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If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in **Pipeline Engineering Holdings Limited**, you should at once hand this circular to the purchaser or the transferee or to the bank, stockbroker or other agent through whom the sale or the transfer was effected for transmission to the purchaser or the transferee.

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Pipeline Engineering Holdings Limited
管道工程控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1865)

**MAJOR TRANSACTION
IN RELATION TO
ACQUISITION OF A PROPERTY**

All capitalised terms used in this circular have the meaning set out in the section headed “Definitions” of this circular.

A letter from the Board is set out on pages 4 to 11 of this circular.

The transaction being the subject matter of this circular has been approved by written shareholder’s approval pursuant to the Listing Rules and this circular is being despatched to the Shareholders for information only.

22 April 2020

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DEFINITIONS

Unless the context otherwise requires, terms or expressions used in this circular shall have the meanings ascribed to them below:

“Acquisition”	the acquisition of the Property by the Purchaser from the Vendor pursuant to the exercise of the Option to Purchase
“Announcement”	the announcement of the Company dated 30 March 2020 in relation to the Acquisition
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Astute Prosper”	Astute Prosper Limited 敏昌有限公司, a company incorporated in the British Virgin Islands with limited liability on 11 April 2018, which is wholly owned by Mr. Michael Shi, an executive Director, the chairman of the Board and the chief executive officer of the Company
“Board”	the board of Directors
“close associate(s)”	has the meaning ascribed to it under the Listing Rules
“Company”	Pipeline Engineering Holdings Limited 管道工程控股有限公司, a company incorporated in the Cayman Islands with limited liability, the issued Shares of which are listed on the Main Board of the Stock Exchange (stock code: 1865)
“Completion”	the completion of the Acquisition in accordance with the terms and conditions of the Option to Purchase
“connected person(s)”	has the meaning ascribed thereto in the Listing Rules
“Consideration”	S\$14,300,000, being the purchase price of the Property payable to the Vendor by the Purchaser for the Acquisition
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries from time to time

DEFINITIONS

“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Third Party(ies)”	third party(ies) independent of and not connected with the Company and its connected persons
“JTC Corporation”	the agency in Singapore to spearhead the planning, promotion and development of industrial landscape
“Latest Practicable Date”	17 April 2020, being the latest practicable date prior to the despatch of this circular for the purpose of ascertaining certain information contained in this circular
“Listing”	the listing of the Shares on the Main Board of the Stock Exchange on 27 March 2019 by way of share offer
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Michael Shi”	Mr. Michael Shi Guan Wah, the Chairman of the Board, an executive Director and the chief executive officer of the Company
“Offer Price”	the offer price per Offer Share under the Listing
“Offer Share”	the Shares offered for subscription under the Listing
“Option to Purchase”	the option to purchase the Property dated 11 February 2020 entered into by the Vendor and the Purchaser in relation to the Acquisition
“Property”	the industrial leasehold property bearing the address at 38 Senoko Road, Singapore 758110
“Prospectus”	the prospectus of the Company dated 14 March 2019 relating to the Listing

DEFINITIONS

“Purchaser”	HSC Pipeline Engineering Pte. Ltd., a company incorporated in Singapore with limited liability and an indirectly wholly-owned subsidiary of the Company
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed thereto under the Listing Rules
“Vendor”	Proptech (Pte.) Ltd., a company incorporated in Singapore with limited liability
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“S\$”	Singapore dollars, the lawful currency of Singapore
“%”	per cent.

In this circular, unless otherwise stated, figures in S\$ are translated to HK\$ at the exchange rate of S\$1.00 = HK\$5.4795 for illustration purposes only. No representation is made that any amount in S\$ could be converted at such rate or any other rates.

LETTER FROM THE BOARD

Pipeline Engineering Holdings Limited
管道工程控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1865)

Executive Director:

Mr. Michael Shi Guan Wah

(Chairman and Chief Executive Officer)

Mr. Shi Guan Lee

Mr. Shi Hong Sheng (Xu Hongsheng)

Non-executive Director:

Ms. Feng Jiamin

Independent non-executive Directors:

Mr. Cher Choong Kiak

Mr. Chiam Soon Chian (Zhan Shunquan)

Mr. Choo Chih Chien Benjamin

Registered office:

Cricket Square

Hutchins Drive

P.O. Box 2681

Grand Cayman

KY1-1111

Cayman Islands

Principal place of business in Hong Kong:

Suite 3708

Tower Two Lippo Centre

89 Queensway, Admiralty

Hong Kong

22 April 2020

To the Shareholders

Dear Sir or Madam,

MAJOR TRANSACTION
IN RELATION TO
ACQUISITION OF A PROPERTY

INTRODUCTION

Reference is made to the Announcement in relation to the Acquisition. On 30 March 2020 (after trading hours), the Purchaser, an indirectly wholly-owned subsidiary of the Company, exercised the Option to Purchase granted by the Vendor to purchase the Property at the Consideration of S\$14,300,000 (equivalent to approximately HK\$78,356,850) payable in cash.

LETTER FROM THE BOARD

As one or more of the applicable percentage ratios (as defined under the Listing Rules) in respect of the Acquisition exceeds 25% but is less than 100%, the Acquisition constitutes a major transaction for the Company under Chapter 14 of the Listing Rules and is therefore subject to the reporting, announcement, circular and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

The purpose of this circular is to provide you with, among other things, (i) further information on the Acquisition; (ii) the valuation report of the Property; and (iii) other information as required under the Listing Rules.

THE OPTION TO PURCHASE

The principal terms of the Option to Purchase are summarised below:

Date of grant: 11 February 2020

Date of exercise: 30 March 2020

Parties: (1) the Purchaser, being HSC Pipeline Engineering Pte Ltd, an indirectly wholly-owned subsidiary of the Company; and
(2) the Vendor

To the best of the knowledge, information and belief of the Directors having made all reasonable enquiry, each of the Vendor and its ultimate beneficial owner is an Independent Third Party.

The Property to be acquired

Pursuant to the Option to Purchase, the Property to be acquired by the Purchaser from the Vendor is an industrial leasehold property bearing the address at 38 Senoko Road, Singapore 758110 with a site area of approximately 7,062 square metres and a gross floor area of 5,379 square metres. The Property is to be sold to the Purchaser on an "as is" basis and is currently used by the Vendor as its headquarters. The Group intends to relocate its headquarters to the property, which will be used as its self-owned office, foreign worker dormitory and warehouse for its machinery after completion.

The Property is currently subject to a mortgage under the name of the Vendor. On or before Completion, such mortgage will be released and replaced by a mortgage to be obtained by the Group.

LETTER FROM THE BOARD

Consideration and payment

The Consideration is S\$14,300,000 (equivalent to approximately HK\$78,356,850), which shall be paid by the Purchaser to the Vendor by way of cash in the following manner:

1. an option fee as initial deposit of S\$143,000 (equivalent to approximately HK\$783,568), representing 1% of the Consideration was paid by the Purchaser to the Vendor upon the grant of the Option to Purchase on 11 February 2020;
2. a further deposit of S\$1,287,000 (equivalent to approximately HK\$7,052,117), representing 9% of the Consideration was paid by the Purchaser to the Vendor upon exercising the Option to Purchase on or before 30 March 2020; and
3. S\$12,870,000 (equivalent to approximately HK\$70,521,165), being the balance of the Consideration will be paid by the Purchaser to the Vendor upon Completion.

As at the Latest Practicable Date, a total amount of S\$1,430,000 (equivalent to approximately HK\$7.8 million), representing 10% of the Consideration has been paid by the Purchaser to the Vendor pursuant to the Option to Purchase.

The Consideration was determined after arm's length negotiations between the Purchaser and the Vendor by reference to, among others, the valuation of the Property of S\$14,300,000 (equivalent to approximately HK\$78,356,850) as at 18 March 2020 carried out by Savills Valuation and Professional Service(s) Pte Ltd, an independent valuer, the prevailing market conditions, as well as the location of the Property and the market price of comparable properties in the same area. The valuer valued the Property by direct comparison method in which a comparison is made with sales of similar properties in the subject or comparable localities, making adjustments for differences in location, size, tenure, use, age/condition, facilities provided and date of sale. For further details, please refer to the valuation report in Appendix II to this circular.

It is expected that (i) approximately S\$9.4 million (equivalent to approximately HK\$51.5 million), representing approximately 65.7% of the Consideration will be funded by the net proceeds from the share offer of the Company in connection with the Listing; and (ii) approximately S\$4.9 million (equivalent to approximately HK\$26.9 million), representing approximately 34.3% of the Consideration will be funded by bank mortgage financing.

All ad valorem stamp duty on the Acquisition and the goods and services tax on the Consideration shall be borne by the Purchaser.

LETTER FROM THE BOARD

Condition precedent

Completion is subject to the obtaining of the approvals from JTC Corporation and all relevant authorities (if applicable) for the sale by the Vendor and the purchase by the Purchaser of the Property. As at the Latest Practicable Date, the condition precedent has been fulfilled.

Completion

Subject to satisfaction of the condition to the Option to Purchase, Completion shall take place on or before 15 June 2020.

REASONS AND BENEFITS FOR THE ACQUISITION

As set out in the section headed “Future Plans and Use of Proceeds” of the Prospectus, the lease term of the Group’s existing headquarters at 36 Sungei Kadut Avenue, Singapore 729661 with a gross floor area of approximately 5,000 square metres will expire on 31 October 2020 and it will be reverted back to JTC Corporation upon expiry. The Group intends to relocate its headquarters to the Property which will be used as its self-owned office, foreign worker dormitory and warehouse for its machinery after Completion.

As disclosed in the Prospectus, the Company would use approximately S\$10.5 million (equivalent to approximately HK\$60.1[#] million) from the net proceeds from the Listing to purchase a new property in Jurong, Singapore with a gross floor area of at least 6,500 square metres at a purchase price of approximately S\$14.5 million (equivalent to approximately HK\$83.4[#] million). The acquisition and renovation of the new property were expected to complete by September 2019 and March 2020 respectively.

As the purchase of the Property is for the Group’s own use in the long run and due to the land scarcity in Singapore, the Company has made careful consideration and taken more time in searching for the most suitable property to fit its own use with a view that such Property will generate long term benefits to the Group as a whole.

At the time of finalising the disclosure on the use of proceeds in the Prospectus, the Group was generally looking at publicly available information on properties available for sale located at Jurong, Singapore (i.e., South-Western Region of Singapore) in order to obtain some pricing references.

[#] The amount in HK\$ is converted at the exchange rate of S\$1.00 to HK\$5.75 based on the Prospectus.

LETTER FROM THE BOARD

After the Listing, the Company has used its best endeavour to find the property that fits the criteria as set out in the Prospectus by visiting about 20 properties, most of which are in Jurong and other parts of the western region of Singapore. However, given the limited availability of properties in the market which can accommodate all of the Group's needs to include all functions of office, car park and drive way, foreign worker dormitory, and warehouse and fabrication for machinery, no suitable property that fits all the criteria was found in those areas. As a result, the Company expanded its search to Sembawang in the northern region of Singapore and found the Property instead, which generally meets the criteria and with a size that is larger than its existing office premises.

The Property, which is in Sembawang, Singapore (i.e., in the northern region of Singapore), is in the same region as the Group's existing headquarters and Jurong is in the far west of Singapore. The Group considered the location of the Property is much more strategic in nature than Jurong because (i) the Property is more accessible to different parts of Singapore with the new expressway (which is currently under construction); and (ii) the centralised location provides greater access to talent recruitment while Jurong is in the far western region of Singapore. The purchase price of the property disclosed in the Prospectus is similar to the actual purchase price for the Property.

At the time of Listing, the final Offer Price was set at the low-end of the indicative Offer Price and hence, the net proceeds for various purposes were reduced on a pro-rata basis as stated in the Prospectus. However, the percentage allocated for the portion to be financed from the net proceeds and mortgage loan remained consistent with those disclosed in the Prospectus.

In view of the following reasons,

- (i) the Directors have used its best endeavour in identifying suitable sites with a larger size than its existing office premises to meet the Group's requirements in terms of function (being for use as office, foreign worker dormitory and warehouse for machinery);
- (ii) although the Property is smaller than the targeted size, it is still larger than the existing headquarters;
- (iii) the Directors took into account the other factors, including locations, easy access to transportation, flexibility for talent recruitment and lease term; and
- (iv) there is an imminent need of relocation, taking into account the time for renovation, as the lease term of the current headquarters will expire on 31 October 2020,

LETTER FROM THE BOARD

the Directors consider the Acquisition to be beneficial to the Group as it can provide a new and more spacious premise for the Group's self-owned office and headquarters and cater for the Group's future growth and development.

Taking into account the above factors, the Directors (including the independent non-executive Directors), consider that the terms of the Acquisition (including the Consideration) are on normal commercial terms and fair and reasonable, and the Acquisition is in the interests of the Shareholders and the Group as a whole.

INFORMATION ON THE COMPANY, THE GROUP AND THE PURCHASER

The Company is an investment holding Company. The Group is principally a main contractor specialising in infrastructural pipeline construction and related engineering services mainly for gas, water, telecommunications and power industries in Singapore.

The Purchaser, a company incorporated in Singapore with limited liability, is an indirect wholly-owned subsidiary of the Company. It is principally engaged in infrastructure pipeline construction and related engineering services.

INFORMATION OF THE VENDOR

To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiry, the Vendor is a company incorporated in Singapore with limited liability and is the legal and beneficial owner of the Property. It is principally engaged in building and repairing of ships, tankers and other ocean-going vessels and installation of industrial machinery and equipment, mechanical and engineering works. The Vendor is owned as to one third each by Symphony Engineering Pte Ltd, Seaquest Enterprise Pte. Ltd. and Mr. Sunil Nair. Symphony Engineering Pte Ltd is a private limited company incorporated in Singapore and is owned as to 60% by Mr. Lui Kee and 40% by Mr. Lui Kim Huat. Seaquest Enterprise Pte. Ltd. is a private limited company incorporated in Singapore and is owned as to 49% by Mr. Lui Kee and 51% by Mr. Tan Meng Hin. Each of the ultimate beneficial owners of the Vendor, being Mr. Lui Kee, Mr. Tan Meng Hin, Mr. Lui Kim Huat and Mr. Sunil Nair, is a Singaporean citizen.

LETTER FROM THE BOARD

FINANCIAL EFFECTS OF THE ACQUISITION ON THE GROUP

It is expected that upon Completion, there will be an increase in total assets of approximately S\$4.9 million, comprising an increase in property, plant and equipment of approximately S\$14.7 million (representing the sum of the Consideration and the stamp duty incurred for the Acquisition), and netted-off by a decrease in bank balances and cash of approximately S\$9.8 million. The Group expects the Acquisition will increase the annual depreciation charges by approximately S\$0.4 million.

IMPLICATION UNDER THE LISTING RULES

As one or more of the applicable percentage ratios (as defined under the Listing Rules) in respect of the Acquisition exceeds 25% but is less than 100%, the Acquisition constitutes a major transaction for the Company under Chapter 14 of the Listing Rules and is therefore subject to the reporting, announcement, circular and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, no Shareholder or any of its associates has any material interest in the Acquisition. As such, no Shareholder would be required to abstain from voting if an extraordinary general meeting were convened to approve the Acquisition.

Pursuant to Rule 14.44 of the Listing Rules, a written shareholder's approval may be accepted in lieu of holding a general meeting. As at 30 March 2020 and the Latest Practicable Date, Astute Prosper, which is wholly owned by Mr. Michael Shi, the Chairman of the Board, an executive Director and the chief executive officer of the Company, is beneficially interested in 681,872,000 Shares, representing approximately 74.12% of the issued share capital of the Company, and has given a written approval to the Acquisition. Accordingly, the Company is not required to convene an extraordinary general meeting for approving the Acquisition.

RECOMMENDATION

Although no general meeting will be convened for approving the Acquisition, the Directors (including the independent non-executive Directors) consider that the terms of the Acquisition are on normal commercial terms and are fair and reasonable, and in the interests of the Company and the Shareholders as a whole. Accordingly, if a general meeting were convened for approving the Acquisition, the Directors (including the independent non-executive Directors) would have recommended the Shareholders to vote in favour of the Acquisition.

LETTER FROM THE BOARD

ADDITIONAL INFORMATION

Your attention is also drawn to the additional information set out in the appendices to this circular.

Yours faithfully,
By Order of the Board
Pipeline Engineering Holdings Limited
Michael Shi Guan Wah
Chairman

1. FINANCIAL INFORMATION

Details of the published financial information of the Group for each of the years ended 31 March 2017, 2018 and 2019 are disclosed in the prospectus of the Company dated 14 March 2019 and the annual report of the Company for the year ended 31 March 2019 respectively and the financial information of the Group for the six months ended 30 September 2019 are disclosed in the interim report of the Company for the six months ended 30 September 2019, which have been published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.pipeline-engineering-holdings.com):

- prospectus of the Company dated 14 March 2019 (pages I-1 to I-54);

<https://www1.hkexnews.hk/listedco/listconews/sehk/2019/0314/ltn20190314007.pdf>

- annual report of the Company for the year ended 31 March 2019 published on 19 July 2019 (pages 75 to 132); and

<https://www1.hkexnews.hk/listedco/listconews/sehk/2019/0719/ltn20190719283.pdf>

- interim report of the Company for the six months ended 30 September 2019 published on 19 December 2019 (pages 12 to 40).

<https://www1.hkexnews.hk/listedco/listconews/sehk/2019/1219/2019121900374.pdf>

2. INDEBTEDNESS STATEMENT

Borrowings

At the close of business on 29 February 2020, being the latest practicable date for the purpose of compiling this indebtedness statement prior to the printing of this circular, the Group had the following borrowings:

	As at
	29 February
	2020
	<i>S\$'000</i>
Current interest bearing loans	
Current portion of non-current secured and guaranteed bank loan <i>(Note 1)</i>	99
Current portion of non-current secured and guaranteed hire purchase creditors <i>(Note 2)</i>	883
	<u>982</u>
Non-current interest bearing loans	
Secured and guaranteed bank loan <i>(Note 1)</i>	402
Secured and guaranteed hire purchase creditors <i>(Note 2)</i>	1,023
	<u>1,425</u>
Less: current portion of non-current secured and guaranteed bank loan <i>(Note 1)</i>	(99)
Less: current portion of non-current secured and guaranteed hire purchase creditors <i>(Note 2)</i>	(883)
	<u>443</u>
	<u>1,425</u>

Notes:

1. The guarantees are provided to a bank by the Company in relation to the subsidiary's bank borrowings.
2. The guarantees are provided to a bank by the Company in relation to the subsidiary's hire purchase borrowings and security over the plant and machinery(ies).

Contingent liabilities

As at the close of business on 29 February 2020, being the latest practicable date for the preparation of the indebtedness statement in this circular, the Group did not have any contingent liabilities.

Save as disclosed above, the Group did not have any debt securities, issued and outstanding, and authorised or otherwise created but unissued, and term loans (secured, unsecured, guaranteed or not), any other borrowings, bank overdrafts or other similar indebtedness, liabilities under acceptances (other than normal trade bills) or acceptance credits or hire purchase commitments, debentures, mortgages, charges, finance leases, hire purchase commitments, guarantees or other material contingent liabilities. Save for the mortgage loan to finance the Acquisition, the Directors confirmed that the Company did not have any external financing plans as at the Latest Practicable Date.

Save as disclosed above, the Directors have confirmed that there have been no material changes in the indebtedness and contingent liabilities of the Group since 29 February 2020.

3. WORKING CAPITAL SUFFICIENCY

The Directors are of the opinion that, in absence of unforeseeable circumstances, upon the completion of the Acquisition and after taking into account the Group's internal financial resources, cash flows to be generated from the operating activities, available facilities from banks and financial institutions and further bank and other borrowings going forward, the Group has sufficient working capital for its present requirements and for the period up to 12 months from the date of this circular.

4. FINANCIAL AND TRADING PROSPECTS

The Group is actively involved as a main contractor in both private and public sector projects which include institutional, industrial, commercial and residential projects. The revenue was principally derived from pipeline project works for (i) gas pipeline projects, (ii) water pipeline projects and (iii) cable installation projects. The Group recorded revenue of approximately S\$23.4 million and S\$30.2 million for the two years ended 31 March 2018 and 2019 respectively.

The Group's business strategies remained unchanged. Since the listing of the Company, the management has continuously consolidated and strengthened the reputation of the Group through submission of tender invitation to keep our presence in the market. Leveraging its listing status, the Group's core business continued to earn good reputation and provided the Group with sound track record for potential business opportunities.

As at 30 September 2019, the Group had five ongoing gas pipeline projects, four water pipeline projects, one ongoing cable installation project with an aggregated contract sum of approximately S\$63.1 million, of which approximately S\$39.4 million has been recognised as revenue as at 30 September 2019.

Since 2020, the global economy has been suffering from the outbreak of coronavirus, which brings an adverse impact on the building and construction industry in Singapore.

Looking forward, the Group will continue to focus on strengthening the market position in the building and construction industry in Singapore. Leveraging the competitive advantages in terms of credibility and visibility in the pipeline engineering and construction industry upon listing of the Company, the Board expects that the Group is well-positioned for the challenges and competition ahead, and aims to deliver satisfactory return to shareholders.

5. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse changes in the financial or trading position of the Group since 31 March 2019, being the date to which the latest published audited financial statements of the Group were made up.

The following is the text of a letter and valuation certificate prepared for the purpose of incorporation in this circular received from Savills Valuation and Professional Services (S) Pte Ltd, an independent property valuer, in connection with its opinion of market value of the Property as at 18 March 2020.

22 April 2020

The Board of Directors
Pipeline Engineering Holdings Limited
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman
KY1-1111
Cayman Islands



Savills Valuation and
Professional Services (S) Pte Ltd
Reg No.: 200402411G

30 Cecil Street
#20-03 Prudential Tower
Singapore 049712

T: (65) 6836 6888
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savills.com

Dear Sirs,

VALUATION OF 38 SENOKO ROAD SINGAPORE 758110 (THE “PROPERTY”)

INSTRUCTIONS

In accordance with the instructions of Pipeline Engineering Holdings Limited (the “**Client**”) for Savills Singapore to conduct a valuation of the Property, we confirm that we have inspected the Property, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market value of the unexpired leasehold interest in the Property as at 18 March 2020 (the “**Valuation Date**”).

DEFINITION OF MARKET VALUE

The valuation has been carried out in accordance with The Singapore Institute of Surveyors And Valuers Valuation Standards and Guidelines.

Our valuation is on the basis of Market Value which is intended to mean “the estimated amount for which a property should exchange on the valuation date between a willing buyer and a willing seller in an arm’s length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion”.

In valuing the Property, we have complied with the requirements set out in Chapter 5 of the Main Board Listing Rules of The Stock Exchange of Hong Kong Limited published by The Stock Exchange of Hong Kong Limited as well as Valuation Standards and Practice Guidelines (2015 Edition) issued by Singapore Institute of Surveyors and Valuers (“SISV”) and Royal Institution of Chartered Surveyors (“RICS”), which are consistent with the guidelines of The HKIS Valuation Standards (2017 Edition) published by The Hong Kong Institute of Surveyors.

VALUATION BASIS AND ASSUMPTIONS

Our valuation has been made on the assumption that the Property is sold in the open market without the benefit of a deferred term contract or any similar arrangement which could serve to affect the value of the Property.

No allowance has been made in our valuation for any charges, mortgages or amounts owing on the Property nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the Property is free from encumbrances, restrictions and outgoings of an onerous nature which could affect its value.

Dimensions, measurements and areas included in the valuation report is based on information provided to us.

We confirm that we do not have a pecuniary interest that would conflict with a proper valuation of the Property and the valuer undertaking the valuation is authorised to practise as valuer and have the necessary expertise and experience in valuation of such type of property.

With the outbreak of the Coronavirus Disease 2019 (Covid-19) and the prevailing uncertainty in the global economy, it is difficult to predict the future impact that Covid-19 might have on the real estate market. In view of the foregoing, our opinions and assessments are based on the information provided and prevailing market data as at the date of this valuation report.

The reported analyses, opinions and conclusions are limited only by the reported assumptions and limiting conditions and is our personal, unbiased professional analyses, opinions and conclusions.

VALUATION METHODOLOGY

In our assessment, we have adopted Direct Comparison Method. In this method, a comparison is made with sales of similar properties in the subject or comparable localities. Adjustments are made for differences in location, size, tenure, use, age/condition, and date of sale, etc., before arriving at the value of the Property.

TITLE INVESTIGATION

Savills Singapore has conducted an online title search from the Integrated Land Information Service (INLIS) on the title of the Property. Savills Singapore has accepted advice given by the Client on such matters as planning approvals or statutory notices, tenure, identification of land and buildings, completion date of buildings, particulars of occupancy, floor areas and all other relevant matters.

SOURCE OF INFORMATION

Savills Singapore have relied upon the property data supplied by the Client which is assumed to be true and accurate. Savills Singapore takes no responsibility for inaccurate data supplied by the Client and subsequent conclusions related to such data.

SITE INSPECTION

We have conducted a site inspection of the Property on 2 March 2020. However, we have not carried out investigations on site to determine the suitability of the soil conditions and the services etc. In the absence of an environmental site assessment relating to the subject site, we have assumed that the site is not contaminated. Our visual inspections of the Property and its immediate surrounding properties revealed no obvious signs of site contamination. However, it is important to point out that our visual inspection is an inconclusive indicator of the actual condition of the site. We make no representation as to the actual environmental status of the subject site. We reserve the right to amend this valuation should an environmental audit report show otherwise.

We are not qualified to carry out nor have we sighted a structural survey/report of the building. Accordingly, we are not qualified to express an expert opinion as to the structural integrity of the building. We were also unable to inspect parts of the premises that were unexposed or inaccessible and therefore cannot conclude that such parts are free from defects.

We have not been able to carry out on-site measurements to verify the floor area of the Property and we have assumed that the floor area shown in the documents provided to us are correct. We reserve the right to amend this valuation should a re-survey show otherwise.

The valuation is prepared on the assumption that the above aspects are satisfactory.

REMARKS

Unless otherwise stated, all monetary sums as shown in our valuation report is expressed in Singapore Dollars (“S\$”).

The report has been prepared by Mr. Kamal Hamdi, Executive Director of Savills Valuation And Professional Services (S) Pte Ltd and a Licensed Appraiser who has over 25 years of experience in the valuation of properties in Singapore.

Our valuation summary is enclosed herewith.

Yours faithfully

For and on behalf of

Savills Valuation And Professional Services (S) Pte Ltd

Kamal Hamdi

B.Sc (Estate Management)

Licensed Appraiser No. AD041-2006388F Member of SISV

Executive Director

SUMMARY OF VALUATION REPORT

Property	Description and Tenure	Particulars of Occupancy	Market Value in existing state as at 18 March 2020
38 Senoko Road, Singapore 758110	The Property comprises a two-storey detached factory building and a 4-storey temporary workers' dormitory building.	As at the date of our inspection, the Property appears to be predominantly owner-occupied.	S\$14,300,000
The legal description of the Property is Lot 1891C of Mukim 13	It is located on the south-eastern side of Senoko Road, off Admiralty Road West, and approximately 25 kilometres from the City Centre.		
	The surrounding vicinity comprises predominantly industrial properties. Notable landmarks in the vicinity include Senoko Building, Bauer Equipment Building, Tee Yih Jia Building, Senoko Food Connection, Woodlands Connection, Senoko Power Station and Senoko Fishery Port, amongst others.		
	The site has an area of 7,062.3 square metres, subject to government's re-survey.		
	The Property has a gross floor area of approximately 5,379.02 square metres, subject to final survey.		
	We were given to understand that the original building is a standard type factory building which was built by JTC Corporation circa 1990. However, addition and alteration works were carried out in 2013 for the 4-storey temporary workers' dormitory building. As at the date of our inspection, the Property was in an average condition.		
	The site is leased by JTC Corporation ("Lessor") to Proptech (Pte.) Ltd. ("Lessee") for a term of 30 + 30 years commencing 1 January 1993. We are instructed to value based on its balance unexpired interest of about 32.8 years.		

Notes:

- a) Based on the title search obtained from Singapore Land Authority (“SLA”), the registered lessee of the property is Proptech (Pte.) Ltd.
- i. The land area is 7,062.3 square metres, subject to government’s re-survey.
 - ii. The Property is mortgaged to DBS Bank Ltd.
 - iii. As stipulated in the lease agreement with JTC Corporation, the permitted use is for the calibration and testing of instruments and equipments, fabrication of panels and containers machining, storage and warehousing only, except with the prior consent in writing of the Lessor.

We have assumed for the purpose of this valuation that easements and encumbrances do not adversely affect the value of the Property. As we are not experts in this area, should subsequent legal advice find to the contrary, we reserve the right to amend our valuation.

- b) According to the letter dated 3 March 2020 by Tito Isaac & Co which is acting for Proptech (Pte.) Ltd., there was an Option To Purchase dated 11 February 2020 for the sale of the Property to HSC Pipeline Engineering Pte Ltd. The expiry date of the Option To Purchase is 31 March 2020.
- c) The Property is within an area zoned for “Business 2” use with a gross plot ratio of 1.4 under the Master Plan (2019). Based on Master Plan Written Statement 2019, Business 2 (“B2”) zone is used or intended to be used for clean industry, light industry, general industry, warehouse, public utilities and telecommunication uses and other public installations. Special industries such as manufacture of industrial machinery, shipbuilding and repairing, may be allowed in selected areas subject to evaluation by the competent authority. The quantum of permitted ancillary uses shall not exceed 40% of the total floor area. The types of B2 and ancillary uses that may be allowed are subject to the evaluation of the competent authority and other relevant authorities.
- d) As stated in the architectural floor plan by SMS Consulting Engineers and the Grant of Written Permission by the Urban Redevelopment Authority (“URA”) on 7 November 2013, the gross floor area of the Property is approximately 5,379.02 square metres, subject to final survey.
- e) The Property is currently assessed by the Inland Revenue Authority of Singapore at an Annual Value of \$1,010,000 for property tax purpose. Property tax is payable at 10% per annum of the assessed Annual Value.
- f) The land rent payable to JTC Corporation (excluding sub-letting fee and GST) is \$18,426.72 per month. The land rent is subject to annual revision on 1st day of January every year, based on an annual fixed rental increase of 4% over the annual rent for each immediately preceding year.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS

(a) Interests of Directors and chief of the Company and associated corporations

As at the Latest Practicable Date, the interests or short positions of the Directors and the chief executive of the Company and each of their respective associates, in the Shares, underlying Shares and debentures of the Company and any of its associated corporations (within the meaning of Part XV of the SFO), which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have been taken under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be recorded in the register referred to therein; or (c) to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules, were as follows:

(i) Long position in the Shares and underlying Shares

Name of Director	Capacity and nature of interest	Number of Shares	Percentage of the Company's issued share capital
Mr. Michael Shi (<i>Note 1</i>)	Interested in controlled corporation	681,872,000 (L) (<i>Note 2</i>)	74.12%

Notes:

- The entire issued share capital of Astute Prosper is legally, beneficially and wholly owned by Mr. Michael Shi. Accordingly, Mr. Michael Shi is deemed to be interested in 681,872,000 Shares held by Astute Prosper by virtue of the SFO. Mr. Michael Shi is the Chairman of the Board, an executive Director and the chief executive officer of the Company.
- (L) denotes long position.

(ii) Long position in ordinary share of Astute Prosper

Name of Director	Capacity and nature of interest	Number of share	Percentage of the Astute Prosper's issued share capital
Mr. Michael Shi	Beneficial owner	1	100%

Note: Astute Prosper is beneficially interested in 681,872,000 Shares. Mr. Michael Shi beneficially owns all the share in Astute Prosper. Accordingly, Mr. Michael Shi is deemed to be interested in 681,872,000 Shares held by Astute Prosper by virtue of the SFO. Mr. Michael Shi is the Chairman of the Board, an executive Director and the chief executive officer of the Company.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and chief executive of the Company had or was deemed to have any interests and short position in the Shares, underlying Shares and debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO) which (a) are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have under such provisions of the SFO); or (b) are required, pursuant to Section 352 of the SFO, to be recorded in the register referred to therein; or (c) are required, pursuant to the Model Code as set out Appendix 10 of the Listing Rules.

(b) Substantial Shareholder's and other person's interests and short positions in Shares and underlying Shares

As at the Latest Practicable Date, so far as is known to the Directors and the chief executives of the Company, each of the following persons/entities (other than a Director or chief executive of the Company) had an interest or a short position in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or were directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any members of the Company and were recorded in the register of the Company required to be kept under section 336 of the SFO:

Long position in the ordinary Shares and underlying Shares

Name	Capacity and nature of interest	Number of ordinary Shares held	Percentage of the Company's issued share capital
Astute Prosper (<i>Note 1</i>)	Beneficial owner	681,872,000	74.12%
Ms. Oh Lay Guat (<i>Note 2</i>)	Interest of spouse	681,872,000	74.12%

Notes:

1. Astute Prosper is wholly owned by Mr. Michael Shi.
2. Ms. Oh Lay Guat is the spouse of Mr. Michael Shi and is deemed to be interested in all the Shares interested by Mr. Michael Shi pursuant to the SFO.

Save as disclosed above, as at the Latest Practicable Date, the Directors were not aware of any persons (not being a Director or chief executive of the Company) who had an interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group and were recorded in the register required to be kept by the Company under Section 336 of the SFO.

As at the Latest Practicable Date, save and except for information above, no other Director nor any parties acting in concert with any of them was interested in any Shares or any convertible securities, warrants, options or derivatives in respect of the Shares.

3. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with the Company or any member of the Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation, other than statutory compensation).

4. DIRECTORS' INTERESTS IN THE ASSETS, CONTRACTS OR ARRANGEMENT SIGNIFICANT TO THE GROUP

None of the Directors was materially interested in any contract or arrangement which was entered into by any member of the Group and subsisting as at the Latest Practicable Date and which was significant in relation to the business of the Group.

None of the Directors has or had any interest, direct or indirect, in any assets which have been acquired or disposed of by or leased to any member of the Group or are proposed to be acquired or disposed of by or leased to any member of the Group since 31 March 2019, being the date to which the latest published audited financial statements of the Group were made up.

5. COMPETING INTERESTS OF DIRECTORS AND CLOSE ASSOCIATES

As at the Latest Practicable Date, none of the Directors and their respective close associates had any interest in any business (apart from the Group's business) which competes or is likely to compete, either directly or indirectly, with the business of the Group (as would be required to be disclosed under Rule 8.10 of the Listing Rules if each of them were a controlling shareholder) or have or may have any other conflict of interest with the Group pursuant to the Listing Rules.

6. LITIGATION

As at the Latest Practicable Date, so far as the Directors are aware, no member of the Group was engaged in any litigation or arbitration of material importance and no litigation or arbitration of material importance was pending or threatened against any member of the Group.

7. QUALIFICATION AND CONSENT OF EXPERT AND EXPERT'S INTERESTS

The following is the qualification of the expert who has given opinion or advice which is contained in this circular:

Name	Qualification
Savills Valuation and Professional Services (S) Pte Ltd	An independent professional property valuer

As at the Latest Practicable Date, the expert:

- (a) was not interested beneficially in the shares in any member of the Group and did not have any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for shares in any member of the Group; and
- (b) did not have any direct or indirect interest in any assets which have been acquired or disposed of by or leased to any member of the Group or are proposed to be acquired or disposed of by or leased to any member of the Group since 31 March 2019 (being the date up to which the latest published audited consolidated financial statements of the Company were made up).

As at the date of this circular, the above expert has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its report and reference to its name included herein in the form and context in which it appears.

8. MATERIAL CONTRACTS

The following contracts (not being contracts in the ordinary course of business) have been entered into by members of the Group within the two years immediately preceding the date of this circular, which are, or may be, material to the Group:

- (a) a sale and purchase agreement dated 14 February 2019 entered into between Mr. Michael Shi (as vendor) and the Company (as purchaser), pursuant to which the entire issued share capital of the Purchaser was transferred from Mr. Michael Shi to Integral Virtue Limited, in consideration of the Company allotting and issuing 99 Shares in our share capital to Astute Prosper (as the nominee of Mr. Michael Shi) credited as fully paid at the direction of Mr. Michael Shi and crediting the initial subscriber Share held by Astute Prosper as fully paid;

- (b) the deed of indemnity dated 26 February 2019 executed by Astute Prosper and Mr. Michael Shi (as indemnifiers) in favour of the Company (for itself and as trustee for each of its subsidiaries);
- (c) the deed of non-competition undertaking dated 26 February 2019 executed by Astute Prosper and Mr. Michael Shi in favour of the Company (for itself and as trustee for each of its subsidiaries);
- (d) the conditional underwriting agreement dated 13 March 2019 entered into by the Company, Astute Prosper and Mr. Michael Shi, the executive Directors, Fortune Financial Capital Limited as the sole sponsor, Pacific Foundation Securities Limited, Fortune (HK) Securities Limited, China Industrial Securities International Financial Group Limited, Sorrento Securities Limited, Astrum Capital Management Limited, Frontpage Capital Limited and ZACD Financial Group Limited as public offer underwriters relating to the public offer consisting of 23,000,000 Shares (subject to re-allocation);
- (e) the placing underwriting agreement dated 19 March 2019 entered into by the Company, Astute Prosper and Mr. Michael Shi, the executive Directors, Fortune Financial Capital Limited as the sole sponsor, Pacific Foundation Securities Limited, Fortune (HK) Securities Limited, China Industrial Securities International Financial Group Limited, Sorrento Securities Limited, Astrum Capital Management Limited, Frontpage Capital Limited and ZACD Financial Group Limited as placing underwriters in relation to the placing consisting of 207,000,000 Shares (subject to re-allocation); and
- (f) the Option to Purchase.

9. MISCELLANEOUS

- (a) The secretary of the Company is Mr. Hwang Hau-zen Basil, a solicitor of the Hong Kong.
- (b) The head office of the Company is at 36 Sungei Kadut Avenue, Singapore 729661 and the principal place of business of the Company in Hong Kong is at Suite 3708, Tower Two Lippo Centre 89 Queensway, Admiralty, Hong Kong. The registered office of the Company is at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

- (c) The principal share registrar and transfer office of the Company in the Cayman Islands is Conyers Trust Company (Cayman) Limited at Cricket Square, Hutchins Drive P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands. The branch share registrar and transfer office of the Company in Hong Kong is Tricor Investor Services Limited at Level 54., Hopewell Centre, 183 Queen's Road East, Hong Kong.
- (d) The English text of this circular shall prevail over the Chinese text.

10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours on any weekday (Saturday, Sunday and public holidays excluded) at Suite 3708, Tower Two Lippo Centre 89 Queensway, Admiralty, Hong Kong for a period of 14 days from the date of this circular:

- (a) the memorandum and articles of association of the Company;
- (b) the material contracts referred to in the paragraph headed "8. Material contracts" in this appendix;
- (c) the prospectus of the Company and the annual report of the Company for the financial year ended 31 March 2019;
- (d) the interim report of the Company for the six months ended 30 September 2019;
- (e) the valuation report of Savills Valuation and Professional Services (S) Pte Ltd, the text of which is set out in Appendix II to this circular;
- (f) the letter of consent referred to in paragraph headed "7. Qualification and consent of expert and expert's interests" in this appendix; and
- (g) this circular.