

CIRCULAR DATED 21 JULY 2022

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. IF YOU ARE IN ANY DOUBT AS TO THE COURSE OF ACTION YOU SHOULD TAKE, YOU SHOULD CONSULT YOUR BANK MANAGER, STOCKBROKER, SOLICITOR, ACCOUNTANT, TAX ADVISER OR OTHER PROFESSIONAL ADVISER IMMEDIATELY.

This Circular is issued by Pavillon Holdings Ltd. (the “**Company**”, and together with its subsidiaries, the “**Group**”). Capitalised terms appearing on the cover of this Circular shall have the same meanings as defined herein.

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

The Singapore Exchange Securities Trading Limited (the “**SGX-ST**”) assumes no responsibility for the correctness of any of the statements made, reports contained or opinions expressed in this Circular. Approval in-principle has been granted by the SGX-ST on 30 June 2022 to the Company for the dealing in, listing and quotation for the Subscription Shares (as defined herein) on the Mainboard of the SGX-ST, subject to certain conditions. The approval in-principle is not to be taken as an indication of the merits of the Proposed Subscription (as defined herein), the Subscription Shares (as defined herein), the Company and/or its subsidiaries.

This Circular has been made available on SGXNet (www.sgx.com). A printed copy of this Circular will NOT be despatched to Shareholders. Please refer to section 12 (*Action to be taken by Shareholders*) of this Circular for further information, including the steps to be taken by Shareholders to participate at the Extraordinary General Meeting.

In light of the Singapore government’s easing of the COVID-19 measures on 26 April 2022, the Extraordinary General Meeting will be held in person at Thai Village Restaurant, 2 Stadium Walk, #01-02/03 Singapore Indoor Stadium, Singapore 397691.



PAVILLON HOLDINGS LTD.

(Company Registration No. 199905141N)
(Incorporated in the Republic of Singapore)

CIRCULAR TO SHAREHOLDERS

in relation to:

- (I) **THE PROPOSED SUBSCRIPTION OF 1,047,218,560 NEW ORDINARY SHARES IN THE CAPITAL OF THE COMPANY AT THE SUBSCRIPTION PRICE OF S\$0.041 PER SUBSCRIPTION SHARE BY NEW DEVELOPMENT HOTEL MANAGEMENT PTE. LTD. (THE “SUBSCRIBER”) (THE “PROPOSED SUBSCRIPTION”);**
- (II) **THE PROPOSED TRANSFER OF CONTROLLING INTEREST IN THE COMPANY TO THE SUBSCRIBER ARISING FROM THE PROPOSED SUBSCRIPTION (THE “PROPOSED TRANSFER OF CONTROLLING INTEREST”);**
- (III) **THE PROPOSED WHITEWASH RESOLUTION FOR THE WAIVER BY INDEPENDENT SHAREHOLDERS OF THEIR RIGHT TO RECEIVE A MANDATORY GENERAL OFFER FROM THE SUBSCRIBER FOR ALL THE ISSUED SHARES IN THE CAPITAL OF THE COMPANY NOT ALREADY OWNED OR CONTROLLED BY THE SUBSCRIBER AND ITS CONCERT PARTIES (THE “PROPOSED WHITEWASH RESOLUTION”); AND**
- (IV) **THE PROPOSED USE OF PROCEEDS FROM THE PROPOSED SUBSCRIPTION AS AN INTERESTED PERSON TRANSACTION (THE “PROPOSED USE OF PROCEEDS AS IPT”).**

Independent Financial Adviser
in relation to the Proposed Whitewash Resolution and the Proposed Use of Proceeds as IPT



XANDAR CAPITAL PTE. LTD.

(Company Registration No. 200002789M)
(Incorporated in the Republic of Singapore)

Important Dates and Times

Last date and time for lodgement of Proxy Form : 3 August 2022 at 3.00 p.m.

Date and time of Extraordinary General Meeting : 5 August 2022 at 3.00 p.m.

Place of Extraordinary General Meeting : Thai Village Restaurant,
2 Stadium Walk,
#01-02/03 Singapore Indoor Stadium,
Singapore 397691

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DEFINITIONS

In this Circular, the following definitions apply throughout except where the context otherwise requires:

- “associate”** : (a) In relation to any individual, including a Director, chief executive officer, Substantial Shareholder or Controlling Shareholder (being an individual) means:
- (i) his immediate family;
 - (ii) the trustees of any trust of which he or his immediate family is a beneficiary or, in the case of a discretionary trust, is a discretionary object; and
 - (iii) any company in which he and his immediate family together (directly or indirectly) have an interest of 30.0% or more.
- (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 30.0% or more
- “Agreed Exchange Rate”** : The exchange rate of S\$1.00 to RMB 4.6581, based on the exchange rate published by The People’s Bank of China on 4 March 2022, which is agreed to be used by both the Company and the Subscriber
- “Audit Committee”** : The audit committee of the Company as at the Latest Practicable Date
- “Bank Loan”** : Bank loan of RMB 300 million (equivalent to approximately S\$64.4 million) secured by Fengchi IOT for the construction of the Warehouse, as described in section 2.1 (*Background*) of this Circular
- “Board”** : The board of Directors of the Company
- “Capital Injection”** : The capital injection of approximately RMB 121.8 million (equivalent to approximately S\$26.1 million) by Mr. Ding (through Jinmao) into Fengchi IOT, as described in section 2.1 (*Background*) of this Circular
- “CDP”** : The Central Depository (Pte) Limited
- “Chairman of the Meeting”** : The appointed chairman of the EGM
- “Circular”** : This circular to Shareholders dated 21 July 2022
- “Companies Act”** : The Companies Act 1967 of Singapore as amended, modified or supplemented from time to time
- “Company”** : Pavillon Holdings Ltd. (Company Registration No. 199905141N) having its registered office at Block 1002 Tai Seng Avenue #01-2536 Singapore 534409
- “Completion Date”** : The First Completion Date and/or the Second Completion Date (as the case may be)

DEFINITIONS

“Constitution”	: The constitution of the Company, as amended, modified or supplemented from time to time
“Construction Financing”	: Financing arrangements secured by Fengchi IOT, amounting to RMB 464.5 million (equivalent to approximately S\$99.7 million) which constitutes deferred payments of the portion of the Total Construction Costs incurred by the Main Contractor for the Warehouse, as described in section 2.1 (<i>Background</i>) of this Circular
“Controlling Shareholder”	: A person who: (a) holds directly or indirectly 15.0% or more of the total number of issued Shares (excluding treasury shares and subsidiary holdings) 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
“Corporate Deadlock Event”	: An event of continued failure, neglect or refusal by any Director and/or key management personnel of the Company and/or its PRC Subsidiaries (as the case may be) to reasonably cooperate in the provision of any financial information as required by the Company from its PRC Subsidiaries
“CPF”	: Central Provident Fund of Singapore
“CPF Agent Banks”	: Banks approved by CPF to be their agent banks
“CPF Investors”	: Investors who hold shares under the Central Provident Fund Investment Scheme
“Directors”	: The directors of the Company as at the Latest Practicable Date, and each a “Director”
“EGM” or “Extraordinary General Meeting”	: The extraordinary general meeting of the Company to be held at Thai Village Restaurant, 2 Stadium Walk, #01-02/03 Singapore Indoor Stadium, Singapore 397691 on 5 August 2022 at 3.00 p.m., notice of which is set out in pages N-1 to N-4 of this Circular
“Encumbrance”	: Any mortgage, assignment of receivables, debenture, lien, hypothecation, charge, pledge, title retention, right to acquire, security interest, option, pre-emptive or other similar right, right of first refusal, restriction, third-party right or interest, any other encumbrance, condition or security interest whatsoever or any other type of preferential arrangement (including without limitation, a title transfer or retention arrangement) having similar effect, or an agreement, arrangement or obligation to create any of the foregoing
“FC”	: Financial controller of the Company
“Fengchi IOT”	: 丰驰物联网管理有限公司 (Fengchi IOT Management Co., Ltd.), a joint venture between TPA (49.0%), a subsidiary of the Company, and Mr. Ding (51.0%) through Liuyu, as at the Latest Practicable Date. Shareholding in Fengchi IOT held indirectly by the Company (49.0%) was transferred to TPA

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- from PFL as announced on 20 March 2022 and shareholding in Fengchi IOT held indirectly by Mr. Ding (51.0%) was transferred to Liuyu from Jinmao. The Company understands that the transfer by Jinmao to Liuyu was due to internal restructuring of Mr. Ding's assets
- "Fengchi IOT Loan"** : A shareholder's loan or equivalent, of the amount equivalent to all of the proceeds from the Proposed Subscription (being the RMB Subscription Amount of RMB 200 million (equivalent to the Subscription Amount of S\$42,935,961.02 based on the Agreed Exchange Rate)), to be extended by the Group to Fengchi IOT to (a) pay for the principal amounts of the Shareholders' Fengchi IOT Bridging Loans; (b) pay for the final outstanding payments under the Construction Financing; and (c) finance the remaining instalment amounts and interest payments under the Bank Loan for FY2022
- "Fengchi IOT Loan Initial Terms"** : The initial terms of the Fengchi IOT Loan, being an interest rate of 5.0% per annum (or such other interest rate to be mutually agreed by the Parties), on 360-day basis and an initial tenure of three (3) years (or such other period to be mutually agreed by the Parties)
- "First Completion Date"** : The later of (a) 1 July 2022 (or such other earlier date as may be mutually agreed between the Parties); or (b) the date which is no later than seven (7) days from the date falling on which all of the conditions precedent under the Subscription Agreement have been satisfied or waived
- "First Tranche"** : The allotment and issue of the First Tranche Subscription Shares to the Subscriber on the First Completion Date, as set out in the table in section 2.5(a) (*Details of Subscription Shares*) of this Circular
- "First Tranche Subscription Shares"** : 523,609,280 Subscription Shares to be allotted and issued for the First Tranche
- "FY"** : Financial year ended or ending 31 December, as the case may be
- "Group"** : The Company and its subsidiaries, and each a **"Group Company"**
- "IFA"** : Xandar Capital Pte. Ltd., the independent financial adviser appointed pursuant to the Takeover Code and Rules 917(4)(a)(ii) and 921(4)(a) of the Listing Manual in respect of the Proposed Whitewash Resolution and the Proposed Use of Proceeds as IPT
- "IFA Opinion Letter"** : The letter dated 21 July 2022 from the IFA to the Recommending Directors in relation to the Proposed Whitewash Resolution and the Proposed Use of Proceeds as IPT, as reproduced and appended in its entirety as **Appendix A** (*IFA Opinion Letter*) to this Circular
- "Independent Shareholders"** : The Shareholders who are deemed to be independent for the purposes of the (a) Proposed Whitewash Resolution, being the Shareholders other than (i) the Subscriber and its concert parties; and (ii) parties not independent of them; or (b) the Proposed Use of Proceeds as IPT, being the Shareholders

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	other than Fengchi IOT, Mr. Ding, the Subscriber and their respective associates, as the case may be. For the avoidance of doubt, “ Independent Shareholders ” shall be interpreted as required by the context which the term is being used
“ Initial Announcement Date ”	: 10 March 2022, being the date on which the Company announced its entry into the Subscription Agreement with the Subscriber in respect of the Proposed Subscription
“ Jinmao ”	: 上海津茂科技发展有限公司 (Shanghai Jinmao Technology Development Co Ltd.), a company where Mr. Ding is the 100.0% ultimate beneficial shareholder
“ Latest Practicable Date ”	: 18 July 2022, being the latest practicable date prior to the finalisation and release of this Circular
“ Listing Manual ”	: The listing manual of the SGX-ST, as amended, modified or supplemented from time to time
“ Liuyu ”	: 上海六渝信息科技有限公司 (Shanghai Liuyu Information Technology Co., Ltd), a company where Mr. Ding is the 100.0% ultimate beneficial shareholder
“ Logistics Business ”	: The logistics business of the Group, being the provision of logistics and warehousing solutions and services, including but not limited to, warehousing, transportation, delivery and freight forwarding services, as described in section 2.1 (<i>Background</i>) of this Circular
“ Longstop Date ”	: The date no later than the date falling six (6) months from 9 March 2022 (being the date of the Subscription Agreement) (or such other date as may be mutually agreed between the Parties)
“ LPS ”	: Loss per Share
“ Main Contractor ”	: 浙江中成建工集团有限公司 (Zhejiang Zhongcheng Construction Group Co. Ltd), an independent party, which is the main contractor for the construction of the Warehouse. It was one of the first batch of construction enterprises with special qualification of national construction general contracting, and has the right of being engaged for foreign operation contracts. It has total assets of more than RMB 4.6 billion as at 2021 and employs more than 2,500 professionals
“ Material Adverse Effect ”	: Shall mean (a) a material adverse change, occurrence or effect (direct or indirect) on the condition (financial or otherwise), business, assets, obligations, liabilities (whether absolute, contingent or otherwise) or results of operations of the Company or each Group Company that where taken as whole for the Company or each Group Company, results in an additional unforeseen recurring loss exceeding RMB 5,000,000, based on the latest unaudited financial statements for FY2021 as announced on 25 February 2022 by the Company; or (b) any and all effect(s) resulting (whether directly or indirectly) from a Corporate Deadlock Event
“ Mr. Ding ”	: Mr. Ding Furu (丁福如), being the sole shareholder and

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	director of the Subscriber
“NAV”	: Net asset value
“Notice of EGM”	: The notice of the EGM which is set out in pages N-1 to N-4 of this Circular
“NTA”	: Net tangible assets
“Ordinary Resolution”	: An ordinary resolution proposed for approval in this Circular
“Parties”	: Parties to the Subscription Agreement, being the Company and the Subscriber
“PFL”	: Pavillon Financial Leasing Co., Ltd. (兰亭融资租赁有限公司), a 75.98% subsidiary of the Company
“PRC”	: People’s Republic of China
“PRC Subsidiaries”	: The PRC subsidiaries of the Company, being Pavillon Business Development (Shanghai) Co., Ltd; Pavillon Financial Leasing Co., Ltd., Tianjin Yixing Intelligent Washing Technology Co., Ltd. (Formerly known as State Research Pavillon Finance Leasing Co., Ltd.) and TPA
“Proposals”	: The Proposed Subscription, the Proposed Transfer of Controlling Interest, the Proposed Whitewash Resolution and the Proposed Use of Proceeds as IPT
“Proposed Subscription”	: The proposed subscription of 1,047,218,560 Subscription Shares by the Subscriber for the Subscription Amount of S\$42,935,961.02
“Proposed Transfer of Controlling Interest”	: The proposed transfer of controlling interests in the Company to the Subscriber arising from the Proposed Subscription
“Proposed Use of Proceeds as IPT”	: The proposed Use of Proceeds from the Proposed Subscription as an interested person transaction
“Proposed Whitewash Resolution”	: The proposed whitewash resolution for the waiver by Independent Shareholders of their right to receive a mandatory general offer from the Subscriber for all the issued Shares of the Company not already owned or controlled by the Subscriber and its concert parties
“Proxy Form”	: The proxy form in respect of the EGM which is set out in pages P-1 to P-4 of this Circular
“Recommending Directors”	: The Directors who are considered independent for the purposes of making a recommendation to the Shareholders on the Proposed Whitewash Resolution and the Proposed Use of Proceeds as IPT, being all of the Directors as at the Latest Practicable Date
“Register of Members”	: The register of members of the Company
“RMB Subscription Amount”	: RMB 200 million
“Second Completion Date”	: 31 December 2022 (or such other earlier date as may be mutually agreed between the Parties)

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“Second Tranche”	:	The allotment and issue of the Second Tranche Subscription Shares to the Subscriber on the Second Completion Date, as set out in the table in section 2.5(a) (<i>Details of Subscription Shares</i>) of this Circular
“Second Tranche Subscription Shares”	:	523,609,280 Subscription Shares to be allotted and issued for the Second Tranche
“Securities Account”	:	A securities account maintained by a depositor with CDP but does not include a securities sub-account maintained with a depository agent
“Securities and Futures Act”	:	The Securities and Futures Act 2001 of Singapore, as amended, modified or supplemented from time to time
“SGX-ST”	:	The Singapore Exchange Securities Trading Limited
“SGX-ST AIP”	:	The approval-in-principle granted by the SGX-ST as described in section 1.6 (<i>Listing and Quotation</i>) of this Circular
“SGXNet”	:	A broadcast network utilised by companies listed on the SGX-ST for the purposes of sending information (including announcements) to the SGX-ST (or any other broadcast or system networks prescribed by the SGX-ST)
“Share Registrar”	:	The share registrar of the Company, Tricor Barbinder Share Registration Services (A division of Tricor Singapore Pte. Ltd.)
“Shareholders’ Fengchi IOT Bridging Loans”	:	The bridging loans of collectively RMB 16.0 million (equivalent to approximately S\$3.4 million) provided by the shareholders of Fengchi IOT in equal proportions to Fengchi IOT, at an interest rate of 5.0% per annum and to be immediately repayable upon the completion of the Proposed Subscription, as described in section 2.2 (<i>Rationale</i>) of this Circular
“Shareholders”	:	Registered holders of ordinary shares in the capital of the Company, except where the registered holder is CDP, in which case the term “Shareholders” shall in relation to such Shares mean the Depositors whose Securities Accounts maintained with CDP are credited with Shares
“Shares”	:	Ordinary shares in the share capital of the Company
“Short-Term Financing Loan”	:	The short-term financing loan provided by Mr. Ding, through an associated company, to Fengchi IOT amounting to RMB 20 million (equivalent to approximately S\$4.3 million), for the period of December 2021 to July 2022 on an interest rate of 8.0% per annum, as described in section 2.1 (<i>Background</i>) of this Circular. As at the Latest Practicable Date, approximately 50% of the Short-Term Financing Loan has been drawn down. The Company had in June 2022, obtained a confirmation from Mr. Ding (through the associated company), that the repayment date of the Short-Term Financing Loan will be extended for one (1) year and the Short-Term Financing Loan will have a revised interest rate of 5.0% per annum, to be effective upon the completion of

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	the Proposed Subscription
“SIC”	: The Securities Industry Council of Singapore
“SIC Conditions”	: Conditions of the Whitewash Waiver as granted by the SIC as described in section 4.2 (<i>Whitewash Waiver</i>) of this Circular
“SRS Investors”	: Investors who hold shares under the Supplementary Retirement Scheme
“SRS Operators”	: Agent banks approved by CPF under the Supplementary Retirement Scheme
“Subscriber”	: New Development Hotel Management Pte. Ltd., a company where Mr. Ding is the 100.0% shareholder
“Subscription Agreement”	: The subscription agreement entered into between the Company and the Subscriber dated 9 March 2022 in relation to the Proposed Subscription
“Subscription Amount”	: S\$42,935,961.02, being the Singapore dollar equivalent of the RMB Subscription Amount at the Agreed Exchange Rate
“Subscription Price”	: Subscription price of \$0.041 per Subscription Share
“Subscription Shares”	: 1,047,218,560 new ordinary shares in the capital of the Company
“Substantial Shareholder”	: Shall have the meaning ascribed to it in Section 81 of the Companies Act and Section 2(4) of the Securities and Futures Act, being a person who: <ul style="list-style-type: none"> (a) has an interest or interests in one (1) or more voting Shares in the Company; and (b) the total votes attached to that Share, or those Shares, is not less than 5.0% of the total votes attached to all the voting Shares in the Company
“Takeover Code”	: The Singapore Code on Take-overs and Mergers, as amended, modified or supplemented from time to time
“Total Construction Costs”	: Total construction costs incurred for the Warehouse, being RMB 594.7 million (equivalent to approximately S\$127.7 million), which includes the costs incurred by the Main Contractor. For the avoidance of doubt, the Total Construction Costs does not include the cost of acquiring the land use rights, which amounted to RMB 44.7 million (equivalent to approximately S\$9.6 million)
“TPA”	: Tianjin Pavillon Assets Management Co., Ltd. (天津兰亭资产管理), a wholly-owned subsidiary of the Company
“Use of Proceeds”	: The use by the Company of all of the proceeds from the Proposed Subscription, being the RMB Subscription Amount of RMB 200 million (equivalent to the Subscription Amount of S\$42,935,961.02 based on the Agreed Exchange Rate) to be disbursed through the Fengchi IOT Loan to (a) pay for the principal amounts of the Shareholders’ Fengchi IOT Bridging

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Loans; (b) pay for the final outstanding payments under the Construction Financing; and (c) finance the remaining instalment amounts and interest payments under the Bank Loan for FY2022

“Warehouse” : A multi-storey bonded warehouse, automotive warehouse showroom, automotive financial services centre and logistics network management centre with a total area of approximately 172,000 sqm (comprising an office building of approximately 21,000 sqm, an exhibition area of approximately 19,000 sqm and a warehouse area of approximately 132,000 sqm), in Dongjiang Port Area in Tianjin, PRC (approximately 50 km from the central of Tianjin city central), as described in section 2.1 (*Background*) of this Circular

“Whitewash Waiver” : The whitewash waiver granted by the SIC, as described in section 2.5(b) (*Conditions*) of this Circular

Currencies, Units and Others

“%” : Per centum or percentage

“km” : Kilometres

“RMB” : *renminbi*, the lawful currency of the PRC

“sqm” : Square metres

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

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

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

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 gender and vice versa. References to persons shall, where applicable, include firms, corporations and other entities. Any reference in this Circular to any enactment is a reference to that statute or enactment for the time being amended or re-enacted up to the Latest Practicable Date. Any term defined under the Companies Act, the Securities and Futures Act, the Listing Manual or any statutory modification thereof and used in this Circular shall, where applicable, have the meaning assigned to it under the Companies Act, the Securities and Futures Act, the Listing Manual or any statutory modification thereof, as the case may be, unless otherwise provided.

Any reference in this Circular to **“Rule”** is a reference to the relevant rule in the Listing Manual as for the time being, unless otherwise stated.

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

Any reference to a time of day in this Circular shall be a reference to Singapore time unless otherwise stated.

DEFINITIONS

Companies incorporated in the PRC do not have official English names and the English names indicated next to the Chinese names are translated by the Company for reference only.

Morgan Lewis Stamford LLC has been appointed as the legal adviser to the Company as to Singapore law in relation to this Circular.

CAUTIONARY NOTE ON FORWARD-LOOKING STATEMENTS

Certain statements contained in this Circular, which are not statements of historical fact, constitute “forward-looking statements”. Some of these statements can be identified by forward-looking terms such as “expect”, “believe”, “plan”, “intend”, “estimate”, “anticipate”, “may”, “will”, “would”, “could” or similar words. However, these words are not the exclusive means of identifying forward-looking statements. These statements reflect the Company’s current expectations, beliefs, hopes, plans, prospects, 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. The Group, the Directors, the executive officers of the Company are not representing or warranting to you that the actual future results, performance or achievements of the Company and the Group will be as those discussed in those statements. The respective actual future results may differ materially from those anticipated in these forward-looking statements as a result of the risks faced by the Group. Further, the Company disclaims any responsibility, and undertake no obligation to update or revise any forward-looking statements contained in this Circular to reflect any change in the Group’s expectations with respect to such statements after the Latest Practicable Date or to reflect any change in events, conditions or circumstances on which the Company based any such statements subject to compliance with all applicable laws and regulations and/or the rules of the SGX-ST and/or any regulatory or supervisory body or agency.

LETTER TO SHAREHOLDERS

PAVILLON HOLDINGS LTD.

(Company Registration No. 199905141N)
(Incorporated in the Republic of Singapore)

Directors:

Dr. John Chen Seow Phun (Executive Chairman)
Mr. Ko Chuan Aun (Independent Director)¹
Mr. Francis Lee Fook Wah (Non-Executive Non-Independent Director)
Mr. Kong WeiLi (Independent Director)

Registered Office:

Block 1002
Tai Seng Avenue #01-2536
Singapore 534409

21 July 2022

To: **Shareholders of Pavillon Holdings Ltd.**

Dear Sir / Madam,

- (I) **THE PROPOSED SUBSCRIPTION OF 1,047,218,560 NEW ORDINARY SHARES IN THE CAPITAL OF THE COMPANY AT THE SUBSCRIPTION PRICE OF S\$0.041 PER SUBSCRIPTION SHARE BY NEW DEVELOPMENT HOTEL MANAGEMENT PTE. LTD. (THE “SUBSCRIBER”) (THE “PROPOSED SUBSCRIPTION”);**
- (II) **THE PROPOSED TRANSFER OF CONTROLLING INTEREST IN THE COMPANY TO THE SUBSCRIBER ARISING FROM THE PROPOSED SUBSCRIPTION (THE “PROPOSED TRANSFER OF CONTROLLING INTEREST”);**
- (III) **THE PROPOSED WHITEWASH RESOLUTION FOR THE WAIVER BY INDEPENDENT SHAREHOLDERS OF THEIR RIGHT TO RECEIVE A MANDATORY GENERAL OFFER FROM THE SUBSCRIBER FOR ALL THE ISSUED SHARES IN THE CAPITAL OF THE COMPANY NOT ALREADY OWNED OR CONTROLLED BY THE SUBSCRIBER AND ITS CONCERT PARTIES (THE “PROPOSED WHITEWASH RESOLUTION”); AND**
- (IV) **THE PROPOSED USE OF PROCEEDS FROM THE PROPOSED SUBSCRIPTION AS AN INTERESTED PERSON TRANSACTION.**

1. INTRODUCTION

1.1. Purpose of Circular

The Directors are convening an EGM at Thai Village Restaurant, 2 Stadium Walk, #01-02/03 Singapore Indoor Stadium, Singapore 397691 on 5 August 2022 at 3.00 p.m. to seek Shareholders' approval for the Proposed Subscription (Ordinary Resolution 1), the Proposed Transfer of Controlling Interest (Ordinary Resolution 2), the Proposed Whitewash Resolution (Ordinary Resolution 3) and the Proposed Use of Proceeds as IPT (Ordinary Resolution 4) (collectively, the “**Proposals**”).

The purpose of this Circular is to explain the reasons for, and to provide Shareholders with relevant information relating to the Proposals, the resolutions in respect thereof to be tabled at the EGM, and to seek Shareholders' approval for such resolutions. The Notice of EGM is set out at pages N-1 to N-4 of this Circular.

Shareholders should note that Ordinary Resolutions 1 to 4 are inter-conditional upon the passing of one (1) another. This means that if any of Ordinary Resolutions 1 to 4 is not approved by Shareholders at the EGM, none of Ordinary Resolutions 1 to 4 would be passed.

¹ Please refer to the announcement dated 18 July 2022 in relation to the resignation of Mr. Ko Chuan Aun.

LETTER TO SHAREHOLDERS

1.2. The Proposed Subscription

On 10 March 2022, the Company announced that it had entered into a subscription agreement with New Development Hotel Management Pte. Ltd. (the “**Subscriber**”), where it is agreed between the Parties that the Company shall allot and issue, and the Subscriber shall subscribe for S\$42,935,961.02 (the “**Subscription Amount**”), being the Singapore dollar equivalent of RMB 200 million (the “**RMB Subscription Amount**”) at the agreed exchange rate of S\$1.00 to RMB 4.6581 (the “**Agreed Exchange Rate**”), in principal amount of new ordinary shares in the Company (the “**Subscription Shares**”), on the terms and subject to the conditions of the Subscription Agreement (the “**Proposed Subscription**”).

It is also further agreed in the Subscription Agreement that the Subscriber shall pay the RMB Subscription Amount (being all of the proceeds from the Proposed Subscription) for the Subscription Shares and the RMB Subscription Amount (through the Fengchi IOT Loan) to (a) pay for the principal amounts of the Shareholders’ Fengchi IOT Bridging Loans; (b) pay for the final outstanding payments under the Construction Financing; and (c) finance the remaining instalment amounts and interest payments under the Bank Loan for FY2022. The Fengchi IOT Loan will be the full value of the RMB Subscription Amount, and no amounts will be retained by the Company from the Proposed Subscription.

To proceed with the Proposed Subscription, specific approval from Shareholders is being sought at the EGM. Please refer to section 2 (*The Proposed Subscription*) of this Circular for further information on the principal terms of the Subscription Agreement and the Proposed Subscription.

For the avoidance of doubt, the Proposed Subscription and the Use of Proceeds do not constitute a transaction for the purposes of Chapter 10 under the Listing Manual as the provision of financial assistance is by the Company to Fengchi IOT (which is an associated company of the Company).

1.3. The Proposed Transfer of Controlling Interest

As a result of the Proposed Subscription, the Subscriber will become a Controlling Shareholder upon the completion of the Proposed Subscription. Pursuant to Rule 803 of the Listing Manual, an issuer must not issue securities to transfer a controlling interest without prior approval of shareholders in a general meeting. Accordingly, the Company is seeking specific Shareholders’ approval at the EGM for the transfer of controlling interest in the Company to the Subscriber pursuant to the Proposed Subscription.

The Subscriber does not hold any Shares in the Company prior to the completion of the Proposed Subscription. Upon completion of the Proposed Subscription (both First Tranche and Second Tranche), the Subscriber will hold 72.98%% of the total enlarged issued and paid-up share capital of the Company. As at the Latest Practicable Date, Mr. Ding is the sole shareholder and director of the Subscriber and holds 190,200 Shares, constituting approximately 0.05% of the existing issued and paid-up share capital of the Company.

Please refer to section 3 (*The Proposed Transfer of Controlling Interest*) of this Circular for more information on the Proposed Transfer of Controlling Interest.

1.4. The Proposed Whitewash Resolution

Upon the allotment and issuance of the First Tranche Subscription Shares, the Subscriber will incur an obligation to make a mandatory general offer for the Shares under Rule 14 of the Takeover Code unless such obligation is waived by the SIC. The Whitewash Waiver was obtained from the SIC on 5 July 2022 and is subject to, amongst others, the Proposed Whitewash Resolution being approved by the Independent Shareholders at the EGM. Accordingly, the Company is seeking the approval of Independent Shareholders for the Proposed Whitewash Resolution at the EGM.

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Please refer to section 4 (*The Proposed Whitewash Resolution*) of this Circular for more information on the Proposed Whitewash Resolution.

1.5. The Proposed Use of Proceeds as IPT

Pursuant to the completion of the Proposed Subscription, Mr. Ding, through his shareholding of the Subscriber, will be a Controlling Shareholder and Fengchi IOT is an associate of Mr. Ding. Hence, Fengchi IOT is an interested person as defined in the Listing Manual.

The RMB Subscription Amount of RMB 200 million (equivalent to the Subscription Amount of S\$42,935,961.02 based on the Agreed Exchange Rate) will be disbursed by the Company to Fengchi IOT through the Fengchi IOT Loan to (a) pay for the principal amounts of the Shareholders' Fengchi IOT Bridging Loans; (b) pay for the final outstanding payments under the Construction Financing; and (c) finance the remaining instalment amounts and interest payments under the Bank Loan for FY2022. The Agreed Exchange Rate has been used to determine the Singapore dollars equivalent of the Subscription Amount for the purposes of deriving the Subscription Price.

Taking into consideration the RMB Subscription Amount, the 5.0% interest rate per annum (on a 360-day basis) and the tenure of three (3) years, the value of the interested person transaction of approximately RMB 230.4 million (equivalent to approximately S\$49.5 million) represents approximately 398.3% of the audited NTA of the Group for FY2021 (being the latest audited NTA amounting to approximately S\$12.4 million). In the event that the tenure of the Fengchi IOT Loan is extended, the Company will provide the necessary information on the updated value at risk (including principal and interest) and shall seek separate approval from Shareholders at the appropriate time, if necessary.

Pursuant to Rule 906 of the Listing Manual, an issuer must obtain shareholders' approval for an interested person transaction of a value equal to, or more than 5.0% of the Group's latest audited NTA. Accordingly, the Company is seeking Independent Shareholders' approval at the EGM for the Proposed Use of Proceeds as IPT.

Please refer to section 5 (*The Proposed Use of Proceeds as IPT*) of this Circular for more information on the Proposed Use of Proceeds as IPT.

1.6. Listing and Quotation

In connection with the Proposed Subscription, the Company had submitted an application to the SGX-ST for the listing and quotation of the Subscription Shares on the Mainboard of the SGX-ST.

On 30 June 2022, the SGX-ST had granted the approval-in-principle for the listing of and quotation for the Subscription Shares subject to, *inter alia*, the following conditions (the "**SGX-ST AIP**"):

- (a) Shareholder's approval for the Proposed Subscription;
- (b) a written undertaking from the Company that it will comply with Rule 704(30) and Rule 1207(20) of the Listing Manual in relation to the Use of Proceeds from the Proposed Subscription and where proceeds are to be used for working capital purposes, the Company will disclose a breakdown with specific details on the use of proceeds for working capital in the Company's announcements on use of proceeds and in the annual report;
- (c) a written undertaking from the Company that it will comply with Listing Rule 803; and
- (d) a written confirmation from the Company that it will not issue to persons prohibited under Rule 812(1) of the Listing Manual.

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Shareholders are advised that the SGX-ST AIP is not to be taken as an indication of the merits of the Proposed Subscription, the Subscription Shares, the Company and/or its subsidiaries.

1.7. Conditionality of Resolutions

Shareholders should note that Ordinary Resolutions 1 to 4 are inter-conditional upon the passing of one (1) another. This means that if any of Ordinary Resolutions 1 to 4 is not approved by Shareholders at the EGM, none of Ordinary Resolutions 1 to 4 would be passed.

Ordinary Resolutions 1 to 4 are inter-conditional for the following reasons:

- (a) as the completion of the Proposed Subscription (whether after the First Tranche or Second Tranche) will result in the Subscriber holding more than 30.0% of the voting rights of the Company, approval of the Ordinary Resolutions in respect of the Proposed Transfer of Controlling Interest and Proposed Whitewash Resolution are required for the Proposed Subscription to proceed; and
- (b) as the purpose of the Proposed Subscription is for the injection of funds into Fengchi IOT, the Use of Proceeds is consequential from the Proposed Subscription and therefore, approval of the Ordinary Resolution in respect of the Proposed Use of Proceeds as IPT is required for the Proposed Subscription to proceed.

1.8. Disclaimers

The SGX-ST assumes no responsibility for the correctness of any of the statements made, reports contained or opinions expressed in this Circular. If a Shareholder is in any doubt as to the course of action he/she/it should take, he/she/it should consult his/her/its bank manager, stockbroker, solicitor, accountant, tax adviser or other professional adviser immediately.

2. THE PROPOSED SUBSCRIPTION

2.1. Background

In April 2017, the Company had sought and obtained approval from its Shareholders for the proposed diversification of the Group's core businesses to include, *inter alia*, the provision of logistics and warehousing solutions and services, including but not limited to, warehousing, transportation, delivery and freight forwarding services (the "**Logistics Business**"). It was contemplated by the Group then to seek opportunities or engage in the Logistics Business through Fengchi IOT (which was incorporated in 2017).

In December 2017, the Group, through Fengchi IOT (which as at December 2017, was a wholly-owned subsidiary of PFL, which was in turn 75.98% owned by the Company) obtained the land use rights for a period of 50 years to a piece of land (approximately 57,052.9 square meters) at a tender price of approximately RMB 42.8 million (equivalent to approximately S\$9.2 million) within the Dongjiang Port Area in Tianjin, PRC, for the development of its Logistics Business. The land is to be used for the construction of a multi-storey bonded warehouse, automotive warehouse showroom, automotive financial services centre and logistics network management centre in Dongjiang Port Area in Tianjin, PRC, to provide a venue that will allow motor traders to store their products, showcase their brands and conduct online-offline transactions (the "**Warehouse**").

To complete the development of the Warehouse (where the Company had already invested approximately RMB 90 million (equivalent to approximately S\$19.3 million) into Fengchi IOT for working capital purposes and acquisition of the land use rights), the Company sourced for various financing options and opted to enter a joint venture in October 2018 with a new partner, Mr. Ding who (through Jinmao) injected capital of approximately RMB 121.8 million (equivalent to approximately S\$26.1 million) into Fengchi IOT over three (3) tranches (at a premium value of 30.0%

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to the original investment by the Company, which was agreed on an arm's length basis between the parties) (the **"Capital Injection"**). The cash contribution increased the registered and paid-up share capital of Fengchi IOT from RMB 90.00 million to RMB 183.67 million. Out of the total sum of RMB 121.77 million, an amount of RMB 28.10 million is contributed as share premium. The Capital Injection was used for working capital purposes and to partially fund the construction cost of the Warehouse. The Group's shareholding in Fengchi IOT was consequently reduced to 49.0%.

The Group, together with the new partner, secured a bank loan through Fengchi IOT of RMB 300 million (equivalent to approximately S\$64.4 million) (the **"Bank Loan"**) in December 2019 for the construction of the Warehouse. The Bank Loan was secured and guaranteed by the provision of guarantees by (a) the provision of a joint and several corporate guarantee by the shareholders of Fengchi IOT (joint guarantees were provided by PFL and Jinmao as the prior shareholders of Fengchi IOT and the current shareholders of Fengchi IOT (being TPA and Liuyu) have committed to provide corporate guarantee(s) for the Bank Loan in due course. The guaranteed amounts correlate to any outstanding amounts under the Bank Loan amounting to RMB 284.9 million (equivalent to approximately S\$61.2 million) based on the audited financial statements for FY2021; and (b) the provision of security over the Warehouse and assets from Mr. Ding's personal investment portfolio including his hotel properties. No parent corporate guarantee was provided by the Company. As at the Latest Practicable Date, the Bank Loan is almost fully drawn down by Fengchi IOT for the Warehouse.

Further, Fengchi IOT secured financing arrangements with the Main Contractor for deferred payments of the portion of the Total Construction Costs incurred by the Main Contractor for the Warehouse (the **"Construction Financing"**), where such payments are to be paid progressively and to be fully paid within 18 months from the completion of the Warehouse, for an interest rate of a range of 4.44% to 4.62%. A joint and several corporate guarantee from the shareholders of Fengchi IOT was also provided for the Construction Financing (joint guarantees were provided by PFL and Jinmao as the prior shareholders of Fengchi IOT and the guaranteed amounts correlate to any outstanding amounts under the Construction Financing amounting to RMB 166.9 million (equivalent to approximately S\$35.8 million) as at the Latest Practicable Date). No parent corporate guarantee was provided by the Company.

Additionally, Mr. Ding, through an associated company, had also provided a short-term financing loan to Fengchi IOT amounting to RMB 20 million (equivalent to approximately S\$4.3 million) (the **"Short-Term Financing Loan"**), of which approximately 50% has been drawn down as at the Latest Practicable Date. The Company had in June 2022, obtained a confirmation from Mr. Ding (through the associated company), that the repayment date of the Short-Term Financing Loan will be extended for one (1) year and the Short-Term Financing Loan will have a revised interest rate of 5.0% per annum, to be effective upon the completion of the Proposed Subscription. The Short-Term Financing Loan is expected to be repaid through internal resources of Fengchi IOT.

Construction on the Warehouse commenced in December 2018 and was completed in December 2020, with Total Construction Fees of RMB 594.7 million (equivalent to approximately S\$127.7 million). The property title to the Warehouse was then received in January 2021. Operations have commenced in the Warehouse, and the Group has been sourcing and securing various tenants. For example, some of such tenants are the service providers to vehicle manufacturers of Audi, BMW, Chrysler, Land Rover, Mercedes-Benz and Suzuki. Since the commencement of the operations at the Warehouse, there has been a continued increase in average occupancy rates. As at the Latest Practicable Date, the Warehouse has the following occupancy rates: (a) approximately 14% at the office building (which constitutes approximately 9% of the Warehouse in area); (b) approximately 6% at the exhibition area (which constitutes approximately 11% of the Warehouse in area); and (c) approximately 43% at the warehouse area (which constitutes approximately 79% of the Warehouse in area). Generally, the rental periods of tenants may vary and the Warehouse has provided for rental periods ranging from a few days for short-term parking purposes and weeks or months for storage and long-term parking purposes. Going forward, it is intended that the Group will source for more tenants (which will include service providers for parallel import cars and/or cars specifically

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manufactured for use in the PRC) who require long-term storage but short-term storage will still be provided by the Warehouse as and when appropriate.

The Warehouse is in Dongjiang Port Area in Tianjin, PRC (approximately 50 km from the central of Tianjin city central). Based on the audited financial statements for FY2021, the Warehouse has a book value of approximately S\$132.2 million and a market value of S\$106.4 million. Please also refer to the announcement dated 4 March 2022 in response to queries from the SGX-ST in relation to the audited financial statements for FY2021.

The Group remains committed to increasing average occupancy rates at the Warehouse but efforts have been deterred by the following:

- (a) the volume of parallel import of cars remains low due to the continued clarification required in relation to the emission standards applied in the PRC. Notwithstanding, the Group understands that certain clarification on the emission standards was provided by the relevant authorities in late 2021. On this basis, it is anticipated that the parallel import car industry will be able to apply these standards with a clearer understanding for parallel import cars to be used in the PRC, resulting in higher volumes of parallel import cars into the PRC;
- (b) COVID-19 movement restrictions imposed in the PRC resulting in reduced business opportunities and ability of personnel to travel freely; and
- (c) time taken to (i) complete renovations and installations required for operations in the Warehouse; (ii) obtain licences required for operations in the Warehouse; and (iii) include value-added services such as logistics, product finance, customs clearance and inspections.

2.2. Rationale

Based on the audited financial statements for FY2021, Fengchi IOT had two (2) major current liabilities due in FY2022 (namely the principal instalments under the Bank Loan and the Construction Financing). Under the Bank Loan and the Construction Financing, the following repayments are to be / were made in FY2022:

- (a) (i) principal instalments under the Bank Loan in June and December 2022; and (ii) interest payments under the Bank Loan in March, June, September and December 2022, collectively amounting to approximately RMB 47.3 million (equivalent to approximately S\$10.2 million); and
- (b) final outstanding payments under the Construction Financing in June and December 2022, collectively amounting to approximately RMB 166.9 million (equivalent to approximately S\$35.8 million).

Therefore, the total amount to service and repay the major liabilities of Fengchi IOT for FY2022 (under the Bank Loan and the Construction Financing) was approximately RMB 214.2 million (equivalent to approximately S\$46.0 million).

Out of the RMB 214.2 million (equivalent to approximately S\$46.0 million), a total of RMB 23.8 million (equivalent to approximately S\$5.1 million) have been repaid as the principal instalment under the Bank Loan due in June 2022 and the interest payments under the Bank Loan due in March 2022 and June 2022. These were repaid using internal resources and revenue from operations of the Group and the Shareholders' Fengchi IOT Bridging Loans.

In June 2022, Fengchi IOT had procured the Shareholders' Fengchi IOT Bridging Loans from its shareholders amounting to RMB 16.0 million (equivalent to approximately S\$3.4 million), which was provided by the shareholders of Fengchi IOT in equal proportions to Fengchi IOT. The purpose of the Shareholders' Fengchi IOT Bridging Loans was to partially finance the principal instalment and

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interest payments under the Bank Loan which was due in June 2022. The principal amounts of the Shareholders' Fengchi IOT Bridging Loans are expected to be immediately repayable upon completion of the Proposed Subscription, using the Fengchi IOT Loan pursuant to the Use of Proceeds.

In relation to the outstanding payments due under the Construction Financing, as announced on 16 June 2022, Fengchi IOT and PFL had received a letter of demand from the Main Contractor for the payment of outstanding amounts before 20 June 2022. Taking into consideration the Proposed Subscription, the Group is in earnest discussions with the Main Contractor for an extension of payment terms to align with the timeline for the Proposed Subscription.

The remaining liabilities of Fengchi IOT for FY2022 (being RMB 190.4 million (equivalent to approximately S\$40.9 million)) are expected to be repaid via the remaining amounts from the Fengchi IOT Loan (being RMB 184 million (equivalent to approximately S\$39.5 million)) and internal resources and revenue from operations of the Group amounting to RMB 6.4 million (equivalent to approximately S\$1.4 million).

Whilst the Group expects to increase the operations of the Warehouse through its marketing efforts and plans for sourcing more tenants, the Group does not expect the Warehouse operations to be profitable for FY2022. Therefore, to ensure that its liabilities are met, the Group has to source for financing and/or capital injection options.

Having considered various options, the Group believes that the Proposed Subscription is necessary and is in the interests of the Shareholders for the following reasons:

- (1) as at 31 December 2021, the total liabilities of Fengchi IOT amounted to S\$96.7 million. As set out in section 2.1 (*Background*) of this Circular, the Warehouse, being the principal asset of Fengchi IOT, had a market value of S\$106.4 million as at 31 December 2021 (based on an income capitalisation approach²). If Fengchi IOT disposes the Warehouse at the market value, the net proceeds from the disposal should be sufficient to repay all of Fengchi IOT's liabilities. However, the Group does not intend to dispose the Warehouse because (i) the Warehouse is the principal asset of the Group's Logistics Business; and (ii) the Group believes that the market value of the Warehouse as at 31 December 2021 (which was below its book value as at 31 December 2021) was affected by COVID-19 and did not reflect the future potential returns of the Warehouse). Therefore, the completion of the Proposed Subscription will facilitate the reduction of the current liabilities of Fengchi IOT. Based on the audited financial statements for FY2021, pursuant to the Use of Proceeds through the Fengchi IOT Loan, Fengchi IOT will have non-current liabilities amounting to RMB 254.9 million (equivalent to approximately S\$54.7 million)³. Such liabilities relate to the repayment amounts under the Bank Loan, which are expected to be serviced until the end of 2026 through internal resources and revenue from operations of the Group. Notwithstanding that Fengchi IOT has negative operating cashflow, the Group continues to believe in the potential returns from the Warehouse and intends to engage in efforts to increase operations of the Warehouse as set out below in section 2.2(4) below. Through such efforts and continued shareholder support, Fengchi IOT intends to be able to repay its liabilities under the Bank Loan, the Short-Term Financing Loan and the Fengchi IOT Loan and where necessary and/or appropriate, to seek for repayment extensions or explore fund-raising options;

² The valuation was conducted in 2021 by Robert Khan & Co Pte Ltd and premised on revenue generated of approximately RMB 11.1 million (equivalent to approximately S\$2.4 million) and operating rate of approximately 40%.

³ The variance in the remaining liabilities of Fengchi IOT is due to (a) the amounts of value-added tax receivables in FY2021; (b) interest amounts to be accrued in FY2022 under the Bank Loan were not reflected for the audited financial statements for FY2021; and (c) different exchange rates used in the preparation of the audited financial statements for FY2021 and this Circular.

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- (2) set out earlier in this section, Fengchi IOT had two (2) major current liabilities due in FY2022 (namely the principal instalments under the Bank Loan and the Construction Financing). If Fengchi IOT is not able to repay or pay these two (2) major current liabilities as and when they fall due, the creditors may avail themselves to the security and corporate guarantees provided by the Group. For example, the bank which has the Warehouse as security to the Bank Loan, may seize the Warehouse for sale to recover the Bank Loan, and there is no assurance that the bank will sell the Warehouse at or above the market value as at 31 December 2021. In the event that the proceeds from the sale of the Warehouse are not sufficient to repay the Bank Loan, the bank may call for the security on the Bank Loan, including the corporate guarantee given by PFL. Similarly, if the final outstanding payments under the Construction Financing are not repaid, the Main Contractor may call on the corporate guarantee given by PFL. As announced on 16 June 2022, Fengchi IOT and PFL had received a letter of demand from the Main Contractor for the payment of outstanding amounts before 20 June 2022. Taking into consideration the Proposed Subscription, the Group is in earnest discussions with the Main Contractor for an extension of payment terms to align with the timeline for the Proposed Subscription. Notwithstanding, should the creditors wish to pursue their outstanding amounts through the corporate guarantee and PFL (which has given a corporate guarantee for the Bank Loan and the Construction Financing) is unable to pay such amounts, the shareholders of PFL may be required to pay up any unpaid registered capital. In such event, the Company may have to make capital injection of up to approximately US\$23 million (equivalent to approximately S\$32.1 million)⁴ for the portion of its unpaid registered capital of PFL. The registered capital of PFL is US\$50 million (equivalent to approximately S\$69.9 million), of which US\$27 million (equivalent to approximately S\$37.7 million) has been paid up. Under present circumstances, the shareholders of PFL have the right to determine when the full amount of the registered capital of PFL is to be paid up, subject to PRC law and have commenced the process to extend the payment of the unpaid registered capital of PFL to 2044. Additionally, there are also general clauses in relation to Group's loan documentation (including the Bank Loan) where the relevant lender may be able to trigger an event of default thereunder as a consequence of any material changes to the Group's financial condition and operations and/or its ability to service its debt⁵. Consequently, the Proposed Subscription is necessary as the proceeds raised will reduce the liabilities of Fengchi IOT and the Group will be in a better position to continue to reduce the liabilities of Fengchi IOT through its internal resources and revenue generated from operations, and where necessary and/or appropriate, to seek for repayment extensions or explore fund-raising options. So long as the liabilities of Fengchi IOT are repaid timely or agreed to be extended, creditors will not need to seek recourse under the corporate guarantee of PFL or for the unpaid registered capital to be paid up and no default will be called under the other loans (including the Bank Loan);
- (3) although the Group's other operations are ringfenced from a default of Fengchi IOT in the repayment of its liabilities (as no parent corporate guarantee has been provided by the Company and there is no other recourse to the Company, save for the capital injection required as described in section 2.2(2) above), not being able to finance the outstanding payments due under the Bank Loan and the Construction Financing will result in difficulties caused to the survival of Fengchi IOT and the Logistics Business of the Group, being a core business of the Group. This may result in (i) a loss of the amount which the Group has invested into Fengchi IOT (approximately RMB 90 million (equivalent to approximately S\$19.3 million), including the Warehouse, as the Warehouse has been provided as security under the Bank Loan; and (ii) the insolvent liquidation of subsidiary(ies) of the Company which has provided the relevant corporate guarantees under the Bank Loan and the Construction Financing. The Company also refers to the announcement made on 1 April 2022 in relation to the key audit matter raised by the auditors of the Group, where the successful completion of the Proposed

⁴ Based on the exchange rate of US\$1.00:S\$1.3974, as extracted from the website of the Monetary Authority of Singapore on the Latest Practicable Date.

⁵ As at the Latest Practicable Date, the Company has not received any notifications of default from its lenders, including that for the Bank Loan.

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Subscription has been included as a key assumption for the Company to operate on a going concern basis. Pursuant to the completion of the Proposed Subscription and the disbursement of the Fengchi IOT Loan, the Group would have invested approximately RMB 90 million (equivalent to approximately S\$19.3 million) and loaned a total of RMB 200 million (through the Fengchi IOT Loan);

- (4) the Group continues to believe that the potential returns from the Warehouse and its investment in Fengchi IOT can be a steady source of material revenue for the Group in the future, provided that it is able to have sufficient support from its stakeholders including relevant governmental authorities (in relation to favourable economic policies, such as the provision of rental rebates to eligible tenants of the Warehouse) and sustainable cash flows to continue with its marketing and operational efforts in developing the Warehouse as a notable logistics hub in Dongjiang, Tianjin. Specifically, being a bonded warehouse in Dongjiang Port Area in Tianjin, PRC entails that the tenants will not be required to pay import duty taxes on the vehicles which are stored at the Warehouse and when the Group is able to provide value-added services such as logistics, product finance, customs clearance and inspections, coupled with potential rental rebates and increased marketing efforts to improve its market profile, the Group hopes to improve average occupancy rates at the Warehouse. Based on market rental income, the Warehouse will be able to break even at an average occupancy rate of approximately 56%, taking into consideration the above-mentioned services and efforts which will increase the operating revenue and margin. Notwithstanding, the Group continues to face challenges from COVID-19 movement restrictions imposed in the PRC and continued clarification required in relation to emission standards applied in the PRC for the parallel import car market. While the Warehouse remains loss-making (and consequently Fengchi IOT, with a loss of approximately S\$31.3 million, negative working capital of approximately S\$36.4 million and negative operating cash flow of approximately S\$1.1 million for FY2021), Fengchi IOT had positive net equity of approximately S\$16.0 million, and cash on hand of approximately S\$1.3 million as at 31 December 2021. In addition, a substantial portion of the net loss of Fengchi IOT for FY2021 is attributed to fair value loss on the investment property. Excluding such fair value loss, the net loss of Fengchi IOT amounted to approximately S\$5.5 million for FY2021. As at 31 December 2021, Fengchi IOT's positive net equity of approximately S\$16.0 million represents approximately 2.9 times of such net loss of Fengchi IOT;
- (5) although Mr. Ding is not providing an equivalent loan to Fengchi IOT through Liuyu, the Group had considered the prior contributions by Mr. Ding (as noted in the sections above including section 2.1 (*Background*) of this Circular), where Mr. Ding had already invested in Fengchi IOT through the Capital Injection at a premium, secured and guaranteed the Bank Loan through assets in his personal investment portfolio and also provided the Short-Term Financing Loan. Through the completion of the Proposed Subscription, Mr. Ding will become a Shareholder, where there is a continuation of Mr. Ding's investment in Fengchi IOT through the equity investment in the Group. The Group believes this will be mutually beneficial as Mr. Ding will remain vested in the success of the Group as a whole (and subject to the same risks as an equity shareholder rather than as a creditor of Fengchi IOT), in addition to providing the continued necessary financial support for the Group's Logistics Business at the level of Fengchi IOT (through the guarantee and the Short-Term Financing Loan); and
- (6) while the shareholdings of public Shareholders will be diluted from 26.02% of the existing share capital of the Company to 13.16% of the enlarged share capital of the Company upon the allotment and issue of the Subscription Shares, the value of the Shares held by Shareholders are not diluted as the Subscription Price (of S\$0.041) represents premia to the latest audited NAV per Share of S\$0.032 as at 31 December 2021 and latest unaudited NAV per Share of S\$0.0206 as at 30 June 2022.

Accordingly, based on the above, the Directors are of the opinion that the Proposed Subscription is in the interests of the Shareholders.

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The Directors also wish to highlight that the Company had received a letter dated 14 July 2022 from a Shareholder to requisition an extraordinary general meeting of the Company to consider certain ordinary resolutions. Please refer to the announcement dated 14 July 2022 issued by the Company for further information in relation thereto.

2.3. Information on the Subscriber

The Subscriber was incorporated in Singapore on 10 August 2016 with its principal activities to carry on the business of hotel management and an investment holding company. The Subscriber is an entity within the group of companies owned by Mr. Ding, which co-manages the hotels owned by Mr. Ding, specifically, Courtyard by Marriott Shanghai Fengxian, The JW Marriott Hotel Shanghai Changfeng Park and Fairfield by Marriott Shanghai Jing'an.

As at the Latest Practicable Date, it has an issued and paid-up share capital of S\$10,000 and 10,000 ordinary shares. It also has 100.0% shareholding interests in a real estate development subsidiary (NDG Asia Pacific (Guam) Inc) incorporated in the United States of America with a paid-up capital of US\$1,000.

As at the Latest Practicable Date, Mr. Ding Furu (丁福如) ("**Mr. Ding**") is the sole shareholder and director of the Subscriber. Mr. Ding is a naturalised Singaporean and is based in Shanghai in the PRC, with investments in various industries, including property development and hotel ownership and development. Through his investments, he has majority interest in a public company listed on the Shanghai Stock Exchange, Vohringer Home Technology (菲林格尔) and is also the owner of various hotel properties in the PRC including Courtyard by Marriott Shanghai Fengxian, The JW Marriott Hotel Shanghai Changfeng Park and Fairfield by Marriott Shanghai Jing'an.

Please also see section 2.1 (*Background*) of this Circular for the initial investment into Fengchi IOT by Mr. Ding through Jinmao.

2.4. Prior Relationships

As at the Latest Practicable Date, Mr. Ding holds 190,200 Shares, constituting approximately 0.05% of the existing issued and paid-up share capital of the Company, and is a shareholder of Fengchi IOT through Liuyu.

Save as disclosed in above, as at the Latest Practicable Date, the Subscriber and its shareholder (a) does not hold any other Shares; and (b) is not related to any of the Directors, Substantial Shareholders, or their respective associates and there is also no connection (including business relationship) between the Subscriber (and its shareholder) and the Directors or Substantial Shareholders.

2.5. Principal Terms of the Subscription Agreement

(a) Details of Subscription Shares

The Subscriber will be allotted and issued the Subscription Shares at the subscription price of S\$0.041 per Subscription Share (the "**Subscription Price**") for the full Subscription Amount, with fractional entitlements to be disregarded, in the following proportions on the relevant Completion Date:

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Tranche	Completion Date	Number of Subscription Shares	Subscription Amount (S\$) / RMB Subscription Amount (RMB)
First Tranche	The later of (a) 1 July 2022 (or such other earlier date as may be mutually agreed between the Parties); or (b) the date which is no later than seven (7) days from the date falling on which all of the conditions precedent as set out in section 2.5(b) (<i>Conditions</i>) have been satisfied or waived (the "First Completion Date").	523,609,280	S\$21,467,980.51 / RMB 100 million
Second Tranche	31 December 2022 (or such other earlier date as may be mutually agreed between the Parties) (the "Second Completion Date").	523,609,280	S\$21,467,980.51 / RMB 100 million
Total	-	1,047,218,560	S\$42,935,961.02 / RMB 200 million

For further details on the Subscription Shares, please refer to section 2.6 (*Principal Terms of the Proposed Subscription*) of this Circular.

(b) Conditions

The obligations of the Subscriber under the Subscription Agreement to subscribe for the Subscription Shares are conditional upon:

- (i) the grant by the Securities Industry Council of Singapore (the **"SIC"**) (and the SIC not having revoked or repealed such grant) of the waiver of the obligation of the Subscriber to make a mandatory general offer under Rule 14 of the Singapore Code on Take-overs and Mergers for the Shares not held by the Subscriber and/or its concert parties following the allotment and issue of the First Tranche Subscription Shares pursuant to the Proposed Subscription under the Subscription Agreement, subject to (1) any conditions that the SIC may impose, provided that such conditions are reasonably acceptable to the Subscriber (the **"Whitewash Waiver"**); and (2) the independent shareholders of the Company approving at an EGM, the proposed ordinary resolution of the Company which if passed by the independent shareholders of the Company would result in a waiver by the independent Shareholders of their right to receive a mandatory general offer from the Subscriber in connection with the issue of the Subscription Shares;
- (ii) the SGX-ST AIP being obtained and not having been revoked or amended and, where such SGX-ST AIP is subject to conditions, to the extent that any conditions for the listing and quotation of the Subscription Shares on the SGX-ST are required to be fulfilled on or before the allotment and issue of the Subscription Shares, they are so fulfilled;
- (iii) approval from the Shareholders and/or the Independent Shareholders (as the case may be) being obtained at an EGM to be duly convened for, *inter alia*, the Proposed Subscription (including the allotment and issue of the Subscription Shares), the

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Proposed Use of Proceeds as IPT, the transfer of controlling interest to the Subscriber and the Proposed Whitewash Resolution;

- (iv) the allotment, issue and subscription of the Subscription Shares is not prohibited by any statute, order, rule, regulation or directive promulgated or issued after the date of the Subscription Agreement by any legislative, executive or regulatory body or authority of Singapore or any other jurisdiction, which is applicable to the Company or the Subscriber;
- (v) the nomination by the Subscriber of such number of Directors (as mutually agreed upon by the Parties, taking into consideration the Board size) to be appointed to the Board on or about the First Completion Date, provided that the nominating committee of the Company shall be satisfied on the suitability of such nominee(s) and the Company shall always be in compliance with the relevant laws and regulations (including the constitutive documents of the Company, the Listing Manual and the Code of Corporate Governance 2018 of Singapore);
- (vi) the nomination by the Subscriber of such director(s) and/or legal representatives to be appointed to the boards of the PRC Subsidiaries on or about the First Completion Date, provided that the PRC Subsidiaries shall always be in compliance with the relevant laws and regulations (including the constitutive documents of such PRC Subsidiaries); and
- (vii) each of the representations, warranties and undertakings of each Party under the Subscription Agreement shall remain true and not misleading in all material respects at the First Completion Date and at all times between the date of the Subscription Agreement and the First Completion Date, and that the undertakings (where applicable) will be fulfilled down to the First Completion Date.

(c) Longstop Date

The Company undertakes to use all reasonable endeavours to ensure that the conditions as set out in section 2.5(b) (*Conditions*) of this Circular are fulfilled as soon as reasonably practicable, and in any event no later than the date falling six (6) months from the date of the Subscription Agreement, being 9 September 2022 (or such other date as may be mutually agreed between the Parties) (the “**Longstop Date**”).

(d) Completion

Subject to section 2.5(b) (*Conditions*) of this Circular and provided that all completion obligations under the Subscription Agreement have been complied with, completion for the First Tranche and the Second Tranche shall take place on the relevant Completion Date at the office of the Company (or at such other place or by such other means as may be mutually agreed between the Parties).

Without prejudice to any other remedies available, if in any respect the completion provisions of the Subscription Agreement are not complied with by any Party on the Completion Date, the Party not in default may:

- (i) defer completion for the First Tranche and/or the Second Tranche (as the case may be) to a date not more than 28 days after the relevant Completion Date, provided that the First Completion Date shall not be later than the Longstop Date (and so that the completion provisions of the Subscription Agreement shall apply to completion as so deferred);

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- (ii) effect completion for the First Tranche and/or the Second Tranche (as the case may be) so far as practicable having regard to the defaults which have occurred (without prejudice to their rights thereunder); or
- (iii) terminate the Subscription Agreement (save for the relevant surviving provisions thereto) and no Party shall have any claim against the other for costs, expenses, damages, losses, compensation or otherwise in respect of the Proposed Subscription, save for any antecedent breach of the Subscription Agreement or the Parties' respective liability in relation to the payment of costs and expenses under the Subscription Agreement.

(e) Representations and Warranties

Each Party has, in the Subscription Agreement, provided such representations and warranties as are customary in each capacity for transactions of the nature of the Proposed Subscription or other similar transactions.

(f) Undertakings

The Company undertakes to the Subscriber that it will, among others:

- (i) provide, and/or use its best endeavours to procure that its PRC Subsidiaries provide, to the Subscriber the relevant and required financial information of such PRC Subsidiaries within 14 business days of receipt of a written notice from the Subscriber and provided always that the Subscriber shall ensure that all such information provided shall be kept strictly confidential and that it shall at all times in respect of such information, comply with all relevant laws and regulations including (without limitation to) the Securities and Futures Act, and in particular, all rules and regulations in connection with insider trading;
- (ii) within 14 business days of receipt of a written notice from the Subscriber, use its best endeavours to take all necessary actions to prepare for the restructuring of the Group (including but not limited to making changes to the business operations and personnel) required by the Subscriber to prepare to have majority control over the operations and management of the Group (the "**Restructuring**"), provided always that (1) the Group Companies shall remain in compliance with all applicable laws and regulations; and (2) the implementation and completion of the Restructuring shall only be after the First Completion Date (the "**Restructuring Implementation**"). Notwithstanding that the Restructuring Implementation shall take place only after the First Completion Date, the Company agrees that it shall deliver to the Subscriber all requisite documentation necessary for the Restructuring (finalised and duly signed), which shall be reviewed and approved by the Subscriber, no later than 14 business days from the date of receipt of a written notice from the Subscriber requesting the same (which in any event shall be prior to the First Completion Date), such that the Restructuring Implementation may take place promptly after the First Completion Date;
- (iii) perform and comply with all rules, regulations and requirements imposed by the SGX-ST in order to maintain its listing on the SGX-ST; or
- (iv) for so long as it remains listed on the SGX-ST, take all necessary steps to ensure that all approvals for the allotment, issue, listing and quotation of the Subscription Shares on the Mainboard of the SGX-ST (including the SGX-ST AIP) are not revoked, amended and where such approval is subject to conditions, use best endeavours to fulfil them and obtain and maintain a listing for all such Subscription Shares as and when they are issued.

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(g) Specific Indemnification

The Company shall indemnify, hold harmless and keep indemnified the Subscriber from and against all foreseeable losses, liabilities, damages, costs or expenses (including, without limitation, interest, penalties and reasonable legal fees and disbursements) based upon and arising out of any material breach of the Company of its representation in relation to information disclosure under the Subscription Agreement which has a Material Adverse Effect.

The maximum liability under this indemnity (together with any other indemnities under the Subscription Agreement) shall, in no circumstances, exceed the value of the RMB Subscription Amount which has been paid by the Subscriber as at the date of any such breach.

(h) Termination

(i) If there shall have come to the notice of any Party (the “**Non-Defaulting Party**”) of any breach of the representations, warranties and undertakings set out in the Subscription Agreement (each, a “**Breach**”) by the other Party (the “**Defaulting Party**”) which is not remedied (to the reasonable satisfaction of the Non-Defaulting Party) within up to 30 business days (or such other period to be agreed between the Parties, as appropriate) from the receipt of a written notice by the Defaulting Party from the Non-Defaulting Party notifying of such Breach, the Non-Defaulting Party may thereafter at any time prior to and up to the relevant Completion Date by notice in writing to the Defaulting Party terminate the Subscription Agreement, but failure to exercise this right shall not constitute a waiver of any other rights of the Non-Defaulting Party arising out of any such Breach.

(ii) Subject always to the paragraph (iii) below and upon such notice referred to in the paragraph (i) above being given, the Subscription Agreement shall terminate forthwith and the Parties hereto shall be released and discharged of their obligations, without prejudice to any rights in respect of any antecedent breach under the Subscription Agreement or the Parties’ respective liability in relation to the payment of costs and expenses under the Subscription Agreement, and the Subscription Agreement shall be of no further effect and no Party hereto shall be under any liability to the other in respect of the Subscription Agreement.

(iii) In the event a Breach causes, whether directly or indirectly, (1) the failure and/or inability of the Parties to complete the First Tranche and/or the Second Tranche of the Proposed Subscription (as the case may be); and/or (2) any losses, damages, liabilities, claims, costs or expenses to be suffered or incurred by the Non-Defaulting Party, the Defaulting Party shall be liable to pay, make reimbursement or indemnify in respect of, any and all such direct losses and damages suffered or incurred by the Non-Defaulting Party in consequence, in addition to and not in lieu of, any other rights the Non-Defaulting Party may have relating to or in connection with the Breach available to it in law or under the Subscription Agreement. The maximum liability under this indemnity (together with any other indemnities under the Subscription Agreement) shall, in no circumstances, exceed the value of the RMB Subscription Amount which has been paid by the Subscriber as at the date of any such Breach. Further, no Party shall be entitled to recover more than once in respect of any one (1) matter giving rise to a claim under any of the indemnities provided in the Subscription Agreement.

(iv) In addition to the foregoing, the Parties agree that the Subscriber shall have the right to terminate the Subscription Agreement at any time prior to and up to the First Completion Date, upon the provision of five (5) business days’ prior written notice of such termination to the Company, if any of the following shall occur:

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- (1) there has been a 10.0% decrease from the net assets value of the Group, without taking into consideration the financial results of Fengchi IOT (based on the latest unaudited financial statements for FY2021 as announced on 25 February 2022 by the Company), provided that such decrease has been solely (whether directly or indirectly) caused by act(s) of fraudulence, gross negligence or wilful default of any Director and/or key management personnel of the Company and/or its PRC Subsidiaries (as the case may be); and
- (2) there has been an event of continued failure, neglect or refusal by any Director and/or key management personnel of the Company and/or its PRC Subsidiaries (as the case may be) to reasonably cooperate in the provision of any financial information as required by the Company from its PRC Subsidiaries (each event, a **"Corporate Deadlock Event"**).

For the avoidance of doubt:

- (A) upon such notice referred to in this paragraph (iv) being given, the Subscription Agreement shall terminate forthwith and the Parties hereto shall be released and discharged of their obligations, without prejudice to any rights in respect of any antecedent breach under the Subscription Agreement or the Parties' respective liability in relation to the payment of costs and expenses under the Subscription Agreement, and the Subscription Agreement shall be of no further effect and no Party hereto shall be under any liability to the other in respect of the Subscription Agreement; and
- (B) the Parties acknowledge and agree that any termination rights under this paragraph (iv) shall extinguish immediately upon the completion of the First Tranche on the First Completion Date.

(i) Governing Law and Jurisdiction

The validity, construction and performance of the Subscription Agreement (and any claim, dispute or matter arising under or in connection with it or its enforceability) shall be governed by and construed in accordance with the laws of Singapore.

Any claims, disputes or matters arising out of or in connection with the Subscription Agreement, including any question regarding its existence, validity or termination, shall be referred to and finally resolved by arbitration administered by the Singapore International Arbitration Centre in accordance with the Arbitration Rules of the Singapore International Arbitration Centre for the time being in force.

2.6. Principal Terms of the Proposed Subscription

(a) Subscription

The Subscription Price of S\$0.041 for each Subscription Share was arrived at pursuant to discussions with the Subscriber, taking into account, among others, the net assets of the Group and the prevailing market price of the Shares, and represents a premium of approximately 86.4% to the last transacted price of S\$0.022 per Share or a premium of 51.9% to the volume weighted average price of S\$0.027 for trades done on the Shares on the Mainboard of the SGX-ST on 1 March 2022, being the market day on which the Shares were traded preceding the time the Subscription Agreement was signed.

The Subscription Price of S\$0.041 represents a premium of approximately 28.1% to the NAV per Share which is S\$0.032.

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(b) Issue Size

The Subscription Shares represent the following:

Tranche	Number of Subscription Shares	Total Number of Shares after the Allotment and Issue of the Relevant Tranche of the Subscription Shares ⁽¹⁾	Shareholding Percentage of the Subscriber after the Allotment and Issue of the Relevant Tranche of the Subscription Shares (%)
First Tranche	523,609,280	911,357,980	57.45%
Second Tranche	523,609,280	1,434,967,260	72.98%

Note:

(1) This does not take into consideration any other Shares which may be allotted and issued otherwise.

The 1,047,218,560 Subscription Shares represent approximately 270.07% of the existing issued and paid-up share capital of the Company comprising 387,748,700 Shares as at the Latest Practicable Date (excluding treasury shares) and will represent approximately 72.98% of the total enlarged issued and paid-up share capital of the Company (excluding treasury shares) of 1,434,967,260 Shares.

The Subscription Shares, when allotted and issued, shall be credited as fully-paid Shares, free from any and all Encumbrances, listed and tradable on the Mainboard of the SGX-ST and rank *pari passu* with all other existing Shares, save that they will not rank for any dividends, rights, allotments, distributions or entitlements, the record date for which falls before the date of issue of the Subscription Shares.

The Subscription Shares, when allotted and issued, will result in a transfer of controlling interest in the Company to the Subscriber.

(c) Authority to Issue the Subscription Shares

Rule 805(1) of the Listing Manual provides that an issuer must obtain the prior approval of shareholders in general meeting for the issuance of shares or convertible securities, unless such shares or convertible securities are issued under a general mandate obtained from shareholders in general meeting.

Accordingly, the Company is seeking for specific Shareholders' approval at the EGM for the Proposed Subscription for the purposes of Rule 805(1) of the Listing Manual.

(d) Use of Proceeds

The Subscriber shall pay the RMB Subscription Amount of RMB 200 million (equivalent to the Subscription Amount of S\$42,935,961.02 based on the Agreed Exchange Rate) (being all of the proceeds from the Proposed Subscription) for the Subscription Shares.

100.0% of the RMB Subscription Amount will be disbursed to Fengchi IOT through the Fengchi IOT Loan and the Fengchi IOT Loan shall be used to (a) pay for the principal amounts of the Shareholders' Fengchi IOT Bridging Loans amounting to RMB 16.0 million (equivalent to

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approximately S\$3.4 million); (b) pay for the final outstanding payments under the Construction Financing of approximately RMB 166.9 million (equivalent to approximately S\$35.8 million; and (c) finance the remaining instalment amounts and interest payments under the Bank Loan for FY2022 of approximately RMB 23.5 million (equivalent to approximately S\$5.0 million).

The RMB Subscription Amount will be paid to a wholly-owned subsidiary of the Company in the PRC and subsequently disbursed under the Fengchi IOT Loan to Fengchi IOT. This arrangement will reduce any unnecessary exchange rate losses and will also be time efficient as it will not be subject to foreign exchange control measures. As at the Latest Practicable Date, the general manager and legal representative of Fengchi IOT is the financial controller of the Company (the “FC”). All payments made by Fengchi IOT which are above RMB 5,000 will have to be authorised by both the FC and major shareholder representative. Following any disbursements of the RMB Subscription Amount under the Fengchi IOT Loan as utilised by Fengchi IOT, the FC will report to the Audit Committee. Through the provision of monthly provision of monthly financial statements of Fengchi IOT, coupled with the reporting by the FC to the Audit Committee (at least half-yearly), the Company will be able to monitor the recoverability of the Fengchi IOT Loan.

The Company will make an announcement upon the proceeds from the Proposed Subscription being disbursed and whether such use is in accordance with the stated use as set out in the above paragraph. The Company will also provide a status report on the use of the proceeds from the Proposed Subscription in the Company's half year and full year financial statements and the Company's annual report. Where there is any material deviation from the stated use, the Company will announce the reasons for such deviation.

(e) Rule 812 of the Listing Manual

The Subscriber is currently not a person who falls within the categories set out in Rule 812(1) of the Listing Manual, as it is not a Director or Substantial Shareholder, or any other person in the categories set out in Rule 812(1) of the Listing Manual. Accordingly, none of the Subscription Shares will be placed to any person who is a Director or Substantial Shareholder, or any other person in the categories set out in Rule 812(1) of the Listing Manual.

(f) No Placement Agent

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

2.7. Confirmation by Directors

The Directors are of the opinion that after taking into consideration the Group's present bank facilities and the proceeds from the Proposed Subscription, the working capital available to the Group (including Fengchi IOT) is sufficient to meet its present requirements.

The reasons for undertaking the Proposed Subscription (including its necessity) are as set out in section 2.2 (*Rationale*) of this Circular.

2.8. Abstention from Voting

Mr. Ding, the Subscriber and their respective associates, shall abstain from exercising their voting rights in respect of all existing issued Shares owned by them and shall not accept appointments as proxies unless specific instructions as to voting are given, in respect of the Ordinary Resolution for the Proposed Subscription.

3. THE PROPOSED TRANSFER OF CONTROLLING INTEREST

Rule 803 of the Listing Manual provides that an issuer must not issue securities to transfer a controlling interest without prior approval by Shareholders in a general meeting. Under the Listing Manual, a Controlling Shareholder is a person who (a) holds directly or indirectly 15.0% or more of the total number of issued Shares (excluding treasury shares and subsidiary holdings) in the Company; or (b) in fact exercises control over the Company.

As at the Latest Practicable Date, save as disclosed above in section 2.4 (*Prior Relationships*) of this Circular, the Subscriber does not have interests in (either directly or indirectly) any Shares. Upon completion of the First Tranche of the Proposed Subscription and the Second Tranche of the Proposed Subscription, the Subscriber will hold 523,609,280 Shares and 1,047,218,560 Shares, representing 57.45% and 72.98% of the then enlarged share capital of the Company of 911,357,980 Shares and 1,434,967,260 Shares, respectively. For the avoidance of doubt, no other Shares issued are taken into consideration for the computation of the enlarged share capital of the Company.

The Proposed Subscription will result in the Subscriber holding more than 15.0% of the Company's enlarged share capital as at the relevant Completion Dates of the Proposed Subscription, thereby causing a transfer in controlling interest. Accordingly, the Company is seeking the approval of Shareholders for the Proposed Transfer of Controlling Interest in accordance with Rule 803 of the Listing Manual.

Please refer to section 7 (*Indicative Shareholding Interests prior to and after the Proposed Subscription*) of this Circular for further details on the effect of the Proposed Subscription on the shareholding structure of the Company.

Mr. Ding, the Subscriber and their respective associates, shall abstain from exercising their voting rights in respect of all existing issued Shares owned by them and shall not accept appointments as proxies unless specific instructions as to voting are given, in respect of the Ordinary Resolution for the Proposed Transfer of Controlling Interest.

4. THE PROPOSED WHITEWASH RESOLUTION

4.1. Mandatory General Offer Obligation under the Takeover Code

Pursuant to Rule 14.1 of the Takeover Code, except with the SIC's consent, where any person acquires, whether by a series of transactions over a period of time or not, shares which (taken together with shares held or acquired by persons acting in concert with him) carry 30.0% or more of the voting rights of a company, such person will be required to make a mandatory general offer for all the shares not already owned or controlled by them.

As at the Latest Practicable Date, save as disclosed above in section 2.4 (*Prior Relationships*) of this Circular (where it is stated that Mr. Ding holds 190,200 Shares, constituting approximately 0.05% of the existing issued and paid-up share capital of the Company, and is a shareholder of Fengchi IOT through Liuyu), the Subscriber does not own any Shares. Upon completion of the First Tranche of the Proposed Subscription and the Second Tranche of the Proposed Subscription, the Subscriber will hold 523,609,280 Shares and 1,047,218,560 Shares, representing 57.45% and 72.98% of the then enlarged share capital of the Company of 911,357,980 Shares and 1,434,967,260 Shares, respectively. For the avoidance of doubt, no other Shares issued are taken into consideration for the computation of the enlarged share capital of the Company.

Accordingly, upon the allotment and issuance of the First Tranche Subscription Shares, the Subscriber will be required under the Takeover Code to make a mandatory general offer for the Shares not already owned or controlled by the Subscriber and its concert parties pursuant to Rule

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14.1 of the Takeover Code, unless such obligation is waived by the SIC and the Proposed Whitewash Resolution is approved by the Independent Shareholders at the EGM.

As there is no intention to trigger a mandatory take-over obligation under the Takeover Code arising from the Proposed Subscription, an application was made to the SIC for a waiver of the obligations of the Subscriber to make a mandatory general offer for the Shares under Rule 14.1 of the Takeover Code as a result of the allotment and issuance of the First Tranche Subscription Shares.

4.2. Whitewash Waiver

The SIC had on 5 July 2022 granted the Whitewash Waiver subject to, among others, the satisfaction of the following conditions (collectively, the “**SIC Conditions**”):

- (a) a majority of holders of voting rights of the Company approve at a general meeting, before the issue of the Subscription Shares under the First Tranche of the Proposed Subscription, the Proposed Whitewash Resolution by way of a poll to waive their rights to receive a general offer from the Subscriber;
- (b) the Proposed Whitewash Resolution is separate from other resolutions;
- (c) the Subscriber and its concert parties and parties not independent of them abstain from voting on the Proposed Whitewash Resolution;
- (d) the Subscriber and its concert parties did not acquire or are not to acquire any Shares or instruments convertible into and options in respect of Shares (other than subscriptions for, rights to subscribe for, instruments convertible into or options in respect of new Shares which have been disclosed in this Circular):
 - (i) during the period between the first announcement of the Proposed Subscription and the date Independent Shareholders’ approval is obtained for the Proposed Whitewash Resolution; and
 - (ii) in the six (6) months prior to the Initial Announcement Date of the Proposed Subscription but subsequent to negotiations, discussions or the reaching of understandings or agreements with the Directors in relation to the Proposed Subscription;
- (e) the Company appoints an independent financial adviser to advise the Independent Shareholders on the Proposed Whitewash Resolution;
- (f) the Company sets out clearly in this Circular:
 - (i) details of the Proposed Subscription and the proposed subscription of the Subscription Shares by the Subscriber under (A) the First Tranche and (B) the Second Tranche of the Proposed Subscription;
 - (ii) the dilution effect to the voting rights of existing Shareholders upon the allotment and issue of the Subscription Shares to the Subscriber under (A) the First Tranche and (B) the Second Tranche of the Proposed Subscription;
 - (iii) the number and percentage of voting rights in the Company as well as the number of instruments convertible into, rights to subscribe for and options in respect of Shares held by the Subscriber and its concert parties at the Latest Practicable Date;

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- (iv) the number and percentage of voting rights to be acquired by the Subscriber and its concert parties upon the issue of the Subscription Shares to the Subscriber under (A) the First Tranche and (B) the Second Tranche of the Proposed Subscription;
- (v) specific and prominent reference to the fact that the issue of the Subscription Shares to the Subscriber under the First Tranche of the Proposed Subscription would result in the Subscriber and its concert parties holding Shares carrying over 49% of the voting rights of the Company and to the fact that the Subscriber and its concert parties will be free to acquire further Shares (including the Subscription Shares under the Second Tranche of the Proposed Subscription) without incurring any obligation under Rule 14 of the Takeover Code to make a general offer; and
- (vi) specific and prominent reference to the fact that Shareholders, by voting for the Proposed Whitewash Resolution, are waiving their rights to a general offer from the Subscriber at the highest price paid by the Subscriber and its concert parties for the Shares in the past six (6) months preceding the commencement of the offer;
- (g) this Circular states that the waiver granted by the SIC to the Subscriber from the requirement to make a general offer under Rule 14 of the Takeover Code is subject to the SIC Conditions stated at section 4.2(a) to section 4.2(f) above;
- (h) the Company obtains the SIC's approval in advance for the parts of this Circular that refer to the Proposed Whitewash Resolution; and
- (i) to rely on the Proposed Whitewash Resolution, approval of the Proposed Whitewash Resolution must be obtained within three (3) months of the date of receipt of the SIC's grant of the Whitewash Waiver and the acquisition of the First Tranche of the Subscription Shares by the Subscriber must be completed within three (3) months of the date of the approval of the Proposed Whitewash Resolution.

As at the Latest Practicable Date, save for the SIC Conditions in section 4.2(a) and section 4.2(i) above, all of the other SIC Conditions set out above have been satisfied.

4.3. Potential Dilution

Based on the information available as at the Latest Practicable Date, the table below sets out the shareholding of the Independent Shareholders as at the Latest Practicable Date, upon completion of the First Tranche of the Proposed Subscription and upon completion of the Second Tranche of the Proposed Subscription. For the avoidance of doubt, no other Shares issued are taken into consideration for the computation of the enlarged share capital of the Company.

Shareholder	As at Latest Practicable Date ⁽¹⁾		Upon completion of the First Tranche of the Proposed Subscription ⁽²⁾		Upon completion of the Second Tranche of the Proposed Subscription ⁽³⁾	
	Number of Shares	%	Number of Shares	%	Number of Shares	%
The Subscriber and its concert parties ⁽⁴⁾	190,200	0.05	523,799,480	57.47	1,047,408,760	72.99
Independent Shareholders	387,558,500	99.95	387,558,500	42.53	387,558,500	27.01

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Shareholder	As at Latest Practicable Date ⁽¹⁾		Upon completion of the First Tranche of the Proposed Subscription ⁽²⁾		Upon completion of the Second Tranche of the Proposed Subscription ⁽³⁾	
	Number of Shares	%	Number of Shares	%	Number of Shares	%
Total	387,748,700	100.00	911,357,980	100.00	1,434,967,260	100.00

Note:

- (1) Based on 387,748,700 Shares in the issued and paid-up share capital of the Company, as at the Latest Practicable Date.
- (2) Based on 911,357,980 Shares in the issued and paid-up share capital of the Company, pursuant to the allotment and issue of 523,609,280 First Tranche Subscription Shares and does not take into consideration any other Shares which may be allotted and issued otherwise.
- (3) Based on 1,434,967,260 Shares in the issued and paid-up share capital of the Company, pursuant to the allotment and issue of the 523,609,280 Second Tranche Subscription Shares and does not take into consideration any other Shares which may be allotted and issued otherwise.
- (4) As at the Latest Practicable Date, Mr. Ding Fu Ru (丁福如) is a concert party of the Subscriber.

Please also refer to section 7 (*Indicative Shareholding Interests prior to and after the Proposed Subscription*) of this Circular for further details on the indicative shareholding interests of the Directors, Substantial Shareholders, the Subscriber and other Shareholders as at the Latest Practicable Date, as well as following the Proposed Subscription.

4.4. Proposed Whitewash Resolution

Independent Shareholders are requested to vote, by way of a poll, on the Proposed Whitewash Resolution set out as an ordinary resolution in the Notice of EGM, waiving their rights to receive a mandatory general offer from the Subscriber for the remaining Shares not already owned or controlled by the Subscriber or its concert parties.

4.5. Advice to Independent Shareholders

Independent Shareholders should note that:

- (a) the allotment and issue of the First Tranche Subscription Shares would result in the Subscriber and its concert parties holding in Shares carrying over 49.0% of the voting rights of the Company, and that the Subscriber and its concert parties will be free to acquire further Shares (including the Subscription Shares under the Second Tranche of the Proposed Subscription) without incurring any obligation under Rule 14 of the Takeover Code to make a general offer;
- (b) by voting in favour of the Proposed Whitewash Resolution, they will be waiving their rights to receive a general offer from the Subscriber at the highest price paid by the Subscriber and its concert parties for the Shares in the six (6) months preceding 10 March 2022, being the Initial Announcement Date of the execution of the Subscription Agreement;
- (c) by voting in favour of the Proposed Whitewash Resolution, they 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 Subscription Shares; and

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- (d) **approval of the Proposed Whitewash Resolution is a condition precedent to completion of the Proposed Subscription. Accordingly, in the event that the Proposed Whitewash Resolution is not passed by the Independent Shareholders, the Proposed Subscription will not take place.**

4.6. Abstention from Voting

Pursuant to the Whitewash Waiver, (a) the Subscriber and its concert parties; and (b) parties not independent of them, shall abstain from exercising their voting rights in respect of all existing issued Shares owned by them and shall not accept appointments as proxies unless specific instructions as to voting are given, in respect of the Ordinary Resolution for the Proposed Whitewash Resolution.

As at the Latest Practicable Date, save that Mr. Ding holds 190,200 Shares, constituting approximately 0.05% of the existing issued and paid-up share capital of the Company, no other such parties hold any Shares.

5. THE PROPOSED USE OF PROCEEDS AS IPT

5.1. Interested Person Transaction

Pursuant to the completion of the Proposed Subscription, Mr. Ding, through his shareholding of the Subscriber, will be a Controlling Shareholder and Fengchi IOT (by virtue of Mr. Ding's 51.0% shareholding in Fengchi IOT through Liuyu) is an associate of Mr. Ding. Hence, Fengchi IOT is an interested person as defined in the Listing Manual.

Please refer to sections 2.1 (*Background*) and 2.2 (*Rationale*) of this Circular for further information on Fengchi IOT and the rationale for, and benefit to, the Company, in respect of the Proposed Use of Proceeds as IPT.

In accordance with Rule 906 of the Listing Manual, an issuer must obtain shareholders' approval for an interested person transaction of a value equal to, or more than 5.0% of the Group's latest audited NTA value.

5.2. Value of the Interested Person Transaction

Having considered Rule 909 of the Listing Manual, which considers the value of the transaction to be the amount at risk to the Group, the Company has considered the value of the interested person transaction in relation to the Proposed Use of Proceeds as IPT to be the following:

100.0% of the RMB Subscription Amount will be disbursed to Fengchi IOT through the Fengchi IOT Loan and the Fengchi IOT Loan shall be used to (a) pay for the principal amounts of the Shareholders' Fengchi IOT Bridging Loans amounting to RMB 16.0 million (equivalent to approximately S\$3.4 million); (b) pay for the final outstanding payments under the Construction Financing of approximately RMB 166.9 million (equivalent to approximately S\$35.8 million; and (c) finance the remaining instalment amounts and interest payments under the Bank Loan for FY2022 of approximately RMB 23.5 million (equivalent to approximately S\$5.0 million). The liabilities of Fengchi IOT for FY2022 will accordingly be serviced and repaid with the RMB Subscription Amount and internal resources and revenue from operations of the Group.

Taking into consideration the RMB Subscription Amount (being the quantum of the Fengchi IOT Loan) and the Fengchi IOT Loan Initial Terms (5.0% interest rate per annum on 360-day basis and tenure of three (3) years), the value of the interested person transaction of approximately RMB 230.4 million (equivalent to approximately S\$49.5 million) represents approximately 398.3% of the audited NTA of the Group for FY2021 (being the latest audited NTA amounting to approximately S\$12.4 million). In the event that the tenure of the Fengchi IOT Loan is extended, the Company will provide

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the necessary information on the updated value at risk (including principal and interest) and shall seek separate approval from Shareholders at the appropriate time, if necessary.

As the Proposed Use of Proceeds as IPT exceeds 5.0% of the Group's latest audited NTA value, the Company must obtain Independent Shareholders' approval for the Proposed Use of Proceeds as IPT.

The 5.0% interest rate per annum of the Fengchi IOT Loan is derived at, taking into consideration the following factors:

- (a) the tenure of the Fengchi IOT Loan being three (3) years;
- (b) the interest rate of the Fengchi IOT Loan is within the range of interest rates of the existing borrowings of the Group;
- (c) the interest rate of the Fengchi IOT Loan is 0.56% to 0.38% higher than the interest rates of the Construction Financing (being a range of 4.44% to 4.62%) which is also an unsecured financing;
- (d) the interest rate of the Fengchi IOT Loan is 1.023% lower than that for the Bank Loan (being 6.023%), but the circumstances of obtaining the Bank Loan were not the same as the Fengchi IOT Loan. When Fengchi IOT obtained the Bank Loan in FY2019, Fengchi IOT had not completed the construction of the Warehouse. There was no assurance then that the Warehouse will be completed according to plan and schedule. There was also no assurance that the Warehouse will obtain the property title to commence operations upon completion of construction. Accordingly, the financial position of Fengchi IOT was weaker then as Fengchi IOT did not have any operating assets when it obtained the Bank Loan and Mr. Ding had to provide additional security to the bank to assist Fengchi IOT to obtain the Bank Loan. The construction of the Warehouse was completed in January 2021 and the Warehouse is operational as at the Latest Practicable Date. While the financial performance of the Warehouse has been affected by COVID-19 movement restrictions imposed in the PRC and continued clarification required in relation to emission standards applied in the PRC for the parallel import car market since the Warehouse commenced operations in FY2021, the Company has lower risk as compared to the bank providing the Bank Loan in FY2019 because (i) the FC is the general manager and legal representative of Fengchi IOT; (ii) the Warehouse has received its property title and can be sold as a completed property rather than an uncompleted property; (iii) the Warehouse is revenue generating; and (iv) there has been a continued increase in average occupancy rates since the commencement of the operations at the Warehouse; and
- (e) the interest rate of the Fengchi IOT Loan is lower than that for the Short-Term Financing Loan, which was determined on an arm's length negotiation between Fengchi IOT and the Main Contractor which provided the Construction Financing. The Main Contractor had requested for partial early repayment and agreed to paying Fengchi IOT an interest rate of 8.0% per annum on the partial early repayment. As Fengchi IOT was short of working capital, Fengchi IOT obtained the Short-Term Financing Loan from Mr. Ding at the same interest rate of 8.0% per annum to make the partial early payment to the Main Contractor. The end result is neutral to Fengchi IOT as the interest on the Short-Term Financing Loan for the period up to the initial due date of the Construction Financing is borne by the Main Contractor. Further, the Company had in June 2022, obtained a confirmation from Mr. Ding (through the associated company), that the repayment date of the Short-Term Financing Loan will be extended for one (1) year and the Short-Term Financing Loan will have a revised interest rate of 5.0% per annum, to be effective upon the completion of the Proposed Subscription.

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For the avoidance of doubt, the Proposed Subscription and the Use of Proceeds do not constitute a transaction for the purposes of Chapter 10 under the Listing Manual as the provision of financial assistance is by the Company to Fengchi IOT (which is an associated company of the Company).

5.3. Total Value of Interested Person Transactions for FY2022

As at the Latest Practicable Date, assuming the completion of the Proposed Subscription (save for the Proposed Subscription and the consequential Proposed Use of Proceeds as IPT), the total value of other interested person transactions with the Subscriber, Mr. Ding or any of their associates for the current FY2022 is approximately RMB 1.5 million, (equivalent to approximately S\$0.3 million), representing approximately 2.6% of the audited NTA of the Group for FY2021 (being the latest audited NTA amounting to approximately S\$12.4 million).

The above relates to the (a) total interest paid and/or payable on the Short-Term Financing Loan (including the interest to be incurred under the amended terms pursuant to the completion of the Proposed Subscription); and (b) total interest paid and/or payable under the Shareholders' Fengchi IOT Bridging Loans.

As at the Latest Practicable Date, the total value of all other interested person transactions for the current FY2022 is nil.

For the avoidance of doubt, the Subscriber, Mr. Ding and their associates are not considered interested persons prior to the completion of the Proposed Subscription. Upon the completion of the Proposed Subscription, the Subscriber will become a Controlling Shareholder. The Subscriber, Mr. Ding and their associates will be considered interested persons, and future transactions between (a) the Group (as entity at risk); and (b) the Subscriber, Mr. Ding and their associates, will be considered interested person transactions under Chapter 9 of the Listing Manual. Accordingly, future transactions between (a) the Group (as entity at risk); and (b) the Subscriber, Mr. Ding and their associates, will be subject to the disclosure requirements, and where required, approval by independent shareholders under Chapter 9 of the Listing Manual.

5.4. Abstention from Voting

Pursuant to Rule 919 of the Listing Manual, Fengchi IOT, Mr. Ding, the Subscriber and their respective associates, shall abstain from exercising their voting rights in respect of all existing issued Shares owned by them and shall not accept appointments as proxies unless specific instructions as to voting are given, in respect of the Ordinary Resolution for the Proposed Use of Proceeds as IPT.

6. INDEPENDENT FINANCIAL ADVISER

6.1. Appointment of the IFA

Xandar Capital Pte. Ltd. has been appointed as the independent financial adviser pursuant to the Takeover Code and Rules 917(4)(a)(ii) and 921(4)(a) of the Listing Manual to advise on whether (a) the terms of the Proposed Subscription which is the subject of the Proposed Whitewash Resolution, are fair and reasonable; (b) the Proposed Use of Proceeds as IPT is on normal commercial terms and not prejudicial to the interests of the Company and its minority Shareholders and (c) whether the risks and rewards of Fengchi IOT are in proportion to the equity of each joint venture partner (namely TPA and Liuyu) after taking into consideration the Proposed Use of Proceeds as IPT.

Shareholders should consider carefully the recommendations of the Recommending Directors, the Audit Committee and the opinion and advice of the IFA before deciding whether or not to vote in favour of Ordinary Resolutions 3 and 4 being the Ordinary Resolutions relating to the Proposed Whitewash Resolution and the Proposed Use of Proceeds as IPT, to be tabled at the EGM. The opinion and advice of the IFA is set out in the IFA Opinion Letter as set out in **Appendix A** (*IFA Opinion Letter*) to this Circular.

6.2. Opinion and Advice of the IFA

Information relating to the advice of the IFA and the key factors it has taken into consideration have been extracted from paragraph 9 of the IFA Opinion Letter and are reproduced below. Unless otherwise defined, all terms and expressions used in the extract below shall have the same meanings as those defined in the IFA Opinion Letter:

*“Having regard to our terms of reference, in arriving at our opinion, we have taken into account a range of factors which we consider to be pertinent and have a significant bearing on our assessment of the Proposed Subscription. We have carefully considered as many factors as we deem essential and balanced them before reaching our opinion. Our evaluation of the Proposed Subscription is set out in paragraph 6 of this IFA Letter. **It is important that our IFA Letter, in particular, all the considerations and information we have taken into account, be read in its entirety.**”*

The Proposed Subscription and the Proposed Whitewash Resolution

We set out below a summary of the key factors we have taken into our consideration which supports the “fairness” of the Proposed Subscription:

- (a) the Subscription Price is generally above the closing prices of the Shares for the period between 2 March 2020 and the Last Market Day, both dates inclusive;*
- (b) the Subscription Price represents premia (of between 18.5% and 58.3%) to the VWAPs of the Shares for the periods prior to and including the Last Market Day;*
- (c) the Subscription Price represents significant premia of 53.6% and 58.3% to the VWAPs for 3-month and 1-month periods prior to and including the Last Market Day, respectively;*
- (d) the VWAP of the Shares as well as the average daily traded volumes of the Shares increased substantially after the Announcement Date. Highest VWAP for the periods prior to and including the Last Market Day was S\$0.0346 whereas VWAP of the Shares for the period after the Announcement Date up to the Latest Practicable Date was S\$0.0391. Highest average daily traded volumes for the periods prior to and including the Last Market Day was 221,303 Shares whereas average daily traded volumes of the Shares for the period after the Announcement Date up to the Latest Practicable Date was 383,298 Shares;*
- (e) the Subscription Price of S\$0.041 represents a P/NAV ratio of 1.3 times to the latest audited NAV per Share (of S\$0.032 as at 31 December 2021) or a P/NAV ratio of 2.0 times to the latest unaudited NAV per Share (of S\$0.0206 as at 30 June 2022);*
- (f) the P/NAV ratio of the Company as implied by the Subscription Price is above the range of the P/NAV ratios of the Comparable Companies (of between 0.3 times and 1.0 times) and the SGX Comparable Companies (of between 0.7 times and 0.9 times);*
- (g) the basis for determining the Subscription Price is better than the basis for determining the issue price of the Precedent Comparable Transactions; and*
- (h) the financial effects of the Proposed Subscription are positive with higher NTA per Share and lower loss per Share.*

We set out below a summary of the key factors we have taken into our consideration which supports the “reasonableness” of the Proposed Subscription:

- (i) the Proposed Subscription will help to raise funds to meet the impending current liabilities of Fengchi IOT, in particular, the Construction Financing which is the subject of the letter of*

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demand received by Fengchi IOT and PFL as announced by the Company on 16 June 2022. The Group may lose the amount which the Group has invested into Fengchi IOT of RMB 90 million (equivalent to approximately S\$19.3 million) and subsidiary(ies) of the Company which has provided the relevant corporate guarantees under the Bank Loan and the Construction Financing may be placed under liquidation if Fengchi IOT is unable to repay or pay these payables as and when they are due in FY2022; and

- (ii) the other consideration as set out in paragraph 6.8 of this IFA Letter.

Accordingly, after taking into account the above factors, we are of the opinion that, as of the date hereof, the Proposed Subscription which is the subject of the Proposed Whitewash Resolution is fair and reasonable, and the Proposed Whitewash Resolution when considered in the context of the Proposed Subscription is not prejudicial to the interests of the Whitewash Independent Shareholders. We therefore advise the Recommending Directors to recommend that Whitewash Independent Shareholders vote in favour of the Proposed Whitewash Resolution at the EGM.

The Proposed Use of Proceeds as IPT

Having regard to our terms of reference, in arriving at our opinion, we have taken into account a range of factors which we consider to be pertinent and have a significant bearing on our assessment of the Proposed Use of Proceeds as IPT. We have carefully considered as many factors as we deem essential and balanced them before reaching our opinion. Our evaluation of the Proposed Use of Proceeds as IPT is set out in paragraph 7 of this IFA Letter while our evaluation of the risks and rewards of TPA and Liuyu in Fengchi IOT is set out in paragraph 8 of this IFA Letter. **It is important that our IFA Letter, in particular, all the considerations and information we have taken into account, be read in its entirety.**

We set out below a summary of the key factors we have taken into our consideration when assessing the Proposed Use of Proceeds as IPT:

- (a) Fengchi IOT is a joint venture entity of the Group and the financial controller of the Company is the general manager and legal representative of Fengchi IOT. The Group has ready access to the information of Fengchi IOT to manage its finances and operational risks;
- (b) in the event that Fengchi IOT is unable to repay or pay the two (2) major current liabilities (namely the Construction Financing and the Bank Loan) as and when they fall due, the Group may lose the amount which the Group has invested into Fengchi IOT of RMB 90 million (equivalent to approximately S\$19.3 million) and subsidiary(ies) of the Company which has provided the relevant corporate guarantees under the Bank Loan and the Construction Financing may be placed under liquidation. As announced by the Company on 16 June 2022, Fengchi IOT and PFL had received a letter of demand from the Main Contractor for the payment of outstanding amounts before 20 June 2022;
- (c) although Fengchi IOT has been loss-making since it commenced operations, remained loss-making as at the Latest Practicable Date and the Group does not expect the Warehouse operations to be profitable for FY2022, Fengchi IOT had positive equity position as at the Latest Practicable Date and the Warehouse's market value of S\$106.4 million as at 31 December 2021 is more than the aggregate liabilities of Fengchi IOT;
- (d) on an overall basis, the interest rate of the Fengchi IOT Loan (of 5% per annum) is within the range of interest rates of all the existing borrowings of the Group (of between 3% per annum and 8% per annum);
- (e) while the interest rate of the Fengchi IOT Loan (of 5% per annum) is lower than the Bank Loan (of 6.023% per annum) and the Short-Term Financing Loan (of 8% per annum), the

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circumstances of obtaining the Bank Loan and the Short-Term Financing Loan were not the same as the current Proposed Use of Proceeds as IPT.

Fengchi IOT had obtained the Bank Loan in FY2019 for the construction of the Warehouse whereas the Warehouse has been completed and generating revenues since FY2021. The Company has lower risk as compared to the bank in FY2019 because (i) the Company's financial controller is the general manager and legal representative of Fengchi IOT; (ii) the Warehouse has received its property title and can be sold as a completed property rather than an uncompleted property; (iii) the Warehouse is revenue generating; and (iv) there has been a continued increase in occupancy rates since the commencement of the operations at the Warehouse.

The Short-Term Financing Loan was obtained at the same rate Fengchi IOT charged its Main Contractor and the end result is neutral to Fengchi IOT as the other income (being the interest received) generated by Fengchi IOT from making the partial early payment to the Main Contractor is offset by the other expenses (being the interest paid) incurred by Fengchi IOT from obtaining the Short-Term Financing Loan.

Further, the Short-Term Financing Loan will be revised to 5% per annum for an initial term of three years (which is the same as the Fengchi IOT Loan) for one year upon the completion of the Proposed Subscription;

- (f) the 5% interest per annum under the Fengchi IOT Loan is higher than the annual lending prime rates (of between 3.7% per annum and 4.45% per annum) published by The People's Bank of China in China;*
- (g) the terms of the Fengchi IOT Loan are similar and within the range of the terms of financial assistance provided by the SGX-ST listed Singapore companies to their joint venture and/or associated companies in China; and*
- (h) other considerations set out in paragraph 7.9 of this IFA Letter.*

Accordingly, after taking into account the above factors and the information made available to us as at the Latest Practicable Date, we are of the opinion that, the Proposed Use of Proceeds as IPT (and the Short-Term Financing Loan and the Shareholders' Fengchi IOT Bridging Loans which are subject of aggregation with the Proposed Use of Proceeds as IPT) is on normal commercial terms and is not prejudicial to the interests of the Company and its minority Shareholders.

In addition, after taking into account the above and the evaluation set out in paragraph 8 of this IFA Letter, we are of the opinion that, the risks and rewards of Fengchi IOT are in proportion to the equity interest held by TPA and Liuyu in Fengchi IOT after taking into account the Proposed Use of Proceeds as IPT."

The IFA Opinion Letter is reproduced and appended in its entirety as **Appendix A** (IFA Opinion Letter) to this Circular and Shareholders are advised to read the IFA Letter **in its entirety** carefully.

6.3. Consent from the IFA

The IFA has given and has not withdrawn its written consent to the issue of this Circular with the inclusion of its name, the IFA Opinion Letter as set out in the **Appendix A** (IFA Opinion Letter) to this Circular and all references thereto and to the IFA Opinion Letter, in the form and context in which each appears in this Circular, and to act in such capacity in relation to this Circular.

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7. INDICATIVE SHAREHOLDING INTERESTS PRIOR TO AND AFTER THE PROPOSED SUBSCRIPTION

Please refer to **Appendix B** (*Changes in Shareholding Interests*) to this Circular for indicative shareholding interests of the Directors, Substantial Shareholders, the Subscriber and other Shareholders immediately prior to and after the First Tranche and the Second Tranche of the Proposed Subscription.

8. PRO FORMA FINANCIAL EFFECTS OF THE PROPOSED SUBSCRIPTION

8.1. Assumptions

The *pro forma* financial effects of the Proposed Subscription on the Company's share capital and the Group's NTA per Share, LPS and borrowings as set out below are strictly for illustrative purposes and are not indicative of the actual financial position and results of the Group following the Proposed Subscription.

As at the Latest Practicable Date, the Company has an issued and paid-up capital of approximately S\$39,433,000 comprising 387,748,700 Shares, excluding treasury shares.

The *pro forma* financial effects have been prepared based on the latest audited financial statements of the Group for FY2021, and on the following bases and assumptions:

- (a) 523,609,280 Subscription Shares will be allotted and issued on the completion of the First Tranche and 523,609,280 Subscription Shares will be allotted and issued on the completion of the Second Tranche;
- (b) any other Shares which may be allotted and issued otherwise have not been taken into consideration; and
- (c) the expenses incurred for the Proposed Subscription are not considered for the purposes of computing the financial effects.

8.2. Share Capital

	Number of Shares (excluding treasury shares)
Before the Proposed Subscription	387,748,700
After completion of the First Tranche	911,357,980
After completion of the Second Tranche	1,434,967,260

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8.3. NTA per Share

Assuming that the Proposed Subscription was completed on 31 December 2021, the *pro forma* financial effects on the Group's NTA per Share would be as follows:

	NTA⁽¹⁾ (S\$'000)	Number of Shares	NTA per Share (Singapore cents)
Before the Proposed Subscription	12,421	387,748,700	3.20
After completion of the First Tranche	33,889	911,357,980	3.72
After completion of the Second Tranche	55,357	1,434,967,260	3.86

Note:

(1) Refers to the total assets minus intangible assets and total liabilities, without non-controlling interests.

8.4. LPS

Assuming that the Proposed Subscription was completed on 1 January 2021, the *pro forma* financial effects on the Group's LPS would be as follows:

	Loss (S\$'000)	Number of Shares	LPS (Singapore cents)
Before the Proposed Subscription	16,124	387,748,700	4.16
After completion of the First Tranche	16,124	911,357,980	1.77
After completion of the Second Tranche	16,124	1,434,967,260	1.12

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8.5. Borrowings of the Group

Assuming that the Proposed Subscription was completed on 31 December 2021, the *pro forma* financial effects on the Group's borrowings would be as follows:

	Net Assets ⁽¹⁾ (S\$'000)	Total Borrowings (S\$'000)	Gearing Ratio ⁽²⁾
Before the Proposed Subscription	14,858	4,192	0.28
After completion of the First Tranche	36,326	4,192	0.12
After completion of the Second Tranche	57,794	4,192	0.07

Note:

- (1) Refers to the net assets value including non-controlling interests.
(2) Gearing ratio is derived from total borrowings divided by net assets pursuant to the completion of the First Tranche and the Second Tranche, as the case may be.

9. INTERESTS OF DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

Save as disclosed in this Circular, none of the Directors, the Substantial Shareholders or their respective associates has any interest, direct or indirect, in the Proposals, other than through their respective directorships and/or shareholdings in the Company.

As at the Latest Practicable Date, the interests of the Directors and Substantial Shareholders in the Shares, as recorded in the Register of Directors' shareholdings and Register of Substantial Shareholders' shareholdings respectively, are as set out in the table at section 7 (*Indicative Shareholding Interests prior to and after the Proposed Subscription*) of this Circular.

10. DIRECTORS' RECOMMENDATION

10.1. The Proposed Subscription

The Directors, having considered, amongst others, the terms and conditions, background to and rationale for, intended use of proceeds and financial effects of the Proposed Subscription, and all other relevant information set out in this Circular, are of the opinion that the Proposed Subscription is in the best interests of the Company, and accordingly recommend that Shareholders vote in favour of Ordinary Resolution 1 as set out in the Notice of EGM.

10.2. The Proposed Transfer of Controlling Interest

The Directors, having considered, amongst others, the terms and conditions, background to and rationale for, intended use of proceeds and financial effects of the Proposed Subscription, and all other relevant information set out in this Circular, are of the opinion that the Proposed Transfer of Controlling Interest is in the best interests of the Company, and accordingly recommend that Shareholders vote in favour of Ordinary Resolution 2 as set out in the Notice of EGM.

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10.3. The Proposed Whitewash Resolution

The Recommending Directors, having considered, amongst others, the terms and conditions, background to and rationale for, intended use of proceeds and financial effects of the Proposed Subscription and the opinion and advice of the IFA as set out in the IFA Opinion Letter, are of the opinion that the Proposed Whitewash Resolution is in the best interests of the Company, and accordingly recommend that Shareholders vote in favour of Ordinary Resolution 3 as set out in the Notice of EGM.

10.4. The Proposed Use of Proceeds as IPT

The Recommending Directors and the Audit Committee, having considered, amongst others, the terms and conditions, background to and rationale for, intended use of proceeds and financial effects of the Proposed Subscription and the opinion and advice of the IFA as set out in the IFA Opinion Letter, are of the view that the Proposed Use of Proceeds as IPT, as an interested person transaction, is on normal commercial terms and is not prejudicial to the interests of the Company and its minority Shareholders and the risks and rewards of Fengchi IOT are in proportion to the equity of each joint venture partner (namely TPA and Liuyu) after taking into consideration the Proposed Use of Proceeds as IPT.

10.5. Note to Shareholders

Shareholders, in deciding whether to vote in favour of the Proposals, should carefully read the terms and conditions, background to, rationale for and financial effects of the Proposed Subscription. In giving the above recommendations, the Directors and/or the Recommending Directors (as the case may be) have not had regard to the specific investment objectives, financial situation, tax position or unique needs or constraints of any individual Shareholder. As Shareholders would have different investment objectives, the Directors and/or the Recommending Directors (as the case may be) recommend that any Shareholder who is in any doubt as to the course of action he/she/it should take or may require specific advice in relation to his/her/its specific investment objectives or portfolio should consult his/her/its stockbroker, bank manager, solicitor, accountant, tax adviser or other professional adviser.

11. EXTRAORDINARY GENERAL MEETING

The EGM, notice of which is set out on pages N-1 to N-4 of this Circular, will be held at Thai Village Restaurant, 2 Stadium Walk, #01-02/03 Singapore Indoor Stadium, Singapore 397691 on 5 August 2022 at 3.00 p.m. for the purpose of considering and, if thought fit, passing with or without modifications, the Ordinary Resolutions set out in the Notice of EGM.

12. ACTION TO BE TAKEN BY SHAREHOLDERS

In light of the Singapore government's easing of the COVID-19 measures on 26 April 2022, the EGM will be held in person at Thai Village Restaurant, 2 Stadium Walk, #01-02/03 Singapore Indoor Stadium, Singapore 397691.

12.1. Questions

Shareholders, including CPF Investors and SRS Investors, can submit questions in advance of the EGM.

Submission of substantial and relevant questions in advance of the EGM. Shareholders, including CPF Investors and SRS Investors, can submit substantial and relevant questions related to the resolution to be tabled for approval at the EGM to the Chairman of the Meeting, in advance of the EGM, in the following manner:

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- (a) if submitted by post, the instrument must be lodged with the Company's registered office at Block 1002 Tai Seng Avenue #01-2536 Singapore 534409; and/or
- (b) if submitted electronically, the instrument must be submitted via email to sg.is.proxy@sg.tricorglobal.com.

in each case, by **3.00 p.m. on 28 July 2022 (being seven (7) calendar days from the date of the Notice of EGM)**. When sending in questions by post or email, please also include the following details: (a) full name; (b) address; and (c) the manner in which the Shares are held (e.g. via CDP, CPF, SRS and/or scrip).

Shareholders (including CPF Investors and SRS Investors) and, where applicable, appointed proxy(ies) can also ask live at the EGM substantial and relevant questions related to the resolution to be tabled for approval at the EGM by attending the EGM physically.

Addressing questions. The Company will endeavour to address all substantial and relevant questions received from Shareholders prior to the EGM by publishing the responses to such questions on SGXNet at the URL: <https://www.sgx.com/securities/company-announcements> before **3.00 p.m. on 1 August 2022** (being 48 hours prior to the last date and time for lodgement of Proxy Form) (the "**Pre-EGM Reply**"). The Company will address those substantial and relevant questions which have not already been addressed in the Pre-EGM Reply, as well as those received live at the EGM itself. Where substantially similar questions are received, the Company will consolidate such questions and consequently not all questions may be individually addressed.

The Company will publish the minutes of the EGM on SGXNet and on the Company's website and on SGXNet within one (1) month from the date of EGM, and the minutes will include the responses to substantial and relevant questions from Shareholders which are addressed during the EGM

12.2. Proxy Form

If a Shareholder is unable to attend the EGM and wishes to appoint a proxy(ies) to attend, speak and vote on his/her/its behalf, he/she/it should complete, sign and return the Proxy Form in the following manner:

- (a) if submitted by post, the instrument must be lodged with the Company's registered office at Block 1002 Tai Seng Avenue #01-2536 Singapore 534409; or
- (b) if submitted electronically, the instrument must be submitted via email to sg.is.proxy@sg.tricorglobal.com,

in each case, by **3.00 p.m. on 3 August 2022 (not less than 48 hours before the time appointed for holding the EGM)**.

A Shareholder who wishes to submit an instrument appointing a proxy(ies) by post or via email can download a copy of the Proxy Form from the Company's website and SGXNet, and complete and sign the Proxy Form, before submitting it by post to the address provided above, or before scanning and sending it by email to the email address provided above.

If no specific direction as to voting is given, in respect of a resolution, the appointed proxy(ies) will vote or abstain from voting at his/her/their discretion. If the appointor is a corporate, the Proxy Form must be executed under seal or the hand of its duly authorised officer or attorney. Persons who have an interest in the approval of the resolution must decline to accept their appointment as proxies unless the Shareholder concerned has specific instructions in his/her/its Proxy Form as to the manner in which his/her/its votes are to be cast in respect of such resolution.

The Company shall be entitled to reject an instrument of proxy which is incomplete, improperly

LETTER TO SHAREHOLDERS

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/her/its name in the Depository Register as at 72 hours before the time appointed for holding the EGM (i.e. **3.00 p.m. on 2 August 2022**), as certified by CDP to the Company.

CPF Investors and SRS Investors (a) may attend and cast their vote(s) at the EGM in person if they are appointed as proxies by their respective CPF Agent Banks or SRS Operators, and should contact their respective CPF Agent Banks or SRS Operators if they have any queries regarding their appointment as proxies; or (b) may appoint the Chairman of the Meeting as proxy to vote on their behalf at the EGM, in which case they should approach their respective CPF Agent Banks or SRS Operators to submit their votes at least seven (7) business days before the EGM (i.e. by **3.00 p.m. on 27 July 2022**), and such CPF Investor and/or SRS Investors shall be precluded from attending the EGM.

12.3. Documents

This Circular, the Notice of EGM and the Proxy Form will be sent to the Shareholders solely by electronic means via publication on the Company's website and will also be made available on SGXNet. Printed copies of these documents will not be sent to Shareholders. Please refer to the SGXNet website at the URL: <https://www.sgx.com/securities/company-announcements> and the Company's website at the URL: <https://thavillagerestaurant.com.sg/investors> for the (a) Circular; (b) Notice of EGM; and (c) Proxy Form.

Minutes of the EGM will be provided within one (1) month after the EGM on SGXNet website at the URL: <https://www.sgx.com/securities/company-announcements>.

12.4. Precautionary Measures to Minimise the Risk of COVID-19

The following steps will be taken for Shareholders and others attending the EGM to minimise the risk of community spread of COVID-19.

- (a) All attendees of the EGM will be required to wear face masks at the EGM venue at all times when not eating or drinking.
- (b) Shareholders and proxy(ies) who are feeling unwell on the date of the EGM are advised not to attend the EGM.
- (c) Any persons exhibiting flu-like symptoms may be refused admittance at the EGM.

12.5. Important Reminder

As the COVID-19 pandemic continues to evolve, further measures and/or changes to the EGM arrangements may be made on short notice in the ensuing days, even up to the day of the EGM. Shareholders are advised to closely monitor announcements made on SGXNet website at the URL: <https://www.sgx.com/securities/company-announcements> and/or the Company's website at the URL: <https://thavillagerestaurant.com.sg/investors> for updates on the EGM. The Company also seeks the understanding and cooperation of all Shareholders to minimise the risk of community spread of COVID-19.

13. 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

LETTER TO SHAREHOLDERS

Proposals, 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.

14. DOCUMENTS FOR INSPECTION

Copies of the following documents may be inspected at the registered office of the Company at Block 1002 Tai Seng Avenue #01-2536 Singapore 534409 during normal business hours from 9.00 a.m. to 5.00 p.m. for three (3) months from the date of this Circular:

- (a) the Constitution;
- (b) the Subscription Agreement;
- (c) the IFA Opinion Letter; and
- (d) the letter of consent referred to in section 6.3 (*Consent from the IFA*) of this Circular.

Shareholders who wish to inspect these documents at the registered office of the Company are required to send an email request to egm050822@pavillon.com.sg to make an appointment in advance. The Company will arrange a date when each shareholder can come to the registered office to inspect accordingly. The inspection of documents will be arranged with each shareholder to limit the number of people who are present at the registered office at any one point in time and such arrangements are subject to the prevailing regulations, orders, advisories and guidelines relating to safe distancing which may be implemented by the relevant authorities from time to time.

Yours faithfully

By Order of the Board
PAVILLON HOLDINGS LTD.

Dr. John Chen Seow Phun
Executive Chairman

21 July 2022

APPENDIX A – IFA OPINION LETTER



21 July 2022

PAVILLON HOLDINGS LTD.

Block 1002 Tai Seng Avenue
#01-2536 Singapore 534409

Attention: The Recommending Directors (as defined in the Circular)

LETTER FROM XANDAR CAPITAL PTE. LTD. TO THE RECOMMENDING DIRECTORS OF PAVILLON HOLDINGS LTD. (THE “COMPANY”) IN RESPECT OF:

- (A) THE PROPOSED WHITEWASH RESOLUTION IN RELATION TO THE PROPOSED SUBSCRIPTION OF 1,047,218,560 NEW ORDINARY SHARES IN THE CAPITAL OF THE COMPANY (THE “SUBSCRIPTION SHARES”) BY NEW DEVELOPMENT HOTEL MANAGEMENT PTE. LTD. (THE “SUBSCRIBER”) AT THE SUBSCRIPTION PRICE OF S\$0.041 (THE “SUBSCRIPTION PRICE”); AND
- (B) THE EXTENSION OF SHAREHOLDER’S LOAN OR EQUIVALENT BY THE COMPANY OF ALL THE PROCEEDS FROM THE PROPOSED SUBSCRIPTION (AS DEFINED BELOW) TO 丰驰物联网管理有限公司 FENGCHI IOT MANAGEMENT CO., LTD. (“FENGCHI IOT”) AS AN INTERESTED PERSON TRANSACTION UNDER CHAPTER 9 OF THE LISTING MANUAL OF THE SINGAPORE EXCHANGE SECURITIES TRADING LIMITED

For the purpose of this letter, capitalised terms not otherwise defined shall have the meaning given to them in the circular to shareholders of the Company dated 21 July 2022 (the “Circular”).

1. INTRODUCTION

On 10 March 2022 (the “**Announcement Date**”), the Company announced that it has, on 9 March 2022, entered into a subscription agreement (the “**Subscription Agreement**”) with the Subscriber, where it is agreed that the Company shall allot and issue, and the Subscriber shall subscribe for S\$42,935,961.02 (the “**Subscription Amount**”), being the Singapore dollar equivalent of RMB 200 million (the “**RMB Subscription Amount**”) at the agreed exchange rate of S\$1.00 to RMB 4.6581 (the “**Agreed Exchange Rate**”), in principal amount of the 1,047,218,560 Subscription Shares at the Subscription Price, on the terms and subject to the conditions of the Subscription Agreement (the “**Proposed Subscription**”).

1.1 THE PROPOSED WHITEWASH RESOLUTION

The Proposed Subscription shall be carried out in two (2) equal tranches. Upon the completion of the first tranche of the Proposed Subscription, the Subscriber and its concert parties will collectively hold more than 50% of the enlarged issued share capital of the Company. Pursuant to Rule 14 of the Singapore Code on Take-overs and Mergers (the “**Code**”), the Subscriber will be required to make a mandatory general offer for the



remaining ordinary shares in the capital of the Company (“**Shares**”) not already owned, controlled or agreed to be acquired by the Subscriber and its concert parties except where the Securities Industry Council (“**SIC**”) grants the Subscriber a waiver of its obligation to make a mandatory general offer under Rule 14 of the Code.

Hence, the obligations of the Subscriber under the Subscription Agreement to subscribe for the Subscription Shares are conditional upon, among others, the grant by the SIC (and the SIC not having revoked or repealed such grant) of the waiver of the obligation of the Subscriber to make a mandatory general offer under Rule 14 of the Code for the Shares not held by the Subscriber following the allotment and issue of the Subscription Shares pursuant to the Proposed Subscription under the Subscription Agreement, subject to (i) any conditions that the SIC may impose, provided that such conditions are reasonably acceptable to the Subscriber (the “**Whitewash Waiver**”); and (ii) the independent shareholders of the Company approving at an extraordinary general meeting (an “**EGM**”) the proposed ordinary resolution of the Company which if passed by the independent shareholders of the Company would result in a waiver by the independent shareholders of their right to receive a mandatory general offer from the Subscriber in connection with the issue of the Subscription Shares (the “**Proposed Whitewash Resolution**”).

The SIC has granted the Whitewash Waiver on 5 July 2022 and the Whitewash Waiver is subject to certain conditions including, *inter alia*, a majority of holders of voting rights of the Company approve at a general meeting, before the issue of the Subscription Shares under the first tranche of the Proposed Subscription, the Proposed Whitewash Resolution, and the Company appoints an independent financial adviser (“**IFA**”) to advise its shareholders (the “**Shareholders**”) who are considered independent in relation to the Proposed Subscription on the Proposed Whitewash Resolution, being the Shareholders other than (i) the Subscriber and its concert parties; and (ii) parties not independent of them (the “**Whitewash Independent Shareholders**”).

1.2 THE INTERESTED PERSON TRANSACTION

Fengchi IOT is a joint venture between 天津兰亭资产管理有限公司 (Tianjin Pavillon Assets Management Co., Ltd. ⁽¹⁾ “**TPA**”, a wholly-owned indirect subsidiary of the Company) and 上海六渝信息科技有限公司 (Shanghai Liuyu Information Technology Co., Ltd. ⁽¹⁾ “**Liuyu**”). TPA and Liuyu holds 49% and 51% of Fengchi IOT respectively.

Note:

- (1) These companies are incorporated in the People’s Republic of China (“**China**”) and do not have official English names. The English names of these companies are translated by the Company.

Mr. Ding Furu (丁福如) (“**Mr. Ding**”) is the sole ultimate beneficial shareholder of Liuyu. Mr. Ding is also the sole shareholder and director of the Subscriber. Upon the allotment and issue of the first tranche of the Subscription Shares, Mr. Ding, through his shareholding of the Subscriber, will be a controlling shareholder of the Company. Accordingly, even though Fengchi IOT is a joint venture entity of the Company, Fengchi IOT is also deemed as an ‘interested person’ of the Company under Chapter 9 of the Listing Manual (the “**Listing Manual**”) of the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”).



The extension of the proceeds from the Proposed Subscription as a shareholder's loan or equivalent to Fengchi IOT (the "**Fengchi IOT Loan**") constitutes an 'interested person transaction' under Chapter 9 of the Listing Manual (the "**Proposed Use of Proceeds as IPT**").

It is the intention of the Company and the Subscriber (collectively, the "**Parties**"), that 100.0% of the RMB Subscription Amount (through the Fengchi IOT Loan) shall be used to (a) pay for the principal amounts of the Shareholders' Fengchi IOT Bridging Loans (as defined in paragraph 3.1(k) in this IFA Letter) amounting to RMB 16.0 million (equivalent to approximately S\$3.4 million); (b) pay for the final outstanding payments under the Construction Financing (as defined in paragraph 3.1(e) in this IFA Letter) of approximately RMB 166.9 million (equivalent to approximately S\$35.8 million); and (c) finance the remaining instalment amounts and interest payments under the Bank Loan (as defined in paragraph 3.1(d) in this IFA Letter) for FY2022 of approximately RMB 23.5 million (equivalent to approximately S\$5.0 million).

Based on the RMB Subscription Amount (of RMB 200 million (equivalent to approximately S\$42.9 million)) and the estimated interest payable on the RMB Subscription Amount (of approximately RMB 30.4 million (equivalent to approximately S\$6.5 million), calculated based on the 5.0% interest rate per annum on a 360-day basis over a tenure of three (3) years), the value of the Proposed Use of Proceeds as IPT of approximately RMB 230.4 million (equivalent to approximately S\$49.5 million) represents approximately 178.8% of the audited net tangible assets ("**NTA**") of the Group for the financial year ended 31 December ("**FY**") 2020 (being the latest audited NTA of the Group prior to the entering of the Subscription Agreement).

Based on the RMB Subscription Amount and the estimated interest payable on the RMB Subscription Amount as set out above, the value of the Proposed Use of Proceeds as IPT represents approximately 398.3% of the audited NTA of the Group for FY2021 (being the latest audited NTA of the Group as at the date of the Circular).

As the value of the Proposed Use of Proceeds as IPT exceeds 5% of the latest audited NTA of the Group, the Proposed Use of Proceeds as IPT is subject to the approval from Shareholders who are considered independent in relation to the Proposed Use of Proceeds as IPT (the "**IPT Independent Shareholders**") at a general meeting of the Company to be convened.

Pursuant to Rule 921(4)(a) of the Listing Manual, the Company is required to obtain an opinion from an IFA on whether the Proposed Use of Proceeds as IPT is on normal commercial terms, and whether the Proposed Use of Proceeds as IPT is prejudicial to the interests of the Company and its minority Shareholders.

In addition, as Fengchi IOT is a joint venture entity and the Company is providing a loan to Fengchi IOT without a corresponding proportionate contribution from Liuyu (being the other joint venture partner), pursuant to Rules 916(3)(c) and 917(4)(a)(ii) of the Listing Manual, the Company is also required to obtain an opinion from the IFA, on whether the risks and rewards



of Fengchi IOT are in proportion to the equity of each joint venture partner (namely TPA and Liuyu) after taking into consideration the Proposed Use of Proceeds as IPT.

1.3 THE IFA OPINIONS

Xandar Capital Pte. Ltd. ("**Xandar Capital**") has been appointed as the IFA pursuant to the Code and Rules 917(4)(a)(ii) and 921(4)(a) of the Listing Manual in relation to the Proposed Subscription, the Proposed Whitewash Resolution and the Proposed Use of Proceeds on:

- (i) whether the terms of the Proposed Subscription, being the subject of the Proposed Whitewash Resolution, are fair and reasonable, and the recommendation to be made by the Recommending Directors to the Whitewash Independent Shareholders in relation to the Proposed Whitewash Resolution;
- (ii) whether the Proposed Use of Proceeds as IPT (and all other transactions which are the subject of aggregation pursuant to Rule 906 of the Listing Manual) is normal commercial terms and prejudicial to the interests of the Company and its minority Shareholders; and
- (iii) whether the risks and rewards of Fengchi IOT are in proportion to the equity of each joint venture partner (namely TPA and Liuyu) after taking into consideration the Proposed Use of Proceeds as IPT.

1.4 THIS LETTER

This letter, which is prepared pursuant to the Code and Rules 917(4)(a)(ii) and 921(4)(a) of the Listing Manual, sets out our evaluation of, and our opinion to, the Proposed Subscription, the Proposed Whitewash Resolution and the Proposed Use of Proceeds as IPT (this "**IFA Letter**"), and forms part of the Circular issued by the Company in connection with the Proposed Subscription, the Proposed Whitewash Resolution and the Proposed Use of Proceeds as IPT.

2. TERMS OF REFERENCE

We are not and were not involved in any aspect of the negotiations pertaining to the Proposed Subscription, the Proposed Whitewash Resolution and the Proposed Use of Proceeds as IPT, nor were we involved in the deliberations leading up to the decisions on the part of the Directors to undertake the Proposed Subscription, the Proposed Whitewash Resolution and the Proposed Use of Proceeds as IPT. Accordingly, we do not, by this IFA Letter, warrant the merits of the Proposed Subscription, the Proposed Whitewash Resolution and the Proposed Use of Proceeds as IPT.

Our terms of reference do not require us to express, evaluate or comment on the rationale for, strategic or commercial merits and/or risks of the Proposed Subscription, the Proposed Whitewash Resolution and the Proposed Use of Proceeds as IPT, or the future performance or prospects of the Group. We are, therefore, not expressing any opinion herein as to the future financial or other performance (including share price performance) of the Company or

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the Group, whether with or without the Proposed Subscription, the Proposed Whitewash Resolution and the Proposed Use of Proceeds as IPT.

As with other business transactions of the Company, the merit and/or associated risk, whether commercial, financial or otherwise, of the Proposed Subscription, the Proposed Whitewash Resolution and the Proposed Use of Proceeds as IPT, are solely the responsibility of the Directors. We are also not addressing the relative merits of the Proposed Subscription, the Proposed Whitewash Resolution and the Proposed Use of Proceeds as IPT, as compared to any alternative transaction of the Group or that otherwise may become available to the Group in the future. Such evaluations or comments remain the responsibility of the Directors.

In the course of our evaluation and for the purpose of providing our opinion in respect of the Proposed Subscription, the Proposed Whitewash Resolution and the Proposed Use of Proceeds as IPT, we have held discussions with certain Directors and certain management of the Company (the “**Management**”) and have examined information provided by the Directors and the Management and other publicly available information collated by us, upon which our view is based. We have not independently verified such information, whether written or verbal, and accordingly cannot and do not make any representation or warranty in respect of, and do not accept any responsibility for, the accuracy, completeness or adequacy of such information. We have made reasonable enquiries and exercised our judgment on the reasonable use of such information and found no reason to doubt the accuracy or reliability of the information.

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

We have relied upon the assurance of the Directors that the Directors collectively and individually accept full responsibility for the accuracy of the information given in the Circular and confirm after making all reasonable enquiries, that to the best of their knowledge and belief, the Circular constitutes full and true disclosure of all material facts about the Proposed Subscription, the Proposed Whitewash Resolution and the Proposed Use of Proceeds as IPT, the Company and its subsidiaries, and the Directors are not aware of any facts the omission of which would make any statement in the Circular misleading. Where information in the 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 the Circular in its proper form and context. In relation to this IFA Letter, the Directors have confirmed that the facts stated, with respect to the Group, the Proposed Subscription, the Proposed Whitewash Resolution and the Proposed Use of Proceeds as IPT, are to the best of their knowledge and belief, fair and accurate in all material aspects.

Our opinion is based upon prevailing market, economic, industry, monetary and other conditions (where applicable) and the information made available to us contained in the Circular as of the Latest Practicable Date. We assume no responsibility to update, revise or reaffirm our view in light of any subsequent development after the Latest Practicable Date that may affect our opinion contained herein. Shareholders should take note of any

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announcements relevant to their consideration of the Proposed Subscription, the Proposed Whitewash Resolution and the Proposed Use of Proceeds as IPT, which may be released by the Company after the Latest Practicable Date.

In arriving at our opinion, we did not consider the specific investment objectives, financial situation, tax consequences, risk profile or unique needs and constraints of any Shareholder or any specific group of Shareholders. We recommend that any individual Shareholder or group of Shareholders who may require specific advice in relation to his or their investment objectives or portfolios should consult his or their legal, financial, tax or other professional advisors immediately.

Our opinion is prepared pursuant to the Code and Rules 917(4)(a)(ii) and 921(4)(a) of the Listing Manual in relation to the Proposed Subscription, the Proposed Whitewash Resolution and the Proposed Use of Proceeds as IPT, and the recommendation made by the Recommending Directors shall remain the responsibility of the Recommending Directors.

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

Our opinion, in relation to the Proposed Subscription, the Proposed Whitewash Resolution and the Proposed Use of Proceeds as IPT, should be considered in the context of the entirety of this IFA Letter and the Circular.

Whilst a copy of this IFA Letter may be reproduced in the Circular, neither the Company, the Directors nor the Shareholders may reproduce, disseminate or quote this IFA Letter (or any part thereof) for any other purposes other than the Proposed Subscription, the Proposed Whitewash Resolution and the Proposed Use of Proceeds as IPT at any time and in any manner without our prior written consent.

We recommend that the Directors advise the Shareholders to read these pages carefully.



3. THE PROPOSED SUBSCRIPTION

3.1 BACKGROUND AND RATIONALE FOR THE PROPOSED SUBSCRIPTION

The background and rationale for the Proposed Subscription is set out in Sections 2.1 and 2.2 of the Circular.

In summary:

- (a) the Group, through Fengchi IOT (which was then wholly-owned by Pavillon Financial Leasing Co., Ltd. (兰亭融资租赁有限公司) (“PFL”, a 75.98%-owned subsidiary of the Company) acquired a 50-year land use rights to a piece of land (approximately 57,052.9 square meters) within the Dongjiang Port Area in Tianjin, China, at RMB 42.8 million (equivalent to approximately S\$9.2 million) in December 2017;
- (b) by October 2018, the Group made capital injection of RMB 90 million (equivalent to approximately S\$19.3 million) in Fengchi IOT to develop a multi-storey bonded warehouse, automotive warehouse showroom, automotive financial services center and logistics network management center on the land, to provide a venue that will allow motor traders to store their products, showcase their brands and conduct online-offline transactions (the “**Warehouse**”);
- (c) the Group’s shareholding in Fengchi IOT was diluted to 49% with additional capital injection of RMB 121.8 million (equivalent to approximately S\$26.1 million) by 上海津茂科技发展有限公司 (Shanghai Jinmao Technology Development Co Ltd. (“**Jinmao**”)) in October 2018 (Jinmao then transferred its shareholding in Fengchi IOT to Liuyu in March 2022);
- (d) with the increased capital of Fengchi IOT, Fengchi IOT secured a bank loan of RMB 300 million (equivalent to approximately S\$64.4 million) (the “**Bank Loan**”) for the construction of the Warehouse in December 2019. The Bank Loan was secured and guaranteed by the provision of guarantees by (a) the provision of a joint and several corporate guarantee by the shareholders of Fengchi IOT; and (b) the provision of security over the Warehouse and assets from Mr. Ding’s personal investment portfolio including his hotel properties;
- (e) in addition to the Bank Loan, Fengchi IOT also had financing arrangements with 浙江中成建工集团有限公司 (the “**Main Contractor**”, the main contractor for the construction of the Warehouse) for deferred payments of part of the construction fees for the Warehouse (the “**Construction Financing**”), where such payments are to be paid progressively and to be fully paid within 18 months from the completion of the Warehouse. A joint and several corporate guarantee from the shareholders of Fengchi IOT was also provided for the Construction Financing;
- (f) although the Warehouse commenced operations in early 2021 with the completion of the construction of the Warehouse in December 2020 and the receipt of the property title of the Warehouse in January 2021, response has been poor due to the



uncertainty of emission standards implemented by the China government which resulted in a massive reduction in the volume of the parallel import car business. The occupancy rate of the Warehouse was also affected by the COVID-19 safety measurements imposed by the government authorities in China;

- (g) as at the Latest Practicable Date, the Warehouse has the following occupancy rates: (a) office tower (approximately 13%); (b) exhibition areas (approximately 6%); (c) warehousing (approximately 39%). Whilst the Group expects to increase the occupancy rates of the Warehouse through its marketing efforts and plans for sourcing more tenants, the Group does not expect the Warehouse operations to be profitable for FY2022;
- (h) the final outstanding payments under the Construction Financing aggregating approximately RMB 166.9 million (equivalent to approximately S\$35.8 million) are due in June and December 2022. As announced by the Company on 16 June 2022, Fengchi IOT and PFL had received a letter of demand from the Main Contractor for the payment of outstanding amounts before 20 June 2022. Taking into consideration the Proposed Subscription, the Group is in earnest discussions with the Main Contractor for an extension of payment terms to align with the timeline for the Proposed Subscription;
- (i) in addition, instalment amounts and interest payments on the Bank Loan aggregating approximately RMB 47.3 million (equivalent to approximately S\$10.2 million) are due in FY2022 (specifically in March, June, September and December 2022);
- (j) the total amount to service and repay the major liabilities of Fengchi IOT for FY2022 (under the Bank Loan and the Construction Financing) was approximately RMB 214.2 million (equivalent to approximately S\$46.0 million);
- (k) out of the RMB 214.2 million (equivalent to approximately S\$46.0 million), a total of RMB 23.8 million (equivalent to approximately S\$5.1 million) being the principal instalment under the Bank Loan due in June 2022 and the interest payments under the Bank Loan due in March 2022 and June 2022 have been repaid using internal resources and revenue from operations of the Group, and bridging loans of collectively RMB 16.0 million (equivalent to approximately S\$3.4 million) provided by the shareholders of Fengchi IOT in equal proportions to Fengchi IOT, at an interest rate of 5.0% per annum and to be immediately repayable upon the completion of the Proposed Subscription (the **"Shareholders' Fengchi IOT Bridging Loans"**). To ensure that its liabilities are met, the Group has to source for financing and/or capital injection options;
- (l) if Fengchi IOT is not able to repay or pay these two (2) major current liabilities (namely, the Construction Financing and the Bank Loan) as and when they fall due, the creditors may avail themselves to the security and corporate guarantees provided by the Group. For example, the bank which has the Warehouse as security to the Bank Loan, may seize the Warehouse for sale to recover the Bank Loan, and there is no assurance that the bank will sell the Warehouse at or above the market value as at 31 December 2021. In the event that the proceeds from the sale of the

Warehouse are not sufficient to repay the Bank Loan, the bank may call for the security on the Bank Loan, including the corporate guarantee given by PFL. Similarly, if the final outstanding payments under the Construction Financing are not repaid, the Main Contractor may call on the corporate guarantee given by PFL; and

- (m) inability to finance the outstanding payments due under the Bank Loan and the Construction Financing will result in difficulties caused to the survival of Fengchi IOT and the Logistics Business of the Group, being a core business of the Group. This may result in (i) a loss of the amount which the Group has invested into Fengchi IOT (approximately RMB 90 million (equivalent to approximately S\$19.3 million), including the Warehouse, as the Warehouse has been provided as security under the Bank Loan; and (ii) the insolvent liquidation of subsidiary(ies) of the Company which has provided the relevant corporate guarantees under the Bank Loan and the Construction Financing.

Accordingly, the Company is undertaking the Proposed Subscription to raise funds to pay (a) pay for the principal amounts of the Shareholders' Fengchi IOT Bridging Loans amounting to RMB 16.0 million (equivalent to approximately S\$3.4 million); (b) pay for the final outstanding payments under the Construction Financing of approximately RMB 166.9 million (equivalent to approximately S\$35.8 million; and (c) finance the remaining instalment amounts and interest payments under the Bank Loan for FY2022 of approximately RMB 23.5 million (equivalent to approximately S\$5.0 million).

3.2 THE SUBSCRIPTION SHARES

As set out in Section 2.5 of the Circular, pursuant to the Subscription Agreement, the Subscriber will be subscribing for an aggregate of Subscription Shares as follows:

Tranche	Aggregate consideration (S\$)	Number of Subscription Shares
First tranche - The later of (a) 1 July 2022 (or such other earlier date as may be mutually agreed between the Parties); or (b) the date which is no later than seven (7) days from the date falling on which all of the conditions precedent as set out in Section 2.5(b) of the Circular have been satisfied or waived (the " First Completion Date ").	S\$21,467,980.51 / RMB 100 million	523,609,280
Second tranche - 31 December 2022 (or such other earlier date as may be mutually agreed between the Parties) (the " Second Completion Date ").	S\$21,467,980.51 / RMB 100 million	523,609,280
Total	S\$42,935,961.02 / RMB 200 million	1,047,218,560



As set out in Section 2.6(b) of the Circular, the Subscription Shares, when allotted and issued, shall be credited as fully-paid Shares, free from any and all encumbrances, listed and tradable on the Mainboard of the SGX-ST and rank *pari passu* with all other existing Shares, save that they will not rank for any dividends, rights, allotments, distributions or entitlements, the record date for which falls before the date of issue of the Subscription Shares.

3.3 THE SUBSCRIPTION PRICE

The Subscription Price is S\$0.041 for each Subscription Share.

The Subscription Price of S\$0.041 represents:

- (a) a premium of approximately 86.4% to the last transacted price of S\$0.022 and 51.9% to the volume weighted average price of S\$0.027 for trades done on the Shares on the Mainboard of the SGX-ST on 1 March 2022, being the market day on which the Shares were traded preceding to the time the Subscription Agreement was signed; and
- (b) a discount of approximately 10.9% to the last transacted price of S\$0.046 and a discount of approximately 9.3% to the volume weighted average price of S\$0.0452 for trades done on the Shares on the Mainboard of the SGX-ST on 18 July 2022, being the Latest Practicable Date.

The Subscription Price of S\$0.041 represents a premium of approximately 28.1% to the latest audited net asset value per Share of S\$0.032 as at 31 December 2021 and the latest unaudited net asset value per Share of S\$0.0206 as at 30 June 2022.

3.4 THE SUBSCRIBER

Further information of the Subscriber is set out in Section 2.3 of the Circular.

The Subscriber was incorporated in Singapore on 10 August 2016 with its principal activities to carry on the business of hotel management and an investment holding company. The Subscriber is an entity within the group of companies owned by Mr. Ding, which co-manages the hotels owned by Mr. Ding, specifically, Marriott Shanghai Fengxian, The JW Marriott Hotel Shanghai Changfeng Park and Fairfield by Marriott Shanghai Jing'an.

As at the Latest Practicable Date, it has an issued and paid-up share capital of S\$10,000 and 10,000 ordinary shares.

As mentioned in earlier paragraph, Mr. Ding is the sole shareholder and director of the Subscriber. Mr. Ding is a naturalised Singaporean and is based in Shanghai, China, with investments in various industries, including property development and hotel ownership and development. Through his investments, he has majority interest in a public company listed on the Shanghai Stock Exchange, Vohringer Home Technology (菲林格尔) and is also the owner of various hotel properties in China including Courtyard by Marriott Shanghai

Fengxian, The JW Marriott Hotel Shanghai Changfeng Park and Fairfield by Marriott Shanghai Jing'an.

Please refer to Section 4.3 of the Circular and paragraph 4.1 of this IFA Letter for the shareholding of the Subscriber and its concert parties (namely, Mr. Ding) before and after the completion of the Proposed Subscription.

As mentioned in paragraph 1.2 of this IFA Letter, Mr. Ding is a Shareholder of the Company and is also the shareholder of Fengchi IOT, a joint venture entity of the Company.

3.5 OTHER SALIENT TERMS OF THE SUBSCRIPTION AGREEMENT

The other salient terms of the Proposed Subscription can be found in Section 2.5 of the Circular and we highlight the following:

Conditions Precedent	<p>Conditions precedent include but are not limited to the following:</p> <ul style="list-style-type: none"> (a) the grant of the Whitewash Waiver by the SIC and the Whitewash Independent Shareholders' approval for the Proposed Whitewash Resolution; (b) the in-principle approval being obtained from the SGX-ST for the listing and quotation of the Subscription Shares on the Mainboard of the SGX-ST; (c) the nomination by the Subscriber of such number of Directors (as mutually agreed upon by the Parties, taking into consideration the Board size) to be appointed to the Board of Directors of the Company on or about the First Completion Date; and (d) the nomination by the Subscriber of such director(s) and/or legal representatives to be appointed to the boards of the PRC Subsidiaries (being Pavillon Business Development (Shanghai) Co., Ltd; PFL; Tianjin Yixing Intelligent Washing Technology Co., Ltd. (formerly known as State Research Pavillon Finance Leasing Co., Ltd.) and TPA) on or about the First Completion Date. <p>Shareholders are advised to refer to Section 2.5(b) of the Circular for the full text and details of the conditions precedent.</p>
Longstop date	<p>The longstop date to fulfil the above conditions precedent is 9 September 2022, being the date falling six (6) months from the date of the Subscription Agreement (or such other date as may be mutually agreed between the Parties).</p>

Undertakings given by the Company	<p>The Company undertakes to the Subscriber that it will, among others:</p> <p>(a) provide, and/or use its best endeavours to procure that its PRC Subsidiaries provide, to the Subscriber the relevant and required financial information of such PRC Subsidiaries within 14 business days of receipt of a written notice from the Subscriber; and</p> <p>(b) within 14 business days of receipt of a written notice from the Subscriber, use its best endeavours to take all necessary actions to prepare for the restructuring of the Group (including but not limited to making changes to the business operations and personnel) required by the Subscriber to prepare to have majority control over the operations and management of the Group (the “Restructuring”).</p> <p>The full text and details of the undertaking can be found in Section 2.5(f) of the Circular.</p>
Termination	<p>The Subscriber shall have the right to terminate the Subscription Agreement at any time prior to and up to the First Completion Date, upon the provision of five (5) business days’ prior written notice of such termination to the Company, if any of the following shall occur:</p> <p>(a) there has been a 10.0% decrease from the net assets value of the Group, without taking into consideration the financial results of Fengchi IOT (based on the latest unaudited financial statements for FY2021 as announced on 25 February 2022 by the Company), provided that such decrease has been solely (whether directly or indirectly) caused by act(s) of fraudulence, gross negligence or wilful default of any Director and/or key management personnel of the Company and/or its PRC Subsidiaries (as the case may be); or</p> <p>(b) there has been an event of continued failure, neglect or refusal by any Director and/or key management personnel of the Company and/or its PRC Subsidiaries (as the case may be) to reasonably cooperate in the provision of any financial information as required by the Company from its PRC Subsidiaries.</p>

3.6 USE OF THE SUBSCRIPTION AMOUNT

As mentioned in Section 2.6(d) of the Circular, all of the proceeds from the Proposed Subscription (through the Fengchi IOT Loan) shall be used to pay (a) the principal amounts of the Shareholders’ Fengchi IOT Bridging Loans amounting to RMB 16.0 million (equivalent to approximately S\$3.4 million); (b) the final outstanding payments under the Construction Financing of approximately RMB 166.9 million (equivalent to approximately S\$35.8 million; and (c) the remaining instalment amounts and interest payments under the Bank Loan for FY2022 of approximately RMB 23.5 million (equivalent to approximately S\$5.0 million).

Please also refer to Section 5.2 of the Circular and paragraph 5.1 of this IFA Letter for further details relating to the Proposed Use of Proceeds as IPT.

The Company will make an announcement upon the proceeds from the Proposed Subscription being disbursed and whether such use is in accordance with the stated use as set out in Section 2.6(d) of the Circular. The Company will also provide a status report on the use of the proceeds from the Proposed Subscription in the Company's half year and full year financial statements and the Company's annual report. Where there is any material deviation from the stated use, the Company will announce the reasons for such deviation.

4. THE PROPOSED WHITEWASH RESOLUTION

4.1 THE SHAREHOLDING OF THE SUBSCRIBER AND ITS CONCERT PARTIES BEFORE AND AFTER THE COMPLETION OF THE PROPOSED SUBSCRIPTION

We set out the shareholding interests of the Subscriber and its concert parties before and after the completion of the Proposed Subscription as follows:

	As at the Latest Practicable Date		Upon First Completion Date ⁽¹⁾		Upon Second Completion Date ⁽¹⁾	
	Shares (direct)	As a percentage of the existing share capital	Shares (direct)	As a percentage of the then enlarged share capital ⁽²⁾	Shares (direct)	As a percentage of the then enlarged share capital ⁽²⁾
The Subscriber	-	-	523,609,280	57.45	1,047,218,560	72.98
Mr. Ding ⁽³⁾	190,200	0.05	190,200	0.02	190,200	0.01
Total	190,200	0.05	523,799,280	57.47	1,047,408,560	72.99

Notes:

- (1) Assuming none of the Subscription Shares have been sold by the Subscribers up to the Second Completion Date.
- (2) Based on the 387,748,700 Shares in issue as at the Latest Practicable Date, the 911,357,980 Shares after the First Completion Date and the 1,434,967,260 Shares after the Second Completion Date.
- (3) Mr. Ding is the sole shareholder and director of the Subscriber.

As set out in Section 5.1 of the Circular, Mr. Ding is also the ultimate beneficiary owner of Liuyu which holds 51% of Fengchi IOT.



Save as disclosed above, the Subscriber does not have any connection (including business relationships) with the shareholders of the Company or the Directors, or their respective associates.

4.2 ABSTENTION FROM VOTING

Pursuant to the Whitewash Waiver, (a) the Subscriber and its concert parties; and (b) parties not independent of them shall abstain, and shall procure their associates to abstain, from voting on the ordinary resolutions relating to the Proposed Whitewash Resolution at the EGM, and refrain from accepting nomination as proxy or otherwise vote at the EGM in respect of the Proposed Whitewash Resolution unless Shareholders appointing them as proxies give specific instructions in the relevant proxy forms on the manner in which they wish their votes to be cast for the said resolution.

4.3 INDEPENDENT SHAREHOLDERS SHOULD NOTE THAT:

- (a) the allotment and issue of the First Tranche Subscription Shares would result in the Subscriber and its concert parties holding in Shares carrying over 49.0% of the voting rights of the Company, and that the Subscriber and its concert parties will be free to acquire further Shares (including the Subscription Shares under the Second Tranche of the Proposed Subscription) without incurring any obligation under Rule 14 of the Code to make a general offer;
- (b) by voting in favour of the Proposed Whitewash Resolution, they will be waiving their rights to receive a general offer from the Subscriber at the highest price paid by the Subscriber and its concert parties for the Shares in the six (6) months preceding 10 March 2022, being the Announcement Date of the execution of the Subscription Agreement;
- (c) by voting in favour of the Proposed Whitewash Resolution, they 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 Subscription Shares; and
- (d) approval of the Proposed Whitewash Resolution is a condition precedent to completion of the Proposed Subscription. Accordingly, in the event that the Proposed Whitewash Resolution is not passed by the Whitewash Independent Shareholders, the Proposed Subscription will not take place.

5. THE PROPOSED USE OF PROCEEDS AS IPT

5.1 INITIAL TERMS OF THE PROPOSED USE OF PROCEEDS AS IPT

As mentioned in previous paragraph, 100% of the RMB Subscription Amount (through the Fengchi IOT Loan with agreed initial terms) shall be used to pay (a) the principal amounts of the Shareholders' Fengchi IOT Bridging Loans amounting to RMB 16.0 million (equivalent to approximately S\$3.4 million); (b) the final outstanding payments under the Construction



Financing of approximately RMB 166.9 million (equivalent to approximately S\$35.8 million; and (c) the remaining instalment amounts and interest payments under the Bank Loan for FY2022 of approximately RMB 23.5 million (equivalent to approximately S\$5.0 million).

The initial terms of the Fengchi IOT Loan are (a) an interest rate of 5.0% per annum (or such other interest rate to be mutually agreed by the Parties) on 360-day basis; and (b) an initial tenure of three (3) years (or such other period to be mutually agreed by the Parties).

The basis of the interest rate can be found in Section 5.2 of the Circular, and the factors taken into account include, among others, the tenure of the loan, the interest rates of the Group's existing borrowings, that the Warehouse has commenced operations as at the Latest Practicable Date and Fengchi IOT has been working closely with the local authority to promote the Warehouse and the Warehouse recently hosted an antique car exhibition with the support from the local authority although physical attendance was limited due to the COVID-19 pandemic.

Based on the RMB Subscription Amount of RMB 200 million (equivalent to approximately S\$42.9 million) and the total interest payable by Fengchi IOT of RMB 30.4 million (equivalent to approximately S\$6.5 million), the total amount at risk to the Company for the three years initial term is approximately RMB 230.4 million (equivalent to approximately S\$49.5 million).

5.2 RATIONALE FOR THE PROPOSED USE OF PROCEEDS AS IPT

The rationale for the Proposed Use of Proceeds as IPT is the same as the rationale for the Proposed Subscription (the full text of which is set out in Section 2.2 of the Circular) which is to raise funds to pay the total amounts aggregating approximately RMB 206.4 million (equivalent to approximately S\$44.2 million) comprising (a) the principal amounts of the Shareholders' Fengchi IOT Bridging Loans amounting to RMB 16.0 million (equivalent to approximately S\$3.4 million); (b) the final outstanding payments under the Construction Financing of approximately RMB 166.9 million (equivalent to approximately S\$35.8 million; and (c) the remaining instalment amounts and interest payments under the Bank Loan for FY2022 of approximately RMB 23.5 million (equivalent to approximately S\$5.0 million).

For FY2021, Fengchi IOT made a loss of approximately S\$31.3 million. Further, as at 31 December 2021, Fengchi IOT had net equity of approximately S\$16.0 million, negative working capital of approximately S\$36.4 million and cash on hand of approximately S\$1.3 million.

While the Warehouse (and consequently Fengchi IOT) remain loss-making as at the Latest Practicable Date, Fengchi IOT had positive equity position as at the Latest Practicable Date and the Group continues to believe that the potential returns from the Warehouse and its investment in Fengchi IOT can be a steady source of material revenue for the Group in the future, provided that it is able to have sufficient support from its stakeholders including relevant governmental authorities (in relation to favourable economic policies), such as the provision of rental rebates to eligible tenants of the Warehouse) and sustainable cash flows to continue with its marketing and operational efforts in developing the Warehouse as a notable logistics hub in Dongjiang, Tianjin. Specifically, being a bonded warehouse in Dongjiang Port Area in Tianjin, China entails that the tenants will not be required to pay

import duty taxes on the cars which are stored at the Warehouse and when the Group is able to provide value-added services such as logistics, product finance, customs clearance and inspections, coupled with potential rental rebates, the Group hopes to improve occupancy rates at the Warehouse. Based on market rental income, the Warehouse will be able to break even at an occupancy rate of approximately 56%, taking into consideration the above-mentioned services and efforts which will increase the operating revenue and margin.

5.3 THE AGGREGATE VALUE OF INTERESTED PERSON TRANSACTIONS

Pursuant to Rule 921(4)(a) of the Listing Manual, the IFA needs to opine on whether the Proposed Use of Proceeds as IPT and all other transactions which are the subject of aggregation pursuant to Rule 906 of the Listing Manual are on normal commercial terms, and whether the Proposed Use of Proceeds as IPT and all other transactions which are the subject of aggregation pursuant to Rule 906 of the Listing Manual is prejudicial to the interest of the Company and its minority Shareholders.

As disclosed in Section 5.3 of the Circular, the Company has the following ongoing interested person transaction (excluding individual transactions below S\$100,000) with the same interested person as Fengchi IOT for the period from 1 January 2022 up to the Latest Practicable Date:

(a) Short-Term Financing Loan

Fengchi IOT has obtained an unsecured short-term financing loan of RMB 20 million (equivalent to approximately S\$4.3 million) from an associated company of Mr. Ding (the “**Short-Term Financing Loan**”) in December 2021 for a tenure of seven months.

As at the Latest Practicable Date, Fengchi IOT has drawn down principal of RMB 10 million (equivalent to approximately S\$2.1 million) on the Short-Term Financing Loan.

The interest rate on the Short-Term Financing Loan is 8% per annum (on a 360-day basis).

Fengchi IOT has utilised the proceeds of the Short-Term Financing Loan to make the partial early payment to the Main Contractor at the same interest rate of 8% per annum (on a 360-day basis). Accordingly, the interest on the Short-Term Financing Loan for the period up to the initial due date of the Construction Financing is borne by the Main Contractor. The end result is neutral to Fengchi IOT as the other income (being the interest received) generated by Fengchi IOT from making the partial early payment to the Main Contractor is offset by the other expenses (being the interest paid) incurred by Fengchi IOT from obtaining the Short-Term Financing Loan.

The Company had in June 2022, obtained a confirmation from Mr. Ding (through the associated company), that the repayment date of the Short-Term Financing Loan will be extended for one (1) year and the Short-Term Financing Loan will have a revised interest rate of 5.0% per annum, to be effective upon the completion of the Proposed Subscription.



(b) Shareholders' Fengchi IOT Bridging Loans

Fengchi IOT has obtained the Shareholders' Fengchi IOT Bridging Loans of collectively RMB 16.0 million (comprising RMB 8 million from TPA and RMB 8 million from Liuyu) in June 2022 to partially finance the instalment amounts and interest payments under the Bank Loan due in June 2022.

The interest rate on the Shareholders' Fengchi IOT Bridging Loans is 5.0% per annum and to be immediately repayable upon the completion of the Proposed Subscription.

Based on the above, as at the Latest Practicable Date, assuming the completion of the Proposed Subscription (save for the Proposed Subscription and the consequential Proposed Use of Proceeds as IPT), the total value of other interested person transactions with Mr. Ding or any of his associates for the current FY2022 is approximately RMB 1.5 million, (equivalent to approximately S\$0.3 million), representing approximately 2.6% of the audited NTA of the Group for FY2021 (being the latest audited NTA amounting to approximately S\$12.4 million).

For the avoidance of doubt, Mr. Ding and his associates are not considered interested persons prior to the completion of the Proposed Subscription.

5.4 ABSTENTION FROM VOTING

Pursuant to Rule 921(7) of the Listing Manual, Fengchi IOT, Mr. Ding, the Subscriber and their respective associates, shall abstain from exercising their voting rights in respect of all Shares owned by them and shall not accept appointments as proxies unless specific instructions as to voting are given, in respect of the resolution for the Proposed Use of Proceeds as IPT.

6. EVALUATION OF THE PROPOSED SUBSCRIPTION

The following are factors which we consider to be pertinent and to have a significant bearing on our evaluation of the Proposed Subscription:

- (a) the rationale for the Proposed Subscription;
- (b) the Subscription Price as compared to the historical market prices of the Shares;
- (c) the Subscription Price as compared to the net asset value ("**NAV**") per Share;
- (d) the valuation ratios implied by the Subscription Price as compared to listed companies comparable to the Group;
- (e) the terms of the Proposed Subscription as compared to recent similar transactions undertaken by other companies listed on the SGX-ST;
- (f) the pro forma financial effects of the Proposed Subscription; and



(g) other considerations.

These factors are discussed in greater detail in the ensuing paragraphs.

6.1 THE RATIONALE FOR THE PROPOSED SUBSCRIPTION

As set out in Section 2.2 of the Circular and paragraph 3.1 of this IFA Letter, the Company is undertaking the Proposed Subscription to raise funds to meet the liabilities of Fengchi IOT.

We note from the annual report of the Company that:

- (a) as at 31 December 2021, the total outstanding liabilities of Fengchi IOT amounted to approximately S\$96.7 million, which include the outstanding amounts under the Bank Loan and the Construction Financing;
- (b) as at 31 December 2021, Fengchi IOT had negative working capital of approximately S\$36.4 million due mainly to the current portion of the Bank Loan and the Construction Financing;
- (c) Fengchi IOT registered negative operating cash flow of RMB 5.0 million (equivalent to approximately S\$1.1 million) in FY2021; and
- (d) as at 31 December 2021, the total cash and cash equivalents of Fengchi IOT amounted to RMB 6.2 million (equivalent to approximately S\$1.3 million).

The Company confirms that Fengchi IOT has no other alternative financing sources as its main asset (being the Warehouse) has been collateralized for the Bank Loan. Fengchi IOT needs financing to pay the total amounts aggregating approximately RMB 206.4 million (equivalent to approximately S\$44.2 million) comprising (a) the principal amounts of the Shareholders' Fengchi IOT Bridging Loans amounting to RMB 16.0 million (equivalent to approximately S\$3.4 million) which was drawn down in June 2022 to repay part of the Bank Loan; (b) the final outstanding payments under the Construction Financing of approximately RMB 166.9 million (equivalent to approximately S\$35.8 million); and (c) the remaining instalment amounts and interest payments under the Bank Loan for FY2022 of approximately RMB 23.5 million (equivalent to approximately S\$5.0 million).

As at 31 December 2021, the Group's cash and cash equivalents amounted to S\$6.8 million (equivalent to approximately RMB 31.6 million) which is not sufficient to pay the total amounts aggregating approximately RMB 206.4 million (equivalent to approximately S\$44.2 million) as set out above.

The Group also needs to retain its cash and cash equivalents for its operations in Singapore.

As announced by the Company on 16 June 2022, Fengchi IOT and PFL had received a letter of demand from the Main Contractor for the payment of outstanding amounts before 20 June 2022.



If Fengchi IOT is not able to repay or pay these two (2) major current liabilities (namely the Construction Financing and the Bank Loan) as and when they fall due, the creditors may avail themselves to the security and corporate guarantees provided by the Group. Inability to finance the outstanding payments due under the Bank Loan and the Construction Financing will result in difficulties caused to the survival of Fengchi IOT and the Logistics Business of the Group, being a core business of the Group. This may result in (i) a loss of the amount which the Group has invested into Fengchi IOT (approximately RMB 90 million (equivalent to approximately S\$19.3 million), including the Warehouse, as the Warehouse has been provided as security under the Bank Loan; and (ii) the insolvent liquidation of subsidiary(ies) of the Company which has provided the relevant corporate guarantees under the Bank Loan and the Construction Financing.

Notwithstanding that Fengchi IOT has been loss-making since it commenced operations, remained loss-making as at the Latest Practicable Date and the Group does not expect the Warehouse operations to be profitable for FY2022, Fengchi IOT had positive equity position as at the Latest Practicable Date and the Warehouse's market value of S\$106.4 million as at 31 December 2021 (which was determined based on an income approach) is more than the aggregate liabilities of Fengchi IOT. Further, the Group believes that the market value of the Warehouse as at 31 December 2021 (which was below its book value as at 31 December 2021) was affected by COVID-19 and did not reflect the future potential returns of the Warehouse.

The net loss of Fengchi IOT for FY2021, after excluding fair value loss on the investment property, amounted to approximately S\$5.5 million for FY2021. As at 31 December 2021, Fengchi IOT had net equity of approximately S\$16.0 million which represents approximately 2.9 times of such net loss of Fengchi IOT.

6.2 THE SUBSCRIPTION PRICE AS COMPARED TO THE HISTORICAL MARKET PRICES OF THE SHARES

6.2.1 Historical closing price of the Shares

We set out a chart comparing the Subscription Price with the daily closing prices of the Shares for the period commencing from 2 March 2020, being two-year period prior to and including 1 March 2022 (the "**Last Market Day**"), being the last market day where the Shares

were traded prior to the Announcement Date) up to 18 July 2022 (being the Latest Practicable Date) as follows:



As set out in the chart above, the Subscription Price is generally above the closing prices of the Shares for the period between 2 March 2020 and the Last Market Day, both dates inclusive.

The closing prices of the Shares were briefly on or above the Subscription Price immediately after the Announcement Date and trended downwards between 27 April 2022 and 30 June 2022. The Shares then trended upwards and closed at S\$0.046 on the Latest Practicable Date.

We set out the following events announced by the Company which may have a bearing on the closing and trading prices of the Shares during the above-mentioned period:

Date	Event
12 March 2020	The Company announced its responses to the queries from the SGX-ST regarding an impairment of receivables as well as a reversal of impairment of receivables in FY2019.
27 May 2020	The Company announced its responses to its Shareholders and the Securities Investors Association Singapore in relation to its annual report for FY2019.

Date	Event
28 May 2020	The Company announced the retirement of Mr. Kok Nyong Patt as its executive director and the retirement of Mr. Hoon Tai Meng as its independent director following the conclusion of the annual general meeting on 28 May 2020.
12 June 2020	The Company announced its responses to the queries from the SGX-ST regarding the impact of COVID-19 on the Company's operations.
1 July 2020	The Company announced the appointment of Mr. Kok Nyong Patt as its chief operating officer.
7 July 2020	The Company announced its responses to the queries from the SGX-ST regarding the appointment of Mr. Kok Nyong Patt as its chief operating officer.
12 August 2020	The Company announced the Group's results for the half year ended 30 June ("HY") 2020. The Group registered a 45.3% decrease in revenue from S\$6.8 million in HY2019 to S\$3.7 million in HY2020, and the Group registered a net loss of S\$1.5 million for HY2020 as compared to S\$2.2 million in HY2019. The Company attributed the decrease in revenue to COVID-19 measures.
24 February 2021	The Company announced the Group's results for the full year ended 31 December ("FY") 2020. The Group registered a 34.7% decrease in revenue from S\$13.0 million in FY2019 to S\$8.5 million in FY2020, and the Group registered a net loss of S\$5.0 million for FY2020 as compared to a net profit of S\$1.3 million in FY2019. The Company attributed the decrease in revenue to COVID-19 measures.
20 April 2021	The Company announced its responses to the queries from the SGX-ST regarding the variance in its assets and explained that the difference between the unaudited NAV of S\$32.2 million and audited S\$33.3 million was attributed mainly to the effect of currency translation.
21 April 2021	The Company announced the retirement of Mr. Foo Der Rong as its lead independent director following the conclusion of the annual general meeting on 21 April 2021. The Company also announced the appointment of Mr. Lim Ho Heng as its independent director and changes to the composition of the board and the board committees arising from the retirement and appointment of directors.
23 April 2021	The Company announced its responses to the queries from the SGX-ST regarding the variance in its balance sheet items.
13 August 2021	The Company announced the Group's results for HY2021. The Group registered a 35.1% increase in revenue from S\$3.7 million in HY2020 to S\$5.0 million in HY2021. The Group registered a net loss of S\$4.0 million for HY2021 as compared to S\$1.5 million in HY2020. The Company attributed the increase in revenue to rebounds after COVID-19 measures were relaxed.

Date	Event
26 August 2021	The Company announced its responses to the queries from the SGX-ST regarding the share of loss from Fengchi IOT and the status of the Warehouse.
6 December 2021	The Company announced the granted of a non-exclusive license for the use of the intellectual property rights and the know-how and intellectual property rights in the system for the preparation, marketing and sale of food products in connection with the business of restaurants serving Thai Teochew Cuisine carried on under the name of “Thai Village” to Orient Palace Pte. Ltd. for a term of three years with option to extend the term for an additional period of three years.
14 February 2022	The Company announced a profit warning in relation to its results for FY2021.
25 February 2022	The Company announced the Group’s results for FY2021. Despite a 10.3% increase in the Group’s revenue from S\$8.5 million in FY2020 to S\$9.4 million in FY2021, the Group registered an increase in net loss from S\$5.0 million for FY2020 to S\$19.5 million in FY2021. The Company attributed the increase in net loss to a S\$15.4 million share of loss on Fengchi IOT.
4 March 2022	The Company announced its responses to the queries from the SGX-ST mainly regarding the share of loss on Fengchi IOT.
9 March 2022	The Company called for a trading halt of its Shares on 7:50 am on 7 March 2022 and announced the Proposed Subscription on 10 March 2022, before trading commenced. The Company requested for the lifting of the trading halt on 7:31 am on 10 March 2022.
1 April 2022	The Company announced the inclusion in the Key Audit Matters an item relating to going concern assumption by that the Company’s independent auditor, Nexia TS Public Accounting Corporation, in their report on the audited financial statements of the Group for FY2021.
13 April 2022	The Company announced the resignation of Ms. Jo-Anne Chang as its non-executive non-independent director with effect from 11 April 2022.
26 April 2022	The Company announced the retirement of Mr. Lee Tong Soon as its managing director and Mr. Lim Ho Heng as its independent director following the conclusion of the annual general meeting on 26 April 2022.
6 May 2022	The Company announced the appointment of Mr. Francis Lee Fook Wah as its non-executive non-independent director with effect from 6 May 2022.
16 June 2022	The Company announced that Fengchi IOT and PFL had received a letter of demand from the Main Contractor for the payment of outstanding amounts before 20 June 2022.

Date	Event
14 July 2022	The Company announced that it has received a letter requesting the board of directors to convene an extraordinary general meeting of the Company to pass ordinary resolutions in relation to the removal and appointment of directors for voting by Shareholders.
16 March 2022 to 18 July 2022	Between 16 March 2022 and 18 July 2022, the Company has received notifications of disclosure of interest from Mr. Teo Kiang Ang. The shareholding (direct and indirect) of Mr. Teo increased from 28,617,400 Shares (representing approximately 7.38% interest in the capital of the Company) prior to 16 March 2022 to 75,391,000 Shares (representing approximately 19.44% interest in the capital of the Company) as at 15 July 2022.
18 July 2022	The Company announced the Group's results for HY2022. The Group registered an increase in revenue from S\$5.0 million for HY2021 to S\$8.3 million for HY2022 and its net loss decreased from S\$4.0 million for HY2021 to S\$1.7 million in HY2022. However, the net loss attributable to equity holder of the Company increased from S\$3.2 million for HY2021 to S\$4.3 million for HY2022.

6.2.2 Trading statistics of the Shares

We tabulate below selected statistical information on the share price and trading liquidity of the Shares for the last two years prior to and including the Last Market Day up to the Latest Practicable Date:

	VWAP ⁽¹⁾ (S\$)	Premium/ (Discount) of Subscription Price to VWAP (%)	Highest trading price (S\$)	Lowest trading price (S\$)	Average daily traded volume	Average daily traded volume as percentage of free float ⁽²⁾ (%)
<u>Periods up to and including the Last Market Day</u>						
Last 24 months	0.0298	37.6	0.052 ⁽³⁾	0.007 ⁽⁴⁾	183,649	0.18
Last 12 months	0.0327	25.4	0.052 ⁽³⁾	0.019	221,303	0.22
Last 6 months	0.0346	18.5	0.044	0.021	159,725	0.16
Last 3 months	0.0267	53.6	0.041	0.021	59,122	0.06
Last 1 month	0.0259	58.3	0.036	0.021	65,660	0.07
The Last Market Day	0.0270	51.9	0.028	0.021	80,300	0.08

	VWAP ⁽¹⁾ (S\$)	Premium/ (Discount) of Subscription Price to VWAP (%)	Highest trading price (S\$)	Lowest trading price (S\$)	Average daily traded volume	Average daily traded volume as percentage of free float ⁽²⁾ (%)
<u>Periods after the Announcement Date</u>						
Between 10 March 2022 and the Latest Practicable Date, both dates inclusive	0.0391	4.9	0.047	0.023	383,298	0.38
The Latest Practicable Date	0.0452	(9.3)	0.046	0.045	301,000	0.30

Source: Bloomberg L.P.

Notes:

- (1) Rounded to four (4) decimal places.
- (2) "Free float" which refers to the 100,909,724 Shares held by public shareholders is calculated based on the difference between (i) the Company's issued share capital of 387,748,700 Shares; and (ii) the 286,648,776 Shares held by the Directors and key management personnel of the Group and substantial Shareholders of the Company (and the associates of these Directors, key management personnel and substantial Shareholders) as well as the 190,200 Shares held by Mr. Ding as at the Latest Practicable Date.
- (3) The highest trading price of S\$0.052 per Share was transacted on 22 June 2021. A total 1,511,200 transacted between S\$0.042 and S\$0.052 with a VWAP of S\$0.0459 on that day.
- (4) The lowest trading price of S\$0.007 per Share was transacted on 8 May 2020. A total 112,400 transacted between S\$0.007 and S\$0.014 with a VWAP of S\$0.0088 on that day.

We note the following with regard to the trading prices of the Shares:

- (a) the Subscription Price represents premia to the VWAPs of the Shares for the periods prior to and including the Last Market Day as set out in the table above;
- (b) the Subscription Price represents a discount of 21.2% to the highest trading price of S\$0.052 per Share and a premium of 485.7% to the lowest trading price of S\$0.007 per Share for the 24-month period prior to and including the Last Market Day;
- (c) the Subscription Price represents a discount of 6.8% to the highest trading price of S\$0.044 per Share and a premium of 95.2% to the lowest trading price of S\$0.021 per Share for the 6-month period prior to and including the Last Market Day; and

- (d) the VWAP of the Shares increased substantially after the Announcement Date and the Subscription Price represents a lower premium of 4.9% to the VWAP per Share between the day after the Announcement Date and the Latest Practicable Date.

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

- (i) the average daily traded volumes of the Shares (which was calculated based on the market days where the Shares were traded during the period, “**Trading Days**”) for the periods prior to and including the Last Market Day as set out in the table above and on the Last Market Day represent 0.22% or less of the Company’s free float;
- (ii) the average daily traded volume of the Shares for the 24-month, 6-month, 3-month and 1-month periods prior to and including the Last Market Day amounted to less than 200,000 Shares;
- (iii) we compare the Trading Days against the total market days where the SGX-ST is open for trading (“**Market Days**”) and note that the Shares were traded on less than 50% of the Market Days for the 24-month, 12-month, 6-month and 3-month periods prior to and including the Last Market Day. While the percentage increased for the 1-month period prior to and including the Last Market Day, the Shares were only traded on 10 Trading Days as compared to 19 Market Days during the aforesaid period; and
- (iv) the average daily traded volume of the Shares for the period after the Announcement Date up to the Latest Practicable Date is higher than the highest average daily traded volume of the Shares for the various periods prior to and including the Last Market Day as set out in the table above.

6.3 THE SUBSCRIPTION PRICE AS COMPARED TO THE NAV PER SHARE

The NAV of a group refers to the aggregate value of all the assets in their existing condition net of all liabilities of the group. The NAV approach may provide an estimate of the value of the Group assuming the hypothetical sale of all their assets over a reasonable period of time, the proceeds of which would be first used to settle all liabilities of the Group, and the balance proceeds, if any, be distributed to all shareholders. Therefore, the NAV is perceived as providing support for the value of the Shares.

In our evaluation of the NAV of the Group attributable to the Company’s equity holders, we also have considered whether there are any assets which should be valued at an amount that is materially different from that which was recorded in the financial position of the Group and whether there are any factors in recent announcements made by the Company that are likely to impact the NAV per Share.

We set out in the table below, the assets and liabilities which accounted for more than 5% of the latest audited NAV of the Group attributable to the Company's equity holders as at 31 December 2021:

	Audited as at 31 December 2021	
	S\$'000	As a percentage of the Group's NAV attributable to Shareholders
Cash and cash equivalents	6,791	54.7
Trade and other receivables (current and non-current)	1,358	10.9
Inventories	651	5.2
Financial assets at fair value through other comprehensive income (FVOCI)	4,162	33.5
Investments in associated companies	7,818	62.9
Property, plant and equipment	2,781	22.4
Trade and other payables (current and non-current)	4,261	34.3
Borrowing (current and non-current)	4,192	33.7

We review these material assets and liabilities in the paragraphs below.

(i) Cash and cash equivalents

The Group's cash and cash equivalents comprise mainly cash and bank balances as well as S\$1.4 million fixed deposit.

(ii) Trade and other receivables (current and non-current)

These include mainly prepayments made by the Group for 35 artificial Intelligence car washing machines in FY2021.

(iii) Inventories

These include mainly process inventories and raw material in relation to the Group's food and beverages business segment.

(iv) Financial assets at fair value through other comprehensive income

These relates to unquoted shares representing 1.15% equity interest in Lingbao Gold Group Co., Ltd ("Lingbao") that is engaged in the mining, processing, smelting and sale of gold and other metallic products. Lingbao. Part of Lingbao's shares are listed

on the Stock Exchange of Hong Kong Limited. The Company measures the fair value of the unquoted equity shares of Lingbao based on a hybrid of the net asset value of Lingbao and the transaction price of its quoted shares. There is no material difference to the closing price of the shares of Lingbao listed on the Stock Exchange of Hong Kong Limited between 31 December 2021 (of HK\$0.92) and the Latest Practicable Date (of HK\$0.87).

(v) Investments in associated companies

These comprise principally the Group's investment in Fengchi IOT. The Company commissioned a valuation of the Warehouse for purposes of FY2021 year-end financial reporting and impaired the value of its investments in Fengchi IOT to S\$7.8 million as at 31 December 2021.

As mentioned in the rationale for the Proposed Subscription, inability to finance the outstanding payments due under the Bank Loan and the Construction Financing will result in difficulties caused to the survival of Fengchi IOT and the Logistics Business of the Group, being a core business of the Group. This may result in (i) a loss of the amount which the Group has invested into Fengchi IOT (approximately RMB 90 million (equivalent to approximately S\$19.3 million), including the Warehouse, as the Warehouse has been provided as security under the Bank Loan; and (ii) the insolvent liquidation of subsidiary(ies) of the Company which has provided the relevant corporate guarantees under the Bank Loan and the Construction Financing.

(vi) Property, plant and equipment

These comprise the leasehold properties which is used for the head office of the Group.

(vii) Trade and other payables (current and non-current)

These comprise payables for purchases of supplies and inventories.

(viii) Borrowing (current and non-current)

These comprise bank borrowings, lease liabilities as well as bank overdrafts.

Potential adjustments to the Group's NAV attributable to the Shareholders

On 18 July 2022, the Company announced the Group's financial results for HY2022 and the Group's NAV decreased from approximately S\$12.4 million as at 31 December 2021 to approximately S\$8.0 million. This is caused by the net loss attributable to equity holders of the Company of approximately S\$4.3 million registered in HY2022.

We have inquired and the Company confirms that, save for the impending final outstanding payments of Construction Financing and current portion of the instalments amounts and interest payments under the Bank Loan, both of which are due in FY2022, as well as that the Group may lose the amount which the Group has invested into Fengchi IOT of RMB 90



million (equivalent to approximately S\$19.3 million) and subsidiary(ies) of the Company which has provided the relevant corporate guarantees under the Bank Loan and the Construction Financing may be placed under liquidation if Fengchi IOT is unable to repay or pay these payables as and when they are due in FY2022, to the best of their knowledge and based on information made available to them, as at the Latest Practicable Date:

- (1) there is no event subsequent to 30 June 2022 which would materially affect the NAV of the Group;
- (2) there are no material contingent liabilities, unrecorded earnings or expenses or assets or liabilities that may have a material impact on the NAV of the Group as at 30 June 2022; and
- (3) there is no material change to the accounting policies and methods of computation which may materially affect the NAV of the Group as at 30 June 2022.

Accordingly:

- (a) based on the total number of 387,748,700 Shares as at the Latest Practicable Date and the audited NAV of the Group attributable to the Shareholders of S\$12.4 million as at 31 December 2021, the latest audited NAV per Share is S\$0.032. The price-to-NAV (“**P/NAV**”) ratio per Share implied by the Subscription Price is 1.3 times, or represents a premium of 28.0% to the latest audited NAV per Share; and
- (b) based on the total number of 387,748,700 Shares as at the Latest Practicable Date and the unaudited NAV of the Group attributable to the Shareholders of S\$8.0 million as at 30 June 2022, the latest unaudited NAV per Share is S\$0.0206. The P/NAV ratio per Share implied by the Subscription Price is 2.0 times, or represents a premium of 98.9% to the latest unaudited NAV per Share.

The Group did not have any intangible assets as at 31 December 2021 and 30 June 2022. Accordingly, its net tangible asset value (“**NTA**”) per Share is the same as its NAV per Share.

The price-to-NTA (“**P/NTA**”) ratio per Share is the same as the P/NAV ratio.

6.4 THE FINANCIAL PERFORMANCE OF THE GROUP

We note that the Group has four reportable operating segments, namely:

- (a) Food and beverages operations, which mainly related to operation of restaurant outlets, management fees from restaurants, franchise fee and royalties;
- (b) Leasing operations, which mainly relates to equipment and car leasing;
- (c) Properties operations, which mainly relates to the Warehouse; and
- (d) All other segments, which mainly relate to management fees from related companies within the Group.

Based on our review of the Company's annual report and results announcement, we note that food and beverages business segment is the key revenue contributor of the Group for the past three financial years ended 31 December 2021 and the six months ended 30 June 2022. We set out the revenue breakdown of the Group as follows:

	FY2019		FY2020		FY2021		HY2022	
	S\$'000	%	S\$'000	%	S\$'000	%	S\$'000	%
Revenue								
- Food and beverages	12,446	95.8	8,069	95.1	9,212	98.4	8,246	99.6
- Others	542	4.2	417	4.9	150	1.6	33	0.4
Total	12,988	100.0	8,486	100.0	9,362	100.0	8,279	100.0

The Group's revenue for FY2020 was affected by COVID-19, in particular, the Group's operations were restricted for certain months as dine-in were not allowed in accordance to the governments' control measures. As a result, the Group's revenue from the food and beverages business segment had decreased significantly. The revenue improved in FY2021 after some of the COVID-19 measures were relaxed in FY2021.

The Group's net profits for the past three financial years ended 31 December 2021 and six months ended 30 June 2022 are as follows:

S\$'000	FY2019	FY2020	FY2021	HY2022
Profit/(Loss) attributable to equity holders of the Company	336	(4,107)	(16,124)	(4,255)

The Group registered a loss of S\$4.1 million in FY2020 due to the lower revenue registered by its food and beverages business segment in FY2020. The Group also impaired the remainder of trade receivables due from a trade debtor of the leasing business segment in FY2020 as the debt restructuring exercise of the trade debtor reported no progress in FY2020.

The Group registered a higher loss of S\$16.1 million in FY2021 due mainly to the share of loss of Fengchi IOT which amounted to S\$15.4 million in FY2021. The Group would still register a loss after excluding the share of loss of Fengchi IOT.

The Group's loss attributable to equity holder of the Company of S\$4.3 million in HY2022 was due to operating loss incurred by its food and beverage segment as well as share of loss of Fengchi IOT.

As the Group reported a loss for FY2021 and HY2022, the price-earnings (“P/E”) ratio of the Group is negative and is not meaningful for our analysis.

6.4.1 Earnings before interest, tax, depreciation and amortisation (“EBITDA”) and enterprise value (“EV”)-to-EBITDA (“EV/EBITDA”) ratio

Given that the Group reported loss for FY2021 and HY2022, we calculate if the Group has EBITDA for our analysis as follows:

S\$'000	FY2021	Last twelve months ended 30 June 2022
Loss before income tax	(19,566)	(17,233)
Add: Depreciation	1,683	1,548
Add: Interest expense	143	143
Less: Interest income	(77)	(77)
Group's EBITDA	(17,817)	(15,619)

As mentioned above, the Group's loss in FY2021 was mainly attributed to the share of loss of Fengchi IOT of S\$15.4 million in FY2021. After adding back the share of loss of Fengchi IOT, the Group would still have a negative adjusted EBITDA of S\$2,465,000 in FY2021. Similarly, after adding back the share of loss of Fengchi IOT for the last twelve months ended 30 June 2022, we calculate that the Group would still have a negative adjusted EBITDA of S\$1,547,000 for the last twelve months ended 30 June 2022.

As the Group had negative EBITDA after adjustment, it is not meaningful to calculate its EV, and its EV/EBITDA ratio is negative and not meaningful for our analysis.

6.5 THE VALUATION STATISTICS IMPLIED BY THE SUBSCRIPTION PRICE AS COMPARED TO LISTED COMPANIES COMPARABLE TO THE GROUP

As set out in paragraph 6.4 of this IFA Letter, the Group registered a loss and had negative adjusted EBITDA for FY2021 and the last twelve months ended 30 June 2022. Accordingly, the earnings ratio such as P/E ratio and EV/EBITDA ratio are negative and not meaningful for our analysis.

Based on our review of the segmental NAV of the Group, we note that NAV of the Group's leasing and properties business segments accounted for a very significant percentage of the Group's NAV even though the leasing and properties business segments generated less than 2% of the Group's revenue for FY2021.

Nevertheless, given that the P/E ratio and EV/EBITDA ratio of the Group are not meaningful, we compare the P/NAV ratio of the Group implied by the Subscription Price against the P/NAV ratios of listed companies which also operate warehousing and leasing business

(the “**Comparable Companies**”). For a more meaningful comparison, we have included companies with market capitalisation below S\$100 million as at the Latest Practicable Date.

We set out in the table below the list of Comparable Companies, together with brief information on these companies:

Comparable Companies / Listing venue	Description
Kawasaki & Co Ltd (“ Kawasaki ”) / Tokyo, Japan	Kawasaki is a Japan-based company mainly engaged in the apparel business, and the leasing and warehousing business.
Letlole La Rona Ltd (“ Letlole ”) / Gaborone, Botswana	Letlole is a property company engaged in property investment, development and management. It owns a number of commercial and industrial properties in Botswana. Letole's properties include hotels, warehouses and factory shells among others.
MFC-Strategic Storage Fund (“ MFC ”) / Bangkok, Thailand	MFC is a closed-end fund incorporated in Thailand. Its objective is to create returns. It invests in cold storage and warehouse assets which are located at the centers of regional logistic business, Ayutthaya, Samutsakorn, and Bangkok.
Prospect Logistics & Industrial Leasehold Real Estate Investment Trust / Bangkok (“ Prospect REIT ”), Thailand	Prospect REIT develops and leases warehouses and factories. Its portfolio comprise mainly warehouse (totalling 82,654 square metres) and factory (totalling 51,763 square metres) in the Bangkok Free Trade Zone.
Reysas Gayrimenkul Yatirim Ortakligi AS (“ Reysas ”) / Istanbul, Turkey	Reysas is a real estate investment trust focused on warehouses. It rents its warehouses for long terms in order to create continuous and stable income from its portfolio.
United Docks Ltd (“ UDL ”) / Mauritius	UDL rents out warehouses and bonded warehouse facilities. UDL also holds investments and grants loans.

Source: Bloomberg L.P. and reuters.com

We set out the P/NAV ratio of the Comparable Companies as follows:

Comparable Companies	Market Capitalisation ⁽¹⁾ (S\$'m)	P/NAV ratio (times)
Kawasaki	43.0	0.9
Letlole	92.0	1.0
MFC	13.9	0.6



Comparable Companies	Market Capitalisation ⁽¹⁾ (S\$'m)	P/NAV ratio (times)
Prospect REIT	84.1	0.9
Reysas	85.5	0.3
UDL	34.7	0.5
Maximum		1.0
Minimum		0.3
Mean		0.7
Median		0.7

The Company
(based on the Subscription Price
and the latest audited NAV)

15.9

1.3

The Company
(based on the Subscription Price
and the latest unaudited NAV)

15.9

2.0

Source: Bloomberg L.P.

Notes:

- (1) Based on last traded prices of the respective Comparable Companies as at the Latest Practicable Date.
- (2) Based on latest available NAV as announced by the respective Comparable Companies.

As set out in the table above, the P/NAV ratio of the Company as implied by the Subscription Price is above the range of the P/NAV ratios of the Comparable Companies.

6.5.1 Comparable companies listed on the SGX-ST

In our search for comparable companies of the Group, we noticed that there are SGX-ST listed companies which also operate warehousing and leasing business (the “**SGX Comparable Companies**”). However, these SGX Comparable Companies have market capitalisation much larger than the Group.

We set out in the table below the list of SGX Comparable Companies, together with brief information on these companies:

SGX Comparable Companies	Description
AIMS APAC REIT	AIMS APAC REIT is a real estate investment trust. Its principal investment objective is owning and investing in a diversified portfolio of income-producing industrial real estate assets in Singapore and Asia, including warehouse and logistics centers, manufacturing, business parks and hi-tech spaces.
LHN Limited	LHN Limited provides property management services. LHN Limited and its subsidiaries offers industrial, commercial, residential property management services, and other services. It also provides logistics services.

We set out the P/NAV ratio of the SGX Comparable Companies as follows:

SGX Comparable Companies	Market Capitalisation ⁽¹⁾ (S\$m)	P/NAV ratio ⁽²⁾ (times)
AIMS APAC REIT	981.7	0.7
LHN Limited	151.9	0.9
Maximum		0.9
Minimum		0.7
Mean		0.8
Median		0.8
The Company (based on the Subscription Price and the latest audited NAV)	15.9	1.3
The Company (based on the Subscription Price and the latest unaudited NAV)	15.9	2.0

Source: Bloomberg L.P.

Notes:

- (1) Based on last traded prices of the respective SGX Comparable Companies as at the Latest Practicable Date.

(2) Based on latest available NAV as announced by the respective SGX Comparable Companies.

As set out in the table above, the P/NAV ratio of the Company as implied by the Subscription Price is also above the range of the P/NAV ratios of the SGX Comparable Companies.

6.6 THE TERMS OF THE PROPOSED SUBSCRIPTION AS COMPARED TO RECENT SIMILAR TRANSACTIONS UNDERTAKEN BY OTHER COMPANIES LISTED ON THE SGX-ST

In assessing the Subscription Price, we have also considered similar recent transactions undertaken by other companies listed on the SGX-ST (the “**Precedent Comparable Transactions**”) whereby the listed companies sought whitewash resolutions in relation to allotment and issue of new ordinary shares for cash.

We wish to highlight that the Precedent Comparable Transactions are not exhaustive. Further, Shareholders should note that circumstances leading to the Precedent Comparable Transactions as well as various factors such as the financial performance and position of the listed companies, the volatility and trading liquidity of the shares of the listed companies, and the market sentiments prevailing at the time of such Precedent Comparable Transactions are unlikely to be identical to the Company’s. As such, any comparisons made with respect to the Precedent Comparable Transactions merely serve an illustrative purpose only.

The information presented herein relating to the Precedent Comparable Transactions has been compiled from publicly available information. We make no representations or warranties, expressed or implied, as to the accuracy or completeness of such information.

We set out the key information of the Precedent Comparable Transactions as follows:

Name of listed company	Date of circular	Securities issued	Basis of issue price
TT International Limited	20 October 2020	5,280,000,000 new ordinary shares representing 79.1% of the company’s enlarged share capital after the series of corporate transactions proposed in the circular	A discount of approximately 28.6% to the last transacted price per share prior to the trading suspension and a premium to the negative NAV of the company as at 31 December 2019
Hoe Leong Corporation Limited	1 June 2021	8,219,178,081 new ordinary shares representing 54.9% of the company’s enlarged share capital after the full issue of the shares to the investors	A discount of approximately 12.5% to the VWAP for trades done on the last full market day when the shares were traded prior to the trading suspension and a P/NAV ratio of 0.9 times



Name of listed company	Date of circular	Securities issued	Basis of issue price
The Company	21 July 2022	1,047,218,560 Subscription Shares representing 73.0% of the enlarged share capital of the Company after the full allotment and issue of the Subscription Shares	86.4% premium to the last transacted price of S\$0.022 per Share on the Last Market Day and a P/NAV ratio of 1.3 times (based on latest audited NAV per Share) or 2.0 times (based on latest unaudited NAV per Share)

Source: The announcements and circulars published by the companies.

As set out in the table above, the basis for determining the Subscription Price is better than the basis for determining the issue price of the Precedent Comparable Transactions.

6.7 THE FINANCIAL EFFECTS OF THE PROPOSED SUBSCRIPTION

The financial effects of the Proposed Subscription on the Group can be found in Section 8 of the Circular.

We note that the NTA per Share will improve from 3.2 Singapore cents as at 31 December 2021 to 3.72 Singapore cents after the First Completion Date and to 3.86 Singapore cents after the Second Completion Date while the loss per Share for FY2021 will decrease from 4.16 Singapore cents to 1.77 Singapore cents after the First Completion Date and to 1.12 Singapore cents after the Second Completion Date with the enlarged share capital of the Company.

6.8 OTHER CONSIDERATIONS

In determining whether the terms of the Proposed Subscription are fair and reasonable, we have also considered the following:

6.8.1 No adjustment and alteration clause

We note that the Subscription Agreement does not provide for any adjustment or alteration to the Subscription Price or the aggregate number of Subscription Shares in the event of any rights issue, bonus issue or subdivision or consolidation of Shares by the Company.

Save for a share consolidation event, the absence of such clause is beneficial to the Company as the Subscription Price will not be adjusted downwards and the number of Subscription Shares will not increase in event of rights issue, bonus issue or subdivision of Shares.



6.8.2 Dilution to existing public Shareholders

Existing public Shareholders, who hold in aggregate 100,909,724 Shares representing 26.0% interest in the capital of the Company as at the Latest Practicable Date, will be gradually diluted to 11.1% after the First Completion Date and to 7.0% after the Second Completion Date.

While the percentage of Shares held by existing public Shareholders falls below 10% after the Second Completion Date, we note that existing substantial Shareholders who are not directors and holding in aggregate 62,835,526 Shares representing 16.2% interest in the capital of the Company as at the Latest Practicable Date, will be gradually diluted to 6.9% after the First Completion Date and to 4.4% after the Second Completion Date. These Shareholders will not be substantial Shareholders of the Company upon the allotment and issue of the Subscription Shares and will become new public Shareholders of the Company.

The aggregate shareholding of public shareholders (including the diluted substantial Shareholders) will be 18.0% after the First Completion Date and become 11.4% after the Second Completion Date.

6.8.3 No alternate fundings

The Company confirms that it is unable to secure additional fundings of such quantum as at the Latest Practicable Date.

7. EVALUATION OF THE PROPOSED USE OF PROCEEDS AS IPT

The following are factors which we consider to be pertinent and to have a significant bearing on our evaluation of the Proposed Use of Proceeds as IPT:

- (a) Fengchi IOT is a joint venture entity of the Group;
- (b) the rationale for the Proposed Use of Proceeds as IPT;
- (c) the latest full year financial performance and financial position of Fengchi IOT;
- (d) the effective interest rates of the existing outstanding borrowings of the Group and Fengchi IOT;
- (e) the lending rates in China;
- (f) loans extended by SGX-ST listed Singapore companies to their joint venture and/or associated companies in China;
- (g) RMB-denominated bond rates;
- (h) the other interested person transactions which are subject of aggregation; and

- (i) other considerations.

7.1 FENGCHI IOT IS A JOINT VENTURE ENTITY OF THE GROUP

Although Fengchi IOT is an interested person of the Company, Fengchi IOT is also a joint venture entity of the Group as the Group has 49% interest in Fengchi IOT through TPA, a wholly-owned indirect subsidiary of the Company.

As set out in Section 2.6(d) of the Circular, the financial controller of the Company is the general manager and legal representative of Fengchi IOT. Accordingly, the Group has direct access to Fengchi IOT through the financial controller of the Company. This means that the Group has ready access to the information of Fengchi IOT to manage its finances and operational risks. As such, the Company has lower risk in extending financial assistance to Fengchi IOT as compared to extending financial assistance to an entity which the Group does not have direct access.

7.2 RATIONALE FOR THE PROPOSED USE OF PROCEEDS AS IPT

As mentioned in the rationale for the Proposed Subscription, instalment amounts and interest payments on the Bank Loan aggregating approximately RMB 47.3 million (equivalent to approximately S\$10.2 million) are in FY2022 (specifically in March, June, September and December 2022) and the final outstanding payments under the Construction Financing aggregating approximately RMB 166.9 million (equivalent to approximately S\$35.8 million) are due in June and December 2022. As announced by the Company on 16 June 2022, Fengchi IOT and PFL had received a letter of demand from the Main Contractor for the payment of outstanding amounts before 20 June 2022. Taking into consideration the Proposed Subscription, the Group had negotiated for an extension of payment terms to align with the timeline for the Proposed Subscription. In addition, Fengchi IOT had obtained the Shareholders' Fengchi IOT Bridging Loans and utilised internal resources to repay total of RMB 23.8 million (equivalent to approximately S\$5.1 million) comprising the principal instalment under the Bank Loan due in June 2022 and the interest payments under the Bank Loan due in March 2022 and June 2022.

In the event that Fengchi IOT is unable to make such payments as and when they are due, the Group may lose the amount which the Group has invested into Fengchi IOT of RMB 90 million (equivalent to approximately S\$19.3 million) and subsidiary(ies) of the Company which has provided the relevant corporate guarantees under the Bank Loan and the Construction Financing may be placed under liquidation.

As at 31 December 2021, the total liabilities of Fengchi IOT amounted to approximately S\$96.7 million while the Warehouse, being the principal asset of Fengchi IOT, had a market value of approximately S\$106.4 million as at 31 December 2021. If Fengchi IOT disposes the Warehouse at the market value, the net proceeds from the disposal should be sufficient to repay all of Fengchi IOT's liabilities. However, the Group does not intend to dispose the Warehouse because (i) the Warehouse is the principal asset of the Group's Logistics Business; and (ii) the Group believes that the market value of the Warehouse as at 31 December 2021 (which was below its book value as at 31 December 2021) was affected by COVID-19 and did not reflect the future potential returns of the Warehouse.

The Group continues to believe that the potential returns from the Warehouse and its investment in Fengchi IOT can be a steady source of material revenue for the Group in the future, provided that it is able to have sufficient support from its stakeholders including relevant governmental authorities (in relation to favourable economic policies) and sustainable cash flows to continue with its marketing and operational efforts in developing the Warehouse as a notable logistics hub in Dongjiang, Tianjin.

7.3 THE LATEST FULL YEAR FINANCIAL PERFORMANCE AND FINANCIAL POSITION OF FENGCHI IOT

The following financial performance of Fengchi IOT for FY2021 were disclosed by the Company in its announcement dated 4 March 2022:

	S\$'000
Revenue	103
Fair value loss on the investment property	(25,781)
Finance expenses	(3,229)
Other operating expenses	(2,422)
Net loss	(31,329)

As mentioned in Section 2.1 of the Circular and paragraph 3.1 of this IFA Letter, although Fengchi IOT's Warehouse was completed in December 2020 and the property title was received in January 2021, response has been poor due to the uncertainty of emission standards implemented by the China government which resulted in a massive reduction in the volume of the parallel import car business. The occupancy rate of the Warehouse was also affected by the COVID-19 safety measurements imposed by the government authorities in China.

As a result, Fengchi IOT only registered revenue of S\$103,000 in FY2021. Fengchi IOT had no revenue prior to FY2021 as the Warehouse was only completed in December 2020 and received the property title in January 2021.

Given the low occupancy rate, the Group recognised fair value loss on Fengchi IOT of S\$25.8 million in FY2021 as the Warehouse had a book value of approximately S\$132.2 million and a market value of approximately S\$106.4 million after the Group commissioned an independent valuer to determine the fair value on the highest and best use basis of the Warehouse.

Notwithstanding that Fengchi IOT has been loss-making since it commenced operations, it remained loss-making as at the Latest Practicable Date and the Group does not expect the Warehouse operations to be profitable for FY2022, Fengchi IOT had positive equity position

as at the Latest Practicable Date and the Warehouse's market value of S\$106.4 million as at 31 December 2021 (which was determined based on an income approach) is more than the aggregate liabilities of Fengchi IOT. Further, the Group believes that the market value of the Warehouse as at 31 December 2021 (which was below its book value as at 31 December 2021) was affected by COVID-19 and did not reflect the future potential returns of the Warehouse.

The net loss of Fengchi IOT for FY2021, after excluding fair value loss on the investment property, amounted to approximately S\$5.5 million for FY2021. As at 31 December 2021, Fengchi IOT had net equity of approximately S\$16.0 million which represents approximately 2.9 times of such net loss of Fengchi IOT.

In addition, as set out in Section 2.1 of the Circular, there has been a continued increase in average occupancy rates since the commencement of the operations at the Warehouse and the customer base of the Warehouse includes service providers to vehicle manufacturers of Audi, BMW, Chrysler, Land Rover, Mercedes-Bens and Suzuki.

7.4 THE EFFECTIVE INTEREST RATES OF THE EXISTING OUTSTANDING BORROWINGS OF THE GROUP AND FENGCHI IOT

To evaluate if the terms of the Proposed Use of Proceeds as IPT are on normal commercial terms, we have compared the initial terms of the Proposed Use of Proceeds as IPT against the terms of the existing borrowings drawn down and/or facilities available to the Group and Fengchi IOT as at the Latest Practicable Date as follows:

Facilities / Amount outstanding as at 31 December 2021	Interest rate (per annum)	Tenure	Security
Bank overdraft facility of the Group / Approximately S\$415,000	5.5%	No fixed date of repayment	No security
Bridging loan of the Group / Approximately S\$2.0 million	3% – 3.75%	Repayment of 60 monthly instalments	Corporate guarantee provided by the Company

Facilities / Amount outstanding as at 31 December 2021	Interest rate (per annum)	Tenure	Security
Bank Loan of RMB 300 million (equivalent to approximately S\$64.4 million) / RMB 284.9 million (equivalent to approximately S\$61.2 million)	6.023%	Increasing principal repayment from RMB 5 million to RMB 40 million semi-annually from June 2021 to December 2026, of which approximately RMB 47.3 million (including interest) is paid/payable in March, June, September and December 2022	Secured by the rights to the Warehouse, joint corporate guarantees from PFL and Jinmao as the prior shareholders of Fengchi IOT and Mr. Ding's investment portfolio including his hotel properties. The current shareholders of Fengchi IOT (being TPA and Liuyu) have committed to provide corporate guarantee(s) for the Bank Loan in due course.
Construction Financing / RMB 166.9 million (equivalent to approximately S\$35.8 million)	4.44% – 4.62%	Due in June and December 2022	Joint corporate guarantees from PFL and Jinmao as the prior shareholders of Fengchi IOT
Short-Term Financing Loan / RMB 20 million (equivalent to approximately S\$4.3 million) of which RMB 10 million (equivalent to approximately S\$2.1 million) was drawn down as at the Latest Practicable Date	8%	Seven months from December 2021	No security
Shareholders' Fengchi IOT Bridging Loans / RMB 16 million (equivalent to approximately S\$3.4 million) which was drawn down to repay the Bank Loan due in June 2022	5%	Upon the completion of the Proposed Subscription	No security

Facilities / Amount outstanding as at 31 December 2021	Interest rate (per annum)	Tenure	Security
The Proposed Use of Proceeds as IPT / RMB 200 million (equivalent to approximately S\$42.9 million)	5% per annum	Three years	No security

The interest rate of the Proposed Use of Proceeds as IPT is slightly above the interest rate on the Construction Financing from the Main Contractor which is an independent party and is the same as the interest rate of the Shareholders' Fengchi IOT Bridging Loans.

While the interest rate of the Proposed Use of Proceeds as IPT is below the interest rates of the Bank Loan and the Short-Term Financing Loan, the Company highlighted that:

- (a) the circumstances of obtaining the Bank Loan were not the same as the current Proposed Use of Proceeds as IPT. Fengchi IOT obtained the Bank Loan in FY2019 for the construction of the Warehouse. When Fengchi IOT obtained the Bank Loan in FY2019, Fengchi IOT has not completed the construction of the Warehouse. There is no assurance that the Warehouse will be completed according to plan and schedule. There is also no assurance that the Warehouse will obtain the property title to commence operations upon completion of construction. Accordingly, the financial position of Fengchi IOT was weaker then as Fengchi IOT did not have any operating assets when it obtained the Bank Loan and Mr. Ding had to provide additional security to the bank to assist Fengchi IOT to obtain the Bank Loan. The construction of the Warehouse was completed in December 2020 and received the property title in January 2021, and the Warehouse is operational as at the Latest Practicable Date. While the financial performance of the Warehouse has been affected by measures implemented by the China government in relation to emission standards applied in the PRC for the parallel import car market and to curb the spread of COVID-19 since the Warehouse commenced operations in FY2021, the Company has lower risk as compared to the Bank in FY2019 because (i) the Company's financial controller is the general manager and legal representative of Fengchi IOT; (ii) the Warehouse has received its property title and can be sold as a completed property rather than an uncompleted property; (iii) the Warehouse is revenue generating; and (iv) there has been a continued increase in average occupancy rates since the commencement of the operations at the Warehouse; and
- (b) the interest rate for the Short-Term Financing Loan was determined on an arm's length negotiation between Fengchi IOT and the Main Contractor which provided the Construction Financing. The Main Contractor requested for partial early repayment and agreed to paying Fengchi IOT an interest rate of 8% per annum on the partial early repayment. As Fengchi IOT was short of working capital, Fengchi IOT obtained the Short-Term Financing Loan from Mr. Ding at the same interest rate of 8% per annum to make the partial early payment to the Main Contractor. Accordingly, the

interest on the Short-Term Financing Loan for the period up to the initial due date of the Construction Financing is borne by the Main Contractor. The end result is neutral to Fengchi IOT as the other income (being the interest received) generated by Fengchi IOT from making the partial early payment to the Main Contractor is offset by the other expenses (being the interest paid) incurred by Fengchi IOT from obtaining the Short-Term Financing Loan.

The Company had in June 2022, obtained a confirmation from Mr. Ding (through the associated company) that upon the completion of the Proposed Subscription, the repayment date of the Short-Term Financing Loan will be extended for one (1) year and the Short-Term Financing Loan will have a revised interest rate of 5.0% per annum, to be effective upon the completion of the Proposed Subscription.

In addition, the interest rate of the Fengchi IOT Loan is within the range of interest rates of the existing Singapore dollars borrowings of the Group. The Singapore dollars borrowing is relevant in our consideration because the Group incurred interest expenses on its borrowings (including the Singapore dollars borrowings). On an overall basis, if the interest rates of all of the Group's borrowings (including the Singapore dollars borrowings) are much higher than the interest rates proposed to be charged by the Company to Fengchi IOT under the Proposed Use of Proceeds as IPT, then the Company is extending a loan to Fengchi IOT at the expense of the Group which is prejudicial to the interest of the Company and its minority Shareholders.

On an overall basis, the interest rate of the Fengchi IOT Loan is within the range of interest rates of all the existing borrowings of the Group.

7.5 THE LENDING RATES IN CHINA

We also compare the interest rate under the Proposed Use of Proceeds as IPT against annual lending prime rates published by The People's Bank of China as at the Latest Practicable Date as follows:

Published annual lending prime rates
Between 3.70% for one-year loan to 4.45% for five-year loan

The 5% interest per annum under the Proposed Use of Proceeds as IPT is higher than the annual lending prime rates published by The People's Bank of China in China.

We wish to highlight that lending prime rates (or prime lending rates as commonly referred to in Singapore) are rates offered by banks to borrowers with less default risk. Such credit risks assessment varies from banks to banks. Accordingly, the comparison above is necessarily limited and serves as an illustrative purpose only.

7.6 LOANS EXTENDED BY SGX-ST LISTED SINGAPORE COMPANIES TO THEIR JOINT VENTURE AND/OR ASSOCIATED COMPANIES IN CHINA

Based on our reviews of the latest available annual reports of SGX-ST listed Singapore companies with operations in China, we note that some SGX-ST listed Singapore companies have extended financial assistance to their joint venture and/or associated companies in China on the following terms:

Name of SGX-ST companies	Outstanding amounts	Key terms of the financial assistances	Other information
King Wan Corporation Limited	S\$30,409,000 due from Dalian Shicheng Property Development (S) Pte. Ltd. (" DSPDS ", a 36.6%-owned associate of the company which wholly-owned Dalian Shicheng Property Development Co., Ltd in China) as at 31 March 2021	The loan is unsecured and bear interest of 2.5% per annum. We note that the management has assessed that the interest charged on amounts due from associates and joint venture approximate the market rates. No mention of repayment term.	DSPDS and its subsidiary is principally engaged in the development of a mixed development named "Singapore Garden" in Dalian, China. As at 31 March 2021, the gross carrying amount of the advances to DSPDS of S\$30,409,000 was fully impaired by the group.
Suntar Eco-City Limited	RMB 53,280,000 due from Wuping Hailan Real Estate Development Co., Ltd (" Wuping Hailan ", a 40%-owned associate of Suntar Eco-City Limited) as at 31 December 2021	Advances are unsecured, interest-free and repayable on demand	Wuping Hailan is a property developer. Suntar Eco-City Limited has extended the loan to Wuping Hailan to acquire a land for development. The other shareholders of Wuping Hailan extended similar advances in proportion to their subscription of the registered capital.

Name of SGX-ST companies	Outstanding amounts	Key terms of the financial assistances	Other information
Vibrant Group Limited	S\$19.1 million (equivalent to RMB 93.3 million) due from Vibrant Pucheng Logistics (Chongqing) Co., Ltd ("Vibrant Pucheng"), a 35.44%-owned associate of Vibrant Group Limited) as at 30 April 2021	The unsecured loan bears interest at 6.00% per annum and is repayable by June 2029	Vibrant Pucheng provides integrated logistics services. We extract the following disclosure from the annual report of Vibrant Group Limited for its financial year ended 30 April 2021: <i>"As for our associate investment, Vibrant Pucheng Logistics (Chongqing) Co., Ltd ("Vibrant Pucheng"), which is involved in the development of a multi-modal logistics warehouse distribution centre, has suspended its construction works. The financing bank, which has provided loans approximately RMB30 million to Vibrant Pucheng has halted further financing of the development in connection with a perceived change in risk profile following a change in management staff. The shareholders of Vibrant Pucheng are presently looking at alternative financing options for the development, including borrowing from other banks, financial institutions and investors."</i>
The Company	RMB 200 million to be extended to Fengchi IOT	Unsecured loan at 5% per annum for three years	Fengchi IOT operates the Warehouse

We wish to highlight that we have limited our searches to loans and advances provided by SGX-ST listed Singapore companies to their joint venture and associated companies in China which had outstanding amounts above RMB 50 million for a more meaningful comparison. Nevertheless, the circumstances of financial assistance may not be comparable to the Fengchi IOT Loan and the financial position of the Company also differs from the

above listed SGX-ST listed companies. As such, any comparisons made merely serve an illustrative purpose only.

Based on the table:

- (a) similar to the Fengchi IOT Loan which is unsecured, all financial assistance provided by the SGX-ST listed Singapore companies to their joint venture and/or associated companies in China are also unsecured;
- (b) the Fengchi IOT Loan shall bear interests at 5% per annum which is within the range of the interest rates of the financial assistance provided by the SGX-ST listed Singapore companies to their joint venture and/or associated companies in China which range from 0% to 6% per annum; and
- (c) the Fengchi IOT Loan is for an initial term of three year which is within the range of the tenure of the financial assistance provided by the SGX-ST listed Singapore companies to their joint venture and/or associated companies in China which range from repayable on demand to a balance of seven (7) years.

7.7 RMB-DENOMINATED BOND RATES

Based on a search on Bloomberg as at the Latest Practicable Date, 141 RMB-denominated bonds were issued and listed outside China between 1 January 2022 and the Latest Practicable Date. We have excluded RMB-denominated bonds issued and listed in China as these are bonds issued by China governments and policy banks.

Out of these 141 bonds, 58 bonds have a tenure of three years. The coupon rates of these 57 bonds range from 2.55% per annum to 5.37% per annum and the average coupon rate is 3.90%. The interest rate of the Fengchi IOT Loan is within the range and higher than the average coupon rate of these three-year RMB-denominated bonds issued and listed outside China between 1 January 2022 and the Latest Practicable Date.

Out of the 58 bonds, only two (2) bonds are not issued by banks and/or state-owned corporations. The details of these two (2) corporate bonds are as follows:

Name of corporate issuer	Market capitalisation	Date of issue	Amount issued (RMB)	Exchange	Coupon rate (%)
China Education Group Holdings Ltd	S\$2.9 billion ⁽¹⁾	22-Mar-22	500,000,000	SGX-ST	4.00
Vanke Real Estate Hong Kong Co Ltd	S\$5.5 billion ⁽¹⁾	8-Jun-22	510,000,000	Hong Kong Exchange	3.55



Note:

- (1) Market capitalisation of the listed company as at the Latest Practicable Date, converted to Singapore dollars based on the closing exchange rate as at the Latest Practicable Date.

The interest rate of the Fengchi IOT Loan is higher than the coupon rates of the above corporate bonds issued and listed between 1 January 2022 and the Latest Practicable Date.

We wish to highlight that the above comparison does not imply that Fengchi IOT has the ability to issue corporate bonds at the above rates or that the Company may invest the proceeds from the Proposed Subscription in any RMB-denominated bonds. Any comparisons made above merely serve an illustrative purpose only.

7.8 OTHER INTERESTED PERSON TRANSACTIONS WHICH ARE SUBJECT OF AGGREGATION

As set out in Section 5.3 of the Circular as well as paragraphs 5.3 and 7.3 of this IFA Letter, Fengchi IOT has obtained the Short-Term Financing Loan from an associate of Mr. Ding in December 2021 and the Shareholders' Fengchi IOT Bridging Loans from its shareholders (including Liuyu which is an associate of Mr. Ding).

We understand from the Company that the Short-Term Financing Loan was obtained from the associate of Mr. Ding when the Main Contractor of the Warehouse requested Fengchi IOT for partial early repayment of the Construction Financing. The Main Contractor had agreed to an 8% interest on the partial early repayment and Fengchi IOT obtained the Short-Term Financing Loan from Mr. Ding on the same terms. Accordingly, the interest on the Short-Term Financing Loan for the period up to the initial due date of the Construction Financing is borne by the Main Contractor. The end result is neutral to Fengchi IOT as the other income (being the interest received) generated by Fengchi IOT from making the partial early payment to the Main Contractor is offset by the other expenses (being the interest paid) incurred by Fengchi IOT from obtaining the Short-Term Financing Loan.

The Company had in June 2022, obtained a confirmation from Mr. Ding (through the associated company), that the repayment date of the Short-Term Financing Loan will be extended for one (1) year and the Short-Term Financing Loan will have a revised interest rate of 5.0% per annum, to be effective upon the completion of the Proposed Subscription.

Fengchi IOT had also obtained the Shareholders' Fengchi IOT Bridging Loans to partially finance the instalment amounts and interest payments under the Bank Loan due in June 2022 at an interest rate of 5.0% per annum, to be repaid upon the completion of the Proposed Subscription.

The revised interest rate of 5% on the Short-Term Financing Loan and the 5% interest rate on the Shareholders' Fengchi IOT Bridging Loans are the same as the Fengchi IOT Loan.

Accordingly, the Short-Term Financing Loan and the Shareholders' Fengchi IOT Bridging Loans were obtained on normal commercial terms and is not prejudicial to the interest of the Company and its minority Shareholders.



7.9 OTHER CONSIDERATIONS

7.9.1 No alternate source of fundings

The Company confirms that Fengchi IOT has exhausted its financing resources and it does not have alternate source of fundings taking into consideration the low revenue and loss incurred by Fengchi IOT in FY2021 and the reduced fair value of the Warehouse as at 31 December 2021.

7.9.2 Security provided by Mr. Ding for the Bank Loan since December 2019

As set out in Section 2.1 of the Circular, Mr. Ding has provided his personal investment portfolio including his hotel properties as security to obtain the Bank Loan in December 2019. We understand that a hotel property of Mr. Ding had a value of RMB 500 million based on the valuation commissioned by the bank in December 2019.

No fee has been charged by Mr. Ding for the provision of his investment portfolio as security for the Bank Loan.

7.9.3 Potential returns of the Warehouse

We note that the Group continues to believe that the potential returns from the Warehouse and its investment in Fengchi IOT can be a steady source of material revenue for the Group in the future, provided that it is able to have sufficient support from its stakeholders including relevant governmental authorities (in relation to favourable economic policies) and sustainable cash flows to continue with its marketing and operational efforts in developing the Warehouse as a notable logistics hub in Tianjin.

8. EVALUATION ON WHETHER RISKS AND REWARDS OF FENGCHI IOT ARE IN PROPORTION TO THE EQUITY OF EACH JOINT VENTURE PARTNER

Pursuant to Rule 917(4)(b) of the Listing Manual, transactions which satisfy Rule 916(1), (2) and (3) of the Listing Manual are not required to comply with Rule 917(4)(a) of the Listing Manual.

The Proposed Use of Proceeds as IPT does not satisfy Rule 916(3) of the Listing Manual as the Company is extending RMB 200 million to Fengchi IOT under the Fengchi IOT Loan without corresponding proportion contribution from Liuyu.

In accordance with Rule 917(4)(a)(ii) of the Listing Manual, the Company is also required to obtain an opinion from the IFA, on whether the risks and rewards of Fengchi IOT are in proportion to the equity of each joint venture partner (namely TPA and Liuyu) after taking into consideration the Proposed Use of Proceeds as IPT.

To evaluate whether the risks and rewards of Fengchi IOT are in proportion to the equity of each joint venture partner, we compare the contributions of TPA and Liuyu in Fengchi IOT as follows:

	Contribution by TPA	Contribution by Liuyu
Equity interest	49%	51%
Capital contribution	RMB 90 million (equivalent to approximately S\$19.3 million)	RMB 121.8 million (equivalent to approximately S\$26.1 million)
Corporate guarantee for the RMB 300 million (equivalent to approximately S\$64.4 million) Bank Loan ⁽¹⁾	PFL, the previous shareholder of Fengchi IOT continues to provide corporate guarantee for the Bank Loan. TPA has committed to provide corporate guarantee for the Bank Loan in due course	Jinmao, the previous shareholder of Fengchi IOT continues to provide corporate guarantee for the Bank Loan. Liuyu has committed to provide corporate guarantee for the Bank Loan in due course.



	Contribution by TPA	Contribution by Liuyu
Security for the RMB 300 million (equivalent to approximately S\$64.4 million) Bank Loan ⁽¹⁾	NIL	<p>Mr. Ding has provided his personal investment portfolio including his hotel properties as security. We understand that a hotel property of Mr. Ding had a value of RMB 500 million based on the valuation commissioned by the bank in December 2019.</p> <p>No fee has been charged by Mr. Ding for the provision of his investment portfolio as security for the Bank Loan.</p>
Collaterals for the Construction Financing	NIL. PFL, the previous shareholder of Fengchi IOT continues to provide corporate guarantee for the Construction Financing.	NIL. Jinmao, the previous shareholder of Fengchi IOT continues to provide corporate guarantee for the Construction Financing.
Financing already provided	(a) Shareholders' Fengchi IOT Bridging Loans / RMB 8 million (equivalent to approximately S\$1.7 million) which was drawn down to repay the Bank Loan in June 2022 at 5% per annum	<p>(a) The Short-Term Financing Loan of RMB 20 million (equivalent to approximately S\$4.3 million) in December 2021 at 8% per annum of which RMB 10 million (equivalent to approximately S\$2.1 million) was drawn down as at the Latest Practicable Date.</p> <p>The Short-Term Financing Loan will have a revised interest rate of 5% per annum for one year upon the completion of the Proposed Subscription.</p> <p>(b) Shareholders' Fengchi IOT Bridging Loans / RMB 8 million (equivalent to approximately S\$1.7 million) which was drawn down to repay the Bank Loan in June 2022 at 5% per annum</p>



	Contribution by TPA	Contribution by Liuyu
Financing to be provided	The Fengchi IOT Loan at 5% per annum for an initial term of three years	NIL

Note:

- (1) The Warehouse has also been pledged for the Bank Loan.

In addition, we understand from the Company that Mr. Ding has been instrumental in obtaining the Bank Loan and the relevant approvals for the construction of the Warehouse.

Further, Mr. Ding will continue to provide his investment portfolio as collaterals for the Bank Loan with remaining outstanding principal of more than RMB 250 million (equivalent to approximately S\$53.7 million) without any charges.

9. OUR OPINIONS

9.1 THE PROPOSED SUBSCRIPTION AND THE PROPOSED WHITEWASH RESOLUTION

Having regard to our terms of reference, in arriving at our opinion, we have taken into account a range of factors which we consider to be pertinent and have a significant bearing on our assessment of the Proposed Subscription. We have carefully considered as many factors as we deem essential and balanced them before reaching our opinion. Our evaluation of the Proposed Subscription is set out in paragraph 6 of this IFA Letter. **It is important that our IFA Letter, in particular, all the considerations and information we have taken into account, be read in its entirety.**

We set out below a summary of the key factors we have taken into our consideration which supports the “fairness” of the Proposed Subscription:

- (a) the Subscription Price is generally above the closing prices of the Shares for the period between 2 March 2020 and the Last Market Day, both dates inclusive;
- (b) the Subscription Price represents premia (of between 18.5% and 58.3%) to the VWAPs of the Shares for the periods prior to and including the Last Market Day;
- (c) the Subscription Price represents significant premia of 53.6% and 58.3% to the VWAPs for 3-month and 1-month periods prior to and including the Last Market Day, respectively;
- (d) the VWAP of the Shares as well as the average daily traded volumes of the Shares increased substantially after the Announcement Date. Highest VWAP for the periods prior to and including the Last Market Day was S\$0.0346 whereas VWAP of the Shares for the period after the Announcement Date up to the Latest Practicable Date



was S\$0.0391. Highest average daily traded volumes for the periods prior to and including the Last Market Day was 221,303 Shares whereas average daily traded volumes of the Shares for the period after the Announcement Date up to the Latest Practicable Date was 383,298 Shares;

- (e) the Subscription Price of S\$0.041 represents a P/NAV ratio of 1.3 times to the latest audited NAV per Share (of S\$0.032 as at 31 December 2021) or a P/NAV ratio of 2.0 times to the latest unaudited NAV per Share (of S\$0.0206 as at 30 June 2022);
- (f) the P/NAV ratio of the Company as implied by the Subscription Price is above the range of the P/NAV ratios of the Comparable Companies (of between 0.3 times and 1.0 times) and the SGX Comparable Companies (of between 0.7 times and 0.9 times);
- (g) the basis for determining the Subscription Price is better than the basis for determining the issue price of the Precedent Comparable Transactions; and
- (h) the financial effects of the Proposed Subscription are positive with higher NTA per Share and lower loss per Share.

We set out below a summary of the key factors we have taken into our consideration which supports the “reasonableness” of the Proposed Subscription:

- (i) the Proposed Subscription will help to raise funds to meet the impending current liabilities of Fengchi IOT, in particular, the Construction Financing which is the subject of the letter of demand received by Fengchi IOT and PFL as announced by the Company on 16 June 2022. The Group may lose the amount which the Group has invested into Fengchi IOT of RMB 90 million (equivalent to approximately S\$19.3 million) and subsidiary(ies) of the Company which has provided the relevant corporate guarantees under the Bank Loan and the Construction Financing may be placed under liquidation if Fengchi IOT is unable to repay or pay these payables as and when they are due in FY2022; and
- (ii) the other consideration as set out in paragraph 6.8 of this IFA Letter.

Accordingly, after taking into account the above factors, we are of the opinion that, as of the date hereof, the Proposed Subscription which is the subject of the Proposed Whitewash Resolution is fair and reasonable, and the Proposed Whitewash Resolution when considered in the context of the Proposed Subscription is not prejudicial to the interests of the Whitewash Independent Shareholders. We therefore advise the Recommending Directors to recommend that Whitewash Independent Shareholders vote in favour of the Proposed Whitewash Resolution at the EGM.

9.2 THE PROPOSED USE OF PROCEEDS AS IPT

Having regard to our terms of reference, in arriving at our opinion, we have taken into account a range of factors which we consider to be pertinent and have a significant bearing on our assessment of the Proposed Use of Proceeds as IPT. We have carefully considered as many

factors as we deem essential and balanced them before reaching our opinion. Our evaluation of the Proposed Use of Proceeds as IPT is set out in paragraph 7 of this IFA Letter while our evaluation of the risks and rewards of TPA and Liuyu in Fengchi IOT is set out in paragraph 8 of this IFA Letter. **It is important that our IFA Letter, in particular, all the considerations and information we have taken into account, be read in its entirety.**

We set out below a summary of the key factors we have taken into our consideration when assessing the Proposed Use of Proceeds as IPT:

- (a) Fengchi IOT is a joint venture entity of the Group and the financial controller of the Company is the general manager and legal representative of Fengchi IOT. The Group has ready access to the information of Fengchi IOT to manage its finances and operational risks;
- (b) In the event that Fengchi IOT is unable to repay or pay the two (2) major current liabilities (namely the Construction Financing and the Bank Loan) as and when they fall due, the Group may lose the amount which the Group has invested into Fengchi IOT of RMB 90 million (equivalent to approximately S\$19.3 million) and subsidiary(ies) of the Company which has provided the relevant corporate guarantees under the Bank Loan and the Construction Financing may be placed under liquidation. As announced by the Company on 16 June 2022, Fengchi IOT and PFL had received a letter of demand from the Main Contractor for the payment of outstanding amounts before 20 June 2022;
- (c) although Fengchi IOT has been loss-making since it commenced operations, remained loss-making as at the Latest Practicable Date and the Group does not expect the Warehouse operations to be profitable for FY2022, Fengchi IOT had positive equity position as at the Latest Practicable Date and the Warehouse's market value of S\$106.4 million as at 31 December 2021 is more than the aggregate liabilities of Fengchi IOT;
- (d) on an overall basis, the interest rate of the Fengchi IOT Loan (of 5% per annum) is within the range of interest rates of all the existing borrowings of the Group (of between 3% per annum and 8% per annum);
- (e) while the interest rate of the Fengchi IOT Loan (of 5% per annum) is lower than the Bank Loan (of 6.023% per annum) and the Short-Term Financing Loan (of 8% per annum), the circumstances of obtaining the Bank Loan and the Short-Term Financing Loan were not the same as the current Proposed Use of Proceeds as IPT.

Fengchi IOT had obtained the Bank Loan in FY2019 for the construction of the Warehouse whereas the Warehouse has been completed and generating revenues since FY2021. The Company has lower risk as compared to the bank in FY2019 because (i) the Company's financial controller is the general manager and legal representative of Fengchi IOT; (ii) the Warehouse has received its property title and can be sold as a completed property rather than an uncompleted property; (iii) the Warehouse is revenue generating; and (iv) there has been a continued increase in



average occupancy rates since the commencement of the operations at the Warehouse.

The Short-Term Financing Loan was obtained at the same rate Fengchi IOT charged its Main Contractor and the end result is neutral to Fengchi IOT as the other income (being the interest received) generated by Fengchi IOT from making the partial early payment to the Main Contractor is offset by the other expenses (being the interest paid) incurred by Fengchi IOT from obtaining the Short-Term Financing Loan.

Further, the Short-Term Financing Loan will be revised to 5% per annum (which is the same as Fengchi IOT Loan) for one year upon the completion of the Proposed Subscription;

- (f) the 5% interest per annum under the Fengchi IOT Loan is higher than the annual lending prime rates (of between 3.7% per annum and 4.45% per annum) published by The People's Bank of China in China;
- (g) the terms of the Fengchi IOT Loan are similar and within the range of the terms of financial assistance provided by the SGX-ST listed Singapore companies to their joint venture and/or associated companies in China; and
- (h) other considerations set out in paragraph 7.9 of this IFA Letter.

Accordingly, after taking into account the above factors and the information made available to us as at the Latest Practicable Date, we are of the opinion that, the Proposed Use of Proceeds as IPT (and the Short-Term Financing Loan and the Shareholders' Fengchi IOT Bridging Loans which are subject of aggregation with the Proposed Use of Proceeds as IPT) is on normal commercial terms and is not prejudicial to the interests of the Company and its minority Shareholders.

In addition, after taking into account the above and the evaluation set out in paragraph 8 of this IFA Letter, we are of the opinion that, the risks and rewards of Fengchi IOT are in proportion to the equity interest held by TPA and Liuyu in Fengchi IOT after taking into account the Proposed Use of Proceeds as IPT.

This IFA Letter, which is prepared pursuant to the Code and Rules 917(4)(a)(ii) and 921(4)(a) of the Listing Manual, is addressed to the Recommending Directors for their benefit, in connection with and for the purpose of their consideration of the Proposed Subscription, the Proposed Whitewash Resolution and the Proposed Use of Proceeds as IPT, and the recommendation made by them to the Whitewash Independent Shareholders and the IPT Independent Shareholders, as the case may be, shall remain the responsibility of the Recommending Directors. Neither the Company, the Directors nor the Shareholders may reproduce, disseminate or quote this IFA Letter (or any part thereof) for any other purpose, except for the Proposed Subscription, the Proposed Whitewash Resolution and the Proposed Use of Proceeds as IPT, at any time and in any manner without the prior written consent of Xandar Capital in each specific case.



This 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
XANDAR CAPITAL PTE. LTD.

LOO CHIN KEONG
EXECUTIVE DIRECTOR

PAULINE SIM POI LIN
HEAD OF CORPORATE FINANCE

APPENDIX B – CHANGES IN SHAREHOLDING INTERESTS

	As at the Latest Practicable Date ⁽¹⁾				Upon completion of the First Tranche of the Proposed Subscription ⁽²⁾				Upon completion of the Second Tranche of the Proposed Subscription ⁽³⁾			
	Direct Interest		Deemed Interest		Direct Interest		Deemed Interest		Direct Interest		Deemed Interest	
	Number of Shares	%	Number of Shares	%	Number of Shares	%	Number of Shares	%	Number of Shares	%	Number of Shares	%
<u>DIRECTORS</u>												
Dr. John Chen Seow Phun ⁽⁴⁾	-	-	23,163,525	5.97	-	-	23,163,525	2.54	-	-	23,163,525	1.61
Mr. Ko Chuan Aun ⁽⁵⁾	-	-	-	-	-	-	-	-	-	-	-	-
Mr. Francis Lee Fook Wah ⁽⁶⁾	-	-	-	-	-	-	-	-	-	-	-	-
Mr. Kong WeiLi	-	-	-	-	-	-	-	-	-	-	-	-
<u>SUBSTANTIAL SHAREHOLDERS (OTHER THAN DIRECTORS)</u>												
UOB Kay Hian Pte Ltd	100,000,000	25.79	-	-	100,000,000	10.97	-	-	100,000,000	6.97	-	-
Sunlead Evergrowing Capital Co. Limited ⁽⁷⁾	-	-	100,000,000	25.79	-	-	100,000,000	10.97	-	-	100,000,000	6.97
Mdm. Xu Cai Kui ⁽⁸⁾	-	-	100,000,000	25.79	-	-	100,000,000	10.97	-	-	100,000,000	6.97
Mr. Zheng Fengwen ⁽⁹⁾	-	-	100,000,000	25.79	-	-	100,000,000	10.97	-	-	100,000,000	6.97
Teo Kiang Ang ⁽¹⁰⁾	35,211,000	9.08	40,411,000	10.42	35,211,000	3.86	40,411,000	4.43	35,211,000	2.45	40,411,000	2.82
Union Energy Corporation Pte Ltd	40,411,000	10.42	-	-	40,411,000	4.43	-	-	40,411,000	2.82	-	-
Singapore Enterprises Pte Ltd	38,700,000	9.98	-	-	38,700,000	4.25	-	-	38,700,000	2.70	-	-
Kok Nyong Patt	25,027,725	6.45	-	-	25,027,725	2.75	-	-	25,027,725	1.74	-	-
Mr. Lee Tong Soon	24,135,526	6.22	-	-	24,135,526	2.65	-	-	24,135,526	1.68	-	-

APPENDIX B – CHANGES IN SHAREHOLDING INTERESTS

		As at the Latest Practicable Date ⁽¹⁾				Upon completion of the First Tranche of the Proposed Subscription ⁽²⁾				Upon completion of the Second Tranche of the Proposed Subscription ⁽³⁾			
		Direct Interest		Deemed Interest		Direct Interest		Deemed Interest		Direct Interest		Deemed Interest	
		Number of Shares	%	Number of Shares	%	Number of Shares	%	Number of Shares	%	Number of Shares	%	Number of Shares	%
Unigold Asia Limited		22,252,725	5.74	-	-	22,252,725	2.44	-	-	22,252,725	1.55	-	-
OTHERS													
The Subscriber		-	-	-	-	523,609,280	57.45	-	-	1,047,218,560	72.98	-	-
Mr. Ding Fu Ru (丁福如) ⁽¹¹⁾		-	-	190,200	0.05	-	-	523,799,480	57.47	-	-	1,047,408,760	72.99
		Number of Shares	%			Number of Shares	%			Number of Shares	%		
Non-public		286,838,976	73.98			722,585,005	79.29			1,246,194,285	86.84		
Public		100,909,724	26.02			188,722,975	20.71			188,722,975	13.16		
TOTAL		387,748,700	100.00			911,357,980	100.00			1,434,967,260	100.00		

Notes:

- (1) Based on 387,748,700 Shares in the issued and paid-up share capital of the Company, as at the Latest Practicable Date.
- (2) Based on 911,357,980 Shares in the issued and paid-up share capital of the Company, pursuant to the allotment and issue of 523,609,280 First Tranche Subscription Shares and does not take into consideration any other Shares which may be allotted and issued otherwise.
- (3) Based on 1,434,967,260 Shares in the issued and paid-up share capital of the Company, pursuant to the allotment and issue of the 523,609,280 Second Tranche Subscription Shares and does not take into consideration any other Shares which may be allotted and issued otherwise.
- (4) Dr. John Chen Seow Phun is deemed to be interested in (a) 62,500 Shares held in the name of Mdm. Lim Kok Huang, who is the spouse of Dr. John Chen Seow Phun; (b) 848,300 Shares held by DBS Nominees (Private) Limited as his nominee; and (c) 22,252,725 Shares held in the name of Unigold Asia Limited, which is wholly owned by Dr. John Chen Seow Phun.
- (5) Please refer to the announcement dated 18 July 2022 in relation to the resignation of Mr. Ko Chuan Aun.
- (6) Mr. Francis Lee Fook Wah is a director of Singapore Enterprises Pte Ltd.
- (7) Sunlead Evergrowing Capital Co., Limited ("**Sunlead**") is deemed to be interested in 100,000,000 shares held by UOB Kay Hian Pte Ltd., as the beneficial owner.
- (8) Mdm. Xu Cai Kui is deemed to be interested in 100,000,000 Shares held by Sunlead pursuant to Section 7 of the Companies Act 1967 of Singapore by virtue of her being a shareholder of Sunlead.
- (9) Mr. Zheng Fengwen is deemed to be interested in 100,000,000 Shares held by Sunlead, which is deemed to be interested by his spouse, Mdm. Xu Cai Kui.
- (10) Mr. Teo Kiang Ang is deemed to be interested in 40,000,000 Shares held by Union Energy Corporation Pte Ltd ("**UEC**") as he is the ultimate beneficiary owner of UEC.
- (11) Mr. Ding Furu (丁福如) is deemed to be interested in (a) 190,200 Shares held by UOB Kay Hian Pte Ltd., as the beneficial owner; and (b) 523,609,280 Shares (after completion of the First Tranche of the Proposed Subscription) and another 523,609,280 Shares (after completion of the Second Tranche of the Proposed Subscription) held by the Subscriber, of which Mr. Ding Furu (丁福如) is the sole director and shareholder.

NOTICE OF EXTRAORDINARY GENERAL MEETING

PAVILLON HOLDINGS LTD.

(Company Registration No. 199905141N)

(Incorporated in the Republic of Singapore)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT an extraordinary general meeting (the “EGM”) of Pavillon Holdings Ltd. (the “Company”) will be held at Thai Village Restaurant, 2 Stadium Walk, #01-02/03 Singapore Indoor Stadium, Singapore 397691 on 5 August 2022 at 3.00 p.m. for the purpose of considering and, if thought fit, passing the following ordinary resolution:

Please refer to the paragraph titled “IMPORTANT INFORMATION” below for details.

All capitalised terms in this Notice which are not defined herein shall have the same meaning as ascribed to them in the Company’s circular dated 21 July 2022 (the “Circular”).

Shareholders should note that Ordinary Resolutions 1, 2, 3 and 4 as set out in this Notice of EGM are inter-conditional on each other. This means that if any one of Ordinary Resolutions 1, 2, 3 and 4 is not approved, all of Ordinary Resolutions 1, 2, 3 and 4 will not be duly approved.

ORDINARY RESOLUTION 1:

THE PROPOSED SUBSCRIPTION OF 1,047,218,560 NEW ORDINARY SHARES IN THE CAPITAL OF THE COMPANY AT THE SUBSCRIPTION PRICE OF S\$0.041 PER SUBSCRIPTION SHARE BY NEW DEVELOPMENT HOTEL MANAGEMENT PTE. LTD.

THAT subject to and contingent upon Ordinary Resolutions 2, 3 and 4, as set out in this Notice of EGM being passed:

- (a) approval be and is hereby given for the allotment and issuance of 1,047,218,560 Subscription Shares pursuant to the Proposed Subscription by the Company to the Subscriber at the Subscription Price of S\$0.041 per Subscription Share (representing a premium of approximately 86.4% to the last transacted price of S\$0.022 per Share and a premium of approximately 51.9% to the volume weighted average price of S\$0.027 for trades done on the Shares on the Mainboard of the SGX-ST on 1 March 2022, being the market day on which the Shares were traded preceding the time the Subscription Agreement was signed), on the terms and subject to the conditions set out in the Subscription Agreement;
- (b) the entry into the Subscription Agreement and any other transactions and/or ancillary documents contemplated under the Subscription Agreement be and is hereby approved, confirmed and ratified; and
- (c) the Directors and each of them be and are hereby authorised to complete, enter and do all acts and things (including without limitation, prepare and finalise, approve, sign, execute and deliver all such documents or agreements as may be required) and do all deeds and things as they may consider necessary, desirable, incidental or expedient for the purposes of or to give effect to this Ordinary Resolution 1 and implement any of the foregoing as they think fit and in the interests of the Company.

ORDINARY RESOLUTION 2:

THE PROPOSED TRANSFER OF CONTROLLING INTEREST IN THE COMPANY TO THE SUBSCRIBER ARISING FROM THE PROPOSED SUBSCRIPTION

THAT subject to and contingent upon Ordinary Resolutions 1, 3 and 4 as set out in this Notice of EGM being passed:

- (a) approval be and is hereby given for the allotment and issuance by the Company of the Subscription

NOTICE OF EXTRAORDINARY GENERAL MEETING

Shares to the Subscriber on the terms and subject to the conditions set out in the Subscription Agreement which constitutes a transfer of controlling interest in the Company to the Subscriber pursuant to Rule 803 of the Listing Manual; and

- (b) the Directors and each of them be and are hereby authorised to complete, enter and do all acts and things (including without limitation, prepare and finalise, approve, sign, execute and deliver all such documents or agreements as may be required) and do all deeds and things as they may consider necessary, desirable, incidental or expedient for the purposes of or to give effect to this Ordinary Resolution 2 and implement any of the foregoing as they think fit and in the interests of the Company.

ORDINARY RESOLUTION 3:

THE PROPOSED WHITEWASH RESOLUTION FOR THE WAIVER BY INDEPENDENT SHAREHOLDERS OF THEIR RIGHT TO RECEIVE A MANDATORY GENERAL OFFER FROM THE SUBSCRIBER FOR ALL THE ISSUED SHARES IN THE CAPITAL OF THE COMPANY NOT ALREADY OWNED OR CONTROLLED BY THE SUBSCRIBER AND ITS CONCERT PARTIES

THAT subject to and contingent upon Ordinary Resolutions 1, 2 and 4 as set out in this Notice of EGM being passed, the Independent Shareholders hereby, on a poll taken, unconditionally and irrevocably waive their rights to receive a mandatory general offer from the Subscriber in accordance with Rule 14 of the Takeover Code as a result of the allotment and issue of First Tranche Subscription Shares by the Company to the Subscriber.

ORDINARY RESOLUTION 4:

THE PROPOSED USE OF PROCEEDS FROM THE PROPOSED SUBSCRIPTION AS AN INTERESTED PERSON TRANSACTION

THAT subject to and contingent upon Ordinary Resolutions 1, 2 and 3 as set out in this Notice of EGM being passed:

- (a) approval be and is hereby given for the proposed Use of Proceeds from the Proposed Subscription by the Company, as an interested person transaction in accordance with Rule 906 of the Listing Manual, on the terms and subject to the conditions set out in the Subscription Agreement; and
- (b) the Directors and each of them be and are hereby authorised to complete, enter and do all acts and things (including without limitation, prepare and finalise, approve, sign, execute and deliver all such documents or agreements as may be required) and do all deeds and things as they may consider necessary, desirable, incidental or expedient for the purposes of or to give effect to this Ordinary Resolution 4 and implement any of the foregoing as they think fit and in the interests of the Company.

By Order of the Board
PAVILLON HOLDINGS LTD.

Dr. John Chen Seow Phun
Executive Chairman

21 July 2022

NOTICE OF EXTRAORDINARY GENERAL MEETING

PERSONAL DATA PRIVACY

Where a member of the Company submits an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the EGM and/or any adjournment thereof, a member of the Company (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, proxy lists, minutes and other documents relating to the EGM (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "Purposes"); (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. The member's personal data and its proxy(ies)'s and/or representative(s)'s personal data may be disclosed or transferred by the Company to its subsidiaries, its share registrar and/or other agents or bodies for any of the Purposes, and retained for such period as may be necessary for the Company's verification and record purposes. Photographic, sound and/or video recordings of the EGM may be made by the Company for record keeping and to ensure the accuracy of the minutes prepared of the EGM. Accordingly, the personal data of a member of the Company and/or its proxy(ies) or representative(s) (such as his/her name, his/her presence at the EGM and any questions he/ she may raise or motions he/she proposes/seconds) may be recorded by the Company for such purpose.

IMPORTANT INFORMATION

1. In light of the easing of the COVID-19 restrictions by the Singapore government on 26 April 2022, the EGM will be held physically at Thai Village Restaurant, 2 Stadium Walk, #01-02/03 Singapore Indoor Stadium, Singapore 397691.
2. This Notice will accordingly be sent to members by electronic means via publication on the Company's website at the URL: <https://thaivillagerestaurant.com.sg/investors> and on the SGXNet website at the URL: <https://www.sgx.com/securities/company-announcements>. The accompanying Proxy Form for the EGM may be downloaded from the Company's website at the URL: <https://thaivillagerestaurant.com.sg/investors> and on the SGXNet website at the URL: <https://www.sgx.com/securities/company-announcementshttps://www.sgx.com/securities/company-announcements>.
3. (a) A member (who is not a relevant intermediary) entitled to attend, speak and vote at the EGM is entitled to appoint not more than two (2) proxies to attend, speak and vote in his/her stead. Where such member's instrument appointing a proxy(ies) appoints more than one proxy, the proportion of the shareholding concerned to be represented by each proxy shall be specified in the instrument (expressed as a percentage of a whole). If no percentage is specified, the first named proxy shall be deemed to represent 100 per cent of the shareholdings and the second named proxy shall be deemed to be an alternate to the first named proxy.

(b) A member who is a relevant intermediary is entitled to appoint more than two (2) proxies, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such member's instrument appointing a proxy(ies) appoints more than two (2) proxies, the number and class of shares in relation to which each proxy has been appointed shall be specified in the instrument. In relation to a relevant intermediary who wishes to appoint more than two (2) proxies, it should annex to the Proxy Form the list of proxies, setting out, in respect of each proxy, the name, NRIC/Passport Number and proportion of shareholding (number of shares, class of shares and percentage) in relation to which the proxy has been appointed.

"**Relevant intermediary**" shall have the meaning ascribed to it in Section 181 of the Companies Act 1967 of Singapore.

4. A proxy need not be a member of the Company. The Chairman of the Meeting, as proxy, need not be a member of the Company.
5. **Submission of substantial and relevant questions in advance of the EGM.** Members, including CPF Investors and SRS Investors, can submit substantial and relevant questions related to the resolution to be tabled for approval at the EGM to the Chairman of the Meeting, in advance of the EGM, in the following manner:
 - (a) if submitted by post, be lodged with the Company's registered office at Block 1002 Tai Seng Avenue #01-2536 Singapore 534409; and
 - (b) if submitted electronically, the instrument must be submitted via email to sg.is.proxy@sg.tricorglobal.com.

in each case, by **3.00 p.m. on 28 July 2022 (being seven (7) calendar days from the date of the Notice of EGM)**. When sending in questions by post or email, please also include the following details: (a) full name; (b) address; and (c) the manner in which the Shares are held (e.g. via CDP, CPF, SRS and/or scrip).

Members (including CPF Investors and SRS Investors) and, where applicable, appointed proxy(ies) can also ask live at the EGM substantial and relevant questions related to the resolution to be tabled for approval at the EGM by attending the EGM physically.

6. The instrument appointing a proxy(ies) must be submitted to the Company in the following manner:
 - (a) if submitted by post, be lodged with the Company's registered office at Block 1002 Tai Seng Avenue #01-2536 Singapore 534409; and

NOTICE OF EXTRAORDINARY GENERAL MEETING

(b) if submitted electronically, the instrument must be submitted via email to sg.is.proxy@sg.tricorglobal.com.

in each case, by **3.00 p.m. on 3 August 2022 (not less than 48 hours before the time appointed for holding the EGM)**.

A member who wishes to submit an instrument appointing a proxy(ies) by post or via email can either download a copy of the Proxy Form from the Company's website and SGXNet, and complete and sign the Proxy Form, before submitting it by post to the address provided above, or before scanning and sending it by email to the email address provided above.

7. 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/her/its name in the Depository Register as at 72 hours before the time appointed for holding the EGM (i.e. 3.00 p.m. on 2 August 2022), as certified by CDP to the Company. A Depositor shall not be regarded as a member of the Company entitled to attend the EGM and vote thereat unless his/her/its name appears on the Depository Register 72 hours before the time appointed for the EGM.
8. CPF Investors and SRS Investors:
 - (a) may attend and cast their vote(s) at the EGM in person if they are appointed as proxies by their respective CPF Agent Banks or SRS Operators, and should contact their respective CPF Agent Banks or SRS Operators if they have any queries regarding their appointment as proxies; or
 - (b) may appoint the Chairman of the Meeting as proxy to vote on their behalf at the EGM, in which case they should approach their respective CPF Agent Banks or SRS Operators to submit their votes at least seven (7) business days before the EGM (i.e. by **3.00 p.m. on 27 July 2022**), and such CPF Investor and/or SRS Investors shall be precluded from attending the EGM.
9. This Notice, the Circular and the Proxy Form will be sent to the members solely by electronic means via publication on the Company's website and will also be made available on SGXNet. Printed copies of these documents will not be sent to the members of the Company. Please refer to the SGXNet website at the URL: <https://www.sgx.com/securities/company-announcements> and the Company's website at the URL: <https://thavillagerestaurant.com.sg/investors> for the (a) Circular; (b) Notice of EGM; and (c) Proxy Form:

As the COVID-19 pandemic continues to evolve, further measures and/or changes to the EGM arrangements may be made on short notice in the ensuing days, even up to the day of the EGM. Members are advised to closely monitor announcements made on SGXNet website at the URL: <https://www.sgx.com/securities/company-announcements> and/or the Company's website at the URL: <https://thavillagerestaurant.com.sg/investors> for updates on the EGM. The Company also seeks the understanding and cooperation of all members to minimise the risk of community spread of COVID-19.

10. The following steps will be taken for members and others attending the EGM to minimise the risk of community spread of COVID-19.
 - (a) All attendees of the EGM will be required to wear face masks at the EGM venue at all times when not eating or drinking.
 - (b) Members and proxy(ies) who are feeling unwell on the date of the EGM are advised not to attend the EGM.
 - (c) Any persons exhibiting flu-like symptoms may be refused admittance at the EGM.

PROXY FORM

PAVILLON HOLDINGS LTD. (Company Registration No. 199905141N) (Incorporated in the Republic of Singapore)	PROXY FORM EXTRAORDINARY GENERAL MEETING <i>(Please see notes overleaf before completing this Proxy Form)</i>			
IMPORTANT: 1. The Extraordinary General Meeting (the “EGM”) of Pavillon Holdings Ltd. will be held at Thai Village Restaurant, 2 Stadium Walk, #01-02/03 Singapore Indoor Stadium, Singapore 397691. 2. An investor who holds shares under the Central Provident Fund Investment Scheme (the “CPF Investor”) and/or the Supplementary Retirement Scheme (the “SRS Investor”) (as may be applicable) may attend and cast their vote(s) at the EGM in person if they are appointed as proxies by their respective CPF Agent Banks or SRS Operators, and should contact their respective CPF Agent Banks or SRS Operators if they have any queries regarding their appointment as proxies. Alternatively, CPF Investors / SRS Investors may appoint the Chairman of the Meeting as proxy to vote on their behalf at the EGM, in which case they should approach their respective CPF Agent Banks or SRS Operators to submit their votes at least seven (7) business days before the EGM (i.e. by 3.00 p.m. on 27 July 2022), and such CPF Investor and/or SRS Investors shall be precluded from attending the EGM. 3. This Proxy Form is not valid for use by CPF Investors and SRS Investors and shall be ineffective for all intents and purported to be used by them.				
*I/We,		(Name)		(NRIC / Passport / Co. Registration Number)
of				(Address)
being a member/members* of PAVILLON HOLDINGS LTD. (the “Company”), hereby appoint:				
Name:	Address:	NRIC / Passport Number	Proportion of Shareholdings (%)	
			No of Shares	%
and/or				
Name:	Address:	NRIC / Passport Number	Proportion of Shareholdings (%)	
			No of Shares	%
as *my/our *proxy to vote for *me/us on *my/our behalf at the EGM to be held at Thai Village Restaurant, 2 Stadium Walk, #01-02/03 Singapore Indoor Stadium, Singapore 397691 on 5 August 2022 at 3.00 p.m. and at any adjournment thereof. I/We* direct my/our* proxy to vote for, vote against or abstain from voting on the resolution to be proposed at the EGM as indicated hereunder.				
If no specific direction as to voting is given, in respect of a resolution, the *proxy/proxies will vote or abstain from voting at *his/her/their discretion.				

The resolution put to the vote at the EGM shall be decided by way of poll.

Ordinary Resolution relating to:		For ⁽²⁾	Against ⁽²⁾	Abstain ⁽³⁾
1.	The Proposed Subscription			
2.	The Proposed Transfer of Controlling Interest			
3.	The Proposed Whitewash Resolution			
4.	The Proposed Use of Proceeds as IPT			

⁽¹⁾ Voting will be conducted by poll. If you wish for your proxy to cast all your votes “For” or “Against” a resolution, please tick (✓) within the “For” or “Against” box provided in respect of that resolution. Alternatively, please indicate the number of votes “For” or “Against” in the “For” or “Against” box provided in respect of the resolution.

⁽²⁾ If you wish for your proxy to abstain from voting on the resolution, please tick (✓) within the “Abstain” box provided in respect of the resolution. Alternatively, please indicate the number of votes that your proxy is directed to abstain from voting in the “Abstain” box provided in respect of the resolution.

Dated this day of 2022

Signature(s) of Shareholder(s)
 or Common Seal of Corporate Shareholder
** Delete where inapplicable*

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

IMPORTANT: PLEASE READ NOTES OVERLEAF

PROXY FORM

Notes:

1. If the member has shares entered against his/her/its name in the Depository Register (maintained by The Central Depository (Pte) Limited), he/she/it should insert that number of shares. If the member has shares registered in his/her/its name in the Register of Members (maintained by or on behalf of the Company), he/she/it should insert that number of shares. If the member has shares entered against his/her/its name in the Depository Register and shares registered in his/her/its name in the Register of Members, he/she/it should insert the aggregate number of shares. If no number is inserted, this instrument appointing a proxy(ies) will be deemed to relate to all the shares held by the member.
2. This Proxy Form may be downloaded from the Company's website at the URL: <https://thaivillagerrestaurant.com.sg/investors> and on the SGXNet website at the URL: <https://www.sgx.com/securities/company-announcements>.
3. (a) A member (who is not a relevant intermediary) entitled to attend, speak and vote at the EGM is entitled to appoint not more than two (2) proxies to attend, speak and vote in his/her stead. Where such member's instrument appointing a proxy(ies) appoints more than one proxy, the proportion of the shareholding concerned to be represented by each proxy shall be specified in the instrument (expressed as a percentage of a whole). If no percentage is specified, the first named proxy shall be deemed to represent 100 per cent of the shareholdings and the second named proxy shall be deemed to be an alternate to the first named proxy. (b) A member who is a relevant intermediary is entitled to appoint more than two (2) proxies, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such member's instrument appointing a proxy(ies) appoints more than two (2) proxies, the number and class of shares in relation to which each proxy has been appointed shall be specified in the instrument. In such event, the relevant intermediary shall submit a list of its proxies setting out number and class of shares in relation to which each proxy has been appointed together with the information required in this Proxy Form to the Company.

"**Relevant intermediary**" shall have the meaning ascribed to it in Section 181 of the Companies Act 1967 of Singapore.

4. A proxy need not be a member of the Company. The Chairman of the Meeting, as proxy, need not be a member of the Company.
5. This instrument appointing a proxy(ies) must be submitted to the Company in the following manner: (a) if submitted by post, be lodged with the Company's registered office at Block 1002 Tai Seng Avenue #01-2536 Singapore 534409; and (b) if submitted electronically, the instrument must be submitted via email to sg.is.proxy@sg.tricorglobal.com, in each case, by **3.00 p.m. on 3 August 2022 (not less than 48 hours before the time appointed for holding the EGM)**.

A member who wishes to submit an instrument appointing a proxy(ies) by post or via email can download a copy of the Proxy Form from the Company's website and SGXNet, and complete and sign this Proxy Form, before submitting it by post to the address provided above, or before scanning and sending it by email to the email address provided above.

6. Subject to note 10, completion and return of the instrument appointing a proxy(ies) does not preclude a member from attending, speaking and voting at the EGM. Any appointment of a proxy or proxies shall be deemed to be revoked if a member attends the EGM in person and, in such event, the Company reserves the right to refuse to admit any person or persons appointed under the instrument of the proxy, to the EGM..
7. The instrument appointing a proxy(ies) must, if submitted by post or electronically via email, be signed under the hand of the appointor or of his/her attorney duly authorised in writing. Where the instrument appointing a proxy(ies) is executed by a corporation, it must, if submitted by post or electronically via email, be executed either under its common seal or under the hand of its attorney or a duly authorised officer.
8. Where an instrument appointing a proxy(ies) 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), if the instrument is submitted by post, be lodged with the instrument or, if the instrument is submitted electronically via email, be emailed with the instrument, failing which the instrument may be treated as invalid.
9. 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 1967 of Singapore, and the person so authorised shall upon production of a copy of such resolution certified by a director of the corporation to be a true copy, be entitled to exercise the powers on behalf of the corporation so represented as the corporation could exercise in person if it were an individual.
10. CPF Investors and SRS Investors: (a) may attend and cast their vote(s) at the EGM in person if they are appointed as proxies by their respective CPF Agent Banks or SRS Operators, and should contact their respective CPF Agent Banks or SRS Operators if they have any queries regarding their appointment as proxies; or (b) may appoint the Chairman of the Meeting as proxy to vote on their behalf at the EGM, in which case they should approach their respective CPF Agent Banks or SRS Operators to submit their votes at least seven (7) business days before the EGM (i.e. by **3.00 p.m. on 27 July 2022**), and such CPF Investor and/or SRS Investors shall be precluded from attending the EGM
11. 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/her/its name in the Depository Register as at 72 hours before the time appointed for holding the EGM (i.e. 3.00 p.m. on 2 August 2022), as certified by CDP to the Company. A Depositor shall not be regarded as a member of the Company entitled to attend the EGM and vote thereat unless his/her/its name appears on the Depository Register 72 hours before the time appointed for the EGM.

PROXY FORM

Personal data privacy: Where a member of the Company submits an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the EGM and/or any adjournment thereof, a member of the Company (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, proxy lists, minutes and other documents relating to the EGM (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "**Purposes**"); (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 (v) 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. The member's personal data and its proxy(ies)'s and/or representative(s)'s personal data may be disclosed or transferred by the Company to its subsidiaries, its share registrar and/or other agents or bodies for any of the Purposes, and retained for such period as may be necessary for the Company's verification and record purposes. Photographic, sound and/or video recordings of the EGM may be made by the Company for record keeping and to ensure the accuracy of the minutes prepared of the EGM. Accordingly, the personal data of a member of the Company and/or its proxy(ies) or representative(s) (such as his/her name, his/her presence at the EGM and any questions he/ she may raise or motions he/she proposes/seconds) may be recorded by the Company for such purpose.