



KITCHEN CULTURE HOLDINGS LTD.
(Company Registration No: 201107179D)
(Incorporated in the Republic of Singapore on 25 March 2011)

ENTRY INTO A CONVERTIBLE LOAN AGREEMENT

1. INTRODUCTION

The board of directors (the "**Board**" or the "**Directors**") of Kitchen Culture Holdings Ltd. (the "**Company**", and together with its subsidiaries, the "**Group**") refers to the Company's announcement dated 29 April 2020 in relation to the Company's entry into a non-binding term sheet ("**Term Sheet**") with various investors (the "**Investors**" and together with the Company, the "**Parties**").

Following negotiations between the Parties, the Board wishes to announce that the Company had on 3 May 2020 entered into a convertible loan agreement (the "**Convertible Loan Agreement**") with the Investors, pursuant to which, the Investors have agreed to grant an interest-bearing convertible loan for the amount of S\$6,050,000 (the "**Convertible Loan Amount**") to the Company (the "**Convertible Loan**").

Following this, the Investors have been granted the right to convert at the Conversion Price (as defined below) the Convertible Loan together with the interest payable on the Convertible Loan ("**Interest**") into a maximum of 46,694,626 new ordinary shares ("**Shares**") in the issued and paid-up capital of the Company (the "**Conversion Shares**"), fractional entitlements to be disregarded, in accordance of the terms of the Convertible Loan Agreement.

2. PRINCIPAL TERMS AND CONDITIONS OF THE CONVERTIBLE LOAN AGREEMENT

The terms and conditions of the Convertible Loan Agreement were negotiated and agreed upon by the Parties on an arm's length basis and are summarised as follow:

<p>Conversion Right</p>	<p>(1) Subject to the terms and conditions of the Convertible Loan Agreement and a minimum conversion of 500,000 Conversion Shares per conversion, each Investor shall have the right (but not the obligation) to, during the term of the Convertible Loan, convert the full sum of the Convertible Loan that was disbursed by the Investor (or any part thereof) that is outstanding into Conversion Shares at the Conversion Price ("Conversion Right").</p> <p>(2) Unless otherwise agreed in writing by the Company, each Investor may effect one conversion at any time after the Conditions Precedents (as defined below) in the Convertible Loan Agreement have been fulfilled or so waived by the Company.</p> <p>(3) Subject to clauses in paragraph 4 of this section below, the number of Conversion Shares to which any Investor is entitled on conversion shall be determined by dividing (a) the aggregate of the Convertible Loan Amount (disbursed by the Investor) and Interest by (b) the Conversion Price.</p> <p>(4) Each Investor warrants and accepts that the total number of Conversion Shares together with any existing Shares that is held by him (together any persons acting in concert with him within the meaning provided in the Singapore Code on Take-over and Mergers) as at both date of the Convertible Loan Agreement and the conversion date, shall not exceed 29% of the voting rights of the Company, and accordingly the Investor shall not be entitled to exercise his/her Conversion Right if the said limit would be exceeded upon the exercise of the Conversion Right. Each Investor further warrants and accepts as follows:</p> <p>(a) the Company shall not issue any Conversion Share which could result in change in transfer of controlling interest without prior approval of shareholders of the Company in general meeting; and</p> <p>(b) if any Investor (other than those who have been identified as holders of substantial shareholding of the Company as at the date of the Convertible Loan Agreement, namely Chee Tuck Hong and Fang Pengchong) becomes a person described in Rule 812(1) of the Listing Manual Section B: Rules of Catalist of the SGX-ST ("Catalist Rules") (as may be amended from time to time) after the date of the Convertible Loan Agreement, that Investor shall not be entitled to the exercise the Investor's Conversion Right unless approval from shareholders' of the Company has been obtained in general meeting.</p> <p>(5) The Investors acknowledge and agree that the Conversion Shares are issued pursuant to the exemption and restrictions set out in Section 275 and Section 276 of the Securities and Futures Act (Chapter 289) of Singapore ("SFA").</p>
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Conversion Price	<p>The conversion price (“Conversion Price”) of S\$0.149 per Conversion Share for the conversion of the Convertible Loan and Interest was arrived at after taking into consideration, <i>inter alia</i>, the prevailing market conditions, the recent share prices of the Company prior to the announcement of the Term Sheet and future plans of the Group. The Conversion Price remains the same as the conversion price previously agreed in the Term Sheet.</p> <p>The Conversion Price represents:</p> <p>(a) a premium of approximately 5% of the weighted average price of S\$0.1415 per Share for trades done on the Singapore Exchange Securities Trading Limited (“SGX-ST”) on 24 April 2020, being the last full market day where Shares were traded before the signing of the Term Sheet and prior to the trading halt requested by the Company with effect from 9.00 a.m. on 27 April 2020; and</p> <p>(b) a discount of approximately 29% of the weighted average price of S\$0.2085 per Share for trades done on the SGX-ST on 30 April 2020, being the last full market day where Shares were traded before the signing of the Convertible Loan Agreement.</p> <p>As the Conversion Price represents a discount of more than 10% to the weighted average price for trades done on the SGX-ST for the full market day prior to the signing of the Convertible Loan Agreement, the Company will be seeking the approval of its shareholders under Rule 811(3) of the Catalist Rules.</p> <p>No adjustments to the Conversion Price shall be made for any subsequent issue of Shares and/or convertible securities and/or warrants by the Company, and/or in the event of any rights, bonus or other capitalisation issues by the Company which will enlarge the number of Shares in the share capital of the Company as of the date of the Convertible Loan Agreement. Notwithstanding Rule 829(1) of the Catalist Rules, the Board is of the view that this is not prejudicial to the interests of the Company and shareholders of the Company.</p> <p>The Company undertakes that it will not conduct any capital reduction or share consolidation exercise, or any other corporate action which will reduce the number of Shares in the share capital of the Company as of date of the Convertible Loan Agreement, during the period from the date of the Convertible Loan Agreement up till the Maturity Date (both dates included). The Company may also, in consultation with the Investors, effect such other adjustments to the Conversion Price as may be required to comply with provisions of Singapore law and/or the requirements of the SGX-ST.</p>
Drawdown Date	4 May 2020 (or such other date as Parties may agree in writing).

Interest	<p>Interest is chargeable on the Convertible Loan at the rate of 15% of the Convertible Loan Amount.</p> <p>Interest is payable on Maturity Date unless already converted into Conversion Shares in accordance to terms set out under Conversion Rights.</p>
Maturity Date	18 months from Drawdown Date.
Transferability, Assignment and Rights upon Liquidation	<p>The Investors may at any time and from time to time with the Company's prior written consent, assign or transfer all or any of its rights, benefits and obligations under the Convertible Loan Agreement to any other Investors or financial institution. The costs of any assignment or transfer by the Investors shall not be borne by the Company.</p> <p>Separately, the Convertible Loan Agreement does not contain any provisions or stipulate the rights of the Investors in the event of the liquidation of the Company. In such instance, the rights of the Investors will be determined in accordance with the applicable Singapore laws and regulations relating to the winding-up and liquidation of companies.</p>
Repayment of Convertible Loan and Payment of Interest	<p>The outstanding Convertible Loan Amount shall be repaid and any unpaid Interest shall be payable by the Company to the Investors, together with the outstanding principal amount of the Convertible Loan Amount, on the Maturity Date.</p> <p>If any part of the Convertible Loan has been converted pursuant to Conversion Rights, the outstanding principal amount of the Convertible Loan shall be reduced by the converted amount.</p> <p>If any part of the Interest has been converted pursuant to Conversion Rights, the outstanding amount of the Interest shall be reduced by the converted amount.</p>
Prepayment and Cancellation	No prepayment or cancellation of the Convertible Loan, or any part thereof, is allowed.

<p>Investors' Representations and Warranties <i>(inter alia)</i></p>	<p>(1) Each of the Investors warrant that each of them are accredited investors (as defined in Section 4A(1)(a) of the SFA).</p> <p>(2) Each Investor enters into the Convertible Loan Agreement as a principal and for its own benefit, has no intention of influencing the management of, or exercising control over, the Company, and is not acting in concert with any parties to obtain or consolidate control of the Company.</p> <p>(3) Save for Chan Hiang Ngee, Wong Hong Eng, Tan Kee Tuan, Chee Tuck Hong, Tan Koon and Fang Pengchong who are existing shareholders of the Company as at the date of the Convertible Loan Agreement, each Investor has no relationship (including any business relationship) with the Company, the Company's subsidiaries or any Director, substantial shareholders or officer of the Company.</p> <p>The Warranties given hereunder above by the Investors shall not in any respect be extinguished or affected by drawdown and shall validly subsist and be repeated as at conversion date. Each of the Warranties contained herein shall survive and continue to have full force and effect after the execution of the Convertible Loan Agreement and each Investor hereby warrants to the Company that the above Warranties will be true and correct and fully observed so long as any sum remains payable under the Convertible Loan Agreement.</p>
<p>No Amendment or Variation</p>	<p>No amendment or variation to the Convertible Loan Agreement shall take effect unless it is in writing (in such manner as may be agreed upon by the Parties (the Company on one side and the Investors on the other and agreement to any amendment or variation to the Convertible Loan Agreement by the Investors shall be deemed to be obtained if Investors investing at least 50% of the Convertible Loan have agreed to the amendment or variation to the Convertible Loan Agreement) and shall be subject to approval by shareholders of the Company in general meeting where required by law or by the Catalist Rules.</p>

<p>Conditions Precedent</p>	<p>The Conversion Right shall be subject to the following conditions precedent (“Conditions Precedent”) being fulfilled or waived by the Company:</p> <ol style="list-style-type: none"> (1) approval from shareholders of the Company at an extraordinary general meeting to be convened in respect of the issuance and allotment of the Conversion Shares being obtained; (2) receipt by the Company of the listing and quotation notice for the listing and quotation of the Conversion Shares on the Catalist bourse of the SGX-ST, the same not being revoked or amended, and where such notice is subject to conditions, such conditions being acceptable to the Company and to the extent that any conditions to such approval are to be fulfilled on or before issuance and allotment of the Conversion Shares, they are so fulfilled to the satisfaction of the SGX-ST or so waived by the SGX-ST; (3) the issuance, allotment and conversion of the Conversion Shares not being prohibited by any statute, order, rule or regulation promulgated after the date of the Convertible Loan Agreement by any applicable law, legislative, executive or regulatory body or authority of Singapore; and (4) written declaration from each of the Investors in such form and substance acceptable to the Company that: <ol style="list-style-type: none"> (a) there is no agreement or arrangement or understanding amongst the Investors themselves or amongst the Investors and the Company or any of its Directors or officers to co-operate to obtain or consolidate control over the Company or of the voting rights in the Company; (b) none of the Investors is acting in concert with one another or with any shareholder or Director or officer of the Company within the meaning of that expression provided in the Singapore Code on Take-over and Mergers; and (c) nothing in the Convertible Loan Agreement (whether taken together with any other agreement or document or otherwise) constitutes an agreement, understanding or arrangement (whether formal or informal) by which any of the persons referred to in the foregoing sub-clauses of this paragraph 4 shall be deemed to be so co-operating with any other person, including the Investors or any shareholder or Director or officer of the Company, to obtain or consolidate control of the Company or the voting rights in the Company.
<p>Long-Stop Date</p>	<p>In the event the Conditions Precedent are not fulfilled or waived by the Company within six (6) months after the date of the Convertible Loan Agreement, the Company shall on Maturity Date, repay the Convertible Loan and make payment for the Interest to the Investors.</p>

<p>Events of Default</p>	<p>Any one of the following events and occurrences shall constitute an Event of Default under the Convertible Loan Agreement:-</p> <ul style="list-style-type: none"> (a) failure by the Company to pay any sum, whether principal, interest or otherwise due or payable under Convertible Loan Agreement on the due date therefor or (in the case of sums which are payable on demand) on demand; (b) failure by the Company to perform or comply with any of the terms and conditions of Convertible Loan Agreement; (c) if any action, condition or thing (including the obtaining of any necessary consent) at any time required to be taken, fulfilled or done for the purpose stated in the Convertible Loan Agreement or for the legality or validity of Convertible Loan Agreement, is not taken, fulfilled or done or any such consent ceases to be in full force and effect without modification or any condition in or relating to any such consent is not complied with; (d) if an event has occurred which constitutes a default under or in respect of any other agreement or document to which the Company is a party or by which the Company may be bound or an event has occurred which, with the giving of notice, lapse of time, determination of materiality or other condition might constitute a default under or in respect of any such agreement or document or which event might in the opinion of the Investors affect the financial condition of the Company or the ability of the Company to fulfil its obligations under Convertible Loan Agreement; or (e) if the Company becomes or is declared insolvent, is unable to pay its respective debts as they fall due, stops, suspends, or threatens to stop or suspend payment of all or a part of its respective debts, begins negotiations or takes any proceedings or other step with a view to readjustment, rescheduling or deferral of all or any of its indebtedness (or of any part of its indebtedness which it will or might otherwise be unable to pay when due) or convenes a meeting of creditors or proposes or makes any assignment or an arrangement or composition with or for the benefit of its creditors or a moratorium is agreed or declared in respect of or affecting all or a part of its respective indebtedness. <p>The Investors may unanimously at any time after the happening of an Event of Default or Potential Event of Default (which means any act, condition, event or circumstances which with the giving of notice, lapse of time, determination of materiality and/or the fulfillment of any other requirement or condition would become an Event of Default) by notice in writing to the Company declare that all sums payable under the Convertible Loan Agreement are immediately due and payable whereupon all sums payable under the Convertible Loan Agreement shall become immediately due and payable without any further demand or notice.</p>
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3. RATIONALE AND USE OF PROCEEDS

The Convertible Loan will allow the Group to raise gross proceeds of up to S\$6,050,000. After deducting estimated expenses (including but not limited to legal expenses), the estimated net proceeds from the Convertible Loan will amount to approximately S\$6,020,000 (“**Net Proceeds**”). The other professional and listing expenses to be incurred in relation to the Convertible Loan have not been taken into account as these costs are deemed immaterial to the Convertible Loan Amount and will be paid out as part of the Group’s general working capital.

In accordance with Rule 810(1)(a)(iii) of the Catalist Rules, the Company intends to use the proceeds for the working capital requirements for KC Medical Supplies Pte. Ltd. (“**KC Medical**”).

As part of the strategic business review conducted by the Group announced on 31 March 2020, and with reference to the announcement dated 23 April 2020 in connection with the incorporation of a wholly-owned subsidiary, KC Medical, the Company intends to use the Net Proceeds for the working capital requirements of this subsidiary. The principal activity of KC Medical is to undertake the trading of medical and related supplies, which is a step towards exploring new areas of business opportunities.

Based on the unaudited financial results of the Group for the half year ended 31 December 2019, the Group is in a net current liabilities position of S\$5.6 million and a net liabilities position of S\$6.8 million. The Directors are of the view that the Convertible Loan is beneficial for the Group as it will allow the Group to strengthen its financial position (if converted), improve the Group’s cash flow and increase working capital available to the Group to fund the anticipated working capital requirements of KC Medical, which would exceed the proceeds available from the recent placement completed on 19 March 2020. For the avoidance of doubt, no agreement in respect of KC Medical has been reached and there can be no assurance that an agreement will be entered into or completed.

Pending the deployment of the Net Proceeds, the Company may place the Net Proceeds from the Convertible Loan with banks and/or financial institutions or use the Net Proceeds for any other purposes on a short-term basis, as the Directors may deem fit in the interests of the Group.

The Company will make periodic announcements on the utilisation of the net proceeds as and when they are materially disbursed and provide a status report on the use of the net proceeds in the Company’s interim and full-year financial statements issued under Rule 705 of the Catalist Rules and the Company’s annual report and whether such a use is in accordance with the stated use and in accordance with the stated percentage allocated. Where the proceeds have been used for working capital purposes, the Company will provide a breakdown with specific details on how such proceeds have been applied. Where there is any material deviation from the stated use of proceeds, the Company will make the necessary announcement for the reasons for such deviation.

4. FINANCIAL EFFECTS

Bases and Assumptions

For the purposes of illustration only, the *pro forma* financial effects of the Convertible Loan and the Convertible Shares taken as a whole are set out below. The *pro forma* financial effects do not necessarily reflect the actual future financial position and performance of the Group in the event that the Convertible Loan is fully disbursed and fully converted. The *pro forma* financial effects have been prepared on the following assumptions:

- (a) the Conversion Price is S\$0.149 and the maximum number of Conversion Shares to be issued is 46,694,626;

- (b) based on the latest audited financial statements of the Group for the financial year ended 30 June 2019 (“**FY2019**”) and disregarding any interest, revenue and/or return that may arise from the Convertible Loan; and
- (c) the expenses incurred for the Convertible Loan are assumed to be insignificant and have been ignored for the purposes of computing the financial effects.

For the avoidance of doubt, these financial effects do not take into account (i) any other corporate actions announced and undertaken by the Group; and (ii) any issuance of new Shares, on or after 1 July 2019.

Share Capital

In the event that the Convertible Loan is fully disbursed and fully converted, the *pro forma* financial effects on the share capital of the Company as at 30 June 2019 are as follows:

	Before conversion of the Convertible Loan and issue of the Conversion Shares	After conversion of the Convertible Loan and issue of the Conversion Shares
Issued and paid-up share capital (S\$)	8,731,259	14,781,259
Total number of issued Shares	118,477,000	165,171,626

Net Tangible Assets (“NTA”) / Net Tangible Liabilities (“NTL”)

Assuming that the Convertible Loan is fully disbursed and fully converted on 30 June 2019, the *pro forma* financial effects of the Convertible Loan (excluding non-controlling interests) on the consolidated NTA of the Group as at 30 June 2019 are as follows:

	Before conversion of the Convertible Loan and issue of the Conversion Shares	After conversion of the Convertible Loan and issue of the Conversion Shares
(NTL) / NTA of the Group (S\$)	(4,926,316)	1,123,684
Number of Shares	118,477,000	165,171,626
(NTL) / NTA per share (cents)	(4.16)	0.68

Loss Per Share (“LPS”)

Assuming that the Convertible Loan is fully disbursed and fully converted on 1 July 2018, the *pro forma* financial effects of the Convertible Loan on the consolidated EPS of the Group for FY2019 are as follows:

	Before conversion of the Convertible Loan and issue of the Conversion Shares	After conversion of the Convertible Loan and issue of the Conversion Shares
Loss after tax attributable to equity holders of the Company (S\$)	(3,874,348)	(3,874,348)
Weighted Average Number of Shares	118,477,000	165,171,626
LPS per share (cents)	(3.27)	(2.35)

Gearing

Assuming that the Convertible Loan is fully disbursed and fully converted on 30 June 2019, the *pro forma* financial effects of the Convertible Loan on the gearing of the Group as at 30 June 2019 are as follows:

	Before conversion of the Convertible Loan and issue of the Conversion Shares	After conversion of the Convertible Loan and issue of the Conversion Shares
Total borrowings ⁽¹⁾ (S\$)	6,572,995	6,572,995
Net borrowings ⁽²⁾ (S\$)	6,239,318	189,318
Total liabilities and equity (S\$)	13,785,898	19,835,898
Gearing ratio ⁽³⁾ (times)	0.48	0.33
Net gearing ratio ⁽⁴⁾ (times)	0.45	0.01

Notes:

- (1) Total borrowings is a summation of borrowings from financial and non-financial institutions, finance lease liabilities and loan from a director and a shareholder of a subsidiary as at 30 June 2019.
- (2) Net borrowings is total borrowings less cash and cash equivalents.
- (3) Gearing is computed using total borrowings divided by total liabilities and equity.
- (4) Net gearing is computed using net borrowings divided by total liabilities and equity.

5. THE INVESTORS

Shareholders should note that the information relating to the Investors in this paragraph and elsewhere in this announcement were provided by the Investors. The Company and the Directors have not independently verified the accuracy and correctness of such information.

The list of Investors, together with their respective Convertible Loan Amounts are set out in the table below. Where the Investor is a substantial shareholder of the Company (if applicable), specific shareholder approval will be sought at the extraordinary general meeting to be convened pursuant to Rule 812(1) of the Catalist Rules.

No.	Investor	Convertible Loan Amount (S\$)	Maximum Number of Conversion Shares ⁽¹⁾	Conversion Shares as a Percentage of Enlarged Capital ⁽²⁾
1	Chan Hiang Ngee	1,050,000	8,104,026	3.63%
2	Wong Hong Eng	900,000	6,946,308	3.11%
3	Dennis Lee Tuck Wing	700,000	5,402,684	2.42%
4	Qiu Mian	500,000	3,859,060	1.73%
5	Tan Kee Tuan	500,000	3,859,060	1.73%
6	Chee Tuck Hong	500,000	3,859,060	1.73%
7	Yang Xianzheng	500,000	3,859,060	1.73%
8	Pamela Rachel Kwan Ka Foong	500,000	3,859,060	1.73%
9	Ken Tan Khim Sing	300,000	2,315,436	1.04%
10	Tan Koon	300,000	2,315,436	1.04%
11	Fang Pengchong	300,000	2,315,436	1.04%
	Total	6,050,000	46,694,626	20.90%

Notes:

- (1) The maximum number of Conversion Shares to be issued pursuant to the Convertible Loan is calculated assuming full conversion of the Convertible Loan Amount and Interest.
- (2) Based on the maximum number of 46,694,626 Conversion Shares, the enlarged share capital will consist of 223,444,626 Shares.

Save for the Investors in the table below, the Investors do not hold any Shares as at the date of this announcement.

No.	Investor	Existing Shareholding ⁽¹⁾⁽³⁾	New Shareholding ⁽²⁾⁽³⁾
1	Chan Hiang Ngee	2.94%	5.95%
2	Wong Hong Eng	1.12%	3.99%
3	Tan Kee Tuan	1.58%	2.98%
4	Chee Tuck Hong	11.32%	10.68%
5	Tan Koon	1.65%	2.34%
6	Fang Pengchong	6.21%	5.95%

Notes:

- (1) Based on existing share capital consisting of 176,750,000 Shares.
- (2) Based on the maximum number of 46,694,626 Conversion Shares, the enlarged share capital will consist of 223,444,626 Shares.
- (3) Including both direct and deemed interests.

Accordingly, assuming full conversion of the Convertible Loan Amount and Interest and no change in the share capital of the Company from the date of this announcement up to the date of issuance of Conversion Shares, upon the issue of Conversion Shares, Chan Hiang Ngee will become a new substantial shareholder of the Company, and Chee Tuck Hong and Fang Pengchong, existing substantial shareholders of the Company, will continue to be substantial shareholders of the Company.

The relevant disclosure of interest as required by the Securities and Futures Act of Singapore will be made, wherever necessary, in due course. Accordingly, the Company will be seeking specific shareholders' approval pursuant to Rule 812(1) of the Catalist Rules for the issue of Convertible Shares to Chee Tuck Hong and Fang Pengchong and each of Chee Tuck Hong and Fang Pengchong and his associates shall abstain from voting on the resolution approving the issue of Convertible Shares.

Details of the Investors are set out below:

No.	Investor	Background of Investor
1	Chan Hiang Ngee	Chan Hiang Ngee is a private investor.
2	Wong Hong Eng	Wong Hong Eng is a forex trading professional.
3	Dennis Lee Tuck Wing	Dennis Lee Tuck Wing is a private investor.
4	Qiu Mian	Qiu Mian is a businessman.
5	Tan Kee Tuan	Tan Kee Tuan is a businessman.
6	Chee Tuck Hong	Chee Tuck Hong is a private investor. He is also currently a substantial shareholder of the Company.
7	Yang Xianzheng	Yang Xianzheng is a private investor.
8	Pamela Rachel Kwan Ka Foong	Pamela Rachel Kwan Ka Foong is a private investor.
9	Ken Tan Khim Sing	Ken Tan Khim Sing is a public accountant.
10	Tan Koon	Tan Koon is a businessman.
11	Fang Pengchong	Fang Pengchong is a private investor. He is also currently a substantial shareholder of the Company.

The Investors are acquaintances of the Company, and Chan Hiang Ngee, Wong Hong Eng, Tan Kee Tuan, Chee Tuck Hong, Tan Koon and Fang Pengchong are existing shareholders of the Company. The Company confirms that the Convertible Loan will not result in any material conflict of interest as there are no other relationships between the Investors and the Company save as set out above.

Each Investor has entered into the Convertible Loan Agreement purely for investment purposes only, and has no intention of influencing the management of, or exercising control over, the Company, and is not acting in concert with any parties to obtain or consolidate control of the Company. Save as disclosed above, to the best of knowledge of the Directors, the Group, its Directors and substantial shareholders do not have any connection (including business relationship) with the Investors.

Save as disclosed above, none of the Investors fall within any of the categories as set out in Rule 812(1) of the Catalist Rules. The Conversion Shares will not be issued to the Investors if such issuance would result in a transfer of controlling interest in the Company which is prohibited under Rule 803 of the Catalist Rules unless prior approval of shareholders is obtained.

6. STATUS OF CONVERSION SHARES, CIRCULAR AND EGM

The Company will be convening an extraordinary general meeting ("**EGM**") to seek the approval of the shareholders ("**Shareholders**") of the Company for the allotment and issue of the Conversion Shares pursuant to the Convertible Loan pursuant to Rules 805(1) and 811(3) of the Catalist Rules, as well as for the proposed issue of Conversion Shares to existing substantial shareholders pursuant to Rule 812(1) of the Catalist Rules. A circular containing, *inter alia*, the notice of the EGM and details of the Convertible Loan will be despatched to the Shareholders in due course.

The Company will keep Shareholders updated on any material developments in relation to the Convertible Loan, *inter alia*, the signing of the convertible loan agreement relating to the Convertible Loan and the despatch of the circular, by way of announcements as and when appropriate. No listing is sought for the Convertible Loan. Financial effects of the Convertible Loan will be set out in the announcement to be made by the Company at the time the convertible loan agreement relating to the Convertible Loan will be signed.

The Conversion Shares to be allotted and issued to the Investors represent approximately 26.42% of the existing share capital of 176,750,000 Shares, and approximately 20.90% of the enlarged share capital of 223,444,626 Shares after the allotment and issue of the Conversion Shares. The Company has no existing warrants or other outstanding convertibles saved as announced via SGXNET on 2 April 2020 in relation to the proposed debt conversion with Mr. Lim Wee Li, Executive Chairman of the Company.

The Conversion Shares will, when allotted and issued, be credited as fully-paid Shares free from any and all encumbrances and rank *pari passu* in all respects with and carry all rights similar to the existing issued Shares, except that they will not rank for any dividend, right, allotment or other distributions the record date for which falls on or before the date of issue of the Conversion Shares.

The Company will be making an application, through its sponsor, SAC Capital Private Limited (the “**Sponsor**”), to the SGX-ST for the listing and quotation of the Conversion Shares on the Catalist board of the SGX-ST. The Company will make the necessary announcement upon receipt of the approval from the SGX-ST for the listing and quotation of the Conversion Shares.

7. DIRECTORS' CONFIRMATION

The Directors are of the opinion that:

- (i) after taking into consideration the financial support from one of the controlling shareholders of the Company, the written commitments from certain lenders not to demand payment for the next 12 months, the recent placement completed on 19 March 2020 and the operating cash flows of the Group, the working capital available to the Group is sufficient to meet its present requirements; and
- (ii) after taking into consideration the financial support from one of the controlling shareholders of the Company, the written commitments from certain lenders not to demand payment for the next 12 months, the recent placement completed on 19 March 2020, the operating cash flows of the Group and the Net Proceeds, the working capital available to the Group is sufficient to meet its present requirements.

Notwithstanding the above, the Directors are of the view that the Convertible Loan is beneficial for the Group for such reasons as set out in Section 3 of this announcement.

8. OFFER INFORMATION STATEMENT

By way of an update, notwithstanding that the Convertible Loan will be undertaken by way of offer made to accredited investors in accordance with Section 275 of the SFA, an offer information statement will still be prepared and lodged in connection with the transaction pursuant to Section 276(1) of the SFA.

9. INTERESTS OF DIRECTORS AND CONTROLLING SHAREHOLDERS

None of the Directors or the controlling shareholders of the Company or their respective associates has any interest, direct or indirect, in the Convertible Loan other than through their respective directorships and/or shareholdings in the Company.

10. DOCUMENT AVAILABLE FOR INSPECTION

The Convertible Loan Agreement is available for inspection during normal business hours from 9.00 am to 5.00 pm at the registered office of the Company at 2 Leng Kee Road, #01-08 Thye Hong Centre, Singapore 159086 for a period of three (3) months from the date of this announcement.

11. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this announcement and confirm after making all reasonable enquiries that, to the best of their knowledge and belief, this announcement constitutes full and true disclosure of all material facts about the Convertible Loan, the Company and its subsidiaries, and the Directors are not aware of any facts the omission of which would make any statement in this announcement misleading.

Where information in this announcement 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 announcement in its proper form and context.

12. TRADING CAUTION

Shareholders and potential investors should note that the Convertible Loan is subject to the fulfillment of, *inter alia*, the conditions set out above, including the Company and the Investors entering into definitive agreements, and the Company obtaining of the relevant regulatory approvals, and accordingly should exercise caution when trading in the shares of the Company.

Shareholders and potential investors are advised to read this announcement and any further announcements by the Company carefully. Shareholders and potential investors are advised to refrain from taking any action in respect of their securities in the Company which may be prejudicial to their interests, and to exercise caution when dealing in the securities of the Company. In the event of any doubt, Shareholders and potential investors should consult their stockbrokers, bank managers, solicitors, accountants or other professional advisors.

By order of the Board

Lim Wee Li

Executive Chairman and Chief Executive Officer
4 May 2020

This announcement has been reviewed by the Sponsor. It has not been examined or approved by SGX-ST, and SGX-ST assumes no responsibility for the contents of this announcement, including the correctness of any of the statements or opinions made or reports contained in this announcement.

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