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If you have sold or transferred all your shares in the Company, you should at once hand this circular and the accompanying form of proxy to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was affected for transmission to the purchaser or transferee.

Chuan Holdings Limited

川 控 股 有 限 公 司 *

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1420)

CONTINUING CONNECTED TRANSACTIONS AND NOTICE OF EXTRAORDINARY GENERAL MEETING

**Independent financial adviser to
the Independent Board Committee and Independent Shareholders**

VINCO 

Vinco Capital Limited

(A wholly-owned subsidiary of Vinco Financial Group Limited)

A letter from the Board is set out on pages 6 to 35 of this circular. A letter from the Independent Board Committee containing its advice to the Independent Shareholders is set out on pages 36 to 37 of this circular. A letter from Vinco Capital, the Independent Financial Adviser, containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 38 to 114 of this circular.

A notice convening the extraordinary general meeting of the Company to be held at 20 Senoko Drive, Singapore 758207 on Wednesday, 16 October 2019 at 3:00 p.m. or any adjourned meeting hereof to approve matters referred to in this circular is set out on pages EGM-1 to EGM-4 of this circular. A form of proxy for use at the extraordinary general meeting is enclosed.

Whether or not you are able to attend the meeting, you are requested to complete the form of proxy in accordance with the instructions printed thereon and return the same to the Company's branch share registrar in Hong Kong, Tricor Investors Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the extraordinary general meeting or any adjourned meeting. Completion and return of the form of proxy will not preclude you from attending and voting in person at the extraordinary general meeting (or any adjourned meeting) if you so wish and in such event, the form of proxy shall be deemed to be revoked.

13 September 2019

* for identification purpose only

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DEFINITIONS

In this circular, unless the context otherwise requires, the following expressions have the following meanings:

“Announcements”	the announcements of the Company dated 10 December 2018, 31 December 2018, 29 March 2019 and 6 September 2019 respectively
“Annual Caps”	the maximum aggregate annual value for the continuing connected transactions under (1) the Construction Materials Purchase Framework Agreement; (2) the Transportation Framework Agreement; (3) the Rental Services Framework Agreement 1; (4) the Rental Services Framework Agreement 2; (5) the Earth Disposal Framework Agreement; and/or (6) the Subcontract Agreement (as the case may be)
“associate(s)”	has the meaning ascribed to it in the Listing Rules
“Board”	the board of Directors
“Business Day(s)”	a day (excluding Saturday and other general holidays in Hong Kong) on which banks in Hong Kong are generally open for business
“CCT Agreements”	collectively the Construction Materials Purchase Framework Agreement, the Transportation Framework Agreement, the Rental Services Framework Agreement 1, the Rental Services Framework Agreement 2, the Earth Disposal Framework Agreement and the Subcontract Agreement
“Company”	Chuan Holdings Limited, a company incorporated in Cayman Islands with limited liability and whose Shares are listed on the Main Board of the Stock Exchange with stock code 1420
“connected person(s)”	has the same meaning ascribed to it under the Listing Rules

DEFINITIONS

“Construction Materials Purchase Framework Agreement”	the construction materials purchase framework agreement dated 10 December 2018 (as clarified by the announcement of the Company dated 31 December 2018, as supplemented by its first supplemental agreement dated 29 March 2019 and its second supplemental agreement dated 6 September 2019) entered into between United E&P and the Company in relation to the purchase of construction materials such as asphalt premix and related products and the provision of related services including supply and lay, mill and patch and road paving
“continuing connected transactions”	the continuing connected transactions as contemplated under the CCT Agreements
“controlling shareholder”	having the meaning as ascribed thereto under the Listing Rules
“Director(s)”	the directors of the Company
“Earth Disposal Framework Agreement”	the earth disposal framework agreement dated 29 March 2019 (as supplemented by its supplemental agreement dated 6 September 2019) entered into between GEHT and the Company in relation to the disposal of excavated earth and soil by the Group at the construction sites of GEHT
“EGM”	the extraordinary general meeting of the Company to be convened and held at 20 Senoko Drive, Singapore 758207 on Wednesday, 16 October 2019 at 3:00 p.m. or any adjournment is set out on pages EGM-1 to EGM-4 of this circular
“Executive Director(s)”	the executive Director(s)
“GEHT”	Golden Empire-Huatong Pte. Ltd., a company incorporated in Singapore, which is owned as to 33.33% by an Independent Third Party and 66.67% by Golden Empire, which in turn is owned as to 50% by Mr. Alan Lim, our Executive Director and 50% by an Independent Third Party

DEFINITIONS

“Golden Empire”	Golden Empire Civil Engineering Pte. Ltd., a company incorporated in Singapore, which is owned as to 50% by Mr. Alan Lim, our Executive Director and 50% by an Independent Third Party
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Board Committee”	the independent board committee of the Company formed to consider the CCT Agreements, the transactions contemplated thereunder and their respective Annual Caps
“Independent Financial Adviser” or “Vinc Capital”	Vinc Capital Limited, a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the CCT Agreements, the continuing connected transactions contemplated thereunder and their respective Annual Caps
“Independent Shareholders”	shareholders other than Mr. Alan Lim and his associates
“Independent Third Party(ies)”	any person or company and their respective ultimate beneficial owner(s), to the best knowledge, information and belief of the Directors and having made all reasonable enquiries, are third parties independent of the Company and its connected persons
“Latest Practicable Date”	10 September 2019, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Alan Lim”	Mr. Lim Kui Teng, a controlling shareholder, a Chairman and an Executive Director of the Company

DEFINITIONS

“Rental Services Framework Agreement 1”	the rental services framework agreement dated 10 December 2018 (as supplemented by its first supplemental agreement dated 31 December 2018 and its second supplemental agreement dated 29 March 2019) entered into between Golden Empire and the Company in relation to the provision of construction-related services such as rental of trucks and supply of labour
“Rental Services Framework Agreement 2”	the rental services framework agreement dated 10 December 2018 (as supplemented by its first supplemental agreement dated 31 December 2018 and its second supplemental agreement dated 29 March 2019) entered into between GEHT and the Company in relation to the provision of construction-related services such as rental of trucks and supply of labour
“S\$”	Singapore dollars, the lawful currency of the Republic of Singapore
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary shares of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Shares
“Singapore”	the Republic of Singapore
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subcontract Agreement”	the subcontract agreement dated 29 March 2019 (as supplemented by its supplemental agreement dated 6 September 2019) entered between Golden Empire and the Company in relation to provide surcharge rehandling works for reclamation and marine works at Tuas Western Coast Project

DEFINITIONS

“Transportation Framework Agreement”	the transportation framework agreement dated 10 December 2018 (as supplemented by its first supplemental agreement dated 31 December 2018, its second supplemental agreement dated 29 March 2019 and its third supplemental agreement dated 6 September 2019) entered into between United E&P and the Company in relation to the provision of transportation services
“United E&P”	United E&P Pte. Ltd., a company incorporated in Singapore, which is owned as to 40% by an Independent Third Party and 60% by United E&P Holdings Pte. Ltd., which in turn is owned as to 33.33% by Mr. Alan Lim, our Executive Director and 66.67% by an Independent Third Party
“%”	per cent

LETTER FROM THE BOARD

Chuan Holdings Limited

川 控 股 有 限 公 司 *

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1420)

Executive Directors:

Mr. Lim Kui Teng
Mr. Quek Sze Whye
Mr. Bijay Joseph
Mr. Lau Yan Hong
Mr. Wong Kee Chung

Registered office:

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

Independent non-executive Directors:

Mr. Lee Cheung Yuet Horace
Mr. Phang Yew Kiat
Mr. Ng Ka Lok

Principal Place of Business

in Hong Kong
57/F, The Center
99 Queen's Road Central
Hong Kong

Headquarters and Principal

Place of Business
20 Senoko Drive
Singapore 758207

13 September 2019

To the Shareholders

Dear Sir or Madam,

CONTINUING CONNECTED TRANSACTIONS AND NOTICE OF EXTRAORDINARY GENERAL MEETING

I. INTRODUCTION

Reference is made to the announcements of the Company dated 10 December 2018, 31 December 2018, 29 March 2019 and 6 September 2019 in relation to, among other things, (i) the revision of annual caps for the continuing connected transactions under the Construction Materials Purchase Framework Agreement, the Transportation Framework Agreement, the Rental Services Framework Agreement 1, and the Rental Services Framework Agreement 2; and (ii) the entering into of new continuing connected transactions under the Earth Disposal Framework Agreement and the Subcontract Agreement, which are subject to the reporting, announcement, annual review and independent shareholders' approval under Chapter 14A of the Listing Rules.

* for identification purpose only

LETTER FROM THE BOARD

The purpose of this circular is to provide you with (i) further information on the details of the CCT Agreements and their respective Annual Caps; (ii) the letter of advice from the Independent Board Committee which contains its recommendation to the Independent Shareholders; (iii) the letter of advice from Vinco Capital which contains its recommendation to the Independent Board Committee and the Independent Shareholders; (iv) other information as required under the Listing Rules; and (v) the notice of the EGM to the Shareholders on convening the EGM.

II. THE CONTINUING CONNECTED TRANSACTIONS

Reference is made to the Announcements in respect of, among other matters, (i) the terms of the Construction Materials Purchase Framework Agreement, the Transportation Framework Agreement, the Rental Services Framework Agreement 1 and the Rental Services Framework Agreement 2 and the revision of the relevant Annual Caps; and (ii) the terms of the Earth Disposal Framework Agreement and the Subcontract Agreement and the relevant Annual Caps. Further details of the CCT Agreements are set out below.

A. The Construction Materials Purchase Framework Agreement

Date of agreement: 10 December 2018 (as clarified by the announcement of the Company dated 31 December 2018, as supplemented by its first supplemental agreement dated 29 March 2019 and its second supplemental agreement dated 6 September 2019)

Parties: (1) United E&P; and (2) the Company.

Terms: Three years commencing from 1 January 2019 and shall terminate on 31 December 2021.

Scope of services: United E&P has agreed to supply construction materials such as asphalt premix and related products and the provision of related services including supply and lay, mill and patch and road paving works to the Group according to actual needs.

Principle terms: The principal terms of the Construction Material Purchase Framework Agreement include the pricing policy of each type of material supplied having regards to the actual materials, quantity etc..

Reason for transactions: United E&P had supplied the construction materials to the Group, most recently from 1 April 2016 to 31 December 2018. The Directors are of the view that the construction materials such as asphalt premix from United E&P are of high quality and that United E&P and the Group are familiar with each other's business demands and able to supply materials required for construction. The Directors consider that maintaining stable and high quality business relationship with United E&P will be beneficial to our current and future operation as this provides us with an additional source to obtain construction materials on competitive terms.

LETTER FROM THE BOARD

Pricing Policy: The construction materials will be sold at the agreed fixed price determined by United E&P based on (i) the prevailing market rate with reference to prices of similar materials as charged by the Group's other Independent Third Party suppliers; and (ii) after arm's length negotiations between both United E&P and the Group having regards to the actual quantity of materials supplied and delivery schedule.

For every new project, the procurement department of the Group will obtain quotations from at least two Independent Third Party suppliers in similar quality and quantity to determine if the price and terms offered by United E&P are comparable to prevailing market rate, fair and reasonable and comparable and within the budget of the Company. After obtaining quotations, the procurement department will assess the quotations and formulate a report by reference to, among other things, the quality, delivery schedule, ability to meet the Group's requirements and standards as well as the price offered so as to determine the party with whom the Group will purchase the construction materials from. The head of the procurement department will conduct a final review on the quotations and report to an Executive Director who is responsible for overseeing the procurement department and project team of the Group and is not Mr. Alan Lim and his associates (currently, such Executive Director is Mr. Quek Sze Whye) to approve the selection of suppliers based on the above factors. The head of the procurement department will monitor the process of the transactions to be conducted hereunder to ensure such price is favourable to the Group and the Directors are of the view that the aforesaid method and procedures can ensure that the Group is not paying higher than prevailing market price for the construction material and the purchases of construction materials from United E&P under the Construction Materials Purchase Framework Agreement will be conducted in the ordinary and usual course of business of the Group and United E&P on normal commercial terms and on terms not less favourable than those to be provided by other Independent Third Parties (if available).

Historical amount: For the three years ended 31 December 2018 and the six months ended 30 June 2019, the total amount of historical transactions of construction materials purchased by the Group from United E&P were approximately S\$96,000, S\$30,000, S\$207,000 and S\$22,000, respectively.

LETTER FROM THE BOARD

Annual caps: For the three financial years ending 31 December 2021, the maximum annual amount of construction materials purchased by the Group from United E&P shall be amended as follows, and shall not exceed the following caps:

	Proposed annual cap for the financial year ending 31 December		
	2019	2020	2021
	(S\$)	(S\$)	(S\$)
Original annual caps	525,000	525,000	525,000
Revised annual caps	3,000,000	3,000,000	3,000,000
Further revised annual caps	770,000	770,000	1,460,000

Reasons for the revision of the annual cap: At the time when the original annual caps (as disclosed in the announcement of the Company dated 31 December 2018) were determined, the Company had not anticipated that it will be awarded with a new water reclamation plant project involving earthwork and civil engineering works such as supply of machinery and labour and supply and lay of asphalt premix with an estimated total purchase of such asphalt premix materials and provision of related services of approximately S\$7.2 million for the three years ending 31 December 2021 (“**New Project**”). As disclosed in the announcement of the Company dated 6 September 2019, the Group originally intended to engage United E&P for both the supply of asphalt premix materials and the supply of machinery and labour services for the New Project. Subsequently in May 2019, the Group found an alternative Independent Third Party supplier (“**New Supplier**”) who offered the supply of machinery and labour services at a more competitive price. Since the Group had no prior business relationship with the New Supplier and needed some time to observe the performance of the New Supplier, the Group decided to maintain United E&P as a back-up supplier. After observing that the New Supplier could deliver quality and reliable services, the Directors decided that it would be in the interest of the Group to engage the New Supplier to provide such services for the New Project instead of purchasing such services from United E&P in order to increase the Group’s profitability from the New Project. Accordingly, the annual caps are further revised to ensure that they are fair and reasonable to reflect the demand for the construction materials to be purchased from United E&P. To fulfil the need of asphalt premix materials and the related services under to the New Project, the Group would engage United E&P to provide the construction materials such as asphalt premix and related products and the provision of related services including supply and lay, mill and patch and road paving works of approximately S\$2.3 million, which will result in the increase in expenses of the Group attributable to the amount of construction materials purchased by the Group from United E&P under the Construction Materials Purchase Framework Agreement for the three years ending 31 December 2021.

LETTER FROM THE BOARD

The Directors have been monitoring the transaction amount under the Construction Materials Purchase Framework Agreement. As at the Latest Practicable Date, the further revised annual caps for the transaction amount under the Construction Materials Purchase Framework Agreement for the year ending 31 December 2019 have not been exceeded.

Basis of cap: In determining the above further revised annual caps, the Directors have taken into consideration (i) the historical transaction amounts between the Group and United E&P; (ii) the comparable prices offered by Independent Third Parties for the supply of similar products; (iii) the expected volume of the construction materials to be purchased by the Group on an annual basis for our two existing projects on hand and the New Project; (iv) the purchase orders given to United E&P by the Group; and (v) buffer to cater for unexpected demands from the New Project. The Directors expect that there would be no material change in the price since according to the statistics from the Singapore government, the inflation rate in Singapore has been less than 5% for the last five years and is forecast to be less than 2% for the coming three years. Even if there is such change, it would be within the annual caps.

B. The Transportation Framework Agreement

Date of agreement: 10 December 2018 (as supplemented by its first supplemental agreement dated 31 December 2018, its second supplemental agreement dated 29 March 2019 and its third supplemental agreement dated 6 September 2019)

Parties: (1) United E&P; and (2) the Company.

Terms: Three years commencing from 1 January 2019 and shall terminate on 31 December 2021, provided that the parties shall have the right to unilaterally terminate the agreement at any time during the initial term by giving the other party not less than 30 business days' prior written notice. Notwithstanding the above, a party to the agreement shall be entitled to terminate the agreement with immediate effect if, among other things, the transactions contemplated in the agreement cease to be subject to the Listing Rules or the other party breaches the terms of the agreement or undergoing liquidation proceedings.

Scope of services: The Group has agreed to provide transportation services such as rental of trucks and supply of labour to United E&P according to actual needs.

Principle terms: The principal terms of the Transportation Framework Agreement include: (1) the pricing policy of rental fee for each truck and quantity of labour provided; and (2) the Group and United E&P must enter into specific agreements to stipulate specific terms and conditions, including specific scope of service, form of service and payment method, in respect of the relevant services based on the principles as set out in the Transportation Framework Agreement.

LETTER FROM THE BOARD

Reason for transactions: United E&P and the Group have an established business relationship with each other, and are familiar with each other's business demands. The Directors consider that maintaining stable and high quality business relationship with United E&P will be beneficial to the Group's current and future operation given that the transportation services are provided in a timely basis which serve United E&P's requests and urgent needs.

Pricing Policy: The transportation services will be charged on a cost plus basis which is determined with reference to (i) the costs to be incurred by the Group for rendering such services including the depreciation expenses, diesel or petrol costs, labour costs and the expected quantity (in terms of number of vehicles, number of trips, distance and number of labourers); (ii) an approved margin range of 10% to 20% fixed by an Executive Director who is responsible for overseeing the procurement department and project team of the Group and is not Mr. Alan Lim and his associates (currently, such Executive Director is Mr. Quek Sze Whye) to ensure no loss making for each project to cover other indirect costs such as administrative expenses of the Group; (iii) the prevailing market rates based on price charged by the Group to other Independent Third Party customers of the Group for similar types of services with comparable terms under normal commercial terms and in the ordinary course of business and such price and terms shall be no less favourable to the Group than is available to other Independent Third Party customers; and (iv) after arm's length commercial negotiations according to the principles of fairness and reasonableness.

The approved margin range of 10% to 20% is determined based on the following factors: (i) job nature such as urgency, complexity, and whether driver and operator are required; and (ii) margin range of 10% to 20% derived from historical transactions of a similar nature with United E&P and other Independent Third Party customers in the past two financial years which the Group regards as reasonable to be within the acceptable of margin range in the construction industry in Singapore.

LETTER FROM THE BOARD

For every new project from United E&P, the project team of the Group will review (i) quotations made to at least two Independent Third Party customers in similar quantity and type of trucks; and (ii) the cost based on the job requirement of United E&P to determine if the price and terms offered to United E&P are fair and reasonable and comparable. After obtaining quotations, the project team will assess the quotations and formulate a report by reference to, among other things, the price and type of trucks offered, the existing utilisation rates of the trucks and the cost based on the job requirement of United E&P so as to determine the price to offer to United E&P. If the cost based on the job requirement of United E&P is higher than the prevailing market rates as reflected by quotations from other Independent Third Parties, the Group will not accept such loss-making job. The project team will conduct a final review on the quotations and report to an Executive Director who is responsible for overseeing the procurement department and project team of the Group and is not Mr. Alan Lim and his associates (currently, such Executive Director is Mr. Quek Sze Whye) to approve the quotation based on the above factors. The project team will monitor the process of the transactions to be conducted hereunder to ensure such price is favourable to the Group. The Directors are of the view that the aforesaid method and procedures can ensure that the price offered to United E&P will achieve the above-mentioned margin, and is in line with prevailing market rates and the transportation services and provision of labour from the Group contemplated under the Transportation Framework Agreement will be conducted in the ordinary and usual course of business of the Group and United E&P on normal commercial terms and on terms not less favourable than those to be provided by other Independent Third Parties (if available).

Historical amount: For the three years ended 31 December 2018 and the six months ended 30 June 2019, the total amount of historical transactions of transportation services provided by the Group to United E&P were approximately S\$392,000, S\$1.4 million, S\$154,000 and S\$30,000, respectively.

Annual caps: For the three financial years ending 31 December 2021, the maximum annual amount of transportation services and supply of labour to United E&P shall be amended as follows, and shall not exceed the following caps:

	Proposed annual cap for the financial year ending 31 December		
	2019	2020	2021
	(S\$)	(S\$)	(S\$)
Original annual caps	1,000,000	1,000,000	1,000,000
Revised annual caps	1,800,000	1,800,000	1,800,000
Further revised annual caps	1,275,000	1,275,000	1,275,000

LETTER FROM THE BOARD

The Directors have been monitoring the transaction amount under the Transportation Framework Agreement. As at the Latest Practicable Date, the further revised annual caps for the transaction amount under the Transportation Framework Agreement for the year ending 31 December 2019 have not been exceeded. However, one of the applicable percentage ratios calculated based on the transaction amounts from the Transportation Framework Agreement, the Rental Services Framework Agreement 1 and the Rental Services Framework Agreement 2 from 1 January 2019 to 30 June 2019 on an aggregated basis exceeded 5% (“**Omission**”).

The Company admits that the Omission is an inadvertent breach of Rule 14A.36 of the Listing Rules. The Directors have been monitoring the transaction amount of the three abovementioned agreements individually by mistake instead of on an aggregate basis and did not expect there would be a prolonged delay in seeking clearance of this circular. These led to the Omission. As soon as the Omission was found out, the Group has immediately ceased any transactions under the Transportation Framework Agreement, the Rental Services Framework Agreement 1 and the Rental Services Framework Agreement 2 until the Group obtains the Independent Shareholders’ approval for the annual caps.

To prevent similar incidents from occurring in the future, the Company has assigned the chief financial officer of the Company to monitor the transaction amount of all the connected transaction agreements individually and collectively on a monthly basis to ensure that they, on a standalone basis and an aggregate basis, would comply with the Listing Rules. Before the Group accepts a purchase order from a customer or issues a purchase order to a supplier, such purchase order must be presented to the chief financial officer for review and approval to ensure such sale or purchase is within the annual caps of the agreements individually and on an aggregate basis. To comply with Rule 14A.36 of the Listing Rules, the Group will not engage in any connected transactions until the relevant shareholders’ approval has been obtained.

Reasons for the revision of the annual cap: At the time when the original annual caps (as disclosed in the announcement of the Company dated 31 December 2018) were determined, United E&P had not anticipated that it will be awarded with two new projects and did not anticipate that it would submit for two new tenders, both of which are expected to complete in late 2021. The Group has therefore been requested to increase the number of labours to be supplied to United E&P, due to new projects awarded with United E&P, which will result in an increase in demand for the transportation services and labour supply to United E&P and thus the Group’s income, based on (i) the estimated total amount of the services needed for the three years ending 31 December 2021 of approximately S\$3.8 million; (ii) the historical prices and terms of sales between the Group and United E&P; and (iii) the historical transactions with United E&P for the six months ended 30 June 2019, which will result in the increase in income of the Group attributable to the amount of transportation services and labour supply to United E&P under the Transportation Framework Agreement the three years ending 31 December 2021, respectively.

LETTER FROM THE BOARD

As disclosed in the announcement of the Company dated 6 September 2019, the Company has been notified by United E&P that it has failed to secure a tendered project with a contract amount of approximately S\$32 million. Accordingly, it will decrease its demand for transportation and labour services from the Group. The Directors decided to further revise the annual caps to ensure that they are fair and reasonable to reflect the actual demand for the transportation and labour services from United E&P.

Basis of cap: In determining the above further revised annual caps, the Directors have taken into consideration (i) the historical transaction amounts between the Group and United E&P; (ii) the projected increase in demand on an annual basis for trucks and labour supply services based on the projection prepared by United E&P with reference to the estimated demand of work required under these projects and their estimated work progress; (iii) the prevailing market rates of rental of similar nature; (iv) the recent transaction amounts with United E&P and other Independent Third Party customers since 1 January 2019 up to the Latest Practicable Date; and (v) buffer to cater for unexpected demands from the two awarded new projects and one submitted tender. The Directors expect that there would be no material change in the price since according to the statistics from the Singapore government, the inflation rate in Singapore has been less than 5% for the last five years and is forecast to be less than 2% for the coming three years. Even if there is such change, it would be within the annual caps.

C. The Rental Services Framework Agreement 1

Date of agreement: 10 December 2018 (as supplemented by its first supplemental agreement dated 31 December 2018 and its second supplemental agreement dated 29 March 2019)

Parties: (1) Golden Empire; and (2) the Company.

Terms: Three years commencing from 1 January 2019 and shall terminate on 31 December 2021.

Scope of services: The Group has agreed to provide construction-related services such as rental of trucks and supply of labour to Golden Empire according to actual needs.

Principle terms: The principal terms of the Rental Services Framework Agreement 1 include: (1) pricing policy of rental fee for each truck and quantity of labour provided; and (2) the Group and Golden Empire must enter into specific agreements to stipulate specific terms and conditions, including specific scope of service, form of service and payment method, in respect of the relevant services based on the principles as set out in the Rental Services Framework Agreement 1.

LETTER FROM THE BOARD

Reasons for transactions: The Group had provided construction-related services such as rental of trucks and supply of labour to Golden Empire, most recently from 1 April 2016 to 31 December 2018. Golden Empire and the Group have an established business relationship with each other, and are familiar with each other's business demands and able to supply rental services required for construction. The Directors consider that maintaining stable and high quality business relationship with Golden Empire will be beneficial to the Group's current and future operation given that land reclamation involves construction works. By reference to the historical business transaction experience with Golden Empire, the Directors believe that the Group and Golden Empire will be able to satisfy the stable and high quality requirement of the other party in the relevant business, and maintaining business transactions with each other is in the interest of the Group and the Shareholders as a whole.

Pricing Policy: The rental services and labour supply will be charged on a cost plus basis which is determined with reference to (i) the costs to be incurred by the Group for rendering such services including the depreciation expenses, diesel or petrol costs, labour costs and the expected quantity (in terms of number of vehicles, number of trips, distance and number of labourers); (ii) an approved margin range of 10% to 20% for rental of trucks and a minimum margin of 1% for supply of labour fixed by an Executive Director who is responsible for overseeing the procurement department and project team of the Group whereas is not Mr. Alan Lim and his associates (currently, such Executive Director is Mr. Quek Sze Whye) to ensure no loss making for each project to cover other indirect costs such as administrative expenses of the Group; (iii) the prevailing market rates based on price charged by the Group to other Independent Third Party customers of the Group for similar transactions with comparable terms under normal commercial terms and in the ordinary course of business and such price and terms shall be no less favourable to the Group than is available to other Independent Third Party customers; and (iv) after arm's length commercial negotiations according to the principles of fairness and reasonableness.

The approved margin range of 10% to 20% for rental of trucks and a minimum margin of 1% for supply of labour are determined based on the following factors: (i) job nature such as urgency, complexity, and whether driver and operator are required; and (ii) historical margin range of 10% to 20% for rental of trucks and a minimum margin of 1% for supply of labour derived from historical transactions of a similar nature with Golden Empire and other Independent Third Party customers in the past two financial years which the Group regards as reasonable to be within the acceptable of margin range in the construction industry in Singapore.

LETTER FROM THE BOARD

For every new project from Golden Empire, the project team of the Group will review (i) quotations made to at least two Independent Third Party customers in similar quantity and type of trucks; (ii) quotations sourced from at least one Independent Third Party supplier; and (iii) the cost based on the job requirement of Golden Empire to determine if the price and terms offered to Golden Empire are fair and reasonable and comparable. After obtaining quotations, the project team will assess the quotations and formulate a report by reference to, among other things, the price and type of trucks offered, the existing utilisation rates of the trucks and the cost based on the job requirement of Golden Empire so as to determine the price to offer to Golden Empire. The project team will conduct a final review on the quotations and report to an Executive Director to approve the quotation based on the above factors. The project team will monitor the process of the transactions to be conducted hereunder to ensure such price is favourable to the Group. If the cost based on the job requirement of Golden Empire is higher than the prevailing market rates as reflected by quotations from other Independent Third Parties, the Group will not accept such loss-making job. The Directors are of the view that the price offered to Golden Empire will achieve the above-mentioned margin and is in line with prevailing market rates and therefore the aforesaid method and procedures can ensure that the rental services and labour supply from the Group contemplated under the Rental Services Framework Agreement 1 will be conducted in the ordinary and usual course of business of the Group and Golden Empire on normal commercial terms and on terms not less favourable to the Group than those to be provided to other Independent Third Parties (if available).

Historical amount: For the three years ended 31 December 2018 and the six months ended 30 June 2019, the total amount of historical transactions of rental services and labour supply provided by the Group to Golden Empire were approximately S\$2.9 million, S\$1.0 million, S\$2.1 million and S\$1.3 million, respectively.

Annual caps: For the three financial years ending 31 December 2021, the maximum annual amount of rental services and supply of labour to Golden Empire shall be amended as follows, and shall not exceed the following caps:

	Proposed annual cap for the financial year ending 31 December		
	2019	2020	2021
	(S\$)	(S\$)	(S\$)
Original annual caps	1,500,000	1,500,000	1,500,000
Revised annual caps	3,000,000	3,000,000	3,000,000

LETTER FROM THE BOARD

Reasons for the revision of the annual cap: At the time when the original annual caps (as disclosed in the announcement of the Company dated 31 December 2018) were determined, Golden Empire had not considered the volume of transactions attributable to delay in work progress of existing projects on hand which should have been completed in 2018. Due to the delay in Golden Empire's existing projects on hand, the Group has been requested to increase the number of trips and the number of labours to be supplied to Golden Empire, which will result in increase in demand for rental of trucks and labour supply to Golden Empire and thus the Group's income for the coming three financial years. Based on (i) the forecast plan of the expected amount of the rental services of approximately S\$2.6 million, S\$2.6 million and S\$2.6 million for the three years ending 31 December 2021 respectively provided by Golden Empire; (ii) the historical utilisation rate of the historical annual caps for the year ended 31 December 2018; (iii) the historical utilisation rate for the six months ended 30 June 2019 of the original annual cap of 87.80%; and (iv) the prices and terms of sales between the Group and Golden Empire and the historical transactions between the Group and Golden Empire for the year ended 31 December 2018 and the six months ended 30 June 2019, the Group expects an increase in demand for transportation services and/or trucks and labour supply to Golden Empire, which will result in the increase in income of the Group attributable to the amount of transportation services and labour supply to Golden Empire under the Rental Services Framework Agreement 1 the three years ending 31 December 2021, respectively.

The Directors have been monitoring the transaction amount under the Rental Services Framework Agreement 1. As at the Latest Practicable Date, the revised annual caps for the transaction amount under the Rental Services Framework Agreement 1 for the year ending 31 December 2019 have not been exceeded. However, one of the applicable percentage ratios calculated based on the transaction amounts from the Transportation Framework Agreement, the Rental Services Framework Agreement 1 and the Rental Services Framework Agreement 2 from 1 January 2019 to 30 June 2019 on an aggregated basis exceeded 5%.

The Company admits that the Omission is an inadvertent breach of Rule 14A.36 of the Listing Rules. The Directors have been monitoring the transaction amount of the three abovementioned agreements individually by mistake instead of on an aggregate basis and did not expect there would be a prolonged delay in seeking clearance of this circular. These led to the Omission. As soon as the Omission was found out, the Group has immediately ceased any transactions under the Transportation Framework Agreement, the Rental Services Framework Agreement 1 and the Rental Services Framework Agreement 2 until the Group obtains Independent Shareholders' approval for the annual caps.

LETTER FROM THE BOARD

To prevent similar incidents from occurring in the future, the Company has assigned the chief financial officer of the Company to monitor the transaction amount of all the connected transaction agreements individually and collectively on a monthly basis to ensure that they, on a standalone basis and an aggregate basis, would comply with the Listing Rules. Before the Group accepts a purchase order from a customer or issues a purchase order to a supplier, such purchase order must be presented to the chief financial officer for review and approval to ensure such sale or purchase is within the annual caps of the agreements individually and on an aggregate basis. To comply with Rule 14A.36 of the Listing Rules, the Group will not engage in any connected transactions until the relevant shareholders' approval has been obtained.

Basis of cap: In determining the above revised annual caps, the Directors have taken into consideration (i) the historical transaction amounts; (ii) the projected increase in demand on an annual basis for trucks and labour supply services based on the projection prepared by Golden Empire with reference to the estimated demand of work required under these projects and their estimated work progress; (iii) the prevailing market rates of rental of similar nature; (iv) the recent transaction amounts with Golden Empire and other Independent Third Party customers since 1 January 2019 up to the Latest Practicable Date; and (v) buffer to cater for unexpected demand from the existing on-going projects and one submitted tender. The Directors expect that there would be no material change in the price since according to the statistics from the Singapore government, the inflation rate in Singapore has been less than 5% for the last five years and is forecast to be less than 2% for the coming three years. Even if there is such change, it would be within the annual caps.

D. The Rental Services Framework Agreement 2

Date of agreement: 10 December 2018 (as supplemented by its first supplemental agreement dated 31 December 2018 and its second supplemental agreement dated 29 March 2019)

Parties: (1) GEHT; and (2) the Company.

Terms: Three years commencing from 1 January 2019 and shall terminate on 31 December 2021.

Scope of services: The Group has agreed to provide construction-related services such as rental of trucks and supply of labour to GEHT according to actual needs.

Principle terms: The principal terms of the Rental Services Framework Agreement 2 include: (1) pricing policy of rental fee for each truck and quantity of labour provided; and (2) the Group and GEHT must enter into specific agreements to stipulate specific terms and conditions, including specific scope of service, form of service and payment method, in respect of the relevant services based on the principles as set out in the Rental Services Framework Agreement 2.

LETTER FROM THE BOARD

Reasons for transactions: GEHT and the Group have an established business relationship with each other, and are familiar with each other's business demands and able to supply rental services required for construction. The Directors consider that maintaining stable and high quality business relationship with GEHT will be beneficial to the Group's current and future operation given that land reclamation involves construction works. By reference to the historical business transaction experience with GEHT, the Directors believe that the Group and GEHT will be able to satisfy the stable and high quality requirement of the other party in the relevant business, and maintaining business transactions with each other is in the interest of the Group and the Shareholders as a whole.

Pricing Policy: The rental services and labour supply will be charged on a cost plus basis which is determined with reference to (i) the costs to be incurred by the Group for rendering such services including the depreciation expenses, diesel or petrol costs, labour costs and the expected quantity (in terms of number of vehicles, number of trips, distance and number of labourers); (ii) an approved margin range of 10% to 20% for rental of trucks and a minimum margin of 1% for supply of labour fixed by an Executive Director who is responsible for overseeing the procurement department and project team of the Group and is not Mr. Alan Lim and his associates (currently, such Executive Director is Mr. Quek Sze Whye) to ensure no loss making for each project to cover other indirect costs such as administrative expenses of the Group; (iii) the prevailing market rates based on price charged by the Group to other Independent Third Party customers of the Group for similar transactions with comparable terms under normal commercial terms and in the ordinary course of business and such price and terms shall be no less favourable to the Group than is available to other Independent Third Party customers; and (iv) after arm's length commercial negotiations according to the principles of fairness and reasonableness.

The approved margin range of 10% to 20% for rental of trucks and a minimum margin of 1% for supply of labour are determined based on the following factors: (i) job nature such as urgency, complexity, and whether driver and operator are required; and (ii) historical margin range of 10% to 20% for rental of trucks and a minimum margin of 1% for supply of labour derived from historical transactions of a similar nature with GEHT and other Independent Third Party customers in the past two financial years which the Group regards as reasonable to be within the acceptable of margin range in the construction industry in Singapore.

LETTER FROM THE BOARD

For every new project from GEHT, the project team of the Group will review (i) quotations made to at least two Independent Third Party customers in similar quantity and type of trucks; (ii) quotations sourced from at least two Independent Third Party suppliers; and (iii) the cost based on the job requirement of GEHT to determine if the price and terms offered to GEHT are fair and reasonable and comparable. After obtaining quotations, the project team will assess the quotations and formulate a report by reference to, among other things, the price and type of trucks offered, the existing utilisation rates of the trucks and the cost based on the job requirement of GEHT so as to determine the price to offer to GEHT. The project team will conduct a final review on the quotations and report to an Executive Director to approve the quotation based on the above factors. The project team will monitor the process of the transactions to be conducted hereunder to ensure such price is favourable to the Group. If the cost based on the job requirement of GEHT is higher than the prevailing market rates as reflected by quotations from other Independent Third Parties, the Group will not accept such loss-making job. The Directors are of the view that the aforesaid method and procedures can ensure that the price offered to GEHT will achieve the above-mentioned margin, and is in line with prevailing market rates.

The rental services and labour supply from the Group contemplated under the Rental Services Framework Agreement 2 will be conducted in the ordinary and usual course of business of the Group and GEHT on normal commercial terms and on terms not less favourable to the Group than those to be provided to other Independent Third Parties (if available).

Historical amount: For the three years ended 31 December 2018 and the six months ended 30 June 2019, the total amount of historical transactions of rental services and labour supply provided by the Group to GEHT were approximately S\$76,000, S\$290,000, S\$460,000 and S\$424,000, respectively.

Annual caps: For the three financial years ending 31 December 2021, the maximum annual amount of rental services and supply of labour to GEHT shall be amended as follows, and shall not exceed the following caps:

	Proposed annual cap for the financial year ending 31 December		
	2019	2020	2021
	(S\$)	(S\$)	(S\$)
Original annual caps	300,000	300,000	300,000
Revised annual caps	1,000,000	1,000,000	1,000,000

LETTER FROM THE BOARD

Reasons for the revision of the annual cap: At the time when the original annual caps (as disclosed in the announcement of the Company dated 31 December 2018) were determined, GEHT had not considered the volume of transactions attributable to delay in work progress of existing projects on hand which should have been completed in 2018. Due to delays and additional works in one existing project on hand, the Group has been requested to increase the number of trips and the number of labourers to be supplied to GEHT, which will result in increase in demand for rental of trucks and labour supply to GEHT and thus the Group's income for the coming three financial years. Based on (i) the forecast plan of expected amount of rental services in the amount of approximately S\$848,000 for the three years ending 31 December 2021 respectively provided by GEHT; (ii) the historical actual transaction amount for the year ended 31 December 2018 and the six months ended 30 June 2019; (iii) the historical utilisation rate for the six months ended 30 June 2019 of the original annual cap of 141.33%; and (iv) the historical prices and terms of sales between the Group and GEHT and the historical transactions between the Group and GEHT, the Group expects an increase in demand for transportation services and/or trucks and labour supply to GEHT, which will result in the increase in income of the Group attributable to the amount of transportation services and labour supply to GEHT under the Rental Services Framework Agreement 2 the three years ending 31 December 2021, respectively.

The Directors have been monitoring the transaction amount under the Rental Services Framework Agreement 2. As at the Latest Practicable Date, the revised annual caps for the transaction amount under the Rental Services Framework Agreement 2 for the year ending 31 December 2019 have not been exceeded. However, one of the applicable percentage ratios calculated based on the transaction amounts from the Transportation Framework Agreement, the Rental Services Framework Agreement 1 and the Rental Services Framework Agreement 2 from 1 January 2019 to 30 June 2019 on an aggregated basis exceeded 5%.

The Company admits that the Omission is an inadvertent breach of Rule 14A.36 of the Listing Rules. The Directors have been monitoring the transaction amount of the three abovementioned agreements individually by mistake instead of on an aggregate basis and did not expect there would be a prolonged delay in seeking clearance of this circular. These led to the Omission. As soon as the Omission was found out, the Group has immediately ceased any transactions under the Transportation Framework Agreement, the Rental Services Framework Agreement 1 and the Rental Services Framework Agreement 2 until the Group obtains Independent Shareholders' approval for the annual caps.

LETTER FROM THE BOARD

To prevent similar incidents from occurring in the future, the Company has assigned the chief financial officer of the Company to monitor the transaction amount of all the connected transaction agreements individually and collectively on a monthly basis to ensure that they, on a standalone basis and an aggregate basis, would comply with the Listing Rules. Before the Group accepts a purchase order from a customer or issues a purchase order to a supplier, such purchase order must be presented to the chief financial officer for review and approval to ensure such sale or purchase is within the annual caps of the agreements individually and on an aggregate basis. To comply with Rule 14A.36 of the Listing Rules, the Group will not engage in any connected transactions until the relevant shareholders' approval has been obtained.

Basis of cap: In determining the above revised annual caps, the Directors have taken into consideration (i) the historical transaction amounts with GEHT; (ii) the projected demand of approximately S\$848,000 on an annual basis for trucks and labour supply services based on the projection prepared by GEHT with reference to the estimated demand of work required under the projects and their estimated work progress; (iii) the prevailing market rates of rental of similar nature; (iv) the recent transaction amounts with GEHT and other Independent Third Party customers since 1 January 2019 up to the Latest Practicable Date; and (v) buffer to cater for unexpected demand from the existing on-going projects. The Directors expect that there would be no material change in the price since according to the statistics from the Singapore government, the inflation rate in Singapore has been less than 5% for the last five years and is forecast to be less than 2% for the coming three years. Even if there is such change, it would be within the annual caps.

E. The Earth Disposal Framework Agreement

Date of agreement: 29 March 2019 (as supplemented by its supplemental agreement dated 6 September 2019)

Parties: (1) GEHT; and (2) the Company.

Terms: Three years commencing from 1 January 2019 and shall terminate on 31 December 2021.

Scope of services: GEHT has agreed to allow the Group to dispose of excavated earth and the soils from the Group's job sites at GEHT's job sites.

Principle terms: The principal terms of the Earth Disposal Framework Agreement include: (1) the pricing policy for the quantity of earth and soil disposed of; and (2) the Group and GEHT must enter into specific agreements to stipulate specific terms and conditions and payment method based on the principles as set out in the Earth Disposal Framework Agreement.

LETTER FROM THE BOARD

Reason for transactions: The Group in its ordinary course of business as an earthwork service provider will generate a lot of excavated earth and soil and require to dispose of such earth and soil at the designated area at its own expenses. GEHT, on the other hand, in its ordinary course of business as a land reclamation service provider, will require earth to fill its land. Given that the Group and GEHT have an established business relationship with each other, and are familiar with each other's business demands and able to allow the Group to dispose of excavated earth and soil at its job sites. The Directors consider that the disposal of earth and soil at GEHT's job sites to be beneficial to the Group's current and future operation due to close proximity with the Group's job sites to reduce the travelling time. By reference to the historical business transaction experience with GEHT, the Directors believe that the Group and GEHT will be able to satisfy the stable and high quality requirement of the other party in the relevant business, and maintaining business transactions with each other is in the interest of the Group and the Shareholders as a whole.

Pricing Policy: The pricing for the earth disposal will be determined with reference to the prevailing market rate as predetermined by a price list fixed by the Singapore government for excavated earth and soil disposal and as charged by other Independent Third Party suppliers after arm's length negotiation between both parties.

The procurement department of the Group will review (i) the historical price charged by at least two Independent Third Party suppliers in the last two financial years; and (ii) the predetermined price list fixed by the Singapore government for excavated earth and soil disposal (which is available in the external user manual and can be downloaded at <http://www.eaststaginggrounds.com.sg/>) to determine if the price and terms offered by GEHT are fair, reasonable and comparable. After obtaining quotations, the head of procurement department will assess the historical price and price list and formulate a report by reference to, among other things, the price, the proximity of the job sites of GEHT and the Group's job sites so as to determine the price to offer to GEHT. The head of procurement department will conduct a final review on the price and report to an Executive Director who is responsible for overseeing the procurement department and project team of the Group and is not Mr. Alan Lim and his associates (currently, such Executive Director is Mr. Quek Sze Whye) to approve the price based on the above factors. The head of procurement department will monitor the process of the transactions to be conducted hereunder to ensure such price is favourable to the Group. The Directors are of the view that the Group is not paying higher than prevailing market price or higher than price offered by other Independent Third Party supplier for the earth disposal and therefore the aforesaid method and procedures can ensure that the transactions contemplated under the Earth Disposal Framework Agreement will be conducted in the ordinary and usual course of business of the Group and GEHT on normal commercial terms and on terms not less favourable than those to be provided by other Independent Third Parties (if available).

Historical amount: For the year ended 31 December 2018 and the six months ended 30 June 2019, the total amount of historical transactions of disposal services provided by GEHT to the Group were approximately S\$300,000 and S\$168,000, respectively.

LETTER FROM THE BOARD

Annual caps: For the three financial years ending 31 December 2021, the maximum annual amount of disposal services from GEHT shall not exceed the following caps:

	Proposed annual cap for the financial year ending 31 December		
	2019	2020	2021
	(S\$)	(S\$)	(S\$)
Original annual caps	1,000,000	1,000,000	1,000,000
Revised annual caps	770,000	1,000,000	1,000,000

Basis of cap: In determining the above original annual caps, the Directors have taken into consideration (i) the historical transaction amounts with GEHT for the year ended 31 December 2018; and (ii) the estimated quantity of excavated earth and soil for the three projects on hand of expected number of loads of not less than approximately 60,000 and for the newly secured projects, the expected number of loads of approximately 40,000, which will be the same as those projects on hand in 2018, calculated at S\$10 per load at the current job sites of GEHT, of the newly secured projects and the existing projects of the Group which will be on-going for the three years ending 31 December 2021. However, as disclosed in the announcement of the Company dated 6 September 2019, the actual volume of disposal for the six months ended 30 June 2019 is approximately 17,000 loads which is lower than previously anticipated. Accordingly, the annual caps are revised to ensure that they are fair and reasonable to reflect the demand for the disposal of the excavated soil and earth at the sites of GEHT for the year ending 31 December 2019. The Directors expect that there would be no material change in the price since according to the statistics from the Singapore government, the inflation rate in Singapore has been less than 5% for the last five years and is forecast to be less than 2% for the coming three years. Even if there is such change, it would be within the annual caps.

The Directors have been monitoring the transaction amount under the Earth Disposal Framework Agreement. As at the Latest Practicable Date, the revised annual caps for the transaction amount under the Earth Disposal Framework Agreement for the year ending 31 December 2019 have not been exceeded.

LETTER FROM THE BOARD

F. The Subcontract Agreement

Date of agreement: 29 March 2019 (as supplemented by its supplemental agreement dated 6 September 2019).

Parties: (1) Golden Empire; and (2) the Company.

Terms: The period commencing from 9 March 2019 and shall terminate on 31 December 2021, or such earlier date as the parties may agree.

Scope of services: Golden Empire has agreed to provide surcharge rehandling works for reclamation and marine work at Tuas Western Coast Project to the Group including the supply of manpower and construction equipment resources including maintenance provisions and a stock of spare parts and consumables, procurement of materials and equipment, spare parts/components and consumables as necessary, checking the operability of the works (as applicable), inspecting and testing resources, making good any deficiencies during the construction period, for the successful completion of the facilities and its operation as well as the provision everything whether of a temporary or permanent nature to permit the successful completion and maintenance of the work. The Group has tendered for and secured this project with the assistance of Golden Empire which has the relevant skills, manpower and machinery in providing surcharge rehandling work, which the Group does not have. The Group has intended to subcontract the whole of the scope of works specified under the Original Subcontract Agreement (as defined below) to Golden Empire.

The scope of work under the Original Subcontract Agreement (as defined below) includes removing existing good earth surcharge and placing to the next surcharge and reclamation, sand rehandling, management of the work site and planning and schedule control of the works, supply of manpower, supply of equipment for reclamation and marine works at Tuas Western Coast.

Principle terms: The principal terms of the Subcontract Agreement include: (1) pricing policy for the provision of surcharge rehandling works for reclamation and marine work; and (2) the specific scope of services, general obligations, ownership and title to the works, and such other terms and conditions as set out in the Subcontract Agreement.

LETTER FROM THE BOARD

Reason for transactions: Despite the Group's lack of experience in the provision of surcharge rehandling work, the Group considers it is in the interest of the Company and its Shareholders to tender for the Tuas Western Coast Project because (i) the Group intended to capture any other ancillary works that might be included under the Tuas Western Coast Project which fall within the expertise of the Group such as earthworks and hiring of machinery and tipper trucks from the Group; (ii) the Tuas Western Coast Project can enhance the track record of the Group for future development; and (iii) the Group wishes to build a good rapport and establish relationship with the Independent Third Party customer who is a main contractor, which is a leading construction company in South Korea, through undertaking the Tuas Western Coast Project in order to secure future business opportunities with them. Golden Empire and the Group have an established business relationship with each other, and are familiar with each other's business demands. Golden Empire has the relevant skills, manpower and machinery and is able to provide the surcharge rehandling works for reclamation and marine (which involves land reclamation work near the seashore) work required by the Tuas Western Coast Project. The Directors consider that maintaining stable and high quality business relationship with Golden Empire will be beneficial to the Group's current and future operation. By reference to the historical business transaction experience with Golden Empire, the Directors believe that the Group and Golden Empire will be able to satisfy the stable and high quality requirement of the other party in the relevant business, and maintaining business transactions with each other is in the interest of the Group and the Shareholders as a whole.

Pricing Policy: The pricing for the subcontracting of the surcharge rehandling works for reclamation and marine work charged to Golden Empire by the Group is a fee at approximately 3% of the actual amount invoiced ("**Subcontracting Commission**") under the subcontract agreement entered into by the Group with its Independent Third Party customer on 7 March 2019 ("**Original Subcontract Agreement**"), as determined after arms-length negotiation with reference to industry practice and other projects of the Group involving subcontracting to other Independent Third Party subcontractors. The transactions were entered into on normal commercial terms.

If the scope of works under the Original Subcontract Agreement is expanded or reduced, the contract price in the Original Subcontract Agreement will be increased or reduced accordingly. In such event, the scope of works under the Subcontract Agreement will be expanded or reduced accordingly. The total Subcontracting Commission that the Group is entitled to charge Golden Empire will be calculated at approximately 3% of the actual final contract value as adjusted upwards or downwards based on the scope of works under the Original Subcontract Agreement, which will be invoiced at each relevant milestone. Given the Subcontracting Commission is within the usual fee range charged by the Group to other Independent Third Party subcontractors, and conforms with the practice of the construction industry practice, the Directors consider that the Subcontracting Commission is in line with the other projects of the Group which involve subcontracting and is in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE BOARD

After Golden Empire submits progress claim to the Group, the Group will present the claim to the Independent Third Party customer for payment. Upon receiving payment from the customer, the Group will pay Golden Empire after deducting the Subcontracting Commission calculated based on the relevant amount specified under each progress claim.

The project team of the Group reviewed (i) the quotations sourced from at least two Independent Third Party subcontractors; and (ii) the subcontracting fee of 2%-3% of the contract value charged to the subcontractors of historical projects of the Group of different work nature with other subcontractors to determine if the Subcontracting Commission and terms offered to Golden Empire are fair and reasonable and is no less favourable to the Group than is available to other Independent Third Party. After obtaining quotations, the project team assessed the quotations and formulated a report by reference to, among other things, the price, the experience and capability to complete the works and quality of work so as to determine the Subcontracting Commission to offer to Golden Empire. The head of the project team conducted a final review on the quotations and report to an Executive Director to approve the quotation based on the above factors. The project team will monitor the process of the transactions to be conducted hereunder to ensure such price and terms of the Subcontracting Commission is favourable to the Group.

The Directors are of the view that the aforesaid method and procedures can ensure that the transactions contemplated under the Subcontract Agreement will be conducted in the ordinary and usual course of business of the Group and Golden Empire on normal commercial terms and on terms not less favourable than those to be provided by other Independent Third Parties.

Historical amount: The Group had not entered into any transactions of surcharge rehandling works for reclamation and marine work with Golden Empire during the three years ended 31 December 2018. From 9 March 2019 to 30 June 2019, the Group recognised subcontract services of approximately S\$255,000 from Golden Empire.

LETTER FROM THE BOARD

Annual caps: For the three financial years ending 31 December 2021, the maximum annual amount of reclamation and marine work subcontracted to Golden Empire after deducting the Subcontracting Commission shall not exceed the following caps:

	Proposed annual cap for the financial year ending 31 December		
	2019 (S\$)	2020 (S\$)	2021 (S\$)
Original annual caps	4,000,000	7,000,000	1,000,000
Revised annual caps	3,170,000	7,567,000	1,263,000

Basis of cap: Under the Original Subcontract Agreement, it is agreed that approximately 33%, 58% and 9% of the work will be billed and payable for the years ending 31 December 2019, 2020 and 2021 respectively. In determining the above original annual caps and the revised annual caps, the Directors have taken into consideration (i) the final receivable amount of approximately S\$11.7 million from the Independent Third Party customer; (ii) the agreed subcontracting fee at the rate of 3% of the total contract sum; and (iii) the progress details of the works required under the Subcontract Agreement (having taking into account the delay in work progress for the four months ended 30 June 2019 due to rescheduling as disclosed in the announcement of the Company dated 6 September 2019) and the expected total Subcontracting Commission to be billed based on progress of the works under the Subcontract Agreement and the Original Subcontract Agreement as stated above for each relevant financial year. The revised annual caps reflect the billable amount and payment milestone pursuant to the Original Subcontract Agreement and the Directors consider that such revised annual caps are fair and reasonable and in the interests of the Company.

The Directors have been monitoring the transaction amount under the Subcontract Agreement. As at the Latest Practicable Date, the revised annual caps for the transactions under the Subcontract Agreement for the year ending 31 December 2019 have not been exceeded.

III. REASONS FOR ENTERING INTO THE CCT AGREEMENTS AND THE REVISIONS OF THE RELEVANT ANNUAL CAPS

The Directors have been recently informed that the Group had been awarded with new projects, including among others, large scale projects. In addition, the Group has intended to submit more tenders in the near future. In view of the new projects secured or to be secured by the Company, the Group expects an increase in the quantity of purchase of construction materials such as asphalt premix and related products and the provision of related services including supply and lay, mill and patch and road paving works from United E&P, which will result in the increase in expense of the Group attributable to the amount of construction materials purchased by the Group from United E&P under the Construction Materials Purchase Framework Agreement for the three years ending 31 December 2021. The Directors expect that the original relevant annual caps under the Construction Materials Purchase Framework Agreement will be insufficient to satisfy the actual amount of construction materials purchased by the Group from United E&P.

LETTER FROM THE BOARD

The Directors have also been recently informed that each of United E&P, Golden Empire and GEHT has requested the Group to increase the number of labourers to be supplied by the Group. The Group expects an increase in demand for the transportation services and/or trucks and labour supply to United E&P, Golden Empire and/or GEHT, which will result in the increase in income of the Group attributable to the amount of transportation services and labour supply to United E&P, Golden Empire and/or GEHT under the Transportation Framework Agreement, the Rental Services Framework Agreement 1 and the Rental Services Framework Agreement 2 for the three years ending 31 December 2021 respectively. The Directors expect that the original relevant annual caps under the Transportation Framework Agreement, the Rental Services Framework Agreement 1 and the Rental Services Framework Agreement 2 will be insufficient to satisfy the actual transportation services and supply of labour fees payable to the Group by each of United E&P, Golden Empire and/or GEHT.

The Directors consider the terms of the CCT Agreements have been negotiated and arrived at on an arms-length basis and in the ordinary and usual course of business of the Group and on normal commercial terms in line with, and with reference to, the industry practice and prevailing market prices.

The Board (including the Independent Board Committee after taking into account the advice of the Independence Financial Adviser, but excluding Mr. Alan Lim who is interested in the CCT Agreements) is of the view that the terms of the CCT Agreements have been negotiated and arrived at on an arms-length basis and in the ordinary and usual course of business of the Group and on normal commercial terms in line with, and with reference to, the industry practice and prevailing market prices. The Directors, including the independent non-executive Directors, consider the terms and the Annual Caps under the CCT Agreements are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

IV. INFORMATION ON THE COMPANY, UNITED E&P, GOLDEN EMPIRE AND GEHT

A. The Company

The principal business activity of the Company is investment holding. The principal activities of the subsidiaries of the Company are the (i) provision of earthworks and ancillary services and general construction works in Singapore, including land clearing, demolition, rock breaking, mass excavation, deep basement excavation, foundation excavation, earth disposal, earth filling and shore protection. Certain earthworks projects may require civil engineering works such as road diversions, road reinstatements, overhead bridge, sewerage, drainage, pipe laying and cable trench works; and (ii) the provision of general construction works including alteration and addition works which can be broadly classified into interior works or works affecting building systems or components such as structural works, additions of lifts and reinforcement works, and the construction of new buildings.

LETTER FROM THE BOARD

B. United E&P

The principal business activity of United E&P is to supply of basic construction materials.

C. Golden Empire

The principal business activity of Golden Empire and its joint venture is to carry on the business of land reclamation works.

D. GEHT

The principal business activity of GEHT is to carry on the business of land reclamation works.

V. INTERNAL CONTROL POLICY

To ensure the transactions under the CCT Agreements are in line with the prevailing market practice, on normal commercial terms, fair and reasonable and no less favourable than available from the Independent Third Parties, and the annual caps under the CCT Agreements will not exceed the Annual Caps, the Group will adopt the following internal control measures:

- (i) before taking any new project, the procurement department or the project team of the Group will be responsible for establishing the procedures of price management, so as to ensure that the pricing standard conforms to the market principle. The management of the Group is required to calculate the purchase prices with reference to the prevailing market prices of the same or comparable kind of products, or the price to be agreed between the parties after having considered the market price;
- (ii) the head of the procurement department or the project team will monitor and review the pricing mechanism for the transactions under the CCT Agreements to ensure that the prices are determined on normal commercial terms, and report to the Executive Directors for them to confirm the prices are fair and reasonable;
- (iii) the chief financial officer will monitor the transaction amount of all the connected transaction agreements individually and collectively on a monthly basis to ensure that they are on a standalone basis and an aggregate basis would comply with the Listing Rules. Before the Group accepts a purchase order from a customer or issues a purchase order to a supplier, such purchase order must be presented to the chief financial officer for review and approval to ensure such sale or purchase is within the annual caps of the agreements. The finance department of the Group will report to the Board on a quarterly basis regarding the amounts conducted during the quarter and the estimated amount in the following quarter so as to facilitate the Board to monitor the actual amount of carried out, assess whether the Annual Caps will be exceeded and approve the coming transactions under the CCT Agreements;

LETTER FROM THE BOARD

- (iv) the independent non-executive Directors will review and confirm whether the transactions contemplated under the CCT Agreements are entered into in the ordinary and usual course of business of the Group, on normal commercial terms or better and are fair and reasonable and in the interests of the Company and the Shareholders as a whole. The independent non-executive Directors will conduct an annual review of the status of the transactions under the CCT Agreements to ensure the Group has complied with the Listing Rules;
- (v) the Director(s) and/or the Shareholder(s) with an interest in the relevant transaction(s) shall abstain from voting in respect of the resolution(s); and
- (vi) the Company will continue to engage the independent auditors to review the transactions under the CCT Agreements in compliance with the annual reporting and review requirements under the Listing Rules.

VI. IMPLICATIONS OF THE LISTING RULES

As at the Latest Practicable Date:

- (a) United E&P is owned as to 40% by an Independent Third Party and 60% by United E&P Holdings Pte. Ltd., which in turn is owned as to 33.33% by Mr. Alan Lim, our Executive Director and 66.67% by an Independent Third Party. As such, United E&P is a connected person of the Company for the purpose of the Listing Rules. Accordingly, the transactions with United E&P will constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules;
- (b) Golden Empire is owned as to 50% by Mr. Alan Lim, our Executive Director and 50% by an Independent Third Party. As such, Golden Empire is a connected person of the Company for the purpose of the Listing Rules. Accordingly, the transactions with Golden Empire will constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules; and
- (c) GEHT is owned as to 33.33% by an Independent Third Party and 66.67% by Golden Empire, which in turn is owned as to 50% by Mr. Alan Lim, our Executive Director and 50% by an Independent Third Party. As such, GEHT is a connected person of the Company for the purpose of the Listing Rules. Accordingly, the transactions with GEHT will constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

LETTER FROM THE BOARD

As at the Latest Practicable Date, the Company is owned as to approximately 51.44% by Mr. Alan Lim, our controlling Shareholder and Executive Director. Accordingly, Mr. Alan Lim has a material interest in the CCT Agreements, and has abstained from voting on the relevant board resolutions of the Company in relation to the CCT Agreements. Mr. Alan Lim and his associates (including Brewster Global Holdings Limited which is wholly owned by Mr. Alan Lim), will abstain from voting in the EGM to be convened for the approval of the continuing connected transactions. Save for Mr. Alan Lim, no other Directors have a material interest in the CCT Agreements and the transactions contemplated thereunder.

Having considered (i) the background of the Transportation Framework Agreement, the Rental Services Framework Agreement 1 and the Rental Services Framework Agreement 2; and (ii) the relevant counterparties of the Transportation Framework Agreement, the Rental Services Framework Agreement 1 and the Rental Services Framework Agreement 2, such that (a) United E&P is owned by United E&P Holdings Pte. Ltd., which in turn is owned as to 33.33% by Mr. Alan Lim; and (b) GEHT is the subsidiary of Golden Empire, which is owned as to 50% by Mr. Alan Lim, the Directors consider that the Transportation Framework Agreement, the Rental Services Framework Agreement 1 and the Rental Services Framework Agreement 2 shall be aggregated pursuant to the Rules 14A.82 and 14A.83 of the Listing Rules, for the purpose of satisfying the connected transactions requirements under the Listing Rules.

Having considered (i) the nature of the Earth Disposal Framework Agreement and the Subcontract Agreement, both being construction related services received by the Group; and (ii) the relevant counterparties of the Earth Disposal Framework Agreement and the Subcontract Agreement, such that GEHT is the subsidiary of Golden Empire, which is owned as to 50% by Mr. Alan Lim, the Directors consider that the Earth Disposal Framework Agreement and the Subcontract Agreement shall be aggregated pursuant to the Rules 14A.82 and 14A.83 of the Listing Rules, for the purpose of satisfying the connected transactions requirements under the Listing Rules.

Based on (i) the further revised proposed annual caps of the transactions contemplated under the Construction Materials Purchase Framework Agreement; (ii) the aggregated further revised proposed annual caps of the transactions contemplated under the Transportation Framework Agreement, the Rental Services Framework Agreement 1 and the Rental Services Framework Agreement 2; and (iii) the aggregated revised proposed annual caps of the transactions contemplated under the Earth Disposal Framework Agreement and the Subcontract Agreement, one or more of the applicable percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules (other than the profits ratio) are more than 5% as specified under the Listing Rules on an annual basis. Accordingly, the continuing connected transactions contemplated thereunder are subject to the reporting, announcement, annual review and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

LETTER FROM THE BOARD

Any Shareholders with a material interest in the CCT Agreements or the transactions contemplated thereunder and their close associates will be required to abstain from voting at the relevant resolution at the EGM.

To the best of the Directors' knowledge, information and belief, and having made all reasonable enquiries, save for Mr. Alan Lim, who held 533,169,000 Shares (representing approximately 51.44% of the issued share capital of the Company as of the Latest Practicable Date) will be required to abstain from voting at the EGM, no other Shareholders had a material interest and would be required to abstain from voting at the EGM in respect of the resolutions in relation to the CCT Framework Agreements and the transactions contemplated thereunder.

VII. ESTABLISHMENT OF THE INDEPENDENT BOARD COMMITTEE AND APPOINTMENT OF THE INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee, comprising all the independent non-executive Directors, namely, Mr. Lee Cheung Yuet Horace, Mr. Phang Yew Kiat and Mr. Ng Ka Lok, has been formed to advise the Independent Shareholders on the terms of the CCT Agreements and the relevant continuing connected transactions. No member of the Independent Board Committee has any material interest in the CCT Agreements or the transactions contemplated thereunder.

Vinco Capital has been appointed as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the continuing connected transactions as to whether the terms of the CCT Agreements and their respective Annual Caps are fair and reasonable so far as the Independent Shareholder are concerned, whether the transactions contemplated under the CCT Agreements are conducted on normal commercial terms or better, in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole, as well as how to vote on the CCT Agreements and the transactions contemplated thereunder.

VIII. EGM

Set out on pages EGM-1 to EGM-4 is a notice convening the EGM to be held at 20 Senoko Drive, Singapore 758207 on Wednesday, 16 October 2019 at 3:00 p.m. or any adjourned meeting hereof to approve matters referred to in this circular at which relevant resolution(s) will be proposed to the Shareholders to consider and if thought fit, approve the CCT Agreements and the continuing connected transactions and their respective Annual Caps.

LETTER FROM THE BOARD

A form of proxy for use at the EGM is enclosed with this circular. Whether or not you are able to attend the meeting, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the Company's branch share registrar in Hong Kong, Tricor Investors Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the EGM or any adjourned meeting thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM (or any adjourned meeting thereof) if you so wish and in such event, the form of proxy shall be deemed to be revoked.

Pursuant to the Rule 13.39(4) of the Listing Rules, any votes of shareholders at a general meeting must be taken by poll except where the chairman of the meeting, in good faith and in compliance with the Listing Rules, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands. An announcement on the poll vote results will be published by the Company after the EGM in the manner prescribed under Rule 13.39(5) of the Listing Rules.

The register of members of the Company will be closed, for the purpose of determining Shareholders' entitlement to attend and vote at the meeting, from Thursday, 10 October 2019 to Wednesday, 16 October 2019 (both days inclusive), during this period no transfer of shares will be registered. In order to attend and vote at the meeting, Shareholders should ensure that all transfer documents, accompanied by the relevant share certificates, are lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration, not later than 4:30 p.m. on Wednesday, 9 October 2019.

IX. RECOMMENDATION

The Board considers that the terms of the CCT Agreements and the continuing connected transactions and their respective Annual Caps are fair and reasonable and are in the interests of the Company and the Shareholders as a whole. Accordingly, the Board recommends the Independent Shareholders to vote in favour of the ordinary resolution as set out in the notice of the EGM.

Your attention is also drawn to (i) the letter from the Independent Board Committee containing its advice to the Independent Shareholders set out on pages 36 to 37 of this circular; and (ii) the letter of advice from Vinco Capital set out on pages 38 to 114 of this circular, which contains its advice to the Independent Board Committee and the Independent Shareholders in relation to the CCT Agreements and the continuing connected transactions contemplated thereunder and their respective Annual Caps.

LETTER FROM THE BOARD

The Independent Board Committee, having taken into account the advice of Vinco Capital, considers that the terms of the CCT Agreements and the continuing connected transactions contemplated thereunder and their respective Annual Caps are fair and reasonable so far as the Independent Shareholders are concerned and on normal commercial terms or better and in the ordinary and usual course of business of the Company and in the interests of the Company and the Shareholders as a whole.

X. ADDITIONAL INFORMATION

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

By Order of the Board
Chuan Holdings Limited
Lim Kui Teng
Chairman and Executive Director

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Chuan Holdings Limited

川 控 股 有 限 公 司 *

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1420)

13 September 2019

To the Independent Shareholders

Dear Sir or Madam,

CONTINUING CONNECTED TRANSACTIONS

We refer to the circular of the Company dated 13 September 2019 (the “**Circular**”) to the Shareholders, of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as defined in the Circular unless the context otherwise requires.

We have been appointed by the Board as members to the Independent Board Committee and to advise you the terms of the CCT Agreements and the continuing connected transactions contemplated thereunder and their respective Annual Caps, whether such terms are fair and reasonable and in the interests of the Company and the Shareholders as a whole and how to vote on the resolutions approving the continuing connected transactions.

Vinco Capital has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders as to whether the terms of the CCT Agreements and the continuing connected transactions contemplated thereunder and their respective Annual Caps are fair and reasonable so far as the Independent Shareholders are concerned, whether such terms are in the interests of the Company and the Shareholders as a whole. Details of its advice, together with the principal factors taken into consideration in arriving at such advice, are set out on pages 38 to 114 of the Circular.

Your attention is also drawn to the letter from the Board set out on pages 6 to 35 of the Circular and the additional information set out in the appendix of the Circular.

* for identification purpose only

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Having considered the terms of the continuing connected transactions and the advice of Vinco Capital, we are of the opinion that the CCT Agreements and the continuing connected transactions contemplated thereunder and their respective Annual Caps are on normal commercial terms and the terms of the continuing connected transactions are fair and reasonable so far as the Independent Shareholders are concerned and are on normal commercial terms or better and in the ordinary and usual course of business of the Company and in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the resolutions to be proposed at the EGM to approve the CCT Agreements and the continuing connected transactions and their respective Annual Caps.

Yours faithfully,
Independent Board Committee of
Chuan Holdings Limited

Mr. Lee Cheung Yuet Horace
Independent non-executive Director

Mr. Phang Yew Kiat
Independent non-executive Director

Mr. Ng Ka Lok
Independent non-executive Director

LETTER FROM VINCO CAPITAL

The following is the text of a letter of advice from Vinco Capital to the Independent Board Committee and the Independent Shareholders in connection the CCT Agreements and the continuing connected transactions contemplated thereunder and their respective Annual Caps which have been prepared for the purpose of incorporation in this circular:



Vinco Capital Limited

Unit 2610, 26/F., The Center
99 Queen's Road Central, Hong Kong

13 September 2019

*To the Independent Board Committee and the Independent Shareholders of
Chuan Holdings Limited*

Dear Sirs,

CONTINUING CONNECTED TRANSACTIONS

A. INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the CCT Agreements, the continuing connected transactions contemplated thereunder and their respective Annual Caps, details of which are set out in the Letter from the Board of the circular issued by the Company dated 13 September 2019 (the “**Circular**”) to the Shareholders, of which this letter forms part. Capitalised terms used in this letter shall have the same meanings ascribed to them in the Circular unless the context otherwise requires.

Reference is made to the announcements of the Company dated 10 December 2018, 31 December 2018, 29 March 2019 and 6 September 2019 in relation to, among other things, (i) the revision of the annual caps for the continuing connected transactions under the Construction Materials Purchase Framework Agreement, the Transportation Framework Agreement, the Rental Services Framework Agreement 1, and the Rental Services Framework Agreement 2 (collectively as the “**Existing Agreements**”); and (ii) the entering into of new continuing connected transactions under the Earth Disposal Framework Agreement and the Subcontract Agreement (collectively as the “**New Agreements**”).

LETTER FROM VINCO CAPITAL

I. Revision of annual caps of the Existing Agreements

Reference is made to the announcements of the Company dated 10 December 2018, 31 December 2018, 29 March 2019 and 6 September 2019 (the “**Announcements**”). The Company proposes to revise the original annual caps for each of the three years ending 31 December 2021 in respect of each of the Existing Agreements. Set out below are the details of the Existing Agreements including (i) the original annual caps of each of the Existing Agreements for the three years ending 31 December 2021; (ii) the revised annual caps of each of the Existing Agreements for the three years ending 31 December 2021; and (iii) the further revised annual caps of Construction Materials Purchase Framework Agreement and Transportation Framework Agreement for the three years ending 31 December 2021:

No.	Existing Agreements	Parties to sign with (collectively as the “Connected Parties”)	Original annual caps for the year ending 31 December			Revised annual caps for the year ending 31 December			Further revised annual caps for the year ending		
			2019 (\$)	2020 (\$)	2021 (\$)	2019 (\$)	2020 (\$)	2021 (\$)	2019 (\$)	2020 (\$)	2021 (\$)
(i)	Construction Materials Purchase Framework Agreement	United E&P	525,000	525,000	525,000	3,000,000	3,000,000	3,000,000	770,000	770,000	1,460,000
(ii)	Transportation Framework Agreement	United E&P	1,000,000	1,000,000	1,000,000	1,800,000	1,800,000	1,800,000	1,275,000	1,275,000	1,275,000
(iii)	Rental Services Framework Agreement 1	Golden Empire	1,500,000	1,500,000	1,500,000	3,000,000	3,000,000	3,000,000	-	-	-
(iv)	Rental Services Framework Agreement 2	GEHT	300,000	300,000	300,000	1,000,000	1,000,000	1,000,000	-	-	-

II. The New Agreements and the respective annual caps of the New Agreements

Reference is made to the announcements dated 29 March 2019 and 6 September 2019.

(i) *Earth Disposal Framework Agreement*

On 29 March 2019, GEHT and the Group entered into the Earth Disposal Framework Agreement, pursuant to which GEHT agrees to allow the Group to dispose excavated earth from the Group’s job sites at GEHT’s job sites commencing from 1 January 2019 and ending on 31 December 2021.

LETTER FROM VINCO CAPITAL

(ii) Subcontract Agreement

On 29 March 2019, Golden Empire and the Group entered into the Subcontract Agreement, pursuant to which Golden Empire agrees to provide surcharge rehandling works for reclamation and marine work at Tuas Western Coast Project to the Group including the supply of manpower and construction equipment resources including maintenance provisions and a stock of spare parts and consumables, procurement of materials and equipment, spare parts/components and consumables as necessary, checking the operability of the works (as applicable), inspecting and testing resources, making good any deficiencies during the construction period, for the successful completion of the facilities and its operation as well as the provision everything whether of a temporary or permanent nature to permit the successful completion and maintenance of the work. The Subcontract Agreement is commencing from 9 March 2019 and ending on 31 December 2021.

Based on the above New Agreements, the Company proposed the annual caps in respect of the maximum annual payable by the Group to the relevant service providers and lessors under the New Agreements for each of the three years ending 31 December 2021 and seek the Independent Shareholder's approval as required under Chapter 14A of the Listing Rules.

Set out below are the details of the summary of the New Agreements including (i) the date of each agreements; (ii) the proposed annual caps for the three years ending 31 December 2021; and (iii) the revised annual caps for the three years ending 31 December 2021:

No.	agreements	Date of agreement		Proposed annual caps for the year ending 31 December			Revised annual caps for the year ending		
				2019 (\$)	2020 (\$)	2021 (\$)	2019 (\$)	2020 (\$)	2021 (\$)
(i)	the Earth Disposal Framework Agreement	29 March 2019	Total amount of costs (approximately)	1,000,000	1,000,000	1,000,000	770,000	1,000,000	1,000,000
(ii)	the Subcontract Agreement	29 March 2019	Total amount of costs (approximately)	4,000,000	7,000,000	1,000,000	3,170,000	7,567,000	1,263,000

LETTER FROM VINCO CAPITAL

Listing Rules implication

As at the Latest Practicable Date:

- (a) United E&P is owned as to 40% by an Independent Third Party and 60% by United E&P Holdings Pte. Ltd., which in turn is owned as to 33.33% by Mr. Alan Lim, the Group's Executive Director and 66.67% by an Independent Third Party. As such, United E&P is a connected person of the Company for the purpose of the Listing Rules. Accordingly, the transactions with United E&P will constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.
- (b) Golden Empire is owned as to 50% by Mr. Alan Lim, our Executive Director and 50% by an Independent Third Party. As such, Golden Empire is a connected person of the Company for the purpose of the Listing Rules. Accordingly, the transactions with Golden Empire will constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.
- (c) GEHT is owned as to 33.33% by an Independent Third Party and 66.67% by Golden Empire, which in turn is owned as to 50% by Mr. Alan Lim, our Executive Director and 50% by an Independent Third Party. As such, GEHT is a connected person of the Company for the purpose of the Listing Rules. Accordingly, the transactions with GEHT will constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

Based on (i) the further revised proposed annual caps of the transactions contemplated under the Construction Materials Purchase Framework Agreement; (ii) the aggregated further revised proposed annual caps of the transactions contemplated under the Transportation Framework Agreement, the Rental Services Framework Agreement 1 and the Rental Services Framework Agreement 2; and (iii) the aggregated revised proposed annual caps of the transactions contemplated under the Earth Disposal Framework Agreement and the Subcontract Agreement, the one or more of applicable percentage ratio calculated pursuant to Rule 14.07 of the Listing Rules (other than the profit ratio) is more than 5% as specified under the Listing Rules on an annual basis. Accordingly, the continuing connected transactions contemplated thereunder are subject to the reporting, announcement, annual review and independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

As at the Latest Practicable Date, the Company is owned as to approximately 51.44% by Mr. Alan Lim, a controlling shareholder and an Executive Director of the Company. Accordingly, Mr. Alan Lim is deemed to have a material interest in the CCT Agreements, and has abstained from voting on the relevant board resolutions of the Company in relation to the CCT Agreements. Mr. Alan Lim and his associates (including Brewster Global Holdings Limited which is wholly owned by Mr. Alan Lim) will abstain from voting in the EGM to be convened for the approval of the continuing connected transactions. Save for Mr. Alan Lim, no other Directors have a material interest in the CCT Agreements and the transactions contemplated thereunder.

LETTER FROM VINCO CAPITAL

INDEPENDENT BOARD COMMITTEE

An independent board committee, comprising all the independent non-executive Directors, namely Mr. Lee Cheung Yuet Horace, Mr. Phang Yew Kiat and Mr. Ng Ka Lok has been established to advise the Independent Shareholders the terms of the CCT Agreements and the continuing connected transactions contemplated thereunder and their respective Annual Caps, whether the continuing connected transactions contemplated thereunder and their respective Annual Caps are on normal commercial terms and the terms of the continuing connected transactions are fair and reasonable and in the interests of the Company and the Shareholders as a whole; and give recommendations to the Independent Shareholders to vote in favour of the resolution to be proposed at the EGM to approve the continuing connected transactions and the relevant Annual Caps.

In our capacity as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders for the purpose of the Listing Rules, our role is to give an independent opinion as to whether the terms of the CCT Agreements and the continuing connected transactions contemplated thereunder and their respective Annual Caps are fair and reasonable so far as the Independent Shareholders are concerned, whether such terms are on normal commercial terms or better and in the ordinary and usual course of business of the Company and in the interests of the Company and the Shareholders as a whole.

OUR INDEPENDENCE

We, Vinco Capital Limited has been appointed and approved by the Independent Board Committee, as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard. As at the Latest Practicable Date, we were not aware of any relationships or interest between Vinco Capital Limited and the Company or any parties that could be reasonably be regarded as hindrance to Vinco Capital Limited's independence as defined under Rule 13.80 of the Listing Rules to act as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the CCT Agreements and the continuing connected transactions contemplated thereunder and their respective Annual Caps. We are not associated with the Company, its subsidiaries, its associates or their respective substantial shareholders or associates, and accordingly, are eligible to give independent advice and recommendations. Apart from normal professional fees payable to us in connection with this appointment as the Independent Financial Adviser to the Independent Board Committee and Independent Shareholders, no arrangement exists whereby we will receive any fees from the Company, its subsidiaries, its associates or their respective substantial shareholders or associates. We are not aware of the existence of or change in any circumstances that would affect our independence. Vinco Capital Limited has not acted as a financial adviser to the Company in the last two years. Accordingly, we consider that we are eligible to give independent advice on the terms of the CCT Agreements and the continuing connected transactions contemplated thereunder and their respective Annual Caps.

LETTER FROM VINCO CAPITAL

BASIS OF OUR OPINION AND RECOMMENDATION

In formulating our opinion and recommendation to the Independent Board Committee and the Independent Shareholders in relation to the terms of the CCT Agreements and the continuing connected transactions contemplated thereunder and their respective Annual Caps, we have relied on the information, facts and representations contained or referred to in the Circular and the information, facts and representations provided by, and the opinions expressed by the Directors and management of the Company and its subsidiaries. We have assumed that all information, facts, opinions and representations made or referred to in the Circular were true, accurate and complete at as at the date of the Circular and that all expectations and intentions of the Directors, the management of the Company and its subsidiaries, will be met or carried out as the case may be. We have no reason to doubt the truthfulness, accuracy and completeness of the information, facts, opinions and representations provided to us by the Directors and the management. The Directors jointly and severally accept full responsibility for the accuracy of the information contained in the Circular and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in the Circular have been arrived at after due and careful consideration and there are no other facts not contained in the Circular, the omission of which would make any statement in the Circular misleading. We have also sought and received confirmation from the Directors that no material facts have been omitted from the information supplied and opinions expressed.

We consider that we have been provided with, and we have reviewed sufficient information to reach an informed view, to justify relying on the accuracy of the information contained in the Circular and to provide a reasonable basis for our opinion. We have no reason to doubt that any relevant material facts have been withheld or omitted from the information provided and referred to in the Circular or the reasonableness of the opinions and representations provided to us by the Directors and the management. We have not, however, conducted any independent verification of the information provided, nor have we carried out any independent investigation into the business, financial conditions and affairs of the Group or its future prospects.

LETTER FROM VINCO CAPITAL

We consider that we have reviewed all currently available information and documents, among others: (i) the annual report of the Company for the year ended 31 December 2017 (the “**Annual Report 2017**”); (ii) the annual report of the Company for the year ended 31 December 2018 (the “**Annual Report 2018**”); (iii) the Announcements; (iv) the CCT Agreements; (v) historical transactions between the Group and all connected persons under the CCT Agreements and their samples of transaction documents; (vi) historical transactions between the Group and Independent Third Parties and their samples of transaction documents; (vii) pricing policy of each of the CCT Agreements; (viii) calculation basis and assumptions considered by the Group; and (ix) the internal control measures governing continuing connected transactions, which are made available to us and enable us to reach an informed view and to justify our reliance on the information provided so as to provide a reasonable basis for our advice. Based on the foregoing, we confirm that we have taken all reasonable steps, which are applicable to the terms of the CCT Agreements and the continuing connected transactions contemplated thereunder and their respective Annual Caps, as referred to in Rule 13.80 of the Listing Rules (including the notes thereto).

This letter is issued for the information of the Independent Board Committee and the Independent Shareholders solely in connection with their consideration of the terms of the CCT Agreements and the continuing connected transactions contemplated thereunder and their respective Annual Caps and, except for its inclusion in the Circular, is not to be quoted or referred to, in whole in part, nor shall this letter be used for any other purposes, without our prior written consent.

I. REVISION OF THE ANNUAL CAP

Reference are made to the announcements of the Company dated 10 and 31 December 2018, 29 March 2019 and 6 September 2019 respectively and the circular of the Company dated 13 September 2019 in relation to the continuing connected transactions of the Group contemplated under the Existing Agreements. Set out below is the list of the Existing Agreements:

- (i) The Construction Materials Purchase Framework Agreement
- (ii) The Transportation Framework Agreement
- (iii) The Rental Services Framework Agreement 1
- (iv) The Rental Services Framework Agreement 2

Due to updated business plan, the Company proposes to revise the original annual caps for each of the three years ending 31 December 2021 in respect of each of the above agreements.

LETTER FROM VINCO CAPITAL

PRINCIPAL FACTORS AND REASON CONSIDERED

In formulating our opinion and recommendation with regard to each of the Existing Agreements and the respective annual caps, we have taken into account the principal factors and reasons set out below:

1. The Construction Materials Purchase Framework Agreement

A. *Background*

i. Information of the Company

The principal business activity of the Company is investment holding. The principal activities of the subsidiaries of the Company are the (i) provision of earthworks and ancillary services, including land clearing, demolition, rock breaking, mass excavation, deep basement excavation, foundation excavation, earth disposal, earth filling and shore protection. Certain earthworks projects may require civil engineering works such as road diversions, road reinstatements, overhead bridge, sewerage, drainage, pipe laying and cable trench works; and (ii) the provision of general construction works including alteration and addition works which can be broadly classified into interior works or works affecting building systems or components such as structural works, additions of lifts and reinforcement works, and the construction of new buildings.

ii. Information on United E&P

United E&P carries on the business of the supply of basis construction materials. As at the Latest Practicable Date, United E&P is owned as to 60% by United E&P Holdings Pte. Ltd., which in turn is owned as to 33.33% by Mr. Alan Lim, an Executive Director.

iii. Reasons for and benefits of entering into the Construction Material Purchase Framework Agreement

(a) Background information of the Construction Material Purchase Framework Agreement

For the year ended 31 December 2018, the amount of construction materials purchased and provision of related services from United E&P was approximately S\$0.2 million. United E&P had supplied the construction materials and provided related services to the Group since May 2015. We understand the Group will continue to purchase construction materials and related services from United E&P. Hence, the ongoing purchase of construction materials and related services from United E&P is considered as a reason for the entering of the Construction Materials Purchase Framework Agreement.

LETTER FROM VINCO CAPITAL

(b) The Directors' consideration on entering into the agreement

United E&P had supplied the construction materials to the Group, most recently from 1 April 2016 to 31 December 2018. The Directors are of the view that the construction materials such as asphalt premix from United E&P are of high quality and United E&P is able to supply materials required for construction. The Directors consider that maintaining stable and high quality business relationship with United E&P will be beneficial to the current and future operation as this provides the Group with an additional source to obtain construction materials on competitive terms.

(c) Business plan of the Group

Due to a new water reclamation plant project awarded to the Group, the Group expects an increase in the purchase of construction materials such as asphalt premix and related products and the provision of related services including supply and lay, mill and patch and road paving works from United E&P, which will result in the increase in expense of the Group attributable to the amount of construction materials purchased by the Group from United E&P under the Construction Materials Purchase Framework Agreement for the three years ending 31 December 2021.

As advised by the Group, the construction materials and the provision of related services from United E&P is substantial to the principal operation of the Group. As discussed with the Directors, the asphalt remix was one of the important materials for construction of the Group's projects. For the year ended 31 December 2018, the amount of asphalt premix purchased was approximately S\$185,000, representing approximately 10.1% of amount of the Group's total materials purchased for the corresponding period. In addition, as confirmed by the Directors, there were no return of goods to United E&P during the three years ended 31 December 2018. Given that the asphalt premix was important to the Group's business, the Group would prefer a reliable supplier, United E&P.

Having taking into consideration that (i) construction materials such as asphalt premix and related products and the provision of related services are mainly required in the construction work of the Group; and (ii) the supply of materials and the provision of services from United E&P had consistently met the Group's requirements and are of high quality, we concur with the Director's view that entering into the Construction Materials Purchase Framework Agreement is in the ordinary and usual course of business of the Group.

LETTER FROM VINCO CAPITAL

B. Principal terms of the Construction Materials Purchase Framework Agreement

Date:	10 December 2018 (as clarified by the announcement of the Company dated 31 December 2018, as supplemented by its first supplemental agreement dated 29 March 2019 and its second supplemental agreement dated 6 September 2019)
Parties:	(1) United E&P; and (2) the Company.
Terms:	Three years commencing from 1 January 2019 and shall terminate on 31 December 2021.
Scope of services:	United E&P has agreed to supply construction materials such as asphalt premix and related products and the provision of related services including supply and lay, mill and patch and road paving works to the Group according to actual needs.
Principle terms:	The principal terms of the Construction Material Purchase Framework Agreement include the pricing policy of each type of material supplied having regards to the actual materials, quantity etc.
Pricing Policy:	The construction materials will be sold at the agreed fixed price determined by United E&P based on (i) the prevailing market rate with reference to prices of similar materials as charged by the Group's other Independent Third Party suppliers; and (ii) after arm's length negotiations between both United E&P and the Group having regards to the actual quantity of materials supplied and delivery schedule.

LETTER FROM VINCO CAPITAL

For every new project, the procurement department of the Group will obtain quotations from at least two Independent Third Party suppliers in similar quality and quantity to determine if the price and terms offered by United E&P are comparable to prevailing market rate, fair and reasonable and comparable and within the budget of the Company. After obtaining quotations, the procurement department will assess the quotations and formulate a report by reference to, among other things, the quality, delivery schedule, ability to meet the Group's requirements and standards as well as the price offered so as to determine the party with whom the Group will purchase the construction materials from. The head of the procurement department will conduct a final review on the quotations and report to an Executive Director who is responsible for overseeing the procurement department and project team of the Group and is not Mr. Alan Lim and his associates (currently, such Executive Director is Mr. Quek Sze Whye) to approve the selection of suppliers based on the above factors. The head of the procurement department will monitor the process of the transactions to be conducted hereunder to ensure such price is favourable to the Group and the Directors are of the view that the aforesaid method and procedures can ensure that the Group is not paying higher than prevailing market price for the construction material and the purchases of construction materials from United E&P under the Construction Materials Purchase Framework Agreement will be conducted in the ordinary and usual course of business of the Group and United E&P on normal commercial terms and on terms not less favourable than those to be provided by other Independent Third Parties (if available).

Regarding the pricing policy of purchase of materials from United E&P, we have reviewed other continuing connected transactions of purchase of materials by the listed companies from their connected persons and noted that similar to the above pricing policy, it is not uncommon that listed companies on the Stock Exchange will obtain quotations from at least two Independent Third Party suppliers to assess whether the purchase of the relevant materials from the connected person is on normal commercial terms. In order to have a fair and representative sample size in assessing the fairness and reasonableness of the pricing policy, we have randomly selected and reviewed three sample of invoices for the purchase of materials from United E&P as well as the corresponding quotations issued by United E&P to the Group, that the selected samples cover the same scope of services as the Construction Materials Purchase Framework Agreement for the three years ended 31 December 2018. We believe the number of samples we obtained from the Group is sufficient because the purchases of materials demonstrated in those samples have no significant differences from the remaining transactions for the three years ended 31 December 2018. We have also obtained the quotations issued by two Independent Third Party suppliers who provide

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similar products and compared the price offered by them. Based on the information received, we noted that the prices offered by United E&P to the Group are no less favourable than those offered by other Independent Third Party suppliers. In addition, as set out above, the Group is not obliged to purchase materials from United E&P if other Independent Third Party suppliers are able to offer materials to the Group at more favourable terms and the Group will source relevant materials from other Independent Third Party suppliers when the terms they offered are more favourable and as such, we are of the view that the Group has complied with the pricing policy, which is fair and reasonable and is in the interests of the Company and Shareholders as a whole.

We have discussed with the management of the Group that there is no minimum commitment of purchases from United E&P, and therefore the Group is free to source the material from any Independent Third Parties.

In light of the above and in particular that: (i) the pricing policy of the Group is similar to those of the listed companies; (ii) the unit prices and the terms of purchase offered from United E&P is no less favourable to the Group than those offered by other Independent Third Party suppliers; (iii) the Group is not restricted from conducting business with other Independent Third Parties for the purchase of materials and the provision of related services; (iv) there is no minimum commitment of purchases by the Group from United E&P; and (v) the Group is free to source material from any Independent Third Parties, we are of the view that the terms of the Construction Materials Purchase Framework Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole.

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C. Basis of the proposed further revised annual caps in respect of the Construction Materials Purchase Framework Agreement

Review of historical figures

The following table sets out the respective actual amounts, historical annual caps of the existing continuing connected transactions under the Construction Materials Purchase Framework Agreement for the two years ended 31 December 2018 and the six months ended 30 June 2019:

	For the year ended 31 December 2017 (S\$) Audited	For the year ended 31 December 2018 (S\$) Audited	For the six months ended 30 June 2019 (S\$) Unaudited
Continuing connected transactions			
The Construction Materials Purchase Framework Agreement			
Approximate actual purchase of materials and provision of services from United E&P	30,000	207,000	22,000
Historical annual caps on purchase of materials from United E&P	500,000	500,000	–
Original annual caps	–	–	525,000
Approximate utilisation rate (based on the historical annual caps/original annual caps)	6.0%	41.4%	4.2%
Revised annual caps	–	–	3,000,000
Further revised annual caps	–	–	770,000

For the year ended 31 December 2018 and for the six months ended 30 June 2019, the total amount of historical transactions of construction materials purchased by the Group from United E&P (the “**Materials Purchases**”) were approximately S\$207,000 and S\$22,000 respectively. The actual amount of the purchase of materials from United E&P has increased by approximately S\$177,000 from approximately S\$30,000 for the year ended 31 December 2017 to approximately S\$207,000 for the year ended 31 December 2018. As at the Latest Practicable Date, the Materials Purchases did not exceed the original annual caps or further revised annual caps.

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Proposed further revised annual caps

When assessing the reasonableness of the revised annual caps, we have discussed with the management of the Group the basis and assumptions underlying the projection of the further revised annual caps. The following table sets out the respective proposed revised annual caps and further revised annual caps of the continuing connected transactions under the Construction Materials Purchase Framework Agreement for the three years ending 31 December 2021:

Continuing connected transactions	For the year ending 31 December		
	2019 (S\$)	2020 (S\$)	2021 (S\$)
The Construction Materials Purchase Framework Agreement			
Original annual caps	525,000	525,000	525,000
Revised annual caps	3,000,000	3,000,000	3,000,000
Further revised annual caps	770,000	770,000	1,460,000

As discussed with the management of the Group, at the time when the original annual caps (as disclosed in the announcement of the Company dated 31 December 2018) were determined, the Company had not anticipated that it will be awarded with a new water reclamation plant project involving earthwork and civil engineering works such as supply of machinery and labour and supply and lay of asphalt premix with an estimated total purchase of such asphalt premix materials and provision of related services of approximately S\$7.2 million for the three years ending 31 December 2021 (“**New Project**”). As disclosed in the announcement of the Company dated 6 September 2019, the Group originally intended to engage United E&P for both the supply of asphalt premix materials and the supply of machinery and labour services for the New Project. Subsequently in May 2019, the Group found an alternative Independent Third Party supplier (“**New Supplier**”) who offered the supply of machinery and labour services at a more competitive price. Since the Group had no prior business relationship with the New Supplier and needed some time to observe the performance of the New Supplier, the Group decided to maintain United E&P as a back-up supplier. After observing that the New Supplier could deliver quality and reliable services, the Directors decided that it would be in the interest of the Group to engage the New Supplier to provide such services for the New Project instead of purchasing such services from United E&P in order to increase the Group’s profitability from the New Project. Accordingly, the annual caps are further revised to ensure that they are fair and reasonable to reflect the demand for the construction materials to be purchased from United E&P. To fulfil the need of asphalt premix materials and the related services under the New Project, the Group would engage United E&P to provide the construction materials such as asphalt premix and related products and the provision of related services including supply and lay, mill and patch and road paving works of approximately S\$2.3 million, which will result in the increase in expenses of the Group attributable to the amount of construction materials purchased by the Group from

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United E&P under the Construction Materials Purchase Framework Agreement for the three years ending 31 December 2021. Given that asphalt premix is one of the important construction materials for the Group's projects, representing approximately 10.1% of the amount of the Group's total materials purchased for the year ended 31 December 2018, the increase in demand for asphalt premix and related products and the provision of the related services including supply and lay, mill and patch and road paving works from United E&P is in line with the estimated usage of such materials in the New Project and the existing projects on hand. Since the purchase of materials and provision of related services will be based on actual needs of the relevant projects from time to time as the construction projects require plenty of time to complete, due to uncertainty, the forecast of the purchase amount of two existing projects will be based on the historical transactions of similar projects and the forecast amount of the New Project is based on the work schedule of the New Project prepared by the Group (the "**Materials Work Schedule**"). With reference to the letter of intent issued by the Independent Third Party contractor and email correspondence between the Group and the Independent Third Party contractor, the contract with contract sum of approximately S\$70 million will be awarded to the Group. The work duties performed by the Group in the proposal submitted to the Independent Third Party contractor (the "**Proposal**") including but not limited to (i) internal shifting of lower weight pipes from yard to site; (ii) survey for earthworks and services installation; and (iii) design and testing. Based on the Material Work Schedule, the annual cap has been revised and set at the maximum annual amount of the purchase of materials from United E&P for the years ending 31 December 2019, 2020 and 2021.

In determining the fairness and reasonableness of the further revised annual caps of transactions contemplated under the Construction Material Purchase Framework Agreement, a forecast plan is made in order to determine the annual caps for the three years ending 31 December 2021. We have reviewed the minutes of a meeting in relation to the Construction Materials Purchase Framework Agreement and we noted that the Directors discussed the basis and assumption of the expected transactions and annual caps for the three years ending 31 December 2021, which is as part of the internal control measures of the Group. The Directors had approved the forecast under the below basis and assumptions, which included (a) quantity of materials to be purchased from United E&P such as base course, base premix and asphalt premix, with specification; (b) the historical construction materials needed; (c) United E&P will provide related services in the subcontracting work and the chargeable rate of each of the works includes the cost of materials and services; (d) the prices offered by United E&P to the Group not less favourable than those offered by other Independent Third Parties for the supply of similar materials or services; (e) the expected volume of the construction materials to be purchased by the Group on an annual basis for its two existing projects on hand and the New Project; (f) the purchase orders given to United E&P by the Group; and (g) buffer to cater for unexpected demands from the New Project.

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We have discussed with the management of the Group that the expected volume of the construction materials to be purchased by the Group on an annual basis based on the estimated roadwork projects. Based on arm's length negotiation, the Group had given the Materials Work Schedule to United E&P. The total transactions for the three years ending 31 December 2021 would be approximately S\$2.3 million. The quantities indicated in the Materials Work Schedule are provisional and actual transactions will be calculated based on the actual works carried out on site as instructed by the Group's project manager. United E&P is required to conduct the sub-contract works which are part of the construction works in the Proposal. Based on the quotation provided by United E&P to the Group regarding the New Project, there are temporary works to be delivered of approximately S\$1.7 million and permanent works to be delivered of approximately S\$0.5 million for the three years ending 31 December 2021. As confirmed by the management, the temporary work would be allocated equally over three years ending 31 December 2021 while the permanent works would be commenced two years after the temporary works are finished. These two parts of work are requested in the Proposal by the independent contractor and are sub-contracted to United E&P. The quantity of materials are matched in both the Proposal and the Materials Work Schedule. We have compared the Proposal and the Materials Work Schedule and noted that both the quantity of the construction works as required by the independent contractor and those given to United E&P matches. In the Materials Work Schedule, the Group had compared the chargeable rates of all construction works with two Independent Third Party suppliers by obtaining quotations. We have obtained two quotations of each of the construction works in the Materials Work Schedule and noted that the prices and terms of the quotations from United E&P are not less favourable than those from Independent Third Party suppliers. Based on the total quantity of materials required and the prices of the materials which complied with the pricing policy of the Group, the total amount of purchase would be approximately S\$2.3 million for the three years ending 31 December 2021. Also, we noted that in the list of manpower of the Proposal, the staff costs are estimated for 36-month employment. As such, the Directors assumed the duration of the New Project is three years. According to the purchase orders from the Group to United E&P up till July 2019 and the discussion with the management, the temporary works of the New Project amounting to approximately S\$0.5 million has been commenced. Given that we have given the view, in our IFA Letter, that the Group has complied with the pricing policy, which is fair and reasonable, and the chargeable rate in the Materials Work Schedule is lower than that in the Proposal, we are of the view that the determination of the contract sum payable to United E&P, which would also be part of the further revised annual caps of transactions contemplated under the Construction Materials Purchase Framework Agreement, is fair and reasonable.

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Since there are still two on-going projects, the estimated transactions will be approximately S\$0.2 million per annum for the three years ending 31 December 2021 respectively. The Group would request mobilization, labour and wearing course of approximately S\$13,000 and purchases of hot mix asphalt concrete of approximately S\$170,000 from United E&P. The amount is based on the part of the historical transactions for the year ended 31 December 2018. We have reviewed the sets of contracts of the two on-going projects and noted that the expected completion date will be after the year ending 31 December 2021.

As advised by the Directors, there would be no material change in the price according to the statistics from the Singapore government, the inflation rate in Singapore has been less than 5% for the last five years and is forecast to be less than 2% for the coming three years. As such, despite the inflation, it would be within the annual caps. The Directors expected the market price of the related services will remain stable for the three years ending 31 December 2021. According to the Singapore Department of Statistics, the consumer price index has increased by 0.5% from January 2019 to March 2019 as compared to the corresponding period in 2018. According to the forecast made by Statista, inflation rate in 2020 and 2021 will be 1.45% and 1.35% respectively. Additionally, we have calculated the forecast by adding the inflation rate of 2% and the total amount is within the annual caps. We concurred with the Directors that there would be no material change in price and the inflation rate is within 2% for the coming three years.

The historical transactions for the year ended 31 December 2018 and the six months ended 30 June 2019 have been considered for the two existing projects due to the fact that (i) the recent transactions are related to the projects on hand; and (ii) the Group and United E&P would continue to make transactions under same price or comparable price and similar terms with reference to the sales transactions made for the year ended 31 December 2018. We have reviewed the management accounts of the Company and noted that the Company has been purchasing similar materials with the comparable unit price and terms from United E&P under the Construction Materials Purchase Framework Agreement for the year ended 31 December 2018.

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We have also reviewed the email correspondence between the Group and United E&P. United E&P is willing to continue to make transactions under same price or comparable price and similar terms as long as the price is the comparable to the sales transactions made for the year ended 31 December 2018 with reference to the purchases made for the year ended 31 December 2018. Given that the future purchases of materials and provision of related services will be interrelated to actual needs of the project from time to time as the construction projects require plenty of time to complete, in light of (i) the uncertainty on the kick-off time of future transactions, (ii) the uneven contribution of supply throughout the year, and (iii) the Directors' believe surge on purchase of materials and provision of related services in the second half of 2019 will be materialized according to the forecast of the purchases amount, which based on the most recent historical price after arm's length negotiation with United E&P. Hence, we are of the view that the formulation of the forecast and its further revised annual cap is fair and reasonable according to the nature of business in construction industry. Reference is made to the comparable prices offered by Independent Third Parties for the supply of similar products as discussed in the "Pricing Policy" above, we are of the view that the prices offered by United E&P to the Group are no less favourable than those offered by other Independent Third Party suppliers. As such, we concur with Director's view that the most recent unit price is used to formulate the forecast of the transactions in relation to the two existing projects. Based on the above, we are of the view that the basis and assumption of the forecast of transactions under the New Project and the two existing projects is fair and reasonable.

D. Conclusion

Having considered that:

- (i) United E&P and the Group are familiar with each other's business demands and able to supply materials required for construction;
- (ii) the unit prices and terms of purchase offered from United E&P is no less favourable to the Group than those offered by other Independent Third Party suppliers;
- (iii) the expected demand of construction materials and the provision of related services would increase for the years ending 31 December 2021 due to the New Project; and
- (iv) the further revised annual caps are fair and reasonable,

we are of the view that the terms of the Construction Materials Purchase Framework Agreement and its further revised annual caps are on normal commercial terms, in the ordinary and usual course of business of the Company and are fair and reasonable so far as the Company and the Independent Shareholders are concerned, and the entering into of the Construction Materials Purchase Framework Agreement is in the interest of the Company and the Shareholders as a whole.

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2. The Transportation Framework Agreement

A. *Background*

Reasons for and benefits of entering into the Transportation Framework Agreement

(a) Background information of the Transportation Framework Agreement

For the year ended 31 December 2018, the turnover on providing the transportation services to United E&P was approximately S\$0.2 million. The Group has provided transportation services such as rental of trucks and supply of labour since 27 September 2014. We understand the Group will continue to respond to the need of transportation services from United E&P and the ongoing turnover contributed from the sales to United E&P on the transportation services and provision of labour is reasonable taken into consideration for the entering of the Transportation Framework Agreement.

(b) The Directors' consideration on entering into the agreement

United E&P and the Group have an established business relationship with each other, and are familiar with each other's business demands. The Directors consider that maintaining stable and high quality business relationship with United E&P will be beneficial to the Group's current and future operation given that the transportation services are provided in a timely basis which serve United E&P's requests and urgent needs.

(c) Business plan of the Group

Due to new projects awarded to United E&P, the Group has been requested to increase in demand for transportation services such as rental of trucks and labour supply from United E&P, which will result in the increase in income of the Group attributable to the amount of transportation services and labour supply to United E&P under the Transportation Framework Agreement for the three years ending 31 December 2021, respectively. We have obtained and reviewed the lists of on-going projects and new projects which include the status of projects, project period and contract value. In addition, as confirmed by the Directors, there were no disputes between the Group and United E&P in relation to the quality of services for the three years ended 31 December 2018.

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Having taken into consideration that (i) transportation services will contribute to the turnover of the Group; and (ii) the quality of the provision of services by the Group had consistently met the requirements from United E&P; we concur with the Director's view that entering into the Transportation Framework Agreement is in the ordinary and usual course of business of the Group.

B. Principal terms of the Transportation Framework Agreement

Date of agreement: 10 December 2018 (as supplemented by its first supplemental agreement dated 31 December 2018, its second supplemental agreement dated 29 March 2019 and its third supplementary agreement dated 6 September 2019)

Parties: (1) United E&P; and (2) the Company.

Terms: Three years commencing from 1 January 2019 and shall terminate on 31 December 2021, provided that the parties shall have the right to unilaterally terminate the agreement at any time during the initial term by giving the other party not less than 30 business days' prior written notice. Notwithstanding the above, a party to the agreement shall be entitled to terminate the agreement with immediate effect if, among other things, the transactions contemplated in the agreement cease to be subject to the Listing Rules or the other party breaches the terms of the agreement or undergoing liquidation proceedings.

Scope of services: The Group has agreed to provide transportation services such as rental of trucks and supply of labour to United E&P according to actual needs.

Principle terms: The principal terms of the Transportation Framework Agreement include: (1) the pricing policy of rental fee for each truck and quantity of labour provided; and (2) the Group and United E&P must enter into specific agreements to stipulate specific terms and conditions, including specific scope of service, form of service and payment method, in respect of the relevant services based on the principles as set out in the Transportation Framework Agreement.

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Pricing Policy:

The transportation services will be charged on a cost plus basis which is determined with reference to (i) the costs to be incurred by the Group for rendering such services including the depreciation expenses, diesel or petrol costs, labour costs and the expected quantity (in terms of number of vehicles, number of trips, distance and number of labourers); (ii) an approved margin range of 10% to 20% fixed by an Executive Director who is responsible for overseeing the procurement department and project team of the Group and is not Mr. Alan Lim and his associates (currently, such Executive Director is Mr. Quek Sze Whye) to ensure no loss making for each project to cover other indirect costs such as administrative expenses of the Group; (iii) the prevailing market rates based on price charged by the Group to other Independent Third Party customers of the Group for similar types of services with comparable terms under normal commercial terms and in the ordinary course of business and such price and terms shall be no less favourable to the Group than is available to other Independent Third Party customers; and (iv) after arm's length commercial negotiations according to the principles of fairness and reasonableness.

There is no separate margin set for labour supply because the labour is supplied only if the customers require the provision of trucks rental. Labour supply is not provided without renting the trucks under the Transportation Framework Agreement. The approved margin range of 10% to 20% is determined based on the following factors: (i) job nature such as urgency, complexity, and whether driver and operator are required; and (ii) margin range of 10% to 20% derived from historical transactions of a similar nature with United E&P and other Independent Third Party customers in the past two financial years which the Group regards as reasonable to be within the acceptable of margin range in the construction industry in Singapore.

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For every new project from United E&P, the project team of the Group will review (i) quotations made to at least two Independent Third Party customers in similar quantity and type of trucks; and (ii) the cost based on the job requirement of United E&P to determine if the price and terms offered to United E&P are fair and reasonable and comparable. After obtaining quotations, the project team will assess the quotations and formulate a report by reference to, among other things, the price and type of trucks offered, the existing utilisation rates of the trucks and the cost based on the job requirement of United E&P so as to determine the price to offer to United E&P. If the cost based on the job requirement of United E&P is higher than the prevailing market rates as reflected by quotations from other Independent Third Parties, the Group will not accept such loss-making job. The project team will conduct a final review on the quotations and report to an Executive Directors who is responsible for overseeing the procurement department and project team of the Group and is not Mr. Alan Lim and his associates (currently, such Executive Director is Mr. Quek Sze Whye) to approve the quotation based on the above factors. The project team will monitor the process of the transactions to be conducted hereunder to ensure such price is favourable to the Group. The Directors are of the view that the aforesaid method and procedures can ensure that the price offered to United E&P will achieve the above-mentioned margin, and is in line with prevailing market rates and the transportation services and provision of labour from the Group transactions contemplated under the Transportation Framework Agreement will be conducted in the ordinary and usual course of business of the Group and United E&P on normal commercial terms and on terms not less favourable to the Group than those to be provided to other Independent Third Parties (if available).

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Regarding the pricing policy of the provision of transportation services to United E&P, we have reviewed other continuing connected transactions of transportation services by the listed companies from their connected persons and noted that similar to the above pricing policy, it is not uncommon that listed companies on the Stock Exchange will obtain quotations from at least two Independent Third Party customers to assess whether the provision of service to the connected person is on normal commercial terms. In order to have a fair and representative sample size in assessing the fairness and reasonableness of the pricing policy, we have randomly selected and reviewed three sample of invoices for the provision of transportation services to United E&P as well as the corresponding quotations issued by the Group to United E&P, that the selected samples cover the same scope of services as the Transportation Framework Agreement for the three years ended 31 December 2018. We believe the number of samples we obtained from the Group is sufficient because the scope of the transportation services demonstrated in those samples have no significant differences from the remaining transactions for the three years ended 31 December 2018. We have also obtained the quotations issued to two Independent Third Party customers who acquired similar transportation services from the Group and compared the price offered to them. Based on information received, we noted that the prices offered to United E&P are no less favourable to the Group than those available to other Independent Third Party customers. We noted that charging the transportation services on a cost plus basis is commonly and reasonably adopted. We have reviewed the calculation worksheet of the cost on the provision of transportation services prepared by the management and found that the costs involved in the services including but not limited to the depreciation expenses, diesel or petrol costs, labour costs and the expected quantity are evaluated. Reference of the approved margin range of 10% to 20% fixed by Mr. Quek Sze Whye, an Executive Director is also taken into consideration of the charge on the transportation services. As confirmed by the management, the fixed margin is considered to be reasonable and acceptable in the construction industry in Singapore and we noted that the approved fixed margin is generally in line with the margin imposed on other transactions of a similar nature with United E&P and other Independent Third Party customers according to the quotations provided by the Group. We found that the Group will not provide transportation services to United E&P and other Independent Third Party customers if the profit margin is lower than the range of profit margin approved by the Executive Director. The respective profit margin of the Group for the transportation services charged to United E&P and other Independent Third Party customer was between 10 and 20% in 2016 to 2018, with reference to such historical range of profit margin, the management considers that the profit margin is estimated to be between 10 and 20% for 2019 to 2021. Since the fixed margin applies on both United E&P and other Independent Third Party customers, we are of the view that the price is on normal commercial terms and no less favourable to the Group from time to time throughout the three years ending 31 December 2021. In addition, as set out above, the Group is not obliged to provide transportation services to United E&P if other Independent Third Party customers are able to offer to the Group at more favourable terms and the Group will provide similar services to other Independent Third Party customers when the terms they offered are more favourable and as such, we are of the view that the Group has complied with the pricing policy, which is fair and reasonable and is in the interests of the Company and Shareholders as a whole.

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We have discussed with the management of the Group that there is no minimum commitment of sales to United E&P, and therefore the Group is free to provide the services to any Independent Third Parties.

In light of the above and in particular that: (i) the pricing policy of the Group is similar to those of the listed companies; (ii) the unit prices and the terms of sales offered to United E&P is no less favourable to the Group than is available to other Independent Third Party customers with reference to the fixed profit margin approved by an Executive Director; and (iii) there is no minimum commitment of sales by the Group to United E&P, we are of the view that the terms of the Transportation Framework Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole.

C. Basis of the proposed further revised annual caps in respect of the Transportation Framework Agreement

Historical figure

The following table sets out the respective actual amounts and original annual caps of the existing continued connected transactions under the Transportation Framework Agreement for the two years ended 31 December 2018 and the six months ended 30 June 2019:

	For the year ended 31 December 2017 (S\$) Audited	For the year ended 31 December 2018 (S\$) Audited	For the six months ended 30 June 2019 (S\$) Unaudited
Continuing connected transactions			

The Transportation

Framework Agreement

Approximate actual provision of services to United E&P	1,400,000	154,000	30,000
Original annual caps	–	–	1,000,000
Approximate utilisation rate (based on the original annual caps)	–	–	3%
Revised annual caps	–	–	1,800,000
Further revised annual caps	–	–	1,275,000

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For the year ended 31 December 2018 and for the six months ended 30 June 2019, the total amount of historical transactions of provision of services to United E&P (the “**Transportation Services**”) were approximately S\$154,000 and S\$30,000 respectively. As at the Latest Practicable Date, the Transportation Services did not exceed the original annual caps or the further revised annual caps. However, one of the applicable percentage ratios calculated based on the transaction amounts from the Transportation Framework Agreement, the Rental Services Framework Agreement 1 and the Rental Services Framework Agreement 2 from 1 January 2019 to 30 June 2019 on an aggregated basis exceeded 5% (“**Omission**”).

The Company admits that the Omission is an inadvertent breach of Rule 14A.36 of the Listing Rules. The Directors have been monitoring the transaction amount for the abovementioned three agreements individually by mistake instead of on an aggregate basis and did not expect there would be a prolonged delay in seeking clearance of this circular. These led to the Omission. As soon as the Omission was found out, the Group has immediately ceased any transactions under the Transportation Framework Agreement, the Rental Services Framework Agreement 1 and the Rental Services Framework Agreement 2 until the Group obtains Independent Shareholders’ approval for approving the annual caps.

To prevent similar incidents from occurring in the future, the Company has assigned the chief financial officer of the Company to monitor the transaction amount of all the connected transaction agreements individually and collectively on monthly basis to ensure that they, on a standalone basis and an aggregate basis, would comply with the Listing Rules. Before the Group accepts a purchase order from a customer or issues a purchase order to a supplier, such purchase order must be presented to the chief financial officer for review and approve to ensure such sale or purchase is within the annual caps of the agreements individually and on an aggregate basis. To comply with Rule 14A.36 of the Listing Rules, the Group will not engage in any connected transaction until the relevant shareholders’ approval has been obtained.

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Proposed further revised annual caps

When assessing the reasonableness of the revised annual caps, we have discussed with the management of the Group the basis and assumptions underlying the projection of the further revised annual caps. The following table sets out the respective proposed revised annual caps and further revised annual caps of the continuing connected transactions under the Transportation Framework Agreement for the three years ending 31 December 2021:

Continuing connected transactions	For the year ending 31 December		
	2019 (S\$)	2020 (S\$)	2021 (S\$)
The Transportation Framework Agreement			
Original annual caps	1,000,000	1,000,000	1,000,000
Revised annual caps	1,800,000	1,800,000	1,800,000
Further revised annual caps	1,275,000	1,275,000	1,275,000

As confirmed by the Directors, at the time when the original annual caps (as disclosed in the announcement of the Company dated 31 December 2018) were determined, United E&P did not anticipate that it will be awarded with two new projects and would submit for two tenders, both of which are expected to complete in late 2021. The Group has been requested to increase the number of labours to be supplied to United E&P, due to new projects awarded with United E&P, which will result in increase in demand for transportation services and labour supply to United E&P and thus the Group's income. In considering the further revised annual caps for the Transportation Framework Agreement, the Directors have considered a number of factors including: (i) the forecast plan of the expected quantity of the transportation services for the three years ending 31 December 2021 provided by United E&P; (ii) the historical prices and terms of sales between the Group and United E&P; and (iii) the historical transactions for the six months ended 30 June 2019.

As disclosed in the announcement of the Company dated 6 September 2019, as notified by United E&P that it has failed to secure a tendered project with a contract amount of approximately S\$32 million and it will decrease its demand for transportation and labour services from the Group, the Directors decided to further revised the annual caps to ensure they are fair and reasonable to reflect the actual demand for the transportation and labour services from United E&P.

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Given that United E&P had been awarded with two new projects, we have reviewed all the contracts or letter of awards of the on-going projects and the two new projects which include the major terms such as price and payment terms, material supply schedule and work descriptions, and reviewed the forecast plan of the transportation services for the three years ending 31 December 2021, which was provided by United E&P. Therefore, we are of the view that it is reasonable to revise the maximum annual amount of the provision of transportation services and supply of labour to United E&P for the years ending 31 December 2019, 2020 and 2021 to be set in an increased amount.

As discussed with the Directors, although the Group provides construction-related services to United E&P according to actual needs, the revised annual caps under the Transportation Framework Agreement is based on (i) the historical transaction amounts; (ii) the projected increase in demand on an annual basis for trucks and labour supply services based on the projection prepared by United E&P with reference to the estimated demand of work required under these projects and their estimated work progress; (iii) the prevailing market rates of rental of similar nature; (iv) the recent transaction amounts with United E&P and other Independent Third Party customers since 1 January 2019 up to the Latest Practicable Date; and (v) buffer to cater unexpected demands from the two awarded new projects and one submitted tender.

In determining the fairness and reasonableness of the further revised annual caps under the Transportation Framework Agreement, with reference to the projection prepared by United E&P and historical transactions for the year ended 31 December 2018 and the six months ended 30 June 2019, a forecast plan is made in order to determine the annual caps for the three years ending 31 December 2021. We have reviewed the minutes of a meeting in relation to the Transportation Framework Agreement and we noted that the Directors discussed the basis and assumption of the expected transactions and annual caps for the three years ending 31 December 2021, which is as part of the internal control measures of the Group. The Directors had approved the forecast under the below basis and assumptions, which included (a) services including (i) supply of labour; (ii) rental of machinery such as lorry crane and excavator; and (iii) rental of lorry; (b) the percentage of services provided by the Group to the total estimated services; and (c) the most recent price for the year ended 31 December 2018.

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We have obtained the work schedule of the two new projects prepared by United E&P's Independent Third Party customers. Given that there is no commitment to the Group to provide all transportation services and supply of labour for the two new projects, the future demand is based on actual orders from time to time when United E&P would have such demands. When estimating the services to be provided by the Group, according to an email correspondence between the Group and United E&P, United E&P had given a forecast based on a completed project. As the two projects commenced in April 2019, the Group would receive orders from United E&P in relation to the two new projects in the future. The United E&P are required to perform the works including but not limited to (i) carry out specific loading; (ii) transportation; and (iii) offloading. United E&P has estimated the duration of the two new projects which was approximately 7,500 hours and 800 hours respectively. The forecast is made with reference to a project commenced in 2016 and ended in 2018 (the "**Project 2016**"). In the Project 2016, the actual machine hours and the duration of the Project 2016 was approximately 30,000 hours and 5,000 hours respectively. By calculation, the machine hours required to complete an hour of the Project 2016 were approximately 6 hours. With reference to the contracts, the letter of awards or tenders, the estimated duration of the two new projects and one tender was approximately 13,000 hours in total. We have compared the Project 2016 with the two new projects and one tender. As the transactions for the two new projects and the one tender have not commenced yet, the Directors are of the view that the expected transactions should be made with reference to the past completed projects where the Group provided similar services to United E&P. The reasons for making reference to the Project 2016 are (i) the Group provided similar services to United E&P; and (ii) it has been completed and thus provides the full data of total machine hours used by the Group and total duration of the Project 2016. As such, we concur the Directors' view that the expected transactions of the forecast plan are based on the Project 2016. Therefore, it is assumed that the rate of every 6 machine hours to complete an hour of the Project 2016 applies to each of the two new projects and the one tender. Therefore, by calculation, United E&P will request approximately 78,000 hours of machine hours in total for the three years ending 31 December 2021. We have reviewed the management accounts of the Group and randomly selected three samples of invoices related to the Project 2016. We are of the view that the received data was accurate. As such, we are of the view that the estimated machine hours are fair and reasonable.

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We have also reviewed the email correspondence between the Group and United E&P. United E&P is willing to continue to make transactions under same price or competitive price and terms with reference to the sales transactions made for the year ended 31 December 2018. We have reviewed the management accounts of the Group for the year ended 31 December 2018 and the six months ended 30 June 2019 and noted that the Group has been providing similar services with the same unit price to United E&P under the Transportation Framework Agreement for the two years ended 31 December 2018.

As mentioned, the revision of annual caps under the Transportation Framework Agreement was due to the two new unexpected projects secured by United E&P. As confirmed by the Directors, after negotiation with United E&P, assuming there will be no further delays of the construction work of the two new projects, the quantity of the rental services and supply of labour will be sufficient and will be within the annual caps. As advised by the Directors, there would be no material change in the price according to the statistics from the Singapore government, the inflation rate in Singapore has been less than 5% for the last five years and is forecast to be less than 2% for the coming three years. As such, despite the inflation, it would be within the annual caps. The Directors expected the market price of the related services will remain stable for the three years ending 31 December 2021. According to the Singapore Department of Statistics, the consumer price index has increased by 0.5% from January 2019 to March 2019 as compared to the corresponding period in 2018. According to the forecast made by Statista, inflation rate in 2020 and 2021 will be 1.45% and 1.35% respectively. Additionally, we have calculated the forecast by adding the inflation rate of 2% and the total amount is within the annual caps. We concurred with the Directors that there would be no material change in price and the inflation rate is within 2% for the coming three years.

Given that United E&P is willing to continue transactions as long as the unit prices and terms are competitive compared to the market and the Group is providing services within the pricing policy, the prevailing market rates of transportation services of similar nature have been taken into consideration. Reference is made to the “Pricing Policy” under the Transportation Framework Agreement. Given that unit prices and terms of sales to United E&P are no less favourable to the Group than is available to other Independent Third Party customers, we are of the view the forecast making reference to the most recent price of the transactions with United E&P of similar services are fair and reasonable.

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Based on the machine hours requested by United E&P and the most recent price of the transactions with United E&P, we have calculated the total amount of services needed for the three years ending 31 December 2021 which is approximately S\$3.8 million and we are of the view that the total forecast amount for the three years ending 31 December 2021 is fair and reasonable. Given that the future sale of transportation services will be interrelated to actual needs of the project time to time due to (i) the uncertainty on the kick-off time of future transactions; (ii) the uneven contribution of demand throughout the year; and (iii) the Director's believe surge on sale of transportation services in the second half of 2019 will be materialized according to the forecast of the sales amount with United E&P. Hence, we are of the view that the expected transactions in the forecast plan is fair and reasonable according to the nature of business in construction industry.

In view of the fact that (i) the estimation of the total quantity of services for the three years ending is fair and reasonable; (ii) the forecast making reference to the most recent price of the transactions with United E&P of similar services are fair and reasonable; and (iii) the expected transactions in the forecast plan is part of the further revised annual cap, we are of the view that the forecast plan and the further revised annual caps of transactions contemplated under the Transportation Framework Agreement are fair and reasonable.

D. Conclusion

Having considered that:

- (i) United E&P and the Group are familiar with each other's business demands and able to provide transportation services to United E&P on a timely basis which serve United E&P's requests and urgent needs;
- (ii) the expected demand of labour and transportation services would increase for the three years ending 31 December 2021 mainly due to two new projects awarded to United E&P;
- (iii) the unit prices and terms of sales offered to United E&P are no less favourable to the Group those offered to other Independent Third Party customers and the thus the forecast making reference to the most recent price of the transactions with United E&P of similar services are fair and reasonable; and

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- (iv) the forecast plan and the further revised annual caps of transactions contemplated under the Transportation Framework Agreement for the three years ending 31 December 2021 are fair and reasonable,

we are of the view that the terms of the Transportation Framework Agreement and its further revised annual caps are on normal commercial terms, in the ordinary and usual course of business of the Company and are fair and reasonable so far as the Company and the Independent Shareholders are concerned, and the entering into of the Transportation Framework Agreement is in the interest of the Company and the Shareholders as a whole.

3. The Rental Services Framework Agreement 1

A. Background

Reasons for and benefits of entering into the Rental Services Framework Agreement 1

- (a) Information about Golden Empire

The Group had provided construction-related services such as rental of trucks and supply of labour to Golden Empire. Golden Empire is a company incorporated in Singapore and principally engaged in the business of land reclamation work. As at the Latest Practicable Date, Mr. Alan Lim, an Executive Director, and an Independent Third Party each owned 50% respectively.

- (b) Background information of the Rental Services

For the year ended 31 December 2018, the turnover on providing the construction related services to Golden Empire was approximately S\$2.1 million. The Group has provided construction related services such as rental of trucks and supply of labour since 31 July 2014. We understand the Group will continue to respond to the need of construction related services to Golden Empire and the ongoing turnover contributed from the sales to Golden Empire on the construction related service is reasonable taken into consideration for the entering of the Rental Services Framework Agreement 1.

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(c) The Directors' consideration on entering into the agreement

Golden Empire and the Group have an established business relationship with each other, and are familiar with each other's business demands and able to supply rental services required for construction. The Directors consider that maintaining stable and high quality business relationship with Golden Empire will be beneficial to the Group's current and future operation given that the land reclamation involves construction works. By reference to the historical business transaction experience with Golden Empire, the Directors believe that the Group and Golden Empire will be able to satisfy the stable and high quality requirement of the other party in the relevant business, and maintaining business transactions with each other is in the interest of the Group and the Shareholders as a whole.

(d) Business plan of the Group

Due to the delay in Golden Empire's existing projects on hand, the Group has been requested to increase the rental of trucks and number of labour to be supplied to Golden Empire, which will result in the increase in income of the Group attributable to the amount of transportation services and labour supply to Golden Empire under the Rental Services Framework Agreement 1 for the three years ending 31 December 2021, respectively.

As discussed with the management of the Group, aside from generating income to the Group, there would be opportunity where the Group stand a better chance to be awarded by the customer of Golden Empire for coming earthwork projects, which will provide the Group with a source of future income generation.

Having taken into consideration that (i) construction related services contribute to the turnover of the Group consistently; and (ii) the stable and high quality business relationship with Golden Empire will be beneficial to the Group's current and future operation given that land reclamation involves construction works; we concur with the Director's view that entering into the Rental Services Framework Agreement 1 is in the ordinary and usual course of business of the Group.

B. Principal terms of the Rental Services Framework Agreement 1

Date of agreement: 10 December 2018 (as supplemented by its first supplemental agreement dated 31 December 2018 and its second supplemental agreement dated 29 March 2019)

Parties: (1) Golden Empire; and (2) the Company.

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Terms:	Three years commencing from 1 January 2019 and shall terminate on 31 December 2021.
Scope of services:	The Group has agreed to provide construction-related services such as rental of trucks and supply of labour to Golden Empire according to actual needs.
Principle terms:	The principal terms of the Rental Services Framework Agreement 1 include: (1) pricing policy of rental fee for each truck and quantity of labour provided; and (2) the Group and Golden Empire must enter into specific agreements to stipulate specific terms and conditions, including specific scope of service, form of service and payment method, in respect of the relevant services based on the principles as set out in the Rental Services Framework Agreement 1.
Pricing Policy:	The rental services and labour supply will be charged on a cost plus basis which is determined with reference to (i) the costs to be incurred by the Group for rendering such services including the depreciation expenses, diesel or petrol costs, labour costs and the expected quantity (in terms of number of vehicles, number of trips, distance and number of labourers); (ii) an approved margin range of 10% to 20% for rental of trucks and a minimum margin of 1% for supply of labour fixed by an Executive Director who is responsible for overseeing the procurement department and project team of the Group and is not Mr. Alan Lim and his associates (currently, such Executive Director is Mr. Quek Sze Whye) to ensure no loss making for each project to cover other indirect costs such as administrative expenses of the Group; (iii) the prevailing market rates based on price charged by the Group to other Independent Third Party customers of the Group for similar transactions with comparable terms under normal commercial terms and in the ordinary course of business and such price and terms shall be no less favourable to the Group than is available to other Independent Third Party customers; and (iv) after arm's length commercial negotiations according to the principles of fairness and reasonableness.

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The approved margin range of 10% to 20% for rental of trucks and a minimum margin of 1% for supply of labour are determined based on the following factors: (i) job nature such as urgency, complexity, and whether driver and operator are required; and (ii) historical margin range of 10% to 20% for rental of trucks and a minimum margin of 1% for supply of labour derived from historical transactions of a similar nature with Golden Empire and other Independent Third Party customers in the past two financial years which the Group regards as reasonable to be within the acceptable of margin range in the construction industry in Singapore.

For every new project from Golden Empire, the project team of the Group will review (i) quotations made to at least two Independent Third Party customers in similar quantity and type of trucks; (ii) quotations sourced from at least one Independent Third Party supplier; and (iii) the cost based on the job requirement of Golden Empire to determine if the price and terms offered to Golden Empire are fair and reasonable and comparable. After obtaining quotations, the project team will assess the quotations and formulate a report by reference to, among other things, the price and type of trucks offered, the existing utilisation rates of the trucks and the cost based on the job requirement of Golden Empire so as to determine the price to offer to Golden Empire. The project team will conduct a final review on the quotations and report to an Executive Directors to approve the quotation based on the above factors. The project team will monitor the process of the transactions to be conducted hereunder to ensure such price is favourable to the Group. If the cost based on the job requirement of Golden Empire is higher than the prevailing market rates as reflected by quotations from other Independent Third Parties, the Group will not accept such loss-making job.

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The Directors are of the view that the price offered to Golden Empire will achieve the above-mentioned margin and is in line with prevailing market rates and the aforesaid methods and procedures can ensure that the rental services and labour supply from the Group contemplated under the Rental Services Framework Agreement 1 will be conducted in the ordinary and usual course of business of the Group and Golden Empire on normal commercial terms and on terms not less favourable to the Group than those to be provided to other Independent Third Parties (if available).

Regarding the pricing policy of the provision of construction-related services such as rental of trucks and supply of labour to Golden Empire, we have reviewed other continuing connected transactions of rental of trucks and supply of labour by the listed companies from their connected persons and noted that similar to the above pricing policy, it is not uncommon that listed companies on the Stock Exchange will obtain quotations from at least two Independent Third Party customers to assess whether the provision of services to the connected person is on normal commercial terms. In order to have a fair and representative sample size in assessing the fairness and reasonableness of the pricing policy, we have randomly selected and reviewed three sample of invoices for the provision of construction-related services to Golden Empire as well as the corresponding quotations issued by the Group to Golden Empire, that the selected samples cover the same scope of services as the Rental Service Framework Agreement 1 for the three years ended 31 December 2018. We believe the number of samples we obtained from the Group is sufficient because the scope of the construction-related services demonstrated in those samples have no significant differences from the remaining transactions for the three years ended 31 December 2018. We have also obtained the quotations issued to two Independent Third Party customers who acquired similar construction-related services from the Group and compared the price offered to them. Based on information received, we noted that the prices offered to Golden Empire are no less favourable to the Group than those offered to other Independent Third Party customers. We noted that charging the rental services and labour supply on a cost plus basis is commonly and reasonably adopted. Also, we have reviewed the cost report which demonstrates the costs involved in the services including but not limited to the depreciation expenses, diesel or petrol costs, labour costs and the expected quantity. References of the approved margin range of 10% to 20% for rental of trucks and a minimum margin of 1% for supply of labour fixed by Mr. Quek Sze Whye, an Executive Director is also taken into consideration of the charge on the construction related services. As confirmed by the management, the fixed margin is considered to be reasonable and acceptable in the construction industry in Singapore and we noted that the approved fixed margin is generally in line with the

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margin imposed on other transactions of a similar nature with Golden Empire and other Independent Third Party customers according to the quotations provided by the Group. We found that the Group will not provide rental services and labour supply to Golden Empire and other Independent Third Party customers if the profit margin is lower than the range of profit margin approved by the Executive Director. The respective profit margin of the Group for the rental services and labour supply charged to Golden Empire and other Independent Third Party customer was between 10% and 20% for rental of trucks and a minimum margin of 1% for supply of labour in 2016 to 2018, with reference to such historical range of profit margin, the management considers profit margin is estimated to be between 10% and 20% for rental of trucks and a minimum margin of 1% for supply of labour for 2019 to 2021. Since the fixed margin applies on both Golden Empire and other Independent Third Party customers, we are of the view that such approved price charges to Golden Empire based on such cost plus method could ensure that the prices are on normal commercial terms and no less favourable to the Group from time to time. In addition, as set out above, the Group is not obliged to provide construction-related services to Golden Empire if other Independent Third Party customers are able to accept terms which are more favourable to the Group and the Group will provide similar service to other Independent Third Party customers when the terms they accepted are more favourable to the Group and as such, we are of the view that such arrangement is fair and reasonable and is in the interests of the Company and Shareholders as a whole.

We have obtained and reviewed a sample of labour contracts entered by the Group and Golden Empire and those entered by the Group and two Independent Third Party customers for the latest year ended 31 December 2018 respectively, which explain (i) payment terms; (ii) service period; (iii) safety provisions; and (iv) minimum margin. Based on the three contracts mentioned above, we have compared the prices and terms of the supply of labour provided to Golden Empire to those of Independent Third Parties and have found that they are no less favourable to the Group than is available to Independent Third Parties. We have also obtained the invoice of supply of labour from the Group to Golden Empire and its corresponding quotations to two Independent Third Party customers. We consider the sample size is fair and representative because each contract is valid for a year and reviewing the labour contract issued by the Group to Golden Empire and its comparable contracts sourced from two Independent Third Party suppliers to Golden Empire for year 2018 are sufficient to demonstrate the margin for supply of labour as 1% for Golden Empire for the entire year of 2018 and it is in line with the prevailing market rate as shown from the contracts sourced from Independent Third Parties.

We have discussed with the management of the Group that there is no minimum commitment of sales to Golden Empire, and therefore the Group is free to provide the service to Independent Third Parties.

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In light of the above and in particular that: (i) the pricing policy of the Group is similar to those of the listed companies; (ii) the unit prices and the terms of sales offered to Golden Empire are no less favourable to the Group than is available to other Independent Third Party customers; (iii) the Group is not restricted from conducting business with other Independent Third Parties for the provision of service; and (iv) there is no minimum commitment of sales by the Group to Golden Empire, we are of the view that the price and terms of the Rental Services Framework Agreement 1 are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole.

C. Basis of the proposed revised annual caps in respect of the Rental Services Framework Agreement 1

Historical figure

The following table sets out the respective actual amounts and original annual caps of the existing continued connected transactions under the Rental Service Framework Agreement 1 for the two years ended 31 December 2018 and the six months ended 30 June 2019:

	For the year ended 31 December 2017 (S\$)	For the year ended 31 December 2018 (S\$)	For the six months ended 30 June 2019 (S\$)
Continuing connected transactions			
The Rental Services Framework Agreement 1			
Approximate actual provision of service to Golden Empire	1,016,000	2,120,000	1,317,000
Historical annual caps on provision of service to Golden Empire	3,000,000	3,000,000	–
Original annual caps	–	–	1,500,000
Approximate utilisation rate (based on the historical annual caps/original annual caps)	33.33%	70.00%	87.80%
Revised annual caps	–	–	3,000,000

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For the year ended 31 December 2018 and for the six months ended 30 June 2019, the total amount of historical transactions of provision of rental services to Golden Empire (the “**Rental Services 1**”) were approximately S\$2,120,000 and S\$1,317,000 respectively. As at the Latest Practicable Date, the Rental Services 1 did not exceed the original annual caps or the revised annual caps. However, one of the applicable percentage ratios calculated based on the transaction amounts from the Transportation Framework Agreement, the Rental Services Framework Agreement 1 and the Rental Services Framework Agreement 2 from 1 January 2019 to 30 June 2019 on an aggregated basis exceeded 5%.

The Company admits that the Omission is an inadvertent breach of Rule 14A.36 of the Listing Rules. The Directors have been monitoring the transaction amount for the abovementioned three agreements individually by mistake instead of on an aggregate basis and did not expect there would be a prolonged delay in seeking clearance of this circular. These led to the Omission. As soon as the Omission was found out, the Group has immediately ceased any transactions under the Transportation Framework Agreement, the Rental Services Framework Agreement 1 and the Rental Services Framework Agreement 2 until the Group obtains Independent Shareholders’ approval for approving the annual caps.

To prevent similar incidents from occurring in the future, the Company has assigned the chief financial officer of the Company to monitor the transaction amount of all the connected transaction agreements individually and collectively on monthly basis to ensure that they, on a standalone basis and an aggregate basis, would comply with the Listing Rules. Before the Group accepts a purchase order from a customer or issues a purchase order to a supplier, such purchase order must be presented to the chief financial officer for review and approve to ensure such sale or purchase is within the annual caps of the agreements individually and on an aggregate basis. To comply with Rule 14A.36 of the Listing Rules, the Group will not engage in any connected transaction until the relevant shareholders’ approval has been obtained.

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Proposed revised annual caps

When assessing the reasonableness of the revised annual caps, we have discussed with the management of the Group the basis and assumptions underlying the projection of the revised annual caps. The following table sets out the respective proposed revised annual caps of the continuing connected transactions under the Rental Services Framework Agreement 1 for the three years ending 31 December 2021:

Continuing Connected Transactions	For the year ending 31 December		
	2019	2020	2021
	(S\$)	(S\$)	(S\$)
The Rental Services Framework Agreement 1			
Original annual caps	1,500,000	1,500,000	1,500,000
Revised annual caps	3,000,000	3,000,000	3,000,000

As confirmed by the Directors, at the time when the original annual caps (as disclosed in the announcement of the Company dated 31 December 2018) were determined, Golden Empire had not considered the volume of transactions attributable to delay in work progress of existing projects on hand which should have been completed in 2018. Due to the delay in Golden Empire's existing projects on hand, the Group has been requested to increase the number of trips and the number of labours to be supplied to Golden Empire which will result in increase in demand for rental of trucks and labour supply to Golden Empire and thus the Group's income. In considering the revised annual caps for the Rental Services Framework Agreement 1, the Directors have considered a number of factors including: (i) the forecast plan of the expected amount of the rental services of approximately S\$2.6 million, S\$2.6 million and S\$2.6 million for the three years ending 31 December 2021 respectively provided by Golden Empire; (ii) the historical utilisation rate of the historical annual caps for the year ended 31 December 2018; (iii) the historical utilisation rate for the six months ended 30 June 2019 of the original annual cap of 87.80%; and (iv) the prices and terms of sales between the Group and Golden Empire and the historical transactions between the Group and Golden Empire for the year ended 31 December 2018 and the six months ended 30 June 2019.

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Given that the Golden Empire's projects on hand has delayed, we have reviewed all the contracts of two delayed projects. The projects are scheduled to complete in 2018, but are delayed until 2021, due to change of work programme by Golden Empire's customers which Golden Empire did not expect. We have reviewed all (i) extended insurance endorsement; (ii) email correspondence between Golden Empire and its customers; and (iii) a proposed timeline of project extension prepared by the customers of Golden Empire, disclosing the reasons of the delays and the expected date of completion. Some of the work of the projects such as reclamation backfill, surcharge installation and surcharge removal were received in late March 2019 and therefore the projects had postponed at least 21 months from February 2019, subject to the duration of surcharge installation of excavated sand.

As discussed with the Directors, although the Group provides construction-related services to Golden Empire according to actual needs, the revised annual caps of transactions contemplated under the Rental Services Framework Agreement 1 is based on (i) the historical transaction amounts; (ii) the projected increase in demand on an annual basis for trucks and labour supply services based on the projection prepared by Golden Empire with reference to the estimated demand of work required under these projects and their estimated work progress; (iii) the prevailing market rates of rental of similar nature; (iv) the recent transaction amounts with Golden Empire and other Independent Third Party customers since 1 January 2019 up to the Latest Practicable Date; and (v) buffer to cater for unexpected demand from the existing on-going projects and one submitted tender.

In determining the fairness and reasonableness of the revised annual caps of transactions contemplated under the Rental Services Framework Agreement 1, with reference to the projection prepared by Golden Empire and historical transactions for the six months ended 30 June 2019, a forecast plan is made in order to determine the annual caps for the three years ending 31 December 2021. We have reviewed the minutes of a meeting in relation to the Rental Services Framework Agreement 1 and we noted that the Directors discussed the basis and assumption of the expected transactions and annual caps for the three years ending 31 December 2021, which is as part of the internal control measures of the Group. The Directors had approved the forecast under the below basis and assumptions, which included (a) services including (i) supply of labour, including approximately two office administrative staff and four workers/labourers on average each month; and (ii) rental of lorry with approximately 3,513 trips for the six months ended 30 June 2019; (b) the historical transactions for the six months ended 30 June 2019; and (c) the market price.

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Although the future transactions will be based on actual needs, when estimating the future transaction for the two existing projects, the historical transactions for the six months ended 30 June 2019 has been considered due to the fact that (i) the recent transactions are related to the projects on Golden Empire's hand; (ii) the Group and Golden Empire would continue to make transactions under same price or comparable price and similar terms with reference to the sales transactions made for the year ended 31 December 2018; and (iii) stable price. We have reviewed the management accounts of the Company and noted that the Company has been providing similar services with the same unit price to Golden Empire under the Rental Services Framework Agreement 1 for the year ended 31 December 2018.

We have also reviewed the email correspondence between the Group and Golden Empire. Golden Empire is willing to continue to make transactions under same price or comparable price and similar terms with reference to the sales transactions made for the year ended 31 December 2018.

As mentioned, the revision of annual caps under the Rental Services Framework Agreement 1 was due to the delays of the projects of Golden Empire. As confirmed by the Directors, after negotiation with Golden Empire, assuming there will be no further delays of the construction work of the two projects, the quantity of the rental services and supply of labour will be sufficient and will be within the annual caps as projected by the historical transactions for the six months ended 30 June 2019.

As advised by the Directors, there would be no material change in the price according to the statistics from the Singapore government, the inflation rate in Singapore has been less than 5% for the last five years and is forecast to be less than 2% for the coming three years. As such, despite the inflation, it would be within the annual caps. The Directors expected the market price of the related services will remain stable for the three years ending 31 December 2021. According to the Singapore Department of Statistics, the consumer price index has increased by 0.5% from January 2019 to March 2019 as compared to the corresponding period in 2018. According to the forecast made by Statista, inflation rate in 2020 and 2021 will be 1.45% and 1.35% respectively. Additionally, we have calculated the forecast by adding the inflation rate of 2% and the total amount is within the annual caps. We concurred with the Directors that there would be no material change in price and the inflation rate is within 2% for the coming three years.

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Given that Golden Empire is willing to continue transactions as long as the unit prices and terms are competitive compared to the market and the Group is providing services within the pricing policy, the prevailing market rates of rental services of similar nature have been taken into consideration. Reference is made to the “Pricing Policy” under the Rental Services Framework Agreement 1. Given that the prices offered to Golden Empire are no less favourable to the Group than those offered to other Independent Third Party customers, we are of the view the forecast making reference to the most recent price of the transactions with Golden Empire of similar services are fair and reasonable.

The Directors had considered the services to be provided, number of labour and the recent price for the six months ended 30 June 2019 in the forecast plan and therefore the forecast amount would be approximately S\$2.6 million, S\$2.6 million and S\$2.6 million for the three years ending 31 December 2021 respectively. In 2019, the Group had made transactions of approximately S\$1.3 million for the six months ended 30 June 2019. The remaining expected transactions for the six months ended 31 December 2019 would be S\$1.3 million. The Directors believe that making reference to the most recent transactions instead of transactions in the previous year is more appropriate since the transactions pattern is different each year due to the transactions are not seasonal and on request from Golden Empire. As such, we concur the Directors’ views that making reference to the most recent transactions instead of transactions in the previous year is more appropriate.

In view of the fact that (i) the estimation of the total quantity of services for the three years ending is fair and reasonable; (ii) the forecast making reference to the most recent price of the transactions with Golden Empire of similar services are fair and reasonable; and (iii) the expected transactions in the forecast plan is part of the annual cap, we are of the view that the forecast plan and the annual caps of the transactions under the Rental Services Framework Agreement 1 are fair and reasonable.

D. Conclusion

Having considered that:

- (i) Golden Empire and the Group are familiar with each other’s business demands and able to supply rental of trucks and labours required for construction;
- (ii) the utilisation rate, using the original annual cap in 2019, was approximately 87.80% for the six months ended 30 June 2019;

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- (iii) the unit prices and terms of sales offered to Golden Empire are no less favourable to the Group than those offered to other Independent Third Party customers for both rental services and supply of labour; and
- (iv) the expected demand for labour and rental services from Golden Empire would increase for the three years ending 31 December 2021 due to delay in work progress of existing projects of Golden Empire on hand,

we are of the view that the terms of the Rental Services Framework Agreement 1 and its revised annual caps are on normal commercial terms, in the ordinary and usual course of business of the Company and are fair and reasonable so far as the Company and the Independent Shareholders are concerned, and the entering into of the Rental Services Framework Agreement 1 is in the interest of the Company and the Shareholders as a whole.

4. The Rental Services Framework Agreement 2

A. Background

Reasons for and benefits of entering into the Rental Services Framework Agreement 2

(a) Information about GEHT

The Group had provided construction-related services such as rental of trucks and supply of labour to GEHT. The principal business activity of GEHT is to carry on the business of land reclamation works. As at the Latest Practicable Date, GEHT is owned as to 33.33% by an Independent Third Party and 66.67% by Golden Empire, which in turn is owned as to 50% by Mr. Alan Lim, an Executive Director and 50% by an Independent Third Party.

(b) Background information of the Rental Services

For the year ended 31 December 2018, the Group's turnover on providing construction related service such as rental of trucks and supply of labour to GEHT was approximately S\$460,000. The Group has provided construction related services such as rental of trucks and supply of labour since 31 March 2016. We understand the Group will continue to respond to the need of construction-related services to GEHT. Hence, the ongoing turnover contributed from the sales to GEHT on the construction related service is considered as a reason for the entering of the Rental Services Framework Agreement 2.

LETTER FROM VINCO CAPITAL

(c) The Directors' consideration on entering into the agreement

GEHT and the Group have an established business relationship with each other, and are familiar with each other's business demands and able to supply rental services required for construction. The Directors consider that maintaining stable and high quality business relationship with GEHT will be beneficial to the Group's current and future operation given that the land reclamation involves construction works. By reference to the historical business transaction experience with GEHT, the Directors believe that the Group and GEHT will be able to satisfy the stable and high quality requirement of the other party in the relevant business, and maintaining business transactions with each other is in the interest of the Group and the Shareholders as a whole.

(d) Business plan of the Group

Due to delay to work progress and additional works of GEHT's existing projects, the Group has been requested to increase in rental of trucks and the number of labour to be supplied to GEHT, which will result in the increase in income of the Group attributable to the amount of transportation services and labour supply to GEHT under the Rental Services Framework Agreement 2 for the three years ending 31 December 2021.

As discussed with the management of the Group, aside from generating income to the Group, there would be opportunity where the Group stand a better chance to be awarded by the customer of GEHT for coming earthwork projects, which will provide the Group with a source of future income generation.

Having taken into consideration that (i) construction-related services contribute to the turnover of the Group consistently; and (ii) the stable and high quality business relationship with GEHT will be beneficial to the Group's current and future operation given that land reclamation involves construction works; we concur with the Director's view that entering into the Rental Services Framework Agreement 2 is in the ordinary and usual course of business of the Group.

LETTER FROM VINCO CAPITAL

B. Principal terms of the Rental Services Framework Agreement 2

Date of agreement:	10 December 2018 (as supplemented by its first supplemental agreement dated 31 December 2018 and its second supplemental agreement dated 29 March 2019)
Parties:	(1) GEHT; and (2) the Company.
Terms:	Three years commencing from 1 January 2019 and shall terminate on 31 December 2021.
Scope of services:	The Group has agreed to provide construction-related services such as rental of trucks and supply of labour to GEHT according to actual needs.
Principle terms:	The principal terms of the Rental Services Framework Agreement 2 include: (1) pricing policy of rental fee for each truck and quantity of labour provided; and (2) the Group and GEHT must enter into specific agreements to stipulate specific terms and conditions, including specific scope of service, form of service and payment method, in respect of the relevant services based on the principles as set out in the Rental Services Framework Agreement 2.

LETTER FROM VINCO CAPITAL

Pricing Policy:

The rental services and labour supply will be charged on a cost plus basis which is determined with reference to (i) the costs to be incurred by the Group for rendering such services including the depreciation expenses, diesel or petrol costs, labour costs and the expected quantity (in terms of number of vehicles, number of trips, distance and number of labourers); (ii) an approved margin range of 10% to 20% for rental of trucks and a minimum margin of 1% for supply of labour fixed by an Executive Director who is responsible for overseeing the procurement department and project team of the Group and is not Mr. Alan Lim and his associates (currently, such Executive Director is Mr. Quek Sze Whye) to ensure no loss making for each project to cover other indirect costs such as administrative expenses of the Group; (iii) the prevailing market rates based on price charged by the Group to other Independent Third Party customers of the Group for similar transactions with comparable terms under normal commercial terms and in the ordinary course of business and such price and terms shall be no less favourable to the Group than is available to other Independent Third Party customers; and (iv) after arm's length commercial negotiations according to the principles of fairness and reasonableness.

The approved margin range of 10% to 20% for rental of trucks and a minimum margin of 1% for supply of labour are determined based on the following factors: (i) job nature such as urgency, complexity, and whether driver and operator are required; and (ii) historical margin range of 10% to 20% for rental of tracks and a minimum margin of 1% for supply of labour derived from historical transactions of a similar nature with GEHT and other Independent Third Party customers in the past two financial years which the Group regards as reasonable to be within the acceptable of margin range in the construction industry in Singapore.

LETTER FROM VINCO CAPITAL

For every new project from GEHT, the project team of the Group will review (i) quotations made to at least two Independent Third Party customers in similar quantity and type of trucks; (ii) quotations sourced from at least two Independent Third Party suppliers; and (iii) the cost based on the job requirement of GEHT to determine if the price and terms offered to GEHT are fair and reasonable and comparable. After obtaining quotations, the project team will assess the quotations and formulate a report by reference to, among other things, the price and type of trucks offered, the existing utilisation rates of the trucks and the cost based on the job requirement of GEHT so as to determine the price to offer to GEHT. The project team will conduct a final review on the quotations and report to an Executive Director to approve the quotation based on the above factors. The project team will monitor the process of the transactions to be conducted hereunder to ensure such price is favourable to the Group.

If the cost based on the job requirement of GEHT is higher than the prevailing market rates as reflected by quotations from other Independent Third Parties, the Group will not accept such loss-making job.

The Directors are of the view that the aforesaid method and procedures can ensure that the price offered to GEHT will achieve the above-mentioned margin, and is in line with prevailing market rates. The rental services and labour supply from the Group contemplated under the Rental Services Framework Agreement 2 will be conducted in the ordinary and usual course of business of the Group and GEHT on normal commercial terms and on terms not less favourable to the Group than those to be provided to other Independent Third Parties (if available).

LETTER FROM VINCO CAPITAL

Regarding the pricing policy of the provision of construction-related services to GEHT, we have reviewed other continuing connected transactions of rental of trucks and supply of labour by the listed companies from their connected persons and noted that similar to the above pricing policy, it is not uncommon that listed companies on the Stock Exchange will obtain quotations from at least two Independent Third Party customers to assess whether the provision of service to the connected person is on normal commercial terms. In order to have a fair and representative sample size in assessing the fairness and reasonableness of the pricing policy, we have randomly selected and reviewed three sample of invoices for the provision of construction-related services to GEHT as well as the corresponding quotations issued by the Group to GEHT, that the selected samples cover the same scope of services as the Rental Service Framework Agreement 2 for the three years ended 31 December 2018. We believe the number of samples we obtained from the Group is sufficient because the scope of the construction-related services demonstrated in those samples have no significant differences from the remaining transactions for the three years ended 31 December 2018. We have also obtained the quotations issued to two Independent Third Party customers who acquire similar construction-related services from the Group and compared the price offered to them. Based on information received, we noted that the prices offered to GEHT are no less favourable to the Group than is available to other Independent Third Party customers. We noted that charging the rental services and labour supply on a cost plus basis is commonly and reasonably adopted. We have reviewed the cost report which demonstrates the costs involved in the services including but not limited to the depreciation expenses, diesel or petrol costs, labour costs and the expected quantity are evaluated. References of the approved margin range of 10% to 20% for rental of tracks and a minimum margin of 1% for supply of labour fixed by Mr. Quek Sze Whye, an Executive Director is also taken into consideration of the charge on the transportation services. As confirmed by the management, the fixed margin is considered to be reasonable and acceptable in the construction industry in Singapore and we noted that the approved fixed margin is generally in line with the margin imposed on other transactions of a similar nature with GEHT and other Independent Third Party customers according to the quotations provided by the Group. We found that the Group will not provide rental services and labour supply to GEHT and other Independent Third Party customers if the profit margin is lower than the range of profit margin approved by the Executive Director. The respective profit margin of the Group for the rental services and labour supply charged to GEHT and other Independent Third Party customer was between 10% and 20% for rental of tracks and a minimum margin of 1% for supply of labour in 2016 to 2018, with reference to such historical range of profit margin, the management considers profit margin is estimated to be between 10% and 20% for rental of tracks and a minimum margin of 1% for supply of labour for 2019 to 2021. Since the fixed margin applies on both GEHT and other Independent Third Party customers, we are of the view that such approved price charges to GEHT based on such cost plus method could ensure that the prices are on normal commercial terms and no less favourable to the Group from time to time. In addition, as set out above, the Group is not obliged to provide construction-related services to GEHT if other Independent Third Party customers are able to accept terms which are more favourable to the Group and the Group will provide similar service to other Independent Third Party customers when the terms they accept are more favourable to the Group and as such, we are of the view that such arrangement is fair and reasonable and is in the interests of the Company and Shareholders as a whole.

LETTER FROM VINCO CAPITAL

We have obtained and reviewed a sample of labour contracts entered by the Group with GEHT and those entered by the Group and two Independent Third Party customers for the latest year ended 31 December 2018 respectively, which explains (i) payment terms; (ii) service period; (iii) safety provisions; and (iv) minimum margin. Based on the three contracts mentioned above, we have compared the prices and terms of the supply of labour provided to GEHT to those of Independent Third Parties and have found that they are no less favourable to the Group than is available to Independent Third Parties. We have also obtained the invoice of supply of labour from the Group to GEHT and its corresponding quotations to two Independent Third Party customers. We consider the sample size is fair and representative because each contract is valid for a year and reviewing the labour contract issued by the Group to GEHT and its comparable contracts sourced from two Independent Third Party suppliers to GEHT for year 2018 are sufficient to demonstrate the margin for supply of labour as 1 % for GEHT for the entire year of 2018 and it is in line with the prevailing market rate as shown from the contracts sources from Independent Third Parties.

We have discussed with the management of the Group that there is no minimum commitment of sales to GEHT, and therefore the Group is free to provide the service to Independent Third Parties.

In light of the above and in particular that: (i) the pricing policy of the Group is similar to those of the listed companies; (ii) the unit prices and the terms of sales offered to GEHT are no less favourable to the Group than is available to other Independent Third Party customers; (iii) the Group is not restricted from conducting business with other Independent Third Parties for the provision of services; and (iv) there is no minimum commitment of sales by the Group to GEHT, we are of the view that the price and terms of the Rental Services Framework Agreement 2 are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole.

LETTER FROM VINCO CAPITAL

C. Basis of the proposed revised annual caps in respect of the Rental Services Framework Agreement 2

Historical figure

The following table sets out the respective actual amounts and original annual caps of the existing continued connected transactions under the Rental Services Framework Agreement 2 for the two years ended 31 December 2018 and the six months ended 30 June 2019:

	For the year ended 31 December 2017 (S\$)	For the year ended 31 December 2018 (S\$)	For the six months ended 30 June 2019 (S\$)
Continuing connected transactions			

The Rental Services

Framework Agreement 2

Approximate actual provision of services to GEHT	290,000	460,000	424,000
Original annual caps	–	–	300,000
Approximate utilisation rate (based on the original annual caps)	–	–	141.33%
Revised annual caps	–	–	1,000,000

For the year ended 31 December 2018 and for the six months ended 30 June 2019, the total amount of historical transactions of provision of rental services to GEHT (the “**Rental Services 2**”) were approximately S\$460,000 and S\$424,000 respectively. As at the Latest Practicable Date, the Rental Services 2 did not exceed the revised annual caps. However one of the applicable percentage ratios calculated based on the transaction amounts from the Transportation Framework Agreement, the Rental Services Framework Agreement 1 and the Rental Services Framework Agreement 2 from 1 January 2019 to 30 June 2019 on an aggregated basis exceeded 5%.

LETTER FROM VINCO CAPITAL

The Company admits that the Omission is an inadvertent breach of Rule 14A.36 of the Listing Rules. The Directors have been monitoring the transaction amount for the abovementioned three agreements individually by mistake instead of on an aggregate basis and did not expect there would be a prolonged delay in seeking clearance of this circular. These led to the Omission. As soon as the Omission was found out, the Group has ceased immediately any transactions under the Transportation Framework Agreement, the Rental Services Framework Agreement 1 and the Rental Services Framework Agreement 2 until the Group obtains Independent Shareholders' approval for approving the annual caps.

To prevent similar incidents from occurring in the future, the Company has assigned the chief financial officer of the Company to monitor the transaction amount of all the connected transaction agreements individually and collectively on monthly basis to ensure that they, on a standalone basis and an aggregate basis, would comply with the Listing Rules. Before the Group accepts a purchase order from a customer or issues a purchase order to a supplier, such purchase order must be presented to the chief financial officer for review and approve to ensure such sale or purchase is within the annual caps of the agreements individually and on an aggregate basis. To comply with Rule 14A.36 of the Listing Rules, the Group will not engage in any connected transaction until the relevant shareholders' approval has been obtained.

Proposed revised annual caps

When assessing the reasonableness of the revised annual caps, we have discussed with the management of the Group the basis and assumptions underlying the projection of the revised annual caps. The following table sets out the respective proposed revised annual caps of the continuing connected transactions under the Rental Services Framework Agreement 2 for the three years ending 31 December 2021:

Continuing connected transactions	For the year ending 31 December		
	2019	2020	2021
	(S\$)	(S\$)	(S\$)
The Rental Services Framework Agreement 2			
Original annual caps	300,000	300,000	300,000
Revised annual caps	1,000,000	1,000,000	1,000,000

LETTER FROM VINCO CAPITAL

As confirmed by the Directors, at the time when the original annual caps (as disclosed in the announcement of the Company dated 31 December 2018) were determined, GEHT had not considered the volume of transactions attributable to delay in work progress of existing project on hand which should have been completed in 2018. Due to delays and additional works in one existing project on hand, the Group has been requested to increase the number of trips and the number of labourers to be supplied to GEHT which will result increase in demand for rental of trucks and labour supply to GEHT and thus the Group's income. In considering the revised annual caps for the Rental Services Framework Agreements 2, the Directors have considered a number of factors including: (i) the forecast plan of expected amount of rental services in the amount of approximately S\$848,000 for the three years ending 31 December 2021 respectively provided by GEHT; (ii) the historical actual transaction amount for the year ended 31 December 2018 and the six months ended 30 June 2019; (iii) the historical utilisation rate for the six months ended 30 June 2019 of the original annual cap of 141.33%; and (iv) the historical prices and terms of sales between the Group and GEHT and the historical transactions between the Group and GEHT.

Given that the GEHT's projects on hand have delayed with additional works, we have reviewed the contracts of a delayed project. The projects were scheduled to complete in 2018, but are delayed until 2021, due to change of work programme by GEHT's customers, which GEHT did not expect. We have reviewed all (i) progress claim; (ii) email correspondence between GEHT and its customers; and (iii) a proposed timeline of project extension by the customers of GEHT in relation to the delays which disclose the reasons and the expected date of completion. Some of the work of the project such as reclamation backfill, surcharge installation and surcharge removal are received in late March 2019 and therefore the project had postponed at least 21 months from February 2019, subject to the duration of surcharge installation of excavated sand. As confirmed by the Directors, although the reclamation projects are taken by Golden Empire and GEHT and their nature of business is the same, due to (i) different corporate structure; and (ii) their division of work in the projects, the delay of above-mentioned projects would increase the demand for rental of trucks and labour supply of GEHT. The projects for Rental Services Framework Agreement 1 undertaken by Golden Empire and for Rental Services Framework Agreement 2 undertaken by GEHT are not the same.

LETTER FROM VINCO CAPITAL

As discussed with the Directors, although the Group provides construction-related services to GEHT according to actual needs, the revised annual caps under the Rental Services Framework Agreement 2 is based on (i) the historical transaction amounts; (ii) the projected increase in demand on an annual basis for trucks and labour supply services based on the projection prepared by GEHT with reference to the estimated demand of work required under these projects and their estimated work progress; (iii) the prevailing market rates of rental of similar nature; (iv) the recent transaction amounts with GEHT and other Independent Third Party customers since 1 January 2019 up to the Latest Practicable Date; and (v) buffer to cater for unexpected demand from the existing on-going projects.

In determining the fairness and reasonableness of the revised annual caps under the Rental Services Framework Agreement 2, with reference to the projection prepared by GEHT and historical transactions for the six months ended 30 June 2019, a forecast plan is made in order to determine the annual caps for the three years ending 31 December 2021. We have reviewed the minutes of a meeting in relation to the Rental Services Framework Agreement 2 and we noted that the Directors discussed the basis and assumption of the expected transactions and annual caps for the three years ending 31 December 2021, which is as part of the internal control measures of the Group. The Directors had approved the forecast under the below basis and assumptions, which included (a) services including (i) supply of labour, including approximately two operational staff, two office administrative staff and eight workers/labourers on average each month; (ii) rental of lorry with approximately 1,069 trips on average each month; and (iii) rental of 56 mild steel plates on average each month; (b) the historical transactions for the six months ended 30 June 2019; and (c) the market price.

Although the future transaction quantity will be based on actual needs, when estimating the future transaction for the two existing projects, the historical transactions for the six months ended 30 June 2019 has been considered due to the fact that (i) the recent transactions are related to the projects on GEHT's hand and there will be no more project to further increase the demand on rental services and supply of labour; (ii) the Group and GEHT would continue to make transactions under same price or comparable price and similar terms with reference to the sales transactions made for the year ended 31 December 2018; and (iii) stable price. We have reviewed the management accounts of the Company and noted that the Company has been providing similar services with the same unit price to GEHT under the Rental Services Framework Agreement 2 for the year ended 31 December 2018.

LETTER FROM VINCO CAPITAL

We have also reviewed the email correspondence between the Group and GEHT. GEHT is willing to continue to make transactions under same price or comparable price and similar terms as long as the price is the comparable to the sales transactions made for the year ended 31 December 2018.

As mentioned, the revision of annual caps under the Rental Services Framework Agreement 2 was partly due to the delays of the projects of GEHT. As confirmed by the Directors, after negotiation with GEHT, assuming there will be no further delays of the construction work of the two projects, the quantity of the rental services and supply of labour will be sufficient and will be within the annual caps as projected by the historical transactions for the six months ended 30 June 2019.

As advised by the Directors, there would be no material change in the price according to the statistics from the Singapore government, the inflation rate in Singapore has been less than 5% for the last five years and is forecast to be less than 2% for the coming three years. As such, despite the inflation, it would be within the annual caps. The Directors expected the market price of the related services will remain stable for the three years ending 31 December 2021. According to the Singapore Department of Statistics, the consumer price index has increased by 0.5% from January 2019 to March 2019 as compared to the corresponding period in 2018. According to the forecast made by Statista, inflation rate in 2020 and 2021 will be 1.45% and 1.35% respectively. Additionally, we have calculated the forecast by adding the inflation rate of 2% and the total amount is within the annual caps. We concurred with the Directors that there would be no material change in price and the inflation rate is within 2% for the coming three years.

Given that GEHT is willing to continue transactions as long as the unit prices and terms are competitive compared to the market and the Group is providing services within the pricing policy, the prevailing market rates of rental services of similar nature have been taken into consideration. Reference is made to the “Pricing Policy” under the Rental Services Framework Agreement 2. Given that the prices offered to GEHT are no less favourable to the Group than those offered to other Independent Third Party customers, we are of the view the forecast making reference to the most recent price of the transactions with GEHT of similar services are fair and reasonable. Therefore, we are of the view that the forecast making reference to the most recent price of the transactions with Golden Empire of similar services are fair and reasonable.

LETTER FROM VINCO CAPITAL

The Directors had considered the services to be provided, number of labour and the recent price for the six months ended 30 June 2019 in the forecast plan and therefore the forecast amount would be approximately S\$848,000 for the three years ending 31 December 2021 respectively. In 2019, the Group had made transactions of approximately S\$424,000 for the six months ended 30 June 2019. The remaining expected transactions for the six months ending 31 December 2019 would be approximately S\$424,000. For the years ending 31 December 2020 and 2021, the expected transactions are calculated under the same mechanism. The Directors believe that making reference to the most recent transactions instead of transactions in the previous year is more appropriate since the transactions pattern is different each year due to the transactions are not seasonal and on request from GEHT. As such, we concur the Directors' views that making reference to the most recent transactions instead of transactions in the previous year is more appropriate.

In view of the fact that (i) the estimation of the total quantity of services for the three years ending is fair and reasonable; (ii) the forecast making reference to the most recent price of the transactions with GEHT of similar services are fair and reasonable; and (iii) the expected transactions in the forecast plan is part of the annual cap, we are of the view that the forecast plan and the annual caps of the transactions under the Rental Services Framework Agreement 2 are fair and reasonable.

D. Conclusion

Having considered that:

- (i) GEHT and the Group are familiar with each other's business demands and able to supply rental services for truck and labour required for construction;
- (ii) the utilisation rate, using the original annual cap in 2019, was approximately 141.33% for the six months ended 30 June 2019;
- (iii) the unit prices and terms of sales offered to GEHT are no less favourable to the Group than offered to other Independent Third Party customers; and
- (iv) the expected demand of labour and rental services from GEHT would increase for the three years ending 31 December 2021 due to delay in work progress of existing projects of GEHT on hand,

we are of the view that the terms of the Rental Services Framework Agreement 2 and its revised annual caps are on normal commercial terms, in the ordinary and usual course of business of the Company and are fair and reasonable so far as the Company and the Independent Shareholders are concerned, and the entering into of the Rental Services Framework Agreement 2 is in the interest of the Company and the Shareholders as a whole.

LETTER FROM VINCO CAPITAL

II. THE NEW AGREEMENTS AND THE RESPECTIVE ANNUAL CAPS

5. The Earth Disposal Framework Agreement

A. *Background*

Reasons for and benefits of entering into the Earth Disposal Framework Agreement

(a) Background information of the Earth Disposal Framework Agreement

For the year ended 31 December 2018, the Group's cost of disposal of excavated earth to GEHT was approximately S\$0.3 million. The Group has been allowed to dispose of excavated earth and soil from the Group's job sites at GEHT's job sites since 24 April 2018. We understand the Group will continue to communicate with GEHT in order to fulfil the needs of the Group's requests simultaneously and the ongoing purchase of disposal service from GEHT is reasonable taken into consideration for the entering of the Earth Disposal Framework Agreement.

(b) The Directors' consideration on entering into the agreement

The Group in its ordinary course of business as an earthwork service provider will generate a lot of excavated earth and soil and require to dispose such earth and soil at the designated area at its own expenses. GEHT, on the other hand, in its ordinary course of business as a land reclamation service provider, will require earth to fill its land. Given that the Group and GEHT have an established business relationship with each other, and are familiar with each other's business demands and able to allow the Group to dispose excavated earth and soil at its job sites. The Directors consider that the disposal of earth and soil at GEHT's job sites to be beneficial to the Group's current and future operation due to close proximity with the Group's job sites to reduce the travelling time. By reference to the historical business transaction experience with GEHT, the Directors believe that the Group and GEHT will be able to satisfy the stable and high quality requirement of the other party in the relevant business, and maintaining business transactions with each other is in the interest of the Group and the Shareholders as a whole.

LETTER FROM VINCO CAPITAL

Before GEHT had accepted the disposal of excavated earth from the Group's job sites, the earth and soil would be disposed of to landfill or other further job sites, which would cost more than to dispose at GEHT's job sites. We have reviewed the management account of the Group for the year ended 31 December 2018, and three selected samples of invoices issued by GEHT and three selected samples of quotations prepared by the Independent Third Parties who operate at the other job sites. Based on our review and our discussion with the management of the Group, we noted the total cost of disposal of the excavated earth to other sites was higher than to dispose at GEHT's job sites.

(c) Business plan of the Group

As discussed with the management of the Group, the disposal of earth and soil at GEHT's job sites is beneficial to the Group's current and future operation due to close proximity with the Group's job sites to reduce the travelling time and costs.

Having taken into consideration that (i) disposal of excavated earth to GEHT's job sites would save the cost of the Group; and (ii) the stable and high quality business relationship with GEHT will be beneficial to the Group's current and future operation given that close proximity with the Group's job sites to reduce the travelling time; we concur with the Director's view that entering into the Earth Disposal Framework Agreement is in the ordinary and usual course of business of the Group.

B. Principal terms of the Earth Disposal Framework Agreement

Date of agreement:	29 March 2019 (as supplemented by its supplemental agreement dated 6 September 2019)
Parties:	(1) GEHT; and (2) the Company.
Terms:	Three years commencing from 1 January 2019 and shall terminate on 31 December 2021.
Scope of services:	GEHT has agreed to allow the Group to dispose excavated earth and soil from the Group's job sites at GEHT's job sites.

LETTER FROM VINCO CAPITAL

Principle terms: The principal terms of the Earth Disposal Framework Agreement include: (1) the pricing policy for the quantity of earth and soil disposed of; and (2) the Group and GEHT must enter into specific agreements to stipulate specific terms and conditions and payment method based on the principles as set out in the Earth Disposal Framework Agreement.

Pricing Policy: The pricing for the earth disposal will be determined with reference to the prevailing market rate as predetermined by a price list fixed by the Singapore government for excavated earth and soil disposal and as charged by other Independent Third Party suppliers after arm's length negotiation between both parties.

The procurement department of the Group will review (i) the historical price charged by at least two Independent Third Party suppliers in the last two financial years; and (ii) the predetermined price list fixed by the Singapore government for excavated earth and soil disposal (which is available in the external user manual and can be downloaded at <http://www.eaststaginggrounds.com.sg/>) to determine if the price and terms offered by GEHT are fair, reasonable and comparable. After that, the head of procurement department will assess the historical price and price list and formulate a report by reference to, among other things, the price, the proximity of the job sites of GEHT and the Group's job sites so as to determine the price to offer to GEHT. The head of procurement department will conduct a final review on the price and report to an Executive Directors who is responsible for overseeing the procurement department and project team of the Group and is not Mr. Alan Lim and his associates (currently, such Executive Director is Mr. Quek Sze Whye) to approve the price based on the above factors. The head of procurement department will monitor the process of the transactions to be conducted hereunder to ensure such price is favourable to the Group. The Directors are of the view that the Group is not paying higher than prevailing market price or higher than price offered by other Independent Third Party supplier for the earth disposal and therefore the aforesaid method and procedures can ensure that the transactions contemplated under the Earth Disposal Framework Agreement will be conducted in the ordinary and usual course of business of the Group and GEHT on normal commercial terms and on terms not less favourable than those to be provided by other Independent Third Parties (if available).

LETTER FROM VINCO CAPITAL

In accordance with the Company's internal policies, the transactions under the Earth Disposal Framework Agreement will be properly recorded, including but not limited to prices determined and transaction amounts. As the management of the Group will review the aforesaid pricing policy as and when a new quotation is obtained from GEHT for a new project and compare the quotation provided by GEHT and the other Independent Third Party suppliers, we are of the view that the Group is not paying higher than prevailing market price or higher than price offered by other Independent Third Party supplier for the earth disposal having also considered the proximity of the job sites of GEHT and the Group's job sites and therefore the aforesaid method and procedures can ensure that the transactions contemplated under the Earth Disposal Framework Agreement will be conducted on normal commercial terms and not prejudicial to the interest of the Company's minority Shareholders.

Regarding the pricing policy of the provision of construction related service to GEHT, we have reviewed other continuing connected transactions of delivery services by the listed companies from their connected persons and noted that similar to the above pricing policy, it is not uncommon that listed companies on the Stock Exchange will obtain quotations from at least two Independent Third Party suppliers to assess whether the provision of service from the connected person is on normal commercial terms. In order to have a fair and representative sample size in assessing the fairness and reasonableness of the pricing policy, we have selected and review three sample of invoices for disposing excavated earth and the soils from the Group's job sites at GEHT's job sites as well as the corresponding quotations issued by GEHT to the Group, that the transaction amounts of the selected samples account for 100% of the total transactions related to the same scope of services as the Earth Disposal Framework Agreement for the year ended 31 December 2018. We have also obtained the quotations issued by two Independent Third Party suppliers who allow the Group to dispose similar excavated earth and the soil at their site and compared the price charged to them. Based on information received, we noted that the prices charged by GEHT are no less favourable to the Group than those charged by other Independent Third Party suppliers. In addition, as set out above, the Group is not obliged to dispose of earth to GEHT if other Independent Third Party suppliers are able to offer terms which are more favourable to the Group and the Group will dispose excavated earth and the soils to other Independent Third Party suppliers when the terms they offered are more favourable to the Group. We have discussed with the management of the Group that there is no minimum transaction amount to commit to GEHT, and therefore the Group is free to obtain the service from any Independent Third Parties. Hence, we are of the view that taking reference to the prevailing market rate as demonstrated in the external user manual and price charged by other Independent Third Party Suppliers to determine the price for the earth disposal is fair and reasonable and is in the interests of the Company and Shareholders as a whole.

LETTER FROM VINCO CAPITAL

In light of the above and in particular that: (i) the pricing policy of the Group is similar to those of the listed companies; (ii) the unit prices and the terms of services offered by GEHT is no less favourable to the Group than those offered to other Independent Third Party suppliers; (iii) the group is not restricted from conducting business with other Independent Third Parties for the receipt of service from the connected person; (iv) there is no minimum transaction amount to commit by the Group to GEHT; and (v) the Group is free to provide earth disposal service to any Independent Third Parties, we are of the view that the price and terms of the Earth Disposal Framework Agreement are on normal commercial terms and in the ordinary and usual course of business of the Company and are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole.

C. *Basis of the proposed revised annual caps in respect of the Earth Disposal Framework Agreement*

Historical figure

The following table sets out the respective actual amounts and proposed annual caps of the new continuing connected transactions under the Earth Disposal Framework Agreement for the year ended 31 December 2018 and the six months ended 30 June 2019:

	For the year ended 31 December 2018 (S\$)	For the six months ended 30 June 2019 (S\$)
Continuing Connected Transactions		
Earth Disposal Framework Agreement		
Approximate actual disposal of earth to GEHT	300,000	168,000
Proposed annual caps	–	1,000,000
Revised annual caps	–	770,000

There was no transaction for the year ended 31 December 2017. For the year ended 31 December 2018 and for the six months ended 30 June 2019, the total amount of historical transactions of provision of services to GEHT (the “**Disposal**”) were approximately S\$300,000 and S\$168,000 respectively. As at the Latest Practicable Date, the Disposal did not exceed the proposed revised annual caps for the year ending 31 December 2019.

LETTER FROM VINCO CAPITAL

Proposed revised annual caps

When assessing the reasonableness of the proposed revised annual caps, we have discussed with the management of the Group the basis and assumptions underlying the projection of the proposed revised annual caps. The following table sets out the respective proposed annual caps of the continuing connected transactions under the Earth Disposal Framework Agreement for the three years ending 31 December 2021:

Continuing connected transactions	For the year ending 31 December		
	2019 (S\$)	2020 (S\$)	2021 (S\$)
Earth Disposal Framework Agreement			
Proposed annual caps	1,000,000	1,000,000	1,000,000
Revised annual caps	770,000	1,000,000	1,000,000

As mentioned in “The Directors’ consideration on entering into the agreement” above, the disposal of excavated earth and soil by the Group could satisfy both the needs of the Group and GEHT. As confirmed by the Directors, as long as the unit price per load offered by GEHT is higher than the prevailing market rate as charged by other Independent Third Party suppliers, the Group would dispose its excavated earth and soil to other job sites which are operated by other Independent Third Party suppliers after comparing the price quotations prepared by the Independent Third Party suppliers with those prepared by GEHT. As discussed with the management of the Group, the Group will generate excavated earth and soil and is required to dispose such earth and soil at the designated area at its own expenses under three projects on hand and three newly secured. Therefore, the Group has to select the designated area by considering the cost and compared the quotations prepared by GEHT and the Independent Third Party suppliers. Since the price offered by GEHT is not higher than by the Independent Third Party suppliers and the Group has considered the proximity of the job sites of GEHT and the Group’s job sites, the annual cap under the Earth Disposal Framework Agreement is determined by the estimated quantity of excavated earth and soil to be disposed at the GEHT’s job site.

LETTER FROM VINCO CAPITAL

In determining the fairness and reasonableness of the revised annual caps under the Earth Disposal Framework Agreement, the Group had considered the three projects on hands, one of which commenced in February 2016 and the current excavation of earth and soil commenced in April 2016. As discussed with the management of the Group, the excavation of earth and soil is generally required throughout the entire project after short period of site preparation work at the beginning. We have obtained the contracts of the three projects on hand and noted the completion date will be set by December 2020. However, due to the current percentage of completion of less than 50%, the Directors expected the projects will delay and are not able to complete by December 2020. As confirmed by the Directors, the projects are expected to complete after the year ending 31 December 2021, but the new proposed completion date is not yet determined. Additionally, the Group had secured three new projects, the excavation of earth and soil of which had not been commenced and the commencement of such work are not decided yet. Instead, we noted that the three newly secured projects are expected to complete by November 2022. We have also obtained the contracts of the newly secured projects. The Group shall provide labour and machinery services to its Independent Third Party customers in accordance with the specification and requirements, including but not limited to disposal of surplus excavated earth material off site. After commencing the backfill and excavation of soil and earth, the disposal of such materials commenced simultaneously. As confirmed by the Directors, for each of the projects, the number of loads of excavation of soil and earth are irrelevant to the contract sum of the projects because the excavation of soil and earth depends on the nature of sub-contracting work and the environment in the job sites.

LETTER FROM VINCO CAPITAL

When estimating the expected volume for the three years ending 31 December 2021, as the actual number of loads of disposal of excavated earth depends on the actual needs as required from time to time, the Group had considered the historical transactions for the year ended 31 December 2018 and the six months ended 30 June 2019. In 2018, there were three projects on hand, the disposal of excavated earth and soil of which commenced in April, September and November 2018 respectively. We reviewed the monthly disposal report and noted the number of loads for each of the projects in each month fluctuates based on the construction progress and noted the total number of loads were approximately 40,000 loads for the year ended 31 December 2018, which contained approximately 329,000 cubic metre. As mentioned, the commencement date and the number of loads of disposal of excavated soil and earth for each projects on hand were different in 2018. The number of loads in 2018 are proportionally converted into a full year figure to calculate the estimated number of loads, which would be approximately 60,000 loads for each of the three years ending 31 December 2021. As discussed with the management of the Group, for the newly secured projects, the Group expected the number of loads will be approximately 40,000 loads, which will be the same as the projects on hand in 2018 due to the fact that (i) the actual disposal of the excavated soil and earth depends on actual environment and cannot be estimated in advance; and (ii) the job sites are still under preparation and the commencement of excavation is subject to the end of site preparation. As such, the total expected loads of disposal of excavated soil and earth to GEHT will be approximately 100,000 loads and we are of the view that such amount would be fair and reasonable. The number of loads would be the same for each of the three years ending 31 December 2021 due to uncertainty. However, as disclosed in the announcement of the Company dated 6 September 2019, the actual volume of disposal for the six months ended 30 June 2019 is approximately 17,000 loads which is lower than the expected volume.

LETTER FROM VINCO CAPITAL

We have reviewed the latest earth disposal summary which indicates there is disposal for an additional new project which is commenced from June 2019. Accordingly, we have taken the low demand of disposal from the on-going projects for the six months ended 30 June 2019 and the increasing demand of disposal due to new projects into consideration for the revised annual caps to ensure that they are fair and reasonable to reflect the demand for the disposal of the excavated soil and earth at the sites of GEHT for the year ending 31 December 2019. As confirmed by the management, the Group expects to dispose of earth to GEHT's job sites of approximately 22,000 loads, 44,000 loads and 44,000 loads in 2019, 2020 and 2021 respectively for the newly secured projects after the adjustment due to the new project.

Other than the actual transactions occurred for the six months ended 30 June 2019, we have also reviewed the actual transactions occurred for the six months ended 31 December 2018, which was approximately 34,000 loads. Hence, the disposal required for the ongoing projects would be approximately 51,000 loads per annum. As mentioned, the expected volume is based on actual needs as required from time to time. Based on the transactions for the year ended 31 December 2018 and six months ended 30 June 2019, the loads fluctuated each month ranging from nil to approximately 8,400 loads. Considering the historical transactions for the six months ended 31 December 2018, six months ended 30 June 2019 and the newly secured projects, the Group expects the volumes of disposal for the six months ending 31 December 2019 would be not less than approximately 56,000 loads. Hence, we are of view that the revised annual caps for the year ending 31 December 2019 are fair and reasonable.

When estimating the annual caps for the three years ending 31 December 2021, the prevailing market rates of disposal has been considered. At the moment, the Group is disposing at the GEHT's current job sites (the "**Current Site**") which could offer S\$10 per load. Having reviewed the samples of quotations, invoices from GEHT and the external user manual as mentioned in the pricing policy under Earth Disposal Framework Agreement in our letter, the prices charged by GEHT are no less favourable to the Group than those charged by other Independent Third Party suppliers. As such, we are of the view that the chargeable rate is set at S\$10 per load and the forecast set at S\$770,000, S\$1,000,000 and S\$1,000,000 for the three years ending 31 December 2021 respectively is fair and reasonable.

LETTER FROM VINCO CAPITAL

As mentioned, the revised annual caps under the Earth Disposal Framework Agreement was due to the three existing projects and newly secured projects. As advised by the Directors, the inflation rate in Singapore has been less than 5% for the last five years and is forecast to be less than 2% for the coming three years. As such, despite the inflation, it would be within the annual caps. The Directors expected the market price of the related services will remain stable for the three years ending 31 December 2021. According to the Singapore Department of Statistics, the consumer price index has increased by 0.5% from January 2019 to March 2019 as compared to the corresponding period in 2018. According to the forecast made by Statista, inflation rate in 2020 and 2021 will be 1.45% and 1.35% respectively. Additionally, we have calculated the forecast by adding the inflation rate of 2% and the total amount is within the annual caps. We concurred with the Directors that the inflation rate is within 2% for the coming three years. Therefore, a buffer is applied to cater to the inflation rate and the unexpected demands from earth disposal for the three years ending 31 December 2021.

Having considered (i) historical transactions for the year ended 31 December 2018; and (ii) \$10 chargeable rate at current job sites of GEHT, of the newly secured projects and existing projects of the Group which will be on-going for the three years ending 31 December 2021, we are of the view that the basis of such forecast and the determination of the revised annual caps of the transactions contemplated under Earth Disposal Framework Agreement are fair and reasonable.

D. Conclusion

Having considered that:

- (i) GEHT and the Group are familiar with each other's business demands and GEHT is able to provide earth disposal services at its job sites;
- (ii) the unit prices and terms of purchases offered to GEHT is comparable to those offered to other Independent Third Party suppliers for providing earth disposal services;
- (iii) the expected demand of earth disposal services would increase due to benefit to both the Group and GEHT, including but not limited to reduction of travelling and costs; and

LETTER FROM VINCO CAPITAL

- (iv) the determination of the revised annual caps of the transactions contemplated under the Earth Disposal Framework Agreement is fair and reasonable,

we are of the view that the terms of the Earth Disposal Framework Agreement and its revised proposed annual caps are on normal commercial terms, in the ordinary and usual course of business of the Company and are fair and reasonable so far as the Company and the Independent Shareholders are concerned, and the entering into of the Earth Disposal Framework Agreement is in the interest of the Company and the Shareholders as a whole.

6. The Subcontract Agreement

A. Background

Reasons for and benefits of the Subcontract Agreement

(a) Background information of the Subcontract Agreement

The Group has been provided with surcharge rehandling works for reclamation and marine work at Tuas Western Coast Project including good earth rehandling and sand rehandling work by Golden Empire since 9 March 2019, including the supply of manpower and construction equipment resources maintenance provisions and a stock of spare parts and consumables, procurement of materials and equipment, spare parts/components and consumables as necessary, checking the operability of the works (as applicable), inspecting and testing resources, making good any deficiencies during the construction period, for the successful completion of the facilities and its operation as well as the provision everything whether of a temporary or permanent nature to permit the successful completion and maintenance of the work. We understand the Golden Empire has been involved in reclamation work project since incorporation and hence it has more experience and expertise compared to the Group, which is reasonably taken into consideration for the entering of the Subcontract Agreement.

(b) The Directors' consideration on entering into the agreement

Golden Empire and the Group have an established business relationship with each other, and are familiar with each other's business demands. The Directors consider that maintaining stable and high quality business relationship with Golden Empire will be beneficial to the Group's current and future operation. By reference to the historical business transaction experience with Golden Empire, the Directors believe that the Group and Golden Empire will be able to satisfy the stable and high quality requirement of the other party in the relevant business, and maintaining business transactions with each other is in the interest of the Group and the Shareholders as a whole.

LETTER FROM VINCO CAPITAL

Golden Empire has the relevant skills, manpower and machinery and is able to provide the surcharge rehandling works for reclamation and marine work required by the Group. Therefore, the Group has tendered for and secured this project with the assistance of Golden Empire. The Group has intended to subcontract the whole of the scope of works specified under the Original Subcontract Agreement to Golden Empire.

(c) Business plan

As discussed with the management of the Group, subcontracting work benefits the Group because (i) it is cost efficient due to the fact that the Group is not going to hire new employees for the specific work under the Subcontract Agreement; (ii) Golden Empire provide expertise which the Group does not have; and (iii) Golden Empire owns the machineries that the Group does not have. We have reviewed the track records of Golden Empire and discussed with the management of the Group in relation to Golden Empire. Given that Golden Empire had been involved in reclamation work since their incorporation, we are of view that Golden Empire had the expertise and capable of the subcontracting work under Subcontract Agreement. In addition, as confirmed with the Directors, given that the resources are sufficient and the reliability of Golden Empire, Golden Empire is capable to complete the project within the given time, which reduces such risk to the whole construction project.

As discussed with the management, there were no delay of subcontracting works which were awarded by Golden Empire from other Independent Third Party contractors. We have obtained and reviewed the historical track records and two samples of contract certificates which had completed and we noted that there was no delay of work. We do not cast any doubt on the reliability of Golden Empire in accordance with the delay of work.

Under the Subcontract Agreement, the construction requires some specific machineries such as articulated truck and wheel loader, which the Group does not have as confirmed by the Group. In this regard, we have reviewed the list of machineries as at 31 December 2018 that Golden Empire is able to provide.

As discussed with the management of the Group, beside the benefit of subcontracting work, the Group has considered future income generation by (i) capturing other ancillary works under the Tuas Western Coast Project which fall within the Group's expertise; earthwork and its related services; (ii) enhancing the Group's track record; and (iii) building a good relationship with a leading construction company who is the main contractor.

LETTER FROM VINCO CAPITAL

Having taken into consideration that (i) the Group will enjoy the benefits of subcontracting; (ii) expertise, capability and reliability of Golden Empire; and (iii) the stable and high quality business relationship with Golden Empire will be beneficial to the Group's current and future operations; we concur with the Director's view that entering into the Earth Disposal Framework Agreement is in the ordinary and usual course of business of the Group.

B. Principal terms of the Subcontract Agreement

Date of agreement: 29 March 2019 (as supplemented by its supplemental agreement dated 6 September 2019)

Parties: (1) Golden Empire; and (2) the Company.

Terms: The period commencing from 9 March 2019 and shall terminate on 31 December 2021, or such earlier date as the parties may agree.

Scope of services: Golden Empire has agreed to provide surcharge rehandling works for reclamation and marine work at Tuas Western Coast Project to the Group including the supply of manpower and construction equipment resources including maintenance provisions and a stock of spare parts and consumables, procurement of materials and equipment, spare parts/components and consumables as necessary, checking the operability of the works (as applicable), inspecting and testing resources, making good any deficiencies during the construction period, for the successful completion of the facilities and its operation as well as the provision everything whether of a temporary or permanent nature to permit the successful completion and maintenance of the work. The Group has tendered for and secured this project with the assistance of Golden Empire which has the relevant skills, manpower and machinery in providing surcharge rehandling work, which the Group does not have. The Group has intended to subcontract the whole of the scope of works specified under the Original Subcontract Agreement (as defined below) to Golden Empire.

LETTER FROM VINCO CAPITAL

The scope of work under the Original Subcontract Agreement (as defined below) includes removing existing good earth surcharge and placing to the next surcharge and reclamation, sand rehandling, management of the work site and planning and schedule control of the works, supply of manpower, supply of equipment for reclamation and marine works at Tuas Western Coast.

Principle terms: The principal terms of the Subcontract Agreement include: (1) pricing policy for the provision of surcharge rehandling works for reclamation and marine work; and (2) the specific scope of services, general obligations, ownership and title to the works, and such other terms and conditions as set out in the Subcontract Agreement.

Pricing Policy: The pricing for the subcontracting of the surcharge rehandling works for reclamation and marine work charged to Golden Empire by the Group is a fee at approximately 3% of the actual amount invoiced (“**Subcontracting Commission**”) under the subcontract agreement entered into by the Group with its Independent Third Party customer on 7 March 2019 (the “**Original Subcontract Agreement**”), as determined after arm-length negotiation with reference to industry practice and other projects of the Group involving subcontracting to other Independent Third Party subcontractors. The transactions were entered into on normal commercial terms.

If the scope of works under the Original Subcontract Agreement is expanded or reduced, the contract price in the Original Subcontract Agreement will be increased or reduced accordingly. In such event, the scope of works under the Subcontract Agreement will be expanded or reduced accordingly. The total Subcontracting Commission that the Group is entitled to charge Golden Empire will be calculated at approximately 3% of the actual final contract value as adjusted upwards or downwards based on the scope of works under the Original Subcontract Agreement, which will be invoiced at each relevant milestone. Given the Subcontracting Commission is within the usual fee range charged by the Group to other Independent Third Party subcontractors, and conforms with the practice of the construction industry, the Directors consider that the Subcontracting Commission is in line with the other projects of the Group which involve subcontracting and is in the interests of the Company and Shareholders as a whole.

LETTER FROM VINCO CAPITAL

After Golden Empire submits progress claim to the Group, the Group will present the claim to the Independent Third Party customer for payment. Upon receiving payment from the customer, the Group will pay Golden Empire after deducting the Subcontracting Commission calculated based on the relevant amount specified under each progress claim.

The project team of the Group reviewed (i) the quotations sourced from at least two Independent Third Party subcontractors; and (ii) the subcontracting fee of 2%-3% of the contract value charged to the subcontractors of historical projects of the Group of different work nature with other subcontractors to determine if the Subcontracting Commission and terms offered to Golden Empire are fair and reasonable and is no less favourable to the Group than is available to other Independent Third Party. After obtaining quotations, the project team assessed the quotations and formulated a report by reference to, among other things, the price, the experience and capability to complete the works and quality of work so as to determine the Subcontracting Commission to offer to Golden Empire. The head of the project team conducted a final review on the quotations and report to an Executive Directors to approve the quotation based on the above factors. The project team will monitor the process of the transactions to be conducted hereunder to ensure such price and terms of Subcontracting Commission is more favourable to the Group.

Regarding the pricing policy of the provision of surcharge rehandling works for reclamation and marine work to Golden Empire, as confirmed by the Directors, the market has been practising a fee of the price range as mentioned above. In order to have a fair and representative sample size in assessing the fairness and reasonableness of the pricing policy, we have randomly selected 2 projects which their total transaction value for the three years ended 31 December 2018 accounting for over 50% of the total subcontracting transaction amount within the Group to review. Based on the relevant invoices issued by other Independent Third Party subcontractor and their corresponding payment certificates in relation to the transactions covering the same scope of services with the Subcontract Agreement for the year ended 31 December 2018, we noted that the subcontract fee charged to other Independent Third Party subcontractors is approximately 3% of the actual amount invoiced, which is in line with the fee to be charged to Golder Empire. Also, we have obtained the letter of award for the surcharge rehandling works at Tuas Western Coast Project from the original contractor to the Group and the letter of award for this project issued by the Group to Golden Empire. Considering the terms explained in the letter of awards, including but not limited to (i) subcontract sum; (ii) payment terms; (iii) details of retention sum; (iv) subcontract period; (v) maintenance period; and (vi) work descriptions, we are of the view that the transactions contemplated under the Subcontract Agreement will be conducted on normal commercial terms and is fair and reasonable so far as the Independent Shareholders are concerned, and is in the interests of the Company and Shareholders as a whole.

LETTER FROM VINCO CAPITAL

In light of the above and in particular that the subcontract prices and the terms of the Subcontract Agreement is no less favourable to the Group than those accepted by other Independent Third Party subcontractors, we are of the view that the terms of the Subcontract Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole.

C. Basis of the proposed revised annual caps in respect of the Subcontract Agreement

Historical figure

The Group had not entered into any transactions of surcharge rehandling works for reclamation and marine work with Golden Empire during the three years ended 31 December 2018. From 9 March 2019 to 30 June 2019, the Group recognised subcontract services of approximately S\$255,000 from Golden Empire.

Proposed revised annual caps

When assessing the reasonableness of the proposed annual caps, we have discussed with the management of the Group the basis and assumptions underlying the projection of the proposed annual caps. The following table sets out the respective proposed annual caps and revised annual caps of the continuing connected transactions under the Subcontract Agreement for the three years ending 31 December 2021:

Continuing connected transactions	For the year ending 31 December		
	2019 (S\$)	2020 (S\$)	2021 (S\$)
Subcontract Agreement			
Proposed annual caps	4,000,000	7,000,000	1,000,000
Revised annual caps	3,170,000	7,567,000	1,263,000

LETTER FROM VINCO CAPITAL

In determining the fairness and reasonableness of the proposed revised annual caps for the Subcontract Agreement, we have reviewed the Original Subcontract Agreement for surcharge rehandling works, which was signed with the Independent Third Party contractors of the Tuas Western Coast Project. We noted the Original Subcontract Agreement and the Subcontract Agreement was mentioned to be governed by the Listing Rules. Both the Original Subcontract Agreement and Subcontract Agreement has listed the terms, including but not limited to (i) obligations of subcontractors; (ii) nature and details of the subcontracting work; (iii) regulatory requirements; (iv) payment terms; and (v) retention sum. In addition, we have obtained and reviewed the samples of historical subcontracting agreements signed between the Group and other Independent Third Party subcontractors. The pricing policy and the terms are similar including but not limited to (i) subcontract sum; (ii) payment terms; (iii) details of retention sum; (iv) subcontract period; (v) maintenance period; (vi) work descriptions; and (vii) liabilities for delay of work. We noted that the pricing policy and terms of all above-mentioned are comparable to the Group. Accordingly, we are of view that the terms and prices of the Subcontract Agreement is comparable to those subcontracting agreements.

As discussed with the management of the Group, the subcontracting project will take approximately two years averagely. Additionally, we have reviewed the construction subcontracting work of listed companies on the Stock Exchange and noted that the duration will not be more than three years. Therefore, we are of the view that the three-year proposed revised annual caps is fair and reasonable.

LETTER FROM VINCO CAPITAL

In determining the proposed revised annual caps for the Subcontract Agreement, the management of the Group has considered the resources of Original Subcontract Agreement and the progress details of the works required under the Subcontract Agreement and the Original Subcontract Agreement for the three years ending 31 December 2021. As advised by the management of the Group, the progress details is determined by the Group and Golden Empire after negotiations, subject to the requirements by the contractor. We have reviewed the progress details prepared by Golden Empire. In the progress details, the earthwork includes two main parts: (a) good earth rehandling; and (b) sand rehandling, which include different surcharge works and reclamation works. Each of the earthwork has been stated with (i) surcharge volume or reclamation volume in cubic volume; (ii) the expected time period; and (iii) the work flow. The total volume of the whole subcontract would be more than 6 million cubic metres. The surcharge volume has been approved by the relevant authorities. The earthwork sequence of each area can be adjusted as per site condition and progress. Each earthwork requires different machineries and labours. With respect of the surcharge volume or reclamation volume, the total hours required for each machinery or labour are listed under each stage of earthwork. When arriving the total tender price for submitting to the Independent Third Party contractor, the tender department of the Group had made reference to the total cost in the progress details. Based on the arm's length negotiation between the Group and Golden Empire, a margin would be added to the costs, which would arrive at the total contract sum receivable of approximately S\$11.7 million from the Independent Third Party contractor. Referring to the pricing policy under the Subcontract Agreement in our letter, a 3% subcontracting fee will be deducted from the total contract sum receivable from the Independent Third Party contractor and will be earned by the Group. The remaining amount would be payable to Golden Empire which would be transaction contemplated under the Subcontract Agreement. With the approval of the estimation of the total cost in the work programme by the tender department and the management of the Group, we are of the view that the estimation of the total cost in the work programme and tender price are fair and reasonable. Although the project is scheduled to complete in November 2020, the revised annual caps for the year ending 31 December 2021 is mainly for retention sum and buffer for earlier commencement of earthwork or delay.

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We discussed with the management of the Group the estimation of the resources required in the Subcontracting Agreement. With reference to the amount of the earthwork in the progress detail, Golden Empire provided the budget for its subcontracting part for Tuas Western Coast Project which would be approximately S\$10.6 million, based on standard unit cost of machineries such as excavator, bulldozer and water truck, and unit cost of manpower and the machine hours days required for such subcontracting work. When the tender department of the Group receives the budget, the manager of the tender department will adjust the amount before submitting the tender by considering the mark-up to both the Group and Golden Empire. Given the final receivable amount would be approximately S\$11.7 million, the total expected transactions with Golden Empire for the three years ending 31 December 2021 would be approximately S\$11.3 million (97% of the total contract sum receivable from the Independent Third Party contractor), which will be apportioned in accordance with the work progress.

In the progress detail, there are 10 construction works for good earth rehandling and 24 construction works for sand handling. Most of the construction works are interrelated. The completion of one part would affect the commencement of another construction works. Instead, the apportionment of the expected transactions are in accordance with the progress detail which had been negotiated with the Independent Third Party contractor. For the three years ending 31 December 2021, the total amount of earthwork required would be approximately 1.7 million cubic metres, 4.0 million cubic metres and 0.6 million cubic metres respectively. The total expected transactions will be proportionally apportioned to the three years ending 31 December 2021, amounting to approximately S\$2.9 million, S\$6.9 million and S\$1.1 million, respectively while the proposed revised annual cap contemplated under the Subcontract Agreement would be S\$3.2 million, S\$7.6 million and S\$1.3 million for the three years ending 31 December 2021 respectively. The difference between expected transactions and revised annual cap is considered as buffer in case of earlier commencement or delay of construction works according to the discussion with the management.

As such, we are of the view that the revised annual caps of the transactions contemplated under the Subcontract Agreement are fair and reasonable.

LETTER FROM VINCO CAPITAL

We have obtained a schedule which shows the variance between the forecast amount and actual transactions and noted that the construction works have been re-scheduled according to the current working progress. We also noted that the Group had made lower transactions than expected in the first half year in 2019. We have reviewed the progress claim of S\$0.5 million submitted in July 2019 and over 50% of the claim is recognised as the subcontract work provided by Golden Empire from 9 March 2019 to 30 June 2019. We note that the progress claim and payment certificate is in line with the revised working schedule provided by the Company. As confirmed by the Directors, the Group will get the construction works on schedule and is able to make transactions of approximately S\$3.0 million in the six months ending 31 December 2019 as mentioned. Accordingly, we concurred with the Directors's view that the Company is able to stick to the original work programme.

D. Conclusion

Having considered that:

- (i) Golden Empire and the Group are familiar with each other's business demands and able to complete the subcontracting work on time;
- (ii) the subcontract prices and the terms of the Subcontract Agreement is no less favourable to the Group than those accepted by other Independent Third Party subcontractors;
- (iii) the subcontracting agreements signed with Golden Empire is comparable to those with Independent Third Party subcontractors; and
- (iv) the duration and progress of the project is determined in accordance with the work programme, and Original Subcontract Agreement,

we are of the view that the terms of the Subcontract Agreement and its proposed revised annual caps are on normal commercial terms, in the ordinary and usual course of business of the Company and are fair and reasonable so far as the Company and the Independent Shareholders are concerned, and the entering into of the Subcontract Agreement is in the interest of the Company and the Shareholders as a whole.

LETTER FROM VINCO CAPITAL

INTERNAL CONTROL PROCEDURES

As confirm by the Director, the Company will follow a series of procedures to conduct the continuing connected transactions under the CCT Agreements and noted that the Group will adopt the internal control procedures. When the Group was informed of continuing connected transactions by the connected parties due to change of business strategies, the management of the Group will compare the prices and terms of historical transactions with the Independent Third Parties as a consideration of the continuing connected transactions. The following measures ensure the continuing connected transactions will not violate the pricing policy and not exceed the annual caps: (i) the procurement department or the project team will be responsible for establishing the procedures of price management before taking any new project with reference to the prevailing market prices of the same or comparable kind of projects, or the price to be agreed between the parties after having considered the market price; (ii) the head of the procurement department or the project team will monitor and review the pricing mechanism for the transactions under the CCT Agreements to ensure that the prices are determined on normal commercial terms, and report to the Executive Directors for them to confirm the prices are fair and reasonable; (iii) the chief financial officer will monitor the transaction amount of all the connected transaction agreements individually and collectively on a monthly basis to ensure that they are on a standalone basis and an aggregate basis would comply with the Listing Rules. Before the Group accepts a purchase order from a customer or issues a purchase order to a supplier, such purchase order must be presented to the chief financial officer for review and approval to ensure such sale or purchase is within the annual caps of the agreements. The finance department of the Group will report to the Board on a quarterly basis regarding the amounts conducted during the quarter and the estimated amount in the following quarter so as to facilitate the Board to monitor the actual amount of carried out, assess whether the Annual Caps will be exceeded and approve the coming transactions under the CCT Agreements; (iv) the independent non-executive Directors will conduct an annual review of the status of the transactions under the CCT Agreements to ensure the Group has complied with the Listing Rules; (v) the Director(s) and/or the Shareholder(s) with an interest in the relevant transaction(s) shall abstain from voting in respect of the resolution(s); and (vi) the Company will continue to engage the independent auditors to review the transactions under the CCT Agreements in compliance with the annual reporting and review requirements under the Listing Rules.

We have assessed the internal control policy for continuing connected transactions of the Group by discussing with the management of the Group in relation to the internal control procedures and reviewing the latest meeting minutes regarding the Connected Continuing Transactions schedule for the first quarter of year 2019 and the internal control policy document. We believe that such internal procedures abided by the internal control framework can effectively assure that the existing and possible future sales/purchases/agreements entered/to be entered with any connected parties are/will be on normal commercial terms and not prejudicial to the interests of the Company and its minority Shareholders. In view of the internal control measures established by the Company in relation to the continuing connected transactions, we are of the view that appropriate measures will be in place to govern the conduct of the continuing connected transactions under the Construction Materials Purchase Framework Agreement, the Transportation

LETTER FROM VINCO CAPITAL

Framework Agreement, the Rental Services Framework Agreement 1, the Rental Services Framework Agreement 2, Earth Disposal Framework Agreement and the Subcontract Agreement and safeguard the interests of the Independent Shareholders. Accordingly, we have reviewed five circulars in relation to the continuing connected transactions as disclosed by the listed companies on the main board of the Stock Exchange during the past three months period prior to 29 August 2019, which reveals those companies have a practice of reporting on the continuing connected transactions to the Board on a quarterly basis. Also, the Company has assigned the chief financial officer of the Company to monitor the transaction amount of all the connected transaction agreements individually and collectively on monthly basis to ensure that they are on a standalone basis and an aggregate basis which would comply with the Listing Rules. If transaction amount on an individual or aggregate basis might lead to non-compliance with the Listing Rules, the Group would cease all transactions until the annual caps have been approved. Having taken the usual practice of the other listed companies on the Stock Exchange, we consider the meetings for at least once every quarter to report to the Board regarding the continuing connected transactions entered by the Group can ensure the pricing policy will be adhered from time to time and the monthly review to be implemented by the Company on all the connected transaction agreements would further enhance the adequacy and effectiveness of the internal control measures to be adopted by the Company for continuing connected transaction if the internal control policy will be properly executed by the management.

RECOMMENDATION

Having taken the above principal factors and reasons, we considered that (i) the CCT Agreements are in the ordinary and usual course of business of the Group; (ii) the terms of the CCT Agreements are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; (iii) the entering into of CCT Agreements is in the interests of the Company and the Shareholders as a whole; and (iv) the revised annual caps or further revised annual caps in respect of each of the CCT Agreements and the continuing connected transactions contemplated thereunder for the three years ending 31 December 2021 are fair and reasonable so far as the Independent Shareholders are concerned.

Accordingly, we advise the Independent Board Committee to recommend, and we ourselves recommend, the Independent Shareholders, to vote in favour of the ordinary resolutions to be proposed at the EGM approving the CCT Agreements and the continuing connected transactions contemplated thereunder and their respective annual caps.

Yours faithfully,
For and on behalf of
Vinco Capital Limited
Alister Chung
Managing Director

Note: Mr. Alister Chung is a licensed person registered with the Securities and Future Commission of Hong Kong and a responsible officer of Vinco Capital Limited to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO and has participated in the provision of independent financial advisory services for various transactions involving companies listed in Hong Kong for over 10 years.

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) Directors' interest or short positions in shares and underlying shares of the Company and its associated corporations

As at the Latest Practicable Date, save as disclosed below, none of the Directors or the chief executive of the Company or their respective associates had or was deemed to have any interests and short positions in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) (i) which were 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 they were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to section 352 of the SFO to be entered in the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules:

Name of Director	Capacity/nature of interest	Relevant company (including associated corporations)	Number of Shares (Note 1)	Approximate percentage of interest
Mr. Alan Lim	Interest in controlled corporation	Brewster Global Holdings Limited	529,125,000 (L) (Note 2)	51.05%
	Beneficial owner	–	4,044,000 (L) (Note 3)	0.39%

Notes:

- The letter “L” stands for a long position in the Shares.
- Brewster Global Holdings Limited directly beneficially owned 529,125,000 Shares. Brewster Global Holdings Limited is owned as to 100% by Mr. Alan Lim. Accordingly, Mr. Alan Lim is deemed to be interested in all the Shares owned by Brewster Global Holdings Limited by virtue of the SFO.
- Mr. Alan Lim held 4,044,000 Shares in his personal capacity, representing approximately 0.39% of total issued share capital of the Company. As a result, his total deemed interest in all the Shares has increased to 533,169,000 shares, representing approximately 51.44% of the issued shares capital of the Company.

As at the Latest Practicable Date, save as disclosed above, none of the Directors was a director or employee of a company which had, or was deemed to have, 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.

(b) Persons who have an interest or short position which is discloseable under Divisions 2 and 3 of Part XV of the SFO and substantial Shareholders

So far as was known to the Directors and the chief executive of the Company, as at the Latest Practicable Date, persons other than a Director or chief executive of the Company who had interests or short positions in the Shares and underlying Shares which were required to be disclosed to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO or required to be recorded in the register of substantial shareholders maintained by the Company pursuant to section 336 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 the Company, were as follows:

Name of substantial Shareholder	Capacity/nature of interest	Number of Shares (Note 1)	Approximate percentage of interest
Brewster Global Holdings Limited	Beneficial owner	529,125,000 (L) (Note 2)	51.05%
Ms. Yee Say Lee	Interest of spouse	533,169,000 (L) (Note 3)	51.44%
Excel Precise International Limited ("EPI")	Person having a security interest in shares	529,125,000 (L) (Note 4)	51.05%
True Promise Investments Limited ("TPI")	Interest in controlled corporation	529,125,000 (L) (Note 4)	51.05%
Mr. Law Fei Shing	Interest in controlled corporation	529,125,000 (L) (Note 4)	51.05%

Notes:

- The letter "L" stands for a long position in the Shares.
- The entire issued share capital of Brewster Global Holdings Limited is beneficially owned by Mr. Alan Lim who is deemed to be interested in all the Shares held by Brewster Global Holdings Limited by virtue of the SFO.
- Ms. Yee Say Lee is the spouse of Mr. Alan Lim and is deemed to be interested in the Shares held by Mr. Alan Lim.

4. According to the corporate substantial shareholder notices filed on 22 December 2017 by each of EPI and TPI and the individual substantial shareholder notice filed on 22 December 2017 by Mr. Law Fei Shing, EPI is interested in 529,125,000 Shares by way of a security interest in those Shares. EPI is owned as to 73.5% by TPL and 25.0% by Mr. Law Fei Shing, while TPL is in turn wholly owned by Mr. Law Fei Shing. Therefore, TPL and Mr. Law Fei Shing are deemed to be interested in all the Shares held by EPI by virtue of the SFO.

Save as disclosed above, so far as was known to the Directors or the chief executive of the Company, as at the Latest Practicable Date, no persons other than a Director or chief executive of the Company had any interests or short positions in the Shares or underlying Shares which were required to be disclosed to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO or required to be recorded in the register of substantial shareholders maintained by the Company pursuant to section 336 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 the Company.

3. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with any member of the Group which would not expire or would not be determinable by such member of the Group 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 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 asset 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 December 2018, being the date to which the latest published audited financial statements of the Group were made up.

5. MATERIAL ADVERSE CHANGE

The Directors are not aware of any material adverse change in the financial position or trading position of the Group since 31 December 2018, being the date to which the latest published audited financial statements of the Group was made up.

6. 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.

7. 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.

8. EXPERT QUALIFICATION AND CONSENT

The following is the qualification of the expert whose name, opinions and/or reports are contained in this circular:

Name	Qualification
Vinco Capital	A corporation licensed to carry on type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO

As at the Latest Practicable Date, the above expert (i) had no shareholding 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 securities in any member of the Group; (ii) had no direct or indirect interest in any assets which had been, since 31 December 2018 (the date to which the latest published audited consolidated financial statements of the Group were made up), acquired, disposed of by, or leased to any member of the Group, or were proposed to be acquired, disposed of by, or leased to any member of the Group; and (iii) had given and had not withdrawn its consent to the issue of this circular with the inclusion of its letter, opinions and/or reports and the reference to its name included herein in the form and context in which they respectively appear.

9. GENERAL

- (i) The registered office of the Company is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.
- (ii) The headquarters and principal place of business of the Company in Singapore is located at 20 Senoko Drive, Singapore 758207.
- (iii) The principal place of business of the Company in Hong Kong is located at 57/F, The Center, 99 Queen's Road Central, Hong Kong.

- (iv) The company secretary of the Company is Ms. Ngan Chui Wan Judy. Ms. Ngan is an associate member of Institute of Chartered Secretaries and Administrators and an associate member of The Hong Kong Institute of Company Secretaries.
- (v) The Cayman Islands principal share registrar and transfer office is Codan Trust Company (Cayman) Limited, Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.
- (vi) The Hong Kong share registrar and transfer office is Tricor Investor Services Limited, whose address is Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong.
- (vii) This circular is prepared in both English and Chinese. In the event of inconsistency, the English text shall prevail over its Chinese text unless otherwise specified.

10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours at the principal place of business of the Company in Hong Kong at 57/F, The Center, 99 Queen's Road Central, Hong Kong from the date of this circular and up to the date of the EGM:

- (i) each of the CCT Agreements;
- (ii) the letter from the Independent Board Committee to the Independent Shareholders, the text of which is set out on pages 36 to 37 of this circular;
- (iii) the letter of advice from Vinco Capital to the Independent Board Committee and the Independent Shareholders, the text of which is set out on pages 38 to 114 in this circular;
- (iv) the written consent from the expert referred to in the paragraph headed "Expert Qualification and Consent" in this appendix; and
- (v) this circular.

NOTICE OF EXTRAORDINARY GENERAL MEETING

Chuan Holdings Limited

川 控 股 有 限 公 司 *

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1420)

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (“**Meeting**”) of Chuan Holdings Limited (“**Company**”) will be held at 20 Senoko Drive, Singapore 758207 on Wednesday, 16 October 2019 at 3:00 p.m. for the purpose of considering and, if thought fit, passing the following resolution with or without amendments as ordinary resolution of the Company. Unless otherwise specified, capitalised terms used herein shall have the same meanings as those defined in the circular of the Company dated 13 September 2019 of which the notice convening the Meeting forms part.

ORDINARY RESOLUTION

“THAT

- (a) the construction materials purchase framework agreement dated 10 December 2018 (as clarified by the announcement of the Company dated 31 December 2018, as supplemented by its first supplemental agreement dated 29 March 2019 and its second supplemental agreement dated 6 September 2019) entered into between United E&P Pte. Ltd. and the Company (“**Construction Materials Purchase Framework Agreement**”, a copy of which has been produced at the Meeting marked “**A**” and signed by the chairman of the Meeting for the purpose of identification) and the execution thereof and implementation of all transactions contemplated thereunder, as well as the further revised annual cap contemplated thereof, be and are hereby approved, confirmed and ratified;
- (b) the transportation framework agreement dated 10 December 2018 (as supplemented by its first supplemental agreement dated 31 December 2018, its second supplemental agreement dated 29 March 2019 and its third supplemental agreement dated 6 September 2019) entered into between United E&P Pte. Ltd. and the Company (“**Transportation Framework Agreement**”, a copy of which has been produced at the Meeting marked “**B**” and signed by the chairman of the Meeting for the purpose of identification) and the execution thereof and implementation of all transactions contemplated thereunder, as well as the further revised annual cap contemplated thereof, be and are hereby approved, confirmed and ratified;

* for identification purpose only

NOTICE OF EXTRAORDINARY GENERAL MEETING

- (c) the rental services framework agreement dated 10 December 2018 (as supplemented by its first supplemental agreement dated 31 December 2018 and its second supplemental agreement dated 29 March 2019) entered into between Golden Empire Civil Engineering Pte. Ltd. and the Company (“**Rental Services Framework Agreement 1**”, a copy of which has been produced at the Meeting marked “**C**” and signed by the chairman of the Meeting for the purpose of identification) and the execution thereof and implementation of all transactions contemplated thereunder, as well as the revised annual cap contemplated thereof, be and are hereby approved, confirmed and ratified;
- (d) the rental services framework agreement dated 10 December 2018 (as supplemented by its first supplemental agreement dated 31 December 2018 and its second supplemental agreement dated 29 March 2019) entered into between Golden Empire-Huatong Pte. Ltd. and the Company (“**Rental Services Framework Agreement 2**” a copy of which has been produced at the Meeting marked “**D**” and signed by the chairman of the Meeting for the purpose of identification) and the execution thereof and implementation of all transactions contemplated thereunder, as well as the revised annual cap contemplated thereof, be and are hereby approved, confirmed and ratified;
- (e) the earth disposal framework agreement dated 29 March 2019 (as supplemented by its supplemented agreement dated 6 September 2019) entered between Golden Empire-Huatong Pte. Ltd. and the Company (“**Earth Disposal Framework Agreement**”, a copy of which has been produced at the Meeting marked “**E**” and signed by the chairman of the Meeting for the purpose of identification) and the execution thereof and implementation of all transactions contemplated thereunder, as well as the revised annual cap contemplated thereof, be and are hereby approved, confirmed and ratified;
- (f) the subcontract agreement dated 29 March 2019 (as supplemented by its supplemental agreement dated 6 September 2019) entered between Golden Empire Civil Engineering Pte. Ltd. and the Company (“**Subcontract Agreement**”, a copy of which has been produced at the Meeting marked “**F**” and signed by the chairman of the Meeting for the purpose of identification) and the execution thereof and implementation of all transactions contemplated thereunder, as well as the revised annual cap contemplated thereof, be and are hereby approved, confirmed and ratified; and

NOTICE OF EXTRAORDINARY GENERAL MEETING

- (g) the directors of the Company are authorised to do all such acts and/or things and/or execute all such documents incidental to, ancillary to or in connection with matters contemplated in or relating to the Construction Materials Purchase Framework Agreement, the Transportation Framework Agreement, the Rental Services Framework Agreement 1, the Rental Services Framework Agreement 2, the Earth Disposal Framework Agreement and the Subcontract Agreement and all transactions contemplated thereunder they may in their absolute discretion consider necessary, desirable or expedient to give effect to the Construction Materials Purchase Framework Agreement, the Transportation Framework Agreement, the Rental Services Framework Agreement 1, the Rental Services Framework Agreement 2, the Earth Disposal Framework Agreement and the Subcontract Agreement and the implementation of all transactions contemplated thereby and thereunder and to agree to such variation, amendment or waiver as are, in the opinion of the directors of the Company, in the interest of the Company.”

By Order of the Board
Chuan Holdings Limited
Lim Kui Teng
Chairman and Executive Director

Hong Kong, 13 September 2019

Registered office:

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

Principal place of business in Singapore:

20 Senoko Drive
Singapore 758207

NOTICE OF EXTRAORDINARY GENERAL MEETING

Notes:

1. Any member entitled to attend and vote at the Meeting convened by the above notice is entitled to appoint one or more proxies to attend and, in the event of a poll, vote in his/her stead. A proxy needs not be a member of the Company.
2. A form of proxy for use at the Meeting is enclosed. In order to be valid, the form of proxy must be duly completed and signed in accordance with the instructions printed thereon and deposited together with a power of attorney or other authority, if any, under which it is signed, or a notarially certified copy of such power or authority, at Company's branch share registrar in Hong Kong, Tricor Investors Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not less than 48 hours before the time appointed for holding the Meeting or any adjournment thereof.
3. Completion and return of a form of proxy will not preclude a member from attending in person and voting at the Meeting or any adjournment thereof, should he so wish, and in such event, the form of proxy shall be deemed to be revoked.
4. The register of members of the Company will be closed, for the purpose of determining Shareholders' entitlement to attend and vote at the meeting, from Thursday, 10 October 2019 to Wednesday, 16 October 2019 (both days inclusive), during this period no transfer of shares will be registered. In order to attend and vote at the meeting, Shareholders should ensure that all transfer documents, accompanied by the relevant share certificates, are lodged with the Company's branch share registrar in Hong Kong, Tricor Investors Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration, not later than 4:30 p.m. on Wednesday, 9 October 2019.
5. Where there are joint holders of any share of the Company, any one of such joint holder may vote, either in person or by proxy, in respect of such shares as if he were solely entitled to vote, but if more than one of such joint holders are present at the Meeting, the most senior holder shall alone be entitled to vote, whether in person or by proxy. For this purpose, seniority shall be determined by reference to the order in which the names of the joint holders stand first on the register of shareholders of the Company in respect of the joint holding.
6. Pursuant to Article 66, the above resolution put to vote at the Meeting shall be decided by poll as required under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.