purchase 25,941,100 under the Stock Option Agreement.
- (5) Mr Chan Heng Fai is a director and sole shareholder of HBD and is deemed interested in the Shares held by HBD. As at the date of this announcement, Mr Chan Heng Fai also held 1,061,333 employee share options.
- (6) Mr Chan Heng Fai and HBD have undertaken that during the Exercise Period, they shall not increase the aggregate shareholding interest of themselves and their associates in the Company to more than 90.00% of the total number of issued Shares of the Company. Please refer to Section 3.3 of this Circular for more details.

There will be no change in control in the Company pursuant to the completion of the Proposed Conversion.

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## LETTER TO SHAREHOLDERS

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### 9. POSSIBLE ADJUSTMENTS TO THE 2016 WARRANTS ISSUED IN CONNECTION WITH THE 2016 RIGHTS CUM WARRANTS ISSUE

As a result of the Proposed Conversion, the exercise price and/or number of the 2016 Warrants issued in connection with the 2016 Rights cum Warrants Issue may be adjusted in accordance with the terms and conditions of such 2016 Warrants. Further announcements will be made by the Company in respect of such adjustments as and when appropriate.

### 10. THE PROPOSED CONVERSION AS AN INTERESTED PERSON TRANSACTION

HBD is a Controlling Shareholder of the Company, and is wholly-owned by Mr Chan Heng Fai, an Executive Director and the Chief Executive Officer of the Company. Accordingly, HBD is considered an “interested person” within the meaning of Chapter 9 of the Catalist Rules and the Proposed Conversion is an “interested person transaction” within the meaning of Chapter 9 of the Catalist Rules.

The Company is proposing to capitalise the HBD Loan to improve its balance sheet and reduce its gearing ratio for the purposes of obtaining bank financing. In addition, the issuance of the 2017 Warrants to HBD will allow HBD, if and when HBD chooses to exercise the 2017 Warrants into Exercised Shares over the next five (5) years from the date of issue of the 2017 Warrants, to help the Company raise new equity funds through the proceeds from the Exercise Price for each Exercised Share to finance business expansions, acquisitions and investments, and/or the general working capital of the Group.

Pursuant to the Proposed Conversion, the value of the interested person transaction entered into by HBD and the Company will amount to US\$10,500,000.00 (equivalent to S\$14,914,200.00 at the prevailing exchange rate of US\$1.0000:S\$1.4204 as at the date of the Loan Conversion Agreement), which represents approximately 73.00% of the NTA of the Group for FY2015. Shareholders’ approval is therefore required for the Proposed Conversion as an interested person transaction pursuant to Rule 906(1) of the Catalist Rules.

Pursuant to Rule 919 of the Catalist Rules, Mr Chan Heng Fai and HBD shall abstain, and shall procure that their associates to abstain, from voting on the Proposed Conversion. Mr Chan Heng Fai and HBD shall also refrain from accepting nominations as proxy or otherwise vote at the EGM in respect of the Proposed Conversion unless Shareholders appointing them as proxies give specific instructions in the relevant proxy form on the manner in which they wish their votes to be casted for the Proposed Conversion.

Pursuant to Rule 921(4)(a) of the Catalist Rules, the Company is also required to and has appointed an independent financial adviser to advise the relevant Recommending Directors as to whether the Proposed Conversion as an interested person transaction is on normal commercial terms and whether the Proposed Conversion as an interested person transaction is prejudicial to the interests of the Company and its minority Shareholders.

The opinion of the IFA has been set out in Section 11 of this Circular.

Save for the interest accrued under the HBD Loan and the Proposed Conversion, the Group has not entered into any interested person transaction with HBD and/or any other related party for FY2017 which exceeds S\$100,000.00. The current total of all interested person transactions in FY2017, comprising the aggregate interest accrued under the HBD Loan, as at the Latest Practicable Date is US\$103,561.64. Shareholders should note that, in the event that completion of the Proposed Conversion does not take place, the total aggregate interest which may accrue under the HBD Loan is US\$630,000.00 (interest payable at a rate of 6.00% per annum for the one (1) year duration of the HBD Loan i.e. 1 January 2017 to 31 December 2017).

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## LETTER TO SHAREHOLDERS

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### 11. OPINION OF THE IFA

Rule 921 of the Catalist Rules provides that except in the case of a general mandate, if shareholder approval is required for an interested person transaction, the circular to shareholders must include an opinion in a separate letter from an independent financial adviser statement whether the interested person transaction is on normal commercial terms and whether the interested person transaction is prejudicial to the interests of the issuer and its minority shareholders.

Accordingly, Provenance Capital Pte. Ltd. has been appointed as the independent financial adviser to advise the Recommending Directors in respect of the Proposed Conversion as an interested person transaction.

The IFA Letter for the Proposed Conversion as an interested person transaction to the Recommending Directors dated 7 March 2017 is reproduced in Appendix I of this Circular. The following is an extract from Section 6 of the IFA Letter to the Recommending Directors and should be read by Shareholders in conjunction with, and in the full context of, the full text of the IFA Letter. All terms and expressions used in the extract below shall have the same meanings as those defined in the IFA Letter, unless otherwise stated.

#### **“6. OUR OPINION**

*In arriving at our opinion in respect of the Proposed Conversion, we have reviewed and examined all factors which we consider to be pertinent in our assessment, including the following key considerations:*

- (a) rationale for the Proposed Conversion and the use of proceeds from the exercise of the 2017 Warrants;*
- (b) assessment of the terms of the Proposed Conversion;*
- (c) financial effects of the Proposed Conversion;*
- (d) shareholding interests of Mr Chan and his associates; and*
- (e) other relevant considerations which may have a significant bearing on our assessment of the Proposed Conversion.*

***Overall, having considered the above and the information available to us as at the Latest Practicable Date, we are of the opinion that the Proposed Conversion is on normal commercial terms and is not prejudicial to the interests of the Company and its Minority Shareholders.”***

Shareholders are advised to read and consider the IFA Letter for the Proposed Conversion as an interested person transaction in its entirety as reproduced in Appendix I of this Circular and consider carefully the recommendations of the Recommending Directors for the Proposed Conversion set out in Section 16 of this Circular.

### 12. STATEMENT FROM THE AUDIT AND RISK MANAGEMENT COMMITTEE

Having considered, *inter alia*, the terms, rationale, benefits and financial effects of the Proposed Conversion, as well as the advice and opinion from the IFA, the Audit and Risk Management Committee concurs with the opinion of the IFA and is of the view that the Proposed Conversion is on normal commercial terms and is not prejudicial to the interests of the Company and its minority Shareholders.

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### 13. ABSTENTION FROM VOTING

Pursuant to Rule 812(2) and Rule 919 of the Catalist Rules, Mr Chan Heng Fai and HBD shall abstain, and shall procure that their associates to abstain, from voting on the Proposed Resolutions. Mr Chan Heng Fai and HBD shall also refrain from accepting nominations as proxy or otherwise vote at the EGM in respect of the Proposed Resolutions unless Shareholders appointing them as proxies give specific instructions in the relevant Proxy Form on the manner in which they wish their votes to be casted for the Proposed Resolutions.

### 14. DIRECTORS' AND SUBSTANTIAL SHAREHOLDERS' INTERESTS

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

	Direct Interest		Deemed interest		Total interest	
	Number of Shares	% <sup>(1)</sup>	Number of Shares	% <sup>(1)</sup>	Number of Shares	% <sup>(1)</sup>
<b>Directors</b>						
Basil Chan	–	–	–	–	–	–
Chan Heng Fai <sup>(2)</sup>	70,933,333	12.27	261,906,163	45.31	332,839,496	57.58
Chan Tung Moe <sup>(3)</sup>	–	–	–	–	–	–
Tao Yeoh Chi	–	–	–	–	–	–
Chan Yu Meng	–	–	–	–	–	–
Wong Tat Keung	–	–	–	–	–	–
<b>Substantial Shareholders (other than Directors)</b>						
Hengfai Business Development Pte. Ltd. ("HBD")	261,906,163	45.31	–	–	261,906,163	45.31

**Notes:**

- (1) Based on the Company's issued and paid-up share capital of 578,075,062 issued Shares as at the Latest Practicable Date.
- (2) Mr Chan Heng Fai is the sole beneficial shareholder and director of HBD and is deemed interested in the Shares held by HBD.
- (3) Mr Chan Tung Moe is the son of Mr Chan Heng Fai.

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## LETTER TO SHAREHOLDERS

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

	Number of 2016 Warrants <sup>(1)</sup>	Number of employee share options <sup>(2) (3)</sup>
Basil Chan	–	796,000
Chan Heng Fai <sup>(4)</sup>	34,916,665	1,061,333
Chan Tung Moe <sup>(5)</sup>	–	–
Tao Yeoh Chi	–	530,667
Chan Yu Meng	–	530,667
Wong Tat Keung	–	–

### Substantial Shareholders (other than Directors)

Hengfai Business Development Pte. Ltd. (“HBD”)	514,894,815	–
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#### Notes:

- (1) The exercise price for each 2016 Warrant as at the Latest Practicable Date is S\$0.040.
- (2) The exercise price of each employee share option held by Mr Basil Chan as at the Latest Practicable Date is S\$0.110.
- (3) The exercise price of each employee share option held by Directors other than Mr Basil Chan is S\$0.120.
- (4) Mr Chan Heng Fai is the sole beneficial shareholder and director of HBD and is deemed interested in HBD's interests in the Company.
- (5) Mr Chan Tung Moe is the son of Mr Chan Heng Fai.

Save as disclosed, none of the Directors and the Substantial Shareholders have any interest, direct or indirect, in the Proposed Resolutions.

## 15. DETAILS OF THE WHITEWASH WAIVER

### 15.1 Details of whitewash resolution

On 24 October 2016, the Company allotted and issued 118,562,296 Shares and 592,811,480 2016 Warrants to Mr Chan Heng Fai and HBD (collectively, the “**Concert Party Group**”) pursuant to the 2016 Rights cum Warrants Issue passed at an extraordinary general meeting of the Company held on 15 September 2016 and undertakings dated 19 August 2016 provided by the Concert Party Group to the Company.

Prior to the issue of the rights Shares and the 2016 Warrants, Shareholders independent of the Concert Party Group had, at the same extraordinary general meeting of the Company held on 15 September 2016, passed an ordinary resolution waiving their rights to receive a mandatory general offer from the Concert Party Group for all the Shares in the capital of the Company not already owned or controlled by them, in the event an obligation to extend such an offer is incurred pursuant to Rule 14 of the Singapore Code on Take-overs and Mergers, as a result of, *inter alia*, the subscription of rights Shares and the exercise of the 2016 Warrants into new Shares (the “**Whitewash Resolution**”). For the purposes of the Whitewash Resolution, the acquisition of Shares by the Concert Party Group upon exercise of the 2016 Warrants must be completed within five (5) years of the date of issue of the 2016 Warrants. Accordingly, the waiver pursuant to the



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## LETTER TO SHAREHOLDERS

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Whitewash Resolution is valid from 24 October 2016 (being the date of the issue of the 2016 Warrants) to 24 October 2021 (being the date five (5) years from the date of issue of the 2016 Warrants). Further details on the 2016 Warrants and the Whitewash Resolution are set out in the Company's circular to Shareholders dated 31 August 2016.

### 15.2 Holdings and interests of the Concert Party Group

As at the Latest Practicable Date, the Concert Party Group holds or is interested in:

- (i) 332,839,496 Shares, representing approximately 57.58% of all the Shares in issue;
- (ii) 1,061,333 employee share options;
- (iii) 549,811,480 2016 Warrants; and
- (iv) an option to purchase 25,941,100 Shares subject to the terms and conditions as set out in a Stock Option Agreement dated 20 January 2017 entered into between Mr Chan Heng Fai and Mr Toh Soon Huat.

Save as disclosed, none of the Concert Party Group holds any voting rights in the Company and instruments convertible into, rights to subscribe for and options in respect of the Shares as at the Latest Practicable Date.

### 15.3 Maximum potential interests of the Concert Party Group

The Concert Party Group would acquire a maximum potential interest of 80.58% in the Company's enlarged share capital of 1,128,947,875, based on the 578,075,062 Shares in issue as at the Latest Practicable Date assuming:

- (i) no Conversion Shares were allotted and issued pursuant to the Proposed Conversion;
- (ii) HBD does not exercise any of its 2017 Warrants into Exercised Shares;
- (iii) the Concert Party Group exercises all its 1,061,333 employee share options;
- (iv) the Concert Party Group exercises all its 549,811,480 2016 Warrants;
- (v) the Concert Party Group exercises the option to purchase 25,941,100 Shares under the Stock Option Agreement; and
- (vi) no other holders of instruments convertible into, rights to subscribe for and options in respect of the Shares.

### 15.4 Cautionary statement

Shareholders should note that, having approved the Whitewash Resolution, Shareholders have waived their rights to receive a general offer from the Concert Party Group at the highest price paid by the Concert Party Group for Shares in the past six (6) months preceding the commencement of the 2016 Rights cum Warrants Issue.

Shareholders should also note that, having approved the Whitewash Resolution, Shareholders could be forgoing the opportunity to receive a general offer from another person who may be discouraged from making a general offer in view of the potential dilution effect of the employee share options and the warrants issued in connection with the 2016 Rights cum Warrants Issue.

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## LETTER TO SHAREHOLDERS

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### 16. RECOMMENDING DIRECTORS' RECOMMENDATION

The Recommending Directors having considered, *inter alia*, the rationale and information relating to the Proposed Conversion as set out in this Circular, and the advice of the IFA as set out in the IFA Letter for the Proposed Conversion in Appendix I of this Circular are of the opinion that the Proposed Conversion would be beneficial to and is in the best interests of the Company, and is not prejudicial to the interests of minority Shareholders. Accordingly, the Recommending Directors recommend that minority Shareholders vote in favour of the ordinary resolutions relating to the same at the EGM.

### 17. 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 Resolutions, the Company and its subsidiaries, and the Directors are not aware of any facts the omission of which would make any statement in this Circular misleading. Where information in this Circular has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of the Directors has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in this Circular in its proper form and context.

### 18. EGM

The EGM, notice of which is set out in this Circular, will be held at the place and time as set out in the Notice of EGM for the purpose of considering and, if thought fit, passing, with or without any modification, the Proposed Resolutions.

### 19. ACTION TO BE TAKEN BY SHAREHOLDERS

Shareholders who are unable to attend the EGM and wish to appoint a proxy to attend and vote at the EGM on their behalf will find attached to this Circular a Proxy Form which they are requested to complete, sign and return in accordance with the instructions printed thereon as soon as possible and, in any event, so as to arrive at the registered office of the Company at 10 Winstedt Road, Block A #02-02 Singapore 227977, not later than 72 hours before the time fixed for holding the EGM.

The completion and return of a Proxy Form by a Shareholder does not preclude him from attending and voting in person at the EGM if he so wishes. A Depositor shall not be regarded as a member of the Company entitled to attend the EGM and to speak and vote thereat unless his name appears on the Depository Register 72 hours before the EGM.

### 20. IFA CONSENT

The IFA has given and has not withdrawn its written consent to the issue of this Circular with the inclusion of its name, the IFA Letter for the Proposed Conversion dated 7 March 2017 and all references thereto, in the form and context in which they appear in this Circular.

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## LETTER TO SHAREHOLDERS

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### 21. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents may be inspected at the registered office of the Company during normal business hours from the date of this Circular up to and including the date of the EGM:

- (i) the Constitution of the Company;
- (ii) the Annual Report of the Company for FY2015;
- (iii) the unaudited consolidated financial statements of the Company for FY2016;
- (iv) the Loan Conversion Agreement;
- (v) the Deed Poll;
- (vi) the IFA Letter for the Proposed Conversion; and
- (vii) the letter of consent by the IFA.

Yours faithfully,  
For and on behalf of the Board of Directors of  
**SINGAPORE EDEVELOPMENT LIMITED**

Chan Heng Fai  
Executive Director and Chief Executive Officer

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## APPENDIX I – LETTER FROM THE IFA TO THE RECOMMENDING DIRECTORS

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### PROVENANCE CAPITAL PTE. LTD.

(Company Registration Number: 200309056E)  
(Incorporated in the Republic of Singapore)  
96 Robinson Road #13-01 SIF Building  
Singapore 068899

7 March 2017

To: The Recommending Directors of Singapore eDevelopment Limited  
(deemed to be independent in respect of the Interested Person Transaction)

Mr Basil Chan	(Independent & Non-Executive Chairman)
Mr Tao Yeoh Chi	(Independent & Non-Executive Director)
Mr Chan Yu Meng	(Independent & Non-Executive Director)
Mr Wong Tat Keung	(Independent & Non-Executive Director)

Dear Sirs,

### THE PROPOSED CONVERSION OF THE HBD LOAN AS AN INTERESTED PERSON TRANSACTION

*Unless otherwise defined or the context otherwise requires, all terms used herein have the same meanings as defined in the circular to the shareholders of Singapore eDevelopment Limited (“Shareholders”) dated 7 March 2017 (“Circular”).*

#### 1. INTRODUCTION

On 26 January 2017 (“**Announcement Date**”), Singapore eDevelopment Limited (“**Company**”, together with its subsidiaries, “**Group**”) announced (“**Announcement**”) that on 25 January 2017, it had entered into a loan conversion agreement (“**Loan Conversion Agreement**”) with Mr Chan Heng Fai (“**Mr Chan**”) and Hengfai Business Development Pte. Ltd. (“**HBD**”), pursuant to which HBD agreed to subscribe for, and the Company agreed to allot and issue to HBD the following:

- (a) 372,855,000 new Shares (“**Conversion Shares**”) at the issue price of S\$0.04 (“**Conversion Price**”) for each Conversion Share; and
- (b) five (5) free warrants (“**2017 Warrants**”) for every Conversion Share allotted and issued to HBD, each Warrant carrying the right to subscribe for one new Share (“**Exercised Share**”) at the exercise price of S\$0.048 (“**Exercise Price**”),

to fully discharge the Company’s obligations to repay the HBD Loan (“**Proposed Conversion**”).

The HBD Loan is in relation to the principal amount of US\$10.5 million disbursed by HBD to the Group pursuant to the loan agreement dated 21 August 2015 entered into between HBD and the Company for the grant of a loan facility of up to a principal amount of US\$15.0 million.

The number of Conversion Shares was calculated based on the S\$ equivalent (S\$14,914,200) of the principal amount of the HBD Loan of US\$10.5 million at the prevailing foreign exchange rate of US\$1.0000:S\$1.4204 as at the date of the Loan Conversion Agreement.

Subject to the completion of the Proposed Conversion, HBD has agreed to waive all interest accrued and outstanding on the HBD Loan since 1 January 2017.

As at the Latest Practicable Date, the Company has an existing issued share capital comprising 578,075,062 Shares. The Company also has outstanding 2,918,667 ESOS Options granted pursuant to the employee share option scheme of the Company and 673,812,490 of the 2016 Warrants pursuant to the rights cum warrants issue by the Company in 2016.

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## APPENDIX I – LETTER FROM THE IFA TO THE RECOMMENDING DIRECTORS

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Mr Chan is the Executive Director, Chief Executive Officer and the controlling Shareholder. As at the Announcement Date, Mr Chan and his wholly-owned company, HBD, own in aggregate 332,839,496 Shares, representing 58.4% of the total number of Shares. Mr Chan and/or HBD also have interests in the ESOS Options and the 2016 Warrants.

Accordingly, Mr Chan and HBD are deemed interested persons (“**Interested Persons**”) under Chapter 9 of the Catalist Rules of the Singapore Exchange Securities Trading Limited (“**SGX-ST**”) and the Proposed Conversion is deemed as an interested person transaction (“**Interested Person Transaction**”).

In accordance with Rule 906 of the Catalist Rules, shareholders’ approval must be obtained for any interested person transaction of a value equal to or more than 5.0% of the group’s latest audited net tangible assets (“**NTA**”) or when aggregated with other interested person transactions with the same interested person during the same financial period, the value is equal to or more than 5.0% of the group’s latest audited NTA. In obtaining such approval, pursuant to Rule 919 of the Catalist Rules, the interested person and its associates are required to abstain from voting on the resolution approving the interested person transaction.

Based on the Group’s latest audited accounts for the financial year ended 31 December 2015, the Group’s audited NTA was approximately S\$20.4 million. The value of the HBD Loan of S\$14.9 million represents 73.0% of the Group’s latest audited NTA. Hence, pursuant to Rule 906 of the Catalist Rules, the Proposed Conversion is subject to the approval of the Shareholders who are deemed independent in respect of the Proposed Conversion (“**Minority Shareholders**”) at an extraordinary general meeting (“**EGM**”) to be convened and the opinion of an independent financial adviser (“**IFA**”).

As Interested Persons, Mr Chan, HBD and their associates will abstain from voting on the ordinary resolution pertaining to the Proposed Conversion at the EGM in respect of their entire shareholding interests in the Company.

Provenance Capital Pte. Ltd. (“**Provenance Capital**”) has been appointed as the IFA to render an opinion on whether the Proposed Conversion, as an Interested Person Transaction, is on normal commercial terms and is not prejudicial to the interests of the Company and its Minority Shareholders.

Mr Chan and his son, Mr Chan Tung Moe, who are Executive Directors of the Company, will abstain from deliberating and making any recommendation on the Proposed Conversion as Directors of the Company. The remaining Directors, namely, Mr Basil Chan, Mr Tao Yeoh Chi, Mr Chan Yu Meng and Mr Wong Tat Keung are deemed to be independent for the purpose of the Proposed Conversion (“**Recommending Directors**”).

This letter (“**Letter**”) is addressed to the Recommending Directors and sets out, *inter alia*, our evaluation and opinion on the Proposed Conversion. This Letter forms part of the Circular to Shareholders which provides, *inter alia*, details of the Proposed Conversion as an Interested Person Transaction and the recommendation of the Recommending Directors.

## 2. TERMS OF REFERENCE

We have been appointed as the IFA to advise the Recommending Directors in respect of the Proposed Conversion as an Interested Person Transaction. We are not and were not involved or responsible, in any aspect, of the negotiations in relation to the Proposed Conversion nor were we involved in the deliberations leading up to the decision on the part of the Directors to propose the Proposed Conversion, and we do not, by this Letter, warrant the merits of the Proposed Conversion other than to express an opinion on whether the Proposed Conversion as an Interested Person Transaction is on normal commercial terms and is not prejudicial to the interests of the Company and its Minority 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 Conversion or to compare their relative merits

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## APPENDIX I – LETTER FROM THE IFA TO THE RECOMMENDING DIRECTORS

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*vis-à-vis* alternative transactions previously considered by the Company (if any) or which 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, the Management and/or their professional advisers (if 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, presentations, opinions, facts and statements provided to us, whether written or verbal, by the Directors, Management and/or the professional advisers (if 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.

The Directors (including those who may have delegated detailed supervision of the Circular) have confirmed that, to the best of their respective knowledge and belief, and having made all reasonable enquiries, information and representations provided by the Directors and Management are accurate. They have also confirmed to us that, upon making all reasonable enquiries and to their best knowledge and belief, all material information available to them in connection with the Proposed Conversion, the Company and the Group, 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 Company and/or the Group 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.

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 Conversion have been reasonably made after due and careful enquiry. Whilst care has been exercised in reviewing the information on 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.

We would like to highlight that all information relating to the Company and the Group which we have relied upon in arriving at our recommendation or advice has been obtained from publicly available information and/or from the Directors and Management, and the professional advisers (if 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/or the Group at any time or as at 1 March 2017, being the Latest Practicable Date referred to in the Circular.

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 Group, or to express, and we do not express, a view on the future growth prospects, value and earnings potential of the Company and/or the Group after the Proposed Conversion. 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 required by the Catalist Rules and/or deemed necessary or appropriate by us) in arriving at our advice as set out in this Letter. We have not obtained from the Company and/or the Group any projection of the future performance including financial performance of the Company and/or the Group and further, we did not conduct discussions with the Directors and the Management on, and did not have access to, any business plan and financial projections of the Company and/or the Group. In addition, we are not expressing any view herein as to the prices at which the Shares may trade or the future value, financial performance or condition of the Company and/or the Group, upon or after the Proposed Conversion or if the Proposed Conversion is not effected.

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## APPENDIX I – LETTER FROM THE IFA TO THE RECOMMENDING DIRECTORS

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We have not made an independent evaluation or appraisal of the assets and liabilities of the Company and/or the Group (including without limitation, property, plant and equipment).

As such, we will be relying on publicly available information, disclosures and representations made by the Company on the value of the assets and liabilities and profitability of the Company and/or the Group. We have not been furnished with any such evaluation or appraisal.

Our opinion as set out in this Letter is based on the market, economic, industry, monetary and other conditions (if applicable) prevailing as of the Latest Practicable Date and the information and representations provided to us as of 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 Practicable Date that may affect our opinion contained herein. Shareholders should take note of any announcement relevant to the Proposed Conversion 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 Minority Shareholder or any specific group of Minority Shareholders. As each Minority Shareholder may have different investment objectives and profiles, we recommend that any individual Minority Shareholder or group of Minority 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 or verification of the Circular (other than this Letter). Accordingly, we take no responsibility for and express no views, whether expressed or implied, on the contents of the Circular (other than this Letter).

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, at any time and in any manner, other than for the purpose of any matter relating to the Proposed Conversion as an Interested Person Transaction, 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 Conversion as an Interested Person Transaction and their advice to the Minority Shareholders. The recommendation made to the Minority Shareholders in relation to the Proposed Conversion as an Interested Person Transaction remains the responsibility of the Recommending Directors.

**Our opinion in relation to the Proposed Conversion should be considered in the context of the entirety of this Letter and the Circular.**

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

#### 3.1 Overview

The Company is listed on the SGX-Catalist. On 14 April 2014, Mr Chan took over as the CEO of the Company, embarked on various fund raising exercises and restructuring of the Group including the disposal of the Group's legacy construction business, and changed the name of the Company to Singapore eDevelopment Limited on 5 August 2014.

Brief information on the Company and the Group is set out in our IFA letter dated 31 August 2016 attached as Appendix II to the Circular to Shareholders dated 31 August 2016, wherein

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## APPENDIX I – LETTER FROM THE IFA TO THE RECOMMENDING DIRECTORS

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we had acted as the IFA to the then recommending directors of the Company in relation to the proposed whitewash resolution in connection with the Company's rights cum warrants issue.

Since the completion of the rights cum warrants issue in October 2016, the Company had made the following key announcements:

- On 31 October 2016, the Company announced its corporate and business update following a review of the Group's operating environment and strategic options.
- On 28 December 2016, the Company announced, *inter alia*, that it and HBD had mutually agreed on the extension of the HBD Loan by one year to expire on 31 December 2017 at an interest rate of 6% per annum commencing from 1 January 2017, and the re-assignment of the HBD Loan from a subsidiary of the Group, SeD Home Inc ("**SeD Home**"), to the Company.
- On 24 January 2017, the Company obtained Shareholders' approval to (a) expand the scope of the Group's property development business to include services related to the development, management or ownership of property; and (b) to diversify the Group's business into the biomedical sector involving developing and manufacturing products and services in biomedical science, biomedical healthcare and biotechnology.

As a result, the Group now has four core business divisions, namely (i) international property development; (ii) information technology related businesses; (iii) investment business; and (iv) biomedical related businesses.

- On 14 February 2017, the Company announced that the Group had acquired a 53% equity interest of iGalen International Inc. ("**iGalen**") for a total consideration of US\$53. iGalen is a company based in Delaware, USA for the purpose of distributing dietary and health supplements through network marketing. iGalen and its wholly-owned subsidiary, iGalen USA LLC, will be conducting network marketing activities globally, commencing initially with the North American and Asian markets.

iGalen's remaining 47% equity interest is held by Dr Rajen Manicka ("**Dr Rajen**"), who is the Chairman and Chief Executive Officer of Holista CollTech Ltd ("**Holista**"), a research-driven biotech company listed on the Australian Securities Exchange. Mr Chan is a non-executive director of Holista and holds 19.11% of the shares of Holista and a further 15,830,166 warrants, each carrying the right to subscribe for one new share in the capital of Holista.

- On 26 January 2017, the Company announced the Proposed Conversion, which is the subject matter of the forthcoming EGM.
- On 16 February 2017, the Company announced that its subsidiary, HotApp International Inc ("**HotApp**"), which carries out IT-related business, had entered into a revenue-sharing agreement with iGalen to provide a mobile enterprise resource planning platform for iGalen's members. Pursuant to the terms of this agreement, HotApp will absorb the cost of app development and maintenance of the app platform, and iGalen will share 3% of its entire annual global revenue with HotApp for the financial year ending 31 December 2017.
- On 27 February 2017, the Company announced that its subsidiary, SeD BioMedical Inc., has entered into a non-binding letter of intent with Amaranthus BioScience Holdings, Inc. ("**Amarantus**") to: (a) fund up to US\$500,000 as a bridge financing to Amaranthus; and (b) to invest in biomedical assets through Amaranthus.

Amarantus is a biotechnology company headquartered in the USA and listed on the USA OTC market. It develops treatments and diagnostics for diseases in areas of neurology, regenerative medicine and orphan diseases.



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## APPENDIX I – LETTER FROM THE IFA TO THE RECOMMENDING DIRECTORS

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Amarantus had on 1 November 2016 issued a 12% senior secured convertible note for a principal amount of US\$175,000 to Xpress Group International Limited, an institutional investor, where Mr Chan is a director and the sole shareholder. The above note is convertible at any time from 1 November 2016 till the maturity date of the note on 1 November 2017 into shares of, *inter alia*, Amarantus.

On the maturity date, all outstanding principal and accrued and unpaid interests of the note shall be converted into shares in, *inter alia*, Amarantus.

### 3.2 Mr Chan's interests in the Company

As set out in Section 1 of this Letter, as at the Announcement Date, Mr Chan and/or his associates, have an aggregate shareholding interest of 58.4% in the Company. Since then and up to the Latest Practicable Date, Mr Chan had not acquired further Shares or exercised the Call Option, as detailed in point (c) below.

As at the Latest Practicable Date, Mr Chan and/or HBD also have the following interests in the Company:

- (a) 1,061,333 ESOS Options which are exercisable into new Shares at the exercise price of S\$0.12 per Share;
- (b) 549,811,480 of the 2016 Warrants which are exercisable into new Shares at the exercise price of S\$0.04 per Share; and
- (c) call option (“**Call Option**”) on 25,941,100 Shares held by Mr Toh Soon Huat (“**Mr Toh**”) pursuant to the stock option agreement dated 20 January 2017 entered into between Mr Chan and Mr Toh, which grants the right to Mr Chan to purchase up to 25,941,100 Shares from Mr Toh at the purchase price of S\$0.075 per Share, at any time during the option period of one year from the date of the agreement.

Besides the Call Option, Mr Chan had, on 20 January 2017, acquired 8.6 million Shares from Mr Toh for a sum of S\$645,000, representing S\$0.075 per Share.

If Mr Chan exercises the Call Option in full, he would have incurred, together with the purchase of Shares from Mr Toh on 20 January 2017, a total sum of approximately S\$2.59 million for approximately 34.5 million Shares.

As the controlling Shareholder and CEO of the Company, Mr Chan has been supportive of the Group by, *inter alia*, providing the necessary funding to the Group, including most of the fund raising exercises by the Company over the years, since he became the CEO of the Company.

Since the Announcement Date to the Latest Practicable Date, the number of Shares has increased to 578,075,062 as a result of the exercise of 2016 Warrants. As a result, Mr Chan and/or his associates have their aggregate shareholding interest decrease slightly from 58.4% to 57.6% in the Company. Based on the last transacted Share price of S\$0.070 and the outstanding Shares as at the Latest Practicable Date, the market capitalisation of the Company is approximately S\$40.5 million.

## 4. SALIENT TERMS OF THE PROPOSED CONVERSION

Details of the Proposed Conversion are set out in Section 2 and Section 3 of the Circular. Salient terms of the Proposed Conversion are set out below:

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## APPENDIX I – LETTER FROM THE IFA TO THE RECOMMENDING DIRECTORS

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### 4.1 The Proposed Conversion

#### HBD Loan

The Proposed Conversion involves the conversion of the outstanding HBD Loan into the Conversion Shares, attached with free 2017 Warrants. As at the Latest Practicable Date, the outstanding HBD Loan amounts to US\$10.5 million.

The HBD Loan is in relation to the principal amount of US\$10.5 million disbursed by HBD to the Group pursuant to the loan agreement dated 21 August 2015 entered into between HBD and SeD Home for the grant of a loan facility of up to a principal amount of US\$15.0 million. The HBD Loan was subsequently re-assigned from SeD Home to the Company.

The number of Conversion Shares was calculated based on the S\$ equivalent (S\$14,914,200) of the principal amount of the HBD Loan of US\$10.5 million at the prevailing foreign exchange rate of US\$1.0000:S\$1.4204 as at the date of the Loan Conversion Agreement.

Subject to the completion of the Proposed Conversion, HBD had agreed to waive all interest accrued and outstanding on the HBD Loan since 1 January 2017. Since 1 January 2017 to the Latest Practicable Date, the aggregate interest accrued and outstanding on the HBD Loan amounts to US\$103,561.64 (or approximately S\$147,099).

#### Conversion Shares and 2017 Warrants

The HBD Loan is proposed to be converted into:

- (a) 372,855,000 Conversion Shares at the Conversion Price of S\$0.04 for each Conversion Share; together with
- (b) 1,864,275,000 free 2017 Warrants, on the basis of five (5) 2017 Warrants for every Conversion Share allotted and issued to HBD, each 2017 Warrant carrying the right to subscribe for one Exercised Share at the Exercise Price of S\$0.048, at any time before the 5<sup>th</sup> anniversary date of the issue of the 2017 Warrants (“**Exercise Period**”).

The Conversion Price represents a discount of 2.44% to the VWAP of the Shares on 24 January 2017 prior to the date of the Loan Conversion Agreement. The Conversion Price was agreed upon between the Company and HBD after taking into consideration the market price of the Shares.

The Exercise Price of the 2017 Warrants represents a premium of 17.07% above the VWAP on 24 January 2017.

The Conversion Shares and the Exercised Shares are not subject to any moratorium restriction on the sale or transfer of these securities.

The 2017 Warrants are detachable from the Conversion Shares upon issue, and will be issued in registered form, subject to, and in accordance with the terms and conditions of the 2017 Warrants to be set out in an instrument of deed poll (“**Deed Poll**”) constituting the 2017 Warrants. Any remaining unexercised 2017 Warrants at the end of Exercise Period shall lapse and cease to be valid for any purpose.

The Exercise Price and/or the number of 2017 Warrants may, after their issue, be subject to adjustments under certain circumstances. The circumstances which will result in adjustments of the Exercise Price and/or the number of 2017 Warrants will be set out in the Deed Poll. These circumstances will include, without limitation, consolidation or subdivision of Shares, capitalisation issues, rights issues and certain capital distributions. All adjustments made to the Exercise Price and/or the number of 2017 Warrants will be announced by the Company.

The Conversion Shares and Exercised Shares when issued will rank *pari passu* in all respects with the then existing Shares, save for any dividends, rights, allotments or other distributions, if

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the record date for which falls before the date of issue of the Conversion Shares or Exercised Shares.

The 2017 Warrants will not be listed and traded on the SGX-Catalist but will be freely transferable at any time upon its issuance.

### Undertakings from Mr Chan and HBD

In connection with the Proposed Conversion, Mr Chan and HBD have undertaken that during the Exercise Period:

- (i) they will not exercise their convertible securities in the Company (including the 2017 Warrants) and they shall not acquire further Shares; and
- (ii) they will procure that their associates will not exercise their convertible securities in the Company and their associates will not acquire further Shares,

which will increase the aggregate shareholding interest of Mr Chan, HBD and their associates in the Company to more than 90% of the total number of issued Shares.

In the event that the aggregate shareholding interest of Mr Chan, HBD and their associates in the Company increases to more than 90% of the total number of issued Shares, Mr Chan, HBD and their associates may be required to make a compulsory acquisition in accordance with the Companies Act.

We understand from the Company and Mr Chan that it is their intention to maintain the listing of the Company on the SGX-Catalist. Hence, the undertakings by Mr Chan and HBD will help to ensure that the Company complies with the minimum public float of 10% at all times in compliance with Rule 723 of the Catalist Rules.

#### **4.2 Conditions Precedent**

The Proposed Conversion is subject to, *inter alia*, the approval of the Minority Shareholders at the EGM and the approval from the SGX-ST for the listing and quotation of the Conversion Shares and Exercised Shares on the SGX-Catalist.

The Sponsor will make an application on behalf of the Company to SGX-ST for the listing and quotation of the Conversion Shares and the Exercised Shares on the SGX-Catalist. The Company will make the necessary announcement upon the receipt of approval from the SGX-ST in due course.

#### **5. EVALUATION OF THE PROPOSED CONVERSION**

In our evaluation of the Proposed Conversion, we have given due consideration to, *inter alia*, the following key factors:

- (a) rationale for the Proposed Conversion and use of proceeds from the exercise of the 2017 Warrants;
- (b) assessment of the terms of the Proposed Conversion;
- (c) financial effects of the Proposed Conversion;
- (d) shareholding interests of Mr Chan and his associates; and
- (e) other relevant considerations which may have a significant bearing on our assessment of the Proposed Conversion.

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### 5.1 Rationale for the Proposed Conversion and the use of proceeds from the exercise of the 2017 Warrants

It is not within our terms of reference to comment or express an opinion on the merits of the Proposed Conversion or the future prospects of the Group after the Proposed Conversion. Nevertheless, we have reviewed the rationale for the Proposed Conversion as set out in Section 5 of the Circular.

We note that the Proposed Conversion to capitalise the HBD Loan will improve the balance sheet and gearing ratio of the Group. This will enable the Company to obtain bank financing on more favourable terms. The Company will also save on the interest on the HBD Loan as HBD has agreed to waive all interest accrued and outstanding on the HBD Loan if the Proposed Conversion is completed.

It should be noted that the conversion of the HBD Loan does not raise any new funding for the Group.

However, if and when the 2017 Warrants are exercised into the Exercised Shares over the next 5 years from the date of issue of the Warrants, the Company will raise new equity funds through the proceeds from the Exercise Price for each Exercised Share, and such proceeds shall be used to finance business expansions, acquisitions and investments and/or the general working capital of the Group, at the discretion of the Company.

If all the 2017 Warrants are exercised into the Exercised Shares, the Company will raise gross proceeds of approximately S\$89.5 million.

### 5.2 Assessment of the terms of the Proposed Conversion

The HBD Loan is proposed to be converted based on the principal amount of the HBD Loan as all interest accrued and outstanding on the HBD Loan will be waived by HBD.

The Conversion Price and Exercise Price are S\$0.04 per Conversion Share and S\$0.048 per 2017 Warrant respectively.

The Company will be seeking the in-principle approval from the SGX-ST for the listing and quotation of the Conversion Shares and the Exercised Shares on the SGX-Catalist but not for the 2017 Warrants. However, the 2017 Warrants will be freely transferable.

In assessing the terms of the Proposed Conversion, we have considered the following:

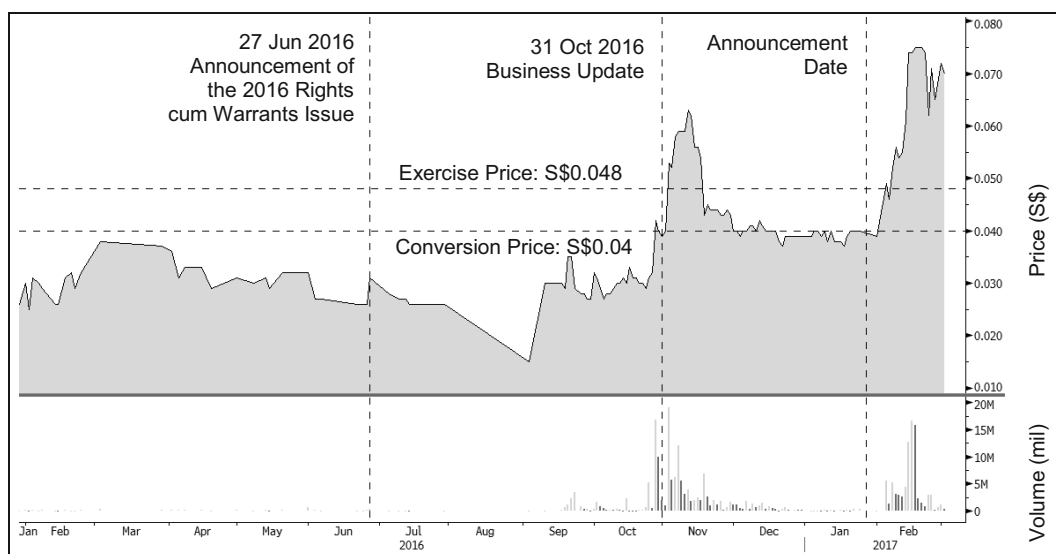
- (i) historical trading performance of the Shares;
- (ii) financial analysis of the Group;
- (iii) comparison of valuation ratios of selected listed companies which are broadly comparable with the Group; and
- (iv) valuation of the 2017 Warrants.

#### 5.2.1 Market quotation and trading activity of the Shares

In assessing the Conversion Price and Exercise Price, we have compared them against the historical market price performance of the Shares and the historical Share trading volume from 27 January 2016, being the 1-year period prior to the Announcement Date, and up to the Latest Practicable Date. The Proposed Conversion was announced after the close of market trading on 26 January 2017.

We set out below a chart showing the Conversion Price and Exercise Price relative to the daily last transacted prices and trading volume of the Shares from 27 January 2016 and up to the Latest Practicable Date (“**Period Under Review**”):

Price movement and traded volume of the Shares  
from 27 January 2016 and up to the Latest Practicable Date



Source: Bloomberg L.P.

As can be seen from the Share price chart above, the Shares were generally trading at below the Conversion Price and Exercise Price prior to the Announcement Date except during the period around late October 2016 and early November 2016 when trading volume of the Shares and market Share price increased significantly. The market Share price traded to a high of S\$0.067 on 7 November 2016. We note that the Company had, on 31 October 2016, released an announcement in relation to the corporate and business update of the Group. However, not long thereafter, the market Share price declined and generally traded around S\$0.04 until the Announcement Date.

Since the Announcement Date and up to the Latest Practicable Date, the Shares have been consistently trading above the Conversion Price and the Exercise Price. As at the Latest Practicable Date, the Shares were last transacted at S\$0.070.

Market Statistics

In addition to the Share price chart above, we have tabulated below selected statistical information on the Share price performance and trading liquidity of the Shares for the Period Under Review:

Reference period	Highest traded price (S\$)	Lowest traded price (S\$)	VWAP <sup>(1)</sup> (S\$)	Premium / (Discount) of Conversion Price over/(to) VWAP (%)	Premium / (Discount) of Exercise Price over/(to) VWAP (%)	Number of traded days <sup>(2)</sup>	Average daily trading volume <sup>(3)</sup> ('000)	Average daily trading volume as a percentage of free float <sup>(4)</sup> (%)
<b><u>Prior to the release of the Announcement</u></b>								
Last 1 year	0.067	0.015	0.046	(13.0)	4.3	125	601	0.33
Last 6 months	0.067	0.015	0.046	(13.0)	4.3	90	1,158	0.64
Last 3 months	0.067	0.034	0.049	(18.4)	(2.0)	59	1,965	1.08
Last 1 month	0.041	0.037	0.040	0.0	20.0	17	77	0.04

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Reference period	Highest traded price (S\$)	Lowest traded price (S\$)	VWAP <sup>(1)</sup> (S\$)	Premium / (Discount) of Conversion Price over/(to) VWAP (%)	Premium / (Discount) of Exercise Price over/(to) VWAP (%)	Number of traded days <sup>(2)</sup>	Average daily trading volume <sup>(3)</sup> ('000)	Average daily trading volume as a percentage of free float <sup>(4)</sup> (%)
24 Jan 2017 (last trading day when trades were done on the Shares prior to the release of the Announcement)	0.041	0.039	0.041	(2.4)	17.1	1	305	0.17
<b>After the Announcement Date</b>								
27 January 2017 to the Latest Practicable Date	0.080	0.039	0.067	(40.3)	(28.4)	20	3,611	1.98
Latest Practicable Date	0.072	0.070	0.072	(44.4)	(33.3)	1	350	0.19

**Source:** Bloomberg L.P.

**Notes:**

- (1) The volume-weighted average price (“VWAP”) for the respective periods are calculated based on the daily VWAP turnover divided by VWAP volume as extracted from Bloomberg L.P.. VWAP turnover is computed based on the aggregate daily turnover value of the Shares and VWAP volume is computed based on the aggregate daily trading volume of the Shares for the respective periods. Off market transactions are excluded from the calculation;
- (2) Traded days refer to the number of days on which the Shares were traded on the SGX-ST during the period;
- (3) The average daily trading volume of the Shares is computed based on the total volume of Shares traded on the SGX-ST (excluding off market transactions) during the relevant periods, divided by the number of days when the SGX-ST was open for trading (excluding days with full day trading halts on the Shares) during that period; and
- (4) Free float refers to the Shares other than those directly and deemed held by the Directors and substantial Shareholders. For the purpose of computing the average daily trading volume as a percentage of free float, we have used the free float of 31.48% as disclosed on the SGX-ST website as at the Latest Practicable Date.

Based on the above, we note the following:

- (a) Over the 1-year period prior to the release of the Announcement, the Shares have traded between a low of S\$0.015 and a high of S\$0.067. The Conversion Price represents a premium of S\$0.025 (or 166.7%) above the lowest transacted price and a discount of S\$0.027 (or 40.3%) to the highest transacted price of the Shares. As the Exercise Price is set at a premium of 20% above the Conversion Price, the Conversion Price represents a discount of 13.0% to, and the Exercise Price represents a premium of 4.3% above, the VWAP of the Shares for the 1-year period respectively;
- (b) The Conversion Price represents a discount of 13.0%, 18.4% and 0.0% to the VWAP of the Shares for the 6-month, 3-month and 1-month periods prior to the release of the Announcement respectively. The Exercise Price represents a premium of 4.3% above the VWAP of the Shares for the 6-month period, a discount of 2.0% to the VWAP of the Shares in the 3-month period and a premium of 20.0% above the VWAP of the Shares in the 1-month periods prior to the release of the Announcement respectively;
- (c) The Conversion Price and Exercise Price represent premia of 0% and 20.0% respectively above the last transacted price of the Shares of S\$0.04 on 24 January 2017, being the trading day when trades were done on the Shares prior to the release of the Announcement;

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- (d) The Share prices have increased significantly since the Announcement Date. The Shares were last transacted at S\$0.070 on 1 March 2017, being the Latest Practicable Date. The Conversion Price and the Exercise Price are at discounts of 40.3% and 28.4% respectively to the VWAP of the Shares of S\$0.067 since the Announcement Date to the Latest Practicable Date; and
- (e) As set out in Note (1) above, off-market transactions are excluded in the computation of VWAP. Off-market transactions are also not captured in the share price chart above. As a result, Mr Chan's purchase of Shares from Mr Toh on 20 January 2017 as an off-market transaction is not reflected in the statistics above. The purchase of Shares from Mr Toh at S\$0.075 is above the traded price prior to the Announcement Date.

We observe the following with regard to the trading liquidity of the Shares:

- (i) Over the 1-year period prior to the release of the Announcement, we note that the Shares were not frequently traded on a daily basis until mid-September 2016 onwards. However, the average daily trading volume of the Shares were generally low except for the period in late October 2016 and early November 2016. The average daily trading volume of the Shares for the 1-year, 6-month, 3-month and 1-month periods prior to the release of the Announcement represent 0.33%, 0.64%, 1.08% and 0.04% of the free float of the Shares respectively; and
- (ii) During the period following the Announcement Date and up to the Latest Practicable Date, the average daily trading volume on the Shares increased to 1.98% of the free float of the Shares.

As a result of the significant increase in the market Share price after the Announcement Date, the Conversion Shares and the Exercise Price currently represent significant discounts to the prevailing market Share price as at the Latest Practicable Date.

### 5.2.2 Financial analysis of the Group

#### Financial Performance

For the last three financial years ended 31 December 2016 (that is, "FY2014", "FY2015" and "FY2016"), the Group had reported losses with no revenue in FY2014, and minimal revenue in FY2015 and FY2016. Revenue for the Group was contributed mainly by the Group's property development business.

The key financial results of the Group for FY2014, FY2015 and FY2016 are as follows:

S\$'000	Audited		Unaudited
	FY2014 (restated) <sup>(1)</sup>	FY2015	FY2016
Revenue	-	4,337	1,703
Gross profit	(41)	746	223
Other income (including finance income)	466	6,386	1,364
Loss from continuing operations after income tax	(7,655)	(3,572)	(7,862)
Profit/(Loss) from discontinued operation, net of tax <sup>(1)</sup>	(13,088)	186	812
<b>Loss for the year</b>	<b>(20,743)</b>	<b>(3,386)</b>	<b>(7,050)</b>
<b>Attributable to owners of the Company</b>			
– Loss from continuing operations, net of tax	(7,642)	(3,480)	(7,829)
– Profit/(Loss) from discontinued operation, net of tax	(13,088)	186	812
	<b>(20,730)</b>	<b>(3,294)</b>	<b>(7,017)</b>
Non-controlling interests			
– (Loss) from continuing operations, net of tax	(13)	(92)	(33)
	<b>(20,743)</b>	<b>(3,386)</b>	<b>(7,050)</b>

Source: The Company's 2015 Annual Report and unaudited results announcement for FY2016.

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**Note:**

- (1) During 2014, the Group decided to discontinue its construction business and reported it as part of discontinued operation from FY2014. FY2014 results were restated to reflect the combination as if it had occurred from the beginning of the financial year.

The significant loss attributable to owners of the Company, net of tax, amounting to S\$20.73 million in FY2014 was due mainly to the loss of S\$13.09 million from discontinued operation of its legacy construction activities in Singapore. The Group also incurred loss from its continuing operation, net of tax, of S\$7.64 million.

For FY2015, the Group recorded revenue of S\$4.34 million from its property development business, while the information technology and investment businesses have yet to generate any revenue. The Group reported a lower loss attributable to owners of the Company, net of tax, of S\$3.29 million as a result of (a) higher other income of S\$6.37 million due mainly to the gain of S\$4.83 million from the fair value adjustment of the derivative for the exchange rights on the Exchangeable Notes, and (b) the absence of the loss from discontinued operation.

For FY2016, the Group recorded lower revenue of S\$1.70 million mainly from lower revenue generated from its property development business, while the information technology and investment businesses started to generate some revenue. As a result, gross profit was also lower in FY2016 compared to FY2015.

The Group reported a higher loss after tax of S\$7.02 million in FY2016, an increase of S\$3.72 million from FY2015, due mainly to lower other income recognised in FY2016 compared to FY2015. A lower fair value gain of S\$0.47 million was recognised in FY2016 as the Company had fully redeemed the Exchangeable Notes during FY2016.

### Financial Position

The unaudited financial position of the Group as at 31 December 2016 is set out below:

S\$'000	Unaudited As at 31 December 2016
<u>Non-current assets</u>	
Property, plant and equipment	197
<b>Total non-current assets</b>	<b>197</b>
<u>Current assets</u>	
Trade and other receivables	314
Prepaid operating expenses	193
Properties under development	71,098
Properties held for sale	2,002
Investment securities	311
Derivative assets	785
Bank deposits pledged	3,816
Cash and bank balances	3,885
<b>Total current assets</b>	<b>82,404</b>
<b>Total assets</b>	<b>82,601</b>
<u>Current liabilities</u>	
Provision for income tax	809
Trade and other payables	15,240
Loans and borrowings	35,003
<b>Total current liabilities</b>	<b>51,052</b>
<u>Non-current liabilities</u>	
Loans and borrowings	1,968
<b>Total non-current liabilities</b>	<b>1,968</b>



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S\$'000	Unaudited As at 31 December 2016
<b>Total liabilities</b>	<b>53,020</b>
<b>Equity attributable to the owners of the Company</b>	
Share capital	81,286
Other reserves	913
(Accumulated losses)	(56,100)
	26,099
Non-controlling interests	3,482
<b>Total equity</b>	<b>29,581</b>
<b>Net asset value (“NAV”) / NTA of the Group (S\$)</b>	<b>26,099,000</b>
<b>Number of issued Shares as at 31 December 2016</b>	<b>569,862,252</b>
<b>NTA per Share</b>	<b>S\$0.0458</b>

*Source: Company's results announcement for FY2016*

As at 31 December 2016, the assets of the Group totalling S\$82.6 million comprised mainly properties under development of S\$71.1 million (86.1% of total assets), and bank deposits and cash balances of S\$7.7 million (9.3% of total assets).

Properties under development include Black Oak in Houston (Texas, USA), Ballenger Run in Frederick (Maryland, USA) and Mandurah in Western Australia.

The liabilities of the Group comprised mainly loans and borrowings totally S\$37.0 million (69.7% of total liabilities). These loans include the HBD Loan with an outstanding amount of US\$10.5 million as at 31 December 2016. As a result, the gearing ratio of the Group is at 1.25 times (total loans and borrowings / total equity).

The Proposed Conversion will help to reduce the gearing ratio of the Group significantly.

Equity attributable to the owners of the Company was S\$26.1 million as at 31 December 2016. During FY2016, the Company raised new equity from the issuance of new shares pursuant to the share placement in May 2016 and the 2016 Rights cum Warrants Issue in October 2016, which raised gross proceeds of S\$7.02 million and S\$5.56 million respectively. However, this was partially offset by losses of S\$6.4 million incurred during FY2016.

As at 31 December 2016, the NAV of the Group of S\$26.1 million is the same as its NTA as the Group does not have any intangible assets. The NAV/NTA per Share is S\$0.0458 based on the number of issued Shares of 569,862,252 as at 31 December 2016.

Subsequent to the financial year from 1 January 2017 to the Latest Practicable Date, the Company had issued 8,212,810 new Shares upon the exercise of the 2016 Warrants which raised gross proceeds of S\$328,512 in total. The adjusted NTA of the Group as at 31 December 2016 is computed as follows:

NTA of the Group as at 31 December 2016	S\$26,099,000
Add: Proceeds from the exercise of 2016 Warrants from 1 January 2017 to the Latest Practicable Date	S\$328,512
<b>Adjusted NTA of the Group as at 31 December 2016</b>	<b>S\$26,427,512</b>
Number of Shares as at the Latest Practicable Date	578,075,062
<b>Adjusted NTA per Share as at 31 December 2016</b>	<b>S\$0.0457</b>

### Price-to-NTA (“P/NTA”) ratio of the Group

In assessing the reasonableness of the Conversion Price and the Exercise Price, we have considered using the earnings approach which is commonly used for the valuation of a profitable company as a going concern. We note that the Group had incurred operating losses over the last three financial years as shown in the table above under the caption “Financial Performance”. As such, the earnings approach cannot be meaningfully applied in assessing the reasonableness of the Conversion Price and Exercise Price.

Instead, we have assessed the Conversion Price and Exercise Price using the NTA approach, which shows the extent to which the value of each Share is backed by its net tangible assets. The NTA approach of valuing a group of companies is based on the aggregate value of all the assets of the group in their existing condition, after deducting the sum of all liabilities, intangible assets of the group and non-controlling interests.

The Conversion Price of S\$0.04 represents a discount of 12.5% to the adjusted NTA per Share of S\$0.0457 as at 31 December 2016. The Exercise Price of S\$0.048 represents a premium of 5.0% above the adjusted NTA per Share of S\$0.0457 as at 31 December 2016.

In our evaluation of the financial terms of the Proposed Conversion, we have also considered whether there is any other asset which should be valued at an amount that is materially different from that which was recorded in the unaudited statement of financial position of the Group as at 31 December 2016, and whether there are any factors which have not been otherwise disclosed in the financial statements of the Group that are likely to impact the NTA of the Group as at 31 December 2016.

In respect of the above, we have sought the following confirmation from the Directors and the Management, and they have confirmed to us that as at the Latest Practicable Date, save as disclosed above and in the Company’s results announcements for FY2016, to the best of their knowledge and belief:

- (a) there are no material differences between the realisable values of the Group’s assets and their respective book values as at 31 December 2016 which would have a material impact on the NTA of the Group;
- (b) there are no other contingent liabilities, bad or doubtful debts or material events which are likely to have a material impact on the NTA of the Group as at the Latest Practicable Date;
- (c) there is no litigation, claim or proceeding pending or threatened against the Company or any of its subsidiaries or of any fact likely to give rise to any proceedings which might materially and adversely affect the financial position of the Company and its subsidiaries taken as a whole;
- (d) there are no intangible assets which ought to be disclosed in the statement of financial position of the Group in accordance with the Singapore Financial Reporting Standards and which have not been so disclosed and where such intangible assets would have had a material impact on the overall financial position of the Group; and
- (e) there are no material acquisitions or disposals of assets by the Group between 31 December 2016 and the Latest Practicable Date, and the Group does not have any plans for any such impending material acquisition or disposal of assets, conversion of the use of its material assets or material change in the nature of the Group’s business.

### 5.2.3 Comparison of valuation ratios of selected listed companies which are broadly comparable with the Group

For the purpose of assessing the Proposed Conversion, we have also considered the comparison of valuation ratios of selected companies listed on the SGX-ST whose businesses are broadly comparable to the core business of the Group (“**Comparable Companies**”).

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While the Group's core business is in property development, information technology, investment and biomedical businesses, these businesses are relatively new including the property development business which started generating some revenue in FY2015 and FY2016. We note, however, that the Group has significant holdings of properties under development amounting to S\$70.6 million as at 31 December 2016.

In this regard, we had discussions with the Management about the suitability and appropriateness of Comparable Companies listed on the SGX-ST. There are no direct Comparable Companies, taking into account that the Group is a relatively small company and it has only started generating revenue under the property development business in FY2015. Nonetheless for purpose of our evaluation and illustration, we have selected the following listed companies with a market capitalization of S\$200 million and below as broad proxies to the Group.

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 Group.

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 to the Group 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. is set out below:

Company name	Principal business
Goodland Group Ltd ("Goodland")	Goodland Group Ltd. develops and sells residential properties in Singapore.
TEE Land Ltd ("TEE Land")	TEE Land Limited is a residential and commercial property developer in Singapore. The Company's property development projects are pre-dominantly freehold in tenure and are targeted at middle-to-high income consumers who value exclusivity in good locations.
Heeton Holdings Ltd ("Heeton")	Heeton Holdings Limited develops and sells private residential properties. The Company also manages and invests in residential, retail, and commercial properties.
Figtree Holdings Ltd ("Figtree")	Figtree Holdings Limited is a real estate development company. The Company designs and develops commercial and industrial properties. Figtree also offers property development services.

*Source: Bloomberg L.P.*

For the purpose of our evaluation and for illustration, we have made comparison between the Group and the selected Comparable Companies mainly using the P/NTA, also known as the NTA approach, to show the extent the value of each share is backed by its net tangible assets. The NTA approach of valuing a group of companies is based on the aggregate value of all the assets of the group in their existing condition, after deducting the sum of all liabilities and intangible assets of the group.

The comparison with the Comparable Companies using the PER approach is not meaningful as the Group is loss-making but nonetheless, it is shown below for reference purposes only.

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Company name	Last financial year end	Market capitalisation as at the Latest Practicable Date (S\$'million)	T12 PER <sup>(1)</sup> (times)	Historical P/NTA ratio <sup>(2)</sup> (times)
Goodland	30 Sep 2016	102.8	n.m. <sup>(3)</sup>	0.5
TEE Land	31 May 2016	84.0	13.5	0.5
Heeton	31 Dec 2016	126.8	10.2	0.4
Figtree	31 Dec 2016	53.0	5.2	1.1

<b>High</b>	<b>13.5</b>	<b>1.1</b>
<b>Low</b>	<b>5.2</b>	<b>0.4</b>
<b>Mean</b>	<b>9.6</b>	<b>0.6</b>
<b>Median</b>	<b>10.2</b>	<b>0.5</b>

<b>The Company implied by</b>		
- Conversion Price	n.m. <sup>(3)</sup>	<b>0.9</b>
- Exercise Price	n.m. <sup>(3)</sup>	<b>1.1</b>

**Source:** Bloomberg L.P., annual reports and latest publicly available financial information on the Comparable Companies as at the Latest Practicable Date

**Notes:**

- (1) The T12 PERs of the Comparable Companies were computed based on their T12M basic consolidated earnings per share as set out in their latest available published financial statements as at the Latest Practicable Date;
- (2) The P/NTA ratios of the Comparable Companies were computed based on their respective NTA values as set out in their latest published financial statements as at the Latest Practicable Date; and
- (3) n.m. denotes not meaningful as the company is making losses.

Based on the above, we note that:

- (i) the T12 PER of the Group implied by the Conversion Price or Exercise Price is not meaningful as the Group had reported losses for FY2016; and
- (ii) the P/NTA ratios of the Group of 0.9 times and 1.1 times implied by the Conversion Price and Exercise Price respectively are within the range of the historical P/NTA ratios of the Comparable Companies and higher than the mean and median P/NTA ratio of the Comparable Companies.

### 5.2.4 Valuation of the 2017 Warrants

As at the Announcement Date, the 2017 Warrants are “out-of-money” as the Exercise Price is higher than the VWAP and the last transacted price on the day prior to the entering of the Loan Conversion Agreement.

However, as analysed in Section 5.2.1 of this Letter, the market Share price had increased significantly after the Announcement Date. As a result, the 2017 Warrants are considered “in-the-money” from the perspective of HBD as the Exercise Price of the 2017 Warrants of S\$0.048 per Exercised Share is substantially below the current market Share price of around S\$0.070. The 2017 Warrants have an intrinsic value of S\$0.022 per 2017 Warrant based on the current market price of around S\$0.070.

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## APPENDIX I – LETTER FROM THE IFA TO THE RECOMMENDING DIRECTORS

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For illustration purposes, we have shown below the Exercise Price as a percentage premium/(discount) above/(to) the last transacted Share prices at the relevant dates:

	Last transacted Share price (S\$)	Exercise Price as a premium/(discount) above/(to) the last transacted Share price (%)
On 24 January 2017, being the last trading day when trades were done on the Shares prior to the Announcement Date	0.040	20.0
Latest Practicable Date	0.070	(31.4)

The 2017 Warrants are issued free of charge to HBD, together with the Conversion Shares, on the basis of five free detachable 2017 Warrants for every one Conversion Share allotted and issued to HBD. Each 2017 Warrant carries the right to subscribe for one Exercised Share at the Exercise Price of S\$0.048 for each Exercised Share, which may be exercised at any time for a period of five years from the date of issue of the 2017 Warrants. The 2017 Warrants are not listed on any stock exchange but is transferable. The Exercised Shares, when issued, are intended to be listed on the SGX-Catalist and are not subject to any moratorium restriction on the sale or transfer.

We have considered the valuation of the 2017 Warrants using the theoretical value of the warrants based on the Black-Scholes model, which is a common methodology used in the calculation of call warrants. The theoretical value of the warrants is a function of, *inter alia*, the exercise price *vis-à-vis* the current price of the underlying shares, the exercise period of the warrants, the nature of the call option whether it is an European call option (which is only exercisable on a predetermined exercise date) or an American call option (which can be exercised at any time prior to the expiry date of the warrant), the risk-free interest rate, the dividend yield of the shares and the price volatility of the underlying shares.

However, the valuation of the 2017 Warrants using the Black-Scholes model is not meaningful nor appropriate for the following reasons: (a) the 2017 Warrants to be issued to HBD are not listed and traded on any stock exchange. This would negate most of the time value of the 2017 Warrants, if any, as most of the time value of these 2017 Warrants could be realised if HBD could trade or arbitrage these 2017 Warrants in the open market; (b) the trading liquidity of the Shares is low prior to the Announcement Date; and (c) the Share prices have exhibited significant volatility as the absolute Share price is low and a S\$0.01 increase or decrease in Share price could result in a significant percentage price fluctuation.

The Shares have traded at higher prices since the Announcement Date resulting in the 2017 Warrants being significantly “in-the-money”.

For illustration purposes, the 2017 Warrants have an intrinsic value of S\$0.022 for each 2017 Warrant based on the current market Share price of S\$0.070 as at the Latest Practicable Date and the Exercise Price of S\$0.048.

### 5.3 Financial Effects of the Proposed Conversion

Details on the financial effects of the Proposed Conversion on the Group are set out in Section 7 of the Circular and are based on the latest unaudited financial statements of the Group for FY2016.

In summary, the Proposed Conversion would result in the following financial effects for the Group:

(a) *Issued share capital*

The Proposed Conversion will result in the conversion of the HBD Loan from liability to paid-up share capital by the same amount. The number of issued Shares will increase

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## APPENDIX I – LETTER FROM THE IFA TO THE RECOMMENDING DIRECTORS

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by 372,855,000 Shares, representing approximately 64.5% of the existing number of Shares and 39.2% of the enlarged number of Shares.

As and when the 2017 Warrants are exercised into the Exercised Shares over the next five years, the number of issued Shares and paid-up share capital of the Company will increase accordingly.

(b) *Earnings per Share*

The Proposed Conversion will result in interest savings for the Group as the HBD Loan will be fully discharged.

However, the Proposed Conversion will result in the issuance of a significant number of Conversion Shares which will have an immediate dilutive effect on the loss per Share due to the enlarged number of issued Shares.

The exercise of the 2017 Warrants, if any, will raise new equity funds for the Company but the future effect of these funds on the earnings of the Group will depend on, *inter alia*, the returns from the deployment of the proceeds from the exercise of the 2017 Warrants and therefore may not be determinable at this point in time.

(c) *NTA*

The Proposed Conversion will result in an increase in the NTA of the Group as the HBD Loan is converted into paid-up share capital. However, on a per Share basis, the NTA per Share after the Proposed Conversion will be lower as the Conversion Price is at a discount to the adjusted NTA per Share as at 31 December 2016.

Upon exercise of the 2017 Warrants, the NTA of the Group will increase accordingly due to the increase in paid-up share capital. However, the impact on NTA per Share will depend on whether the Exercise Price is lower or higher than the prevailing NTA per Share at the time of the exercise of the 2017 Warrants, and is not determinable at this point in time.

(d) *Gearing*

Upon completion of the Proposed Conversion, the gearing ratio of the Group will improve.

The gearing ratio will improve further when the 2017 Warrants are exercised into the Exercised Shares, other things being equal.

### 5.4 Shareholding interests of Mr Chan and his associates

Mr Chan and its associates are already the major controlling Shareholder, holding in aggregate 57.6% of the shareholding interest of the Company as at the Latest Practicable Date.

The Proposed Conversion will result in Mr Chan and his associates consolidating further shareholding interest in the Company. Immediately after the Proposed Conversion but before the exercise of the 2017 Warrants, Mr Chan and HBD will increase from 57.6% to 74.2% of the enlarged number of Shares.

In a hypothetical scenario where all the 2017 Warrants are exercised into the Exercised Shares, Mr Chan and HBD's aggregate shareholding interest in the Company will increase to 91.3% of the enlarged number of Shares. This is a hypothetical scenario in view of the undertakings given by Mr Chan and HBD in connection with the Proposed Conversion as set out in Section 4.1 of this Letter. While the Minority Shareholders' shareholdings in the Company will be diluted as a result of the Proposed Conversion and further diluted by the exercise of any of the 2017 Warrants, Mr Chan and HBD have undertaken to the Company that they will not exercise any of their holdings of convertible securities (including the 2017 Warrants) or acquire further

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## APPENDIX I – LETTER FROM THE IFA TO THE RECOMMENDING DIRECTORS

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Shares, if the public float is at risk of falling below the minimum 10% public float requirement of the SGX-ST. This will help to ensure that the listing status of the Company is maintained. Nonetheless, the Proposed Conversion and the exercise of any of the 2017 Warrants will result in significant shareholding dilution to all Minority Shareholders.

In the event that Mr Chan or his associates intend to exercise any of the convertible securities such that the Company could raise further equity funding therefrom, and in order for the Company to maintain the minimum 10% public float, Mr Chan and his associates may have to consider disposing some of their shareholdings in the Company either in the open market or through off-market transactions. Please also see Section 5.4.4 below.

We note that Mr Chan and/or HBD has the following convertible securities in the Company as at the Latest Practicable Date:

	Exercise Price	Number of outstanding convertible securities of the Company	Number of convertible securities held by Mr Chan and/or HBD
(a) ESOS Options	S\$0.11 to S\$0.12	2,918,667	1,061,333 <sup>(1)</sup>
(b) 2016 Warrants	S\$0.04	673,812,490	549,811,480
(c) Call Options <sup>(2)</sup>	S\$0.075	N.A.	25,941,100

**Notes:**

- (1) ESOS Options held by Mr Chan are exercisable at S\$0.12; and  
(2) as disclosed in Section 3.2 of this Letter, the Call Options are exercisable against Mr Toh.

Upon the exercise of any of the above convertible securities, Mr Chan and his associates' shareholding interests in the Company will increase further. However, this will also mean that Mr Chan and/or his associates will have to invest heavily in the Company in accordance with the exercise prices of these convertible securities.

As mentioned in Section 3.2 and Section 5.4.3 of this Letter, Mr Chan and his associates have already invested substantially in the Company since he became the CEO of the Company.

As set out in Section 9 of the Circular, there may be possible adjustments to the 2016 Warrants as a result of the Proposed Conversion. The Company will make further announcements in respect of such adjustments as and when appropriate. As such, the above shareholding comparison does not factor in any adjustments to the 2016 Warrants.

### 5.5 Other relevant considerations which may have a significant bearing on our assessment of the Proposed Conversion

#### 5.5.1 The Conversion Price is the same as the 2016 Rights Issue share price and the exercise price of the 2016 Warrants

In the rights cum warrants issue which was completed in October 2016 and which raised gross proceeds of S\$5.56 million for the Company, Mr Chan and his associates were allotted and issued bulk of the rights shares, representing 85.2% of the total issue size. The rights shares and the exercise price of the 2016 Warrants (which are issued together with the rights shares) were priced at S\$0.04 each.

The Conversion Price is also fixed at S\$0.04 each. The 2017 Warrants are, however, fixed at a 20% premium above the Conversion Price.

**5.5.2 The Conversion Price and the Exercise Price of the 2017 Warrants are within the permitted discounts under Rule 811(1) of the Listing Manual**

Pursuant to Rule 811(1) of the Listing Manual, in summary, in a share placement exercise by a listed issuer where the share placement is not being offered on a *pro rata* basis to its shareholders, the issue price for the placement shares should not be more than 10% discount to the prevailing VWAP share price of the issuer, unless specific approval is obtained from shareholders in a general meeting. This applies to convertible securities as well.

The Conversion Price is at a discount of 2.44% to the VWAP of the Shares on the last trading day (24 January 2017) prior to the date of the Loan Conversion Agreement. The Exercise Price of the 2017 Warrants represents a premium of 17.07% above the VWAP share price on 24 January 2017.

The Company is seeking Shareholders' approval for the Proposed Conversion which includes the issue of the Conversion Shares, 2017 Warrants and Exercised Shares.

**5.5.3 Mr Chan as the main supporter of the Group**

The Company had undertaken various fund raising exercises over the last few years including the rights issue of bonus warrants and piggyback warrants in January 2014 which raised S\$11 million, the exchangeable notes issue in February 2014 which raised S\$5 million, the rights issue of Shares in September 2014 which raised S\$40 million, a private bond placement in May 2015 which raised US\$2 million, a share placement in July 2015 which raised S\$1 million, a share placement in May 2016 which raised S\$7 million to redeem the exchangeable notes and the 2016 Rights cum Warrants Issue which raised S\$5.56 million.

As the single largest Shareholder and the CEO of the Company, Mr Chan has played an instrumental role in providing the necessary funding to the Group, including most of the above fund raising exercises and also extended the HBD Loan in August 2015, on an interest-free basis until the restructuring of the HBD Loan which is supposed to be interest bearing at 6% per annum from 1 January 2017 onwards. Mr Chan had also provided certain personal guarantee for up to US\$5 million on a corporate bond issue of up to US\$10 million by a subsidiary of the Group to raise funds for the Group's Black Oak project in Houston (Texas, USA).

The financial support that Mr Chan has provided the Group demonstrates his commitment to and confidence in the Group, and the undertakings to the Company as mentioned in Section 4.1 of this Letter shows his intention to keep the listing status of the Company.

**5.5.4 The 2017 Warrants is a ready source of funding for the Group**

Given the nature of the core businesses of the Group, at this developmental stage of the Group, the Group requires significant funding, in particular, in relation to its property development projects. The Company had tapped on Shareholders through various fund raising issues in the past few years and the main supporter of these fund raising exercises had been Mr Chan and his associates, as explained in Section 5.4.3 above.

The last rights issue in 2016 also showed that Mr Chan and his associates had to take up 85.2% of the rights issue, much more than their proportionate shareholding interest of 48.4% at that time.

Hence, we understand from the Company that instead of exhausting Shareholders again for further funding so soon after the last rights issue, the Company, and Mr Chan and HBD had agreed on the Proposed Conversion where:

- (a) the HBD Loan be capitalised into equity, to strengthen the capital base of the Company and lower the gearing of the Group; and



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## APPENDIX I – LETTER FROM THE IFA TO THE RECOMMENDING DIRECTORS

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- (b) the 2017 Warrants are potentially a ready source of funding for the Group, where HBD will exercise the 2017 Warrants to raise the required funding to meet the Group's funding needs.

There is, however, no assurance that the Company will be able to tap on the proceeds from the exercise of the 2017 Warrants as and when required, as the right to exercise the 2017 Warrants is at the sole discretion of the holder, the total proceeds from the exercise of all the 2017 Warrants are huge (up to S\$89.5 million) and Mr Chan and HBD have given their undertakings not to, *inter alia*, exercise their convertible securities (including the 2017 Warrants) if it results in the Company not complying with the 10% minimum public float to retain its listing on the SGX-Catalist.

### 5.5.5 Mr Chan's purchase of Shares from and Call Option with Mr Toh

As disclosed in Section 3.2 of this Letter, Mr Chan had purchased 8,600,000 Shares from Mr Toh in an off-market transaction on 20 January 2017 and had on the same date entered into the Call Option to purchase all of Mr Toh's remaining 25,941,100 Shares, at the equivalent purchase price of S\$0.075 per Share. Prior to the above sale of Shares, Mr Toh holds 6.07% shareholding interest in the Company.

Shortly after, on 26 January 2017, the Company announced the Proposed Conversion with the Conversion Price and Exercise Price significantly below the purchase price of S\$0.075.

We understand that the share purchase and Call Option arrangement between Mr Chan and Mr Toh is a private transaction between the two substantial Shareholders. The purchase price was mutually agreed between Mr Chan and Mr Toh and the Call Options cover Mr Toh's entire shareholding interest in the Company. In view of the size of Mr Toh's shareholdings, if Mr Toh had divested his Shares through the open market, it may have an adverse effect on the market Share price due to the low trading liquidity on the Shares on the open market.

We note that since the announcement of the Proposed Conversion and up to the Latest Practicable Date, the market Share price had consistently traded above the Conversion Price and the Exercise Price.

## 6. OUR OPINION

In arriving at our opinion in respect of the Proposed Conversion, we have reviewed and examined all factors which we consider to be pertinent in our assessment, including the following key considerations:

- (a) rationale for the Proposed Conversion and the use of proceeds from the exercise of the 2017 Warrants;
- (b) assessment of the terms of the Proposed Conversion;
- (c) financial effects of the Proposed Conversion;
- (d) shareholding interests of Mr Chan and his associates; and
- (e) other relevant considerations which may have a significant bearing on our assessment of the Proposed Conversion.

**Overall, having considered the above and the information available to us as at the Latest Practicable Date, we are of the opinion that the Proposed Conversion is on normal commercial terms and is not prejudicial to the interests of the Company and its Minority Shareholders.**

Our opinion, as disclosed in this Letter, is based solely on publicly available information and information provided by the Directors and the Management and does not reflect any projections

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## APPENDIX I – LETTER FROM THE IFA TO THE RECOMMENDING DIRECTORS

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of future financial performance of the Company or the Group after the completion of the Proposed Conversion. 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 Conversion.

Pursuant to Rule 921(4) of the Listing Manual, this Letter is addressed to the Recommending Directors for their benefit and for the purpose of their consideration of the Proposed Conversion. The recommendation to be made by the Recommending Directors to the Minority Shareholders 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 person may reproduce, disseminate or quote this Letter (or any part thereof) for any other purpose other than for the purpose of the EGM and for the purpose of the Proposed Conversion, at any time and in any manner without the prior written consent of Provenance Capital in each specific case.

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

Yours faithfully  
For and on behalf of  
**PROVENANCE CAPITAL PTE. LTD.**

Wong Bee Eng  
Chief Executive Officer

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## NOTICE OF EXTRAORDINARY GENERAL MEETING

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### SINGAPORE EDEVELOPMENT LIMITED

(Company registration no. 200916763W)  
(Incorporated in Singapore)

## NOTICE OF EXTRAORDINARY GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that an Extraordinary General Meeting (the “EGM”) of Singapore eDevelopment Limited (the “Company”) will be held at Pan Pacific Singapore, Ocean 6, Level 2, 7 Raffles Boulevard, Marina Square, Singapore 039595 on 22 March 2017 at 10.30 a.m. for the purpose of considering and, if thought fit, passing with or without any modifications, the following ordinary resolutions:

### ORDINARY RESOLUTION 1: THE PROPOSED CONVERSION

That:

- (1) approval be and is hereby given for proposed conversion of the HBD Loan;
- (2) approval be and is hereby given for the allotment and issuance of 372,855,000 Conversion Shares at the Conversion Price of S\$0.040 for each Conversion Share and 1,864,275,000 free detachable 2017 Warrants, each carrying the right to subscribe for one (1) Exercised Share at an Exercise Price of S\$0.048 for each Exercised Share, on the basis of five (5) 2017 Warrants for every one (1) Conversion Share to Hengfai Business Development Pte. Ltd., an associate of Mr Chan Heng Fai, a Director and Controlling Shareholder of the Company in accordance with the terms and conditions of the Loan Conversion Agreement;
- (3) authority be and is hereby given to the Directors or any one of them to:
  - (a) create and issue:
    - (i) 1,864,275,000 2017 Warrants in registered form, each 2017 Warrant to entitle the holder thereof to subscribe for one (1) Exercised Share at an Exercise Price of S\$0.048 for each Exercised Share at any time during the Exercise Period subject to, and in accordance with the terms and conditions of the 2017 Warrants to be set out in the Deed Poll; and
    - (ii) such additional 2017 Warrants in registered form as may be required or permitted to be issued by the Company subject to, and in accordance with the terms and conditions of the 2017 Warrants to be set out in Deed Poll (any such additional 2017 Warrants to rank *pari passu* with the then existing 2017 Warrants and for all purposes to form part of the same series of 2017 Warrants, save as may otherwise be provided in the terms and conditions of the 2017 Warrants to be set out in the Deed Poll);
  - (b) allot and issue, notwithstanding that the issue thereof may take place after the next or any ensuing annual or other general meeting of the Company:
    - (i) 372,855,000 Conversion Shares at the Conversion Price of S\$0.040 for each Conversion Share, credited as fully paid-up. Such Conversion Shares when issued shall rank *pari passu* in all respect with the then existing Shares save for any dividends, rights, allotments or other distributions, the Record Date for which falls before the date of the issue of the Conversion Shares;
    - (ii) 1,864,275,000 Exercised Shares on the exercise of the 2017 Warrants at the Exercise Price of S\$0.048 for each Exercised Share, credited as fully paid-up, subject to, and in accordance with the terms and conditions of the 2017 Warrants to be set out in the Deed Poll. Such Exercised Shares when issued shall rank *pari passu* in all respects with the then existing Shares (save as may otherwise be provided in the terms and

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## NOTICE OF EXTRAORDINARY GENERAL MEETING

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conditions of the 2017 Warrants to be set out in the Deed Poll) save for any dividends, rights, allotments or other distributions, the Record Date for which falls before the date of the issue of the Exercised Shares; and

- (iii) on the same basis as paragraph (b)(ii) above, such further Exercised Shares as may be required to be allotted and issued on the exercise of any of the additional 2017 Warrants referred to in paragraph (a)(ii) above; and
- (4) authority be and is hereby given to the Directors or any one of them to exercise such discretion to complete and do all such acts and things, including without limitation, to sign, seal, execute and deliver all such documents and deeds, and to approve any amendment, alteration or modification to any document, as they or he may consider necessary, desirable or expedient or in the interest of the Company to give effect to these ordinary resolutions as they or he may think fit.

By Order of the Board

Chan Heng Fai  
Executive Director and Chief Executive Officer  
**Singapore eDevelopment Limited**  
Singapore

7 March 2017

### Notes:

- (1) Except for a member who is a Relevant Intermediary as defined under Section 181(6) of the Companies Act, Cap. 50 (the “**Companies Act**”), a member is entitled to appoint not more than two proxies to attend, speak and vote at the Extraordinary General Meeting (“**EGM**”). Where a member appoints more than one proxy, the proportion of his concerned shareholding to be represented by each proxy shall be specified in the proxy form.
- (2) Pursuant to Section 181(1C) of the Companies Act, a member who is a Relevant Intermediary is entitled to appoint more than two proxies to attend, speak and vote at the EGM, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such member appoints more than two proxies, the number and class of shares in relation to which each proxy has been appointed shall be specified in the proxy form.
- (3) If the appointor is a corporation, the instrument appointing a proxy must be executed under its common seal or the hand of its duly authorised officer or attorney.
- (4) The instrument appointing a proxy must be deposited at the Registered Office of the Company at 10 Winstedt Road, Block A #02-02 Singapore 227977 no later than 72 hours prior to the time of the EGM.
- (5) Terms not specifically defined herein shall have the same meanings ascribed to them in the Company’s Circular to Shareholders dated 7 March 2017.

### Personal data privacy:

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

## PROXY FORM

### SINGAPORE EDEVELOPMENT LIMITED

(Company registration no. 200916763W)

(Incorporated in Singapore)

### PROXY FORM

I/We \_\_\_\_\_ (Name) \_\_\_\_\_ (NRIC/Passport Number)

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

being a member/members of **SINGAPORE EDEVELOPMENT LIMITED** (the “Company”), hereby appoint:

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

and/or (delete as appropriate)

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

or failing him/her, the Chairman of the Extraordinary General Meeting (“EGM”) as my/our proxy/proxies to attend and vote for me/us on my/our behalf at the EGM of the Company to be held at Pan Pacific Singapore, Ocean 6, Level 2, 7 Raffles Boulevard, Marina Square, Singapore 039595 on 22 March 2017 at 10.30 a.m. and at any adjournment thereof.

I/We direct my/our proxy/proxies to vote for or against the Ordinary 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 may vote or abstain from voting at his/her discretion. The Ordinary Resolutions will be put to vote at the EGM by way of poll.

Ordinary Resolution	Number of Votes For <sup>#</sup>	Number of Votes Against <sup>#</sup>
1. To approve the Proposed Conversion		

\* Delete as appropriate.

# If you wish to exercise all your votes “For” or “Against”, please indicate so with a [v] within the box provided. Alternatively, please indicate the number of votes as appropriate.

Dated this \_\_\_\_\_ day of \_\_\_\_\_ 2017.

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

\_\_\_\_\_  
*Signature(s) of Shareholder(s) or  
Common Seal of Corporate Shareholder*

**IMPORTANT: PLEASE READ NOTES OVERLEAF BEFORE COMPLETING THIS PROXY FORM**



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## PROXY FORM

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### Notes:

1. Except for a member who is a Relevant Intermediary as defined under Section 181(6) of the Companies Act, Cap. 50 (the “**Companies Act**”), a member is entitled to appoint not more than two proxies to attend, speak and vote at the Extraordinary General Meeting (“**EGM**”). Where a member appoints more than one proxy, the proportion of his concerned shareholding to be represented by each proxy shall be specified in the proxy form.
2. Pursuant to Section 181(1C) of the Companies Act, a member who is a Relevant Intermediary is entitled to appoint more than two proxies to attend, speak and vote at the EGM, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such member appoints more than two proxies, the number and class of shares in relation to which each proxy has been appointed shall be specified in the proxy form.
3. A proxy need not be a member of the Company.
4. A member should insert the total number of shares held. If the member has shares entered against his name in the Depository Register (as defined in Section 81SF of the Securities and Futures Act, Cap. 289), he should insert that number of shares. If the member has shares registered in his name in the Register of Members of the Company, he should insert that number of shares. If the member has shares entered against his name in the Depository Register and 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 member.
5. The instrument appointing a proxy or proxies must be deposited at registered office of the Company at **10 Winstedt Road, Block A #02-02 Singapore 227977**, not less than **72 hours** before the time set for the EGM.
6. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its common seal or under the hand of its attorney or duly authorised officer.
7. Where an instrument appointing a proxy is signed on behalf of the appointor by an attorney, the letter or power of attorney or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the instrument of proxy, failing which the instrument may be treated as invalid.
8. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the EGM, in accordance with Section 179 of the Companies Act.
9. Terms not specifically defined herein shall have the same meanings ascribed to them in the Company’s Circular to Shareholders dated 7 March 2017.

### General:

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

A Depositor shall not be regarded as a member of the Company entitled to attend the EGM and to speak and vote thereat unless his name appears on the Depository Register 72 hours before the time set for the EGM.

### Personal data privacy:

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