

CIRCULAR DATED 30 JUNE 2017

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. PLEASE READ IT CAREFULLY.

If you are in any doubt as to the action that you should take, you should consult your legal, financial, tax, or other professional adviser(s) immediately.

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

This Circular has been prepared by the Company and its contents have been reviewed by the Company's sponsor, UOB Kay Hian Private Limited ("**Sponsor**"), for compliance with the Singapore Exchange Securities Trading Limited ("**SGX-ST**") Listing Manual Section B: Rules of Catalyst ("**Catalist Rules**"). The Sponsor has not verified the contents of this Circular. The SGX-ST does not normally review the application for admission, but relies on the Sponsor confirming that the Enlarged Group (as defined herein) is suitable to be listed and complies with the Catalyst Rules.

Neither the Monetary Authority of Singapore ("**Authority**") nor the SGX-ST has examined or approved the contents of this Circular. Neither the Authority nor the SGX-ST assumes any responsibility for the contents of this Circular, including the correctness or accuracy of any of the statements made, reports contained or opinions expressed. The lodgment of this Circular with the SGX-ST does not imply that the Securities and Futures Act, Cap. 289, of Singapore ("**SFA**"), or any other legal or regulatory requirements, or requirements under the Catalyst Rules (as defined herein), have been complied with.

An application has been made to the SGX-ST for permission for the listing and quotation of the Consideration Shares and the Exchange Shares to be allotted and issued for listing on the Catalyst. The listing and quotation notice, if issued by the SGX-ST, is not to be taken as an indication of the merits of the Proposed Transactions, the Company, the Group, the Target Group, the Enlarged Group, the Shares, the Consideration Shares or the Exchange Shares (all as defined herein). Terms appearing on the cover of this Circular bear the same meanings as defined in this Circular.

Companies listed on the Catalyst may carry higher investment risk when compared with larger or more established companies listed on the SGX-ST Mainboard. In particular, companies may list on the Catalyst without a track record of profitability and there is no assurance that there will be a liquid market in the Shares traded on the Catalyst. You should be aware of the risks of investing in such companies and should make the decision to invest only after careful consideration and, if appropriate, consultation with your professional adviser(s).

The contact persons for the Sponsor are Mr Alvin Soh, Head of Catalyst Operations, Senior Vice President and Mr Josh Tan, Vice President, who can be contacted at 8 Anthony Road, #01-01, Singapore 229957, telephone (65) 6590 6881.

Your attention is drawn to Section 4.6 of the Circular entitled "Risks associated with the New Businesses", Section 5.2 of the Circular entitled "Risk Factors relating to the Enlarged Group" and Section 20 of Appendix A to this Circular entitled "Risk Factors", which you should review carefully and in their entirety.



ANCHOR RESOURCES LIMITED

(Company Registration No. 201531549N)
(Incorporated in the Republic of Singapore)

CIRCULAR TO SHAREHOLDERS IN RELATION TO

- (1) THE PROPOSED ACQUISITION OF ALL THE ISSUED AND FULLY-PAID SHARES IN THE CAPITAL OF GGT MANUFACTURING SDN. BHD., BEING A VERY SUBSTANTIAL ACQUISITION AND AN INTERESTED PERSON TRANSACTION UNDER THE CATALIST RULES ("PROPOSED ACQUISITION");
- (2) THE PROPOSED ALLOTMENT AND ISSUE OF THE CONSIDERATION SHARES TO THE VENDORS AT THE ISSUE PRICE OF S\$0.145 PER CONSIDERATION SHARE PURSUANT TO THE PROPOSED ACQUISITION;
- (3) THE PROPOSED ALLOTMENT AND ISSUE OF THE CONSIDERATION SHARES TO LIM CHIAU WOEI (MANAGING DIRECTOR AND SUBSTANTIAL SHAREHOLDER OF THE COMPANY) AT THE ISSUE PRICE OF S\$0.145 PER CONSIDERATION SHARE PURSUANT TO THE PROPOSED ACQUISITION, BEING AN INTERESTED PERSON TRANSACTION UNDER THE CATALIST RULES;
- (4) THE PROPOSED WHITWASH RESOLUTION BY INDEPENDENT SHAREHOLDERS FOR THE WAIVER OF THEIR RIGHTS TO RECEIVE A MANDATORY GENERAL OFFER FROM LIM CHIAU WOEI AND HIS CONCERT PARTIES;
- (5) THE PROPOSED TRANSFER OF CONTROLLING INTEREST TO LUMINOR PACIFIC FUND 1 LTD. PURSUANT TO THE PROPOSED ACQUISITION;
- (6) THE PROPOSED DIVERSIFICATION OF THE CORE BUSINESS OF THE GROUP TO INCLUDE THE DIMENSION STONE GRANITE BUSINESS AND THE INTERIOR FIT-OUT BUSINESS;
- (7) THE PROPOSED ISSUE OF EXCHANGEABLE BONDS DUE 2019 IN AN AGGREGATE PRINCIPAL AMOUNT OF S\$2.0 MILLION TO LUMINOR PACIFIC FUND 2 LTD. ("PROPOSED EXCHANGEABLE BONDS ISSUE");
- (8) THE PROPOSED ALLOTMENT AND ISSUE OF EXCHANGE SHARES PURSUANT TO THE PROPOSED EXCHANGEABLE BONDS ISSUE; AND
- (9) THE PROPOSED IPT MANDATE.

Sponsor and Financial Adviser to the Company in respect of the Proposed Acquisition

UOB KayHian

UOB KAY HIAN PRIVATE LIMITED

(Company Registration No. 197000447W)
(Incorporated in the Republic of Singapore)

Independent Financial Adviser to the Non-Interested Directors in respect of the Interested Person Transaction in connection with the Proposed Acquisition, the Proposed Whitewash Resolution and the Proposed IPT Mandate

ASIAN CORPORATE ADVISORS PTE. LTD.

(Company Registration No. 200310232R)
(Incorporated in the Republic of Singapore)

IMPORTANT DATES AND TIMES

Last date and time for lodgment of Proxy Form	:	17 July 2017 at 11.00 a.m.
Date and time of Extraordinary General Meeting	:	19 July 2017 at 11.00 a.m.
Place of Extraordinary General Meeting	:	Topaz Room, Level 2, Sheraton Towers, 39 Scotts Road, Singapore 228230

TABLE OF CONTENTS

CORPORATE INFORMATION	1
DEFINITIONS.....	4
GLOSSARY OF TECHNICAL TERMS	15
CAUTIONARY NOTE ON FORWARD-LOOKING STATEMENTS.....	21
LETTER TO SHAREHOLDERS	22
1. INTRODUCTION	22
2. THE PROPOSED ACQUISITION AND THE PROPOSED ALLOTMENT	25
3. THE PROPOSED WHITEWASH RESOLUTION.....	34
4. PROPOSED DIVERSIFICATION	37
5. INFORMATION ON THE ENLARGED GROUP	44
6. PROPOSED EXCHANGEABLE BONDS ISSUE	45
7. PROPOSED IPT MANDATE.....	52
8. LISTING AND QUOTATION NOTICE BY THE SGX-ST.....	61
9. FINANCIAL EFFECTS	61
10. OPINION OF THE INDEPENDENT FINANCIAL ADVISER	63
11. OPINION OF THE AUDIT COMMITTEE	65
12. INTERESTS OF DIRECTORS, SUBSTANTIAL SHAREHOLDERS, THE VENDORS AND LUMINOR 2.....	66
13. DIRECTORS' RECOMMENDATIONS.....	67
14. EXTRAORDINARY GENERAL MEETING	68
15. ABSTENTION FROM VOTING.....	69
16. ACTION TO BE TAKEN BY SHAREHOLDERS	69
17. RESPONSIBILITY STATEMENT	70
18. CONSENTS	70
19. DOCUMENTS AVAILABLE FOR INSPECTION	72
APPENDIX A – LETTER TO SHAREHOLDERS FROM THE BOARD OF DIRECTORS OF GGT MANUFACTURING SDN. BHD.....	A-1
1. BACKGROUND AND HISTORY	A-1
2. INDUSTRY AND BUSINESS OVERVIEW	A-3
3. SHARE CAPITAL AND SHAREHOLDERS	A-24
4. COMPETITION AND COMPETITIVE STRENGTHS.....	A-25
5. INDEPENDENT VALUATION	A-28
6. MAJOR CUSTOMERS AND SUPPLIERS	A-29
7. INVENTORY MANAGEMENT.....	A-31
8. CREDIT MANAGEMENT	A-31

TABLE OF CONTENTS

9. SEASONALITY.....	A-33
10. RESEARCH AND DEVELOPMENT	A-33
11. HEALTH, SAFETY, ENVIRONMENT AND QUALITY ASSURANCE.....	A-33
12. DIRECTORS AND EMPLOYEES	A-34
13. CORPORATE GOVERNANCE AND INTERNAL CONTROLS	A-38
14. CORPORATE SOCIAL RESPONSIBILITY	A-39
15. SALES AND MARKETING	A-39
16. INSURANCE	A-40
17. INTELLECTUAL PROPERTY.....	A-40
18. PROPERTIES AND FIXED ASSETS	A-40
19. GOVERNMENT REGULATIONS, PERMITS AND LICENCES	A-42
20. RISK FACTORS.....	A-52
21. SELECTED FINANCIAL INFORMATION	A-76
22. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL POSITION AND RESULTS OF OPERATIONS.....	A-78
23. TAXATION LIABILITIES	A-101
24. CAPITALISATION AND INDEBTEDNESS	A-102
25. PROSPECTS, TRENDS AND FUTURE PLANS	A-104
26. ORDER BOOK.....	A-114
27. DIVIDEND POLICY	A-114
28. INTERESTED PERSON TRANSACTIONS.....	A-114
29. CONFLICTS OF INTEREST.....	A-119
30. GENERAL AND STATUTORY INFORMATION.....	A-120
31. RESPONSIBILITY STATEMENT OF THE DIRECTORS OF GGTM.....	A-123
APPENDIX B – IFA LETTER	B-1
APPENDIX C – QUALIFIED PERSON'S REPORT	C-1
APPENDIX D – VALMIN VALUATION REPORT	D-1
APPENDIX E – BUSINESS VALUATION REPORT	E-1
APPENDIX F – INDUSTRY REPORT	F-1
APPENDIX G – ABRIDGED LEGAL OPINION FROM ZAID IBRAHIM & CO	G-1
APPENDIX H – AUDITED FINANCIAL STATEMENTS OF GGT MANUFACTURING SDN. BHD. FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2014, 31 DECEMBER 2015 AND 31 DECEMBER 2016	H-1
APPENDIX I – UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP	I-1

TABLE OF CONTENTS

APPENDIX J – TAXATION.....	J-1
APPENDIX K – INFORMATION RELATING TO THE PROPOSED EXCHANGEABLE BONDS ISSUE.....	K-1
NOTICE OF EXTRAORDINARY GENERAL MEETING	N-1
PROXY FORM	

CORPORATE INFORMATION

BOARD OF DIRECTORS	:	Dr Wilson Tay (Non-Executive Chairman and Lead Independent Director) Mr Lim Chiau Woei (Managing Director) Mr Chan Koon Mong (Executive Director) Mr William Law (Non-Executive Director) Ms Ch'ng Li-Ling (Independent Director) Mr Gavin Mark McIntyre (Independent Director)
COMPANY SECRETARIES	:	Mr Low Wee Siong, LLB Ms Tan Swee Gek, LLB
REGISTERED OFFICE	:	<u>Company</u> 80 Robinson Road #17-02 Singapore 068898 <u>GGT Manufacturing Sdn. Bhd.</u> No. 9A Jalan Medan Tuanku Medan Tuanku 50300 Kuala Lumpur Wilayah Persekutuan Malaysia Telephone: 03-2691 8996 Facsimile: 03-2698 6996
PRINCIPAL PLACE OF BUSINESS	:	<u>Company</u> C-3A-9, 10, 11 & 12, Block C Pusat Komersial Southgate No. 2 Jalan Dua Off Jalan Chan Sow Lin 55200 Kuala Lumpur Wilayah Persekutuan Malaysia Telephone: 603-9221 6760 Facsimile: 603-9221 5997 <u>GGT Manufacturing Sdn. Bhd.</u> C-3A-9, 10, 11 & 12, Block C Pusat Komersial Southgate No. 2 Jalan Dua Off Jalan Chan Sow Lin 55200 Kuala Lumpur Wilayah Persekutuan Malaysia Telephone: 603-9221 1997 Facsimile: 603-9221 5997

CORPORATE INFORMATION

SPONSOR AND FINANCIAL ADVISER TO THE COMPANY IN RESPECT OF THE PROPOSED ACQUISITION	: UOB Kay Hian Private Limited 8 Anthony Road #01-01 Singapore 229957
REPORTING ACCOUNTANTS TO THE COMPANY	: BDO LLP 600 North Bridge Road #23-01 Parkview Square Singapore 188778 Partner-in-charge: Mr Leong Hon Mun Peter (a member of the Institute of Singapore Chartered Accountants)
INDEPENDENT AUDITORS OF GGT MANUFACTURING SDN. BHD.	: BDO Level 8, BDO @ Menara CenTARa 360 Jalan Tuanku Abdul Rahman 50100 Kuala Lumpur Malaysia Partner-in-charge: Mr Lum Chiew Mun (a member of the Malaysian Institute of Accountants)
LEGAL ADVISER TO THE COMPANY	: Rajah & Tann Singapore LLP 9 Battery Road #25-01 Singapore 049910
LEGAL ADVISER TO THE COMPANY IN RESPECT OF MALAYSIAN LAW	: Zaid Ibrahim & Co. Level 19 Menara Milenium Jalan Damanlela Pusat Bandar Damansara 50490 Kuala Lumpur Malaysia
LEGAL ADVISER TO THE SPONSOR AND FINANCIAL ADVISER TO THE COMPANY IN RESPECT OF THE PROPOSED ACQUISITION	: Wong Tan & Molly Lim LLC 80 Robinson Road #17-02 Singapore 068898
INDEPENDENT FINANCIAL ADVISER	: Asian Corporate Advisors Pte. Ltd. 160 Robinson Road #21-05 SBF Center Singapore 068914
INDEPENDENT QUALIFIED PERSON	: Rockhound Limited 12A Times Media Centre 133 Wanchai Road Hong Kong

CORPORATE INFORMATION

INDEPENDENT VALUER	:	Jones Lang LaSalle Corporate Appraisal and Advisory Limited 6/F Three Pacific Place 1 Queen's Road East Hong Kong
INDEPENDENT INDUSTRY CONSULTANT	:	Frost & Sullivan (Singapore) Pte. Ltd. 100 Beach Road #29-01/11 Shaw Tower Singapore 189702
INDEPENDENT EXPERT TECHNICAL ADVISER TO THE SPONSOR AND FINANCIAL ADVISER TO THE COMPANY IN RESPECT OF THE PROPOSED ACQUISITION	:	Behre Dolbear & Company (USA), Inc. P.O. Box 3317 Greenwood Village, Colorado 80155 United States of America
SHARE REGISTRAR	:	B.A.C.S. Private Limited 8 Robinson Road #03-00 ASO Building Singapore 048544

DEFINITIONS

In this Circular, the following definitions shall apply throughout unless the context otherwise requires or unless otherwise stated:

Companies within the Enlarged Group

“Company”	:	Anchor Resources Limited
“Enlarged Group”	:	The enlarged group comprising the Group and the Target, assuming Completion
“Group”	:	The Company and its subsidiaries as at the Latest Practicable Date
“GGTM” or “Target”	:	GGT Manufacturing Sdn. Bhd.

Other Companies, Organisations, Agencies and other Persons

“CDP”	:	The Central Depository (Pte) Limited
“Dr Wilson Tay”	:	Dr Tay Chuan Hui
“Foo”	:	Dr Foo Fatt Kah
“Gabungan”	:	Gabungan Granite (Terengganu) Sdn. Bhd.
“IFA” or “ACA”	:	Asian Corporate Advisors Pte. Ltd., the independent financial adviser to the Non-Interested Directors in relation to (i) the Interested Person Transaction in connection with the Proposed Acquisition, (ii) the Proposed Whitewash Resolution, and (iii) the Proposed IPT Mandate
“Independent Valuer” or “JLL”	:	Jones Lang LaSalle Corporate Appraisal and Advisory Limited, (i) the independent business valuer engaged to prepare the Business Valuation Report, and (ii) the independent valuer engaged to prepare the VALMIN Valuation Report in accordance with the VALMIN Code
“Independent Industry Consultant” or “Frost & Sullivan”	:	Frost & Sullivan (Singapore) Pte. Ltd., the independent industry consultant engaged to prepare the Industry Report
“Independent Qualified Person” or “Rockhound”	:	Rockhound Limited, independent qualified person engaged to prepare the Qualified Person’s Report in accordance with the JORC Code
“JHW”	:	JHW Minerals & Resources Pte. Ltd.

DEFINITIONS

“JMG”	:	Mineral and Geoscience Department Malaysia, Terengganu
“Koh”	:	Mdm Koh Ah Luan
“Kwan CS”	:	Mr Kwan Chee Seng
“Kwan YW”	:	Ms Kwan Yu Wen
“LTAWNT”	:	Lembaga Tabung Amanah Warisan Negeri Terengganu, the State Heritage Trust Fund Board of Terengganu
“Lim”	:	Mr Lim Chiau Woei
“Luminor 1”	:	Luminor Pacific Fund 1 Ltd.
“Luminor 2”	:	Luminor Pacific Fund 2 Ltd.
“Luminor Capital”	:	Luminor Capital Pte. Ltd.
“Luminor Group”	:	Kwan CS, Kwan YW and Foo, and Luminor group of companies, including but not limited to Luminor Capital, Luminor 1 and Luminor 2
“Non-Interested Directors”	:	The Directors of the Company who are independent for the purposes of the Proposed Transactions, being Dr Wilson Tay, Chan Koon Mong and Ch’ng Li-Ling
“Peter Ling”	:	Mr Peter Ling Sie Wuong
“PMINT”	:	Perbadanan Memajukan Iktisad Negeri Terengganu, a state body established pursuant to the Terengganu State Economic Development Corporation Enactment 1995
“PRC”	:	People’s Republic of China
“PTG”	:	Terengganu Director of Lands and Mines Office, a department of the Terengganu State Authority
“SGX-ST”	:	Singapore Exchange Securities Trading Limited
“SIC”	:	Securities Industry Council
“Sponsor” or “Financial Adviser”	:	UOB Kay Hian Private Limited

DEFINITIONS

“Terengganu State Authority”	:	The Ruler or the State Executive Council, as defined in Enactment 2002
“Vendors”	:	Lim, Koh and Luminor 1
“Well-Cept”	:	Well-Cept Equity Partners Sdn. Bhd.
“William Law”	:	Mr Law Phooi Wong

General

“Announcement”	:	The Company's announcement dated 27 June 2016 in connection with, <i>inter alia</i> , the Proposed Acquisition
“Audit Committee”	:	The audit committee of the Company as at the date of this Circular
“Board”	:	The board of Directors of the Company as at the date of this Circular
“Bonds” or “EB”	:	Exchangeable bonds due 2019 in an aggregate principal amount of S\$2.0 million to be issued by the EB Subsidiary pursuant to the EB Subscription Agreement
“Bukit Chetai Mine”	:	H.S. (D) 978, PT 4161, Bukit Chetai, Mukim Tersat, Daerah Hulu Terengganu
“Bukit Machang Property”	:	H.S. (D) 1122, PT 7812 (now known as PN 9746, Lot 60416) and H.S. (D) 1123, PT 7813 (now known as PN 9747, Lot 60417), Bukit Machang, Mukim Hulu Berang, Daerah Hulu Terengganu
“Bukit Machang Property Lot 1”	:	H.S. (D) 1122, PT 7812 (now known as PN 9746, Lot 60416) of the Bukit Machang Property, as described in Section 2.3 of Appendix A to this Circular
“Bukit Machang Property Lot 2”	:	H.S. (D) 1123, PT 7813 (now known as PN 9747, Lot 60417) of the Bukit Machang Property, as described in Section 2.3 of Appendix A to this Circular
“Business”	:	Business operations, results of operations, financial condition, cash flow, profitability and performance, prospects or results
“Business Valuation Report”	:	The independent business valuation report dated 12 May 2017 prepared by the Independent Valuer in relation to the Target

DEFINITIONS

“CA 2016”	:	The Companies Act 2016, Malaysia, as amended, modified or supplemented from time to time
“Catalist”	:	The Catalist board of the SGX-ST, being the sponsor-supervised listing platform of the SGX-ST
“Catalist Rules”	:	The Listing Manual of the SGX-ST, Section B: Rules of Catalist, as amended, modified or supplemented from time to time
“Circular”	:	This circular to Shareholders dated 30 June 2017
“Code”	:	The Singapore Code on Take-overs and Mergers, as amended or modified from time to time
“Companies Act”	:	The Companies Act, Chapter 50 of Singapore, as amended, modified or supplemented from time to time
“Completion”	:	The completion of the Proposed Acquisition in accordance with the terms and conditions set out in the Sale and Purchase Agreement
“Completion Date”	:	The date of Completion
“Concession”	:	Has the meaning ascribed to it in Section 2.3 of Appendix A to this Circular
“Concession Agreement”	:	Has the meaning ascribed to it in Section 2.3 of Appendix A to this Circular
“Concession Area”	:	Has the meaning ascribed to it in Section 2.3 of Appendix A to this Circular
“Consideration”	:	The aggregate consideration for the Proposed Acquisition of S\$103,265,000
“Consideration Shares”	:	712,172,414 new Shares to be issued as consideration for the Proposed Acquisition
“Consortium”	:	Has the meaning ascribed to it in Section 2.6 of Appendix A to this Circular entitled “Interior Fit-Out Business – Joint Venture Arrangement”

DEFINITIONS

“Controlling Shareholder(s)”	: A person who:
	(a) holds directly or indirectly 15% or more of all voting Shares (unless otherwise determined by the SGX-ST); or
	(b) in fact exercises control over the Company
“Dimension Stone Granite Business”	: The business of exploration, mining, quarry extraction, processing and sale of granite products and dimension stone granite, further details of which are set out in this Circular
“Directors”	: The directors of the Company as at the date of this Circular
“EB Guarantee”	: Has the meaning ascribed to it in Section 6.2 of this Circular
“EB Issue Date”	: The date of issue of the Bonds
“EB Maturity Date”	: The 2 nd anniversary of the EB Issue Date
“EB Subscription Agreement”	: The conditional subscription agreement dated 29 March 2017 between the Company and Luminor 2 pursuant to which the Company has agreed that the EB Subsidiary will issue, and Luminor 2 has agreed to subscribe for, the Bonds on the terms and conditions set out therein
“EB Subsidiary”	: The wholly-owned subsidiary of the Company to be incorporated in connection with the Proposed Exchangeable Bonds Issue
“EB Terms and Conditions”	: The terms and conditions of the Bonds
“EGM”	: The extraordinary general meeting of the Company to be convened and held at Topaz Room, Level 2, Sheraton Towers, 39 Scotts Road, Singapore 228230 on 19 July 2017 at 11.00 a.m., notice of which is set out in the Notice of EGM
“Enactment 2002”	: The Mineral (Terengganu) Enactment 2002
“Enlarged Share Capital”	: The enlarged share capital of the Company comprising 1,022,672,414 Shares on a fully-diluted basis, assuming the issue of all 712,172,414 Consideration Shares pursuant to the Proposed Acquisition

DEFINITIONS

“Exchange Price”	:	The price at which Shares will be issued upon exchange of the Bonds in accordance with the EB Terms and Conditions
“Exchange Rate”	:	The exchange rate of S\$1.00: RM3.0900 as at the Latest Practicable Date, which has been applied for purposes of this Circular. Please refer to Section 22 of Appendix A to this Circular entitled “Management’s Discussion and Analysis of Financial Position and Results of Operations – Exchange Rate” for further details on a discussion on the highest and lowest exchange rates in the past six months prior to the Latest Practicable Date
“Exchange Right”	:	Has the meaning ascribed to it in Section 6.2 of this Circular
“Exchange Shares”	:	The new Shares to be allotted and issued by the Company following the exchange of the Bonds from time to time in accordance with the EB Terms and Conditions
“Existing Share Capital”	:	The issued share capital of the Company as at the Latest Practicable Date of S\$30,101,319 comprising 310,500,000 Shares
“FY”	:	Financial year ended or ending 31 December
“GB Issue”	:	The issue by the Company to Mr Tan Ong Huat of guaranteed non-convertible bonds due 2018 in an aggregate principal amount of S\$2,875,000
“GMM Consultancy Agreement”	:	Has the meaning ascribed to it in Section 28.3(b) of Appendix A to this Circular
“IFA Letter”	:	The letter dated 30 June 2017 issued by the IFA containing the advice of the IFA to the Non-Interested Directors in relation to (i) the Interested Person Transaction in connection with the Proposed Acquisition, (ii) the Proposed Whitewash Resolution, and (iii) the Proposed IPT Mandate, as reproduced in Appendix B to this Circular
“Independent Shareholders”	:	Shareholders who are independent for the purpose of approving the Proposed Transactions, namely Shareholders other than Lim, parties acting in concert with him and parties not independent of them or the Proposed Acquisition (including JHW, Koh and William Law)

DEFINITIONS

“Industry Report”	:	The independent industry report in respect of the dimension stone granite industry dated 22 June 2017 prepared by the Independent Industry Consultant
“interested person transaction” or “IPT”	:	Has the meaning ascribed to it in Section 7.1(a)(v) of this Circular
“Interested Person Transaction in connection with the Proposed Acquisition”	:	The acquisition of shares in the Target by the Company from Lim and the proposed allotment and issuance of Consideration Shares to Lim, on the terms and subject to the conditions of the Sale and Purchase Agreement
“Interested Persons”	:	Interested persons of the Company who fall within the Proposed IPT Mandate, as further described in Section 7.2 of this Circular
“Interior Fit-Out Business”	:	The business of architectural stone and interior fit-out, further details of which are set out in this Circular
“IPT Register”	:	The register of IPTs as defined in Section 7.6(b)(i) of this Circular, namely, the register of transactions carried out with the Interested Persons pursuant to the Proposed IPT Mandate
“Issue Price”	:	S\$0.145, being the issue price in respect of each Consideration Share
“JMA Project”	:	Has the meaning ascribed to it in Section 2.6 of Appendix A to this Circular entitled “Interior Fit-Out Business – Joint Venture Arrangement”
“Joint Venture Agreement”	:	Has the meaning ascribed to it in Section 2.6 of Appendix A to this Circular entitled “Interior Fit-Out Business – Joint Venture Arrangement”
“Latest Practicable Date”	:	18 June 2017, being the latest practicable date prior to the date of this Circular
“Lim Moratorium Shares”	:	Has the meaning ascribed to it in Section 2.6 of this Circular
“Minimum Exchange Price”	:	Has the meaning ascribed to it in Section 6.4 of this Circular
“NAV”	:	Net asset value
“New Businesses”	:	The Dimension Stone Granite Business and the Interior Fit-Out Business

DEFINITIONS

“Notice of EGM”	:	The notice of the EGM set out on pages N-1 to N-6 of this Circular
“NTA”	:	Net tangible assets
“Period Under Review”	:	FY2014, FY2015 and FY2016
“Proposed Acquisition”	:	The proposed acquisition of all the issued and fully-paid shares in the capital of the Target pursuant to the Sale and Purchase Agreement
“Proposed Allotment”	:	The proposed allotment and issue of the Consideration Shares to the Vendors (including the proposed allotment and issue of Consideration Shares to Lim) as satisfaction for the Proposed Acquisition
“Proposed Diversification”	:	The proposed diversification of the Group’s business to include the New Businesses as additional core businesses of the Group
“Proposed Exchangeable Bonds Issue”	:	The proposed issue of Exchangeable Bonds to Luminor 2 pursuant to the EB Subscription Agreement
“Proposed IPT Mandate”	:	The proposed Shareholders’ general mandate pursuant to Chapter 9 of the Catalist Rules permitting companies within the Group, or any of them, to enter into the IPTs as set out in Section 7 of this Circular, with the Interested Persons, provided that such transactions are on an arm’s length basis, on normal commercial terms and will not be prejudicial to the interests of the Company and its minority Shareholders
“Proposed Transactions”	:	Collectively, the Proposed Acquisition, the Proposed Allotment, the Proposed Whitewash Resolution, the Proposed Transfer of Controlling Interest, the Proposed Diversification, the Proposed Exchangeable Bonds Issue and the Proposed IPT Mandate
“Proposed Transfer of Controlling Interest”	:	The proposed transfer of a controlling interest in the Company to Luminor 1 pursuant to the Proposed Acquisition
“Proposed Whitewash Resolution”	:	The proposed resolution to be approved by a majority of the Independent Shareholders by way of poll to waive their rights to receive a mandatory general offer from Lim for all the Shares in issue not already owned, controlled or agreed to be acquired by Lim and his concert parties following Completion

DEFINITIONS

“Proxy Form”	:	The proxy form in respect of the EGM, a copy of which is set out in this Circular
“Qualified Person’s Report”	:	The independent qualified person’s report in respect of the dimension stone granite deposits held by the Target dated 31 March 2017, prepared by the Independent Qualified Person in accordance with the Catalist Rules and the JORC Code
“RCPS”	:	Redeemable convertible preferences shares convertible into ordinary shares in the capital of GGTM issued by GGTM to Luminor 1 between 2015 and 2017
“RCPS Agreement”	:	The subscription agreement dated 24 August 2015 entered into between Lim, Luminor 1 and GGTM in respect of the RCPS (as supplemented and amended by the supplemental subscription agreement dated 8 June 2016 and the second supplemental subscription agreement dated 23 January 2017)
“Sale and Purchase Agreement”	:	The conditional sale and purchase agreement dated 21 June 2016 between the Company and the Vendors in relation to the Proposed Acquisition, supplemented and amended by the Supplemental Agreement and the Second Supplemental Agreement (as from time to time amended, modified and supplemented)
“Sale Shares”	:	All the issued shares in the capital of the Target
“Second Supplemental Agreement”	:	The second supplemental agreement to the Sale and Purchase Agreement dated 13 April 2017 between the Company and the Vendors to extend the long stop date of the Sale and Purchase Agreement
“Securities Account”	:	A securities account maintained by a Depositor with CDP but does not include a securities sub-account maintained with a Depository Agent
“SFA”	:	Securities and Futures Act, Chapter 289 of Singapore, as amended, modified or supplemented from time to time
“Shareholders”	:	Registered holders of Shares in the register of members of the Company except that where the registered holder is CDP, the term “Shareholders” shall, in relation to such Shares and where the context so admits, mean the Depositors whose Securities Accounts maintained with CDP are credited with Shares

DEFINITIONS

“Shares”	:	Ordinary shares in the capital of the Company
“Substantial Shareholder”	:	A person who has an interest in not less than 5.0% of the total votes attached to all the voting shares (excluding treasury shares) in the Company
“Supplemental Agreement”	:	The supplemental agreement to the Sale and Purchase Agreement dated 29 March 2017 between the Company and the Vendors to fix the Consideration, the Issue Price and the number of Consideration Shares
“VALMIN Valuation Report”	:	The independent VALMIN valuation report in respect of the dimension stone granite deposit held by the Target dated 12 May 2017 prepared by the Independent Valuer in accordance with the Catalist Rules and the VALMIN Code
“VWAP”	:	Volume weighted average price
“Whitewash Waiver”	:	Has the meaning ascribed to it in Section 3.2 of this Circular
“Works”	:	Has the meaning ascribed to it in Section 2.3 of Appendix A to this Circular

Currencies, Units and Others

“RM”	:	Malaysian Ringgit
“S\$” and “cents”	:	Singapore dollars and cents, respectively
“ha”	:	Hectare, a unit of land area where one hectare is equivalent to 10,000m ²
“kg”	:	Kilogram, a unit of weight
“m”	:	Metre, a unit of distance
“m²”	:	Square metre, a unit of area
“m³”	:	Cubic metre, a unit of volume and quantity
“mm”	:	Millimetre, a unit of distance
“t”	:	Tonne, a unit of weight where one tonne is equivalent to 1,000 kg
“%” or “per cent”	:	Percentage or per centum

DEFINITIONS

The terms “**acting in concert**” and “**concert parties**” shall have the meanings ascribed to them in the Code.

The term “**subsidiary**” shall have the meaning ascribed to it in the Companies Act.

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

The terms “**associate**” and “**associated company**” shall have the meanings ascribed to them respectively in the Catalist Rules.

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

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

Any reference to a time of day in this Circular is made by reference to Singapore time unless otherwise stated.

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

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

GLOSSARY OF TECHNICAL TERMS

To facilitate a better understanding of the business of GGTM, the following glossary contains an explanation and description of certain terms used in this Circular in connection with GGTM. The terms and their assigned meanings may not correspond to standard industry or common meanings, as the case may be, or usage of these terms.

- “ASTM Standards”** : The international voluntary consensus standards published by ASTM International, an international standards organisation which develops and publishes voluntary consensus standards for materials, products, systems and services
- “blocks”** : Cuboid shaped blocks cut from in situ granite. Typically, there are three sizes of blocks:
- “standard blocks” are typically 2.5m (in length) by 1.5m (in width) by 0.75m (in height), with a volume of 2.81m³. This amounts to approximately 8.2t for Terengganu Green and approximately 7.6t for Sekayu White;
 - “big blocks” are typically standard blocks with height of more than 0.75m. The maximum height of big blocks is 1.5m, with a weight of approximately 16.3t for Terengganu Green and approximately 15.2t for Sekayu White; and
 - “small blocks” are typically standard blocks with height of less than 0.75m
- For more information on the granite products processed and sold by GGTM, please refer to Section 2.5 of **Appendix A** to this Circular entitled “Dimension Stone Granite Business Processes – Granite Products”
- “block rate”** : Percentage of granite resources that can be mined and extracted as dimension stone granite blocks
- “Competent Person”**
(as defined under the JORC Code) : A minerals industry professional who is a Member or Fellow of The Australasian Institute of Mining and Metallurgy, or of the Australian Institute of Geoscientists, or of a Recognised Professional Organisation, as included in a list available on the JORC and ASX websites. These organisations have enforceable disciplinary processes including the powers to suspend or expel a member. A Competent Person must have a minimum of five years relevant experience in the style of mineralisation or type of deposit under consideration and in the activity which that person is undertaking

GLOSSARY OF TECHNICAL TERMS

“dimension stone”	:	Natural rock material quarried for the purpose of obtaining blocks or slabs that meet specifications, including in relation to size (width, length and thickness), shape, colour, grain texture and pattern, surface finish of the stone, durability (based on mineral composition and hardness and past performance), strength, and the ability of the stone to take a polish Although a variety of igneous, metamorphic, and sedimentary rocks are used as dimension stone, the principal rock types are granite, limestone, marble, sandstone and slate. Other varieties of dimension stone that are normally considered to be special minor types include alabaster (massive gypsum), soapstone (massive talc) and various products fashioned from natural stone
“Feasibility Study” (as defined under the JORC Code)	:	A comprehensive technical and economic study of the selected development option for a mineral project that includes appropriately detailed assessments of applicable Modifying Factors together with any other relevant operational factors and detailed financial analysis that are necessary to demonstrate at the time of reporting that extraction is reasonably justified (economically mineable). The results of the study may reasonably serve as the basis for a final decision by a proponent or financial institution to proceed with, or finance, the development of the project. The confidence level of the study will be higher than that of a Pre-Feasibility Study
“granite”	:	A type of felsic intrusive igneous rock that is granular and phaneritic in texture, composed mainly of quartz and feldspar with minor amounts of mica, amphiboles and other minerals. In the dimension stone business, “granite” also refers to other rock types, such as syenite, gneiss, migmatites and gabbro
“Indicated Mineral Resource” (as defined under the JORC Code)	:	That part of a Mineral Resource for which quantity, grade (or quality), densities, shape and physical characteristics are estimated with sufficient confidence to allow the application of Modifying Factors in sufficient detail to support mine planning and evaluation of the economic viability of the deposit

GLOSSARY OF TECHNICAL TERMS

“Inferred Mineral Resource” (as defined under the JORC Code)	:	That part of a Mineral Resource for which quantity and grade (or quality) is estimated on the basis of limited geological evidence and sampling. Geological evidence is sufficient to imply but not verify geological and grade (or quality) continuity. It is based on exploration, sampling and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes
“joggle pavers” or “small tiles”	:	Tiles of pre-determined shapes including hexagonal shape (the shape depends on the mould which can be varied – there are many different shapes and sizes of joggle pavers depending on these moulds) with a maximum dimension of 190mm and minimum dimension of 170mm cut in a stamping machine from off cuts of slabs. Joggle pavers are typically 18mm, 20mm or 25mm thick
“JORC Code”	:	The Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (2012), prepared by the Joint Ore Reserves Committee of the Australasian Institute of Mining and Metallurgy, Australian Institute of Geoscientists and Minerals Council of Australia, and which is one of the standards of reporting prescribed by the SGX-ST in respect of mineral, oil and gas companies
“Market Value” (as defined under the VALMIN Code)	:	The estimate amount (or the cash equivalent of some other consideration) for which the Mineral Asset should exchange on the date of Valuation between a willing buyer and a willing seller in an arm’s length transaction after appropriate marketing wherein the parties each acted knowledgeably, prudently and without compulsion
“Measured Mineral Resource” (as defined under the JORC Code)	:	That part of a Mineral Resource for which quantity, grade (or quality), densities, shape and physical characteristics are estimated with confidence sufficient to allow the application of Modifying Factors to support detailed mine planning and final evaluation of the economic viability of the deposit
“Microgabbro”	:	Medium grained intrusive igneous rock. It is dark green to dark grey, with occasional rare paler crystals, which are smaller than rice grains, interlocking and randomly oriented indicating that the magma cooled more quickly. It usually occurs as small intrusions called “dykes” or “sills”, which are sheet-like and cut through the surrounding rocks. The rock comprises mainly plagioclase with smaller amounts of pyroxene. It contains little or no quartz

GLOSSARY OF TECHNICAL TERMS

“Mineral Asset” (as defined under the VALMIN Code)	:	All property including (but not limited to) tangible property, intellectual property, mining and exploration Tenure and other rights held or acquired in connection with the exploration, development of and production from those Tenures. This may include the plant, equipment and infrastructure owned or acquired for the development, extraction and processing of minerals in connection with that Tenure
“Mineral Resource” (as defined under the JORC Code)	:	A concentration or occurrence of solid material of economic interest in or on the Earth’s crust in such form, grade (or quality), and quantity that there are reasonable prospects for eventual economic extraction. The location, quantity, grade (or quality), continuity and other geological characteristics of a Mineral Resource are known, estimated or interpreted from specific geological evidence and knowledge, including sampling. Mineral Resources are sub-divided, in order of increasing geological confidence, into Inferred, Indicated and Measured categories
“Modifying Factors” (as defined under the JORC Code)	:	Considerations used to convert Mineral Resources to Ore Reserves. These include, but are not restricted to, mining, processing, metallurgical, infrastructure, economic, marketing, legal, environmental, social and governmental factors
“mPD”	:	Metres above Principal datum, being the ground elevation above sea level
“ore”	:	A naturally occurring solid material from which a metal or valuable mineral can be extracted profitably
“Ore Reserve” (as defined under the JORC Code)	:	The economically mineable part of a Measured Mineral Resource and/or Indicated Mineral Resource. It includes diluting materials and allowances for losses, which may occur when the material is mined or extracted and is defined by studies at Pre-Feasibility or Feasibility level as appropriate that include application of Modifying Factors. Such studies demonstrate that, at the time of reporting, extraction could reasonably be justified

GLOSSARY OF TECHNICAL TERMS

“Pre-Feasibility Study” (as defined under the JORC Code)	:	A comprehensive study of a range of options for the technical and economic viability of a mineral project that has advanced to a stage where a preferred mining method, in the case of underground mining, or the pit configuration, in the case of an open pit, is established and an effective method of mineral processing is determined. It includes a financial analysis based on reasonable assumptions on the Modifying Factors and the evaluation of any other relevant factors which are sufficient for a Competent Person, acting reasonably, to determine if all or part of the Mineral Resources may be converted to an Ore Reserve at the time of reporting. A Pre-Feasibility Study is at a lower confidence level than a Feasibility Study
“Probable Ore Reserve” (as defined under the JORC Code)	:	The economically mineable part of an Indicated, and in some circumstances, a Measured Mineral Resource. The confidence in the Modifying Factors applying to a Probable Ore Reserve is lower than that applying to a Proved Ore Reserve
“Proved Ore Reserve” (as defined under the JORC Code)	:	The economically mineable part of a Measured Mineral Resource. A Proved Ore Reserve implies a high degree of confidence in the Modifying Factors
“slabs”	:	Flat granite stones that are processed from granite blocks. Depending on market requirements, slabs are typically 18mm, 19mm or 20mm thick
“Technical Value” (as defined under the VALMIN Code)	:	An assessment of a Mineral Asset’s future net economic benefit at the Valuation Date under a set of assumptions deemed most appropriate by a Practitioner (as defined under the VALMIN Code), excluding any premium or discount to account for market conditions
“Tenure” (as defined under the VALMIN Code)	:	Any form of title, right, licence, permit or lease granted by the responsible government in accordance with its mining legislation that confers on the holder certain rights to explore for and/or extract agreed minerals that may be (or is known to be) contained. Tenure can include third-party ownership of the minerals (for example, a royalty stream)
“VALMIN Code”	:	Australasian Code for the Public Reporting of Technical Assessments and Valuations of Mineral Assets (2015 Edition) prepared by the VALMIN Committee, a joint committee of The Australasian Institute of Mining and Metallurgy and the Australian Institute of Geoscientists

GLOSSARY OF TECHNICAL TERMS

“Valuation” (as defined under the VALMIN Code)	:	The process of determining the monetary value of a Mineral Asset at a set Valuation Date
“Valuation Date” (as defined under the VALMIN Code)	:	The reference date on which the monetary amount of a Valuation in real (dollars of the day) terms is current

CAUTIONARY NOTE ON FORWARD-LOOKING STATEMENTS

Statements contained in this Circular, statements made in press releases and oral statements that may be made by the Company, the Target, their Directors, key executives or employees acting on behalf of the Company, which are not statements of historical fact, constitute “forward-looking statements”. Some of these statements can be identified by forward-looking terms such as “expect”, “believe”, “plan”, “intend”, “estimate”, “anticipate”, “may”, “will”, “would”, “could” or similar words. However, these words are not the exclusive means of identifying forward-looking statements. All statements regarding the Group’s or the Enlarged Group’s expected financial position, business strategy, plans and prospects are forward-looking statements and accordingly involve known and unknown risks, uncertainties and other factors that may cause the Group’s or the Enlarged Group’s actual results, performance and achievements to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements.

These forward-looking statements and other matters discussed in this Circular, including but not limited to:

- revenue and profitability;
- goodwill on acquisition and associated impairment (if any);
- any expected growth;
- any expected industry trends;
- anticipated completion of proposed plans;
- expansion plans; and
- other matters that are not historical facts,

are only predictions. These forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause the Group’s and the Enlarged Group’s actual results, performance or achievements to be materially different from any future results, performance or achievements expected, expressed or implied by such forward-looking statements. These risks, uncertainties and other factors are discussed in more detail in this Circular, in particular, but not limited to, the risk factors set out in Sections 4.6 and 5.2 of this Circular and Section 20 of **Appendix A** to this Circular.

Given the risks and uncertainties which may cause the Group’s or the Enlarged Group’s actual future results, performance or achievements to be materially different from those expected, expressed or implied by forward-looking statements in this Circular, press releases and oral statements that may be made by the Company, undue reliance must not be placed on those statements.

None of the Group, the Target, the Financial Adviser or any other person represents or warrants that the Group’s or the Enlarged Group’s actual future results, performance or achievements will be as discussed in those statements. Further, the Group and the Financial Adviser disclaims any responsibility, and undertakes no obligation to update or revise any forward-looking statements to reflect any change in the Group’s or the Enlarged Group’s expectations with respect to such statements after the Latest Practicable Date or to reflect any change in events, conditions or circumstances on which any such statements were based subject to compliance with all applicable laws and regulations and/or the rules of the SGX-ST and/or any regulatory or supervisory body or agency.

LETTER TO SHAREHOLDERS

ANCHOR RESOURCES LIMITED

(Company Registration No. 201531549N)
(Incorporated in the Republic of Singapore)

Directors

Dr Wilson Tay (Non-Executive Chairman and Lead Independent Director)
Mr Lim Chiau Woei (Managing Director)
Mr Chan Koon Mong (Executive Director)
Mr William Law (Non-Executive Director)
Ms Ch'ng Li-Ling (Independent Director)
Mr Gavin Mark McIntyre (Independent Director)

Registered Office

80 Robinson Road
#17-02
Singapore 068898

30 June 2017

To: The Shareholders of Anchor Resources Limited

Dear Sir/Madam

- (1) THE PROPOSED ACQUISITION;
- (2) THE PROPOSED ALLOTMENT;
- (3) THE PROPOSED ALLOTMENT TO LIM CHIAU WOEI;
- (4) THE PROPOSED WHITEWASH RESOLUTION;
- (5) THE PROPOSED TRANSFER OF CONTROLLING INTEREST;
- (6) THE PROPOSED DIVERSIFICATION;
- (7) THE PROPOSED EXCHANGEABLE BONDS ISSUE;
- (8) THE PROPOSED ISSUE OF EXCHANGE SHARES PURSUANT TO THE PROPOSED EXCHANGEABLE BONDS ISSUE; AND
- (9) THE PROPOSED IPT MANDATE.

1. INTRODUCTION

1.1 Background

(a) The Proposed Acquisition and the Proposed Allotment

On 21 June 2016, the Company announced that it had entered into the Sale and Purchase Agreement with the Vendors in respect of the Proposed Acquisition, pursuant to which the Company had agreed to acquire, and the Vendors had agreed to sell, the entire issued and fully-paid share capital of the Target, on the terms and subject to the conditions of the Sale and Purchase Agreement. Following Completion, the Target will become a wholly-owned subsidiary of the Company. On 29 March 2017 and 13 April 2017, the Company further announced that it and the Vendors had

LETTER TO SHAREHOLDERS

entered into the Supplemental Agreement and Second Supplemental Agreement, respectively, to supplement and amend the terms of the Sale and Purchase Agreement.

In accordance with the Sale and Purchase Agreement, the Consideration of S\$103,265,000 shall be fully satisfied by the allotment and issuance of an aggregate of 712,172,414 Consideration Shares based on the Issue Price to the Vendors upon Completion.

The Proposed Acquisition constitutes:

- (a) a very substantial acquisition as defined under Chapter 10 of the Catalist Rules and is subject to, *inter alia*, approval of the Shareholders at the EGM pursuant to Rule 1015 of the Catalist Rules; and
- (b) an IPT and is subject to, *inter alia*, approval of the Shareholders at the EGM pursuant to Rule 906 of the Catalist Rules.

(b) Proposed Whitewash Resolution

Upon the allotment and issuance of the Consideration Shares on Completion, Lim will incur an obligation to make a mandatory general offer for the Shares under Rule 14 of the Code unless such obligation is waived by the SIC. The Whitewash Waiver was granted to Lim by the SIC on 3 March 2017 and is subject to, *inter alia*, the Proposed Whitewash Resolution being approved by the Independent Shareholders at the EGM.

(c) Proposed Transfer of Controlling Interest

Upon the allotment and issuance of the Consideration Shares on Completion, Luminor 1 will be issued such number of Consideration Shares such that it will hold 15% or more of the total number of issued Shares, which constitutes a transfer of controlling interest pursuant to Rule 803 of the Catalist Rules.

(d) Proposed Diversification

In connection with the Proposed Acquisition, the Company intends to undertake the Proposed Diversification to diversify the Group's business activities and include the New Businesses as additional core businesses of the Group.

(e) Proposed Exchangeable Bonds Issue and issue of the Exchange Shares

As announced on 29 March 2017, the Company has entered into the EB Subscription Agreement, pursuant to which Luminor 2 has agreed to subscribe for the Bonds to be issued by the EB Subsidiary, a wholly-owned subsidiary of the Company, which are convertible into new fully paid Exchange Shares on the terms and subject to the conditions of the EB Subscription Agreement.

LETTER TO SHAREHOLDERS

(f) Proposed IPT Mandate

Pursuant to the Proposed Acquisition and the Proposed Diversification, the Enlarged Group intends to enter into transactions with the Interested Persons in relation to the supply of dimension stone granite products and provision of interior fit-out and other dimension stone granite related services.

Accordingly, the Company will be seeking the approval of the Shareholders for the Proposed Transactions at the EGM.

1.2 Opinion of the IFA

The IFA has been appointed to advise the Non-Interested Directors in relation to (i) the Interested Person Transaction in connection with the Proposed Acquisition; (ii) the Proposed Whitewash Resolution; and (iii) the Proposed IPT Mandate. The IFA Letter is set out in **Appendix B** to this Circular.

1.3 Purpose of this Circular and Conditionality of the Resolutions

The purpose of this Circular is to provide Shareholders with relevant information relating to the Proposed Transactions and to seek the approval of Shareholders for the following proposals at the EGM:

- (a) the Proposed Acquisition (Resolution 1);
- (b) the Proposed Allotment (Resolution 2);
- (c) the proposed allotment and issue of Consideration Shares to Lim (the Managing Director and Substantial Shareholder), being an interested person transaction under the Catalist Rules (Resolution 3);
- (d) the Proposed Whitewash Resolution (Resolution 4);
- (e) the Proposed Transfer of Controlling Interest (Resolution 5);
- (f) the Proposed Diversification (Resolution 6);
- (g) the Proposed Exchangeable Bonds Issue (Resolution 7);
- (h) the proposed allotment and issue of Exchange Shares to Luminor 2 pursuant to the Proposed Exchangeable Bonds Issue (Resolution 8); and
- (i) the Proposed IPT Mandate (Resolution 9).

Shareholders should note that the Resolutions are inter-conditional upon each other. Accordingly, in the event that any of these Resolutions is not approved, the other Resolutions will not be passed.

This Circular has been prepared solely for the purposes outlined above and may not be relied upon by any persons (other than the Shareholders to whom this Circular is despatched by the Company) or for any other purpose.

LETTER TO SHAREHOLDERS

2. THE PROPOSED ACQUISITION AND THE PROPOSED ALLOTMENT

2.1 Rationale for the Proposed Acquisition

The Proposed Acquisition is in line with the Group's long-term growth strategy to expand its business through mergers and acquisitions. The Proposed Acquisition will provide the Enlarged Group with an additional income stream from the sale of dimension stone granite and diversify its revenue sources between the mineral resources of gold and dimension stone granite in the State of Terengganu, Malaysia. It will also improve the Enlarged Group's financial position. As at the Latest Practicable Date, the Target has a cash balance of approximately S\$2.32 million (approximately RM7.17 million).

The Proposed Acquisition will also grow the asset base of the Enlarged Group and widen its shareholder base, attracting more interest from the investment community focused on the minerals sector in investing in the Enlarged Group.

The Consideration is to be satisfied by the allotment and issue of Consideration Shares to the Vendors. By satisfying the Consideration by way of the Proposed Allotment, the Company is able to conserve its cash to be utilised for other purposes such as its working capital and for other investment opportunities.

Please refer to Section 25 of **Appendix A** to this Circular entitled "Prospects, Trends and Future Plans" for more information.

2.2 Information on the Target and the Vendors

(a) Information on the Target

The Target is principally engaged in the Dimension Stone Granite Business and the Interior Fit-Out Business. It owns an exclusive dimension stone granite concession of approximately 300ha in Hulu Terengganu in the State of Terengganu, Malaysia, granted by PMINT, for a 14-year period expiring on 26 October 2029. The types of dimension stone granite found within the concession area include green microgabbro, white granite and pink granite, which are marketed as "Terengganu Green" ("TG"), "Sekayu White" ("SW") and "Rosa Tenggo" ("RT"), respectively.

The Target is currently the sole dimension stone granite operator in the State of Terengganu, Malaysia, employing the circular saw and diamond wire saw technology for the extraction and processing of dimension stone granite. The Target also owns granite block cutting facilities located in the vicinity of the concession area at Kampung Cheting, Sekayu, which utilises machinery such as multi-blade block cutter, bridge cutter and polishing machines.

LETTER TO SHAREHOLDERS

Please refer to the Letter to Shareholders from the Board of Directors of GGT Manufacturing Sdn. Bhd. set out in **Appendix A** to this Circular for further details relating to the Target including the following:

Section 2.2 – Business Overview

Section 2.4 – Resource Estimates

Section 4 – Competition and Competitive Strengths

Section 5 – Independent Valuation

Section 19 – Government Regulations, Permits and Licences

Section 20 – Risk Factors

Section 22 – Management's Discussion and Analysis of Financial Position and Results of Operations

(b) Information on the Vendors

The information presented herein and in other sections of this Circular relating to the Vendors is based on information provided by the Vendors.

Lim is the Managing Director of the Group, and holds (directly and indirectly via JHW) 69,529,879 Shares, representing approximately 22.40% of the issued Shares as at the Latest Practicable Date. Lim is also the founder and non-executive chairman of the Target. Lim has been involved in the Dimension Stone Granite Business since 2008 and he has been instrumental in securing the dimension stone granite concession granted to the Target.

As at the Latest Practicable Date, Koh holds 11,337,644 Shares, representing approximately 3.65% of the issued Shares. Koh is a private investor of the Target and is not involved in the daily operations of the Target.

Luminor 1 is a company incorporated in Singapore, which is part of the Luminor Group, a private equity group headquartered in Singapore. Luminor 1 is approved under the Singapore Global Investor Programme administered by Contact Singapore. Luminor 1 does not have any board representation in GGTM and is not involved in the daily operations of the Target.

Save as disclosed above, as at the Latest Practicable Date, none of the Vendors directly or indirectly hold any Shares.

2.3 Principal Terms of the Proposed Acquisition

(a) Sale Shares

The Sale Shares will be acquired by the Company free from all encumbrances together with all rights and entitlements attaching thereto on and from the Completion Date. No party shall be obliged to complete the Proposed Acquisition unless the sale and purchase of all the Sale Shares are completed simultaneously.

LETTER TO SHAREHOLDERS

Immediately prior to Completion, the Target will be wholly-owned by the Vendors, with Lim, Luminor 1 and Koh holding 60.0%, 30.0% and 10.0% of the Sale Shares, respectively.

(b) Consideration

Under the Sale and Purchase Agreement, the Consideration shall be adjusted to 95% of the market value of the equity interest in the Target based on the Business Valuation Report. Accordingly, the Consideration shall be S\$103,265,000 based on the market value of the equity interest in the Target of S\$108,700,000. Please refer to the Business Valuation Report set out in **Appendix E** to this Circular.

The consideration payable for each Sale Share shall be equal to the Consideration divided by the aggregate number of Sale Shares held by the Vendors immediately prior to Completion. The Company will satisfy the Consideration in full by way of the allotment and issue of the Consideration Shares to the Vendors.

Accordingly, the Consideration will be payable by the Company to each of the Vendors on Completion in the following proportions:

Vendor	Consideration (S\$)	Number of Consideration Shares
Lim	61,959,000	427,303,448
Luminor 1	30,979,500	213,651,724
Koh	10,326,500	71,217,242
Total	103,265,000	712,172,414

(c) Consideration Shares

The Issue Price for each Consideration Share is S\$0.145, which was calculated based on 115% of the VWAP of the Shares traded on the Catalist for the six calendar months' period from the initial trading of the Shares on the Catalist to the expiry of 17 September 2016. The Issue Price is within the range of the minimum consideration issue price of S\$0.08 and maximum consideration issue price of S\$0.18 in accordance with the terms of the Sale and Purchase Agreement.

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

The Consideration Shares will represent approximately 69.64% of the Enlarged Share Capital, assuming no new Shares are issued by the Company between the Latest Practicable Date and the Completion Date (both dates inclusive).

LETTER TO SHAREHOLDERS

(d) Conditions Precedent

Completion is subject to certain conditions precedent (“**Conditions Precedent**”) being satisfied or waived in accordance with the Sale and Purchase Agreement, including, *inter alia*, the following:

- (i) completion of the proposed placement by the Company as defined in its Announcement;
- (ii) approval of Shareholders at the EGM being obtained for the Proposed Acquisition;
- (iii) approval of Independent Shareholders being obtained at the EGM for the Proposed Whitewash Resolution;
- (iv) approval of the SGX-ST in respect of the Circular and if such approval is subject to conditions, such conditions being reasonably acceptable to the parties and if required by the SGX-ST, such conditions being fulfilled or satisfied before the Completion, and such approval remaining in full force and effect;
- (v) the SIC having granted Lim and parties acting in concert with him, and such grant remaining in full force and effect, the Whitewash Waiver, subject to the passing of the Proposed Whitewash Resolution and such other conditions that the SIC may impose which are reasonably acceptable to the parties;
- (vi) completion of an internal restructuring exercise of the Target;
- (vii) the Company having undertaken and having completed its due diligence exercise on the Target, and: (i) the results of the same being satisfactory to the Company in its sole discretion; and (ii) the Vendors having furnished a supplemental deed of warranties in relation to the Target addressing findings of the Company in its due diligence exercise in form and substance satisfactory to the Company in its sole discretion;
- (viii) the Qualified Person’s Report being in compliance with the Catalist Rules, the JORC Code and in such form and substance reasonably acceptable to the Company;
- (ix) the VALMIN Valuation Report being in compliance with the Catalist Rules, the VALMIN Code and in such form and substance reasonably acceptable to the Company, and setting out a VALMIN valuation (or where the VALMIN valuation is stated as a range, the simple average of the highest and lowest value of such VALMIN valuation) of the Target which shall be no less than S\$100 million;
- (x) the Business Valuation Report being in compliance with the Catalist Rules and in such form and substance reasonably acceptable to the Company, and the equity valuation (or where the equity valuation is stated as a range, the simple average of the highest and lowest value of such equity valuation) being no less than S\$107 million;

LETTER TO SHAREHOLDERS

- (xi) all necessary approvals, filings, exemptions or waivers by regulatory authorities and bodies in relation to the Proposed Acquisition being obtained or made on terms reasonably acceptable to the parties, including and not limited to any approval (where necessary) from or notification with the Central Bank of Malaysia (Bank Negara Malaysia) as required under Notice 3 (Investment in Foreign Currency Asset) of the Malaysian Foreign Exchange Rules as prescribed under the Financial Services Act 2013 for the Vendors with respect to the Consideration Shares, and all such approvals and filings remaining in full force and effect on the Completion Date;
- (xii) all necessary approvals, consents or waivers by contracting third parties of the Target in relation to the Proposed Acquisition (including bankers, suppliers and customers, to the extent such approvals, consents or waivers are material in the context of the Proposed Acquisition) being obtained or made on terms reasonably acceptable to the parties, and all such approvals, consents or waivers remaining in full force and effect on the Completion Date;
- (xiii) no governmental authority or court of competent jurisdiction having enacted, issued, promulgated, enforced or entered any law, rule, regulation, judgment, decree, executive order or award having the effect of making the Proposed Acquisition illegal or otherwise prohibiting consummation thereof on or prior to the Completion Date;
- (xiv) the Shares remaining listed on the SGX-ST and not having been halted or suspended from trading for a period of more than 30 market days in aggregate; and
- (xv) all representations, warranties and undertakings of each party under the Sale and Purchase Agreement being complied with, and remaining true, accurate and correct in all material respects as at the Completion.

As at the Latest Practicable Date, the Conditions Precedent under sub-paragraphs (i), (v) and (vii) to (x) above have been fulfilled.

In relation to the condition set out in sub-paragraph (v), on 3 March 2017, the SIC had granted the Whitewash Waiver in respect of Lim, subject to certain conditions more particularly set out in Section 3.2 of the Circular.

In the event any condition precedent is not fulfilled or waived on or before 30 September 2017 (or such other date as agreed in writing between the parties), the Sale and Purchase Agreement shall cease and determine and no party shall have any claim against the other parties, save for any antecedent breach.

Following Completion, the Company intends to change the name of the Target in line with the Group's corporate identity.

LETTER TO SHAREHOLDERS

2.4 Proposed Acquisition as a Very Substantial Acquisition

The Proposed Acquisition is governed by the rules of Chapter 10 of the Catalist Rules. Based on the audited consolidated financial statements of the Group for FY2016, the relative figures in respect of the Proposed Acquisition computed on the bases set out in Rule 1006 of the Catalist Rules are as follows:

Rule 1006	Bases	Relative figure (%)
(a)	The net asset value of the assets to be disposed of, compared with the group's net asset value. This basis is not applicable to an acquisition of assets	Not applicable
(b)	The net profits attributable to the assets acquired or disposed of, compared with the group's net profit	Not applicable ⁽¹⁾
(c)	The aggregate value of the consideration given or received, compared with the issuer's market capitalisation based on the total number of issued shares excluding treasury shares	307.94 ⁽²⁾
(d)	The number of equity securities issued by the issuer as consideration for an acquisition, compared with the number of equity securities previously in issue	229.36 ⁽³⁾
(e)	The aggregate volume or amount of proved and probable reserves to be disposed of, compared with the aggregate of the group's proved and probable reserves. This basis is applicable to a disposal of mineral, oil or gas assets by a mineral, oil and gas company, but not to an acquisition of such asset.	Not applicable

Notes:

- (1) The Target had a net loss of S\$1,419,069 (based on the exchange rate of S\$1:RM3.1006) in FY2016, whereas the Group recorded a net loss of S\$9,195,551 (based on the aforementioned exchange rate) in FY2016.
- (2) Computed based on the aggregate Consideration of S\$103,265,000 and the market capitalisation of the Company of S\$33,534,000, based on the closing Share price of 10.8 cents on 28 March 2017 (being the last trading day prior to the Company's announcement on 29 March 2017).
- (3) Computed based on the aggregate of 712,172,414 Consideration Shares and the total of 310,500,000 Shares in issue as at the Latest Practicable Date.

Having regard to the above, as the relative figures computed based on Rules 1006 (c) and (d) exceed 100% and the Proposed Acquisition will not result in a change of control of the Company (as Lim will remain the Controlling Shareholder), the Proposed Acquisition constitutes a very substantial acquisition under Rule 1015 of the Catalist Rules. Accordingly, the Proposed Acquisition shall be subject to approval of the Shareholders being obtained pursuant to Rule 1015 of the Catalist Rules.

LETTER TO SHAREHOLDERS

2.5 Proposed Acquisition as an Interested Person Transaction

(a) Requirements under the Catalist Rules

Please refer to Section 7.1 of this Circular for information on the requirements under the Catalist Rules relating to Interested Person Transactions. In particular, the Proposed Acquisition constitutes an interested person transaction under Chapter 9 of the Catalist Rules, as follows:

- (i) An “**interested person transaction**” is a transaction between an entity at risk and an interested person pursuant to Rule 904(5) of the Catalist Rules.
- (ii) As the Company is an “**issuer**” on the Catalist, the Company is an “**entity at risk**” pursuant to Rule 904(2) of the Catalist Rules.
- (iii) As Lim (one of the Vendors) is the Managing Director of the Group and a controlling Shareholder, he is an “**interested person**” under Rule 904(4)(a) of the Catalist Rules.
- (iv) As the Proposed Acquisition involves the acquisition of shares in the Target and the issue of Consideration Shares, it is a “**transaction**” under Rule 904(6)(b) of the Catalist Rules.

Under Rule 906 of the Catalist Rules, Shareholders’ approval is required for an interested person transaction of a value which is equal to or greater than 5.0% of the Group’s latest audited NTA or when aggregated with other interested person transactions entered into during the same financial year, the value is equal to or more than 5.0% of the Group’s latest audited NTA. In obtaining such approval, pursuant to Rule 919 of the Catalist Rules, the interested person and its associates are required to abstain from voting on the resolution approving the interested person transaction.

(b) Materiality thresholds under Chapter 9 of the Catalist Rules

The Consideration for the Proposed Acquisition is S\$103,265,000 and the portion of the Consideration payable to Lim is S\$61,959,000. The Group’s latest audited NTA as at 31 December 2016 is RM28,494,000 (approximately S\$9,189,836). As the Consideration (to be satisfied by way of allotment and issue of Consideration Shares) payable to Lim against the Group’s latest audited NTA is approximately 674.21%, the Proposed Acquisition is an interested person transaction (as defined under the Catalist Rules) and is therefore subject to the approval of Shareholders (other than Lim and his associates) at the EGM.

Please refer to Section 10 of this Circular and **Appendix B** to this Circular for the advice provided by the IFA.

(c) Other interested person transactions

Save as disclosed and previously announced, from 1 January 2017 to the Latest Practicable Date, no interested person transaction (excluding transactions with a value of less than S\$100,000) has been entered into by the Group in the current financial year ending 31 December 2017, whether with Lim, his associates or otherwise.

LETTER TO SHAREHOLDERS

2.6 Moratorium Undertakings

The Proposed Acquisition, being within the ambit of Rule 1015, is subject to the moratorium requirements specified in Rules 420, 421 and 443 of the Catalist Rules. Rule 1015(3)(b) provides that the moratorium requirements specified in Rules 420, 421 and 443 of the Catalist Rules are applicable to the following persons:

- (a) the existing Controlling Shareholders and their associates; and
- (b) persons who will become a Controlling Shareholder and their associates.

Such persons are required to provide an undertaking to maintain the relevant person's effective interest in the securities under the moratorium during the moratorium period.

Lim

Upon Completion, the Company will issue 712,172,414 Consideration Shares, of which 427,303,448 Consideration Shares will be allotted and issued to Lim (of which 115,415,862 Consideration Shares will be allotted and issued to WA Consolidated Private Limited, which is wholly owned by Lim). Accordingly, Lim's interest in the Company will increase to 48.58% of the enlarged number of Shares (taking into account all the Consideration Shares), comprising 496,833,327 Shares held directly and indirectly.

Pursuant to the investor relations agreement between Lim and Well-Cept, Lim agreed to transfer 21,365,172 Consideration Shares to Well-Cept as payment for the investor relations service rendered by Well-Cept upon Completion ("**Well-Cept Transfer**"). Subsequent to the Well-Cept Transfer:

- (a) Lim will have an interest in 405,938,276 Consideration Shares (comprising 290,522,414 Consideration Shares held directly and 115,415,862 Consideration Shares held indirectly through WA Consolidated Private Limited) ("**Lim Moratorium Shares**"); and
- (b) Lim's interest in the Company will be 46.49% of the Enlarged Share Capital (taking into account all the Consideration Shares), comprising 475,468,155 Shares held directly and indirectly.

Accordingly, in compliance with the moratorium requirements specified in Rule 420 of the Catalist Rules, Lim has undertaken not to sell, transfer, assign or otherwise dispose of: (a) any part of the Lim Moratorium Shares for a period of 12 months from the date of issue of the Consideration Shares; and (b) more than 50.0% of the Lim Moratorium Shares (adjusted for any bonus issue or sub-division of Shares) for a period of six (6) months thereafter. Lim has further undertaken that he will not sell, transfer, assign or otherwise dispose of any part of his shareholding interest in WA Consolidated Private Limited for a period of 18 months from the date of issue of the Consideration Shares.

Luminor Group

In compliance with the moratorium requirements specified in Rule 420 of the Catalist Rules, Luminor 1 has undertaken not to sell, transfer, assign or otherwise dispose of (a) any part of its Consideration Shares for a period of 12 months from the date of issue of the

LETTER TO SHAREHOLDERS

Consideration Shares; and (b) more than 50.0% of its respective Consideration Shares (adjusted for any bonus issue or sub-division of Shares) for a period of six (6) months thereafter.

In addition, for a period of 18 months from the date of issue of the Consideration Shares, Luminor Capital, Foo, Kwan CS and Kwan YW have undertaken not to sell, transfer, assign or otherwise dispose of any part of their shareholding interests in: (i) (in the case of Luminor Capital) Luminor 1, (ii) (in the case of Foo, Kwan CS and Kwan YW) Luminor Capital, and (iii) (in the case of Foo who holds 100% of the ordinary shares in Luminor 1 as nominee of Luminor Capital) Luminor 1. In addition, Luminor Capital has undertaken that it will continue to be the fund manager of Luminor 1 for the same period.

Koh

Koh is not subject to any moratorium requirements relating to her Shares as Koh holds her Shares (including the Consideration Shares) solely for investment purposes and does not participate in the management or carrying on of business of the Group. Koh invested in GGTM in 2015, is not a controlling shareholder of GGTM and is not directly or indirectly related to Lim and the Luminor Group.

Well-Cept

In addition, Well-Cept has undertaken not to sell, transfer, assign or otherwise dispose of (a) any part of the Consideration Shares to be transferred to it pursuant to the Well-Cept Transfer for a period of 12 months from the date of the Well-Cept Transfer; and (b) more than 50.0% of its respective Consideration Shares (adjusted for any bonus issue or sub-division of Shares) for a period of six (6) months thereafter. The shareholders of Well-Cept have undertaken not to sell, transfer, assign or otherwise dispose of any part of their shareholding in Well-Cept for a period of 18 months from the date of the Well-Cept Transfer.

2.7 Shareholders' Approval

In addition to the requirements under Chapters 9 and 10 of the Catalist Rules, Shareholders' approval is required in respect of the Proposed Acquisition, the Proposed Allotment and the Proposed Transfer of Controlling Interest pursuant to the following:

(a) Rule 803 of the Catalist Rules and the Proposed Transfer of Controlling Interest

Rule 803 of the Catalist Rules provides that an issuer must not issue securities to transfer a controlling interest without prior approval by Shareholders in a general meeting. Under the Catalist Rules, a controlling shareholder is a person who (a) holds directly or indirectly 15% or more of the total number of issued Shares, or (b) in fact exercises control over the Company.

As at the Latest Practicable Date, Luminor 1 does not hold any Shares. Assuming Completion, Luminor 1 will be issued 213,651,724 Consideration Shares, which will represent approximately 20.89% of all the enlarged share capital of the Company following Completion of 1,022,672,414 Shares, resulting in a transfer of controlling interest in the Company. Accordingly, the Company is seeking the approval of Shareholders for the Proposed Transfer of Controlling Interest.

LETTER TO SHAREHOLDERS

Please refer to Section 12 of this Circular for the change in shareholding interests of the Directors, Substantial Shareholders and the Luminor Group pursuant to the Proposed Transactions.

(b) Rule 804 of the Catalist Rules

Rule 804 of the Catalist Rules provides, *inter alia*, that except in the case of an issue made on a *pro rata* basis to shareholders or a share option scheme or a share scheme, no director of an issuer, or associate of the director, may participate directly or indirectly in an issue of equity securities unless shareholders in general meeting have approved the specific allotment.

As Lim, a Vendor, is the Managing Director and a Substantial Shareholder of the Company, specific Shareholders' approval is required for the proposed allotment and issue of the Consideration Shares to Lim pursuant to the Proposed Acquisition.

(c) Rule 805 of the Catalist Rules

Rule 805(1) of the Catalist Rules provides, *inter alia*, that except as provided in Rule 806 (General Mandate) of the Catalist Rules, an issuer must obtain the prior approval of its shareholders in general meeting for the issue of shares of the issuer.

Accordingly, the Proposed Allotment is subject to the approval of the Shareholders.

(d) Section 161 of the Companies Act

Section 161 of the Companies Act provides, *inter alia*, that directors shall not, without the prior approval of the company in general meeting, exercise any power of the company to issue shares.

Accordingly, Shareholders' approval is being obtained for the Proposed Allotment for the purposes of Section 161 of the Companies Act.

3. THE PROPOSED WHITEWASH RESOLUTION

3.1 Mandatory General Offer

As at the Latest Practicable Date, Lim holds (directly and indirectly) an interest in 69,529,879 Shares, representing approximately 22.39% of the Existing Share Capital as well as the voting rights in the Company. Subject to the Sale and Purchase Agreement, on Completion, Lim will be issued 427,303,448 Consideration Shares and thereafter, Lim and parties acting in concert with him (William Law, JHW and WA Consolidated Private Limited) will hold or control an aggregate of 510,001,661 Shares, representing approximately 49.87% of the enlarged number of issued Shares as well as the voting rights in the Company.

Under Rule 14 of the Code, where any person acquires whether by a series of transactions over a period of time or not, shares which (taken together with shares held or acquired by persons acting in concert with him) carry 30% or more of the voting rights of a company, such person is required, except with the consent of SIC, to make a mandatory general offer, for all remaining issued shares in the company concerned which he and/or his concert parties do not already own, control or have agreed to acquire.

LETTER TO SHAREHOLDERS

Therefore, pursuant to Rule 14 of the Code, Lim and parties acting in concert with him will incur an obligation to make a mandatory general offer for the remaining Shares not owned, controlled or agreed to be acquired by him or his concert parties at the highest price paid or agreed to be paid by any of them for the Shares, in the six months preceding the allotment and issue of the Consideration Shares, unless such obligation is waived by the SIC and the Proposed Whitewash Resolution is approved by the Independent Shareholders at the EGM.

3.2 SIC Confirmation and Whitewash Waiver

On 3 March 2017, the SIC waived the obligation of Lim to make a mandatory general offer for the Company under Rule 14.1 of the Code in the event that Lim and his concert parties' aggregate holdings in the Company increase to more than 30% based on the Enlarged Share Capital as a result of the issue of the Consideration Shares to Lim under the Proposed Acquisition ("**Whitewash Waiver**").

The Whitewash Waiver is subject to, among other things, the following conditions:

- (a) a majority of holders of voting rights of the Company present and voting at a general meeting, held before the issue of the Consideration Shares under the Proposed Acquisition, approve by way of a poll the Proposed Whitewash Resolution;
- (b) the Proposed Whitewash Resolution is separate from other resolutions;
- (c) Lim, his concert parties and parties not independent of them or the Proposed Acquisition abstain from voting on the Proposed Whitewash Resolution;
- (d) Lim did not acquire or are not to acquire any Shares or instruments convertible into and options in respect of Shares (other than subscriptions for, rights to subscribe for, instruments convertible into or options in respect of the Consideration Shares):
 - (i) during the period between the date of the Announcement and the date on which Shareholders' approval is obtained for the Proposed Whitewash Resolution; and
 - (ii) in the six (6) months prior to the date of the Announcement but subsequent to negotiations, discussions or the reaching of understandings or agreements with the Directors in relation to the Proposed Acquisition;
- (e) the Company appoints an independent financial adviser to advise its Independent Shareholders on the Proposed Whitewash Resolution;
- (f) the Company sets out clearly in this Circular:
 - (i) details of the Proposed Acquisition;
 - (ii) the possible dilution effect to existing holders of voting rights as a result of Lim acquiring the Consideration Shares;
 - (iii) the number and percentage of voting rights in the Company as well as the number of instruments convertible into, rights to subscribe for and options in respect of Shares held by Lim and his concert parties as at the Latest Practicable Date;

LETTER TO SHAREHOLDERS

- (iv) the number and percentage of voting rights to be issued to Lim under the Proposed Acquisition; and
- (v) that Shareholders, by voting for the Proposed Whitewash Resolution, are waiving their rights to a general offer from Lim at the highest price paid by Lim and his concert parties for the Shares in the past six (6) months preceding the Proposed Acquisition;
- (g) this Circular states that the waiver granted by the SIC to Lim from the requirement to make a general offer under Rule 14 is subject to the conditions stated in subparagraphs (a) to (f) above;
- (h) Lim obtains the SIC's approval in advance for those parts of this Circular that refer to the Proposed Whitewash Resolution; and
- (i) to rely on the Proposed Whitewash Resolution, the acquisition of the Consideration Shares to Lim must be completed within three (3) months of the date of approval of the Proposed Whitewash Resolution.

As at the Latest Practicable Date, save for conditions set out under Sections 3.2(a), 3.2(c), 3.2(d)(i) and 3.2(i) of this Circular, which are expected to be satisfied only at or after the EGM, all the other conditions imposed by the SIC set out above have been satisfied.

Lim and his concert parties did not acquire and nor will they acquire, any Shares, instruments convertible into Shares or options in respect of Shares:

- (a) during the period between the date of the Announcement and the date on which Independent Shareholders' approval is obtained for the Proposed Whitewash Resolution at the EGM; and
- (b) in the six (6) months prior to the date of the Announcement.

3.3 The Proposed Whitewash Resolution

The Independent Shareholders are requested to vote by way of poll on the Proposed Whitewash Resolution as set out as an ordinary resolution in the Notice of EGM, waiving their rights to receive a general offer from Lim for the remaining Shares that Lim and his concert parties do not already own, control or have agreed to acquire.

Shareholders should note that the Proposed Acquisition is conditional, among other things, upon the passing of the Proposed Whitewash Resolution by the Independent Shareholders. In view of this, in the event that the Proposed Whitewash Resolution is not passed by the Independent Shareholders, the Proposed Acquisition will not take place.

Independent Shareholders should also note that by voting for the Proposed Whitewash Resolution, they will be waiving their rights to a general offer from Lim at the highest price paid by Lim and his concert parties for the Shares in the six (6) months preceding the allotment and issuance of the Consideration Shares.

LETTER TO SHAREHOLDERS

3.4 Dilution

As at the Latest Practicable Date, the Company's issued share capital is S\$30,101,319 comprising 310,500,000 Shares. Assuming that the Completion takes place and all the Consideration Shares are issued, the 712,172,414 Consideration Shares will represent approximately 69.64% of the Shares in the Enlarged Share Capital, which will comprise 1,022,672,414 Shares.

As a result of the Proposed Acquisition, the collective shareholding interests of the Independent Shareholders in the Company will be diluted. Such dilution effects are illustrated under Section 12 of this Circular, which sets out, *inter alia*, the changes in the shareholding interests of the Company after the Proposed Acquisition.

3.5 Interest of the Vendors in the Shares

Save as disclosed in the table in Section 12 of this Circular, as at the Latest Practicable Date, the Vendors do not have an interest in any voting rights in the Company or instruments convertible into, rights to subscribe for and options in respect of the Shares.

4. PROPOSED DIVERSIFICATION

4.1 Introduction

The existing business of the Group comprises exploration, mining and production of gold for sale in Malaysia. As at the Latest Practicable Date, the Company has two wholly-owned subsidiaries, Angka Alamjaya Sdn. Bhd. and Angka Mining Sdn. Bhd., which are incorporated in Malaysia and have concession rights to gold mines located in Terengganu, Malaysia.

Subject to the approval of Shareholders being obtained at the EGM, the Group intends to undertake the Proposed Diversification to broaden the scope of its business activities to include the New Businesses as additional core businesses of the Group.

4.2 Strategy of the Proposed Diversification

Currently, the Group's intention in the near future is to undertake the Proposed Diversification in Malaysia, due to the familiarity of the region to the Group. However, the Group does not plan to restrict the New Businesses to any specific markets as each project and investment would be evaluated and assessed by the Directors on its own merits.

In doing so, the Group will consider, amongst other things, the market conditions of the relevant country and region, the growth potential and value enhancement of the particular investment or project for the Group, and the extent of the Group's capability and expertise to undertake such investments or projects in view of potential requirements and peculiarities which may be unique to certain regions. The Company will also ensure compliance with the Catalist Rules at all times.

In connection with the Proposed Acquisition, the Group intends to acquire the Target, which has concession rights to dimension stone granite quarries in Terengganu, Malaysia and is also in the business of architectural stone and interior fit-out. Please refer to Section 2 of this Circular for more information on the Proposed Acquisition.

LETTER TO SHAREHOLDERS

Your attention is drawn to Sections 4.6 and 5.2 of this Circular entitled “Risks associated with the New Businesses” and “Risk Factors relating to the Enlarged Group”, respectively, which you should review carefully and collectively.

4.3 Rationale for the New Businesses

The Proposed Diversification (together with the Proposed Acquisition) is part of the corporate strategy of the Group to provide Shareholders with diversified returns and long term growth. The Directors believe that the Proposed Diversification will offer the Group new business opportunities, provide the Group with new revenue streams and improve its prospects, so as to enhance Shareholders' value for the Company. The Proposed Diversification will provide the Group with additional income streams from the sale of dimension stone granite and providing architectural stone and interior fit-out services, thereby also diversifying its revenue sources between the mineral resources of gold and dimension stone granite in the state of Terengganu, Malaysia. The Proposed Diversification will also expand the asset base of the Enlarged Group and widen its shareholder base, attracting more interest from the investment community focused on the minerals sector in investing in the Company.

4.4 Funding for the New Businesses

As and when opportunity arises, and after careful assessment by the Directors, the Company will decide on investment, project or activity within the New Businesses to be conducted. The Company may fund such investment, project or activity through internal funds, bank or other external borrowings, or further fund raising exercises, depending on the nature of investment, project or activity and the then financial condition of the Group.

In addition, should suitable opportunities arise, the Company may enter into joint ventures or strategic alliances with other reputable parties to reduce risks and/or share the burden of the required funding.

4.5 Management of the New Businesses

Following Completion, for purposes of the New Businesses, the Group intends to leverage on the skills and capabilities of the Target's management team and experienced professionals. Please refer to Section 12 of **Appendix A** entitled “Directors and Employees” for more information on the Target's management team.

As at the Latest Practicable Date, the Target's management team which includes Mr Teoh Yee Kian will allow the Enlarged Group to draw on his expertise and experience to make sound decisions on the New Businesses and the network of contacts of Mr Teoh Yee Kian and Lim to facilitate further strategic partnerships and commercial opportunities to support and strengthen the Group's business operations. The Group may, as and when required, engage additional personnel with the relevant skills and capabilities in relation to the New Businesses.

Following Completion, Lim will oversee the business of the Target, which will form part of the Group. The Directors will continue to evaluate the manpower and expertise required for the Group to carry out the New Businesses as contemplated by the Proposed Diversification, and the Group will consider hiring additional staff or in-house or external consultants and professional advisers as and when required in connection with the Proposed Diversification to assist the management team.

LETTER TO SHAREHOLDERS

4.6 Risks associated with the New Businesses

The Proposed Diversification will change the existing risk profile of the Company. The following is a list of material risk factors which are associated with the Proposed Diversification. Please refer to Section 20 of **Appendix A** to the Circular for a further discussion on risks associated with the New Businesses and their impact on GGTM and/or the Enlarged Group.

The following describes some of the significant risks known to the Company now that could directly or indirectly affect it and the value of its Shares. The following does not state risks unknown to the Company now but which could occur in the future and risks which the Company currently believes to be immaterial, which could turn out to be material. Should such risks occur or turn out to be material, they could materially and adversely affect the Group's Business.

Shareholders should note that certain of the statements set forth below constitute "forward-looking statements" that involve risks and uncertainties. Please refer to the section entitled "Cautionary Note Regarding Forward-Looking Statements" of this Circular. If any of the following risk factors and uncertainties develops into actual events, the Group's Business may be materially and adversely affected. In such circumstances, the trading price of the Company's shares could decline and Shareholders may lose all or part of their investment. To the best of the Directors' belief and knowledge, all the risk factors associated with the New Businesses which are material to Shareholders in making an informed decision with regards to the Proposed Diversification have been set out below.

(a) The Group has no prior track record or experience in the dimension stone granite mineral industry or interior fit-out industry

The Group does not have a proven track record and the current management of the Group may not have the relevant experience and expertise required in the carrying out or implementation of the New Businesses, save for Lim, who is the founder and non-executive director of GGTM. As the New Businesses are new areas of business to the Group, the Group will face the usual risks, uncertainties and problems associated with the entry into any new business which it has no prior experience or track record in. These risks, uncertainties and problems include, among others, the inability to find suitable joint venture, strategic or other business partners, the inability to manage the expanding operations and costs, failure to attract and retain customers, failure to provide the results, level of revenue and margins the Group is expecting, and failure to identify, attract, retain and motivate qualified personnel. There is no assurance that the management of the Group will be able to ensure success in undertaking of the New Businesses.

(b) Future acquisitions, joint ventures or investments may expose the Group to increased risks

Following Completion, the Enlarged Group may, as a matter of business strategy, invest in or acquire other entities in the New Businesses, or enter into joint ventures or other investment structures in connection with the New Businesses. Acquisitions that the Enlarged Group may undertake, along with potential joint ventures and other investments, may expose the Enlarged Group to additional business and operating risks and uncertainties, including but not limited to the following:

LETTER TO SHAREHOLDERS

- the direct and indirect costs in connection with such transactions;
- the inability to effectively integrate and manage the acquired businesses;
- the inability of the Enlarged Group to exert control over the actions of its joint venture partners, including any non-performance, default or bankruptcy of the joint venture partners;
- the inability of the Enlarged Group to exert control over strategic decisions made by these companies;
- the time and resources expended to coordinate internal systems, controls, procedures and policies;
- the disruption in ongoing business and diversion of management's time and attention from other business concerns;
- the risk of entering markets in which the Enlarged Group may have no or limited prior experience;
- the potential loss of key employees and customers of the acquired businesses;
- the risk that an investment or acquisition may reduce the Enlarged Group's future earnings; and
- exposure to unknown liabilities.

If the Enlarged Group is unable to successfully implement its acquisition or expansion strategy or address the risks associated with such acquisitions or expansions, or if the Enlarged Group encounters unforeseen expenses, difficulties, complications or delays frequently encountered in connection with the integration of acquired entities and the expansion of operations, the Group's growth and ability to compete may be impaired, the Enlarged Group may fail to achieve acquisition synergies and be required to focus resources on integration of operations, rather than on the Enlarged Group's primary businesses.

Activities to expand its operations may also bring the Enlarged Group into contact, directly or indirectly, with individuals and entities that are new clients and other new products or new markets. These business activities expose the Enlarged Group to new and enhanced risks including reputation risks arising from dealing with a range of new counterparties, along with these activities bring exposure to the range of risks described in this Circular. If these risks eventuate, they may have a negative impact on the Enlarged Group's Business.

(c) The price of the Shares may fluctuate following the Completion

The Issue Price of the Consideration Shares may not be indicative of the price of the Shares that will prevail in the trading market. Volatility in the market price of the Shares may be caused by factors beyond the control of the Enlarged Group and may be unrelated and disproportionate to the operating results of the Enlarged Group.

LETTER TO SHAREHOLDERS

The market price of the Shares may fluctuate significantly and rapidly as a result of, amongst other things, the following factors, some of which are beyond the control of the Enlarged Group:

- (i) the success or failure of the Enlarged Group's management team in implementing business and growth strategies;
- (ii) changes in significant contracts, acquisitions, strategic alliances or capital commitments;
- (iii) loss of the Enlarged Group's major customers or failure to complete significant orders or contracts;
- (iv) variations in the operating results of the Enlarged Group;
- (v) involvement in litigation;
- (vi) unforeseen contingent liabilities of the Enlarged Group;
- (vii) addition or departure of key personnel of the Enlarged Group;
- (viii) loss of important business relationships or adverse financial performance by a significant customer or group of customers;
- (ix) changes in securities analysts' estimates of the Enlarged Group's financial performance and recommendations;
- (x) changes in conditions affecting the industry, the general economic conditions or stock market sentiments or other events or factors;
- (xi) differences between the Enlarged Group's actual financial operating results and those expected by investors and securities analysts; and
- (xii) changes in general market conditions and broad market fluctuations.

(d) Future sale of securities by the Vendors may adversely affect the price of the Shares

Following Completion, 712,172,414 Consideration Shares will be issued to the Vendors, which will comprise 69.64% of the Enlarged Share Capital. 640,955,172 Consideration Shares, which will comprise 62.67% of the Enlarged Share Capital, held by Lim, Luminor 1 and Well-Cept will be subject to moratorium (the details of which are set out in Section 2.6 of this Circular), any sale of a significant number of such Shares after the expiration of the applicable moratorium period, or the perception that such sales may occur, could materially and adversely affect the market price of the Shares and may thereby also affect the Enlarged Group's ability to raise funds through the issue of equity or other forms of securities.

LETTER TO SHAREHOLDERS

(e) The Enlarged Group may not be able to realise the full synergies of the Proposed Acquisition if it is unable to successfully integrate its businesses

There is no assurance that the Enlarged Group will be able to successfully integrate the business of the Target. There may be unexpected integration challenges and potential instabilities which may materially and adversely affect or disrupt the business operations of the Enlarged Group and its financial performance, financial position and prospects. Accordingly, there is no assurance that the Enlarged Group will achieve the synergies, the returns and other benefits expected of the Proposed Acquisition.

(f) Independent Shareholders will face immediate and substantial dilution and may experience future dilution to shareholdings

The Proposed Acquisition will result in immediate dilution to the shareholdings of existing Independent Shareholders upon the allotment and issue of the Consideration Shares.

In addition, following Completion, it is possible that the Enlarged Group may require funding in order to grow and expand its operations. Under such circumstances, secondary issue(s) of securities may be necessary to raise the required capital to develop these growth opportunities. If new Shares are issued and placed to new and/or existing Shareholders, they may be priced at a discount to the prevailing market price of Shares trading on the SGX-ST, in which case existing Shareholders' equity interests will be diluted. If the Enlarged Group fails to utilise the new equity to generate a corresponding increase in earnings, the earnings per Share of the Enlarged Group will be diluted and this could lead to a decline in the market price of its Shares.

(g) Negative publicity may adversely affect the price of the Shares

Negative publicity involving the Enlarged Group and Substantial Shareholders of the Company may materially and adversely affect the market perception or the price of the Shares. Some examples of negative publicity are unsuccessful attempts in joint ventures and takeovers.

4.7 Requirements under the Catalist Rules

Under Rule 1002(1) of the Catalist Rules, a "transaction" is defined as "the acquisition or disposal of assets by an issuer or a subsidiary that is not listed on the SGX-ST or an approved exchange, including an option to acquire or dispose of assets. It excludes an acquisition or disposal which is in, or in connection with, the ordinary course of its business or of a revenue nature". The Board is of the view that it would be advantageous to the Company to include the New Businesses as additional core businesses of the Group. Please refer to Section 4.3 of this Circular entitled "Rationale for the New Businesses" for further details.

Paragraph 7(a) of Practice Note 10A of the Catalist Rules states that Shareholders' approval is not required if an acquisition will result in an expansion of the Company's existing core business. The SGX-ST takes the view that it should not in normal circumstances require the Company to seek Shareholders' approval if the expansion is by way of an acquisition of a similar business, when other means to expand its business that are open to the Company would not require Shareholders' approval.

LETTER TO SHAREHOLDERS

However, paragraph 7(b) of Practice Note 10A of the Catalist Rules provides that should the acquisition change the risk profile of the Company, Shareholders should have an opportunity to have their say on the proposed acquisition. This is so notwithstanding that the acquisition will not change the main business of the Company.

Paragraph 7(c) of Practice Note 10A of the Catalist Rules sets out the following factors that will be considered in determining whether the risk profile of the Company has been changed:

- (a) whether the acquisition will increase the scale of the Company's existing operations significantly. An acquisition is regarded as increasing the scale of operations significantly if any of the relative figures computed on the bases set out in Listing Rule 1006(c) and 1006(d) is 100% or more. Rule 1015 requires Shareholders' approval to be obtained for such an acquisition regardless of whether the acquisition is treated as in the Company's ordinary course of business. Such an acquisition may be treated as a very substantial acquisition;
- (b) whether the acquisition will result in a change of control of the Company. Rule 1015 requires Shareholder's approval to be obtained if the acquisition will result in a change in control of the Company regardless of whether the acquisition is treated as in the Company's ordinary course of business. Such an acquisition may be treated as a reverse takeover;
- (c) whether the acquisition will have a significant adverse impact on the Company's earnings, working capital and gearing;
- (d) the extent to which the acquisition will result in an expansion of the Company's business to a new geographical market and/or a new business sector; and
- (e) the extent to which the intended expansion has been foreshadowed and investors have had an opportunity to vote at previous general meetings on (A) the Company's proposal; or (B) waiving their rights to approve the Company's proposal.

Paragraph 7(d) of Practice Note 10A of the Catalist Rules further provides that the factors in determining whether an acquisition would change the Company's risk profile as enumerated in paragraph 7(c) of Practice Note 10A of the Catalist Rules are neither exhaustive nor conclusive.

For the avoidance of doubt, notwithstanding the Proposed Diversification, in respect of transactions:

- (i) which fall within the definition of Rule 1002(1) of the Catalist Rules, Rules 1010 and 1014 of the Catalist Rules will still apply;
- (ii) where any of the relative figures as computed on the bases set out in Rule 1006 of the Catalist Rules exceeds 100% or results in a change in control of the Company, Rule 1015 of the Catalist Rules will still apply to such transactions and such transactions must be, among others, made conditional upon the approval of Shareholders;
- (iii) which involve an interested person transaction as defined under the Catalist Rules, the Company will comply with the provisions of Chapter 9 of the Catalist Rules; and

LETTER TO SHAREHOLDERS

- (iv) which changes the risk profile of the Company, in light of Practice Note 10A of the Catalist Rules, including the expansion of the New Business into other countries beyond Asia, such transactions may still be subject to Shareholders' approval.

Shareholders should note that notwithstanding the aforesaid, the Company will:

- (1) in respect of its first acquisition or disposal in the New Businesses that is equal to or more than 75% or 50%, respectively, of the prescribed thresholds under Rule 1006 of the Catalist Rules; or
- (2) where acquisitions or disposals related to the New Businesses over a 12-month period, when aggregated, are equal to or more than 75% or 50%, respectively, of the prescribed thresholds under Rule 1006 of the Catalist Rules,

seek Shareholders' approval for such transaction, provided that this shall not apply where the transaction pertain to a public or private tender for projects in which the Group is bidding and the conditions of tender do not permit a potential bidder to subject its bid to its shareholders' approval or in the opinion of the Board, it is not commercially practicable nor feasible for the Company to subject or would severely disadvantage itself in subjecting its bid to prior Shareholders' approval. The Company will obtain independent qualified person's reports and valuation reports in relation to such acquisitions, as may be required by the Catalist Rules.

5. INFORMATION ON THE ENLARGED GROUP

5.1 Principal Businesses

Following Completion, the principal businesses of the Enlarged Group will be in (a) exploration, mining and production of gold for sale in Malaysia; (b) the Dimension Stone Granite Business, which includes exploration, mining, quarry extraction, processing and sale of granite products and dimension stone granite; and (c) the Interior Fit-Out Business, which is complementary and synergistic to the Dimension Stone Granite Business, comprising architectural stone and interior fit-out services.

5.2 Risk Factors relating to the Enlarged Group

An investment in the Shares following the Completion involves a number of risks some of which could be substantial, including market, liquidity, credit, operational, legal and regulatory risks relating to the Enlarged Group.

Shareholders should evaluate carefully the information set out in Section 4.6 of this Circular entitled "Risks relating to the New Businesses" and Section 20 of **Appendix A** to this Circular entitled "Risk Factors" (collectively "**Risk Factors**"), and the other information in this Circular before deciding on the Proposed Acquisition and how to cast their votes at the EGM.

The Risk Factors are not the only risks which the Enlarged Group face. Some risks are not yet known to the Group, the Target and/or the Vendors, and there may be others which they currently believe are not material but may subsequently turn out to be so. Factors that affect the price of Shares may change and the Risk Factors should not be construed as a comprehensive listing of all the risk factors and the listing is not set out in any particular order.

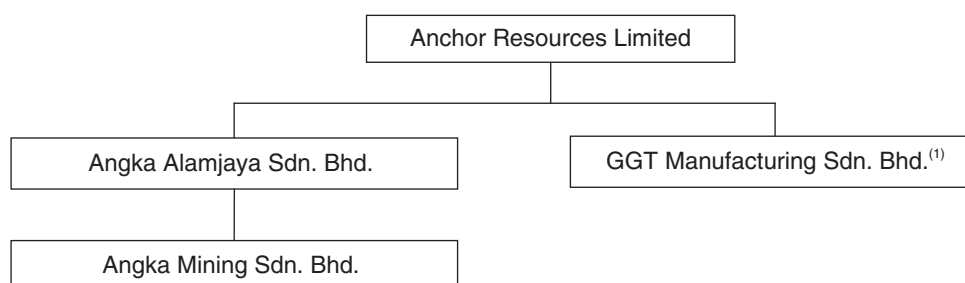
LETTER TO SHAREHOLDERS

If any of the Risk Factors develops into actual events, the financial position, results, cash flow, performance, business operations and prospects of the Enlarged Group could be, directly or indirectly, materially and adversely affected. In the event that any of the foregoing occurs, the trading price of the Shares could fluctuate and/or decline and Shareholders may lose all or part of their investment in the Shares.

This Circular also contains forward-looking statements that involve risks, uncertainties and assumptions. The actual results could differ materially from those anticipated or implied in these forward-looking statements as a result of certain Risk Factors.

5.3 Structure of the Enlarged Group

Following Completion, the Target will become a wholly-owned subsidiary of the Company, and the Enlarged Group structure will be as set out below. As at the Latest Practicable Date, the Target does not have any subsidiaries or associated companies.



Note:

(1) To be renamed after Completion.

Please refer to Section 12 of this Circular for the changes to the Company's shareholding structure after Completion and the allotment and issuance of the Consideration Shares.

5.4 Financial Information of the Enlarged Group

Please refer to **Appendix I** to this Circular for the Unaudited Pro Forma Financial Information of the Enlarged Group.

5.5 Further Information on GGTM

Please refer to **Appendix A** to this Circular for detailed information on GGTM.

6. PROPOSED EXCHANGEABLE BONDS ISSUE

6.1 Rationale and Use of Proceeds of the Proposed Exchangeable Bonds Issue

The Proposed Exchangeable Bonds Issue is intended to raise additional funding to strengthen the financial position of the Group and to advance the enlarged Group's strategic plans after the Completion.

LETTER TO SHAREHOLDERS

Assuming issue of the Bonds, the estimated net proceeds from the Proposed Exchangeable Bonds Issue, after deducting estimated professional and related expenses of approximately S\$50,000 incurred in connection with the Proposed Exchangeable Bonds Issue, will be approximately S\$1,950,000. The net proceeds are intended to be utilised for general working capital of the Enlarged Group after the Completion.

Pending the deployment of the net proceeds, such proceeds may be deposited with banks and/or financial institutions, used for investment in short-term money markets instruments and/or marketable securities and/or used for any other purposes on a short-term basis, as the Directors may, in their absolute discretion, deem appropriate in the interests of the Company.

The Company shall announce the use of the aforementioned net proceeds as and when such funds are materially disbursed and whether such a use is in accordance with the stated use of the net proceeds, and where there is any material deviation from the stated use of the net proceeds, the Company shall announce the reasons for such deviation. The Company shall also provide a status report on the use of the net proceeds in its annual report.

6.2 Details of the Proposed Exchangeable Bonds Issue

Salient terms of the Proposed Exchangeable Bonds Issue are summarised below:

Principal Amount	:	S\$2,000,000.
Issue Price	:	100% of the principal amount of the EB.
Exchange Price	:	The Exchange Price shall be equal to 90.0% of the VWAP of the Shares traded on the SGX-ST for the five (5) days prior to: (i) the date Luminor 2 exercises its right to exchange the EB (" Exchange Right "); or the (ii) the date of the EB Subscription Agreement (whichever is lower), provided that such price being not more than a 10.0% discount to the VWAP for trades done on the Shares on the SGX-ST on the date of the EB Subscription Agreement (or if trading is not available for a full market day, the VWAP for trades done on the preceding market day up to the date of the EB Subscription Agreement), subject to adjustment in accordance with the EB Terms and Conditions.
Maturity Date	:	On the second anniversary from the EB Issue Date.
Exchange Period	:	Luminor 2 may exercise its Exchange Right at any time from the EB Issue Date to the EB Maturity Date.
Interest	:	5.0% per annum, payable every six months in arrears.

LETTER TO SHAREHOLDERS

Form and Denomination	:	The Bonds will be issued in registered form in the denomination of S\$100,000 or integral multiples thereof, without coupons attached.
Guarantee	:	The Company will irrevocably and unconditionally guarantee the proper and punctual payment by the EB Subsidiary of all amounts which are to be paid by the EB Subsidiary to Luminor 2 under the EB Subscription Agreement and/or the Bonds (" EB Guarantee ").
Status of the EB	:	The Bonds will constitute direct, unsubordinated, unconditional and unsecured obligations of the EB Subsidiary. The Bonds shall at all times rank <i>pari passu</i> and without any preference or priority among themselves. The payment obligations of the EB Subsidiary under the Bonds shall, save for such exceptions as may be provided by applicable laws, at all times rank senior to all of the EB Subsidiary's other present and future unsecured and unsubordinated obligations.
Status of the Exchange Shares	:	The Exchange Shares to be issued by the Company will be valid, fully-paid, free from any encumbrance and rank <i>pari passu</i> in all respects with the Shares in issue on the relevant date of issue.
Right of Participation	:	During the term of the Bonds, Luminor 2 has the right to participate in any new issuance of shares in the EB Subsidiary, on the same terms and conditions as those offered to potential subscribers.
Right of Pre-Emption	:	During the term of the Bonds, Luminor 2 has the right of first refusal to acquire any shares in the EB Subsidiary proposed to be transferred by the Company, on the same terms and conditions as those offered to potential transferees.

LETTER TO SHAREHOLDERS

Exchange Price Adjustments : The Exchange Price shall be subject to adjustments in relation to, *inter alia*, Share consolidation, subdivision or reclassification of Shares, capitalisation of profits or reserves, dividends, rights issues of Shares, options or other securities, issues at less than current market price of the Shares, modification of rights of conversion and other offers to the Shareholders. The Exchange Price shall not be adjusted as a result of any issue of options or awards granted and/or Shares issued pursuant to exercise of options or awards granted under any of the share schemes of the Group.

Please refer to **Part 1 of Appendix K** to this Circular for an extract of the conditions relating to the adjustment to the Exchange Price specified in the EB Terms and Conditions.

Redemption or Exchange on Maturity : Unless previously converted, Luminor 2 may elect on the EB Maturity Date either to (i) redeem all outstanding Bonds; or (ii) exchange all the outstanding Bonds.

If Luminor 2 elects to redeem all outstanding Bonds on the EB Maturity Date, within seven (7) business days of the EB Maturity Date, the EB Subsidiary shall pay to Luminor 2 an amount equivalent to (i) the principal amount of the outstanding Bonds held by it; plus (ii) a premium that would generate for Luminor 2 a **15.0%** per annum cumulative return from the EB Issue Date to the EB Maturity Date. Solely for illustrative purposes, assuming that Bonds with a principal amount of S\$2,000,000 are redeemed at maturity, the aggregate amount of S\$2,645,000 will be paid to Luminor 2 upon redemption.

Transfer : The Bonds are non-transferable.

LETTER TO SHAREHOLDERS

Undertakings : As long as the Bonds remain outstanding, the EB Subsidiary and the Company will:

- (a) maintain its corporate existence under the laws of their respective country of jurisdiction and obtain Luminor's prior written consent before taking any action to dispose of any interest in the Company's subsidiaries;
- (b) ensure that each Group company complies with all applicable laws and regulations in its respective country of jurisdiction;
- (c) ensure that each Group company maintains the licences, consents, permits and authorisations necessary for it to conduct its respective businesses;
- (d) notify Luminor 2 in writing as soon as reasonably practicable if any of the Group companies becomes subject to any litigation action, or if it adopts significant plans for reorganisation or amalgamation; and
- (e) notify Luminor 2 as soon as reasonably practicable of any actual or prospective change in its financial, operations and business affairs which in its reasonable opinion will result in a material adverse effect.

As long as the Bonds remain outstanding, the EB Subsidiary and the Company will not do any of the following without the prior written consent of Luminor 2 (such consent not to be unreasonably withheld):

- (a) distribute dividends of the Company and/or the EB Subsidiary;
- (b) assume any debt that is incurred not in the ordinary course of the business of the Group; and
- (c) take any action that would in its reasonable opinion cause an event of default to occur.

LETTER TO SHAREHOLDERS

Events of Default : Upon the occurrence of any event of default specified in the EB Terms and Conditions, Luminor 2 will be entitled to exercise its right to redeem the Bonds, at a price equal to (i) the outstanding principal amount plus (ii) a premium that would generate for Luminor 2 a **20.0%** per annum cumulative return from the EB Issue Date to the date notice of default is given by Luminor 2.

Please refer to **Part 2 of Appendix K** to this Circular for an extract of the provisions relating to the events of default specified in the EB Terms and Conditions.

6.3 Conditions Precedent

The Proposed Exchangeable Bonds Issue is conditional upon, *inter alia*:

- (a) Completion taking place;
- (b) the execution of the EB Guarantee by the Company;
- (c) Luminor 2 having completed its due diligence exercise on the Company and the results of the same being satisfactory to it;
- (d) (i) all the representations and warranties of each party being accurate and correct and not misleading in all respects at; and (ii) each party having performed all of its undertakings or obligations required to be performed by it on or before the closing of the Proposed Exchangeable Bonds Issue; and
- (e) the approval of Shareholders of the Company for the issue and allotment of the Exchange Shares, the approval of the SGX-ST for the listing and quotation of the Exchange Shares on the SGX-ST and all other consents, approvals and authorisations having been obtained by the Company and the same continuing to be in full force and effect.

If any of the conditions to the EB Subscription Agreement is not satisfied on or waived before the date falling six (6) months from the date of the EB Subscription Agreement, the Proposed Exchangeable Bonds Issue will not proceed.

6.4 Exchange Price and Exchange Shares

As mentioned above, subject to adjustments, the Exchange Price will be an amount equal to 90.0% of the VWAP of the Shares traded on the SGX-ST for the five (5) days prior to: (i) the date Luminor 2 exercises its Exchange Right; or (ii) the date of the EB Subscription Agreement (whichever is lower), provided that such price being not more than a 10.0% discount to the VWAP for trades done on the Shares on the SGX-ST on the date of the EB Subscription Agreement (or if trading is not available for a full market day, the VWAP for trades done on the preceding market day up to the date of the EB Subscription Agreement). Therefore, at this juncture, the Company is unable to ascertain the maximum number of Exchange Shares which may be issued pursuant to the Proposed Exchangeable Bonds Issue.

LETTER TO SHAREHOLDERS

As the Exchange Price shall not be more than a 10.0% discount to the VWAP for trades done on the Shares on the SGX-ST on the date of the EB Subscription Agreement, the minimum Exchange Price will be S\$0.0965 ("**Minimum Exchange Price**") and a maximum of 20,725,389 Exchange Shares (representing approximately 1.99% of the Enlarged Share Capital of the Company) may be issued in relation to the principal amount under the Proposed Exchangeable Bonds Issue, and such additional Exchange Shares to be issued arising from the adjustment in accordance with the terms and conditions of the Bonds.

The Company is seeking specific Shareholders' approval in relation to the Proposed Exchangeable Bonds Issue and allotment and issue of Exchange Shares.

Assuming all the Bonds are converted into Exchange Shares following the Completion, and based on the Minimum Exchange Price, the maximum of 20,725,389 Exchange Shares will represent approximately 1.99% of the Enlarged Share Capital (taking into account the (i) issue of the Consideration Shares pursuant to the Completion and (ii) issue of Exchange Shares pursuant to the Proposed Exchangeable Bonds Issue).

Please refer to Section 12 of this Circular for the shareholding table of the Company upon Completion and completion of the Proposed Exchangeable Bonds Issue.

6.5 Adjustment and Modification

Please refer to **Part 1 of Appendix K** to this Circular for an extract of the conditions relating to adjustments to the Exchange Price as specified in the EB Terms and Conditions.

In compliance with Rule 829 of the Catalist Rules, the terms of the Bonds will provide for:

- (a) adjustment to the exercise or conversion price and, where appropriate, the number of company warrants or other convertible securities, in the event of rights, bonus or other capitalisation issues;
- (b) the expiry of the company warrants or other convertible securities to be announced, and notice of expiry to be sent to all holders of the company warrants or other convertible notice of expiry to be sent to all holders of the company warrants or other convertible securities at least one month before the expiration date; and
- (c) any material alteration to the terms of company warrants or other convertible securities after issue to the advantage of the holders of such securities to be approved by shareholders, except where the alterations are made pursuant to the terms of the issue.

In compliance with Rule 830 of the Catalist Rules, the Company will announce any adjustment made pursuant to Rule 829(1) of the Catalist Rules.

LETTER TO SHAREHOLDERS

7. PROPOSED IPT MANDATE

7.1 Chapter 9 of the Catalyst Rules

(a) Requirements under the Catalyst Rules

Chapter 9 of the Catalyst Rules governs transactions in which a listed company or any of its subsidiaries or associated companies (which is known as an “entity at risk”) proposes to enter into with a party who is an interested person of the listed company. The purpose is to guard against the risk that interested persons could influence the listed company, its subsidiaries or associated companies to enter into transactions with interested persons that may adversely affect the interests of the listed company or its shareholders.

For the purpose of Chapter 9 of the Catalyst Rules:

- (i) an “**entity at risk**” means: (A) the listed company; (B) a subsidiary of the listed company that is not listed on the SGX-ST or an approved exchange; or (C) an associated company of the listed group that is not listed on the SGX-ST or an approved exchange, provided that the listed group, or the listed group and its interested person(s), has control over the associated company;
- (ii) an “**interested person**” means: (A) a director, chief executive officer or controlling shareholder of the listed company; or (B) an associate of such director, chief executive officer or controlling shareholder;
- (iii) an “**associate**” in relation to any director, chief executive officer, substantial shareholder or controlling shareholder (being an individual) means (A) his immediate family; (B) the trustees of any trust of which he or his immediate family is a beneficiary or, in the case of a discretionary trust, is a discretionary object; and (C) any company in which he and his immediate family together (directly or indirectly) have an interest of 30% or more; and in relation to a substantial shareholder or a controlling shareholder (being a company) means any other company which is its subsidiary or holding company or is a subsidiary of such holding company or one in the equity of which it and/or such other company or companies taken together (directly or indirectly) have an interest of 30% or more;
- (iv) an “**approved exchange**” means a stock exchange that has rules which safeguard the interests of shareholders against interested person transactions according to similar principles to Chapter 9 of the Catalyst Rules;
- (v) an “**interested person transaction**” or “**IPT**” means a transaction between an entity at risk and an interested person; and
- (vi) a “**transaction**” includes the provision or receipt of financial assistance; the acquisition, disposal or leasing of assets; the provision or receipt of services; the issuance or subscription of securities; the granting of or being granted options; and the establishment of joint ventures or joint investments, whether or not entered into in the ordinary course of business, and whether entered into directly or indirectly.

LETTER TO SHAREHOLDERS

(b) Financial Thresholds

Under Chapter 9 of the Catalist Rules, where there is a transaction between an interested person and an entity at risk, and the value of the transaction alone or in aggregation with other transactions conducted with the same interested person during the financial year reaches or exceeds certain materiality thresholds (which are based on the listed company's latest audited consolidated NTA), unless the transaction is excluded as described below, the listed company is required to make an immediate announcement for an interested person transaction of a value equal to, or exceeding:

- (i) 3% of the Group's latest audited consolidated NTA; or
- (ii) 3% of the Group's latest audited consolidated NTA, when aggregated with the values of all other transactions entered into with the same interested person (as construed under Chapter 9 of the Catalist Rules) during the same financial year.

Shareholders' approval (in addition to an immediate announcement) is required for an interested person transaction of a value equal to, or exceeding:

- (i) 5% of the Group's latest audited consolidated NTA; or
- (ii) 5% of the Group's latest audited consolidated NTA, when aggregated with the values of all other transactions entered into with the same interested person (as construed under Chapter 9 of the Catalist Rules) during the same financial year.

The above requirements for immediate announcement and/or for shareholders' approval do not apply to any transaction below S\$100,000, and certain transactions which, by reason of the nature of such transactions, are not considered to put the listed company at risk to its interested person and hence excluded from the ambit of Chapter 9 of the Catalist Rules.

Pursuant to Rule 909 of the Catalist Rules, the value of a transaction is the amount at risk to the listed company. This is illustrated by the following examples:

- (i) in the case of a partly-owned subsidiary or associated company, the value of the transaction is the listed company's effective interest in that transaction;
- (ii) in the case of a joint venture, the value of the transaction includes the equity participation, shareholders' loans and guarantees given by the entity at risk; and
- (iii) in the case of borrowing of funds from an interested person, the value of the transaction is the interest payable on the borrowing. In the case of lending of funds to an interested person, the value of the transaction is the interest payable on the loan and the value of the loan.

(c) General Mandate

Part VIII of Chapter 9 of the Catalist Rules allows an issuer to seek a general mandate from its shareholders for recurring transactions of a revenue or trading nature or those necessary for its day-to-day operations such as the purchase and sale of supplies and materials, but not in respect of the purchase or sale of assets, undertakings or businesses. A general mandate is subject to annual renewal.

LETTER TO SHAREHOLDERS

An issuer must:

- (i) disclose the general mandate in the annual report, giving details of the aggregate value of transactions conducted pursuant to the general mandate during the financial year. The disclosure must be in the form set out in Rule 907 of the Catalist Rules; and
- (ii) announce the aggregate value of transactions conducted pursuant to the general mandate for the financial periods which it is required to report on pursuant to Rule 705 of the Catalist Rules within the time required for the announcement of such report. The disclosure must be in the form set out in Rule 907 of the Catalist Rules.

7.2 Background

Pursuant to the Proposed Acquisition and the Proposed Diversification, the Enlarged Group will be a supplier of dimension stone granite products and provider of interior fit-out and other dimension stone granite related services (“**Granite Products and Services**”), as part of its core businesses.

Following Completion and assuming that the Consideration Shares are issued to Luminor 1, each of Luminor Capital (being the discretionary fund manager of Luminor 1 and Luminor 2), Foo (being a 50% shareholder of Luminor Capital and holder of 100% of the ordinary shares in Luminor 1 and Luminor 2 as nominee of Luminor Capital), Kwan CS (being a 30% shareholder of Luminor Capital) and Kwan YW (being a 20% shareholder of Luminor Capital) will be deemed interested in the Consideration Shares to be held by Luminor 1, representing approximately 20.89% of the Enlarged Share Capital. Accordingly, they will each be deemed a Controlling Shareholder of the Company and will comprise part of the Luminor Group which will be regarded as “Interested Persons” under the Catalist Rules. For the avoidance of doubt, Luminor 1, by virtue of its direct interest in the Consideration Shares, will also be a Controlling Shareholder of the Company.

GRP Development Pte Ltd is a wholly-owned subsidiary of GRP Limited, which is listed on the Mainboard of the SGX-ST. Kwan CS is an executive director and a controlling shareholder of GRP Limited. Accordingly, GRP Limited is an associate of Kwan CS (who is part of the Luminor Group) and following Completion and assuming that the Consideration Shares are issued to Luminor 1, will be regarded as an “Interested Persons” under the Catalist Rules. For the avoidance of doubt, associates of the members of the Luminor Group include but may not be limited to GRP Limited.

GGTM (which will form part of the Enlarged Group) had on 15 September 2016 entered into a letter of intent with GRP Development Pte Ltd for GGTM to provide Granite Products and Services in connection with a mixed development project in Tangshan, PRC. As at the Latest Practicable Date, the project located at Tangshan, PRC has not commenced operations and the parties are in negotiations to finalise the terms of the Granite Products and Services supply contract. GGTM intends to enter into definitive agreements in connection with the aforementioned Granite Products and Services supply contract, as well as, on a recurrent basis and in the ordinary course of business, provide such Granite Products and Services to members of the Luminor Group and/or their respective associates.

LETTER TO SHAREHOLDERS

Following Completion, members of the Luminor Group will be Controlling Shareholders (deemed or otherwise) and considered interested persons as defined under Chapter 9 of the Catalist Rules, and as such, a transaction between (i) the Enlarged Group and (ii) any member of the Luminor Group and/or any of their respective associates will constitute an IPT as defined under Chapter 9 of the Catalist Rules. Therefore, the Company wishes to seek Shareholders' approval for the adoption of the Proposed IPT Mandate in respect of future Granite Products and Services transactions that the Enlarged Group may enter into with any member of the Luminor Group and/or any of their respective associates ("**Interested Persons**").

Shareholders should note that there may be such other associates of Interested Persons which the Company may not be aware of (whether now or in the future). For the avoidance of doubt, the Proposed IPT Mandate will extend to such Interested Persons notwithstanding that they were not expressly named in this Circular.

7.3 Rationale for the Proposed IPT Mandate and Benefits to the Enlarged Group

It is envisaged that the Enlarged Group will in its ordinary course of business, continue to enter into transactions providing Granite Products and Services to the Interested Persons (collectively, "**IPTs**"). Such transactions are recurring transactions that are likely to occur with some degree of frequency and are part of the day-to-day operations of the Group, and could arise any time.

Given that the IPTs are of a revenue nature primarily and are expected to be recurrent and occur at any time, and due to time-sensitive nature of these transactions, obtaining the Proposed IPT Mandate pursuant to Chapter 9 of the Catalist Rules will enable the Enlarged Group, in the ordinary course of business, to undertake such transactions in a more expeditious manner. The Company is seeking the approval of Shareholders for the Proposed IPT Mandate in respect of the IPTs for the purposes of Chapter 9 of the Catalist Rules and for the Group to enter into the IPTs, provided such IPTs are made on normal commercial terms and are in the interests of the Company and not prejudicial to the interests of the Company and the minority Shareholders.

The Proposed IPT Mandate, if approved by Shareholders, will enhance the Enlarged Group's ability to pursue business opportunities which are time-sensitive, revenue and trading in nature, and will eliminate the need for the Company to announce, or to announce and convene separate general meetings on each occasion to seek Shareholders' prior approval for the entry by the relevant entity in the Enlarged Group into such IPTs. As such IPTs are also carried out by the Enlarged Group in its ordinary course of business and/or which are necessary for its day-to-day operations (but not in respect of the purchase or sale of assets, undertakings or businesses), the Proposed IPT Mandate will substantially reduce the expenses associated with the convening of general meetings on an ad hoc basis, improve administrative efficiency considerably, and allow manpower resources and time to be channelled towards attaining other corporate objectives without compromising existing corporate objectives and adversely affecting the business opportunities available to the Enlarged Group owing to the time-sensitive nature of commercial transactions.

The Proposed IPT Mandate is intended to facilitate the IPTs in the normal course of business of the Enlarged Group, which are recurrent in nature or necessary for the day-to-day operations of the Enlarged Group and which may be transacted from time to time with the Interested Persons, provided that they are carried out on normal commercial terms, and are not prejudicial to the interests of the Company and its minority Shareholders.

LETTER TO SHAREHOLDERS

7.4 Classes of Interested Persons

The Proposed IPT Mandate will apply to the IPTs that are carried out between the Group and the Interested Persons in relation to the provision of Granite Products and Services.

7.5 Nature and Scope of the Proposed IPT Mandate

The Proposed IPT Mandate will cover the IPTs, in the ordinary course of business, in relation to the provision of Granite Products and Services to the Interested Persons by any member of the Enlarged Group.

The IPTs are recurrent transactions of a revenue or trading nature, entered into in the ordinary course of business, and are necessary for the Group's day-to-day operations.

For the avoidance of doubt, any sale or purchase of assets, undertakings or businesses will not fall within the ambit of the Proposed IPT Mandate. The Proposed IPT Mandate will also not cover any transaction by any member of the Enlarged Group with an Interested Person that is below S\$100,000 in value as the threshold and aggregation requirements of Chapter 9 of the Catalyst Rules would not apply to such transactions.

In addition, transactions with interested persons (including the Interested Persons) that do not fall within the ambit of the Proposed IPT Mandate will be subject to the requirements of Chapter 9 of the Catalyst Rules and/or other applicable provisions of the Catalyst Rules.

7.6 Guidelines and Review Procedures for the IPTs

(a) Guidelines

To ensure that the IPTs are carried out on normal commercial terms and are not prejudicial to the interests of our Company and our minority Shareholders, the Company has put in place the following guidelines for the IPTs under the Proposed IPT Mandate:

- (i) All IPTs shall be conducted in accordance with the Group's usual business practices and policies, consistent with the usual margins, rates (including, where applicable, fees) or prices extended by the Group for the same or substantially similar type of transactions between the Group and unrelated third parties, and the terms are not more favourable to the Interested Person compared to those extended to unrelated third parties after taking into account all pertinent factors, including but not limited to the value of the contract, the nature of the product, delivery schedules, industry norms, complexity, order quantity, the nature of the services to be provided, as well as costing and earnings for the provision of IPTs, customer requirements and specifications, duration and/or other relevant specifications of the contract. When selling any products or providing any services to an Interested Person, the price or fee or profit margin or terms of at least two other transactions of a similar nature (or comparable nature) rendered by the Enlarged Group to non-Interested Persons will be used as comparison to ensure that the interests of the Enlarged Group or the Minority Shareholders are not disadvantaged. The price or fee or profit margin for the supply of products or provision of services provided to the Interested Persons shall not be more favourable than the price or fee or profit margin charged by the Enlarged Group to non-Interested Persons for similar products and/or services after taking into

LETTER TO SHAREHOLDERS

account all pertinent factors, including but not limited to the value of the contract, the nature of the product, delivery schedules, industry norms, complexity, order quantity, the nature of the services to be provided, as well as costing and earnings for the provision of IPTs, customer requirements and specifications, duration and/or other relevant specifications of the contract; and

- (ii) in circumstances where it is impractical or impossible to quote comparable prices of contemporaneous transactions of similar goods or services due to the nature of the goods or services to be provided, any two of the Directors with no interest, direct or indirect, in the IPTs will, subject to the approval thresholds as set out in Section 7.6(b) of this Circular, take such necessary steps which would include but not limited to (1) relying on corroborative inputs from reasonably experienced market practitioners in order to determine that the terms provided to the Interested Persons are fair and reasonable; and (2) evaluate and weigh the benefits of, and rationale for transacting with the Interested Persons, taking into account all pertinent factors, including but not limited to the value of the contract, the nature of the product, delivery schedules, industry norms, complexity, order quantity, the nature of the services to be provided, as well as costing and earnings for the provision of IPTs, customer requirements and specifications, duration, other relevant specifications of the contract, risk for such transactions and the attendant cost in managing such risks, and the results of and returns from the underlying transactions.

(b) Review Procedures

The following approval procedures will be implemented in respect of the Enlarged Group to supplement existing internal control procedures for the IPTs to ensure that such transactions are undertaken on an arm's length basis and on normal commercial terms. For the avoidance of doubt, where the approving party as stipulated herein is interested in the transaction to be approved, he/she will inform the Audit Committee and such disclosures should be documented. In the event any equivalent person with the relevant experience and responsibility, as stated below for the various thresholds cannot be determined, the approving authority shall be decided by the Audit Committee.

Individual and aggregate transactions review and approval thresholds shall be as follow:

Value of each IPT	Approving Authorities
Less than S\$100,000	Chief Financial Officer ("CFO") or Managing Director
Equal to or exceeding S\$100,000, but less than (a) S\$1,000,000 or (b) 10% of the Enlarged Group's latest audited NTA, whichever is higher	CFO and Managing Director
Equal to or exceeding (a) S\$1,000,000 or (b) 10% of the Enlarged Group's latest audited NTA, whichever is higher	Audit Committee

LETTER TO SHAREHOLDERS

IPTs that have been approved by the Audit Committee need not be aggregated for the purpose of such approval.

All approvals must strictly follow the guidelines and review procedures as stipulated in Sections 7.6(a) and 7.6(b) of this Circular and must be documented. The documentation, including the reasons for approval where necessary, must be accompanied with supporting documents to serve as audit trails, which will be subject to internal and/or external audit.

The threshold limits set out above are adopted by the Company taking into account, inter alia, the nature, volume, recurrent frequency and size of the transactions as well as the Enlarged Group's day-to-day operations, administration and businesses. The threshold limits are arrived at after considering the operational efficiency for the day-to-day business operations of the Group and the internal control for IPTs. The threshold limits act as an additional safeguard to supplement the review procedures which will be implemented by the Company for IPTs.

In the event that the Company's Managing Director or CFO has an interest in any IPT under consideration for approval, he/she shall also abstain from reviewing and approving the IPT. Such transaction will be reviewed and approved by another person with appropriate seniority in the Group (each having no interest, direct or indirect, in the IPT).

The Directors (none of whom has any interest in the Proposed IPT Mandate) are of the view that the approval thresholds based on the value of the IPTs are reasonable having taken into account the values of past transactions and anticipated values of potential transactions in relation to the provision of Granite Products and Services by the Enlarged Group to the Interested Persons.

(c) Additional Guidelines and Review Procedures in respect of the Enlarged Group

In addition to the guidelines and review procedures set out above, the Company will implement the following supplementary procedures to ensure that the IPTs carried out under the Proposed IPT Mandate are undertaken on an arm's length basis and on normal commercial terms:

(i) Maintain Registers of Interested Persons and IPTs

The finance department of the Enlarged Group will maintain and update a list of Interested Persons (which is to be updated immediately if there are any changes) to enable identification of Interested Persons. The list of Interested Persons will be reviewed quarterly by the CFO (or equivalent person) (who shall also not be interested in any of the IPTs) and who are duly delegated to do so by the Audit Committee. The list of Interested Persons which is maintained shall be reviewed by the Audit Committee at least on a half-yearly basis.

The finance department will also maintain a register of all transactions carried out with the Interested Persons, including those below S\$100,000 in value ("**IPT Register**"). The IPT Register will record information pertinent to the IPTs such as but not limited to, the list of Interested Persons, the nature of the IPTs, the basis and rationale for the entry into the transactions, the pricing and terms of the two other transactions of a similar nature with non-interested persons which were

LETTER TO SHAREHOLDERS

used for comparison, as well as the approving authority. The IPT Register shall be prepared, maintained, monitored and reviewed on a monthly basis by the CFO (or equivalent person) of the Enlarged Group who is not interested in the IPTs. This is to ensure that they are carried out on normal commercial terms and in accordance with the guidelines and review procedures in the Proposed IPT Mandate. All relevant non-quantitative factors will also be taken into account. Such review includes the examination of the transaction(s) and its supporting documents or such other data deemed necessary by the Audit Committee. In addition, any exceptions or departures from the procedures shall be reported and highlighted to the Audit Committee immediately.

The CFO (or equivalent person) will obtain signed letters of confirmation from the Directors, key management of the Company, the Controlling Shareholders on a periodic basis (of not more than half yearly or such other period as may be determined by the Audit Committee) with respect to their interest in any transactions with the Enlarged Group.

(ii) Review by Audit Committee

The Audit Committee will review all IPTs at least on a half-yearly basis to ensure that the established guidelines and review procedures for the IPTs have been complied with and the relevant approvals have been obtained, as well as monitoring and administration are adequate, sufficient and adhered to, in ensuring that the IPTs are undertaken on normal commercial terms and will not be prejudicial to the interests of the Company and the minority Shareholders. All relevant non quantitative factors will also be taken into account. Such review includes the examination of the transaction(s) and its supporting documents or such other data deemed necessary by the Audit Committee. The Audit Committee shall, when it deems fit, have the right to require the appointment of independent sources, advisers and/or valuers to provide additional information or review of controls and its implementation pertaining to the transactions under review.

The Audit Committee will also review the established guidelines and review procedures of the IPTs and determine if such guidelines and review procedures continue to be adequate and/or are commercially practicable in ensuring that the IPTs are conducted on normal commercial terms and are not prejudicial to the interests of the Company and the minority Shareholders. If the Audit Committee is of the view that the guidelines and review procedures have become inappropriate or insufficient to meet such objectives, the Company will seek a fresh mandate from the Shareholders based on new guidelines and review procedures for the IPTs. During the period prior to obtaining a fresh mandate from Shareholders, all IPTs will be subject to prior review and approval by the Audit Committee.

In the event that a member of the Audit Committee is interested in any IPT, he/she shall abstain from participating in the review of the particular transaction.

The Audit Committee will review the letters of confirmation from key management personnel, Controlling Shareholders and the Directors of the Enlarged Group on a periodic basis (annual basis or such other period as may be determined by the Audit and Committee) and the minutes of such review and its outcome shall be taken.

LETTER TO SHAREHOLDERS

(iii) Review by Internal Auditors

The Enlarged Group's annual or periodic (such periods as may be decided by the Audit Committee) internal audit plan may incorporate a review of all New Interested Person Transactions (where applicable), including the established review procedures for monitoring of such IPTs, entered into during the current financial year pursuant to the Proposed IPT Mandate and consistent with the Code of Corporate Governance 2012. The approval thresholds as stipulated in this Letter may be delegated with the approval of the Audit Committee which will be duly documented together with the bases for such approval.

Subject to the above paragraph, the Enlarged Group's internal auditor shall on such periods as required by the Audit Committee, subject to adjustment in frequency, depending on factors such as, inter alia, substantial increment of aggregate transactional value, report to the Audit Committee on all IPTs, and the basis of such transactions, entered into with the Interested Persons during the preceding period. The Audit Committee shall review such interested person transactions at its periodic meetings (not less than twice or such other frequency a year as decided by the Audit Committee) except where IPTs are required under the review procedures to be approved by the Audit Committee prior to the entry thereof.

(iv) Review by External Auditors

The Audit Committee shall on an annual basis, and as and when it deems fit, engage such auditors or professionals as may be required and the scope of such review shall be decided by the Audit Committee.

(v) Further Compliance

The Directors will ensure that all disclosure, approval and other requirements on the IPTs, including those required by prevailing legislation, the Catalist Rules and accounting standards, are complied with.

7.7 Validity Period of the Proposed IPT Mandate

The Proposed IPT Mandate is subject to Shareholders' approval at the EGM, and if approved, will take effect from the passing of the ordinary resolution as set out in the Notice of EGM and (unless revoked or varied by the Company in a general meeting) will continue in force until the date of the next annual general meeting of the Company ("**AGM**") or the date by which the next AGM is required by law to be held, whichever is earlier. Approval from the Shareholders will be sought for the renewal of the Proposed IPT Mandate at the next AGM and at each subsequent AGM, subject to satisfactory review by the Audit Committee of its continued application to the transactions with the Interested Persons.

LETTER TO SHAREHOLDERS

7.8 Disclosures

In accordance with the requirements of Chapter 9 of the Catalist Rules, the Company will:

- (a) disclose in the Company's annual report the aggregate value of transactions conducted with the Interested Persons pursuant to the Proposed IPT Mandate during the financial year (in respect of each financial year that the Proposed IPT Mandate continues in force); and
- (b) announce the aggregate value of transactions conducted with the Interested Persons pursuant to the Proposed IPT Mandate for the financial periods that it is required to report on pursuant to Rule 705 of the Catalist Rules (which relates to quarterly reporting by listed companies) within the time required for the announcement of such report.

The name of the Interested Person and the corresponding aggregate value of the IPTs will be presented in the following format:

Name of Interested Person	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than S\$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than S\$100,000)

8. LISTING AND QUOTATION NOTICE BY THE SGX-ST

A copy of this Circular has been lodged by the Sponsor with the SGX-ST on 30 June 2017 for posting on the website of the SGX-ST.

Pursuant to Appendix 4F to the Catalist Rules, the SGX-ST is expected to issue a listing and quotation notice for the permission for the listing and quotation of the Consideration Shares and the Exchange Shares upon lodgment of this Circular with the SGX-ST.

It should be noted that the listing and quotation notice, if issued by the SGX-ST, is not to be taken as an indication of the merits of the Proposed Transactions, the Company, the Group, the Target, the Enlarged Group, the Shares, the Consideration Shares or the Exchange Shares.

9. FINANCIAL EFFECTS

The pro forma financial effects of the Proposed Acquisition and the Proposed Exchangeable Bonds Issue on the Company presented below are strictly for illustrative purposes only and do not reflect the actual financial results or the future financial performance and condition of the Company, the Group and/or the Enlarged Group after Completion. The pro forma financial effects below were prepared on the basis of the audited consolidated financial statements of the Group for FY2016.

LETTER TO SHAREHOLDERS

(a) Assumptions

The pro forma financial effects of the Proposed Acquisition and Proposed Exchangeable Bonds Issue set out below are subject to the following assumptions:

- (i) that the Proposed Acquisition had completed and the Bonds had been issued on 31 December 2016, for the purposes of illustrating the financial effects on share capital, NTA and gearing;
- (ii) that the Proposed Acquisition had completed and the Bonds had been issued on 1 January 2016 for the purposes of illustrating the financial effects on the Loss Per Share (“LPS”);
- (iii) aggregate expenses relating to the Proposed Acquisition and the Proposed Exchangeable Bonds Issue of approximately S\$1.7 million; and
- (iv) that the pro forma financial effects do not take into account the GB Issue which was completed on 3 April 2017.

(b) Share Capital

	Before the Proposed Transactions	After (i) the Proposed Acquisition and (ii) issue of Bonds	After (i) the Proposed Acquisition, (ii) issue of Bonds and (iii) exchange of Bonds and issue of Exchange Shares
Number of Shares	310,500,000	1,022,672,414	1,043,397,803
Issued and paid up share capital (S\$)	30,101,319	35,663,933	37,663,933

(c) NTA

	Before the Proposed Transactions	After (i) the Proposed Acquisition and (ii) issue of Bonds	After (i) the Proposed Acquisition, (ii) issue of Bonds and (iii) exchange of Bonds and issue of Exchange Shares
NTA (S\$)	9,189,836	11,624,882	13,624,882
Number of Shares	310,500,000	1,022,672,414	1,043,397,803
NTA per Share (cents)	2.96	1.14	1.31

LETTER TO SHAREHOLDERS

(d) LPS

	Before the Proposed Transactions	After (i) the Proposed Acquisition and (ii) issue of Bonds	After (i) the Proposed Acquisition, (ii) issue of Bonds and (iii) exchange of Bonds and issue of Exchange Shares
Loss after tax attributable to Shareholders (S\$)⁽¹⁾	(9,195,550)	(11,993,505)	(11,993,505)
Weighted average number of Shares	279,231,902	991,404,316	1,012,129,705
LPS (cents)	(3.29)	(1.21)	(1.18)

Note:

- (1) "Loss after tax attributable to Shareholders" after the Proposed Acquisition has been computed based on the audited loss after tax attributable to the Target of S\$1,419,070 for the financial year ended 31 December 2016.

(e) Gearing

	Before the Proposed Transactions	After (i) the Proposed Acquisition and (ii) issue of Bonds	After (i) the Proposed Acquisition, (ii) issue of Bonds and (iii) exchange of Bonds and issue of Exchange Shares
Total borrowings (S\$)	97,782	2,130,064	130,064
Cash and cash equivalents (S\$)	2,448,335	6,830,122	6,830,122
Equity attributable to owners of the Company (S\$)	9,189,836	11,624,882	13,624,882
Net gearing ratio (times)	0.01	0.18	0.01

10. OPINION OF THE INDEPENDENT FINANCIAL ADVISER

ACA has been appointed as the IFA to advise the Non-Interested Directors on whether:

- (a) the financial terms of the Interested Person Transaction in connection with the Proposed Acquisition are on normal commercial terms and are not prejudicial to the interests of the Company and its minority Shareholders;

LETTER TO SHAREHOLDERS

- (b) the financial terms of the Proposed Acquisition, being the subject of the Proposed Whitewash Resolution are not prejudicial to the interests of the Independent Shareholders; and
- (c) the review procedures as set out in Section 7.6 of this Circular, for determining transaction prices and/or the terms, are sufficient to ensure that the transactions under the Proposed IPT Mandate will be carried out on normal commercial terms and will not be prejudicial to the interests of the Company and its minority Shareholders.

The IFA Letter is reproduced in full in **Appendix B** to this Circular. **Shareholders are advised to read the IFA Letter in its entirety carefully and consider it in the context of this Circular before deciding on whether to approve the Proposed Transactions.**

The IFA's opinion can be found in Section 8 of the IFA Letter. Unless otherwise defined or the context otherwise requires, all terms defined in the IFA Letter shall have the meanings therein.

10.1 Proposed Acquisition as an interested person transaction and Proposed Whitewash Resolution

An extract from Section 8.1 of the IFA Letter in respect of the Proposed Acquisition as an interested person transaction and Proposed Whitewash Resolution is set out in italics below.

*"In summary, having regard to our analysis and the consideration in this Letter (including its limitation and constraints, inter alia, absence of an updated valuation for the Group's mining properties with net book value of approximately RM13.7 million as at 31 December 2016) and after having considered carefully the information available to us and based on market, economic and other relevant conditions prevailing as at the Latest Practicable Date, and subject to our terms of reference, and confirmations and representations from the Directors and/or the Target Directors (pertaining to, inter alia, mining licence and its renewal, the market value of the Lubuk Mandi Mine) **we are of the opinion that, on balance:***

- (i) *the Proposed Acquisition as an IPT is **ON NORMAL COMMERCIAL TERMS, and NOT PREJUDICIAL** to the interest of the Company and its Minority Shareholders; and*
- (ii) *the financial terms of the Proposed Acquisition, being the subject of the Proposed Whitewash Resolution is, on balance, **FAIR, REASONABLE and NOT PREJUDICIAL** to the interest of the Company and the Independent Shareholders."*

10.2 Proposed IPT Mandate

An extract from Section 8.2 of the IFA Letter in respect of the Proposed IPT Mandate is set out in italics below.

"Based on the above, we are of the opinion that the adoption of the Proposed IPT Mandate and the procedures as set out in the Circular, is in the interest of the Company and that the review procedures (including the additional controls) for determining the transaction prices pursuant to the Proposed IPT Mandate as set out in Section 7.6 of the Circular, if adhered to fully, are sufficient to ensure that the IPTs will be conducted on normal commercial terms and will not be prejudicial to the interests of the Company and its Minority Shareholders."

LETTER TO SHAREHOLDERS

10.3 Recommendation

An extract from Section 8.3 of the IFA Letter in respect of its recommendation is set out in italics below.

*“Based on our assessment of the financial terms of the Proposed Acquisition as an IPT, the Proposed Whitewash Resolution as well as the Proposed IPT Mandate as set out above, from a financial point of view, we advise the Non-Interested Directors to recommend that Independent Shareholders vote **in favour of** the Proposed Acquisition, the Proposed Whitewash Resolution, and the Proposed IPT Mandate to be proposed at the EGM. We advise the Non-Interested Directors to highlight to Independent Shareholders the matters as stated in our Letter, including, inter alia, our limitation in analysis, evaluation, comments and opinion in this Letter is limited. We advise the Non-Interested Directors to recommend the Independent Shareholders to exercise caution in their decision in voting in favour of or against the Proposed Acquisition, the Proposed Whitewash Resolution and the Proposed IPT Mandate.”*

Shareholders are advised to read the IFA Letter in its entirety carefully, including, inter alia, the opinion, recommendations and matters to highlight, which is set out in Appendix B to this Circular.

11. OPINION OF THE AUDIT COMMITTEE

The Audit Committee of the Company comprises Dr Wilson Tay, Ch'ng Li-Ling and Gavin Mark McIntyre. The chairman of the Audit Committee is Dr Wilson Tay. Save for Gavin Mark McIntyre, the members of the Audit Committee do not have any interests in the Proposed Transactions and are accordingly deemed to be independent for purposes of the Proposed Transactions. Please refer to Section 28.3(b) of **Appendix A** to this Circular for more information on the GMM Consultancy Agreement entered into between Mr Gavin Mark McIntyre and the Target. Accordingly, Mr McIntyre will abstain from expressing any opinion in relation to the Proposed Transactions in his capacity as member of the Audit Committee.

The Audit Committee, having reviewed, among other things, the terms and rationale for the Proposed Transactions, and after considering the advice of the IFA as set out in **Appendix B** to this Circular, concurs with the IFA and is of the opinion that:

- (a) the Interested Person Transaction in connection with the Proposed Acquisition is on normal commercial terms and is not prejudicial to the interests of the Company and its minority Shareholders; and
- (b) the methods or procedures set out herein are sufficient to ensure that the transactions under the Proposed IPT Mandate will be carried out on normal commercial terms and will not be prejudicial to the interests of the Company and its minority Shareholders.

LETTER TO SHAREHOLDERS

12. INTERESTS OF DIRECTORS, SUBSTANTIAL SHAREHOLDERS, THE VENDORS AND LUMINOR 2

As at the Latest Practicable Date, the interests of the Directors and Substantial Shareholders of the Company as recorded in the Register of Directors' Shareholdings and Register of Substantial Shareholders (as the case may be) and of the Vendors, and (assuming there is no change to the issued share capital of the Company other than the issuance of the Consideration Shares and the Exchange Shares) immediately after the Completion and issuance of the Exchange Shares, and the dilution effect of the issue of the Consideration Shares and the Exchange Shares to the existing Shareholders of the Company, is set out below:

	As at the Latest Practicable Date			Immediately after the Proposed Acquisition			Immediately after the Proposed Acquisition and Issue of the Exchange Shares		
	Direct Interest No. of Shares	% ⁽¹⁾	Deemed Interest No. of Shares	Direct Interest No. of Shares	% ⁽²⁾	Deemed Interest No. of Shares	Direct Interest No. of Shares	% ⁽³⁾	Deemed Interest No. of Shares
Directors									
Dr Wilson Tay	-	-	-	-	-	-	-	-	-
Lim ⁽⁴⁾	26,383,856	8.50	43,146,023	338,271,442	13.90	158,561,885	316,906,270	30.37	158,561,885
Chan Koon Mong ⁽⁵⁾	-	-	1,597,222	-	0.51	1,597,222	-	-	1,597,222
William Law ⁽⁶⁾	13,168,334	4.24	43,146,023	13,168,334	13.90	43,146,023	13,168,334	1.26	43,146,023
Ch'ng Li-Ling	-	-	-	-	-	-	-	-	-
Gavin Mark McIntyre	-	-	-	-	-	-	-	-	-
Substantial Shareholders (other than the Directors) (including the Vendors)									
JHW	43,146,023	13.90	-	43,146,023	4.22	-	43,146,023	4.14	-
GBM Resources Limited ⁽⁷⁾	17,610,618	5.67	14,010,618	17,610,618	4.51	14,010,618	17,610,618	1.69	14,010,618
Koh	11,337,644	3.65	-	82,554,885	-	-	82,554,885	7.91	-
Luminor Capital ⁽⁸⁾	-	-	-	-	-	213,651,724	-	-	234,377,113
Fo ⁽⁹⁾⁽⁹⁾	-	-	-	-	-	-	-	-	234,377,113
Kwan CS ⁽⁹⁾⁽⁹⁾	-	-	-	-	-	213,651,724	-	-	234,377,113
Kwan YW ⁽⁹⁾⁽⁹⁾⁽¹⁰⁾	-	-	-	-	-	213,651,724	-	-	234,377,113
Luminor 1	-	-	-	-	-	213,651,724	-	-	234,377,113
WA Consolidated Private Limited ⁽¹¹⁾	-	-	-	213,651,724	-	-	213,651,724	20.48	-
Other Shareholders	-	-	-	115,415,862	-	-	115,415,862	11.06	-
Well-Sept ⁽¹²⁾	-	-	-	-	-	-	21,365,172	2.05	-
Wong Lee Chin ⁽⁵⁾	1,597,222	0.51	-	1,597,222	0.16	-	1,597,222	0.15	-
Maybank Kim Eng Securities Pte. Ltd. ⁽⁷⁾	14,010,618	4.51	-	14,010,618	1.37	-	14,010,618	1.34	-
Luminor 2 ⁽⁸⁾	-	-	-	-	-	-	20,725,389	1.99	-
Public ⁽¹³⁾	183,245,685	59.02	-	183,245,685	17.92	-	183,245,685	17.56	-
Total	310,500,000	100.00	-	1,022,672,414	100.00	-	1,043,397,803	100.00	-

LETTER TO SHAREHOLDERS

Notes:

- (1) Based on 310,500,000 Shares in issue as at the Latest Practicable Date.
- (2) Based on the Enlarged Share Capital comprising 1,022,672,414 Shares immediately after Completion, assuming that the 712,172,414 Consideration Shares are allotted and issued, and no other new Shares are issued by the Company between the Latest Practicable Date and the Completion Date (both dates inclusive).
- (3) Based on the further enlarged issued share capital of the Company comprising 1,043,397,803 Shares, assuming that all 712,172,414 Consideration Shares are allotted and issued, all the Bonds are exchanged based on the Minimum Exchange Price and 20,725,389 Exchange Shares are allotted and issued, and no other new Shares are issued by the Company between the Latest Practicable Date and the issue of such Exchange Shares (both dates inclusive).
- (4) Lim owns 45.5% of the shares in JHW, and accordingly, is deemed to have an interest in the 43,146,023 Shares held by JHW. WA Consolidated Private Limited is wholly owned by Lim and, accordingly, Lim is deemed to have an interest in the 115,415,862 Shares held by WA Consolidated Private Limited.
- (5) Chan Koon Mong is deemed to have an interest in the 1,597,222 Shares held by his spouse, Wong Lee Chin.
- (6) William Law owns 40.5% of the shares in JHW, and accordingly, is deemed to have an interest in the 43,146,023 Shares held by JHW.
- (7) Maybank Kim Eng Securities Pte. Ltd., a nominee company, is the registered holder of 14,010,618 Shares and hold such Shares as nominee for GBM Resources Limited. Accordingly, GBM Resources Limited is deemed to have an interest in these Shares held by Maybank Kim Eng Securities Pte. Ltd.. Further, it is assumed for illustration purposes that Maybank Kim Eng Securities Pte. Ltd. does not hold any other Shares or interests (whether direct or indirect) in the securities of the Company, whether as nominee for other persons or otherwise.
- (8) Luminor Capital, a discretionary fund manager, manages each of Luminor 1 and Luminor 2 and accordingly, is deemed to have an interest in the Shares held by Luminor 1 and Luminor 2. Its shareholders are Foo, Kwan CS and Kwan YW who hold 50.0%, 30.0% and 20.0% of the share capital of Luminor Capital, respectively. Foo holds 100% of the ordinary shares in Luminor 1 and Luminor 2 as nominee of Luminor Capital.
- (9) Foo, Kwan CS and Kwan YW hold 50.0%, 30.0% and 20.0% of the share capital of Luminor Capital, respectively, and accordingly, is each deemed to have an interest in the Shares held by Luminor 1 and Luminor 2. Foo holds 100% of the ordinary shares in Luminor 1 and Luminor 2 as nominee of Luminor Capital.
- (10) Kwan YW is an immediate family member of Kwan CS.
- (11) WA Consolidated Private Limited is a company incorporated in Singapore wholly owned by Lim.
- (12) Well-Cept is a company incorporated in Malaysia. Each of Wisun Soo, Tu Chia Ee and KDIA Holdings Sdn. Bhd. holds 50%, 40% and 10% of the shares in Well-Cept, respectively.
- (13) Based on 183,245,685 Shares held by the public (defined under the Catalist Rules) as at the Latest Practicable Date. As at the Latest Practicable Date, the 11,337,644 Shares held by Koh are part of the public float. Immediately after the Proposed Acquisition, Koh will become a substantial shareholder and as such, her shareholding will no longer be part of the public float. For the purpose of illustration, the Shares held by her have been separately presented.

Save as disclosed in this Circular and other than through their respective shareholdings in the Company, none of the Directors or Substantial Shareholders, so far as the Company is aware, has any interest, direct or indirect, in the Proposed Transactions.

13. DIRECTORS' RECOMMENDATIONS

Independent Shareholders should read and consider carefully the recommendation of the Non-Interested Directors and the advice of the IFA as set out in **Appendix B** to this Circular in its entirety before giving their approvals pertaining to the Proposed Transactions. Independent Shareholders are also urged to read carefully the terms and conditions of, rationale for and financial effects of the Proposed Transactions, as set out in this Circular.

LETTER TO SHAREHOLDERS

Lim, being an interested person under Chapter 9 of the Catalist Rules, will abstain from making any recommendation to the Independent Shareholders on the Proposed Transactions in his capacity as Director.

William Law and Lim are common shareholders in JHW, with Lim and William Law holding 45.5% and 40.5% of the shares in JHW, respectively. William Law is therefore considered a party acting in concert with Lim in connection with the Proposed Whitewash Resolution and will abstain from making any recommendation to the Independent Shareholders on the Proposed Transactions in his capacity as Director.

Mr Gavin Mark McIntyre, who had entered into the GMM Consultancy Agreement with GGTM in connection with the Proposed Acquisition, further details of which are set out in Section 28.3(b) of **Appendix A** to this Circular, will abstain from making any recommendation to the Independent Shareholders on the Proposed Transactions in his capacity as Director. The Nominating Committee of the Company (save for Mr Gavin Mark McIntyre) has considered the GMM Consultancy Agreement and has determined that Mr Gavin Mark McIntyre is considered independent in character and judgement after taking into consideration that the amount of fee paid to Gavin Mark McIntyre pursuant to the GMM Consultancy Agreement is less than S\$50,000 and not deemed significant under the guideline of the Code of Corporate Governance and the GMM Consultancy Agreement has been terminated prior to his appointment as the Independent Director of the Company.

The Non-Interested Directors, having considered and reviewed, among other things, the terms of, rationale for and financial effects of the Proposed Transactions, the opinion of the IFA contained in the IFA Letter, and all the other relevant information set out in this Circular, concur with the advice of the IFA given in the IFA Letter. Accordingly, they recommend that Shareholders vote in favour of the resolutions relating to the Proposed Transactions at the EGM.

In giving the above recommendations, the Non-Interested Directors have not had regard to the specific investment objectives and profiles, financial situation, tax position or unique needs or constraints of any individual Shareholder. As different Shareholders would have different investment objectives and profiles, the Directors recommend that any individual Shareholder who may require advice in the context of his specific investment portfolio should consult his stockbroker, bank manager, solicitor, accountant, tax adviser or other professional adviser immediately.

Please refer to Section 10 of this Circular and the IFA Letter reproduced in **Appendix B** to this Circular for the advice from the IFA.

14. EXTRAORDINARY GENERAL MEETING

14.1 Extraordinary General Meeting

The EGM will be held at Topaz Room, Level 2, Sheraton Towers, 39 Scotts Road, Singapore 228230 on 19 July 2017 at 11.00 a.m. for the purpose of considering and, if thought fit, passing with or without modifications the resolutions in respect of the Proposed Transactions, as set out in the Notice of EGM.

LETTER TO SHAREHOLDERS

14.2 Inter-Conditionality of Resolutions to be Passed

In voting for the resolutions set out in the Notice of EGM, Shareholders should note that each of the resolutions are inter-conditional, and none of the resolutions will be proceeded with in the event any such resolution is not passed.

15. ABSTENTION FROM VOTING

Pursuant to Rule 919 of the Catalist Rules, an interested person and any associate of the interested person shall abstain from voting on the resolutions approving the interested person transactions involving themselves and their associates. Such interested persons and their associates shall not act as proxies nor accept appointments as proxies in relation to such resolutions unless specific voting instructions had been given by the Shareholders.

Lim, a director and substantial Shareholder of the Company, JHW, an associate of Lim, and Koh, a shareholder of the Company, are Vendors in relation to the Proposed Acquisition and are entitled to receive Consideration Shares pursuant to the terms of the Sale and Purchase Agreement.

Accordingly, each of Lim, JHW, William Law and Koh will abstain, and will ensure that their associates will abstain, from voting on the Proposed Transactions, nor accept any nominations to act as proxy for any Shareholder in approving the Proposed Transactions at the EGM unless specific instructions as to voting are given by such Shareholder in the proxy form.

In addition, pursuant to Rule 804 of the Catalist Rules, Lim and his associates must abstain from voting on the Ordinary Resolution 3 on the proposed allotment and issue of Consideration Shares to Mr Lim.

In addition, pursuant to the waiver from the SIC granted in relation to the Whitewash Resolution, Lim, parties acting in concert with him and parties not independent of them or the Proposed Acquisition (including JHW, Koh and William Law) will abstain from voting on the Whitewash Resolution, Lim has undertaken to ensure that the parties acting in concert with him and parties not independent of them will abstain from voting on Resolution 4 set out in the Notice of EGM, nor accept any nominations to act as proxy for any Shareholder in approving the Proposed Whitewash Resolution at the EGM unless specific instructions as to voting are given by such Shareholder in the proxy form.

16. ACTION TO BE TAKEN BY SHAREHOLDERS

If a Shareholder is unable to attend the EGM and wishes to appoint a proxy to attend and vote on his behalf, he should complete, sign and return the attached proxy form in accordance with the instructions printed thereon as soon as possible and, in any event, so as to reach the Company's registered address at 80 Robinson Road, #17-02, Singapore 068898 by not later than 48 hours before the time fixed for the EGM. The completion and return of the proxy form by a Shareholder will not prevent him from attending and voting at the EGM in person if he so wishes.

A Depositor shall not be regarded as a Shareholder of the Company entitled to attend the EGM and to speak and vote thereat unless he is shown to have Shares entered against his name in the Depository Register, as certified by the CDP as at 72 hours before the time fixed for the EGM.

LETTER TO SHAREHOLDERS

17. RESPONSIBILITY STATEMENT

17.1 Directors' Responsibility Statement

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this Circular (save for the information on the Vendors and the Target and the information set out in **Appendices A to I** to this Circular) and confirm after making all reasonable enquiries that, to the best of their knowledge and belief, this Circular (save for the information on the Vendors and the Target and the information set out in **Appendices A to I** to this Circular) constitutes full and true disclosure of all material facts about the Proposed Transactions and the Group, and the Directors are not aware of any facts the omission of which would make any statement in this Circular (save for the information on the Vendors and the Target and the information set out in **Appendices A to I** to this Circular) misleading.

Where information in this Circular has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of the Directors has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in this Circular in its proper form and context.

17.2 Financial Adviser's Responsibility Statement

To the best of the Financial Adviser's knowledge and belief, this Circular (save for the information set out in **Appendices B to I** to this Circular) constitutes full and true disclosure of all material facts about the Proposed Acquisition and the Enlarged Group, and the Financial Adviser is not aware of any facts the omission of which would make any statement in the Circular misleading.

Where information in the Circular has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of the Financial Adviser has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in the Circular in its proper form and context.

18. CONSENTS

18.1 UOB Kay Hian Private Limited, the Sponsor and Financial Adviser to the Company in respect of the Proposed Acquisition, has given and has not withdrawn its written consent to the issue of this Circular, with the inclusion of its name and all references thereto, in the form and context in which they appear in this Circular and to act in such capacity in relation to this Circular.

18.2 Asian Corporate Advisors Pte. Ltd., the IFA has given and has not withdrawn its written consent to the issue of this Circular, with the inclusion of its name and the IFA Letter as set out in **Appendix B** to this Circular and all references thereto, in the form and context in which they appear in this Circular and to act in such capacity in relation to this Circular.

18.3 Rockhound Limited, the Independent Qualified Person has given and has not withdrawn its written consent to the issue of this Circular, with the inclusion of its name and the Qualified Person's Report as set out in **Appendix C** to this Circular and all references thereto

LETTER TO SHAREHOLDERS

(including statements and information in Section 2.1 to 2.5, 4.2, 20.2 and 25.2 of **Appendix A** to this Circular), in the form and context in which they appear in this Circular and to act in such capacity in relation to this Circular.

- 18.4** Jones Lang LaSalle Corporate Appraisal and Advisory Limited, the Independent Valuer, has given and has not withdrawn its written consent to the issue of this Circular, with the inclusion of its name, the VALMIN Valuation Report and the Business Valuation Report as set out in **Appendix D** and **Appendix E** to this Circular, respectively, and all references thereto, in the form and context in which they appear in this Circular and to act in such capacities in relation to this Circular.
- 18.5** Frost & Sullivan (Singapore) Pte. Ltd., the Independent Industry Consultant, has given and has not withdrawn its written consent to the issue of this Circular, with the inclusion of its name and the Industry Report as set out in **Appendix F** to this Circular and all references thereto, in the form and context in which they appear in this Circular and to act in such capacity in relation to this Circular.
- 18.6** Zaid Ibrahim & Co, the legal advisers to the Company in respect of Malaysian Law, has given and has not withdrawn its written consent to the issue of this Circular, with the inclusion of its name and the Abridged Legal Opinion from Zaid Ibrahim & Co as set out in **Appendix G** to this Circular and all references thereto, in the form and context in which they appear in this Circular and to act in such capacity in relation to this Circular.
- 18.7** BDO, the Independent Auditors of GGTM, has given and has not withdrawn its written consent to the issue of this Circular, with the inclusion of its name, the “Audited Financial Statements of GGT Manufacturing Sdn. Bhd. for the Financial Years ended 31 December 2014, 31 December 2015 and 31 December 2016” set out in **Appendix H** to this Circular, and all references thereto, in the form and context in which they appear in this Circular and to act in such capacity in relation to this Circular.
- 18.8** BDO LLP, the Reporting Accountants to the Company, has given and has not withdrawn its written consent to the issue of this Circular, with the inclusion of its name, the “Audited Financial Statements of GGT Manufacturing Sdn. Bhd. for the Financial Years ended 31 December 2014, 31 December 2015 and 31 December 2016” set out in **Appendix H** to this Circular, the “Report on the Compilation of Unaudited Pro Forma Financial Information” included in the “Unaudited Pro Forma Financial Information of the Enlarged Group” set out in **Appendix I** to this Circular, and all references thereto, in the form and context in which they appear in this Circular and to act in such capacity in relation to this Circular.
- 18.9** Each of Rajah & Tann Singapore LLP (Legal Adviser to the Company), Wong Tan & Molly Lim LLC (Legal Adviser to the Sponsor and Financial Adviser), Behre Dolbear & Company (USA), Inc. (Independent Expert Technical Adviser to the Sponsor and Financial Adviser) and B.A.C.S. Private Limited (Share Registrar), has given and has not withdrawn its written consent to the issue of this Circular, with the inclusion of its name and all references thereto, in the form and context in which they appear in this Circular and to act in such capacity in relation to this Circular.

LETTER TO SHAREHOLDERS

19. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the registered office of the Company at 80 Robinson Road, #17-02, Singapore 068898, during normal business hours for a period of six (6) months from the date of this Circular:

- (a) the constitution of the Company;
- (b) the Annual Report of the Group for FY2016;
- (c) the Sale and Purchase Agreement;
- (d) the EB Subscription Agreement (including the EB Terms and Conditions);
- (e) the letters of consent referred to in Section 18 of this Circular;
- (f) the IFA Letter as set out in **Appendix B** to this Circular;
- (g) the Qualified Person's Report as set out in **Appendix C** to this Circular;
- (h) the VALMIN Valuation Report as set out in **Appendix D** to this Circular;
- (i) the Business Valuation Report as set out in **Appendix E** to this Circular;
- (j) the Industry Report as set out in **Appendix F** to this Circular;
- (k) the Abridged Legal Opinion from Zaid Ibrahim & Co. as set out in **Appendix G** to this Circular;
- (l) the Audited Financial Statements of GGT Manufacturing Sdn. Bhd. for the Financial Years ended 31 December 2014, 31 December 2015 and 31 December 2016 as set out in **Appendix H** to this Circular;
- (m) the Unaudited Pro Forma Financial Information of the Enlarged Group as set out in **Appendix I** to this Circular; and
- (n) the material contracts referred to in Section 30.3 of **Appendix A** to this Circular.

Yours faithfully

For and on behalf of the Board of Directors of
ANCHOR RESOURCES LIMITED

Dr Wilson Tay
Non-Executive Chairman and Lead Independent Director

APPENDIX A – LETTER TO SHAREHOLDERS FROM THE BOARD OF DIRECTORS OF GGT MANUFACTURING SDN. BHD.

GGT MANUFACTURING SDN. BHD.

(Company Registration No. 897620-W)
(Incorporated In Malaysia)

Directors

Lim Chiau Woei
Peter Ling

Registered Office

No. 9A Jalan Medan Tuanku
Medan Tuanku
50300 Kuala Lumpur
Wilayah Persekutuan
Malaysia

30 June 2017

To: The Shareholders of Anchor Resources Limited

Dear Sir/Madam

1. BACKGROUND AND HISTORY

GGTM is a company incorporated in Malaysia in 2010 under the Malaysian Companies Act 1965 (repealed and replaced by the CA 2016) as a private limited company, as a subsidiary of Gabungan and was a dormant company. Upon the incorporation of GGTM, each of Gabungan and Lim held 99,999 shares and 1 share in the capital of GGTM, respectively.

Gabungan is a company incorporated in Malaysia and is presently a dormant company. As at the Latest Practicable Date, Lim and William Law (a director of the Company) each has an interest of approximately 28% and 12%, respectively, in Gabungan. Gabungan held the concession right relating to the extraction of granite from the Bukit Chetai Mine between 2008 to 2014, and carried out granite extraction and sales during such time. The latest concession held by Gabungan expired on 3 April 2014. No exploration or drilling work was carried out and no technical reporting was commissioned. As at the Latest Practicable Date, Gabungan is a dormant company and does not conduct any granite extraction or sales or any mining-related business.

In March 2011, Gabungan divested its stake in GGTM by transferring all its shares to Lim and William Law, as part of the divestment of its dimension stone granite business to focus on its primary business activity in property development. Subsequently, William Law divested his shareholding interest mainly to Lim between July and August 2015 and relinquished his directorship in GGTM in July 2015 for personal investment reasons. As at end-August 2015, the shareholding of Lim and Peter Ling in GGTM was 99.999% and 0.001% respectively, and GGTM was a dormant company.

In September 2015, GGTM applied for and successfully secured the Concession Agreement granted by PMINT in relation to the Concession Area. Between November 2015 and June 2016, GGTM completed a borehole investigation drilling programme conducted by Asian Metal Exploration Consultancy Sdn. Bhd.

APPENDIX A – LETTER TO SHAREHOLDERS FROM THE BOARD OF DIRECTORS OF GGT MANUFACTURING SDN. BHD.

In October 2015, Koh first invested in GGTM by acquiring 9,999 shares from Lim. Following this, Koh subscribed for 14,999 shares in June 2016 after Lim and Peter Ling subscribed for 135,000 shares and 1 share, respectively. After the subscription of new shares, the shareholding of Lim, Koh and Peter Ling in GGTM was 90.000%, 9.999% and 0.001%, respectively.

Pursuant to the RCPS Agreement, Luminor 1 invested RM5,000,100 in GGTM by subscribing for the first tranche of 7,143 RCPS which are convertible into 17,857 ordinary shares in GGTM in October 2015. In June 2016, Luminor 1 further invested RM5,999,700 by subscribing for the second tranche of 8,571 RCPS which are convertible into 21,427 ordinary shares in GGTM pursuant to the RCPS Agreement. In January 2017, Luminor 1 invested RM3,371,900 by subscribing for the final tranche of 4,817 RCPS which are convertible into 12,043 ordinary shares in GGTM. Between 2015 and 2017, GGTM raised RM14,371,700 from Luminor 1 through the issuance of RCPS pursuant to the RCPS Agreement. The table below set out the use of funds raised by GGTM:

Year	Funds Raised	Funds Utilised	Funds Remaining for Use	Use of Funds Raised
2015	RM5,000,100	RM5,000,100	–	The funds raised were applied towards the acquisition of equipment, development of the Concession Area, expenses relating to fundraising and GGTM's general working capital requirements
2016	RM5,999,700	RM2,199,600	RM3,800,100	Part of the funds raised were applied towards the acquisition of property and equipment, development of the Concession Area, professional fees for technical reporting, expenses relating to fundraising and the Proposed Acquisition and GGTM's general working capital requirements
2017	RM3,371,900	–	RM3,371,900	The funds raised are intended to be applied towards expansion of capacity of extraction and the processing facilities, expenses relating to the Proposed Acquisition and GGTM's general working capital requirements
Total	RM14,371,700	RM7,199,700	RM7,172,000	

APPENDIX A – LETTER TO SHAREHOLDERS FROM THE BOARD OF DIRECTORS OF GGT MANUFACTURING SDN. BHD.

As at the Latest Practicable Date, of the funds raised from the RCPS, RM7.17 million (approximately S\$2.32 million) has not been utilised.

In January 2017, Lim transferred 5,135 shares in GGTM to Koh and 39,071 shares in GGTM to Luminor 1. Upon completion of GGTM's internal restructuring (which will involve the conversion of all the RCPS to ordinary shares in GGTM) and immediately prior to Completion, GGTM's share capital will consist of 301,327 ordinary shares and all the shares in GGTM will be owned by the Vendors, as follows:

Name of Vendor	Number of Sale Shares	Sale Shares as a percentage of share capital of GGTM post Internal Restructuring (%)
Lim	180,796	60.0
Luminor 1	90,398	30.0
Koh	30,133	10.0
Total	301,327	100.0

Please refer to Section 3.2 of this **Appendix A** entitled "Shareholders" for more information on the Vendors.

In May 2016, GGTM acquired the property located at Geran Mukim No. Hakmilik 1461, No. Lot 1642, Mukim Tersat, Daerah Hulu Terengganu, Negeri Terengganu, and intends to construct its new processing facilities at such property.

As at the Latest Practicable Date, the board of directors of GGTM comprises Lim and Peter Ling. No new directors are proposed to be appointed to the board of GGTM in connection with the Proposed Acquisition.

Following the Completion, GGTM intends to change its name in line with the Group's corporate identity.

2. INDUSTRY AND BUSINESS OVERVIEW

2.1 Industry Overview

The following discussion set out in italics on the overview of the dimension stone granite industry in Malaysia has been extracted from the Industry Report issued by Frost & Sullivan, as the Independent Industry Consultant, which is set out in full in **Appendix F** to this Circular.

APPENDIX A – LETTER TO SHAREHOLDERS FROM THE BOARD OF DIRECTORS OF GGT MANUFACTURING SDN. BHD.

“3.1 Overview of the granite industry

The mining and quarrying industry is a crucial cog in a country’s fiscal machine because the mere endowment of highly sought minerals can enrich the nation’s coffers. For Malaysia, a country that is seeking the status of a developed and industrialised nation by 2020, a domestic quarrying industry ensures a sufficient supply of raw materials needed for the construction and manufacturing segments of the economy.

There are three main quarry types in Malaysia: marble, limestone, and granite. These quarries produce aggregates, ornamental stones, and dimension stones. Dimension stone granite is often selected as a hard-wearing building material for façades and in monolithic landmark projects. Demand for these products is closely linked to the economic development of Malaysia. Section 1 described a 74.7% urbanisation rate in Malaysia in 2015 that will inherently spur the demand for new townships, public infrastructure, and transport networks. These developments will be undertaken in a manner that ensures infrastructure sustainability and a preference for domestically produced resources. Therefore, the demand for premium and long-lasting building materials such as dimension stone granite is likely to grow in tandem with infrastructure developments in Malaysia.

The formation of Malaysia’s 2nd National Mineral Policy in 2009 aims to optimally explore, extract, and utilise the country’s natural resources and subsequently enhance Malaysia’s competitive advantage on a global scale. Mining companies in Malaysia are afforded investment tax allowances, tax rebates on human capital development, exemption from export duties of minerals, and pioneer status certification. These capital incentives are extremely encouraging for the dimension stone granite business. With China being the largest importer of dimension stone granite (HS code: 2516.12) at US\$41.53 million (SGD57.88 million) in 2016, the Malaysian dimension stone granite industry is primed for this business opportunity. Moreover, Malaysia’s granite resources include naturally occurring dark green dimension stone granite that is unique in terms of colour and texture.”

In addition, the following introduction to dimension stone and granite set out in italics has been extracted from the Qualified Person’s Report issued by Rockhound, as the Independent Qualified Person, which is set out in full in **Appendix C** to this Circular.

“1.2 Dimension Stone and Granite

Dimension stone as defined by the USGS is natural rock material quarried for the purpose of obtaining blocks or slabs that meet specifications as to size (width, length and thickness) and shape. Colour, texture and pattern, and surface finish of the stone are also normal requirements. Another important selection criterion is durability (the time measure to endure and to maintain its essential and distinctive characteristics of strength), resistance to decay (such as from polishing) and appearance.

APPENDIX A – LETTER TO SHAREHOLDERS FROM THE BOARD OF DIRECTORS OF GGT MANUFACTURING SDN. BHD.

Quarries are the source of dimension stone. But, unlike conventional quarries where rock is extracted using explosives for aggregate production, rock taken from dimension stone quarries is separated by precise and delicate techniques to maintain the integrity and shape of the blocks extracted. Dimension stone quarries are also different because they are located in geological settings where the rock is massive and competent (ie it is not full of joints and cracks) and can be cut into large blocks.

Although a variety of igneous, metamorphic and sedimentary rocks are used as dimension stone, the principal rock types are granite, limestone, marble, sandstone and slate. According to 'Natural Stone', the UK Stone Industry Magazine, granite (45%) and marble (50%) form 95% of all stone consumption.

Granite is an igneous rock whose origin is as a molten mass of hot liquid intruded from below in the earth's crust and cooled over geological time. It is a rock composed of an aggregate of visible crystals comprising mostly quartz and feldspar. In the dimension stone business, the commercial term "granite" has far wider coverage than the formal geological definition. It includes other rock types, such as syenite, gneiss, migmatites and gabbro.

At both Bukit Chetai and Bukit Machang the rock that is to be quarried is granite. However, the granite outcrop is intruded by near vertical dykes of a green rock termed 'microgabbro' whose origin is also as a molten rock. Locally this is referred to as green granite even though it is of a different mineralogical composition to granite."

Extraction and production techniques for dimension stone granite are well established; and reasonably priced and quality extraction equipment and processing machinery are generally readily available in the market. Dimension stone granite may be used to manufacture various products, including floor and wall tiles, countertops, headstones or gravestones, monumental stones, relief stone sculptures and other architectural uses.

In building construction, due to its hard-wearing nature, dimension stone granite is commonly used as wall claddings, floor pavings and columns. It is considered a versatile and resilient building material as the same granite may come in various surface finishes and appearances (highly polished, honed, textured (flamed, bush-hammered, chiseled, etc.)) and may withstand water and high temperatures and is resistant to weathering, making it suitable for both external and internal use. Granite is also considered a low maintenance material. In high traffic areas (such as mass transit stations and shopping malls), granite floorings are considered a one-time application finish, as granite floor paving is expected to last the life of the buildings.

Dimension stone granite is also commonly used in sculptures, including statues, decorative columns and arches, monuments, headstones, plaques, park adornments or art pieces.

APPENDIX A – LETTER TO SHAREHOLDERS FROM THE BOARD OF DIRECTORS OF GGT MANUFACTURING SDN. BHD.

2.2 Business Overview

GGTM is principally engaged in the businesses of exploration, mining, quarry extraction, processing and sale of granite products and of dimension stone granite as well as architectural stone and interior fit-out in Malaysia, further details of which are set out below:

Dimension Stone Granite Extraction and Processing

GGTM is a dimension stone granite operator in Malaysia. The Concession granted to GGTM includes the Concession Area consisting of the Bukit Chetai Mine and the Bukit Machang Property. Presently, GGTM's main focus is on mining and extraction of dimension stone granite at the Bukit Chetai Mine, where Terengganu Green and Sekayu White granite can be found. Upon request by customers, GGTM is able to obtain certification issued by PMINT to verify that Terengganu Green supplied by GGTM originates from Terengganu, Malaysia.



(Extracted from the Qualified Person's Report)

Dimension stone granite blocks are excavated using standard block cutting techniques, namely a circular saw machine and diamond wire saw machines. Granite blocks which have been extracted are brought to GGTM's block cutting facilities located in the vicinity of the Concession Area at Kampung Cheting, Sekayu, which houses machinery such as a multi-blade block cutter, bridge cutter and polishing machines. Some of the blocks are to be sold locally or exported internationally. However, most blocks are to be processed into strips (semi-finished) and tiles, and sold locally. GGTM sells granite in various surface finishes, including sawn surface, polished or textured finish, and in various sizes according to customers' requirements. It also utilises its left-over materials by using left-over or off-cut granite slabs and second grade slabs to produce joggle pavers and crushed rock suitable for road paving. Please refer to Section 2.5 of this **Appendix A** entitled "Dimension Stone Granite Business Processes" below for more information on the processing of granite products.

APPENDIX A – LETTER TO SHAREHOLDERS FROM THE BOARD OF DIRECTORS OF GGT MANUFACTURING SDN. BHD.

Interior Fit-Out Business

GGTM's business activities also comprise installation of architectural stone and interior fit-out, which is complementary and synergistic with the Dimension Stone Granite Business. GGTM sells and promotes dimension stone granite, with a focus on granite extracted from its Concession Area including Terengganu Green and Sekayu White granite, to relevant industry players such as property developers and architects for installation in newly built structures and buildings. GGTM's interior fit-out business also serves to promote the Dimension Stone Granite Business.

Newly constructed buildings as well as buildings undergoing renovation require fitting-out to make the interior spaces suitable for occupation, and granite is a durable and reliable choice for such fitting-out. Specifically, Terengganu Green, Sekayu White and Rosa Tenggo granite can be found in various projects and buildings in Malaysia, including but not limited to:

- Kuala Lumpur International Airport, Selangor
- Masjid Asy-Syakirin, Kuala Lumpur City Centre, Kuala Lumpur
- Masjid Putra, Putrajaya
- Masjid Taman Ilmu, Besut, Terengganu
- Petronas Twin Tower, Kuala Lumpur
- Fraser Business Park, Kuala Lumpur
- Dataran Putra (Park), Putrajaya
- Office buildings in Putrajaya:
 - o Suruhanjaya Tenaga (Commission of Energy)
 - o Jabatan Penerbangan Awan (Department of Civil Aviation)
 - o Istana Kehakiman (Palace of Justice-Courts)
 - o Syariah Court
 - o Perbendaharaan Malaysia (Federal Treasury)
 - o Jabatan Imigresen Malaysia (Immigration Department)
 - o Jabatan Pendaftaran Malaysia (Registration Department)
 - o Dataran Putra
 - o Kementerian Wilayah Persekutuan (Ministry of Federal Territories)

APPENDIX A – LETTER TO SHAREHOLDERS FROM THE BOARD OF DIRECTORS OF GGT MANUFACTURING SDN. BHD.

- o Menara Putrajaya Holdings
- o Wisma Tani (Ministry of Agriculture)

2.3 Dimension Stone Granite Properties and Concessions

GGTM had on 16 September 2015 entered into an exclusive dimension stone granite concession work contract agreement (“**Concession Agreement**”) with PMINT, the statutory body established pursuant to the Terengganu State Economic Development Corporation Enactment 1965, to carry out any works in relation to quarrying operation, mining, production and sale of granite products and dimensional granite stone (“**Works**”) from the properties, namely:

- (a) the Bukit Chetai Mine (located at H.S. (D) 978, PT 4161, Bukit Chetai, Mukim Tersat, Daerah Hulu Terengganu); and
- (b) the Bukit Machang Property (located at H.S. (D) 1122, PT 7812 (now known as PN 9746, Lot 60416) (“**Bukit Machang Property Lot 1**”) and H.S. (D) 1123, PT 7813 (now known as PN 9747, Lot 60417) (“**Bukit Machang Property Lot 2**”), Bukit Machang, Mukim Hulu Berang, Daerah Hulu Terengganu),

which are collectively referred to as the “**Concession Area**”, in Hulu Terengganu in the State of Terengganu in Malaysia, for a 14-year period commencing from 16 September 2015 and expiring on 26 October 2029 (“**Concession**”).

Bukit Chetai Mine

Please refer to the following table for the lease, mining rights and agreements relating to the Bukit Chetai Mine:

Lease/Licence/ Approval/ Agreement	Approval Body/ Licensor	Issued to/ Licensee	Issue Date/ Validity Period	Remarks
Land lease: Lease in respect of the property known as Bukit Chetai Mine	PTG	LTAWNT	24 May 2007/ 30 years (24 May 2007 to 23 May 2037)	–

APPENDIX A – LETTER TO SHAREHOLDERS FROM THE BOARD OF DIRECTORS OF GGT MANUFACTURING SDN. BHD.

Lease/Licence/ Approval/ Agreement	Approval Body/ Licenser	Issued to/ Licensee	Issue Date/ Validity Period	Remarks
Bukit Chetai Mining Licence: Proprietary mining licence (PML 1/2008)	PTG	LTAWNT	5 August 2008/ 10 years (5 August 2008 to 4 August 2018)	<u>Renewal:</u> GGTM is responsible for preparing the relevant documentation for renewal of the Bukit Chetai Mining Licence (including the engagement of a mining engineer), and such renewal application is jointly signed by LTAWNT for submission to PTG at least 12 months prior to the expiry of the Bukit Chetai Mining Licence. Such renewal is not subject to tender, but will be subject to the approval of PTG.
Bukit Chetai Mining Scheme Approval: Approval of the operational mining scheme to conduct mining work at the Bukit Chetai Mine	JMG	LTAWNT and GGTM	4 April 2017/ 1 year (4 April 2017 to 2 April 2018)	The Bukit Chetai Mining Scheme Approval is issued to LTAWNT (as lessee) and GGTM (as contractor) to conduct mining and development work. <u>Renewal:</u> GGTM is responsible for preparing the relevant documentation for renewal of the Bukit Chetai Mining Scheme Approval (including the engagement of a mining engineer), to be signed by LTAWNT for submission to JMG.
Primary Agreement: To carry out the Works	LTAWNT	PMINT	27 October 2014/ 15 years (27 October 2014 to 26 October 2029)	The Primary Agreement was granted in respect of the entire Concession Area. <u>Renewal:</u> PMINT may apply to extend the term of the Primary Agreement by giving a written notice to LTAWNT 1 year prior to the end of the term of the Primary Agreement.

APPENDIX A – LETTER TO SHAREHOLDERS FROM THE BOARD OF DIRECTORS OF GGT MANUFACTURING SDN. BHD.

Lease/Licence/ Approval/ Agreement	Approval Body/ Licensor	Issued to/ Licensee	Issue Date/ Validity Period	Remarks
Concession Agreement: To carry out the Works	PMINT	GGTM	16 September 2015/ 14 years (16 September 2015 to 26 October 2029)	The Concession Agreement was granted in respect of the entire Concession Area. PMINT has appointed Permint Granite Sdn. Bhd., a wholly-owned subsidiary of PMINT, as management agent for PMINT to liaise with and monitor the works undertaken by GGTM pursuant to the Concession.

The Bukit Chetai Mining Licence granted to LTAWNT falls due for renewal on 4 August 2018. The directors of GGTM intend to submit the renewal application on or before 4 August 2017 and are not aware of anything that will hinder the renewal of the Bukit Chetai Mining Licence by PTG. Angka Alamjaya Sdn. Bhd., the wholly owned subsidiary of the Company has recently assisted PMINT with its in-principle approval for the renewal of its Lubuk Mandi Mine's mining leases in February 2017 which was issued by PTG, which is the same approving authority in relation to the renewal of the Bukit Chetai Mine Mining Licence. The renewed mining lease (ML 1/2007) of the Group's Lubuk Mandi Mine for a 5-year period to 8 April 2022 has been issued by Terengganu State Authority to PMINT.

Pursuant to the Concession Agreement between PMINT and GGTM, in the event of non-renewal of the Bukit Chetai Proprietary Mining Licence, PMINT will refund the deposit to GGTM within 30 days from the expiry date and compensate GGTM based on the valuation determined by an independent valuer to be appointed and agreed by PMINT and GGTM within 30 days from the expiry date.

Save as stated above, there are no salient terms of compensation stated in the Concession Agreement. Pursuant to the Concession Agreement, the parties are aware that it is impractical for the Concession Agreement to cater all situations that may occur during the duration of the Concession Agreement. Therefore, it has been agreed between the parties that the terms of the Concession Agreement will be implemented fairly and in good faith without affecting the interest of either party and should there be any injustice arising from the Concession Agreement, the parties will use all efforts to seek for an agreeable solution. In any event, GGTM and the Company as part of the Enlarged Group upon Completion, based on their track records and experiences in renewal application, expect the renewal application to be approved.

In order to demonstrate his continued commitment to GGTM's business and to align his interests with the minority shareholders of the Company, Lim (the controlling shareholder and director of GGTM), who has been instrumental and committed in obtaining the renewal of mining licence for the Bukit Chetai Mine, has entered into an escrow agreement ("**Escrow Agreement**") with the Company and Rajah & Tann (Singapore) LLP ("**R&T**") on 29 June 2017 to appoint R&T as the escrow agent to hold in escrow the Lim Moratorium Shares, representing 57% of the total Consideration Shares ("**Escrow Shares**"). The Escrow Shares shall only be released to Lim upon the renewal of the Bukit Chetai Mining

APPENDIX A – LETTER TO SHAREHOLDERS FROM THE BOARD OF DIRECTORS OF GGT MANUFACTURING SDN. BHD.

Licence. In the event of non-renewal of the Bukit Chetai Mining Licence within the 6-month period post-expiry of the mining licence (4 August 2018), i.e. by 4 February 2019, the Company shall have the right to take the necessary steps to cancel the Escrow Shares in accordance with the applicable laws and regulations and the Catalist Rules. The Audit Committee of the Company shall be responsible for the oversight of this arrangement.

Please refer to Section 19.1 of this **Appendix A** for more information on permits and licences obtained by GGTM in connection with its business operations.

LTAWNT and PMINT first entered into a Primary Agreement in respect of, *inter alia*, Bukit Chetai and Bukit Machang in April 1999.

Bukit Machang Property

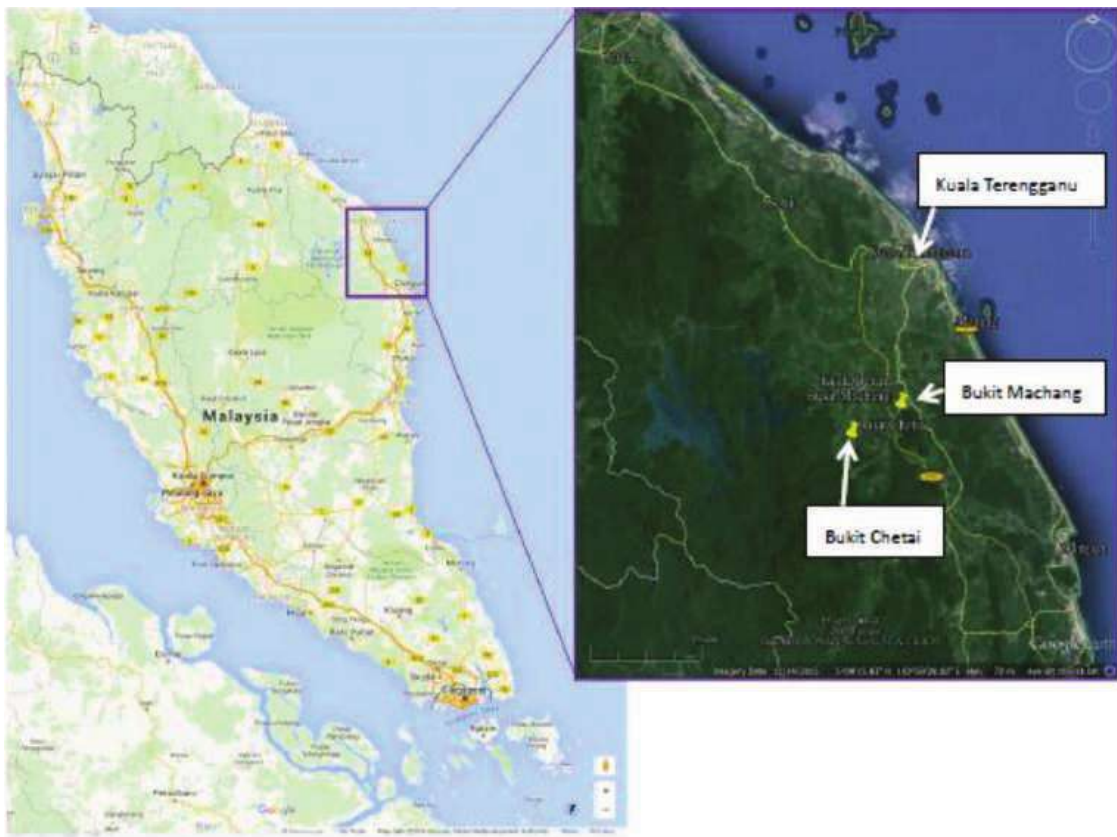
Please refer to the following table for the lease and agreements relating to the Bukit Machang Property:

Lease/Licence/ Approval/ Agreement	Approval Body/ Licensor	Issued to/ Licensee	Issue Date/ Validity Period	Remarks
Land lease: Lease in respect of the property known as Bukit Machang Property	PTG	LTAWNT	1 February 2009/ 30 years (1 February 2009 to 31 January 2039)	–
Primary Agreement: To carry out the Works	LTAWNT	PMINT	27 October 2014/ 15 years (27 October 2014 to 26 October 2029)	The Primary Agreement was granted in respect of the entire Concession Area. <u>Renewal:</u> PMINT may apply to extend the term of the Primary Agreement by giving a written notice to LTAWNT 1 year prior to the end of the term of the Primary Agreement.
Concession Agreement: To carry out the Works	PMINT	GGTM	16 September 2015/ 14 years (16 September 2015 to 26 October 2029)	The Concession Agreement was granted in respect of the entire Concession Area. PMINT has appointed Permint Granite Sdn. Bhd., a wholly-owned subsidiary of PMINT, as management agent for PMINT to liaise with and monitor the works undertaken by GGTM pursuant to the Concession.

APPENDIX A – LETTER TO SHAREHOLDERS FROM THE BOARD OF DIRECTORS OF GGT MANUFACTURING SDN. BHD.

LTAWNT had previously obtained an in-principle approval from PTG for a proprietary mining licence on 18 May 2011 in respect of the Bukit Machang Property Lot 1 for a period of five (5) years. The proprietary mining licence was subsequently not pursued by PMINT and LTAWNT and no mining works or pre-feasibility studies have been carried out at the Bukit Machang Property. No proprietary mining licence has been sought in respect of Bukit Machang Property.

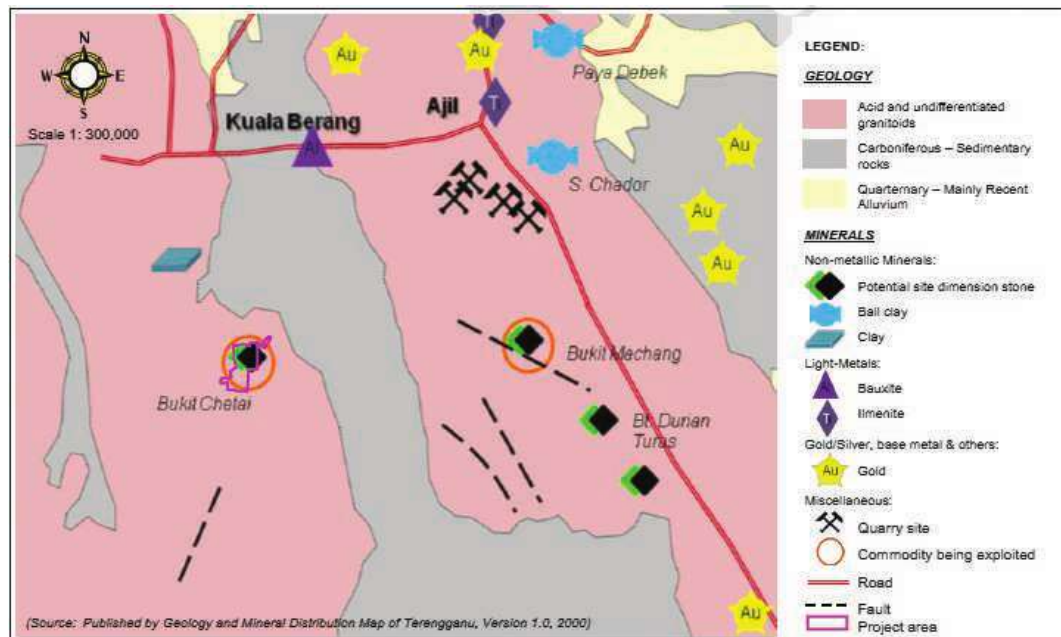
GGTM has not approached LTAWNT to apply for the proprietary mining licence in respect of the Bukit Machang Property ("**Bukit Machang Mining Licence**") as it intends to focus its operational efforts on the Bukit Chetai Mine. The Bukit Machang Property is currently classified as an exploration target.



*(Extracted from the Qualified Person's Report;
Map showing location of the Concession Areas. Source: Google Earth)*

The Bukit Chetai Mine has an area of 104.8ha whilst the Bukit Machang Property has an area of 196.1ha. As such, the Concession Area comprises an aggregate of 300.9ha. The Bukit Chetai Mine is located approximately 44km southwest of Kuala Terengganu and the Bukit Machang Property is located approximately 35km south of Kuala Terengganu. The Bukit Chetai Mine is located approximately 13km west-southwest of the Bukit Machang Property. As mentioned, three types of dimension stone granite have previously been extracted from the Concession Area, namely, Terengganu Green and Sekayu White (which are found at the Bukit Chetai Mine), and Rosa Tenggo (which is found at the Bukit Machang Property).

APPENDIX A – LETTER TO SHAREHOLDERS FROM THE BOARD OF DIRECTORS OF GGT MANUFACTURING SDN. BHD.



*(Extracted from the Qualified Person's Report;
Geological and mineral distribution map in vicinity of the Concession Area)*

Concession Agreement

In accordance with the Concession Agreement signed on 16 September 2015, GGTM has been appointed by PMINT to carry out the Works in the Concession Area for a period of approximately 14 years ending 26 October 2029 and the renewal period of the Concession Agreement is subject to the renewal period for the mining licences in respect of the Concession Area (this is stated as “back to back renewal” in the Concession Agreement), but is not subject to tender.

There are no legal impediments preventing GGTM from renewing the Concession Agreement and the Bukit Chetai Mining Scheme Approval issued by JMG, with the assistance of PMINT and LTAWNT, based on and subject to the following:

- the renewal of the Bukit Chetai Mining Licence;
- the compliance with the terms and conditions of the Concession Agreement;
- the renewal of the Primary Agreement; and
- the letter dated 11 May 2017 issued by PMINT to GGTM confirming that PMINT will support the application of any renewal, extension of the Bukit Chetai Mining Licence and the continuance of the Concession Agreement, subject to the Company being in compliance with the terms and conditions of the Concession Agreement.

APPENDIX A – LETTER TO SHAREHOLDERS FROM THE BOARD OF DIRECTORS OF GGT MANUFACTURING SDN. BHD.

There are no legal impediments preventing PMINT from renewing the Primary Agreement based on and subject to the following:

- (i) the renewal of the Bukit Chetai Mining Licence;
- (ii) the compliance of the terms and conditions of the Primary Agreement; and
- (iii) the letter dated 17 April 2017 issued by LTAWNT to PMINT confirming that LTAWNT will support the application of any renewal, extension of the Bukit Chetai Mining Licence and the continuance of the Primary Agreement, subject to the terms and conditions of the Primary Agreement which must be agreed by PMINT.

Please refer to **Appendix G** entitled “Abridged Legal Opinion from Zaid Ibrahim & Co.” to this Circular for further details.

Pursuant to the terms of the Concession Agreement, GGTM has paid and is required to pay to PMINT:

- (a) deposit in the form of bank draft amounting to RM100,000 upon signing of the Concession Agreement, which is intended as collateral for compliance of the terms and conditions of the Concession Agreement by GGTM;
- (b) annual land lease rental for use of the Concession Area at RM30,090.15 per year, and a rental deposit for use of the Concession Area for the initial period of five years for the amount of RM150,450.95 which was paid in advance upon signing of the Concession Agreement;
- (c) tribute payment as follows on a monthly basis: (i) RM132/m³ of “Sekayu White” and “Rosa Tenggo” block dimension granite stone or RM4.40/m² of processed stone tiles (thickness 20-30mm); and (ii) RM220/m³ of “Terengganu Green” block dimension granite stone or RM7.33/m² of processed stone tiles (thickness 20-30mm), and any granite tiles exceeding 30mm in thickness will be calculated based on the pro rata price for each respective type of dimension stone granite.

PMINT has the right to revise the tribute rate as stated above every three years, but any proposed changes to the rates must not exceed 5% of the current tribute payment. In addition, GGTM shall make monthly tribute payments on the production of granite products of an amount not less than RM10,000 (as minimum payment). This payment shall be effective 12 months after the date of the Concession Agreement. However, the tribute is payable on the sale of granite blocks/granite products.

GGTM is responsible for paying royalty to the Terengganu State Government on dimension stone granite blocks produced, and all payments, charges and fees associated with the Concession Area.

Under the terms of the Concession Agreement, 40% of all the new un-processed dimensional granite blocks produced using granite extracted from the Concession Area must be processed within the State of Terengganu and a maximum of 60% of such

APPENDIX A – LETTER TO SHAREHOLDERS FROM THE BOARD OF DIRECTORS OF GGT MANUFACTURING SDN. BHD.

un-processed granite may be sold or exported outside the State of Terengganu. For the avoidance of doubt, there is no restriction on the sale of finished or semi-finished granite products.

Exploration and Technical Reporting

Please refer to **Appendix C** to this Circular for the Qualified Person's Report issued by Rockhound, as the Independent Qualified Person, in respect of the Bukit Chetai Mine.

Prior to that, a preliminary technical report on the Bukit Chetai Mine and the Bukit Machang Property was completed by Rockhound in January 2016. The preliminary technical report evaluated the project which consisted of two sites, the Bukit Chetai Mine and the Bukit Machang Property, and made proposals as to the exploration work to be conducted in order to define the resources, and for such resource estimate to be compliant with the JORC Code and requirements of the SGX-ST.

GGTM also engaged Asian Metal Exploration Consultancy Sdn. Bhd. to conduct a drilling programme at the Bukit Chetai Mine involving, namely, drilling and geological logging work for the purpose of understanding the subsurface geology for expansion of the Bukit Chetai Mine. The drilling programme was carried out between November 2015 and June 2016, in consultation with Rockhound, and a total of 15 HQ-sized (63.5mm in diameter) diamond drilling holes (totalling 2,615.5m in length) were drilled.

All drill holes and geological and structural logging were carried out as the holes were drilled and samples for laboratory testing were selected by Rockhound. Such laboratory testing is conducted on standard specifications for dimension stone granite, including but not limited to absorption by weight, density, compression strength, modulus of rupture, abrasion resistance and flexural strength. Different standards are applicable for different end-users and stone types, and the ASTM Standard sets out the material specifications for dimension stone granite. Dimension stone granite is also tested for radioactivity to ensure no health risks relating to production, sale and end-users. The radioactivity tests were conducted in the PRC by an accredited PRC laboratory.

A pre-feasibility study was subsequently completed by Rockhound in December 2016, in order to assess the commercial and technical viability of the extraction work intended to be carried out at the Bukit Chetai Mine. The pre-feasibility study took into consideration the geology of the Bukit Chetai Mine, GGTM's plans to develop the Bukit Chetai Mine, its environmental and social impact as well as the end products identified, and concluded that the project plans for the Bukit Chetai Mine has merit and is feasible.

2.4 Resource Estimates

According to the Qualified Person's Report, in respect of the Bukit Chetai Mine, the combined Proved and Probable Reserve that can be extracted as dimension stone granite are estimated at 64.39 million m³. The Reserve is included in the total Resource estimate, which is estimated at 99.06 million m³. Assuming a block rate of 65%, the estimated Resource is substantial and more than sufficient to meet the production planned over the next 20 years.

APPENDIX A – LETTER TO SHAREHOLDERS FROM THE BOARD OF DIRECTORS OF GGT MANUFACTURING SDN. BHD.

According to the Qualified Person's Report, the Mineral Resource and Ore Reserve estimates for the Bukit Chetai Mine as at 31 January 2017 are set out below:

	Mineral Type ⁽¹⁾	Gross Volume Attributable to Licence	Net Volume Attributable to GGTM
Ore Reserves (million m³)			
Proved	White Granite	57.42	57.42
	Green Granite	–	–
Probable	White Granite	3.90	3.90
	Green Granite	3.07	3.07
Total		64.39	64.39
Mineral Resources (million m³)			
Measured	White Granite	88.34	88.34
	Green Granite	–	–
Indicated	White Granite	6.00	6.00
	Green Granite	4.72	4.72
Total		99.06	99.06

Notes:

- (1) "White Granite" and "Green Granite" are commonly referred to as "Sekayu White" and "Terengganu Green", respectively.
- (2) The terms Ore Reserves and Mineral Resources are as defined under the JORC Code.
- (3) The above table has been formatted in accordance with Appendix 7D of the Catalist Rules. "Grade" is not applicable to dimension stone and "changes from previous update" are not applicable to the Bukit Chetai Mine as no previous resource estimate has been publicly released.

According to the Qualified Person's Report, the Reserve estimate as of 31 January 2017 in relation to the Bukit Chetai Mine of 64.39 million m³ and with a targeted processing of dimension stone blocks of 1.065 million m³ of Terengganu Green and 0.53 million m³ of Sekayu White over the next 20 years from FY2017, there is more than sufficient reserves for the remaining mining lease period.

Rockhound has reviewed the information in this Circular in respect of (i) the Mineral Reserves and Resources of the Bukit Chetai Mine and (ii) the Proposed Acquisition, and confirms that the information presented is accurate, balanced, complete and not inconsistent with the Qualified Person's Report.

2.5 Dimension Stone Granite Business Processes

Exploration

Exploration work relating to dimension stone granite includes geological mapping and surveying (comprising studying the geology and history of the land), drilling, sample preparation and testing of the extracted dimension stone granite.

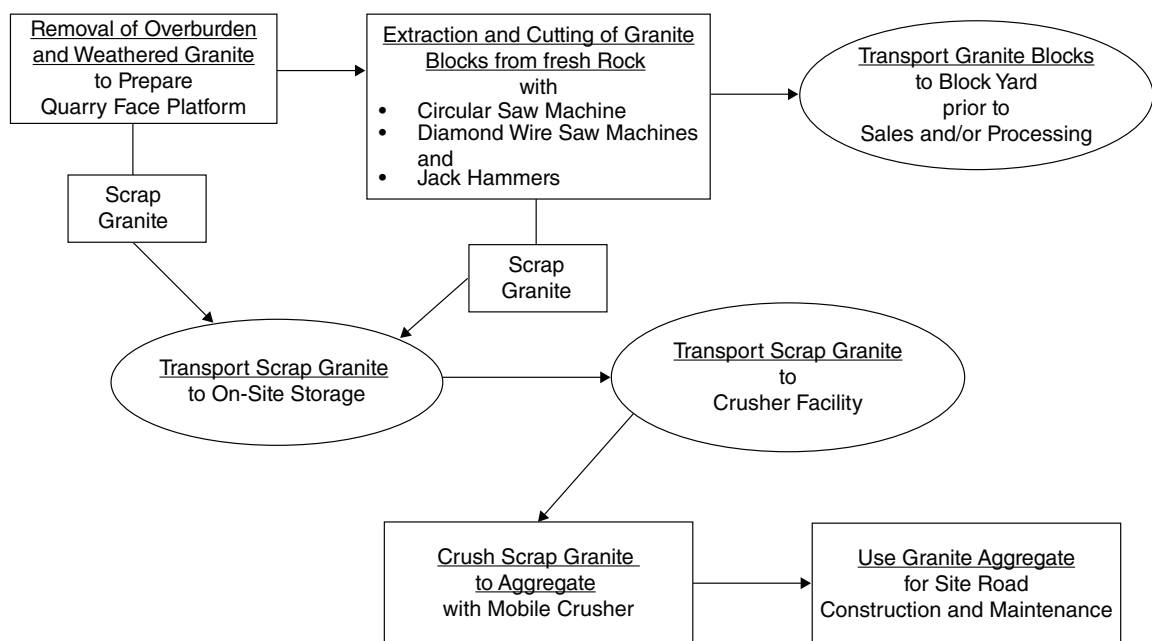
APPENDIX A – LETTER TO SHAREHOLDERS FROM THE BOARD OF DIRECTORS OF GGT MANUFACTURING SDN. BHD.

Extraction

The preparation of the site in order for the quarry face to be usable and ready for extraction of dimension stone granite includes planning and stripping of vegetation and removal of overburden and weathered rock.

For the initial stage of GGTM's quarry extraction, GGTM plans to achieve extraction of approximately 500m³ of dimension stone granite per month (based on single shift, being 12 hours, per day) in 2017.

Set out below is a flow chart of activities carried out at the quarry:



As set out in the flowchart above, the extraction process is carried out in four stages:

1. **Pre-Production Operations:** Clearance, construction of haul road and opening up and development of production platforms.
2. **Primary Extraction Cuts:** Excavation to separate benches or big rock slices from the parent bench. Bench sides are typically planar and vertical.
3. **Secondary Cuts and Removal of Blocks:** Numerous rock slices are obtained from a single bench. These are usually cut perpendicular to the bench length with slices into blocks of commercial sizes and then dislodged from the parent block ready for transportation to the block yard.
4. **Transport and Storage of Granite Blocks:** Removal of blocks to storage areas downslope ready for disposal off-site to markets or further processing. This phase also includes the disposal of other loose granite fragments from production platforms. As at the Latest Practicable Date, scrap granite has been used for site maintenance within the Concession Area. Scrap granite may be sold commercially.

APPENDIX A – LETTER TO SHAREHOLDERS FROM THE BOARD OF DIRECTORS OF GGT MANUFACTURING SDN. BHD.

For purposes of extraction of dimension stone granite, GGTM currently uses the following equipment:

- **Circular Saw Machine:** Creates vertical cuts in the face of the quarry in order to extract large blocks from the quarry face more efficiently than a traditional diamond wire saw machine. The large blocks extracted using circular saw machines are typically 157m³ (35.0m in length, 3.0m in width and 1.5m in height).
- **Diamond Wire Saw Machine:** Cuts the large blocks extracted using the circular saw machine into medium blocks, typically 10m in length, 3.0m in width and 1.5m in height.
- **Coring Machine:** Drills horizontal holes at base of 10m long medium blocks in order to separate the 10-m long medium blocks from the granite mass.
- **Jack Hammer:** Splits the 10m long medium blocks to smaller, more manageable blocks, typically 2.5m in length, 1.5m in width and 0.75m in height.
- **Diesel Generator:** Generates electricity for machinery at quarry face.
- **Air Compressor:** Generates compressed air for operation of machinery at quarry face.
- **Derrick Crane and Wheel Loader:** Moves blocks from quarry platforms.
- **Lorries:** Transport blocks from the quarry face to the block yard and/or processing facilities.

Granite Products

GGTM intends to produce the following granite products from the dimension stone granite extracted from the Bukit Chetai Mine:

- **Large Blocks:** Taken from the quarry site, which are 2.5m (in length) by 1.5m (in width) by more than or equal to 0.75m (in height).
- **Small Blocks:** Taken from the quarry site, which are 2.5m (in length) by 1.5m (in width) but less than or equal to 0.75m (in height).
- **Slabs (i.e. Strips):** Processed at the processing facilities.
- **Tile-slabs of specific sizes:** Processed at the processing facilities, as required by the market or customers.
- **Small Tiles (also known as joggle pavers):** Processed from small pieces and off-cuts from the processing of the slabs at the processing facilities.

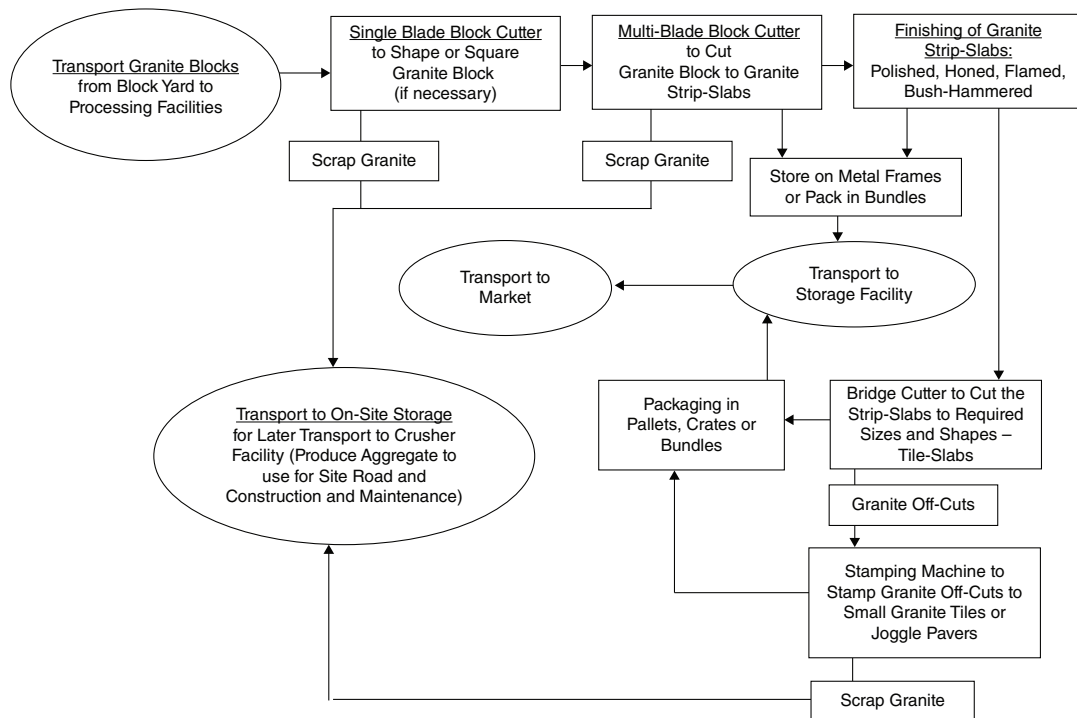
For more information on the above-mentioned granite products, please refer to the section entitled “Glossary of Technical Terms” of this Circular.

APPENDIX A – LETTER TO SHAREHOLDERS FROM THE BOARD OF DIRECTORS OF GGT MANUFACTURING SDN. BHD.

Processing Facilities

GGTM's existing processing facilities are located in close proximity to the Concession Area. GGTM intends to construct new processing facilities to cater to its needs and plans for expansion of its operations. Please refer to Section 25.2 of this **Appendix A** entitled "Future Plans" for further details.

Set out below is a flow chart of activities carried out at the existing processing facilities:



GGTM's existing processing facilities are located in close proximity to the Concession Area, and include the following equipment:

- **Single Blade Trimmer:** Trims blocks to a more regular shape to be used in the Multi-Blade Block Cutter.
- **Multi-Blade Block Cutter:** Cuts blocks into slabs (long strips), with a target size of 2500mm in length, 620mm in width and between 18 and 20mm in thickness.
- **Manual Single Head Polishing Machines:** Impart a finish to the surface of the slabs; the finishing may be polished or honed. Other polishing machines at the processing facilities include edge polishers and single head polishers.
- **Manual Flaming Machine:** Impart a textured flame finish to the granite surface where required.
- **Bridge Cutter:** Sizes the long slabs into tiles of various sizes as may be specified by customers.

APPENDIX A – LETTER TO SHAREHOLDERS FROM THE BOARD OF DIRECTORS OF GGT MANUFACTURING SDN. BHD.

- **Stamping Machines:** forms a template to stamp out small tiles (i.e. joggle pavers) from slab off cuts.

The granite blocks extracted from the Concession Area in FY2016 and FY2017 (up to the Latest Practicable Date) are set out below:

	FY2016	1 January 2017 to the Latest Practicable Date ⁽¹⁾
Blocks extracted (m ³)	174	943
Blocks sold (m ³)	13	925
Blocks which have been processed to Slabs and Tiles (m ³)	121	14

Note:

- (1) From 1 April 2017 to the Latest Practicable Date, the blocks extracted, blocks sold and blocks that have been processed to slabs and tiles were 845m³, 838m³ and 14m³, respectively.

GGTM has recorded sale of dimension stone granite blocks, slabs and tiles of approximately RM0.08 million (approximately S\$0.02 million) in FY2016 and RM1.64 million (approximately S\$0.53 million) from 1 January 2017 to the Latest Practicable Date. As at the Latest Practicable Date, dimension stone granite products used for the JMA Project amounted to approximately RM1.14 million (approximately S\$0.37 million) (comprising approximately RM0.72 million (approximately S\$0.23 million) in FY2016 and approximately RM0.42 million (approximately S\$0.14 million) from 1 January 2017 to the Latest Practicable Date).

GGTM intends to increase its monthly production of dimension stone granite blocks from approximately 500m³ in FY2017 to 9,000m³ by FY2025 and thereafter. It is planned that approximately 25% of the dimension stone granite blocks will be exported to the PRC, approximately 15% will be sold within Malaysia and the remainder will be further processed by GGTM into tile slabs or small tiles (i.e. joggle pavers).

With Terengganu Green being the premium product from the Bukit Chetai Mine, GGTM intends to extract Terengganu Green and with a lesser focus on Sekayu White in the near term, and thereafter to build awareness of Sekayu White as a quality product.

The planned excavation of gross dimension stone granite blocks (m³) in the next 10 years based on Bukit Chetai Mine extracted from the Qualified Person's Report is set out below:

	Mineral Type ⁽¹⁾	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023	FY2024	FY2025	FY2026
Monthly	Green Granite	350	500	800	1,300	1,500	2,800	4,000	5,500	6,000	6,000
	White Granite	150	300	400	500	1,000	1,200	2,000	2,500	3,000	3,000
	Total Monthly	500	800	1,200	1,800	2,500	4,000	6,000	8,000	9,000	9,000

APPENDIX A – LETTER TO SHAREHOLDERS FROM THE BOARD OF DIRECTORS OF GGT MANUFACTURING SDN. BHD.

	Mineral Type ⁽¹⁾	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023	FY2024	FY2025	FY2026
Annually	Green Granite	4,200	6,000	9,600	15,600	18,000	33,600	48,000	66,000	72,000	72,000
	White Granite	1,800	3,600	4,800	6,000	12,000	14,400	24,000	30,000	36,000	36,000
	Total Annual	6,000	9,600	14,400	21,600	30,000	48,000	72,000	96,000	108,000	108,000

Note:

- (1) “White Granite” and “Green Granite” are marketed as “Sekayu White” and “Terengganu Green”, respectively.

Based on the above, (i) approximately 345,000m³ of Terengganu Green granite and approximately 168,600m³ of Sekayu White granite is proposed to be extracted from the Bukit Chetai Mine over the next 10 years, and (ii) approximately 1.065 million m³ of Terengganu Green granite and approximately 528,600 m³ of Sekayu White granite is proposed to be extracted from the Bukit Chetai Mine over the next 20 years. In its Qualified Person’s Report, Rockhound has confirmed that given that there is an estimated 4.72 million m³ of Terengganu Green Resource and 94.34 million m³ of Sekayu White Resource, therefore, there is more than sufficient rock to meet the above-stated targets.

Based on its experience and performance records of previous quarry operators, GGTM estimates that of the fresh rock volume excavated, approximately 81% of such rock will be recovered as blocks and used for processing into granite products. Such granite products will be sold locally, exported to locations including the PRC or retained on-site for processing at GGTM’s new processing facilities.

The following table has been taken from the Qualified Person’s Report and sets out the planned processing and sale of dimension stone granite blocks (m³) in the next 10 years from the Bukit Chetai Mine:

	Mineral Type ⁽¹⁾	FY2017 ⁽²⁾	FY2018 ⁽³⁾	FY2019	FY2020	FY2021	FY2022	FY2023	FY2024	FY2025	FY2026
For Export to PRC only (big blocks)	Green Granite	378	810	1,728	2,808	3,240	6,048	8,640	11,880	12,960	12,960
For local sales (big and small blocks)	Green Granite	284	608	1,296	2,106	2,430	4,536	6,480	8,910	9,720	9,720
	White Granite	324	972	1,728	2,160	4,320	5,184	8,640	10,800	12,960	12,960
For processing on-site (blocks) ⁽⁴⁾	Green Granite	1,040	2,228	4,752	7,722	8,910	16,632	23,760	32,670	35,640	35,640
	White Granite	405	1,215	2,160	2,700	5,400	6,480	10,800	13,500	16,200	16,200
Total⁽⁵⁾		2,431	5,833	11,664	17,496	24,300	38,880	58,320	77,760	87,480	87,480

Notes:

- (1) “White Granite” and “Green Granite” are marketed as “Sekayu White” and “Terengganu Green”, respectively.
- (2) For FY2017, an inefficiency wastage of approximately 50% has been applied to take into account the loss of material due to weathering at the surface of the quarry platform.
- (3) For FY2018, an inefficiency wastage of approximately 25% has been applied to take into account the loss of material due to weathering at the surface of the quarry platform. The wastage assumption decreased from FY2017 due to the removal of overburden and weathered rock in FY2017.
- (4) When processing granite blocks into slabs, GGTM achieves a yield rate of approximately 55.4%. When processing granite slabs to tiles, GGTM achieves a yield rate of approximately 60.0%.
- (5) The figures presented in the above table assume a block rate of 81% from the total gross dimension stone granite blocks extracted.

APPENDIX A – LETTER TO SHAREHOLDERS FROM THE BOARD OF DIRECTORS OF GGT MANUFACTURING SDN. BHD.

Due to the unique features and higher value of the Terengganu Green, GGTM intends to focus its operations on the extraction and processing of Terengganu Green as its primary product. Please refer to Section 4.2(c) of this **Appendix A** entitled “GGTM’s concession right allows it to extract unique texture and colour of granite with high quality” for further details on Terengganu Green.

2.6 Interior Fit-Out Business

GGTM supplies the granite extracted from the Concession Area for purposes of architecture and interior fit-out, in line with engineering standards required of materials used in external as well as internal areas of buildings. Granite is produced and sold in large blocks, and sold in various sizes, including in blocks, strips (semi-finish) and tiles, according to customers’ needs.

Granite is a suitable material for various types of building, including those for residential projects (such as private housing) and commercial projects (such as hotels and service apartments, retail malls and offices), and can be used for various applications, including floor tiles, wall tiles, countertops, headstones/gravestones, monumental stones, relief stone sculptures and for other architectural uses. Granite is also commonly used for hard landscaping projects and for tombstone and monument stones.

In the architectural and interior fit-out sector, GGTM works closely with property developers, stone processing factories, distributors as well as contractors. Granite supplied by GGTM has been used in prominent buildings and projects in Malaysia, such as in the Paya Bunga Square Hotel in Terengganu. GGTM exports materials to Xiamen, PRC, for purposes of construction, monumental stones and sculptures. The Interior Fit-Out Business includes work carried out for both new buildings and existing buildings.

GGTM is able to achieve synergies from its Dimension Stone Granite Business and its Interior Fit-Out Business as the stone industry products are used extensively as wall and floor decorative finishes. GGTM is thus able to promote and utilise its range of dimension stone granite products and provide the advantage of exclusive supply of certain of its products.

Interior Fit-Out for New Building Projects

For new building projects, once the base construction of the building is completed, the interior fit-out works comprising decorative furnishings and installation of equipment necessary for the functioning of the building will commence. The interior fit-out works for new building projects include the fabrication, installation and/or supply of the following:

- Wall and floor finishes, including interior and exterior finishes
- Build-in cabinets and cupboards, including vanity countertops, build-in or loose furniture
- Sanitary wares and fittings
- Lighting, chandeliers and audio and video equipment

APPENDIX A – LETTER TO SHAREHOLDERS FROM THE BOARD OF DIRECTORS OF GGT MANUFACTURING SDN. BHD.

- Raised floors, suspended ceilings and plaster ceilings
- Curtains and blinds
- Painting
- Kitchen equipment and appliances
- Specialised information technology equipment or systems as maybe required for food and beverage services or hotel management businesses
- Beds along with bedding products and accessories, toilet appliances and accessories, housekeeping equipment and other related items as may be required for hotels and service apartments

Interior Fit-Out for Existing Building Projects

For existing building projects, interior fit-out works are typically undertaken for purposes of upgrading, renovations, refurbishments or renewal of existing decorations and equipment.

Unlike interior fit-out for new buildings, interior fit-out for existing buildings will involve demolition works and the fitting-out process may be staggered to allow business and building owners to carry on their business operations while interior fit-out works are being carried out.

Joint Venture Arrangement

To bid for larger interior fit-out projects, including public tender projects, GGTM may also collaborate with third party contractors and other interior fit-out companies to form joint ventures (contractual or otherwise). In doing so, GGTM is able to work with third parties with stronger construction and/or interior fit-out capabilities and capacities, while GGTM, amongst others, will supply dimension stone granite for installation.

GGTM had on 22 July 2016 entered into a joint venture consortium agreement with Eco Interiors International Sdn. Bhd. (“EII”) (“**Joint Venture Agreement**”) to form an unincorporated joint venture consortium, GGT Manufacturing Eco JV (“**Consortium**”), for the sole purpose of jointly operating an interior fit-out business, which includes creating the design proposal, procuring financing, obtaining approvals from relevant government authorities, and planning and execution of the business. On 8 August 2016, the Consortium successfully secured an interior fit-out contract from PMINT in relation to a hotel consisting of 17 floors (208 rooms) located at Jalan Masjid Abidin, Mukim Bandar, Kuala Terengganu, Terengganu (“**JMA Project**”), for approximately RM29.1 million.

In connection with the JMA Project, GGTM supplies dimension stone granite to the Consortium for a total contract sum of approximately RM1.23 million. The Consortium has also appointed Eco Group International Sdn Bhd (“**EGI**”, which together with EII are part of the Eco Group of Companies) as contractor in relation to the construction work and services for the JMA Project. The Eco Group of Companies is headquartered in Malaysia and its key business is in provision of integrated interior solutions, from planning and design to execution of works. Among some of its prominent projects include hotels (East Hotel Kuala

APPENDIX A – LETTER TO SHAREHOLDERS FROM THE BOARD OF DIRECTORS OF GGT MANUFACTURING SDN. BHD.

Terengganu, ION D'Elemen Genting Highlands, Le Meridien Putrajaya, St Regis Lagoon Suites in Langkawi, The WEIL Hotel in Ipoh, Sabah Hotel, Banjaran Hotspring Resort & Spa in Ipoh and Sofitel Hotel in Mumbai, India), hospitals (Gleneagles Hospital in Kuala Lumpur, Gleneagles Hospital in Kota Kinabalu, Pantai Hospital Kuala Lumpur and Hospital Pantai Manjung), premium lounges, commercial and corporate offices, schools and retail malls. None of the Directors or controlling Shareholders of the Company and GGTM has any interest in the Eco Group of Companies.

As at the Latest Practicable Date, the JMA Project is approximately 87% completed and approximately 70% of the contract sum has been certified by PMINT and billed. The JMA Project is targeted to be completed in the third quarter of 2017, and save for the earlier termination rights provided in the Joint Venture Agreement, the Joint Venture Agreement shall remain in force until all liabilities, obligations and commitments pursuant to the JMA Project have been fully discharged.

Please refer to Section 19.2 of this **Appendix A** for a Summary of Relevant Malaysian Laws and Regulations for more information on the Consortium.

3. SHARE CAPITAL AND SHAREHOLDERS

3.1 Share Capital

Following the GGTM internal restructuring and immediately prior to Completion, the share capital of GGTM will comprise 301,327 ordinary shares. Save for the ordinary shares in the share capital of the Target, there are no other classes of shares in the share capital of the Target. All of the issued shares in the capital of GGTM are fully paid-up. None of the shares in GGTM are held by or on behalf of GGTM itself or by any subsidiary.

Save as disclosed, as at the Latest Practicable Date, no person has, or has the right to be given, an option to subscribe for any securities of GGTM.

Save as disclosed below, there were no other changes in the share capital of GGTM in the three years prior to the Latest Practicable Date:

Date of issue	Number of ordinary shares issued	Consideration (RM)	Purpose of Issue	Resultant issued share capital
7 April 2010	1	1.00	Allotment at incorporation	1 ordinary share
7 April 2010	99,999	99,999.00	Allotment at incorporation	100,000 ordinary shares
7 June 2016	135,000	135,000.00	To increase GGTM's working capital	235,000 ordinary shares and 15,714 RCPS
7 June 2016	14,999	14,999.00	To increase GGTM's working capital	249,999 ordinary shares and 15,714 RCPS

APPENDIX A – LETTER TO SHAREHOLDERS FROM THE BOARD OF DIRECTORS OF GGT MANUFACTURING SDN. BHD.

Date of issue	Number of ordinary shares issued	Consideration (RM)	Purpose of Issue	Resultant issued share capital
7 June 2016	1	1.00	To increase GGTM's working capital	250,000 ordinary shares and 15,714 RCPS

Date of issue	Number of RCPS issued	Consideration (RM)	Purpose of Issue	Resultant issued share capital
2 October 2015	7,143	700.00 per share (premium of RM699 per share)	To increase GGTM's working capital	100,000 ordinary shares and 7,143 RCPS
7 June 2016	8,571	700.00 per share (premium of RM699 per share)	To increase GGTM's working capital	250,000 ordinary shares and 15,714 RCPS
25 January 2017	4,817	700.00 per share (premium of RM699 per share)	To increase GGTM's working capital	250,000 ordinary shares and 20,531 RCPS

3.2 Shareholders

Following GGTM's internal restructuring and immediately prior to Completion, each of Lim, Luminor 1 and Koh will each hold 180,796, 90,398 and 30,133 shares in the capital of GGTM, representing approximately 60.0%, 30.0% and 10.0% of the issued shares.

Lim is the founder and non-executive chairman of GGTM. He has been involved in the Dimension Stone Granite Business since 2008 and he has been instrumental in securing the dimension stone granite concession granted to GGTM. Lim is also the Managing Director of the Company. Following Completion, Lim shall oversee the business and operations of GGTM as part of the Enlarged Group.

Luminor 1 is a company incorporated in Singapore, which is part of the Luminor Group, a private equity group headquartered in Singapore. Luminor 1 is approved under the Singapore Global Investor Programme administered by Contact Singapore. Luminor 1 does not have any board representation in GGTM and is not involved in the daily operations of GGTM.

Koh is a private investor of GGTM and is not involved in the daily operations of GGTM. She is also a shareholder of the Company.

4. COMPETITION AND COMPETITIVE STRENGTHS

4.1 Competition

The following discussion set out in italics on the main competitors of GGTM in the dimension stone granite industry has been extracted from the Industry Report prepared by Frost & Sullivan, the Independent Industry Consultant, which is set out in full in **Appendix F** to this Circular.

APPENDIX A – LETTER TO SHAREHOLDERS FROM THE BOARD OF DIRECTORS OF GGT MANUFACTURING SDN. BHD.

“3.9.1 Industry players

GGTM perceives granite trading companies as the closest form of a competitor in its industry. This is largely due to GGTM’s involvement throughout the granite value chain in Malaysia, i.e. extraction, processing, distribution, and marketing. Competition in the processing (post-extraction) phase of dimension stone granite is mainly based on production capability, turnaround time, price, product range, and value-added services.

According to primary and secondary research, some granite quarry operators produce aggregates instead of dimension stones, for example Sunway Quarry Industries Sdn. Bhd., CMS Quarry Sdn. Bhd., and Hanson Quarry Products Sdn. Bhd. One example of a dimension stone granite producer with quarrying operations is Dimensi Timal Sdn. Bhd. Some quarry operators do not have an updated internet presence and have declined to be interviewed for the purpose of this independent market research.

Most of the dimension stone manufacturers and quarry operators in Malaysia are involved in marble products because of large marble deposits in the country. Three public listed companies in Malaysia, namely Able Group Bhd., Stone Master Corporation Bhd., and Hock Heng Stone Industries Bhd. are involved in the processing of dimension stone granite.

In terms of product, GGTM’s Concession Areas in Terengganu would allow it to produce 3 out of the 5 colour types of granite that are typically found in Malaysia, i.e. green, white, and pink. Furthermore, GGTM is the sole supplier of Terengganu Green dimension stone granite in Malaysia. The rarity of Terengganu Green is a competitive advantage that GGTM can capitalise and this is elaborated in Section 3.9.2.”

Please refer to the Industry Report set out in **Appendix F** to this Circular for further details on the dimension stone granite industry, competitors of GGTM, GGTM’s competitive advantages as well as the dimension stone granite market outlook.

There is a fragmented and competitive market for the Interior Fit-Out Business with various market players.

4.2 Competitive Strengths

GGTM believes that some of its main competitive advantages which contributed and will continue to contribute to its growth are as follows:

(a) The Bukit Chetai Mine has a track record of successful extraction of granite

GGTM owns the concession rights to the Bukit Chetai Mine and the Bukit Machang Property and has commenced extraction of dimension stone granite at the Bukit Chetai Mine. Previous extraction work had been undertaken at the Bukit Chetai Mine and it has a track record of quarry production. In addition, the Terengganu Green and Sekayu White granite extracted from the Bukit Chetai Mine have been successfully processed, sold, and used for various construction and development projects.

APPENDIX A – LETTER TO SHAREHOLDERS FROM THE BOARD OF DIRECTORS OF GGT MANUFACTURING SDN. BHD.

Mr Teoh Yee Kian, the Project Director of GGTM, has over 30 years' experience in the granite industry and possesses extensive industry knowledge and expertise. In particular, he has been working at the Concession Area for five years, including under the employment of Gabungan, the previous concession right holder.

(b) GGTM has sizable granite reserves and resources in the Bukit Chetai Mine

According to the Qualified Person's Report, the Bukit Chetai Mine is estimated to have dimension stone granite of approximately 64.39 million m³ of Ore Reserves and approximately 99.06 million m³ of Mineral Resources. Based on GGTM's projected processing capacity, the targeted processing of dimension stone granite blocks is more than sufficient for the remaining mining lease period (being approximately 20 years). There is no certainty or assurance that GGTM will be able to secure a renewal of the land lease term upon its expiry for such further period or periods corresponding to the actual quarry life of the Bukit Chetai Mine.

Based on the preliminary works done by Rockhound on the Bukit Machang Property, there are potential granite resources, subject to further exploration works, to increase the overall granite reserves and resources of GGTM. The estimated exploration targets amount to close to 100 million m³ assuming a base level in the quarry of 200mPD. This amount will increase to in excess of 200 million m³ if the level was reduced to 100mPD.

(c) GGTM's concession right allows it to extract unique texture and colour of granite with high quality

As mentioned, GGTM extracts and possesses various textures of granite, including Terengganu Green, which is a unique texture and colour of granite. Terengganu Green (green granite) has more superior physical and mechanical properties in comparison to Sekayu White (white granite) and Rosa Tenggo (pink granite). Terengganu Green has higher strength, hardness and density, as it is a finer grained rock. Terengganu Green, found only in Terengganu, Malaysia, has been successfully extracted from the Concession Area. For more information on the quality and specifications of Terengganu Green found in the Concession Area, please refer to the Qualified Person's Report set out in **Appendix C** to this Circular.

The granite extracted from the Concession Area has been of a high quality. Such granite boasts low water absorption and hardness, which are key criteria in construction and architectural fit-out materials. In addition, the granite extracted from the Concession Area is also radioactivity-tested, which is a prerequisite for any sale or import of granite into the PRC.

(d) GGTM's equipment and machinery enable high productivity and high volume

GGTM utilises a circular saw machine and diamond wire saw machines for the extraction of granite. The use of such equipment minimises wastage and improves yield. The diamond wire also minimises cracks in the material produced.

APPENDIX A – LETTER TO SHAREHOLDERS FROM THE BOARD OF DIRECTORS OF GGT MANUFACTURING SDN. BHD.

The newly acquired Circular Saw Machine commissioned in March 2017 has improved GGTM's efficiency and productivity. Based on the technical specification for the Circular Saw Machine, it can achieve a 35m cut (long slice; approximate volume of 157m³) in one day (one 12-hour shift). Assuming a three-day cycle (to cut the slab, demobilise and re-mobilise at a new location), approximately 1,360m³ can be cut each month (26 days). This is in line with the target processing capacity for FY2017.

In the event GGTM operates on a two-day cycle (to cut the slab, demobilise and re-mobilise at a new location), which requires more manpower and wire saws, the capacity of the Circular Saw Machine may be increased to 2,041m³ each month (26 days). GGTM intends to implement the plans for increased capacity in FY2018 and by FY2019, at which time a second Circular Saw Machine may be required to meet the planned processing.

5. INDEPENDENT VALUATION

5.1 VALMIN Valuation Report

The Company has appointed JLL to conduct an independent valuation of the dimension stone granite deposit at the Bukit Chetai Mine. The VALMIN Valuation Report prepared by JLL, as the Independent Valuer, has been prepared in accordance with the VALMIN Code and is set out in full in **Appendix D** to this Circular.

According to the VALMIN Valuation Report:

- (a) the Technical Value of the Bukit Chetai Mine as at 28 February 2017 ("**Valuation Date**") ranges from RM421 million to RM750 million, with the preferred value being RM585 million; and
- (b) the Market Value of the Bukit Chetai Mine as at the Valuation Date ranges from RM241 million to RM429 million, with the preferred value being RM335 million.

GGTM is of the view that it is currently premature to conduct a valuation of the Bukit Machang Property as the Bukit Machang Mining Licence has not been obtained and no technical reporting has been conducted in respect of the Bukit Machang Property.

5.2 Business Valuation Report

The Company has further appointed JLL to conduct an independent valuation in respect of the 100% equity interest of GGTM. The Business Valuation Report issued by JLL, as the Independent Valuer, is set out in full in **Appendix E** to this Circular.

According to the Business Valuation Report, the market value of 100% equity interest in GGTM as at the valuation date of 28 February 2017 is RM344.2 million (being S\$108.7 million).

APPENDIX A – LETTER TO SHAREHOLDERS FROM THE BOARD OF DIRECTORS OF GGT MANUFACTURING SDN. BHD.

6. MAJOR CUSTOMERS AND SUPPLIERS

6.1 Major Customers

The customers who contributed 5.0% or more of GGTM's revenue for the Period Under Review are set out below.

Entity	Product	As a percentage of GGTM's revenue (%)		
		FY2014 ⁽¹⁾	FY2015 ⁽²⁾	FY2016 ⁽³⁾
Temasik Trading Sdn Bhd	Terengganu Green slabs	–	100.0	0.38
PMINT	Interior fit-out work	–	–	98.45

Notes:

- (1) No sales were generated in FY2014 as GGTM had not commenced its operating activities.
- (2) GGTM obtained the Concession on 16 September 2015 and commenced its operating activity in September 2015.
- (3) In FY2016, GGTM has secured an interior fit-out project from PMINT with a contract sum of approximately RM29.1 million pursuant to the Joint Venture Agreement via the Consortium, GGT Manufacturing Eco JV, and has recognised revenue amounting to approximately RM4.85 million based on the proportion of the project which has been completed. GGTM has supplied granite slabs valued at approximately RM0.72 million for the interior fit-out project in FY2016. PMINT and the Consortium had entered into an interior fit-out work agreement relating to the JMA Project in August 2016 where PMINT was the project manager and LTAWNT is the project owner.

During the Period Under Review, GGTM has yet to begin full-scale operations in the Concession Area and has generated minimum sales from granite products to third party customers. GGTM's business and profitability are currently not dependent on any single customer or on any particular contract with any customer.

GGTM is not aware of any information or arrangements which would lead to a cessation or termination of its current relationship with any of its major customers or pursuant to which any of its directors or key executives was respectively selected as a director or key executive of GGTM. GGTM's business and profitability are currently not dependent on any particular industrial, commercial or financial contract with any customer.

None of GGTM's directors, substantial shareholders or their respective associates have any interest, direct or indirect, in any of its major customers.

Off-take Arrangements

GGTM has entered into various off-take arrangements with customers as well as agents to supply dimension stone granite within Malaysia and to Singapore and the PRC.

The off-take arrangements relate to the sale and delivery of Terengganu Green and Sekayu White dimension stone granite blocks and/or slabs. As at the Latest Practicable Date, GGTM has entered into off-take agreements pursuant to which purchasers have committed to purchase an aggregate of approximately 4,600m³ of Terengganu Green and 900m³ of

APPENDIX A – LETTER TO SHAREHOLDERS FROM THE BOARD OF DIRECTORS OF GGT MANUFACTURING SDN. BHD.

Sekayu White dimension stone granite in FY2017.¹ Such off-take agreements are made on a committed basis subject to block availability and are entered into on a non-exclusive basis, and clients will typically be free to purchase granite blocks, other than Terangganu Green blocks, from other sources. GGTM has commenced delivery of dimension stone granite under certain of the off-take agreements as at the Latest Practicable Date.

6.2 Major Suppliers

The suppliers who account for 5.0% or more of GGTM's capital expenditure, operating costs and purchases during the Period Under Review are set out below.

Entity	Services/Product	As a percentage of GGTM's operating costs and purchases (%)		
		FY2014 ⁽¹⁾	FY2015 ⁽²⁾	FY2016 ⁽³⁾
Asian Metal Exploration Consultancy Sdn Bhd	Drilling	–	50.10	11.91
Chan Kong Meng Sdn Bhd	Supply of diesel	–	10.40	1.55
Kho Teng Hook	Processing facilities renovation	–	7.25	–
Eco Group International Sdn Bhd	Subcontractor of interiors fit-out project	–	–	34.32
Ipmuda Berhad	Purchase of machinery	–	–	23.41
Teambo Industry Limited	Purchase of machinery	–	–	10.20
Antico Stone Sdn Bhd	Processing works for granite stone	–	–	6.03

Notes:

- (1) GGTM had not commenced its operating activities in FY2014.
- (2) GGTM obtained the Concession on 16 September 2015 and focused on drilling and exploration activities at the Bukit Chetai Mine. The operating costs paid to Asian Metal Exploration Consultancy Sdn Bhd were in respect of drilling works at the Bukit Chetai Mine and diesel was purchased from Chan Kong Meng Sdn Bhd for purposes of generating power for the drilling machines. The operating costs paid to Kho Teng Hook were in respect of minor renovation of the existing processing facilities.
- (3) In FY2016, GGTM acquired machine and equipment from Ipmuda Berhad and Teambo Industry Limited. GGTM has subcontracted part of the interior fit-out works to Eco Group International Sdn Bhd, and had engaged Antico Stone Sdn Bhd to process granite products which were used for interiors fit-out works due to the limited capacity of GGTM's existing processing facilities.

GGTM is not aware of any information or arrangements which would lead to a cessation or termination of its current relationship with any of its major suppliers or pursuant to which any of its directors or key executives was respectively selected as a director or key executive of GGTM. GGTM's business and profitability are currently not dependent on any particular industrial, commercial or financial contract with any supplier.

¹ Certain off-take agreements may be terminated with reasonable cause with 30 days' notice.

APPENDIX A – LETTER TO SHAREHOLDERS FROM THE BOARD OF DIRECTORS OF GGT MANUFACTURING SDN. BHD.

None of GGTM's directors, substantial shareholders or their respective associates have any interest, direct or indirect, in any of its major suppliers.

7. INVENTORY MANAGEMENT

As at the Latest Practicable Date, GGTM's inventory comprises approximately 36.3m³ of dimension stone granite blocks and 354.3m² of granite small tiles, which are stored at GGTM's processing facilities. GGTM's inventory consists primarily of consumables/raw materials, semi-finished goods and finished goods, namely dimension stone granite in various forms, including blocks, slabs and tiles. GGTM's inventory are identified, recorded and monitored at the quarry following extraction. GGTM intends to maintain optimal levels of its inventory, taking into account, *inter alia*, weather conditions, secured orders placed by customers and estimated future sales. Stock counts are conducted and documented on site on a monthly basis and a minimum of two complete stock counts and verification are carried out by the warehouse and finance teams yearly. Monthly management reviews are also conducted to ensure that cost of inventories do not exceed their net realisable value. As at the Latest Practicable Date, the inventory stored at GGTM's processing facilities amount to approximately RM0.05 million (approximately S\$0.02 million).

The first-in-first-out principle applies to all stock. Customers who make orders in advance will typically provide a notice period for delivery of the dimension stone granite products, which typically range from 3-6 months of the delivery date, depending on the size of the order and the contract with the particular customer. GGTM also has customers who make orders on an urgent basis, and will typically provide a notice period for delivery of up to one month from the delivery date. In the event of a short notice period or numerous customers requesting for delivery of the same type of granite product at the same time, the inventory stock piled at the processing facilities are generally sufficient to meet such demand.

It is not meaningful to calculate the inventory turnover days of GGTM due to the absence of significant sales by GGTM during the Period Under Review.

8. CREDIT MANAGEMENT

8.1 Credit Terms Offered to GGTM's Customers

Customers of granite products may be required to make partial payment (ranging from 20% to 50%) upon placing an order with GGTM before delivery of the products. GGTM generally grants customers purchasing granite products a credit term for the balance payments of 30 to 60 days from delivery.

In respect of interior fit-out projects, GGTM accepts progress payments from its customers, which are typically received within 30 to 75 days from submission of progress claims.

GGTM has not recorded any bad debt during the Period Under Review. It is not meaningful to calculate the trade receivables turnover days for granite products due to the absence of significant sales of granite products during the Period Under Review.

APPENDIX A – LETTER TO SHAREHOLDERS FROM THE BOARD OF DIRECTORS OF GGT MANUFACTURING SDN. BHD.

GGTM's operations had not commenced in FY2014 and FY2015. The aging schedule for the net trade receivables as at 31 December 2016 and as at the Latest Practicable Date are as follows:

Age of Trade Receivables	As at 31 December 2016		As at the Latest Practicable Date	
	Amount (RM'000)	Percentage of Trade Receivables (%)	Amount (RM'000)	Percentage of Trade Receivables (%)
Current Month	1,594.4	100.0	2,088.6	52.2
1 Month	–	–	1,267.8	31.7
2 Months	–	–	645.1	16.1
3 Months and above	–	–	–	–
Net Trade Receivables	1,594.4	100.0	4,001.5	100.0

GGTM's trade receivables as at 31 December 2016 amounted to approximately RM1.59 million, comprising approximately RM0.01 million from granite sales and approximately RM1.58 million from the Interior Fit-Out Business, all of which has been collected as at the Latest Practicable Date.

GGTM reviews the credit terms offered to customers on a periodic basis, taking into account, amongst others, the creditworthiness of the customer and the size of the customer's order.

8.2 Credit Terms Granted by GGTM's Suppliers

There are no formal credit terms stipulated in the contracts signed between GGTM and its suppliers, although suppliers for GGTM's Dimension Stone Granite Business typically grant GGTM credit terms of 30 to 60 days.

For the sub-contractors of interior fit-out projects, GGTM has a back-to-back payment arrangement with its sub-contractors; allowing GGTM to pay the subcontractor after GGTM receives the respective payments from its customers.

GGTM obtained the Concession on 16 September 2015 and commenced its operating activities in September 2015. The aging schedule for the net trade payables as at 31 December 2016 and as at the Latest Practicable Date are as follows:

Age of Trade Payable	As at 31 December 2016		As at the Latest Practicable Date	
	Amount (RM'000)	Percentage of Trade Payable (%)	Amount (RM'000)	Percentage of Trade Payable (%)
Current Month	286.1	69.0	2.7	0.7

APPENDIX A – LETTER TO SHAREHOLDERS FROM THE BOARD OF DIRECTORS OF GGT MANUFACTURING SDN. BHD.

Age of Trade Payable	As at 31 December 2016		As at the Latest Practicable Date	
	Amount (RM'000)	Percentage of Trade Payable (%)	Amount (RM'000)	Percentage of Trade Payable (%)
1 Month	93.8	22.6	180.5	45.4
2 Months	14.9	3.6	151.1	37.9
3 Months and above	20.0	4.8	63.9	16.0
Net Trade Payable	414.8	100.0	398.2	100.0

Due to the above, it is not meaningful to calculate the trade payables turnover days of GGTM for the Period Under Review.

9. SEASONALITY

GGTM does not experience seasonality in its business. The Concession Area is located in Terengganu, Malaysia, which experiences warm and humid weather all year round, with most rain in the wet season between November and January. Field work, including quarry extraction, and productivity at the quarry would be reduced during the rainy season. Operations at the processing facilities are not affected by the rainy season.

10. RESEARCH AND DEVELOPMENT

GGTM does not conduct any research and development activities.

11. HEALTH, SAFETY, ENVIRONMENT AND QUALITY ASSURANCE

GGTM has in place certain procedures to monitor and record the quality of its products. Regular checks are conducted to ensure that the granite products are free from crack lines, with minimal inclusions (such as white veins in Terengganu Green granite or black veins in Sekayu White granite), minimal uneven shapes and consistent colouring. GGTM also monitors the processing of the granite, in order to ensure consistent thickness, degree of polish, even textured surface and accuracy of face dimensions in the products processed at the processing facilities.

GGTM is committed to operational health and safety in the workplace and its safety policy includes, amongst others, risk assessment before works are commenced in order to develop safe work procedures to minimise and control any safety risks, and all staff and workers are briefed on hazards and risks associated with the works and trained to carry out works in accordance with established safe work procedures. Internal staff trainings and demonstrations are conducted regularly to keep employees abreast of GGTM's safety regulations. Regular inspections and maintenance of machinery are also conducted to ensure a safe working environment.

The operations of GGTM are governed by various laws and regulations relating to, amongst others, mining, environmental protection, health and safety, workplace safety, factories and machinery. Please refer to Section 19.2 of this **Appendix A** entitled "Summary of Relevant Malaysian Laws and Regulations" for more information.

APPENDIX A – LETTER TO SHAREHOLDERS FROM THE BOARD OF DIRECTORS OF GGT MANUFACTURING SDN. BHD.

12. DIRECTORS AND EMPLOYEES

12.1 Board of Directors of GGTM

Particulars of the board of directors of GGTM are set out below:

Name	Age in 2017	Address	Position
Lim	45	No. 9A Jalan Medan Tuanku Medan Tuanku 50300 Kuala Lumpur Wilayah Persekutuan Malaysia	Non-Executive Director
Peter Ling	44	No. 9A Jalan Medan Tuanku Medan Tuanku 50300 Kuala Lumpur Wilayah Persekutuan Malaysia	Non-Executive Director

Information on the business and working experience of the directors of GGTM are set out below.

Mr Lim Chiau Woei is a non-executive director of GGTM. He was appointed to GGTM's board of directors on 7 April 2010. Upon Completion, Mr Lim will oversee the business operations of GGTM, as part of the Enlarged Group. Mr Lim is the Managing Director of the Company.

In 2010, Mr Lim established GGTM having identified potential in the Malaysian dimension stone granite mining industry. He procured, mobilised and organised relevant experienced staff and resources for the setting up of its business and operations. Through his efforts, GGTM was able to secure the Concession Agreement with PMINT to carry out the Works in the Concession Area.

After his graduation in 1997, Mr Lim has spent his career being involved in various businesses, including property development, project management as well as manufacturing and trading of construction material. Mr Lim has more than eight (8) years of experience in the mining industry which includes gold mining through the Company.

Mr Lim graduated from Oklahoma State University with a Bachelor of Science in Electrical Engineering in 1997. He later obtained a Master of Business Administration (Finance) from the University of Leicester in 2009.

Mr Peter Ling is a non-executive director of GGTM. He was appointed to GGTM's board of directors on 30 July 2015.

Mr Ling has more than 10 years of experience in the legal profession, having sat as a member on various Malaysian law reform committees and authored several legal texts. He is a partner at Peter Ling & Van Geyzel, a firm he established in 2013.

APPENDIX A – LETTER TO SHAREHOLDERS FROM THE BOARD OF DIRECTORS OF GGT MANUFACTURING SDN. BHD.

Mr Ling started active legal practice in 2005 with Mah-Kamariyah & Phillip Koh, a corporate and commercial practice, before establishing Peter Ling & Van Geyzel.

In January 2015, Mr Ling was appointed as an Independent Non-Executive Director of Minetech Resources Berhad, a Malaysian company listed on the Official List of the Bursa Malaysia Securities Berhad and a turnkey service provider for the quarrying industry with operations in drilling, blasting and rock crushing.

Mr Ling graduated from the University of East London in 1996 with a Bachelor of Laws (Hons) Degree. Mr Ling obtained the Certificate of Legal Practice in Malaysia in 1997 and was called to the bar at the High Court of Malaya in 2002.

No service contract has been or is proposed to be entered into between GGTM and any of its directors.

Lim is the existing Managing Director of the Company. No new directors are proposed to be appointed to the Board of Directors of the Company in connection with the Proposed Acquisition, and the composition and functions of the Board committees remain unchanged.

12.2 Executive Officers of GGTM

Particulars of executive officers of the Enlarged Group (other than the Company's existing executive officers) after Completion are set out below:

Name	Age in 2017	Address	Position
Teoh Yee Kian	63	No. 9A Jalan Medan Tuanku Medan Tuanku 50300 Kuala Lumpur Wilayah Persekutuan Malaysia	Project Director
Chong Poh Leong	33	No. 9A Jalan Medan Tuanku Medan Tuanku 50300 Kuala Lumpur Wilayah Persekutuan Malaysia	Finance and Administration Manager

Information on the business and working experience of the new Executive Officers are set out below.

Mr Teoh Yee Kian is the Project Director of GGTM and joined GGTM in November 2015.

As Project Director, Mr Teoh plays an instrumental role in overseeing the everyday operations of GGTM's quarries and processing facilities. His work also includes product sales and handling the execution of GGTM's various projects and the administration of contracts.

Mr Teoh has over 20 years' experience in the dimension stone granite industry in Malaysia, and more than 30 years' experience as a project manager for companies engaged in the extraction and production of mineral products.

APPENDIX A – LETTER TO SHAREHOLDERS FROM THE BOARD OF DIRECTORS OF GGT MANUFACTURING SDN. BHD.

Mr Teoh worked at Langkawi Marble Co. Sdn. Bhd. between March 1981 and October 1991, beginning as an assistant site manager and subsequently becoming a project manager. During his time at Langkawi Marble Co. Sdn. Bhd., Mr Teoh handled marble products as well as dimension stone granite products on a trading basis. Between November 1991 and May 1992, Mr Teoh was employed as a project manager at S.P. Granite Sdn Bhd. Thereafter, Mr Teoh worked between June 1992 and December 2010 at Stone Master (Malaysia) Sdn. Bhd., a company engaged in the trading, production and distribution of marble and granite products, beginning as a project manager and subsequently becoming senior project manager, where he secured project sales and administered contracts. He later joined Gabungan in January 2011 as its general manager, where he took on a similar role in the management of Gabungan's projects. Mr Teoh left Gabungan in March 2013 to take on directorship roles in Viacor Asia Sdn. Bhd. and Viacor Systems Sdn. Bhd. between April 2013 and November 2015, where he oversaw the manufacturing of polymer flooring products.

Mr Teoh subsequently returned to work on the Concession Area and joined GGTM as the Project Director in November 2015. In addition to his years of hands-on experience in the dimension stone granite industry, Mr Teoh has also received relevant training from the Construction Industry Development Board and Master Builder Association Malaysia.

Mr Teoh graduated from Universiti Sains Malaysia in 1978 with a bachelor's degree in applied science.

Mr Chong Poh Leong is the Finance and Administration Manager of GGTM and joined GGTM in September 2016.

Prior to joining GGTM in September 2016, he was the Senior Regional Finance Analyst in PPG Coatings (Malaysia) Sdn Bhd, a subsidiary of PPG Industries Inc., a US company listed on the New York Stock Exchange. PPG Coatings (Malaysia) Sdn Bhd is involved in manufacturing of automotive and industrial coatings. During his tenure with PPG Coatings (Malaysia) Sdn Bhd from April 2013 to May 2016, his responsibilities covered financial and performance analysis, implementing internal controls, business planning as well as developing pricing strategy for the group's South East Asian businesses.

Mr Chong started his career in Deloitte KassimChan Tax Services Sdn. Bhd. in 2004 in the area of taxation. He subsequently joined the audit department in KPMG Malaysia between December 2006 and July 2009. During this time, he gained substantial knowledge and experience in taxation, audit, financial accounting & reporting. Between September 2009 and February 2011, he joined Aalborg Portland Malaysia Sdn Bhd, where he was involved in financial accounting, operational management, internal control and treasury management.

He furthered his career in Singapore in March 2011 by joining KPMG Singapore as an audit senior and subsequently with Khong Guan Biscuit Factory Pte. Ltd. as a financial accountant between November 2011 and August 2012. He returned to Malaysia in September 2012 and joined Pan Malaysia Pools Sdn Bhd as assistant finance manager.

Mr Chong is a Chartered Accountant of the Malaysian Institute of Accountants and he is also a Fellow of ACCA (the Association of Chartered Certified Accountants). In addition, Mr Chong has passed all three levels of the CFA Program.

APPENDIX A – LETTER TO SHAREHOLDERS FROM THE BOARD OF DIRECTORS OF GGT MANUFACTURING SDN. BHD.

12.3 Remuneration

The compensation (which includes benefits-in-kind, directors' fees and bonuses) paid to the Directors and Executive Officers for services rendered to the Enlarged Group on an individual basis during FY2014, FY2015, FY2016 and expected to be paid for the current financial year is set out in the following remuneration bands⁽¹⁾:

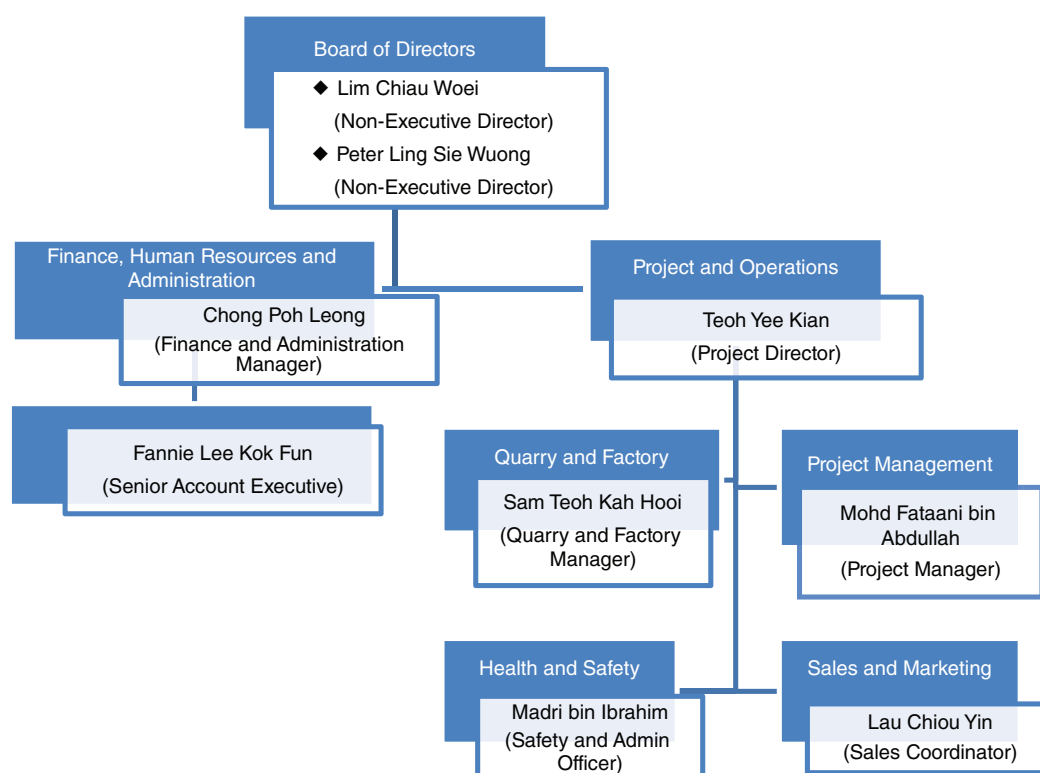
Name	FY2014	FY2015	FY2016	FY2017 (estimated)
Lim	Nil	Nil	Band A	Band A
Peter Ling	Not applicable	Nil	Nil	Band A
Teoh Yee Kian	Not applicable	Band A	Band A	Band A
Chong Poh Leong	Not applicable	Not applicable	Band A	Band A

Note:

(1) "Band A" refers to remuneration up to S\$250,000.

12.4 Employees

The management reporting chart of GGTM as at the Latest Practicable Date is as follows:



APPENDIX A – LETTER TO SHAREHOLDERS FROM THE BOARD OF DIRECTORS OF GGT MANUFACTURING SDN. BHD.

As at the Latest Practicable Date, GGTM has a total of 16 employees whom are based in Malaysia, and GGTM does not employ a significant number of temporary employees. GGTM does not experience any significant seasonal fluctuations in the number of its employees. GGTM's employees are not unionised. The following table sets forth GGTM's employees by function as at the dates indicated:

Function	As at 31 December 2014⁽¹⁾	As at 31 December 2015	As at 31 December 2016	As at the Latest Practicable Date
Management	–	1	2	2
Finance, accounts and administration	–	–	3	3
Operations	–	3	12	11
Total	–	4	17	16

Note:

(1) No employees were engaged in FY2014 as GGTM had not commenced operations.

As at the Latest Practicable Date, none of GGTM's full-time employees of a managerial position and above are related by blood or marriage to any of its directors, executive officers, substantial shareholders or their associates.

13. CORPORATE GOVERNANCE AND INTERNAL CONTROLS

In preparation for the Proposed Acquisition, GGTM's Board of Directors has held discussions with the management and its Independent Auditors in relation to GGTM's finance department's structure, functions, financial reporting and internal controls. GGTM's Board of Directors has also noted that no material internal control weaknesses have been raised by its Independent Auditors in the course of their audit of the financial statements of GGTM for the Period Under Review.

Based on the foregoing, GGTM's Board of Directors, after making all reasonable enquiries and to the best of its knowledge and belief, is of the opinion that GGTM's internal controls are adequate to address the financial, operational, compliance and information technology risks.

Following Completion, GGTM will form part of the Enlarged Group and the Company's Audit Committee will continually review the effectiveness of the internal control procedures of the Enlarged Group in accordance with the policies of the Group and the Catalist Rules, including without limitation any hedging policies (as and when implemented) and/or transactions.

APPENDIX A – LETTER TO SHAREHOLDERS FROM THE BOARD OF DIRECTORS OF GGT MANUFACTURING SDN. BHD.

14. CORPORATE SOCIAL RESPONSIBILITY

GGTM is committed to being a responsible corporate citizen and considering the physical and human environment when making its business decisions. GGTM endeavours to have a positive impact both socially and economically on the communities in the areas where it operates. GGTM supports its local community in the following ways:

- GGTM provides the local community with new employment opportunities, as well as training and skills development for staff in relation to mining and extraction activities, operating processing facilities. GGTM also broadens the economic and commercial bases for local businesses by contributing to the economic growth of the area.
- GGTM provides opportunities for investors, both local and foreign, to invest in the Terengganu region and encourages international direct investment.

GGTM will form part of the Enlarged Group following Completion, and it will implement sustainability guidelines and standards in accordance with the policies of the Group and the Catalyst Rules.

15. SALES AND MARKETING

15.1 Sale of Dimension Stone Granite

GGTM's main target market is Malaysia with the PRC as a secondary market. At the same time, GGTM also markets through various sales channels to Singapore, Hong Kong and part of the Southeast Asia region.

GGTM intends to conduct sale of dimension stone granite products directly to Malaysia, the PRC (comprising mainly sale of dimension stone granite blocks) and other countries including but not limited to Singapore, Thailand and Indonesia (comprising mainly sale of dimension stone granite small blocks and slabs). In addition, GGTM will work with its network of distributors to widen its market base in Malaysia, the PRC and Southeast Asia.

In respect of sale of dimension stone granite for use in the monument stone industry, GGTM intends to conduct sales directly and indirectly through distributors and wholesalers in Malaysia as well as the PRC.

GGTM has also entered into off-take agreements with clients (comprising distributors and stone processing factories) from Malaysia and the PRC for the supply of dimension stone granite blocks (Terengganu Green and Sekayu White). Under the off-take agreements, the parties will agree on a committed quantity of granite blocks for a fixed time period, subject to GGTM's availability of granite blocks. Certain off-take arrangements will also have fixed prices. The off-take agreements are entered into on a non-exclusive basis, and GGTM's clients will typically be free to purchase granite blocks, other than Terengganu Green blocks, from other sources.

APPENDIX A – LETTER TO SHAREHOLDERS FROM THE BOARD OF DIRECTORS OF GGT MANUFACTURING SDN. BHD.

15.2 Interior Fit-Out Business

Pursuant to its business network and relationships, GGTM intends to focus on government or statutory agencies' projects in Malaysia to provide interior fit-out services. GGTM typically utilises a joint venture arrangement to partner with interior fit-out businesses which have expertise in interior fit-out work to tender for such projects. GGTM is able to supply its granite products for use in such projects. In addition, GGTM works with its interior fit-out partners to promote the use of its granite products for synergistic results. Please refer to Section 2.6 of this **Appendix A** entitled "Interior Fit-Out Business – Joint Venture Arrangement" for more information on its existing joint venture arrangement.

16. INSURANCE

As at the Latest Practicable Date, GGTM maintains the following material insurance policies to cover, amongst others, risks relating to its business operations and fixed assets:

- (a) all risks insurance;
- (b) public liability insurance;
- (c) fire and perils insurance;
- (d) group term life assurance insurance; and
- (e) group personal accident and hospitalisation insurance.

17. INTELLECTUAL PROPERTY

GGTM's business is not materially dependent on any intellectual property such as patents, patent rights, process or other intangible assets. GGTM has not paid or received royalties for any licence or use of intellectual property. As at the Latest Practicable Date, GGTM has no registered trademarks.

18. PROPERTIES AND FIXED ASSETS

18.1 Properties

As at the Latest Practicable Date, GGTM owns the following property ("**Property**"):

Location	Approximate area	Use	Tenure	Encumbrances
Geran Mukim No. Hakmilik 1461, No. Lot 1642, Mukim Tersat, Daerah Hulu Terengganu, Negeri Terengganu	3.528 hectares	Agriculture (palm oil) ⁽¹⁾	Freehold	Nil

APPENDIX A – LETTER TO SHAREHOLDERS FROM THE BOARD OF DIRECTORS OF GGT MANUFACTURING SDN. BHD.

Note:

- (1) GGTM intends to construct a new processing facility on the abovementioned Property.

The Property is currently zoned for agriculture (palm oil) use only. GGTM had on 7 February 2017 received a no-objection letter from the Economic Planning Unit of State Terengganu for the alteration of category of land use for the Property from agriculture to industrial, and GGTM has submitted an application to the state authority to effect the changes to the category of land use of the Property.

As at the Latest Practicable Date, GGTM leases the following property:

Lessor	Location	Approximate area	Use	Tenure
Angka Alamjaya Sdn Bhd	Block C-3A-12, Pusat Komersial South gate, Jalan Dua Off Jalan Chan Sow Lin, 55200 Kuala Lumpur, Malaysia	403 square feet	Management office	1 year from 1 April 2016 to 31 March 2017 and was further renewed for a year to 31 March 2018

18.2 Fixed Assets

GGTM owns fixed assets comprising, amongst others, its processing facilities, building, equipment and machinery, office equipment and motor vehicles. As at 31 December 2016, GGTM's fixed assets had a net book value of approximately RM2.7 million (approximately S\$0.9 million), the details of which are set out below:

Fixed Asset	Net Book Value (RM'000)
Plant and machinery	2,050.1
Freehold land	460.0
Office equipment	18.8
Renovation	48.6
Motor vehicles ⁽¹⁾	98.0
Furniture and fittings	24.8
Total	2,700.3

Note:

- (1) GGTM has entered into a hire purchase facility with Public Bank Berhad in respect of a vehicle, with a net book value of RM98,026.50 as at 31 December 2016. Please refer to Section 24 of this Section A entitled "Capitalisation and Indebtedness – Borrowings" for further details in this regard.

Save as disclosed, none of GGTM's fixed assets is subject to any mortgage, pledge or any other encumbrances, or otherwise used as security for any bank borrowings.

APPENDIX A – LETTER TO SHAREHOLDERS FROM THE BOARD OF DIRECTORS OF GGT MANUFACTURING SDN. BHD.

19. GOVERNMENT REGULATIONS, PERMITS AND LICENCES

19.1 Permits and Licences

GGTM has been granted the Concession pursuant to the Concession Agreement with PMINT dated 16 September 2015.

In addition, GGTM has obtained the following permits and approvals in order to carry on its business operations in compliance with relevant Malaysian laws:

Name of Approval	Description of Approval	Approving Body	Validity Period
Bukit Chetai Mining Scheme Approval	Approval of the operational mining scheme to conduct development work and mining at the Bukit Chetai Mine	JMG	4 April 2017 to 2 April 2018
Approval for Environmental Impact Assessment Report	Approval of the Environmental Impact Assessment Report in relation to the proposed dimension stone granite and factory at the Bukit Chetai Mine	Department of Environment, Terengganu	8 January 2017 to 7 January 2019
Approval to conduct business operations	Approval to conduct business operation in Block C-3A-12, Pusat Komersial Southgate, Jalan Dua Off Jalan Chan Sow Lin, 55200 Kuala Lumpur Malaysia	Kuala Lumpur City Hall	10 March 2017 to 9 March 2018
Approval for installation of machinery	Approval for installation of machinery	Department of Occupational Safety and Health, Terengganu	Issued on 30 June 2015 (approval granted upon installation)
Licence to export	Licence to export 900,000 kg m of granite blocks to the PRC	Ministry of Natural Resources and Environment (Mineral and Geoscience Division)	16 May 2017 to 16 November 2017

APPENDIX A – LETTER TO SHAREHOLDERS FROM THE BOARD OF DIRECTORS OF GGT MANUFACTURING SDN. BHD.

The directors of GGTM believe that, to the best of their knowledge, GGTM is in compliance with all applicable laws and regulations that are material to its business operations. GGTM has obtained all the necessary business licences, permits and approvals for business and operations that are being carried out by it. As at the Latest Practicable Date, none of the relevant permits and licences has been suspended or revoked. The directors of GGTM are not aware of any facts or circumstances which would cause the suspension or revocation or affect the renewal of the said permits and licences.

19.2 Summary of Relevant Malaysian Laws and Regulations

Companies Act 2016

The Companies Act 2016 (“**CA 2016**”) came into force on 31 January 2017 and has repealed the old Companies Act 1965. The CA 2016 brought in, among others, the following major reforms:

- (a) abolishment of annual general meetings for private companies (section 340 of the CA 2016);
- (b) migration to a no-par value regime where new shares issued by a company will have no par or nominal value. The adoption of a no-par value regime removed the need for share premium accounts and reserves thereby enabling a company to issue shares at a discount (section 74 of the CA 2016);
- (c) new alternative procedure for capital reduction based on solvency test and which dispenses with the need for a court order (section 117 of the CA 2016);
- (d) new financial assistance whitewash procedures where a company (which is not quoted on an exchange) may give financial assistance for the purpose of acquisition of its shares if, among others, (i) the financial assistance is approved by a special resolution of shareholders and by a majority of the directors of the company, (ii) each director who voted in favour of the financial assistance makes a solvency statement, (iii) the aggregate amount of the assistance and any other financial assistance previously given that has not been repaid does not exceed 10% of the company’s current shareholders’ funds and (iv) the company receives fair value in connection with the giving of assistance (section 126 of the CA 2016); and
- (e) increased sanctions on directors for breaches under the CA 2016, which include heavier fines and longer terms of imprisonment. The more serious offences can result in a 5-year imprisonment and a fine of RM3,000,000, or both, if there is a criminal conviction.

Mineral Development Act 1994

Section 10 of the Mineral Development Act 1994 (“**MDA**”) provides that the holder of a proprietary mining licence must submit for approval by the Director of Mines appointed under the MDA, an operational mining scheme for development work and mining on the land which is the subject of such mineral tenement before the commencement of any development work or mining within the mineral tenement area.

APPENDIX A – LETTER TO SHAREHOLDERS FROM THE BOARD OF DIRECTORS OF GGT MANUFACTURING SDN. BHD.

For the purpose of the above, “mineral” means any substance whether in solid, liquid or gaseous form occurring (a) naturally, (b) as a result of mining in or on the earth or (c) as a result of mining in or under the sea or sea-bed, formed by or subject to a geological process, but excludes water, rock material as defined in the National Land Code 1965 and petroleum as defined in the Petroleum Mining Act 1966.

Section 12 of the MDA provides that the holder of a proprietary mining licence must comply with the approved operational mining scheme under Section 10 of the MDA and is required to carry out development work and mining in accordance with such approved operational mining scheme. In the event of any failure to comply with the approved operational mining scheme, the Director of Mines is required to inquire into the matter and may order the holder of such licence to:

- (i) undertake all necessary measures to ensure compliance with the approved operational mining scheme; or
- (ii) suspend development work or mining until the necessary measures are taken to comply with the approved operational mining scheme.

Further, any mining and mineral processing must be carried out in accordance with good and safe practices and such environmental standards as may be prescribed under the MDA and any written law relating to the environment.

Mineral (Terengganu) Enactment 2002

The State of Terengganu has its own state mineral enactment known as Mineral (Terengganu) Enactment 2002 (“**Enactment 2002**”). Section 81(1) of the Enactment 2002 states that an application for a proprietary mining licence must be made by the owner of any alienated land to the state authority in the prescribed form.

Proprietary Mining Licence

Pursuant to section 81(3) of the Enactment 2002, an application for a proprietary mining licence is required to include a pre-feasibility study which includes:

- (a) a general description of the proposed mining scheme;
- (b) the expected commencement date of mineral production (to be stated as the number of months from the date the proprietary mining licence is issued);
- (c) a schedule of estimated annual raw ore production for the term of the proprietary mining licence; and
- (d) such other information as may be prescribed or requested by the State Mineral Resources Committee (“**Committee**”).

APPENDIX A – LETTER TO SHAREHOLDERS FROM THE BOARD OF DIRECTORS OF GGT MANUFACTURING SDN. BHD.

In terms of the application for a proprietary mining licence under section 81 of the Mineral Enactment, *inter alia*:

- (a) in considering an application for a proprietary mining licence for the purpose of making its recommendation, the Committee needs to verify that an applicant has complied with the requirements of the Enactment 2002 and is technically and financially qualified to develop and mine the area to which the application relates;
- (b) as soon as practicable after considering the application, the Committee is required to transmit to the Terengganu State Authority its report and recommendation whether the application should be (i) refused or (ii) approved, in whole or in part and to confirm that the applicant has complied with the requirements of the Enactment 2002 and specify the terms or conditions of granting a licence;
- (c) on receipt of the report and recommendation by the Committee, the Terengganu State Authority may, approve or refuse the application whether or not the Committee recommends the approval of the application or the refusal thereof. Such decision is final;
- (d) the Terengganu State Authority must notify the applicant, the Committee and the Director of Mines, in writing of its decision;
- (e) if the application for a proprietary mining licence is approved, the Director shall, as soon as practicable after being notified, and upon payment of the prescribed fee, register the instrument of proprietary mining licence and issue to the applicant a proprietary mining licence in Form G as set out in Schedule 1 of the Enactment 2002 subject to such terms and conditions as may be specified therein or as may be prescribed; and
- (f) if the applicant fails to pay the prescribed fee for a proprietary mining licence within 60 days after being notified of its approval, such approval will be deemed revoked.

Pursuant to section 81(13) of the Enactment 2002, the rights and obligations of a proprietary mining licence, while such licence continues in force, are attached to and are inseparable from the registered title to the land so licenced to be mined.

Notwithstanding that a licence has been issued to an applicant, the Terengganu State Authority may under section 83(1) of the Enactment 2002, after consultation with the Committee, revoke a proprietary mining licence if it is satisfied that the holder of the licence:

- (a) has breached any of the terms or conditions specified in the licence; or
- (b) has contravened any of the provisions of the Enactment 2002.

For the purpose of revocation of a proprietary mining licence, the Terengganu State Authority is required to serve on the holder of such licence, a written notice of its intention to revoke the licence and the grounds on which it proposes to take such action. Further, the Terengganu State Authority must give the holder of the proprietary mining licence an opportunity to make written representations within 30 days from the date of service of the notice.

APPENDIX A – LETTER TO SHAREHOLDERS FROM THE BOARD OF DIRECTORS OF GGT MANUFACTURING SDN. BHD.

Renewal of Proprietary Mining Licence

An application for renewal of a proprietary mining licence shall be made to the Director of Mines in the prescribed form at least 12 months before the expiry of the proprietary mining licence. The Director of Mines shall, as soon as practicable upon receipt of an application for renewal of a proprietary mining licence, register the application in such manner as may be prescribed. If the application for renewal of a proprietary mining licence made to the Director of Mines is done at least 12 months before the expiry of the licence, the Director of Mines shall, within 6 months from the date of its registration, renew the licence if (“**Renewal Conditions**”):

- (a) the licensee has complied with the terms and conditions as stated in the original licence;
- (b) the licensee has complied with the requirements of the Enactment 2002; and
- (c) the licensee can demonstrate to the satisfaction of the Director of Mines that there are reserves of minerals to justify a renewal or there is a need to maintain the property for use as an integral part of mining operations on land adjacent to mines.

If the application for renewal of a proprietary mining licence was rejected by the Director of Mines, he or she shall inform the licensee of his/her decision in writing stating the reason. Any person aggrieved by the refusal of the Director of Mines to renew the licence may, within 30 days after being notified of the refusal, appeal in writing to the State Authority whose decision shall be final.

As soon as practicable after an application for renewal of a proprietary mining licence is approved, the Director of Mines shall cause an endorsement of the approval made under his/her hand and seal, including the new date of expiry of the licence to be recorded in the register.

If the application for renewal of a proprietary mining licence is made less than 12 months before the expiry of the licence, the Director of Mines may consider to approve the application if it meets the Renewal Conditions but shall have the power to impose on the licensee, when the licence is renewed, a late submission fee in such amount as may be prescribed.

Restrictions

The licensee must not, unless authorised under any other written law, move beyond the boundaries of the mine in respect of which a licence has been granted for such purpose:

- (a) any timber or other forest produce;
- (b) any plant, vegetables, animal, poultry or fish; or
- (c) any rock, earth, gravel, guano, silt, sand, rock, shell, clay, brick, lime, cement or other commodities manufactured from materials that were derived from or reared on the land.

APPENDIX A – LETTER TO SHAREHOLDERS FROM THE BOARD OF DIRECTORS OF GGT MANUFACTURING SDN. BHD.

Statutory Requirements for a Proprietary Mining Licence

It shall be a condition of every proprietary mining licence granted under the Mineral Enactment that the licensee:

- (a) shall cause proper books of accounts to be correct and consist of sufficient information about mining or other businesses conducted on land mines, and on the disposal of minerals derived, and to submit the book when requested by an authorised officer;
- (b) shall submit such information and set periodic activity reports;
- (c) shall permit a scientific measurement if there is no disruption to mining;
- (d) shall keep the land under the licence to mine safely and in accordance with any prescribed environmental standards;
- (e) shall comply with the environmental impact assessment, if such an assessment is required under any written law;
- (f) shall comply with the approved plans for recovery, if required under the Enactment 2002;
- (g) shall allow access to the address above or by land mines to any adjacent land that is not, in the opinion of the Superintendent of Mines, disrupting mining operations;
- (h) shall permit the construction and use of any watercourses, canals, pipelines and transmission lines, public roads and public facilities on land mines that are not, in the opinion of the Superintendent of Mines, mining operations or does not interfere with the rights under the licence.

Time shall be deemed to be of the essence of every condition subject to a prescribed period in respect of which the taxpayer is required to perform any act.

Notification of Initiation of Development Work and Mining

The licensee shall (i) upon the commencement of any construction work on the land which is the subject of the proprietary mining licence and (ii) within 14 days before the start of the mining of the land, submit a written notice as may be prescribed and the date of the initiation to the Superintendent of Mines and the board.

Financial Obligations

Section 95(1) of the Enactment 2002 provides that a holder of a mineral tenement (including holder of a proprietary mining licence) must pay to the Terengganu State Authority royalty on any mineral:

- (a) won and sold or intended for sale; or
- (b) won and utilised, or to be utilised, for any commercial or industrial purpose.

APPENDIX A – LETTER TO SHAREHOLDERS FROM THE BOARD OF DIRECTORS OF GGT MANUFACTURING SDN. BHD.

Subject to clause 3(B) of Article 110 of the Federal Constitution, the Terengganu State Authority may prescribe the rate of royalty to be paid on any mineral. The amount of royalty for any mineral may be prescribed as (a) a percentage of the market value of the mineral won or (b) an amount payable on the basis of any specified volume or weight of the mineral won.

The rate of royalty applicable to the holder of a proprietary mining licence is fixed for the first 10 years of the licence, at the level prescribed as of the date the licence was registered. Any change in the prescribed rate of royalty made after the date on which the licence was registered will not apply to the holder of the proprietary mining licence during the said 10 year period.

However, section 95(5) of the Enactment 2002 states that the Terengganu State Authority may, in circumstances deemed to justify such a course of action, grant to the holder of a mineral tenement, on a yearly basis, a total or partial waiver of royalty. The Terengganu State Authority may commute any royalty for a commutation fee by notification in the Gazette stating:

- (a) the class of mineral tenement and the mineral to which the notice relates; and
- (b) the amount of the commutation fee.

Pursuant to section 95(6) of the Enactment 2002, the Terengganu State Authority or any officer authorised in writing by it may inspect and examine any book, record and account and obtain any information necessary to ascertain the quantity of value of minerals won in respect of a mineral tenement and any information necessary to verify the amount of any royalty payable.

Terengganu Mineral Regulations 2005

The Terengganu Mineral Regulations 2005 (“**TMR**”) came into operation on 1 January 2005. The TMR regulates the transfer, licensing and leasing of mineral tenement. Mineral tenement means a fossicking licence, dulang licence, individual mining licence, prospecting licence, exploration licence, proprietary mining licence, mining licence, or any of them for the purpose of exploration or mining of minerals or mineral ores, as the case may be.

Environmental Quality Act 1974

Mining of minerals in new areas where the mining licence covers a total area in excess of 250 hectares is one of the prescribed activities under Environmental Quality (Prescribed Activities) (Environmental Impact Assessment) Order 1987. Pursuant to section 34A of the Environmental Quality Act 1974 (“**EQA**”), any person intending to carry out any prescribed activity (as described under the schedules of the Environmental Quality (Prescribed Activities) (Environmental Impact Assessment) Order 2015) must appoint a qualified person to conduct an environmental impact assessment and to submit a report thereof to the Director General of Environmental Quality (“**Director General**”) in the manner as the Director General may prescribe.

APPENDIX A – LETTER TO SHAREHOLDERS FROM THE BOARD OF DIRECTORS OF GGT MANUFACTURING SDN. BHD.

Upon the Director General's opinion that the report satisfies the requirements of the issued guidelines and that the measures to be undertaken to prevent, reduce or control the adverse impact on the environment are adequate, the Director General is required to approve the report, with or without conditions attached thereto.

Occupational Safety and Health Act 1994

Under the Occupational Safety and Health Act 1994:

- (a) it is the duty of every employer and every self-employed person to ensure, so far as is practicable, the safety, health and welfare at work of all his employees;
- (b) the matters to which the duty imposed on every employer extends to include the following:
 - (i) the provision and maintenance of plant and systems of work that are, so far as is practicable, safe and without risks to health;
 - (ii) the making of arrangements for ensuring, so far as is practicable, safety and absence of risks to health in connection with the use or operation, handling, storage and transport of plant and substances;
 - (iii) the provision of information, instruction, training and supervision as is necessary to ensure, so far as is practicable, the safety and health at work of his employees;
 - (iv) so far as is practicable, as regards any place of work under the control of the employer or self-employed person, the maintenance of it in a condition that is safe and without risks to health and the provision and maintenance of the means of access to and egress from it that are safe and without such risks; and
 - (v) the provision and maintenance of a working environment for his employees that is, so far as is practicable, safe, without risks to health, and adequate as regards facilities for their welfare at work; and
- (c) except in such cases as may be prescribed, it is the duty of every employer and every self-employed person to prepare and as often as may be appropriate, revise a written statement of his general policy with respect to the safety and health at work of his employees and the organization and arrangements for the time being in force for carrying out that policy, and to bring the statement and any revision of it to the notice of all of his employees.

A person who contravenes any of the above provision is guilty of an offence and shall, on conviction, be liable to a fine not exceeding RM50,000 or to imprisonment for a term not exceeding 2 years or to both.

APPENDIX A – LETTER TO SHAREHOLDERS FROM THE BOARD OF DIRECTORS OF GGT MANUFACTURING SDN. BHD.

Pursuant to the Occupational Safety and Health (Safety and Health Officer) Regulation 1997, the requirement to appoint a safety and health officer is only needed for, among others, the following industries:

- (a) any building operation where the total contract price of the project exceeds RM20,000,000;
- (b) any work of engineering construction where the total contact price of the project exceeds RM20,000;
- (c) any chemical or allied industry employing more than 100 employees;
- (d) any boiler and pressure vessel manufacturing activity employing more than RM100 employees;
- (e) any metal industry where there is canning, stamping, blanking, shearing or bending operations and employing more than 100 employees;
- (f) any cement manufacturing activity employing more than 100 employees; or
- (g) any other manufacturing activity other than manufacturing specified in (d) to (f), employing more than 500 employees.

Factories and Machinery Act 1967

The Factories and Machinery Act 1967 (“FMA”) provides that no person shall except within the written permission of the inspector, begin to use any premises as a factory until 1 month after he has served on the inspector a written notice in the prescribed form. This is not applicable to any person who takes over a factory from another person if there is no change in the nature of work carried on in the factory provided that the first person must within 1 month of such taking over, have served on the inspector a written notice in the prescribed form.

The word “factory” in the context of FMA generally means any premise or part of a premise where:

- (a) within the close, curtilage or precincts of the premise or part thereof, persons are employed in manual labour in any process for or connected with or incidental to the making, altering, repairing, ornamenting, sorting, finishing, cleaning, washing, breaking, demolishing, constructing, reconstructing, fitting, refitting, adjusting or adapting of any article or part thereof; and
- (b) the said work is carried on by way of trade for the purposes of gain or incidentally to any business so carried on.

Pursuant to section 39 of the FMA, unless a person has received in writing the approval from the inspector, that person must not move, alter or add to any machinery which is installed for use if the effectiveness of any fencing or any safety appliance is affected by the moving, alteration or addition.

APPENDIX A – LETTER TO SHAREHOLDERS FROM THE BOARD OF DIRECTORS OF GGT MANUFACTURING SDN. BHD.

Incorporated and unincorporated joint ventures

A joint venture in Malaysia may be an incorporated or unincorporated joint venture.

An incorporated joint venture is established as a company under the CA 2016. The company, incorporated pursuant to a joint venture, is a separate legal entity and is distinct from its shareholders and directors. With such separate legal personality, company enjoys perpetual existence until it is dissolved, either voluntarily or involuntarily. It has legal capacity to sue and be sued in its name. The CA 2016 provides for 3 types of incorporated companies, namely:

- (a) a company limited by shares where the liability of its members is limited to the amount, if any unpaid on shares held by the members;
- (b) a company limited by guarantee where the liability of its members is limited to such amount as the members undertake to contribute in the event of its being wound up; and
- (c) an unlimited company where there is no limit to the member's liability.

An unincorporated joint venture is a type of business arrangement in which multiple entities come together using a contract as a basis for governing the collective relationship in order to pursue a joint venture. Such arrangement is regulated under the general principles of contract law in Malaysia, including the Contracts Act 1950. The advantages of setting up an unincorporated joint venture are as follows:

- (a) there are fewer statutory duties, restrictions and requirements in the administration and management of an unincorporated joint venture;
- (b) parties are free to make their own financing; and
- (c) enables each of the parties to separately generate profits and control its own cash flow based on their contractual agreement in the joint venture agreement.

An unincorporated joint venture would however, require detailed legal documentation setting out the rights and obligations of the respective parties.

Please refer to **Appendix J** to this Circular entitled "Taxation" for a discussion on the tax treatments and accounting principles practiced by unincorporated joint ventures.

19.3 Legal Opinion from Zaid Ibrahim & Co

Please refer to **Appendix G** to this Circular entitled "Abridged Legal Opinion from Zaid Ibrahim & Co" for the abridged version of the legal opinion on GGTM from the legal adviser to the Company on Malaysian Laws.

APPENDIX A – LETTER TO SHAREHOLDERS FROM THE BOARD OF DIRECTORS OF GGT MANUFACTURING SDN. BHD.

20. RISK FACTORS

The following describes some of the significant risks known to GGTM now that could directly or indirectly affect its Business and the value of the Enlarged Group. The following does not state risks unknown to GGTM now but which could occur in the future and risks which GGTM currently believes to be immaterial, which could turn out to be material. Shareholders should note that certain of the statements set forth below constitute “forward-looking statements” that involve risks and uncertainties. Please refer to the section entitled “Cautionary Note on Forward-Looking Statements” of this Circular. If any of the following risk factors and uncertainties develops into actual events or turn out to be material, GGTM’s Business may be materially and adversely affected. In such circumstances, the value of GGTM’s shares could decline.

To the best of the belief and knowledge of the directors of the Target, all the risk factors that are material to Shareholders in making an informed judgement about GGTM and the Proposed Acquisition have been set out below. Following Completion, the risks and uncertainties that may have a material and adverse effect on GGTM’s Business may similarly have a material and adverse effect on the Enlarged Group’s Business. In such cases, the value of GGTM could decline due to any of these considerations and uncertainties, and Shareholders may lose all or part of their investment. Shareholders should carefully consider and evaluate the following risk factors in respect of GGTM as well as the Enlarged Group, and all other information contained in this Circular before deciding whether to vote in favour of the Proposed Acquisition.

20.1 Risks relating to GGTM’s Businesses

(a) GGTM has experienced negative operating cash flow, negative working capital and shareholder deficiency during the Period Under Review

GGTM has recorded positive cash flow from operating activities of approximately RM4,000 in FY2014, but recorded negative cash flow from operating activities of approximately RM0.59 million and RM0.51 million in FY2015 and FY2016, respectively. The negative cash flow during the Period Under Review was attributable to the fact that GGTM was in the exploration and commissioning phase of its operations. The operating and capital expenditures for the Period Under Review were financed primarily through the issue of ordinary shares and RCPS to investors.

GGTM recorded positive working capital positions of approximately RM0.08 million and RM2.66 million as at 31 December 2014 and 31 December 2015, respectively, but recorded negative working capital position of approximately RM9.62 million as at 31 December 2016. GGTM also recorded shareholder equity of approximately RM0.08 million as at 31 December 2014, but recorded shareholder deficiency of approximately RM0.92 million and RM5.17 million as at 31 December 2015 and 31 December 2016, respectively. The negative working capital and shareholder deficiency during the Period Under Review were mainly due the issuance of RCPS, which was obtained for the purpose of funding the exploration activities, drilling programme and technical reporting for the Bukit Chetai Mine.

APPENDIX A – LETTER TO SHAREHOLDERS FROM THE BOARD OF DIRECTORS OF GGT MANUFACTURING SDN. BHD.

For more details, please refer to Section 22 of this **Appendix A** entitled “Management’s Discussion and Analysis of Financial Position and Results of Operations”, and **Appendix I** to this Circular entitled “Unaudited Pro Forma Financial Information of the Enlarged Group”.

If GGTM is unable to obtain sources of funds on a timely basis on conditions acceptable to it, to address the negative net cash flow from operating activities and/or working capital shortfall, its Business may be materially and adversely affected. As GGTM continues to expand and grow its business and operations, there can be no assurance that it will not experience negative net cash flow from operating activities and/or negative working capital positions in the future, and its impact on the Enlarged Group.

(b) GGTM has a limited operating history and track record

GGTM was established in 2010, and was granted the Concession Agreement in 2015. GGTM began recording revenue in FY2015. Thus, there is limited historical information available for the evaluation of GGTM’s Business, and limited operating history and track record upon which to evaluate its expected future performance.

Although GGTM’s management possess the relevant experience and expertise in the Dimension Stone Granite Business and the Interior Fit-Out Business, there is no assurance that the growth and future performance of GGTM will be successful. The failure of GGTM to generate revenue and profits from its businesses could have a material and adverse impact on the development of, and future production from, the Concession Area. This will in turn materially and adversely affect its financial condition and operational results.

GGTM also has a limited track record in the Interior Fit-Out Business. GGTM may therefore face the usual risks, uncertainties and problems associated with the entry into any new business which it has limited prior experience or track record. These risks, uncertainties and problems include, among others, the inability to find the suitable joint venture or strategic partners, the inability to manage the expanding operations and costs, failure to attract and retain customers, failure to bid for new interior fit-out projects, failure to provide the results, level of revenue and margins it is expecting, and failure to identify, attract, retain and motivate qualified personnel. There is no assurance that GGTM or its management team will be able to ensure success in the undertaking of the Interior Fit-Out Business.

20.2 Risks relating to GGTM’s Dimension Stone Granite Business

(a) GGTM’s rights to explore, extract, process and sell dimension stone granite from the Concession Area for commercial sale or consumption is derived from the Concession Agreement

Pursuant to the Concession Agreement, GGTM was granted the exclusive right to carry out the Works in the Concession Area. Accordingly, its rights to carry out the Works in the Concession Area is subject to the Concession Agreement remaining in full force and effect.

APPENDIX A – LETTER TO SHAREHOLDERS FROM THE BOARD OF DIRECTORS OF GGT MANUFACTURING SDN. BHD.

In the event of the Concession Agreement being terminated for whatever reason (including termination due to PMINT's exercise of its right of termination under the Concession Agreement), GGTM will cease to have the right to possess or to operate the Concession Area. Such termination may materially and adversely affect GGTM's Business. Please refer to the Section 2.3 of this **Appendix A** entitled "Industry and Business Overview – Dimension Stone Granite Properties and Concessions" for further details on the terms of the Concession Agreement.

In particular, pursuant to the terms of the Concession Agreement and in accordance with applicable laws and regulations, 40% of all the new un-processed dimension stone granite blocks produced using granite extracted from the Concession Area must be processed within the State of Terengganu and a maximum of 60% of such un-processed granite may be sold or exported outside the State of Terengganu. Provisions such as these limit the scope and flexibility of GGTM's ability to process and export the dimension stone granite extracted pursuant to the Concession Agreement. Additionally, in the event any terms of the Concession Agreement are amended which impose further stringent requirements on GGTM and its operations, GGTM's Business may be materially and adversely affected.

(b) GGTM relies on LTAWNT as the leasehold land owner and proprietary mining licence holder, and PMINT as the contractor of LTAWNT

GGTM holds the concession rights to the Concession Area pursuant to the Concession Agreement entered into with PMINT. Pursuant to the Concession Agreement, GGTM has the right to carry out the Works at the Bukit Chetai Mine and the Bukit Machang Property, subject to LTAWNT maintaining its lease and Mining Licences in respect of the Concession Area and PMINT maintaining its status as contractor of LTAWNT. Please refer to the Section 2.3 of this **Appendix A** entitled "Industry and Business Overview – Dimension Stone Granite Properties and Concessions – Properties and Concessions" for more information.

The existing Bukit Chetai Mining Licence will expire in August 2018, and is subject to further renewal. GGTM engages a mining engineer to prepare the necessary renewal documentation, on behalf of LTAWNT, as the holder of the mining licences, to renew the Bukit Chetai Mining Licence. There is also no guarantee that LTAWNT will be able to comply with the terms and conditions of the mining leases, and there can be no assurance that mining licences will be successfully renewed or obtained, as the case may be, on terms favourable to GGTM, or at all. In the event that any of the mining licences are revoked or not renewed, GGTM may consequently lose its concession rights to the Concession Area and its Business will be materially and adversely affected.

LTAWNT, as holder of the Bukit Chetai Mining Licence, is responsible for the rehabilitation of the site and for making the required contributions to the common rehabilitation fund maintained by the local authorities. Pursuant to the Concession Agreement, GGTM is not responsible or liable for the rehabilitation of the Concession Area. To the best of GGTM's knowledge, there has not been any past incidence where any required rehabilitation works were not carried out; however, notwithstanding the

APPENDIX A – LETTER TO SHAREHOLDERS FROM THE BOARD OF DIRECTORS OF GGT MANUFACTURING SDN. BHD.

above, the Bukit Chetai Mining Licence as well as GGTM's operations at the Concession Area may be materially and adversely affected in the event any required rehabilitation is not successfully carried out.

(c) GGTM may not be able to obtain or renew governmental licences, permits and/or approvals necessary for its business activities

Pursuant to the Bukit Chetai Mining Scheme Approval issued by JMG to LTAWNT, GGTM has the right to conduct mining and development activities at the Bukit Chetai Mine. The Bukit Chetai Mining Scheme Approval is valid for a one (1)-year period and is renewable on an annual basis. The existing Bukit Chetai Mining Scheme will expire in April 2018. The renewal of the Bukit Chetai Mining Scheme Approval is subject to various uncertainties, including but not limited to, whether GGTM will be able to comply with the terms and conditions of the Bukit Chetai Mining Scheme Approval, including any rehabilitation obligations of LTAWNT. Accordingly, there can be no assurance that GGTM will be able to successfully renew the Bukit Chetai Mining Scheme Approval on favourable terms, or at all. In the event that the Bukit Chetai Mining Scheme Approval is revoked or not renewed, GGTM may lose its concession rights and its Business will be materially and adversely affected. For further details, please refer to the Section 19 of this **Appendix A** entitled "Government Regulations, Permits and Licences".

Additionally, GGTM may require further licences, permits and approvals from the relevant authorities to carry out its business activities. Such licences, permits and approvals may be in relation to the areas of general corporate, mining, foreign investment, manpower, environmental, land utilisation and may be limited to specified areas and time periods. GGTM's ability to obtain, convert and/or renew such licences, permits and approvals in a timely manner will affect its operations. The application process for such licences, permits and approvals may be complex due to the involvement of various levels of government and/or regulatory bodies. There is uncertainty as to whether GGTM's licences, permits and approvals can be obtained, converted and/or renewed in a timely manner, or at all. GGTM is also often required to provide costly undertakings. Even if its applications are successful, the licences, permits and/or approvals may be subsequently revoked by the authorities. In the event that GGTM is unable to obtain or maintain all necessary licences, permits, certificates, consents or other approvals required for the carrying out of the Dimension Stone Granite Business, its Business and operations may be materially and adversely affected.

(d) GGTM will focus its operations on the Bukit Chetai Mine in the near term

GGTM has concession rights to the Bukit Chetai Mine and the Bukit Machang Property; however its operations will focus on the Bukit Chetai Mine in the near term and on which GGTM will depend for substantially all of its operating revenue, profits and cash flows in relation to the Dimension Stone Granite Business in the near term. Any significant operational or other difficulties in the extraction, processing, storing or transporting of GGTM's products at or from the Bukit Chetai Mine or the occurrence of any event that causes it to operate at less-than-optimal capacity and/or generate lower

APPENDIX A – LETTER TO SHAREHOLDERS FROM THE BOARD OF DIRECTORS OF GGT MANUFACTURING SDN. BHD.

than expected sales, revenue and/or profits earned from the sale of products or any other negative development affecting GGTM's Dimension Stone Granite Business, could cause its Business to be materially and adversely affected.

- (e) The Dimension Stone Granite Business may be adversely affected in the medium to long-term if it is unable to continue to discover and acquire additional dimension stone granite mineral resources that are converted into reserves**

As dimension stone granite reserves will decline as mining and extraction are carried out, GGTM's future growth and success and growth in the medium to long-term will depend, in part, on its ability to discover or acquire additional dimension stone granite mineral resources and to convert these resources into reserves. It may not in the future be successful in converting its existing or future dimension stone granite mineral resources into significant additional reserves. If GGTM is unable to replace its dimension stone granite reserves as they are depleted with new reserves, whether through acquisition of new quarries or further exploration works, this could have a material adverse effect on GGTM's Business.

- (f) The estimates and quality of dimension stone granite resources and reserves of the Concession Area are based on a number of assumptions and the actual resources and reserves may be less than the estimates or of a lower quality than expected**

The dimension stone granite resource, reserves and the block rate estimates for the Concession Area are based on a number of assumptions that have been made by the Qualified Person in accordance with the JORC Code as set out in the Qualified Person's Report, and the fair market value of the Bukit Chetai Mine that has been assessed by JLL as set out in the VALMIN Valuation Report is subject to certain bases and assumptions as stated in the VALMIN Valuation Report. Dimension stone granite resource and reserve estimates involve expressions of judgment based on various factors such as knowledge, experience and industry practice, and the accuracy of these estimates may be affected by many factors, including the quality of the results from geological mapping, drilling and analysis of dimension stone granite samples, as well as the procedures adopted by and the experience of the person making the estimates. For instance, the resource estimate at the Bukit Chetai Mine is based on geological interpretation from borehole records, geological mapping and the assumption that the green granite dyke maintains a considerable width and extent over the site.

Estimates of the dimension stone granite resource, reserves and the block rate at the Concession Area may change significantly as excavation proceeds or new factors arise, and interpretations and deductions on which dimension stone granite resource, reserves and block rate estimates are based may prove to be inaccurate. Should GGTM encounter a geological profile different from that predicted by past drilling, sampling and examination, the dimension stone granite resource and/or reserves and/or block rate estimates may have to be adjusted downward. The occurrence of any of the foregoing could materially and adversely affect GGTM's development and mining plans, which could materially and adversely affect its Business and thereby affect the fair market value of the Bukit Chetai Mine as set out in the VALMIN Valuation Report.

APPENDIX A – LETTER TO SHAREHOLDERS FROM THE BOARD OF DIRECTORS OF GGT MANUFACTURING SDN. BHD.

In addition, the mineralogical and chemical composition, bulk density, hardness and water absorption, mechanical properties and radioactivity potential of the dimension stone granite ultimately quarried may differ from those indicated by laboratory testing and/or sampling. In the event that the dimension stone granite extracted is of a lower quality than expected, the demand for, and realisable price of, GGTM's dimension stone granite products may decrease. This could cause its Business to be materially and adversely affected.

(g) GGTM may not be able to generate positive cash flows from the operations of the Dimension Stone Granite Business until after commercial production

The Dimension Stone Granite Business generally requires substantial capital expenditure and investment costs before it reaches a revenue producing stage. Hence, in the event that GGTM engages in exploration and/or preliminary activities pursuant to the Dimension Stone Granite Business, it may not be able to generate any positive cash flows from such operations until after extraction and/or commercial production of such dimension stone granite is achieved. Such circumstances may lead to cash flow deficit and may have a negative impact on the working capital and the financial position of GGTM. Furthermore, as such business activities may need time to generate profits, to the extent that GGTM is unable to generate sufficient profits from its existing business and the Dimension Stone Granite Business to cover its operating costs, GGTM will suffer a loss. This could cause its Business to be materially and adversely affected.

(h) GGTM may be affected by fluctuations in exchange rates

The Concession Area is located in Malaysia and the Target's cost of consumables is typically incurred in the local Malaysian currency (RM) and US\$, and certain processing equipment are purchased from the PRC and related costs are incurred in RMB. The Target's sales are largely carried out in Malaysia. Although a certain portion of GGTM's sales are also made to the PRC and conducted in RMB and US\$ which may provide a natural hedge to the currency risk faced by GGTM, there is a risk that depreciation of the RM will lead to increased operating costs, which may materially and adversely affect its Business.

(i) GGTM is in the process of effecting the conversion of land use category for the Property

GGTM owns a property located at Geran Mukim No. Hakmilik 1461, No. Lot 1642, Mukim Tersat, Daerah Hulu Terengganu, Negeri Terengganu, which is adjacent to the Bukit Chetai Mine and is approximately 3.528 hectares in size ("**Property**"), and intends to construct new processing facilities on this Property. Please refer to Section 18.1 of this **Appendix A** entitled "Properties" for further details on the Property. As the Property is currently zoned for agriculture (palm oil) use only, GGTM has received a no-objection letter from the Economic Planning Unit of State Terengganu for the alteration of category of land use for the Property, and is in the process of effecting the conversion of land use category. While the National Land Code 1965 provides legal avenues on conversion of land, there is no guarantee that such approval will be

APPENDIX A – LETTER TO SHAREHOLDERS FROM THE BOARD OF DIRECTORS OF GGT MANUFACTURING SDN. BHD.

obtained in a timely manner or at all. The state authority's approval may be granted subject to terms and conditions, and there is no certainty that GGTM will be able to comply with them, or that GGTM will not incur additional costs in this regard.

In the event that the state authority's approval is not obtained for the alteration of category of land use for the Property, GGTM will need to find alternative land for purchase or lease, including excess land within the Concession Area, in order to construct its new processing facilities. Although GGTM may nonetheless rely on its existing processing facilities, expand its existing processing facilities or seek to outsource dimension stone granite processing works to third party contractors or GGTM may seek to expand its existing processing facilities, this may result in delay to GGTM's plans for expansion of its operations, and may materially and adversely affect its Business.

(j) GGTM derives its revenue from a limited number of products

GGTM's products comprise granite blocks, strips (semi-finish) and tiles. The majority of its revenue is to be derived from the sale of these products, which are primarily used in construction as surfacing materials for the decoration of commercial and public buildings such as hotels, office buildings, museums, memorial halls and mosques and residential uses. As a result, GGTM's Business and profitability are dependent on its end customers' preferences and demand for its dimension stone granite products. Demand for granite slabs as a category of building material in the construction industry will reduce should there be a slowdown in development and construction projects generally. Any adverse change in market demand, customer preference or market prices of GGTM dimension stone granite products could have a material adverse effect on its Business.

(k) The quality of GGTM's products is subject to uncertainties

As dimension stone granite is a natural resource, there is no assurance that the colour, texture, quality and other characteristics of the dimension stone granite blocks quarried in the future will be consistent with the samples currently available. For instance, GGTM is currently able to extract premium Terengganu Green (dark green granite) from the Concession Area. The yield of Terengganu Green granite may reduce due to unexpected deterioration in the colour and quality of the granite. Any failure to meet the requirements of any of GGTM's customers due to inferior product quality may result in harm to its reputation and reduction in orders or termination of its sales contracts, which in turn may materially and adversely affect GGTM's Business. In addition, the demand, pricing and profit margins of GGTM's products are dependent on the quality and standards of the dimension stone granite produced. If the quality of dimension stone granite produced is not of a sufficient or consistent quality or standard, this may have a material adverse effect on its Business.

(l) GGTM's actual operating costs and granite processing capacity may fluctuate

The main operating costs in relation to the Dimension Stone Granite Business comprise labour costs and diesel costs, and diesel prices are subject to market fluctuations. GGTM's operating costs are based on certain estimates and assumptions relating to the method and timing of its mining and quarry extraction activities.

APPENDIX A – LETTER TO SHAREHOLDERS FROM THE BOARD OF DIRECTORS OF GGT MANUFACTURING SDN. BHD.

Estimates and assumptions are inherently uncertain. Thus, its actual costs may differ materially from these estimates and assumptions. In addition, GGTM may discover new or unexpected conditions that raise costs beyond the current estimates. Accordingly, GGTM cannot promise that its costs and underlying assumptions will be realised in practice. Such new or unexpected conditions and changes to its actual operating costs may consequently have an impact on GGTM's plans and capacity estimates for its processing facilities. The underestimation of GGTM's operating costs and/or the consequential overestimation of processing capacity will materially and adversely affect its financial condition and operational results.

(m) GGTM may face liquidity risks and may be exposed to the non-payment and credit risks of customers relating to the Dimension Stone Granite Business

Due to the nature of the Dimension Stone Granite Business, GGTM may or may not collect initial deposits from customers for its dimension stone granite supply contracts. Depending on the terms of individual contracts, orders may be processed and dimension stone granite products prepared to customers' specifications prior to any payment being made.

GGTM is therefore vulnerable to liquidity risks and is exposed to the delay in payment or non-payment by customers and the credit risks of customers as GGTM's working capital and/or cash flows may become inadequate.

(n) GGTM may not be adequately insured against its operational risks

GGTM has in place safety policies and measures to mitigate and reduce industrial accidents. Nevertheless, casualties or accidents may occur. GGTM has thus taken up insurance to cover its operational risks, which include coverage for mining workers and key equipment. However, GGTM's insurance cannot cover it against all the risks that it may face. For example, GGTM does not have insurance coverage relating to natural disasters or acts of God. Also, its insurance may not cover the loss of key personnel, business interruption and third-party claims for environmental disaster, property damage, personal injury and environmental liabilities. Thus, GGTM's Business will be materially and adversely affected if its losses and liabilities are not covered by insurance. Even if covered, its losses and liabilities may be substantial and may not be adequately satisfied by the insurance pay-out. GGTM's Business will then be materially and adversely affected.

Lastly, insurance premiums may increase if GGTM makes any claims on its policies or if laws, regulations and customer requirements become more complex. This will lead to increased costs. GGTM's insurance coverage will also be lost if it is unable to pay the increased premiums. These events will materially and adversely affect its Business.

Please refer to the Section 16 of this **Appendix A** entitled "Insurance" for further details on GGTM's insurance policies.

APPENDIX A – LETTER TO SHAREHOLDERS FROM THE BOARD OF DIRECTORS OF GGT MANUFACTURING SDN. BHD.

(o) GGTM's future growth will depend on its ability to manage its expansion plans

The growth strategies and expansion plans of GGTM include the development of existing quarries as well as the acquisition of new properties. Please see Section 25.2 of this **Appendix A** entitled "Future Plans" for further details.

The implementation of these development plans and strategies involves risks and uncertainties and may not be successful. Success depends on the presence of favourable economic conditions, approvals from the authorities, and GGTM's ability to raise sufficient funding and attract the requisite professionals to support its growth. GGTM may lose its initial investment if its plans subsequently generate lower than expected revenue, incur higher than expected costs, are delayed or aborted, or lack the requisite funding or manpower to be successfully implemented. This will materially and adversely affect GGTM's Business.

In addition, GGTM may not be able to identify suitable new quarry areas or obtain concession rights to new quarries, whether in the region it currently operates in or elsewhere. If it is unable to do so on terms acceptable to it, or at all, GGTM's Business will be materially and adversely affected.

(p) GGTM may not be able to conduct extraction activities during the monsoon season, and may be subject to severe weather conditions, natural disasters and other events beyond its control

Severe weather conditions, natural disasters and other events beyond GGTM's control may damage its quarries, equipment and processing facilities, which may increase its operating costs. These events may also force GGTM to evacuate personnel and suspend operations. Its productivity will be reduced and fixed operating expenses will continue to be incurred. Please refer to Section 9 of this **Appendix A** entitled "Seasonality" for more information.

Furthermore, the occurrence of a natural disaster near the Concession Area and GGTM's vulnerability to natural disasters may affect its ability to obtain financing on a timely basis, on acceptable terms, or at all. Thus, if any of the above-mentioned events occurs, GGTM's Business may be materially and adversely affected.

(q) GGTM may not operate efficiently and effectively if it loses key personnel or if it cannot attract and retain skilled workers

GGTM depends substantially on its key personnel and skilled workers to manage its strategies and operations. GGTM has an experienced management team, consisting of individuals who are highly skilled and who may be difficult to replace, in particular Lim, GGTM's non-executive director, and Mr Teoh Yee Kian, GGTM's Project Director. They possess the relevant experience in their respective areas of expertise to oversee GGTM's strategic growth and to manage its day-to-day operations. However, there is keen competition in the recruitment and retention of such key personnel. Losing the services of any of its key personnel without suitable timely replacements could affect GGTM's ability to implement its business strategies and respond to changing market

APPENDIX A – LETTER TO SHAREHOLDERS FROM THE BOARD OF DIRECTORS OF GGT MANUFACTURING SDN. BHD.

conditions, and may materially and adversely affect its Business. GGTM's future success depends to a significant extent on the ability of its key personnel to effectively drive the execution of its business strategies.

Similarly, GGTM's growing business may require more skilled workers and professional staff in the areas of dimension stone granite mining and processing, operations and engineering. Competition for these skilled workers and professional staff is intense. There are similar businesses in the industry which also require manpower and which possess greater resources. A shortage of labour may increase labour costs. These costs may not be passed on to GGTM's customers. If so, its Business may be materially and adversely affected. Its ability to pursue future projects may also be restricted by its inability to recruit, train and retain the requisite number of skilled workers and professional staff. This may materially and adversely affect GGTM's operations, growth and competitiveness.

(r) GGTM's business may be adversely affected by recent developments in the global markets

Since the global economic downturn in late 2008, there have been negative developments in the global financial markets including the downgrading by major international credit rating agencies of sovereign debts issued by some of the European Union member countries and the difficult conditions in the global credit and capital markets. These challenging market conditions have given rise to reduced liquidity, greater volatility, widening of credit spreads, lack of price transparency in credit markets, a reduction in available financing, government intervention and lack of market confidence. These factors, combined with declining business and consumer confidence, have resulted in global economic uncertainties.

It is difficult to predict how long these developments will last. Further, there can be no assurance that measures implemented by governments around the world to stabilise the credit and capital markets will improve market confidence and the overall credit environment and economy. A global economic downturn could materially and adversely affect GGTM's ability to obtain short-term and long-term financing. It could also result in an increase in the cost of GGTM's bank borrowings and reduction in the amount of banking facilities currently available to it. The inability of GGTM to access capital efficiently, on time, or at all, as a result of possible economic difficulties, may have a material adverse effect on its Business. Any deterioration in the global economy could in turn materially and adversely affect the health of the local economy and impact its Business.

In the event that the global economic conditions do not improve or any recovery is halted or reversed, GGTM's Business may be materially and adversely affected.

APPENDIX A – LETTER TO SHAREHOLDERS FROM THE BOARD OF DIRECTORS OF GGT MANUFACTURING SDN. BHD.

(s) GGTM is subject to risks and uncertainties associated with the mining and extraction of natural resources

Mining and quarry extraction operations are subject to a number of operating risks and potential hazards normally associated with the exploration and extraction of natural resources, some of which are beyond GGTM's control. The occurrence of any operating risk or potential hazard could result in extraction shortfalls and/or damage to persons and/or property. These operating hazards and risks include:

- accidents;
- unexpected maintenance or technical problems;
- critical equipment failure;
- interruptions due to transportation disruptions and/or delays;
- power or fuel supply interruptions;
- unusual or unexpected variations in the quarry and its geological or mining conditions, such as instability of the slopes and subsidence of the working areas;
- disputes with third parties (such as other quarry owners, mining contractors and operators);
- labour issues; and
- adverse weather conditions.

In particular, mining and quarry extraction operations involve the use of heavy machinery, which involve inherent risks that cannot be completely eliminated through preventive efforts. The occurrence of any of these potential hazards can delay and materially and adversely affect mining and quarry extraction operations, increase production costs, result in environmental damage, and/or result in casualties and/or injury to workers, damage to property and liability for companies involved in mining and quarry extraction. Such incidents may also result in breach of consent or approvals obtained from the relevant government authorities for mining and quarry extraction operations and the imposition of fines and other penalties.

There can be no assurance that any future accidents will not materially and adversely affect GGTM's Business. The occurrence of any of these events, whether man-made or natural, could have a material adverse effect on GGTM's Business.

Quarries, due to clearance of vegetation and overburden removal, create environmental impact through permanent loss of natural habitat, and in the case of heavy rainfall, the potential for soil erosion and discharge of muddy sediment being washed out from the project site or quarry face increases. This will pose a risk in the event of uncontrolled runoff with deposition of mud and sand outside of the project site, polluting the surrounding fields and watercourses.

APPENDIX A – LETTER TO SHAREHOLDERS FROM THE BOARD OF DIRECTORS OF GGT MANUFACTURING SDN. BHD.

(t) Dimension stone granite prices may experience significant fluctuations due to factors beyond GGTM's control

GGTM's revenue depends on dimension stone granite prices, which are determined by the market forces of demand and supply, including many factors which are unpredictable and beyond its control. These factors include international supply and demand, the level of consumer product demand, the quality of the product, weather conditions, distribution problems, labour disputes, the price and availability of alternative dimension stone granite mineral, actions taken by the governments and international cartels. The process of the dimension stone granite mineral may also be affected by macro-economic factors such as expectations regarding inflation, exchange rates, interest rates and global and regional demand for and supply of the dimension stone granite mineral, as well as general global economic conditions. Although GGTM's profitability will depend on factors such as its management of costs, such fluctuations may materially and adversely affect its Business.

Please see Section 25.1 of this **Appendix A** entitled "Prospects and Trends" for further details.

(u) The business, revenue and profits of the Dimension Stone Granite Business are affected by the volatility of prices or demand for dimension stone granite

The current and expected future price of dimension stone granite can change rapidly and significantly and this can have a substantial effect on the value of GGTM's mining and quarry extraction assets and the potential future revenue and profits that might be earned from the successful development of those assets. The marketability of any dimension stone granite extracted will be affected by numerous factors beyond the control of GGTM. These factors include market fluctuations, proximity and capacity of processing equipment, increases in transportation and shipping cost and government regulations including regulations related to taxation, royalties, allowable production, importing and exporting, and environmental protection.

The demand for, and price of, dimension stone granite mineral, is dependent on a variety of factors including international or regional supply and demand, the level of consumer product demand, the quality of the product, weather conditions, distribution problems, the price and availability of alternative materials, actions taken by the governments and international cartels. Market demand for dimension stone granite may also be affected by trends and the economy. The process of the dimension stone granite mineral may also be affected by macro-economic factors such as expectations regarding inflation, interest rates and global and regional demand for and supply of the dimension stone granite mineral, as well as general global economic conditions.

Fluctuations and, in particular, a material or extended decline in prices of dimension stone granite mineral may have a materially adverse effect on GGTM's Business.

APPENDIX A – LETTER TO SHAREHOLDERS FROM THE BOARD OF DIRECTORS OF GGT MANUFACTURING SDN. BHD.

20.3 Risks relating to the Interior Fit-Out Business

(a) GGTM is subject to the cyclical nature of the property market and the construction industry

GGTM's Interior Fit-Out Business is vulnerable to any downturn in the property market and/or the construction industry. A downturn or a dampening of the general sentiments in the property market and/or construction industry in Malaysia may result in fewer interior fit-out projects being made available for award. This may lead to greater competition and an erosion of GGTM's profit margin for any interior fit-out project that GGTM is successful in securing and will, accordingly, materially and adversely affect GGTM's Business. The property market and the construction industry are, in turn, affected by factors such as the prevailing state of the general economy, unemployment rates, interest rates, inflation and government plans and policies.

For instance, the Malaysian government may implement measures to cool demand for property and increase supply for land so as to moderate the increase in property prices. Such measures may affect the purchasing power of potential buyers and investors of properties and dampen the general sentiments of the property market, leading to lower demand for construction activities and GGTM's interior fit-out services. There is no assurance that measures introduced by the Malaysian government will not continue to materially and adversely affect the property market, or that the relevant government will not introduce further measures to regulate the growth of the property market in the respective countries. Such measures and the introduction of any new measures may materially and adversely affect GGTM's Business.

(b) GGTM's Interior Fit-Out Business is dependent upon its ability to secure interior fit-out projects and is affected by any cancellation or delay of existing projects

As GGTM's Interior Fit-Out Business is largely undertaken on a project basis, and the projects vary in scope and size and are typically non-recurring, GGTM supplies various products and services to customers on an irregular basis and its revenue may therefore fluctuate from year to year. In order to maintain and grow the turnover of the Interior Fit-Out Business, GGTM has to continually and consistently secure new projects which have higher or comparable contract values and margins, and in greater or at least the same number.

The Interior Fit-Out Business is highly competitive and market players compete in relation to, among other things, contract bid price, track record, quality of products and services, timeliness in completion of projects, and financial standing and resources. In particular, GGTM may have to submit competitive bid prices in order to secure contracts for its Interior Fit-Out Business in the face of keen competition. If GGTM has to lower bid prices to compete effectively and yet incur high purchasing and operating costs to maintain high standards of product and service quality, this will have a material adverse effect on its profit margins. There is no assurance that GGTM will compete successfully against competitors.

Additionally, GGTM's competitors may have longer operating histories, more entrenched expertise, a larger customer base, greater access to manufacturers, suppliers and subcontractors, greater financial resources or may otherwise be in a better position to

APPENDIX A – LETTER TO SHAREHOLDERS FROM THE BOARD OF DIRECTORS OF GGT MANUFACTURING SDN. BHD.

secure and manage large and/or complex projects, undertake projects across different countries or expand their market share. Increased competition may result in lower demand for GGTM's products and services and/or lower profit margins.

If GGTM fails to compete effectively, to adapt quickly to changing market conditions and trends and to grow its market share by securing new and lucrative projects, its Business will be materially and adversely affected.

The Joint Venture Agreement between GGTM and EII shall remain in force until all liabilities, obligations and commitments pursuant to the JMA Project have been fully discharged. The JMA Project is anticipated to be completed in the third quarter of 2017. The interior fit-out work agreement between PMINT and the Consortium will also terminate upon completion of the prescribed interior fit-out works, and it is unknown if GGTM (whether or not through the Consortium) will be able to secure projects following the completion of such projects.

Any cancellation or delay of projects due to factors such as changes in the business or circumstances or lack of funds on the part of GGTM's customers or the project owners or poor market conditions, will materially and adversely affect GGTM. Any cancellation or delay of projects could lead to GGTM's inability to recover any associated costs or delay in the recognition of revenue or could result in idle or excess capacity, and in the event that it is unable to secure new projects of a comparable size and profitability and in a timely manner to compensate for the loss in revenue and profitability from the cancellation or delay, GGTM's Business will be materially and adversely affected.

(c) GGTM's Interior Fit-Out Business is dependent on services rendered by suppliers, joint venture partners and/or sub-contractors

In its Interior Fit-Out Business, GGTM may collaborate with joint venture partners or contract with suppliers and sub-contractors, and are therefore dependent on the services rendered by its suppliers, joint venture partners and/or sub-contractors. GGTM may also engage sub-contractors to provide various services including installation of products and interior fit-out, and for the provision of outsourced labour.

Joint venture partners, suppliers and sub-contractors GGTM works with are selected based on, amongst others, their track record, competitiveness in terms of pricing, the quality of products or services as well as timeliness in delivery and completion. Nonetheless, GGTM cannot be assured that the products and services rendered by its joint venture partners, suppliers and sub-contractors will meet its requirements for quality, or that they will be able or willing to continue providing supplies and services to it. If these suppliers or sub-contractors experience financial or other difficulties that affect their ability to supply the products or carry out the services for which they were contracted whether in terms of quantity, quality, timeliness in delivery or otherwise, thus delaying the completion of or failing to complete the projects, this may result in additional costs for GGTM or expose it to the risk of liquidated damages.

Although GGTM's suppliers and sub-contractors may provide it with a warranty/defects liability period and GGTM in turn may provide its customers with a defects liability period for the rectification of any defective products or works, GGTM

APPENDIX A – LETTER TO SHAREHOLDERS FROM THE BOARD OF DIRECTORS OF GGT MANUFACTURING SDN. BHD.

cannot be assured that they will be able or willing to perform their obligations satisfactorily or at all during the defects liability period. Although in GGTM's contracts with its joint venture partners or sub-contractors, it may retain a retention sum until the expiry of such defects liability periods, there is no assurance that such amounts will be sufficient to cover the liabilities or liquidated damages which GGTM may be exposed to.

In general, in the event of any defect in the products or services or any loss or damage suffered by GGTM's customers which arises from the default of the suppliers or sub-contractors engaged by it, and if such suppliers or sub-contractors are not able or willing to make good the default or defect, GGTM will nevertheless be liable for its suppliers' or sub-contractors' default and will have to make good any default or defect to its customers at its own cost which will erode its profit margins for the projects. If GGTM is not able to pass such costs on to its suppliers or sub-contractors, its Business may be materially and adversely affected.

(d) GGTM may be adversely affected by cost overruns and/or increase in costs and/or supply shortages arising from its Interior Fit-Out Business

Contracts for the Interior Fit-Out Business are generally project-based and may be awarded on a fixed price basis. GGTM may need to estimate the costs of the projects correctly before fixing the price of contracts, in order to achieve the projected profit margins. When preparing a tender bid for a project, GGTM may carry out internal costing and budgetary estimates which are based on GGTM's own estimation of costs for raw materials and accessories, labour sub-contracting and all other incidental costs. It is only after the award of a contract for an interior fit-out project that GGTM may source for price quotations from its suppliers and sub-contractors and will enter into contracts to crystallise supplies and sub-contracting costs. If GGTM's estimation of costs is too low, or there is a significant lapse of time between the preparation of tender bid, award of project and signing of contracts with suppliers and/or subcontractors, the costs of supplies and/or sub-contracting costs may increase beyond GGTM's estimates. Although interior fit-out projects typically span approximately one year, as opposed to construction projects with longer durations, and cost variations may be shared with or borne by sub-contractors with whom GGTM contracts, in the event that the actual costs of projects materially exceed the estimated costs thereby leading to a cost overrun, GGTM's Business may be materially and adversely affected.

Cost overruns can also occur if GGTM misinterprets the design and underestimates the costs required to implement the design. Also, where sub-contractors do not perform according to the required standard or schedule, GGTM may have to incur additional costs to rectify defects or keep the project on schedule to avoid liquidated damages. In the event of any cost overrun, GGTM's profit margins for the project will be eroded, thereby negatively affecting its Business.

A significant proportion of cost of sales may comprise direct costs including those in relation to raw materials and accessories required for the Interior Fit-Out Business. The prices of raw materials and accessories may fluctuate due to demand and supply conditions, which may in turn be influenced by factors such as government policies, import and export restrictions, cost of labour, production costs and capacity or natural

APPENDIX A – LETTER TO SHAREHOLDERS FROM THE BOARD OF DIRECTORS OF GGT MANUFACTURING SDN. BHD.

disasters affecting the supply and supply chain. GGTM may not have a practice of entering into long-term arrangements with sub-contractors and/or suppliers for raw materials and accessories. As such, GGTM runs the risk of not being able to purchase sufficient quantities of such supplies or may encounter difficulty in sourcing for alternative sub-contractors and/or suppliers in a timely fashion to meet production requirements, which could in turn result in delays in the completion of projects and/or expose GGTM to liquidated damages. GGTM may also have to pay higher prices for supplies which are above that costed into contracts with customers or for additional supplies not provided for in contracts with customers. The terms of GGTM's contracts for its interior projects may not allow for the passing on of any increase in costs to the customers. Hence, any shortages in supply of raw materials or accessories or increase in their prices could have a material adverse effect on GGTM's Business.

(e) GGTM's Interior Fit-Out Business may be subject to disputes, claims and variation orders and may, as a result, incur additional costs or liquidated damages

Disputes may arise and claims may be made against GGTM for its interior fit-out projects on grounds such as defective workmanship, non-adherence to contract specifications and/or defects in the quality of materials used or supplied. These disputes and claims may lead to legal and other proceedings and may result in substantial costs and diversion of GGTM's management's resources and attention from GGTM's business. In the event that such disputes, claims and legal and other proceedings are not concluded in GGTM's favour and it is made liable for the claims and/or damages and incurs legal and other costs, or if it accepts settlement terms that are unfavourable to itself, its Business and reputation will be materially and adversely affected.

It is also customary for the customers of the Interior Fit-Out Business to withhold between 5.0% and 10.0% of each progress payment up to an aggregate of 5.0% of the contract value, as retention monies. Upon completion, a sum of up to approximately 2.5% of the contract value may be held back by customers until the end of the defects liability period. These retention monies will be applied in respect of any defective work that may surface during the defects liability period, which is typically being between 12 and 24 months.

During a defects liability period, GGTM may be required to perform defect rectification at no additional cost to customers. GGTM may run the risk of incurring additional costs not budgeted for to make good the defective work under dispute. In the event that customers withhold retention monies for an unduly long period of time beyond the defects liability period, GGTM may commence legal or other proceedings to claim for the retention monies. GGTM may therefore encounter difficulties in collecting the full sum or any part of the retention monies due. The above circumstances would result in an erosion of profit margins or losses for the project. There can be no assurance that there will not be any material disputes or claims or additional costs not budgeted for that may materially and adversely affect GGTM's Business.

GGTM may experience delays in the completion of a project due to unforeseen circumstances including labour or raw material shortage, a delay in the delivery of supplies on the part of suppliers, a delay in the completion of works on the part of

APPENDIX A – LETTER TO SHAREHOLDERS FROM THE BOARD OF DIRECTORS OF GGT MANUFACTURING SDN. BHD.

sub-contractors, social unrests and work stoppages due to industrial accidents. In the event of any delay in the completion of a project due to factors within GGTM's control, it could be liable to pay liquidated damages under the contract and incur additional costs that will materially and adversely affect GGTM's results of operations and erode or reduce the profit margin. Such liquidated damages will usually be chargeable for each day of delay, up to an aggregate of approximately 30.0% of the contract value. If the delay is due mainly to factors beyond GGTM's control, it may not be liable to pay for liquidated damages and the stipulated project time may be extended with the mutual agreement between the customer and GGTM to take into consideration such inadvertent factors. Regardless of whether the delay was due to factors beyond or within GGTM's control, the customer may still be able to claim for liquidated damages and other losses suffered by them by off-setting the same from the retention monies or enforcing the performance bond (where applicable) taken out in favour of any customer with the relevant financial institution or seeking legal redress for any other breach of contract, and may be able to enforce their rights to the stipulated date of completion of the project. If any performance bond (where applicable) is called upon by a customer, GGTM will be required to indemnify the relevant financial institution for such payment. Any of the above events will have a material adverse effect on GGTM's Business.

In addition, during the course of interior fit-out projects, GGTM's customers may require it to perform certain works not specified in the contract or to carry out variations not in the specifications stipulated in the contract. In order to facilitate the completion of the project within the stipulated time, the variation orders may be carried out before additional charges for such variation orders are agreed upon between customers and GGTM. GGTM will bill customers based on the estimated value of the works done. However, the final value of the works carried out may be subject to negotiations, which usually take place after the completion of a project. In the event that there is a dispute over the costs of variations, such that GGTM is required to bear part of the variation costs, GGTM's results of operations and profit margins would be materially and adversely affected.

Disputes and claims may also similarly arise between GGTM, its suppliers and its sub-contractors as they may arise between customers and GGTM for various reasons such as defective workmanship, non-adherence to the contract specifications, defects in the quality of materials used or supplied, disagreement over the scope or cost of variation orders, delay in delivery or completion of the works, breach of contract by GGTM or its customers or other losses suffered by GGTM or its customers.

(f) Disputes with GGTM's joint venture or other business partners or termination of joint venture contracts may adversely affect GGTM's business

To bid for larger interior fit-out projects, including public tender projects, GGTM may from time to time collaborate with third party contractors and other interior fit-out companies to form joint ventures.

APPENDIX A – LETTER TO SHAREHOLDERS FROM THE BOARD OF DIRECTORS OF GGT MANUFACTURING SDN. BHD.

GGTM may bear joint and several liabilities to the project owners or joint venture and business partners under the relevant joint venture or other agreements, and as a result, GGTM may incur damages and other liabilities for any defective work or other breaches by other joint venture or business partners. GGTM's joint venture or other business partners may:

- have economic or business interests or goals that are inconsistent with GGTM's goals;
- take actions contrary to GGTM's instructions or requests or contrary to GGTM's policies and objectives;
- be unable or unwilling to fulfil their obligations under the relevant joint venture agreements or other cooperative agreements, including their obligation to make the required capital contribution; or
- have financial difficulties.

Under the terms of the Joint Venture Agreement, for instance, either GGTM or EII may terminate the Joint Venture Agreement by giving one month's written notice in the event of any material breach of the terms stipulated therein, or by reason of any one of the parties going into voluntary liquidation, or becoming insolvent. The Joint Venture Agreement may also be automatically terminated if the letter of intent from PMINT has not been released to the Consortium within 12 months from the date of execution of the Joint Venture Agreement.

There is also no certainty that GGTM's joint venture or other business partners will not engage in illegal or fraudulent activities, which may cause the loss of business opportunities or disruption to or termination of the relevant project or business venture. Any dispute with a joint venture or other business partner may also give rise to arbitration, litigation or other legal proceedings whether commenced by GGTM or against GGTM, in Malaysia or in other jurisdictions, which will divert GGTM's management attention and other resources. If a decision or award is rendered against GGTM, it could be required to pay significant monetary damages, assume other liabilities and suspend or terminate the joint venture, related project or operations. GGTM's joint venture and other business partners may be involved in arbitration, litigation or other legal proceedings in their personal capacity which may affect the operations and business of GGTM. In the event that GGTM encounters any of the foregoing problems, its Business may be materially and adversely affected.

(g) GGTM may be exposed to non-payment by customers of progress claims in its Interior Fit-Out Business

As part of the Interior Fit-Out Business, payment from customers are typically paid in tranches and based on progress claims. In the event that GGTM does not collect an initial deposit from its customers, GGTM may be required to perform the works before any progress claims may be submitted to customers for approval. Under the customary terms and conditions of interior fit-out contracts, GGTM may only commence making progress claims after certain milestones are met to a customers'

APPENDIX A – LETTER TO SHAREHOLDERS FROM THE BOARD OF DIRECTORS OF GGT MANUFACTURING SDN. BHD.

satisfaction. Customers would approve progress claims based on the proportion of work performed with respect to the contract value. Once claims are approved, customers would make payment to GGTM against invoices issued to the customers.

Hence, there is a time lag which could potentially be significant, between any costs incurred for work undertaken by GGTM and the receipt of payment from a customer. Any progress claim that GGTM submits may also be the subject of a dispute between GGTM and the customer, which could delay payment. Accordingly, the longer the length of the interior fit-out project, the greater GGTM's exposure to liquidity risks and the non-payment and credit risks of customers.

In the event that GGTM fails to monitor and manage its working capital adequacy and cash flow position closely or customers fail to approve or make payment for progress claims on a timely basis or at all due to a dispute, cancellation, suspension or delay in the project, as a result of the deterioration in the financial condition of the project owners or customers or due to poor market conditions, GGTM may run into liquidity problems whilst still being liable to pay its suppliers and sub-contractors.

Due to the foregoing factors, GGTM is vulnerable to liquidity risks and is exposed to the delay in payment or non-payment by customers and the credit risks of customers as GGTM's working capital and/or its cash flows may become inadequate.

(h) GGTM currently has one ongoing interior fit-out project and GGTM may be affected due to any delays

As at the Latest Practicable Date, GGTM has one ongoing interior fit-out project relating to the JMA Project, which is undertaken by the Consortium pursuant to the Joint Venture Agreement with EII. Please refer to Section 2.6 of this **Appendix A** entitled "Interior Fit-Out Business – Joint Venture Arrangement" for further particulars on the JMA Project. Delays in the JMA Project may occur due to reasons or circumstances outside of GGTM's control, including but not limited to delays in the project timeline pursuant to rectification of defects by the main contractor. As the Consortium provides interior fit-out services for the JMA Project, it is required to adapt to changes in the schedule of the general construction works, and it may only commence the interior fit-out work when the general constructions works have been completed. In the event of such delays outside of the control of the Consortium, GGTM's Business may be materially and adversely affected.

(i) GGTM's ability to secure new interior fit-out projects may depend on GGTM being able to secure performance bonds

In line with industry practice, certain interior fit-out projects may require a performance bond to be furnished by an acceptable financial institution to guarantee contractual performance of the project. Generally, the performance bonds for such projects covers up to approximately 5.0% of the contract value of the project. In the event that GGTM defaults on contractual obligations, the customer would be entitled to call on the performance bond with the financial institution. If the performance bond is called upon, GGTM may be required to indemnify the relevant financial institution for such payment, and GGTM's Business may be materially and adversely affected.

APPENDIX A – LETTER TO SHAREHOLDERS FROM THE BOARD OF DIRECTORS OF GGT MANUFACTURING SDN. BHD.

As at the Latest Practicable Date, the interior fit-out projects undertaken by GGTM do not require it to provide any performance bonds. There is no assurance that GGTM can secure performance bonds for its new projects in the future or that such performance bonds may be secured on terms that are acceptable to GGTM or that such performance bonds will not be called on. Failure to do so would materially and adversely affect GGTM's Business.

(j) GGTM's engages staff for its interior fit-out projects on a contract basis as and when such projects arise

As at the Latest Practicable Date, GGTM currently has one ongoing interior fit-out project, which work is undertaken by the Consortium. For purposes of cost-savings and efficiency, for its Interior Fit-Out Business, GGTM engages its staff to undertake interior fit-out related services on a contract basis as and when interior fit-out projects arise. In the event that GGTM is unable to engage such staff as it may require for purposes of new interior fit-out projects, on a timely basis or at all, it may result in a delay to project timelines and GGTM's ability to provide its services will be impeded. In the event that such circumstances arise frequently or for a large scale interior fit-out project, GGTM's Business may be materially and adversely affected.

20.4 Risks relating to GGTM's operations in Malaysia

(a) GGTM is subject to the Malaysian regulatory regime

GGTM's operations are subject to a range of Malaysian laws, regulations, policies, guidelines, standards and requirements. These pertain to dimension stone granite extraction and processing, taxation, labour standards, occupational health and safety, waste treatment and environmental protection, operation management and more.

GGTM faces inherent risks of liabilities in its operation, and may be required to incur significant capital and maintenance expenditures to comply with laws and regulations. The failure to discharge its obligations in this regard could result in the imposition of fines and penalties, damage to its reputation, delays in processing and provision of services, or the temporary or permanent closure of its operations.

Existing laws, regulations or policies may become stricter or more strictly enforced, and GGTM may face investigation, scrutiny or evaluation. GGTM may face new liabilities, reduced operating hours, additional investment requirements, or delays in the expansion of its operations. GGTM also may be forced to conduct preventive or remedial actions. These may result in increased costs, and such costs, liabilities or disruptions in operations could materially and adversely affect its Business.

In the event of any non-compliance with the conditions and regulations imposed pursuant to relevant laws, regulations, policies, guidelines, standards or requirements by the Malaysian government authorities, its Business may also be materially and adversely affected.

APPENDIX A – LETTER TO SHAREHOLDERS FROM THE BOARD OF DIRECTORS OF GGT MANUFACTURING SDN. BHD.

Any contravention of GGTM's existing licences, permits and approvals for its business operations or such other conditions and regulations imposed by the government authorities, any fines, penalties or enforcement actions imposed on GGTM will materially and adversely affect its Business.

Please refer to Section 19 of this **Appendix A** entitled "Government Regulations, Permits and Licences" of this Circular for further details on GGTM's licences, permits and approvals for its business operations.

(b) GGTM is subject to the political, economic and social conditions in Malaysia

GGTM operates in Malaysia and its Business is therefore sensitive to the social, economic, political and legal conditions in Malaysia which are beyond its control. Unfavourable changes in these conditions or in Malaysian government policies may be detrimental to it. For example, these changes may lead to currency and interest rate fluctuations, inflation, capital restrictions, price and wage controls, expropriation of land and changes in taxes and duties which may materially and adversely affect its Business. Negative developments in the socio-political climate of Malaysia and the region may also materially and adversely affect its Business. The regional countries are in a state of rapid political, economic and social changes, which will entail risks to GGTM as it exports its products to the region or if it expands its business operations in the region in the future. Thus, there is no assurance that GGTM will be able to adapt to local conditions, regulations and business practices and customs in future. Furthermore, expropriation of land may lead to a loss of GGTM's mining or extraction rights. If so, GGTM may not be able to continue its business or receive any compensation for the loss of these rights. Malaysian foreign exchange control may limit its ability to utilise its cash effectively and may affect its ability to make dividends or other payments to foreign shareholders.

Any changes implemented by the governments of the region in which GGTM operates resulting in, *inter alia*, currency and interest rate fluctuations, capital restrictions, and changes in duties and taxes detrimental to GGTM could materially and adversely affect its Business.

(c) GGTM is subject to the foreign exchange legislation and regulations in Malaysia

Local and foreign investors are subject to Foreign Exchange Administration Rules in Malaysia. In exercise of the powers conferred by the Financial Services Act 2013 of Malaysia ("**FSA**") and the Islamic Financial Services Act 2013 of Malaysia ("**IFSA**"), Bank Negara Malaysia ("**BNM**") issued exchange control notices ("**ECM Notices**"). These ECM Notices set out transactions that are allowed by BNM which otherwise are prohibited under the FSA and IFSA. A person must obtain approval of BNM to undertake or engage in any transactions that are not provided or allowed by BNM under any of the ECM Notices.

The ECM Notices are reviewed regularly according to changing circumstances. As at the Latest Practicable Date, foreign investors are free to remit out divestment proceeds, profits, dividends or any income arising from these investments in Malaysia.

APPENDIX A – LETTER TO SHAREHOLDERS FROM THE BOARD OF DIRECTORS OF GGT MANUFACTURING SDN. BHD.

However, the repatriation of funds may be restricted in the future. This will limit GGTM's ability to distribute dividends to foreign shareholders from its business operations.

Also, as at the Latest Practicable Date, resident companies are allowed to borrow any amount in foreign currency from licensed onshore banks or through the issuance of foreign currency debt securities to another resident. Resident companies are only allowed to borrow in foreign currency of up to RM100 million equivalent in aggregate from other non-residents. The RM100 million equivalent is based on the aggregate borrowing of the resident entity and other resident entities within its group of entities with parent-subsidiary relationship. Resident companies are also allowed to borrow any amount in foreign currency from their resident or non-resident entities within its group of entities or resident or non-resident direct shareholders unless the borrowing is from non-resident financial institutions or non-resident special purpose vehicles which are set up to obtain borrowing from any person which is not part of the resident entity's group of entities.

The relevant rules and regulations on foreign exchange control in Malaysia may change. If there is any adverse change in the foreign exchange rules and regulations relating to the borrowing or repatriation of foreign currency, GGTM's Business may be materially and adversely affected.

(d) GGTM may be subject to costs and risks associated with the monitoring, rehabilitation and compliance with environmental laws and regulations

To the best of the knowledge of GGTM's directors, GGTM has not breached any environmental laws and regulation; however, in the event it does not comply with any environmental laws and regulations and PMINT is unable to renew the corresponding proprietary mining licence relating to the Concession Area or if PMINT does not comply with their legal obligations as holder of the proprietary mining licence resulting in a breach of Enactment 2002, GGTM may be materially and adversely affected. These environmental laws and regulations require the holder of the proprietary mining licence to protect and rehabilitate the environment. Compliance with these requirements may increase GGTM's costs if PMINT transfers these costs to GGTM and may also delay its activities, depending on what is permitted and how the requirements are interpreted and implemented by the authorities.

In addition, economic development and improvements in living standards may increase awareness of environmental protection. Environmental laws and regulations may become more stringent or more stringently enforced. If so, GGTM may not be able to comply with these environmental laws and regulations, economically or at all. GGTM and/or PMINT may be subject to penalties and liabilities under environmental laws and regulations. These include warnings, fines, prosecution, suspension of production and closure of GGTM's processing facilities. GGTM and/or PMINT may also face litigation brought by environment protection groups or other interested persons. These events may delay or halt production and create negative publicity related to its quarries. Accordingly, GGTM's Business will be materially and adversely affected.

APPENDIX A – LETTER TO SHAREHOLDERS FROM THE BOARD OF DIRECTORS OF GGT MANUFACTURING SDN. BHD.

(e) GGTM is subject to regulations and risks in relation to production safety and the occurrence of accidents

GGTM uses heavy machinery in its quarry extraction and processing operations. Thus, GGTM is subject to occupational safety and health laws, regulations and policies of the Malaysian government (“**Occupational Safety and Health Rules**”).

Occupational Safety and Health Rules may become more stringent or more stringently enforced. If so, GGTM may not be able to comply with such Occupational Safety and Health Rules, economically or at all, within the relevant prescribed periods. This may increase GGTM’s costs of production. Its operations may be suspended, and it may even be found guilty of criminal offences and be penalised with fines and/or imprisonment.

Accidents and technical difficulties may happen. Such incidents may injure people or damage property. GGTM’s business and operations may be disrupted or suspended. If such incidents breach the conditions of its licences, permits and approvals, GGTM may lose its concession rights or its production costs may increase. GGTM’s reputation and financial condition may suffer as a result. GGTM may even be subject to litigation and regulatory investigations, which may in turn result in civil and criminal liabilities and penalties. GGTM’s insurance and workmen’s compensation policies may not cover, sufficiently or at all, the claims for compensation. GGTM’s insurance claims may even be contested by the insurers. If successfully contested by the insurers, GGTM will have to pay such compensation. These events will materially and adversely affect its Business.

(f) Terrorist attacks, armed conflicts, and/or outbreak of Severe Acute Respiratory Syndrome (“SARS”), avian influenza, H1N1, H7N9, Middle East Respiratory Syndrome Coronavirus (“MERS-CoV”), Ebola virus disease (“EVD”) and/or other communicable diseases may affect the markets in which GGTM operates and GGTM’s Business

The effects of terrorist attacks or armed conflicts may materially and adversely affect GGTM’s Business or those of its suppliers or customers. Such terrorist attacks or armed conflicts could have a material adverse effect on its Business. Political and economic instability in some regions of the world may also result from such terrorist attacks and armed conflicts, and could negatively impact GGTM’s Business. The consequences of any of these terrorist attacks or armed conflicts are unpredictable. An outbreak of contagious disease may have a material adverse effect on the economies of certain Asian countries and may materially and adversely affect GGTM’s Business.

For example, in the first half of 2003, certain countries in Asia experienced an outbreak of SARS, a highly contagious form of atypical pneumonia. In 2009, there was a global outbreak of a new strain of influenza A virus sub-type H1N1. In the last few years, large parts of Asia experienced unprecedented outbreaks of avian flu. In 2013, a deadly strain of influenza A virus sub-type H7N9 was reported in the People’s Republic of China. These infectious diseases seriously interrupted economic activities and general demand for goods plummeted in the affected regions.

APPENDIX A – LETTER TO SHAREHOLDERS FROM THE BOARD OF DIRECTORS OF GGT MANUFACTURING SDN. BHD.

In a similar vein, a strand of virus called MERS-CoV, which also causes acute respiratory illness, was discovered in 2012. In April 2014, the Ministry of Health in Malaysia reported its first confirmed case of MERS-CoV. Nonetheless, as the global MERS-CoV situation is still unfolding, the full impact of this infection on the economies of Asian countries is uncertain.

There can be no assurance that an outbreak of SARS, avian flu, H1N1, H7N9, MERS-CoV, EVD or other contagious diseases, or the measures taken by the governments of affected countries against such potential outbreaks, will not seriously interrupt GGTM's operations or those of its contractors, suppliers and/or customers. This, in turn, may have a material adverse effect on its Business. The perception that there may be a recurrence of an outbreak of SARS, avian flu, H1N1, H7N9, MERS-CoV, EVD or other contagious diseases may also have a material adverse effect on the economic conditions of countries in Asia and accordingly, GGTM's Business.

(g) GGTM faces various political and sovereign immunity risks

GGTM currently operates in the geographic location and jurisdiction of Malaysia. In the event that GGTM expands into other countries in the future, differences in political, economic or legal systems will expose GGTM's multi-jurisdictional operations to regulatory, economic and investment risks. It may face difficulties in enforcing agreements, difficulties in protecting intellectual property, rising labour costs, disruptions in infrastructure, difficulties in staffing and managing its operations and difficulties in complying with foreign and international laws, treaties and policies. In particular, some of the countries in which GGTM may operate have constitutions and laws which entrench and vest all the rights over their natural resources, which are regarded as sovereign state assets, in the state. These factors introduce uncertainty in and risk to GGTM in the event it expands into other countries.

Any changes in the policies implemented by the governments of these countries, currency and interest rate fluctuations, capital restrictions and changes in duties and tax may be detrimental to GGTM's Business. Accordingly, its future results could be materially and adversely affected by a variety of factors, including but not limited to:

- interruptions to transportation flows for the delivery of raw materials and parts to us and finished goods to GGTM's customers;
- labour strikes;
- changes in foreign currency exchange rates and interest rates;
- changes in a specific country's or region's political or economic conditions;
- trade protection measures and import or export licensing requirements;
- negative consequences from changes in tax laws; and
- unexpected changes in regulatory requirements.

Please refer to Section 4.6 of this Circular entitled "Risks associated with the New Businesses" for further details on risks relating to the New Businesses.

APPENDIX A – LETTER TO SHAREHOLDERS FROM THE BOARD OF DIRECTORS OF GGT MANUFACTURING SDN. BHD.

21. SELECTED FINANCIAL INFORMATION

*The following selected financial information should be read in conjunction with the full text of this **Appendix A** and the Circular, including “Audited Financial Statements of GGT Manufacturing Sdn. Bhd. for Financial Years ended 31 December 2014, 31 December 2015 and 31 December 2016” as set out in **Appendix H** and “Unaudited Pro Forma Financial Information of the Enlarged Group” as set out in **Appendix I** of the Circular, where the selected Target financial information has been derived from, and Section 22 of this **Appendix A** entitled “Management’s Discussion and Analysis of Financial Position and Results of Operations”.*

Statements of Comprehensive Income

	Audited	Audited	Audited
RM’000	FY2014	FY2015	FY2016
Revenue	–	53	4,923
Other income	–	15	110
Changes in inventories	–	–	184
Contractor expenses	–	–	(3,651)
Royalty fee expenses	–	–	(35)
Raw materials and consumables used	–	(14)	(41)
Depreciation and amortisation expenses	–	(4)	(184)
Employee benefits expense	–	(54)	(705)
Operating lease expenses	–	(19)	(160)
Other expenses	(3)	(295)	(1,413)
Finance costs	–	(685)	(3,428)
Loss before income tax	(3)	(1,003)	(4,400)
Income tax expense	–	(1)	–
Loss for the financial year, representing total comprehensive income for the financial year	(3)	(1,004)	(4,400)
Loss attributable to owners of the Company	(3)	(1,004)	(4,400)
Total comprehensive income attributable to owners of the company	(3)	(1,004)	(4,400)
Weighted average number of shares	100,000	100,000	185,246
Loss per share (“LPS”)			
– Basic (in sen)	(3.18)	(1,003.93)	(2,375.20)
– Diluted (in sen) ⁽¹⁾	(3.18)	(1,003.93)	(2,375.20)

Note:

- (1) The basic and diluted LPS are the same as there is no potential dilutive effect arising from the conversion of RCPS.

APPENDIX A – LETTER TO SHAREHOLDERS FROM THE BOARD OF DIRECTORS OF GGT MANUFACTURING SDN. BHD.

Statements of Financial Position

RM'000	Audited as at 31 December 2015	Audited as at 31 December 2016
ASSETS		
Non-current assets		
Property, plant and equipment	47	2,700
Exploration and evaluation assets	601	–
Mine properties	–	1,754
Prepayments	–	83
	648	4,537
Current assets		
Inventories	–	204
Trade and other receivables	250	2,293
Prepayments	142	46
Cash and cash equivalents	2,325	4,155
	2,717	6,698
TOTAL ASSETS	3,365	11,235
EQUITY AND LIABILITIES		
Equity attributable to owners of the Company		
Share Capital	100	250
Accumulated losses	(1,022)	(5,422)
TOTAL EQUITY	(922)	(5,172)
Non-current liabilities		
Redeemable convertible preference shares	4,229	–
Finance lease payables	–	91
	4,229	91
Current liabilities		
Redeemable convertible preference shares	–	13,626
Finance lease payables	–	9
Trade and other payables	58	1,918
Amount due to customer for contract works	–	763
	58	16,316
TOTAL LIABILITIES	4,287	16,407
TOTAL EQUITY AND LIABILITIES	3,365	11,235
Number of shares	100,000	250,000
Net Liability Value per share (in sen)	(922.00)	(2,068.80)

APPENDIX A – LETTER TO SHAREHOLDERS FROM THE BOARD OF DIRECTORS OF GGT MANUFACTURING SDN. BHD.

22. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL POSITION AND RESULTS OF OPERATIONS

*In the following section, GGTM discusses its historical results of operations for the financial years ended 31 December 2014, 31 December 2015 and 31 December 2016 and GGTM's management's assessment of the factors that may affect its prospects and performance in future periods. Shareholders should read the following discussion together with "Audited Financial Statements of GGT Manufacturing Sdn. Bhd. for Financial Years ended 31 December 2014, 31 December 2015 and 31 December 2016" as set out in **Appendix H** and "Unaudited Pro Forma Financial Information of the Enlarged Group" as set out in **Appendix I** of the Circular.*

*This discussion and analysis may contain forward-looking statements which involve risks and uncertainties. GGTM's actual results may differ from those anticipated in these forward-looking statements. Factors that might cause its actual future results to differ from those projected in the forward-looking statements include, but are not limited to, those discussed below and elsewhere in in this **Appendix A** and the Circular, particularly in Section 20 of this **Appendix A** entitled "Risk Factors".*

OVERVIEW

GGTM is principally engaged in the businesses of exploration, mining, quarry extraction, processing and sale of granite products and dimension stone granite as well as architectural stone and interior fit-out.

Please refer to Section 2 of this **Appendix A** entitled "Industry and Business Overview" for further details of GGTM's business activities.

PRINCIPAL COMPONENTS OF GGTM'S INCOME STATEMENT

Revenue

GGTM derives its revenue mainly from the sales of granite stone and also from the interior fit-out project based on percentage of completion method.

GGTM did not generate any revenue in FY2014 as GGTM had yet to commence operations.

Below are the range of ex-factory selling price for GGTM's products between FY2015 and FY2016.

	TG	SW
	RM	RM
Blocks/m ³	1,500 – 1,800	900 – 1,080
Slabs/Strips/m ²	269 – 310	161 – 186
Small tiles/m ²	48 – 55	48 – 55

APPENDIX A – LETTER TO SHAREHOLDERS FROM THE BOARD OF DIRECTORS OF GGT MANUFACTURING SDN. BHD.

The breakdown of revenue as below:

	FY2015		FY2016	
	RM'000	Percentage of sales (%)	RM'000	Percentage of sales (%)
Granite				
Blocks	–	–	37	0.7
Slabs/Strips	53	100.0	39	0.8
Small tiles	–	–	–	–
Total Granite	53	100.0	76	1.5
Interior fit-out project	–	–	4,847	98.5
Total	53	100.0	4,923	100.0

Revenue from sales of granite stone is mainly derived from Malaysia.

GGTM has supplied granite slabs valued at approximately RM0.72 million for the JMA Project in FY2016. In aggregate, the value of granite produced in FY2016 amounted to RM0.80 million.

Revenue for FY2015 and FY2016 amounted to RM0.05 million and RM4.92 million respectively.

Revenue of GGTM is mainly dependent on, among other things, the following factors:

- (a) price of granite;
- (b) extraction and processing volume of granite; and
- (c) ability to source new interior fit-out projects.

Please refer to Section 20 of this **Appendix A** entitled “Risk Factors” for other factors which may affect GGTM’s revenue.

Other income

Other income comprises interest income from fixed deposits.

Other income generated in each of FY2015 and FY2016 amounted to approximately RM0.02 million and RM0.11 million respectively.

APPENDIX A – LETTER TO SHAREHOLDERS FROM THE BOARD OF DIRECTORS OF GGT MANUFACTURING SDN. BHD.

Changes in inventories

Changes in inventories relate to the difference in the opening and closing inventory of granite products.

Changes in work-in-progress and finished goods in FY2016 amounted to approximately RM0.18 million.

Contractor expenses

Contractor expenses relate to fees paid to contractors for the following:

- (a) outsourcing of stone processing works which include trimming, cutting, polishing and packaging; and
- (b) sub-contracting of the interior fit-out project, which is recognised based on percentage of completion.

Contractor expenses incurred in FY2016 amounted to approximately RM3.65 million.

The contractor expenses for outsourcing of stone processing works and sub-contracting of the JMA Project for FY2016 were RM0.35 million and RM3.30 million respectively.

Royalty fee expenses

Royalty fee expenses relate to tribute payment to PMINT for the sales of granite stone (blocks, slabs/strips and small tiles) in accordance to the Concession Agreement. Set-out below is the royalty table in accordance to the Concession Agreement with PMINT:

	TG	TG	SW	SW
	RM	% of selling price	RM	% of selling price
Blocks/m ³	220.00	12.2% – 14.7%	132.00	12.2% – 14.7%
Slabs/Strips/m ²	7.33	2.4% – 2.7%	4.40	2.4% – 2.7%
Small Tiles/m ²	7.33	13.3% – 15.3%	4.40	8.0% – 9.2%

Royalty fee expenses incurred in FY2016 amounted to approximately RM0.04 million.

Raw materials and consumables used

Consumables used relate to tools and consumables used in the production process. The consumables include the following:

- (a) PVC and steel pipe and fittings for water supply in quarry and factory;
- (b) locks;
- (c) safety equipment; and
- (d) general consumables.

APPENDIX A – LETTER TO SHAREHOLDERS FROM THE BOARD OF DIRECTORS OF GGT MANUFACTURING SDN. BHD.

Consumables used in each of FY2015 and FY2016 amounted to approximately RM0.01 million and RM0.04 million respectively.

Depreciation and amortisation expenses

Depreciation expenses relate to the property, plant and equipment of GGTM including renovation, plant and machinery, motor vehicle, furniture and fittings and tools and office equipment. Other than plant and machinery which are depreciated by a straight-line method over a period of ten (10) years, all other plant and equipment classes are depreciated by a straight-line method over a period of five (5) years.

Amortisation expenses relate to the mine properties which are amortised over the remaining lease term of the Concession which expires in October 2029. There is an option to extend the lease term for a period of 5 years or an alternative period that is deemed suitable from time to time subject to that covenants and conditions of the Concession and any new conditions (if any) are complied with. The extension can be applied for by giving a written notice 1 year before the end of the Concession.

Depreciation and amortisation expenses incurred in each of FY2015 and FY2016 amounted to approximately RM0.01 million and RM0.18 respectively.

Employee benefits expense

Employee benefits expense include salaries, wages, bonuses, other benefits and contributions to defined contribution plans, for staffs and key management personnel.

Employee benefits expense incurred in each of FY2015 and FY2016 amounted to approximately RM0.05 million and RM0.71 million respectively.

Operating lease expenses

Operating lease expenses comprise the rental for land as stipulated in the Concession Agreement with PMINT, rental of GGTM's office in Kuala Lumpur, Malaysia, a staff hostel in Kuala Terengganu, office equipment and site equipment for GGTM's operating activities at the Bukit Chetai Mine and the head office in Kuala Lumpur.

Operating lease expenses incurred in each of FY2015 and FY2016 amounted to approximately RM0.02 million and RM0.16 million respectively.

Other expenses

Other expenses comprise mainly:

- (a) consultancy fees, diesel, professional fees, repair and maintenance, and travelling and accommodation for the granite business; and
- (b) professional fees and material costs for the JMA Project.

Other expenses incurred in each of FY2014, FY2015 and FY2016 amounted to approximately, RM0.01 million, RM0.30 million and RM1.41 million respectively.

APPENDIX A – LETTER TO SHAREHOLDERS FROM THE BOARD OF DIRECTORS OF GGT MANUFACTURING SDN. BHD.

Below is the breakdown of other expenses for the granite business and interior fit-out project.

	Granite	Interior fit-out project
	RM'000	RM'000
FY2014	3	–
FY2015	295	–
FY2016	553	860

Consultancy fees

Consultancy fees mainly relate to the following:

- (a) consultancy services in relation to an infrastructure permit application for a workshop at the Bukit Chetai Mine; and
- (b) consultancy services pertaining to the Proposed Acquisition.

Consultancy fees incurred in each of FY2015 and FY2016 amounted to approximately RM0.01 million and RM0.02 million respectively.

Diesel

Diesel expenses were incurred mainly at the Bukit Chetai Mine for the purpose of power generation of the machineries.

Diesel expenses incurred in FY2015 and FY2016 amounted to approximately RM0.02 million and RM0.08 million respectively.

Professional fees

Professional fees mainly relate to the following:

- (a) professional fees on compliance works in relation to statutory audit, taxation and company secretarial services;
- (b) RCPS related agreements (namely, subscription agreements, put option agreements and share charges); and
- (c) interior design, architecture, quantity surveying, mechanical and engineering services related to the JMA Project.

Professional fees incurred in each of FY2015 and FY2016 amounted to approximately RM0.13 million and RM0.69 million.

Repair and maintenance

Repair and maintenance expenses were incurred mainly for the plant and equipment and the site office in Kuala Terengganu.

APPENDIX A – LETTER TO SHAREHOLDERS FROM THE BOARD OF DIRECTORS OF GGT MANUFACTURING SDN. BHD.

Repair and maintenance expenses incurred in each of FY2015 and FY2016 amounted to approximately RM0.06 million and RM0.17 million respectively.

Travelling and accommodation

Travelling and accommodation expenses were incurred mainly by staff and various professionals and consultants.

Travelling and accommodation expenses incurred in each of FY2015 and FY2016 amounted to approximately RM0.02 million and RM0.17 million respectively.

Material costs

Material costs mainly comprised the cost of granite slabs incurred for JMA Project.

Material costs incurred in FY2016 amounted to approximately RM0.21 million.

Finance costs

Finance costs mainly relate to:

- (a) agent commissions incurred on fundraising through the issuance of RCPS, mainly for the development of Concession Area of Bukit Chetai, acquisition of plant and equipment and general working capital requirement. The fee is at the rate of 4.5% and 0.5% on funds raised and received by GGTM, paid to Well-Cept and Chai Consulting respectively. The agent commission is added to the carrying amount of the RCPS and amortised over the term of the RCPS through an adjustment to the effective interest rate; and
- (b) interest accrued to the RCPS holders.

Finance costs incurred in FY2015 and FY2016 amounted to approximately RM0.69 million and RM3.43 million respectively.

Income tax expense

GGTM is subjected to income tax in Malaysia. The Malaysian statutory corporate tax rate for the Period Under Review was 25%. Income tax expense incurred in FY2015 amounted to approximately RM 0.01 million.

REVIEW OF PAST OPERATING PERFORMANCE

FY2015 VS FY2014

Revenue

GGTM did not generate any revenue in FY2014 as GGTM had yet to commence operations.

APPENDIX A – LETTER TO SHAREHOLDERS FROM THE BOARD OF DIRECTORS OF GGT MANUFACTURING SDN. BHD.

In FY2015, GGTM commenced its operating activities from September 2015 and generated revenue of approximately RM0.05 million relating to the sale of granite stone extracted during development stage.

Other income

GGTM did not generate any other income in FY2014 as GGTM had yet to commence business activities.

In FY2015, GGTM generated other income of approximately RM0.02 million from interest earned on the placement of fixed deposits. The fixed deposits are from the unutilised funds raised through first tranche of RCPS of RM5.00 million.

Changes in inventories

GGTM did not have any changes in inventories in FY2014 and FY2015 as GGTM did not have any inventories in FY2014 and FY2015.

Contractor expenses

GGTM did not incur any contractor expenses in FY2014 and FY2015 as GGTM only engaged the use of contractors from FY2016 onwards.

Royalty fee expenses

GGTM did not incur any royalty fee expenses in FY2014 as there were no sales of granite during FY2014.

No royalty fee expenses were incurred in FY2015 as GGTM is only required to pay tribute for the sales of granite with effect from 15 September 2016 in accordance to the Concession Agreement.

Raw materials and consumables used

GGTM did not use any consumables in FY2014 as GGTM had yet to commence operations.

In FY2015, GGTM incurred raw materials and consumables used of approximately RM0.01 million as GGTM had commenced its operating activity from September 2015 onwards.

Depreciation and amortisation expenses

GGTM did not incur any depreciation expense in FY2014 as GGTM did not own any property, plant and equipment during the year.

In FY2015, GGTM incurred depreciation and amortisation expenses of approximately RM0.01 million due to the acquisition of furniture and fittings at the head office in Kuala Lumpur.

APPENDIX A – LETTER TO SHAREHOLDERS FROM THE BOARD OF DIRECTORS OF GGT MANUFACTURING SDN. BHD.

Employee benefits expense

GGTM did not incur any employee benefits expense in FY2014 as GGTM did not employ any staff during the year.

In FY2015, GGTM incurred employee benefits expense of approximately RM0.05 million as it commenced hiring of staff for operations in both the head office in Kuala Lumpur and at the Bukit Chetai Mine. As at the end of FY2015, GGTM's headcount was four.

Operating lease expenses

GGTM did not incur any operating lease expense in FY2014 as GGTM only commenced its operating activities from September 2015 onwards.

In FY2015, GGTM incurred operating lease expense of approximately RM0.02 million as it commenced the payment of rental for land as per Concession Agreement with PMINT and rental of site equipment at the Bukit Chetai Mine.

Other expenses

GGTM only incurred other expenses of approximately RM3,000 in FY2014 as GGTM had yet to commence operations.

GGTM incurred other expenses of approximately RM0.30 million FY2015 mainly due to the following:

Consultancy fees

In FY2015, GGTM incurred one-off consultancy fees of approximately RM0.01 million payable to Fauzi Architect for consultancy services in relation to an infrastructure permit application for a workshop at the Bukit Chetai Mine.

Diesel

In FY2015, GGTM incurred diesel expenses of approximately RM0.02 million in relation to the Bukit Chetai Mine.

Professional fees

In FY2015, GGTM incurred professional fees of approximately RM0.13 million due to the following:

- (a) GGTM incurred approximately RM0.11 million payable to its solicitors for preparation of RCPS related agreements between GGTM and Luminor 1; and
- (b) GGTM also incurred approximately RM0.02 million of professional fees on statutory audit, taxation and company secretarial services.

APPENDIX A – LETTER TO SHAREHOLDERS FROM THE BOARD OF DIRECTORS OF GGT MANUFACTURING SDN. BHD.

Repair and maintenance

In FY2015, GGTM incurred repair and maintenance expenses of approximately RM0.06 million for the repair and maintenance of site equipment, office equipment and the site office in Kuala Terengganu.

Travelling and accommodation

In FY2015, GGTM incurred travelling and accommodation expenses of approximately RM0.02 million mainly due to travelling to and from the Bukit Chetai Mine in Terengganu.

Finance costs

GGTM did not incur any finance costs in FY2014 as GGTM had yet to commence any business activities.

In FY2015, GGTM incurred finance costs of approximately RM0.69 million due to interest expense from the first tranche of RCPS of RM5.00 million at the effective interest rate.

Loss before income tax

Loss before income tax for FY2015 increased from approximately RM3,000 in FY2014 to approximately RM1.00 million in FY2015.

The increase was mainly due to employee benefits expense of approximately RM0.05 million, professional fees of approximately RM0.13 million, repair and maintenance expenses of approximately RM0.06 million, and finance costs of approximately RM0.69 million in FY2015.

Income tax expense

GGTM did not incur any income tax expense in FY2014 as GGTM did not generate any taxable profit.

In FY2015, GGTM incurred income tax expense of approximately RM1,000 for the interest received from fixed deposit placement.

FY2016 VS FY2015

Revenue

In FY2016, GGTM generated revenue of approximately RM4.92 million from sale of granite stone of approximately RM0.08 million and progress billing on the JMA Project of approximately RM4.84 million based on percentage of completion method. This is an increase in revenue of approximately 9,740.0% from approximately RM0.05 million in FY2015.

The increase in revenue is mainly due to revenue recognised from progress billing on the JMA Project of approximately RM4.84 million in FY2016.

APPENDIX A – LETTER TO SHAREHOLDERS FROM THE BOARD OF DIRECTORS OF GGT MANUFACTURING SDN. BHD.

The accounting recognition of the JMA Project is outside the scope of FRS111 Joint Arrangements, as no joint control being established in the JMA Project. GGTM recognises assets and liabilities based on its rights for the assets and its obligations for liabilities over the Consortium. Accordingly, the Consortium's financial position and performance have been included in the financial statements of GGTM. Based on the letter of award issued by the Consortium to EGI (one of the group of companies of EII), it is stated that the contract sum is inclusive of EII's entitlement to the 10% of the profit of the contract awarded to the Consortium. Please refer to the Section 2.6 of **Appendix A** to this Circular entitled "Joint Venture Arrangement" for further details on the JMA Project, the Consortium and EGI.

Other income

In FY2016, GGTM generated other income of approximately RM0.11 million from interest earned from fixed deposits, an increase of approximately 450.0% from RM0.02 million in FY2015.

The increase in interest income is due to additional fixed deposit placed on unutilised funds raised from RCPS subscription. Average monthly placement for FY2015 and FY2016 are approximately RM0.50 million and RM2.75 million, respectively with interest rate of 4% per annum.

Changes in inventories

GGTM did not have any changes in inventories in FY2015 as GGTM did not have any inventories.

In FY2016, GGTM recorded a gain in changes in inventories of approximately RM0.18 million mainly due to the increase in the ending inventories balance of raw materials of approximately RM0.18 million.

Contractor expenses

GGTM did not incur any contractor expenses in FY2015.

In FY2016, GGTM incurred contractor expenses of approximately RM3.65 million mainly due to the processing works of granite stone of approximately RM0.35 million and interior fit-out works of approximately RM3.30 million.

Royalty fee expenses

No royalty fee expenses were incurred in FY2015 as GGTM is only required to pay tribute for the sales of granite stone with effect from 15 September 2016 in accordance to the Concession Agreement.

In FY2016, GGTM incurred royalty fee expenses amounted to approximately RM0.04 million being the monthly minimum payments of RM10,000 from 15 September 2016 to 31 December 2016.

APPENDIX A – LETTER TO SHAREHOLDERS FROM THE BOARD OF DIRECTORS OF GGT MANUFACTURING SDN. BHD.

Raw materials and consumables used

In FY2016, GGTM incurred raw material and consumables used of RM0.04 million, an increase of approximately 300.0% from RM0.01 million in FY2015.

The increase in raw materials and consumables used is in line with the increased operations of the Bukit Chetai Mine.

Depreciation and amortisation expenses

In FY2016, GGTM incurred depreciation and amortisation expenses of RM0.18 million, an increase of approximately 1,700% from RM0.01 million in FY2015.

The increase in depreciation and amortisation expenses in FY2016 was mainly due to the addition of approximately RM2.31 million of property, plant and equipment during the year which excludes freehold land being not depreciable and the commencement of amortisation of mine property since July 2016 at a rate of approximately RM10,590 per month.

Employee benefits expense

In FY2016, GGTM incurred employee benefits expense of approximately RM0.71 million, an increase of approximately 1,320.0% from RM0.05 million in FY2015.

This increase in employee benefit expense in FY2016 was in line with GGTM's increased business activity as its operations and business activities grew in scale. GGTM's headcount increased from four as at the end of FY2015, to seventeen as at the end of FY2016.

Operating lease expenses

In FY2016, GGTM incurred operating lease expenses of approximately RM0.16 million, an increase of approximately 700.0% from RM0.02 million in FY2015.

This increase in operating lease expenses in FY2016 was mainly due to a full year of operations in FY2016 as compared to a partial year of operations that commenced in the second half of FY2015, an increase in operational activities at Bukit Chetai Mine, rental of a staff hostel at Kuala Terengganu since February 2016 and rental of the Company's office in Kuala Lumpur since April 2016.

Other expenses

In FY2016, GGTM incurred other expenses of approximately RM1.41 million, an increase of approximately 370.0% from RM0.30 million in FY2015. The increase was mainly due to the following:

Consultancy fees

In FY2016, GGTM incurred consultancy fees of approximately RM0.02 million in relation to consultancy services pertaining to the Proposed Acquisition, an increase of approximately 100.0% from RM0.01 million in FY2015.

APPENDIX A – LETTER TO SHAREHOLDERS FROM THE BOARD OF DIRECTORS OF GGT MANUFACTURING SDN. BHD.

Diesel

In FY2016, GGTM incurred diesel expenses of approximately RM0.08 million, an increase of approximately 300.0% from RM0.02 million in FY2015.

This increase was mainly due to a full year of operations in FY2016 as compared to only a partial year of operations in FY2015.

Professional fees

In FY2016, GGTM incurred professional fees of approximately RM0.69 million, an increase of approximately 430.8% from RM0.13 million in FY2015.

The increase in professional fees in FY2016 was mainly due to professional fees incurred for the following:

- (a) monthly retainer fee of RM8,000 on legal advice services amounting to approximately RM0.06 million commencing in June 2016;
- (b) preparation of a Preliminary Feasibility Study of approximately RM0.13 million;
- (c) internal control review of approximately RM0.08 million;
- (d) land valuation service of approximately RM0.04 million for a potential property development project;
- (e) increase of paid up capital of approximately RM0.02 million;
- (f) interior design, architecture, quantity surveying, mechanical and engineering services related to the JMA Project project of approximately RM0.19 million; and
- (g) professional fees of approximately RM0.13 million to solicitors for preparation of revised agreement for RCPS between GGTM and Luminor 1.

Repair and maintenance

In FY2016, GGTM incurred repair and maintenance expenses of approximately RM0.17 million, an increase of approximately 183.3% from RM0.06 million in FY2015.

The increase in repair and maintenance expenses is in line with the increase in the level of quarrying activity in the Bukit Chetai Mine.

Travelling and accommodation

In FY2016, GGTM incurred travelling and accommodation expenses of approximately RM0.17 million, an increase of approximately 750.0% from RM0.02 million in FY2015.

APPENDIX A – LETTER TO SHAREHOLDERS FROM THE BOARD OF DIRECTORS OF GGT MANUFACTURING SDN. BHD.

The increase in travelling and accommodation expense in FY2016 was mainly due to the following:

- (a) increased in travelling activities to and from the Bukit Chetai Mine;
- (b) travelling to the PRC for purchase of machineries; and
- (c) travelling to Singapore for meetings relating to the Proposed Acquisition.

Material costs

GGTM did not incur any material costs in FY2015 as GGTM had not commenced any interior fit-out project.

In FY2016, GGTM incurred material costs of approximately RM0.21 million for the interior fit-out project.

Finance costs

In FY2016, GGTM incurred finance costs of approximately RM3.43 million, an increase of approximately 397.1% from RM0.69 million in FY2015.

The increase in finance costs in FY2016 is mainly due to the increase in interest expense of RCPS as GGTM had raised a further of approximately RM6.00 million from the RCPS in June FY2016 after the first tranche of RM5.00 million in October FY2015, making the total accumulated fund raised from RCPS amount to approximately RM11.00 million as at end of FY2016.

Loss before income tax

Loss before income tax for FY2016 increased by approximately 340.0%, from approximately RM1.00 million in FY2015 to RM4.40 million in FY2016.

The increase was mainly due to the increase of contractor expenses of approximately RM3.65 million, increase of professional fees of approximately RM0.56 million, increase of employee benefits expense of approximately RM0.66 million, increase of operating lease expenses of approximately RM0.14 million, increase of repair and maintenance expenses of approximately RM0.11 million, increase of travelling and accommodation expenses of approximately RM0.15 million, and increase of finance costs of approximately RM2.74 million. The increase was partially offset by the increase in revenue of RM4.87 million in FY2016.

Income tax expense

GGTM did not incur any income tax expense in FY2016 as GGTM did not generate any taxable profit in FY2016, a decrease of RM1,000 from FY2015.

APPENDIX A – LETTER TO SHAREHOLDERS FROM THE BOARD OF DIRECTORS OF GGT MANUFACTURING SDN. BHD.

REVIEW OF PAST FINANCIAL POSITION

AS AT 31 DECEMBER 2015

Non-current assets

As at 31 December 2015, non-current assets of approximately RM0.65 million accounted for approximately 19.3% of total assets. Non-current assets comprised property, plant and equipment, and exploration and evaluation assets.

Property, plant and equipment amounted to approximately RM0.05 million, or approximately 7.7% of total non-current assets, and comprised mainly of furniture and fittings of approximately RM0.03 million, electrical installation works of approximately RM0.01 million, renovation and tools and equipment of approximately RM0.01 million.

Exploration and evaluation assets amounted to approximately RM0.60 million, or approximately 92.3% of total non-current assets, and comprised mainly concession rights for the Bukit Chetai Mine of approximately RM0.30 million, and costs of approximately RM0.19 million and RM0.11 million incurred for drilling and exploration consultancy respectively.

Current assets

As at 31 December 2015, current assets of approximately RM2.72 million accounted for approximately 80.7% of total assets. Current assets comprised trade and other receivables, prepayments and cash and cash equivalents.

Trade and other receivables amounted to approximately RM0.25 million, or 9.2% of total current assets, and comprised mainly other receivables of RM0.15 million and deposits of approximately RM0.10 million as collateral for the compliance of the terms and conditions of the Concession Agreement.

Prepayments amounted to approximately RM0.14 million, or approximately 5.1% of total current assets, and comprised mainly prepayments of leasing of land from PMINT of RM0.14 million.

Cash and cash equivalents amounted to approximately RM2.33 million, or 85.7% of total current assets, and comprised mainly fixed deposits with a bank and cash and cash equivalents denominated in RM.

Equity

As at 31 December 2015, total equity recorded as capital deficit amounted to approximately RM0.92 million, and comprised share capital of approximately RM0.10 million and accumulated losses of approximately RM1.02 million.

Non-current liabilities

As at 31 December 2015, non-current liabilities of approximately RM4.23 million accounted for approximately 98.6% of total liabilities. Non-current liabilities solely comprised RCPS.

APPENDIX A – LETTER TO SHAREHOLDERS FROM THE BOARD OF DIRECTORS OF GGT MANUFACTURING SDN. BHD.

Current liabilities

As at 31 December 2015, current liabilities amounted to approximately RM0.06 million, or approximately 1.4% of total liabilities comprising trade and other payables. Trade and other payables comprised mainly other payables of approximately RM0.06 million.

AS AT 31 DECEMBER 2016

Non-current assets

As at 31 December 2016, non-current assets of approximately RM4.54 million accounted for approximately 40.4% of total assets. Non-current assets comprised property, plant and equipment, mine properties and long term prepayments.

Property, plant and equipment amounted to approximately RM2.70 million, or approximately 59.5% of total non-current assets, and comprised mainly plant and equipment at the Bukit Chetai Mine of approximately RM2.05 million, freehold land at the Bukit Chetai Mine of approximately RM0.46 million, motor vehicles of approximately RM0.10 million and renovation of approximately RM0.04 million.

Mine properties comprising concession rights and evaluation and exploration expenditures amounted to approximately RM1.76 million or 38.7% of total non-current assets.

Prepayments arising from the long-term portion of prepayments for leasing of land from PMINT in respect of the Bukit Chetai Mine amounted to approximately RM0.08 million or 1.8% of total non-current assets.

Current assets

As at 31 December 2016, current assets of approximately RM6.70 million accounted for approximately 59.6% of total assets. Current assets comprised inventories, trade and other receivables, prepayments and cash and cash equivalents.

Inventories amounted to approximately RM0.20 million, or 3.0% of total current assets, and comprised mainly granite products.

Trade and other receivables amounted to approximately RM2.29 million, or 34.2% of total current assets. Trade receivables amounted to approximately RM2.08 million, or 31.0% of total current assets which comprised mainly trade receivables of approximately RM0.02 million from the granite business, progress billing not yet received of approximately RM1.58 million and retention sum of approximately RM0.48 million for the interior fit-out project. Other receivables amounted to approximately RM0.21 million, or 3.2% of total current assets, and comprised mainly other receivables of RM0.05 million and deposits of RM0.16 million.

Prepayments amounted to approximately RM0.05 million, or approximately 0.7% of total current assets, and comprised mainly prepayments of leasing of land from PMINT of approximately RM0.03 million and prepayments of insurance of approximately RM0.02 million.

APPENDIX A – LETTER TO SHAREHOLDERS FROM THE BOARD OF DIRECTORS OF GGT MANUFACTURING SDN. BHD.

Cash and cash equivalents amounted to approximately RM4.16 million, or 62.1% of total current assets, and comprised mainly fixed deposits with a bank and cash and cash equivalents denominated in RM.

Equity

As at 31 December 2016, total equity recorded as capital deficit amounted to approximately RM5.17 million, and comprised share capital of approximately RM0.25 million and accumulated losses of approximately RM5.42 million.

Non-current liabilities

As at 31 December 2016, non-current liabilities of approximately RM0.09 million accounted for approximately 0.5% of total liabilities. Non-current liabilities comprised solely long-term portion of finance lease payables.

Current liabilities

As at 31 December 2016, current liabilities amounted to approximately RM16.32 million, or approximately 99.5% of total liabilities. Current liabilities comprised RCPS, short-term portion of finance lease payables, trade and other payables, and amount due to customer for contract works.

RCPS amounted to approximately RM13.63 million, or approximately 83.5% of total current liabilities. RCPS is classified as current liabilities as the maturity date of the RCPS is 1 October 2017.

Short-term portion of finance lease payables amounted to RM0.01 million, or approximately 0.1% of total current liabilities.

Trade and other payables amounted to approximately RM1.92 million, or approximately 11.8% of total current liabilities. Trade and other payables comprised trade payables of approximately RM0.41 million, other payables of approximately RM1.24 million, deposit received from customer of approximately RM0.18 million and accrued expenses of approximately RM0.09 million.

Amount due to customer for contract works amounted to approximately RM0.76 million, or approximately 4.6% of total current liabilities. Amount due to customer for contract works relates to the amount of progress billings in excess of cost incurred plus recognised profits for the interior fit-out project.

LIQUIDITY AND CAPITAL RESOURCES

During the Period Under Review, GGTM's growth and operations have been funded by a combination of internal and external sources of funds. Internal sources of funds comprise mainly shareholders' equity and internal generated cash and cash equivalent while external sources comprise mainly the RCPS and equity from new investors.

The principal uses of these funds are for the development of the Bukit Chetai Mine, acquisition of plant and equipment and general working capital requirements.

APPENDIX A – LETTER TO SHAREHOLDERS FROM THE BOARD OF DIRECTORS OF GGT MANUFACTURING SDN. BHD.

Please refer to Section 24 of this **Appendix A** entitled “Capitalisation and Indebtedness” for details of GGTM’s latest available credit facilities, cash and bank balances and level of borrowings.

To the best of GGTM’s Directors’ knowledge, GGTM is not in breach of any of the terms and conditions or covenants associated with any credit arrangement or bank loan which could materially affect GGTM’s financial position and results or business operations, or the investments by GGTM’s shareholders in GGTM.

Working Capital

GGTM financed its operations through both internal and external sources. GGTM’s internal sources of funds comprise shareholders’ equity and internal generated cash and cash equivalents. GGTM’s external sources of funds comprise mainly fundraising from the issuance of RCPS and new ordinary shares to new investors. Please refer to Section 24 of this **Appendix A** entitled “Capitalisation and Indebtedness” for further details.

GGTM had cash and cash equivalents of approximately RM4.16 million and RM7.17 million as at 31 December 2016 and as at the Latest Practicable Date, respectively.

GGTM recorded working capital of approximately RM0.08 million and RM2.66 million as at 31 December 2014 and 2015 respectively. As at 31 December 2016 and the Latest Practicable Date, GGTM had negative working capital of approximately RM9.62 million and RM10.29 million respectively. For illustration purposes, assuming that the RCPS of RM13.63 million was converted into ordinary shares as at 31 December 2016, GGTM would have recorded positive working capital of RM4.01 million and total equity of GGTM would be RM8.45 million instead of capital deficiency of RM5.17 million.

Please refer to the section entitled “Liquidity and Capital Resources” above for more detailed information.

The directors of GGTM are of the reasonable opinion that, after having made due and careful enquiry and after taking into account of cash flow generated from GGTM’s operations as at the Latest Practicable Date and GGTM’s existing cash and bank balances, the working capital available to GGTM is sufficient for its present requirements and for at least 18 months from the date of this Circular.

The Sponsor is of the reasonable opinion that, after having made due and careful enquiry and after taking into account the cash flow generated from GGTM’s operations as at the Latest Practicable Date and GGTM’s existing cash and bank balances, the working capital available to GGTM is sufficient for its present requirements and for at least 18 months from the date of this Circular.

APPENDIX A – LETTER TO SHAREHOLDERS FROM THE BOARD OF DIRECTORS OF GGT MANUFACTURING SDN. BHD.

Cash Flows

Below is a summary of the Company's net cash flows for the Period Under Review:

	Audited	Audited	Audited
RM'000	FY2014	FY2015	FY2016
Net cash generated from/(used in) operating activities	4	(588)	(507)
Net cash used in investing activities	–	(636)	(3,778)
Net cash from financing activities	–	3,544	6,115
Net change in cash and cash equivalents	4	2,320	1,830
Cash and cash equivalents at beginning of financial year	1	5	2,325
Cash and cash equivalents at end of financial year	5	2,325	4,155

Please refer to Section 24 of this **Appendix A** entitled "Capitalisation and Indebtedness" for further details of GGTM's cash and cash equivalents and level of borrowings.

FY2014

Net cash generated from operating activities

In FY2014, GGTM recorded a net cash inflow from operating activities of approximately RM4,000. This was mainly a result of operating losses before working capital changes of approximately RM3,200, offset by working capital inflow of approximately RM7,200 due to a decrease in trade and other receivables of approximately RM8,900, offset by outflow due to a decrease in trade and other payables of approximately RM1,700.

Net cash used in investing activities

In FY2014, there was no cash used in investing activities.

Net cash from financing activities

In FY2014, there was no cash generated from financing activities.

APPENDIX A – LETTER TO SHAREHOLDERS FROM THE BOARD OF DIRECTORS OF GGT MANUFACTURING SDN. BHD.

FY2015

Net cash used in operating activities

In FY2015, GGTM recorded a net cash outflow from operating activities of approximately RM0.59 million. This was mainly a result of operating losses before working capital changes of approximately RM0.33 million and working capital outflow of approximately RM0.26 million due to an increase in trade and other receivables of approximately RM0.31 million, offset by inflow due to an increase of other payables of approximately RM0.05 million.

Net cash used in investing activities

In FY2015, GGTM recorded a net cash outflow from investing activities of approximately RM0.64 million. The outflow was mainly due to the purchase of property, plant and equipment of approximately RM0.05 million and investments in exploration and evaluation assets of approximately RM0.60 million for the Bukit Chetai Mine, offset by inflow from interest income received of approximately RM0.01 million.

Net cash from financing activities

In FY2015, GGTM recorded a net cash inflow from financing activities of approximately RM3.54 million. The inflow was mainly due to the net proceeds from the issuance of RCPS of approximately RM3.54 million.

FY2016

Net cash used in operating activities

In FY2016, GGTM recorded a net cash outflow from operating activities of approximately RM0.51 million. This was mainly a result of operating losses before working capital changes of approximately RM0.88 million and working capital inflow of approximately RM0.37 million due to an increase in trade and other payables of approximately RM2.60 million, offset by outflow due to an increase in inventories and trade and other receivables of approximately RM0.20 million and RM2.03 million respectively.

Net cash used in investing activities

In FY2016, GGTM recorded a net cash outflow from investing activities of approximately RM3.78 million. The outflow was mainly due to the purchase of property, plant and equipment of approximately RM2.67 million and investment in exploration and evaluation assets of approximately RM1.22 million (which was reclassified to mine properties upon commencement of production) for the Bukit Chetai Mine, offset by inflow from interest income received of approximately RM0.11 million.

Net cash from financing activities

In FY2016, GGTM recorded a net cash inflow from financing activities of approximately RM6.12 million. The inflow was mainly from the net proceeds from the issuance of RCPS of approximately RM5.97 million and net proceeds from issuance of shares of approximately RM0.15 million.

APPENDIX A – LETTER TO SHAREHOLDERS FROM THE BOARD OF DIRECTORS OF GGT MANUFACTURING SDN. BHD.

MATERIAL CAPITAL EXPENDITURES AND DIVESTMENTS

Capital expenditures

The material capital expenditures made by GGTM for the Period Under Review and for the period from 1 January 2017 up to the Latest Practicable Date were as follows:

RM'000	Audited			Unaudited
	FY2014	FY2015	FY2016	From 1 January 2017 up to the Latest Practicable Date
Electrical installation works	–	9	–	–
Furniture & Fittings	–	35	3	3
Freehold land	–	–	460	–
Motor Vehicles	–	–	107	4
Office equipment	–	–	29	8
Plant and equipment	–	–	2,130	87
Tools and equipment	–	3	2	6
Renovation	–	4	44	–
Subtotal	–	51	2,775	108
Exploration and evaluation assets	–	601	–	–
Mine properties	–	–	1,217	90
Subtotal	–	601	1,217	90
Total	–	652	3,992	198

The above capital expenditures were financed by a combination of funds generated from the issuance of RCPS and the issuance of new ordinary shares by GGTM.

Capital divestments

No divestments were made by GGTM during the Period Under Review.

Capital commitments

As at the Latest Practicable Date, GGTM does not have any capital commitments.

APPENDIX A – LETTER TO SHAREHOLDERS FROM THE BOARD OF DIRECTORS OF GGT MANUFACTURING SDN. BHD.

Operating lease commitments

As at 31 December 2016 and the Latest Practicable Date, GGTM has the following operating lease payment commitments relating to rental of office equipment and GGTM's office in Kuala Lumpur. GGTM intends to finance the operating lease commitments (as shown below) with internally generated funds.

RM'000	Audited as at 31 December 2016	As at the Latest Practicable Date
Within 1 year	79	76
Between 1 and 5 years	28	4
Total	107	80

Save as disclosed above and in Section 25 of this **Appendix A** entitled "Prospects, Trends and Future Plans", GGTM does not have other material plans on capital expenditures, divestments and commitments as at the Latest Practicable Date.

EXCHANGE RATE

The table below sets out the highest and lowest exchange rates between RM1.00 and S\$ in each of the six months prior to the Latest Practicable Date. The table indicates how much S\$ may be bought with RM1.00 in each such period:

	RM1.00:S\$	
	Highest ⁽¹⁾	Lowest ⁽¹⁾
December 2016	0.3237	0.3195
January 2017	0.3226	0.3184
February 2017	0.3198	0.3158
March 2017	0.3186	0.3156
April 2017	0.3216	0.3157
May 2017	0.3242	0.3215
Period from 1 June 2017 to 18 June 2017	0.3246	0.3228

The table below sets out, for each of the financial years and period included, the average and closing exchange rates between RM1.00 and S\$. The average exchange rate is calculated by using the average of the exchange rates on the last day of each month during each financial year/period. Where applicable, the exchange rates in this table are used for the translation of GGTM's financial statements disclosed elsewhere in this Circular.

APPENDIX A – LETTER TO SHAREHOLDERS FROM THE BOARD OF DIRECTORS OF GGT MANUFACTURING SDN. BHD.

	RM1.00:S\$	
	Average ⁽¹⁾	Closing ⁽¹⁾
FY2014	0.3871	0.3778
FY2015	0.3517	0.3290
FY2016	0.3338	0.3225

Note:

- (1) The above exchange rates have been quoted or calculated with reference to exchange rates quoted from Bank Negara on the Latest Practicable Date. Bank Negara has not provided its consent, for the purposes of Section 249 of the SFA, to the inclusion of the information extracted from the relevant reports and is therefore not liable for such information under Sections 253 and 254 of the SFA. While we have taken reasonable actions to ensure that the information is extracted accurately and fairly from such reports and has been included in this Circular in its proper form and context, neither Board of Directors of GGTM nor any party has conducted an independent review of the information contained in such reports nor verified the accuracy of the contents of the relevant information.

The above exchange rates should not be construed as representations that the RM amounts actually represent such S\$ amounts or could be converted into S\$, at the rates indicated, at any other rate or at all.

FOREIGN EXCHANGE MANAGEMENT

Accounting treatment of foreign currencies

In preparing the financial statements, transactions in currencies other than the entity's functional currency ("**foreign currencies**") are recorded at the rates of exchange prevailing on the date of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are re-translated at the rates prevailing at the end of the reporting period. Non-monetary items carried at fair value that are denominated in foreign currencies are re-translated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not re-translated.

Exchange differences arising on the settlement of monetary items and on re-translating of monetary items are recognised in profit or loss for the financial year. Exchange differences arising on the re-translation of non-monetary items carried at fair value are recognised in profit or loss for the financial year except for differences arising on the re-translation of non-monetary items in respect of which gains and losses are recognised in other comprehensive income. For such non-monetary items, any exchange component of that gain or loss is also recognised in other comprehensive income.

Foreign exchange exposure

GGTM's business operations are mostly carried out in RM, USD, HKD and SGD. During the Period Under Review, the majority of GGTM's operating expenses and a substantial portion of GGTM's capital expenditures were denominated in RM, USD, HKD and SGD.

APPENDIX A – LETTER TO SHAREHOLDERS FROM THE BOARD OF DIRECTORS OF GGT MANUFACTURING SDN. BHD.

The proportions of GGTM's revenue, purchases and expenses denominated in RM and foreign currencies for FY2014, FY2015 and FY2016 are as follows:

Percentage of revenue denominated in	FY2014	FY2015	FY2016
RM	N/A	100.0%	100.0%

Percentage of purchases and expenses denominated in	FY2014	FY2015	FY2016
RM	100.0%	88.9%	86.7%
USD	–	–	6.8%
HKD	–	5.8%	4.0%
SGD	–	5.3%	2.5%
Total	100.0%	100.0%	100.0%

To the extent that GGTM's revenue, purchases and expenses are not naturally matched in the same currency and to the extent that there are timing differences between invoicing and payment, GGTM may be exposed to adverse fluctuations of the various currencies against the RM, which may adversely affect GGTM's financial performance.

GGTM's net foreign exchange exposure for the Period Under Review is as follows:

(RM'000)	FY2014	FY2015	FY2016
Net foreign exchange loss	–	(4)	(31)
As a percentage of loss before income tax (%)	–	0.4%	0.7%

Currently, GGTM does not have a formal hedging policy with respect to foreign exchange exposure and GGTM did not use any financial instruments for hedging purposes during the Period Under Review and up to the Latest Practicable Date. GGTM will continue to monitor its foreign exchange exposure and may employ hedging instruments to manage GGTM's foreign exchange exposure should the need arise. GGTM will, prior to entering into any exchange hedging transactions, seek the approval of the board of directors on the policy for entering into any foreign exchange hedging transactions and put in place adequate procedures which must be reviewed and approved by the Board of Directors of the Company. The Board of Directors of the Company will monitor the implementation of the policy, including reviewing the instruments, processes and practices in accordance with the policy approved by the board of directors. GGTM intends to adhere to the internal controls policies, including without limitation any hedging policies (as and when implemented) and/or transactions of the Group following Completion.

APPENDIX A – LETTER TO SHAREHOLDERS FROM THE BOARD OF DIRECTORS OF GGT MANUFACTURING SDN. BHD.

INFLATION

GGTM's financial performance for the Period Under Review was not materially affected by inflation.

CONTINGENT LIABILITIES

As at the Latest Practicable Date, GGTM does not have any contingent liabilities.

CHANGES IN ACCOUNTING POLICIES

The accounting policies have been consistently applied by GGTM during the Period Under Review and there have been no changes in GGTM's accounting policies since the incorporation of GGTM.

23. TAXATION LIABILITIES

As at the Latest Practicable Date, the directors of GGTM have irrevocably and unconditionally confirmed that:

- (a) all material tax liabilities have been identified and addressed by GGTM;
- (b) all applicable taxes due have been duly paid;
- (c) all current and/or deferred tax payments have been provided for;
- (d) GGTM's tax position has been adequately disclosed in the Circular; and
- (e) the amounts of taxable income and revenue/cost declared by GGTM to relevant tax authorities ("**Tax Authorities**") in its tax filings are consistent with GGTM's audited financial statements for each of the financial years ended 31 March 2014 and 31 March 2015 and all disclosures in the Circular relating to the taxation paid and/or payable by GGTM are true and accurate in all respects.

The directors of GGTM further confirm that, to the best of their knowledge, (i) GGTM has not suffered any investigation, audit or visit by the Tax Authorities and there are no present circumstances they are aware of that would lead them to believe that any future investigation, audit or visit by the Tax Authorities on GGTM is likely to arise, (ii) GGTM has not paid or become liable to pay, nor are they aware of any circumstances by reason of which would lead us to believe that GGTM is likely to become liable to pay any material fine, penalty, surcharge or interest imposed by the Tax Authorities, and (iii) no material dispute has arisen between the Tax Authorities and GGTM, and there are no present circumstances they are aware of which are likely to give rise to any such dispute.

In connection with the Proposed Acquisition, GGTM changed its financial year end from 31 March to 31 December to be in line with the financial year end of the Company.

For more information on the taxation laws and regulations relating to GGTM's business, please refer to **Appendix J** to this Circular entitled "Taxation".

APPENDIX A – LETTER TO SHAREHOLDERS FROM THE BOARD OF DIRECTORS OF GGT MANUFACTURING SDN. BHD.

24. CAPITALISATION AND INDEBTEDNESS

*The following information should be read in conjunction with the full text of this **Appendix A** and the Circular, including “Audited Financial Statements of the Target for the Financial Years ended 31 December 2014, 31 December 2015 and 31 December 2016” set out in **Appendix H** and “Unaudited Pro Forma Financial Information of the Enlarged Group” set out in **Appendix I** to the Circular, where the selected financial information of GGTM has been derived from, and Section 22 of this **Appendix A** entitled “Management’s Discussion and Analysis of Financial Position and Results of Operations”.*

Cash and cash equivalents

The table below shows GGTM’s cash and cash equivalents, short-term debt, long-term debt and capitalisation of GGTM as at 18 June 2017, being a date no earlier than 60 days before the date of this Circular.

	As at 31 December 2016	As at 18 June 2017	
	Actual (RM’000)	Actual (RM’000)	As Adjusted ⁽¹⁾ (RM’000)
Cash and bank balances	4,155	7,173	7,173
Fixed Deposit Pledged	–	–	–
<i>Short term debt</i>	13,635	19,227	9
– Secured and guaranteed	9	9	9
– Unsecured and guaranteed	13,626	19,218	–
<i>Long term debt</i>	91	86	86
– Secured and guaranteed	91	86	86
– Unsecured and guaranteed	–	–	–
Total indebtedness	13,726	19,313	95
Total shareholders’ equity	(5,172)	(5,829)	13,389
Total capitalisation and indebtedness	8,554	13,484	13,484

Note:

(1) Adjusted for the conversion of RCPS into ordinary shares of GGTM.

Shareholders should read this table in conjunction with:

- (a) the audited financial statements of GGTM as set out in **Appendix H** to this Circular, the related notes and the other financial information contained elsewhere in that document; and
- (b) Sections 21 and 22 of this **Appendix A** entitled “Selected Financial Information” and “Management’s Discussion and Analysis of Financial Position and Results of Operations”, respectively.

APPENDIX A – LETTER TO SHAREHOLDERS FROM THE BOARD OF DIRECTORS OF GGT MANUFACTURING SDN. BHD.

Borrowings

As at Latest Practicable Date, GGTM does not have any banking facilities.

GGTM has entered into one hire purchase facility as at the Latest Practicable Date, and its details are as follows:

Financial Institution	Nature of Facility	Facility (RM'000)	Utilised Amount as at the Latest Practicable Date (RM'000)	Unutilised Amount as at the Latest Practicable Date (RM'000)	Interest Rates (%)	Maturity Profile
Public Bank Berhad	Hire Purchase	129	129	–	2.79%	9 years

Lim has provided a personal guarantee for GGTM's obligations under the hire purchase agreement with Public Bank Berhad. Please refer to Section 28.2(a) of this **Appendix A** for further details on the interested person transaction in this regard.

To the best of GGTM's Directors' knowledge and belief, GGTM is not in breach of any of the terms and conditions or covenants associated with any credit arrangement which could materially affect GGTM's financial position and results or business operations, or the investments by GGTM's shareholders in GGTM, and none of GGTM's controlling shareholders' shares have been pledged, charged or mortgaged as collateral to secure any credit facilities.

None of GGTM's Controlling Shareholders' Shares have been pledged, charged or mortgaged as collateral to secure any credit facilities. Pursuant to Rule 728 of the Catalist Rules, Lim and Luminor 1, being Controlling Shareholders of GGTM, have provided undertakings to each of the Company and GGTM that they will give notice as soon as they become aware of any share pledging arrangements relating to any shares they have or will have in the Company and/or GGTM, and of any event which may result in a breach of the Company's or GGTM's loan provisions (as the case may be).

In the event that GGTM enters into a loan agreement or issues debt securities that contain a condition making reference to shareholding interests of any Controlling Shareholder, or places restrictions on any change in control of GGTM, and the breach of this condition or restriction will cause a default in respect of the loan agreement or debt securities, significantly affecting the operations of GGTM, GGTM will immediately announce the details of the condition(s) in accordance with Rule 704(33) of the Catalist Rules, making reference to the shareholding interests of such Controlling Shareholder or restrictions placed on any change in control of GGTM and the aggregate level of these facilities that may be affected by a breach of such condition or restriction.

Saved as disclosed above, as at the Latest Practicable Date, GGTM does not have any other borrowing and indebtedness or contingent liabilities.

APPENDIX A – LETTER TO SHAREHOLDERS FROM THE BOARD OF DIRECTORS OF GGT MANUFACTURING SDN. BHD.

25. PROSPECTS, TRENDS AND FUTURE PLANS

25.1 Prospects and Trends

The following discussion set out in italics on the prospects and trends relating to the granite market in Malaysia has been extracted from the Industry Report issued by Frost & Sullivan, as the Independent Industry Consultant, which is set out in full in **Appendix F** to this Circular. The following includes forward-looking statements that involve risk and uncertainties. Actual results of GGTM could differ materially from those that may be projected in these forward-looking statements. Please also refer to the section entitled “Cautionary Note on Forward-Looking Statements” of this Circular.

“3.2 Residential trends

Granite is expected to be the preferable material for home decoration

Granite begins its application in the residential sector as a durable and low maintenance building material. As mining technology improved and the price of granite becomes more affordable, it gradually moved into the home decoration domain. Granite is hard and almost impossible to scratch under typical residential use cases. Furthermore, it is impervious to moisture and acid as well as being heat-resistant. With the appropriate coatings and polishing processes, it is almost impossible to stain.

According to primary research, end users require their kitchen countertops and flooring to last at least 10 years. In terms of bathroom decoration, granite is considered to be one of the best natural stone to use in large walk-in showers or steam showers because of its elegance and water-resistance characteristics. A recent advance in granite finishing technology enables the application of granite sinks, from drop-in vanity sinks to countertop vessel sinks.

Based on these factors, granite is a keenly pursued material for kitchen countertops, sinks, flooring and bathroom decoration. Alternatives to granite for this residential use case include quartz and marble stone. Table 1 compares the performance of quartz, marble, and granite for residential applications. A performance scale of 1 to 5 was used to quantify the overall characteristics of each material and granite appears to be a very suitable material for this residential segment.

Quartz is an engineered stone that combines quartz stone and resins, which are then moulded for a natural look that is similar to granite or marble. As shown in Table 1, quartz is stain resistant, bacteria resistant, nonporous, and durable. From an interior designer’s perspective, quartz tends to have uniform patterns and is less glossy than granite. In terms of colour selection, quartz is not as diversified as granite because they typically come in either white or black. Thus, the choice of quartz or granite is heavily based on the end user’s preference because the physical characteristics of these two materials are similar. In this case, the lower price of granite can be a persuasive factor.

Marble, on the other hand, is a natural stone that is not as mechanically resilient as quartz or granite. Compared with granite, marble is not as stain resistant and has a higher absorption by weight. It is therefore unlikely to withstand the demands from a Southeast Asian residential environment.

APPENDIX A – LETTER TO SHAREHOLDERS FROM THE BOARD OF DIRECTORS OF GGT MANUFACTURING SDN. BHD.

Although quartz and marble are granite alternatives in kitchen countertop and flooring applications, granite is expected to remain the mainstream material because of its superior physical characteristics and value proposition.

Table 1: Comparison of the characteristics of quartz, marble, and granite.

Characteristics	Quartz	Marble	Granite
Scratch resistant	5	1	5
Stain resistant	5	1	5
Chip and crack resistant	5	1	5
Heat resistant	3	3	5
Resistance to household cleaning agents	5	3	5
Low maintenance	5	3	5
Nonabsorbent and nonporous	5	1	5
Color consistency	5	1	3
Brightness	3	3	5
Pricing	1	3	3
Total score	42	20	46

Performance scale: Poor (1); Good (3); Best (5)

Source: Primary research, Marble Emporium, Frost & Sullivan analysis

Granite tiles are gaining popularity for residential decoration

Granite tiles are an affordable alternative to large granite slabs for kitchen countertops or flooring. Granite tiles can be arranged from edge to edge, providing the look of and feel of solid granite with lower cost. Apart from kitchen countertop and flooring, granite tiles are also popular for kitchen backsplashes. According to primary research, floor tiles made from granite are gaining in popularity in contemporary homes, even though they are more expensive than conventional ceramic tiles.

Malaysian end users prefer dark coloured granite

According to Malaysian granite distributors, end user preference for Italian or other imported granite is primarily due to its darker colours. Italian granite is a popular choice in the residential end user segment because of its quality and luxuriousness. In fact, granite slabs from Italy are considered to be the most popular around the world. Nevertheless, end users would be willing to switch to lower priced alternatives such as domestically produced dark coloured granite. The cost savings from choosing domestic granite typically ranges from 2 to 4 times. The US Comtrade Database estimates that Malaysia imported 27.2 tonnes of granite blocks from Italy in 2016.

APPENDIX A – LETTER TO SHAREHOLDERS FROM THE BOARD OF DIRECTORS OF GGT MANUFACTURING SDN. BHD.

3.3 Commercial trends

Building aesthetics are expected to be a significant factor in high-end commercial buildings

The increasing importance of building aesthetics in premium commercial buildings (offices, hotels, and shopping malls) is expected to increase the utilisation of lasting and high quality building materials such as dimension stone granite. From a designer's perspective, darker colours convey monolithic strength, thus dark coloured granite is often used as flooring in commercial. Apart from flooring, granite is also commonly used in the lobby to construct pillars, ceilings, and walls. Thus, granite is expected to remain popular as an interior decoration in premium commercial buildings.

Dark coloured granite is increasingly used as a material for tombstones

Dark coloured granites such as black, grey, and dark green are increasingly being used for tombstones because it conveys a sense of magnificence. Dark green granite is culturally significant in many countries in Southeast Asia and in China.

3.4 Market size and forecast

The market size by revenue of the dimension stone granite in Malaysia was estimated using this methodology:

Step 1: *Obtain official statistics of total value of granite used in construction (2009-2010)*

Step 2: *Obtain official statistics on construction expenditure (2013-2016)*

Step 3: *Extrapolate construction expenditure from 2016 to 2019 using forecasts from Bank Negara Malaysia*

Step 4: *Extrapolate granite values in Step 1 using aggregated growth rates in total construction expenditure (2013-2019)*

The Department of Statistics Malaysia conducted surveys to estimate the use of granite aggregates and as tiles in 2009 and in 2010. From Table 2, the total cost of granite used in 2010 is MYR1,069.4 million, which is 1.8% of the total value of construction work conducted in the public, government, and private sectors. A growth of 3.4% was recorded between 2009 and 2010.

Table 2: Revenues from the use of granite as a construction material by sector, Malaysia, 2009-2010

	Residential	Non-residential	Civil engineering	Special trades	Total [MYR million]
2009	234.12	146.21	584.28	69.87	1,034.5
2010	139.37	237.94	665.86	26.19	1,069.4

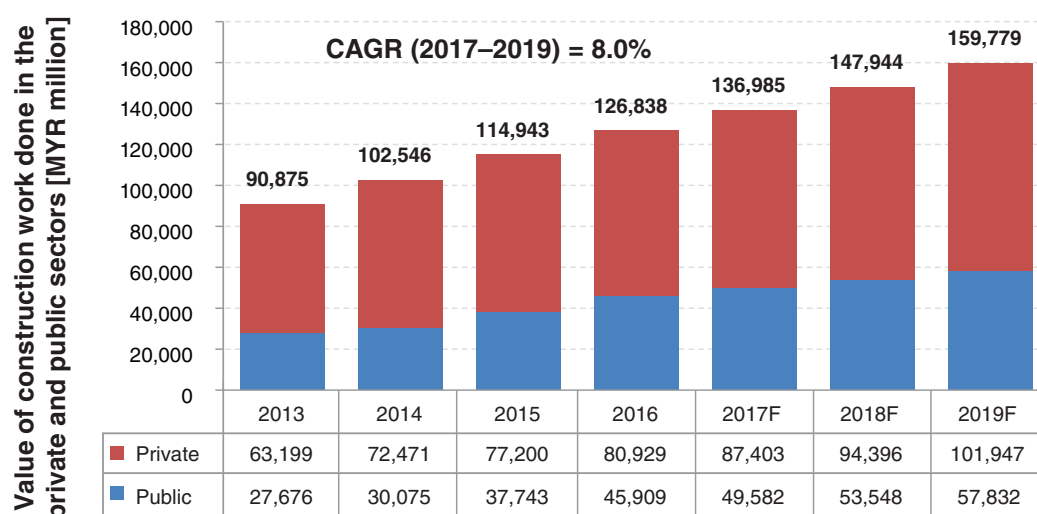
Source: Department of Statistics Malaysia

APPENDIX A – LETTER TO SHAREHOLDERS FROM THE BOARD OF DIRECTORS OF GGT MANUFACTURING SDN. BHD.

Using the Malaysian construction statistics for 2013 to 2016 as a basis, a growth of 8% is forecasted for 2017 based on Bank Negara's 2016 annual report. A similar growth rate is replicated for 2018 and 2019 as a conservative measure. Figure 4 shows the estimated value of construction work in the private and public sectors in Malaysia from 2013 to 2019. The official definition³ of "value of construction work done" is:

"Value for construction work done includes new work, capital repairs, restorations, conversions and current repairs and maintenances which were carried out during the reference period for the owner or investor of the project."

Figure 4: Value of construction work done in the private and public sectors, Malaysia, 2013-2019



Source: Q4 2016 Construction Statistics from the Department of Statistics Malaysia

Extraction and processing of dimension stone has been conducted in Malaysia since the 1960s. Nonetheless, official statistics about the dimension stone market in Malaysia is often limited to broad categories of granite products. Official data from the Department of Statistics Malaysia about the value of granite used for construction is limited to granite aggregates and black granite stone finishes for 2009 and 2010. The statistics were compiled in the 2010 and 2011 economic census program and the 2016 version will only be publicly released in June 2017.

It is assumed that black granite stone finishes largely comprises dimension stone and would therefore be an indication of the market size by revenues of the dimension stone granite in Malaysia. The caveat, in this case, is twofold. Firstly, the economic census relies on the willing participation of companies in Malaysia and secondly, the granite stone finishes are limited to the black varieties only.

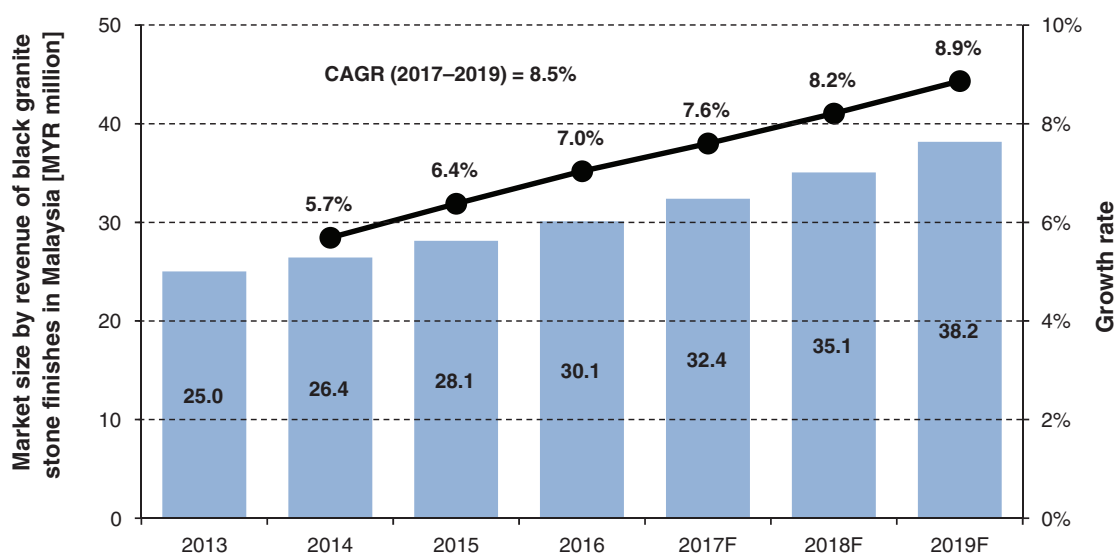
Given this constraint, the revenues of dimension stone granite from 2013 to 2019 were extrapolated by aggregating these factors:

APPENDIX A – LETTER TO SHAREHOLDERS FROM THE BOARD OF DIRECTORS OF GGT MANUFACTURING SDN. BHD.

- Growth in granite spending in 2009-2010 (3.4%)⁴
- Growth in the Malaysian construction industry, 2012-2016 (10-13%)⁴
- Forecasted growth in the Malaysian construction industry, 2017 - 2019 (Bank Negara Malaysia forecasts 8% for 2017 and this is replicated for 2018 and 2019)⁵

Figure 5 shows the estimated market size by revenues of the dimension stone granite industry in Malaysia from 2013 to 2019. A compounded annual growth rate of 8.5% is projected for 2017-2019 based on the 2017 construction spending forecast from Bank Negara Malaysia. On an annual basis, the dimension stone granite market in Malaysia is seen to have increased linearly, consistent with the construction expenditure in the country shown in Figure 4.

Figure 5: Market size of black granite stone finishes by revenues, Malaysia, 2013-2019



Source: Economic Censuses 2010 and 2011, Department of Statistics Malaysia

Given that the revenues in Figure 5 are for black granite stone finishes, the Malaysian dimension stone granite market size should be larger because of the availability of multiple granite colours, up to 9 according to a leading dimension stone granite distributor, Marble Emporium Sdn. Bhd. The darker colours are black, grey, red, brown, blue, and green, and the lighter colours are white, beige, and pink.

Assuming a uniform distribution of revenues across all granite colours, if all colours were equally appealing, the Malaysian market size could be 9 times larger. If the darker colours have significantly higher demand and the lighter colours are insignificant, the Malaysian market size could be 6 times larger. Therefore, not implausible that the market size may be 6-9 times larger, as listed in Table 3.

4 Department of Statistics Malaysia

5 Bank Negara Malaysia 2016 Annual Report

APPENDIX A – LETTER TO SHAREHOLDERS FROM THE BOARD OF DIRECTORS OF GGT MANUFACTURING SDN. BHD.

Table 3: Market size by revenues in 2017 of dimension stone granite in Malaysia

2017	Black granite	6 times larger	9 times larger
Market size	MYR32.4 million	MYR194.4 million	MYR291.6 million

Source: Frost & Sullivan analysis

3.5 Pricing trends for Malaysian granite

GGTM produces and sells dimension stone granite in blocks, slabs, and tiles. The dimensions of these granite products are:

- Blocks: 2.5 m (L) x 1.5 m (W) x 0.75 m (H)
- Slabs: 2.5 m (L) x 0.6 m (W) x 18 mm/19 mm/20 mm (thickness)
- Tiles: dimensions are specified by the customer

The dimension stone granite prices listed in Table 4 are based on existing orders and offtake agreements with domestic and Chinese customers. Frost & Sullivan has crosschecked the prices in Table 4 with some of the industry participants and the prices are in-line with market prices. Dimension stone granite prices are likely to be influenced by construction spending and end user demand for granite. Through interviews with industry participants and Frost & Sullivan analysis, the domestic and export prices are likely to remain stable in the next 3 years. Beyond that, prices may fluctuate by 2-5%.

Table 4: Prices of Terengganu Green and Sekayu White for the Malaysian and export markets, 2017

Prices in 2016/2017	Product	Domestic price [MYR]	Export price [MYR]
Terengganu Green	Blocks	1,500-2,100 per m ³	2,200-2,300 per m ³
	Slabs	265 per m ²	190-290 per m ²
	Tiles	44 per m ²	Not exported in this form yet
Sekayu White & Rosa Tenggo	Blocks	850-1,500 per m ³	Not exported in this form yet
	Slabs	157 per m ²	120-180 per m ²

Source: GGTM

APPENDIX A – LETTER TO SHAREHOLDERS FROM THE BOARD OF DIRECTORS OF GGT MANUFACTURING SDN. BHD.

3.6 Export and import trends of granite in Malaysia and China

3.6.1 Malaysia

The 2010 Malaysian Minerals Yearbook is the latest available statistical publication from the Minerals & Geoscience Department of Malaysia. The import and export values of dimension stones in 2009 and 2010 are listed in Table 5. Further details on dimension stone granite from the minerals yearbook are unavailable. Nevertheless, this provides an indication of the scale of external trade conducted in Malaysia for dimension stones. The sharp decline in exports of dimension stone in 2010 was likely due to the global sub-prime credit crunch. Most of the imported granite in Malaysia originates from Greece, India, Iran, and China. Similarly, Malaysian dimension stone products are exported to Singapore, Brunei Darussalam, and Indonesia.

Growth in construction expenditure in Malaysia is expected to remain in the high single digits in the near term (2017-2019). According to the Building and Construction Authority of Singapore, construction spend in 2017 is forecasted to increase from SGD26.1 billion in 2016 to about SGD32.0 billion in 2017. In Indonesia, the 2017 state budget has allocated IDR387.3 trillion for infrastructure development, an increase of IDR70 trillion (SGD7.3 billion) from 2016⁶. In Brunei Darussalam, the Department of Economic Planning and Development reported a decline of 6.6% in construction activities in 2016 and is likely to continue declining due to the low oil prices. Nevertheless, the substantial forecasted increase in construction spending in Singapore will likely result in Malaysia exporting more dimension stone granite to the city state.

Table 5: Export and import values of dimension stone in Malaysia, 2009-2010

Dimension stone	2009	2010
Export [MYR]	66,091,000	25,736,000
Import [MYR]	14,215,000	17,157,000

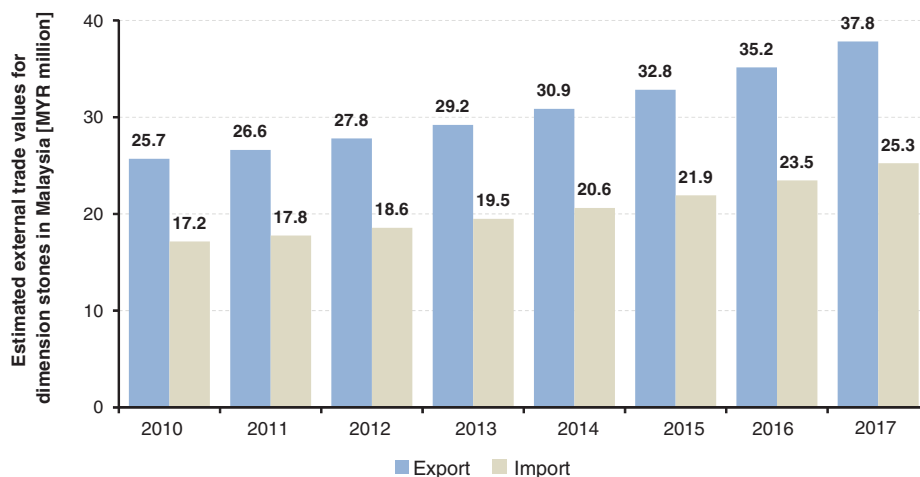
Source: Malaysian Minerals Yearbook 2010

Using the same growth rates from Figure 5, the values in Table 5 were extrapolated to provide an indication of the scale of external trade relative to the estimated market size in 2017. Figure 6 shows an extrapolation of the external trade values of dimension stones in Malaysia based on the growth rates in Figure 5.

6 “Infrastructure Budget Indonesia Rises in 2017 State Budget” in Indonesia Investments, 29 October 2016

APPENDIX A – LETTER TO SHAREHOLDERS FROM THE BOARD OF DIRECTORS OF GGT MANUFACTURING SDN. BHD.

Figure 6: Estimated external trade values for dimension stones in Malaysia, 2010-2017



Source: Malaysian Minerals Yearbook 2010, Frost & Sullivan analysis

3.6.2 China

In 2016, Brazil was the largest importer of granite (HS code: 2516.12) from China⁷. According to primary research with granite distributors in China, Giallo Venezia granite from Brazil is widely used in premium commercial and residential buildings as material for flooring and countertops. Its natural golden hues is a culturally significant colour that is well-regarded by residential and commercial consumers. With the increasing supply of premium commercial space in China, the number of Giallo Venezia imported from Brazil is expected to increase. Imported dimension stone granite from Malaysia such as the Terengganu Green species is also extensively used in residential, commercial, and public infrastructure in China. Several primary research participants have indicated that dark green dimension stone granite is a desirable material for temples and parks whereby it is often carved into sculptures.

In 2016, Thailand was the largest export destination for Chinese granite. Increasing amount of granite would be exported from China in the foreseeable future, mainly due to the extensive infrastructure investment of the Thai government. According to the ASEAN Constructors Federation, the Thai government is expected to invest USD56 billion in infrastructure construction between 2015 and 2022. This investment will be used to construct road and railway networks, and transportation hubs. Examples of significant projects include the Thai-Chinese joint rail development and the phase two expansion of Suvarnabhumi Airport. The former will eventually link the southwestern Chinese city of Kunming to Thailand via Laos. Therefore, the export demand for Chinese granite is likely to increase.”

Please refer to the Industry Report set out in **Appendix F** to this Circular for further details on the analysis of the dimension stone granite market in Malaysia, including growth drivers and restraints of the industry as well as market outlook.

APPENDIX A – LETTER TO SHAREHOLDERS FROM THE BOARD OF DIRECTORS OF GGT MANUFACTURING SDN. BHD.

Barring unforeseen circumstances, directors of GGTM have made the following observations and are of the view that GGTM's financial performance for FY2017 may be affected by the following factors:

- (a) **Costs:** GGTM's costs between January and May 2017 have fluctuated as it started the installation of circular saw for quarrying in early February and put in production mid-March. GGTM envisages that its costs will stabilise as it gains experience and its operations grows in scale. Its key operating costs have increased in line with the commencement of quarry production and will continue to increase in FY2017 when it expand its factory activities, including for cutting, sizing and polishing granite into slabs and tiles for sale.

GGTM's costs relate mainly to site preparation, quarrying, direct labour, processing, maintenance, administration, sales and marketing and royalties paid to local and state government.

- (b) **Processing Performance:** The commissioning of the circular saw machine was completed in mid-March 2017 and GGTM has since began operations. As at the Latest Practicable Date, GGTM outsources the processing of the majority of its slabs and tiles for bulk sales. However, GGTM expects to increase the capacity of its processing facilities in FY2017 and will incur capital expenditure of up to RM6.22 million. GGTM plans to invest in factory equipment and expand its processing capacities by acquiring block cutting machinery, sizing and polishing machinery.

- (c) **Revenue:** GGTM's sales began in August 2015.

GGTM expects its sales to increase gradually in FY2017 after the circular saw machine is put into operations, and for production to increase significantly as compared to its existing diamond wire saw machine. GGTM expects the selling prices of its granite products to remain stable in FY2017.

- (d) **Liquidity and Capital Resources:** GGTM does not expect any material change to its liquidity and capital resources, save in respect of cash flow from operations and cash flow for investing activities.

- (e) **Capital Expenditure:** GGTM expects to incur capital expenditure of approximately RM6.22 million in FY2017, in connection with the construction of the new processing facilities and acquisition of additional processing equipment, in order to increase the capacity of its processing facilities and reduce its reliance on external contractors.

- (f) **Expenses in relation to Fundraising and Corporate Exercise:** GGTM has incurred significantly higher expenses in FY2016 as compared to FY2015 mainly due to contractor expenses paid for the JMA Project, increase in employee benefits expense as a results of increases headcount, expenses in relation to its corporate exercises, and finance costs relating to the RCPS.

In FY2017, GGTM expects to incur higher expenses as compared to FY2016 mainly due to expenses relating to its corporate exercises, finance costs for the RCPS, contractor expenses for the JMA Project, sales and marketing expenses, increase in operating costs for both the quarry site and processing operations.

APPENDIX A – LETTER TO SHAREHOLDERS FROM THE BOARD OF DIRECTORS OF GGT MANUFACTURING SDN. BHD.

- (g) **Normalised Financial Performance:** Assuming that the one-off expenditure for finance costs in relation to the RCPS of approximately RM3.43 million and one-off professional fees in relation to the corporate exercise of approximately RM0.38 million are excluded, the loss before tax for GGTM for FY2016 would have been approximately RM0.59 million.

25.2 Future Plans

- (a) **GGTM plans to increase its extraction and processing capacity, acquire additional equipment and to construct new processing facilities**

Presently, GGTM extracts dimension stone granite from the existing platform at the quarry face of the Bukit Chetai Mine. GGTM intends to expand its extraction capacity by concurrently extracting from multiple platforms. Additional extraction equipment (for instance, the circular saw machine, diamond wire saw machine, etc.) will be required, in order for each platform to have its designated set of equipment.

GGTM intends to fund the opening of new platforms in the Bukit Chetai Mine using proceeds from the issue of RCPS in 2016 and 2017, and expects to spend approximately RM4.8 million for this purpose by end FY2018.

In addition, GGTM plans to construct new processing facilities with larger capacity and to acquire further processing machineries and equipment. The new processing facilities will also include a water treatment system, in order to recycle water used and minimise external supply of water to the processing facilities. For the new processing facilities, GGTM will invest in new block cutters, polishing line, flaming line, which have a higher capacity and efficiency than its existing equipment and machinery. GGTM intends to construct new processing facilities at the Property in order to expand its processing capacity. This will take place after the approval for the conversion of land use is effected. In the event that approval for conversion of land use category for the Property is not effected, GGTM intends to expand and enlarge the existing processing facilities, which are located at the Bukit Chetai Mine. GGTM also plans to construct a drainage system to keep the haul roads accessible and to ensure that no sediments will be carried out from the site during heavy rainstorms during the monsoon season. In addition, pursuant to the Environmental Impact Assessment, GGTM will put in place a monitoring programme to regularly monitor the environmental impact of the extraction activities in the Bukit Chetai Mine.

GGTM intends to fund the building of new processing facilities, construction of drainage system and investing in additional equipment using proceeds from the issue of RCPS and internally generated funds, and expects to spend up to RM4.4 million for this purpose by end FY2018.

- (b) **Increase sales and marketing networks**

GGTM intends to increase its sales and marketing networks by, including but not limited to, appointing authorised distributors as well as engaging bonded warehouses overseas. GGTM plans to focus on improving its sales and marketing efforts in Malaysia, Singapore, the PRC (in particular, in Xiamen, Fujian) and Hong Kong SAR, as well as the Middle East in the future.

APPENDIX A – LETTER TO SHAREHOLDERS FROM THE BOARD OF DIRECTORS OF GGT MANUFACTURING SDN. BHD.

GGTM also intends to create its online presence and conduct marketing through its own website and other platforms following Completion.

(c) Joint ventures and M&A

GGTM may expand its business through strategic alliances, joint ventures and potential mergers and acquisitions as part of its long-term growth strategy. GGTM may also enter into acquisitions, joint ventures or strategic alliances with parties who create synergistic value with its existing operations.

Rockhound has reviewed GGTM's plans and the estimated capital expenditure envisaged to increase its extraction and processing capacity and considers these to be reasonable.

26. ORDER BOOK

As at the Latest Practicable Date, GGTM has an order book for its dimension stone granite products of approximately RM10.4 million (approximately S\$3.3 million), in connection with its off-take arrangements.

As at the Latest Practicable Date, GGTM has an unbilled revenue arising from the JMA Project of approximately RM3.8 million (approximately S\$1.2 million) to be recognised in FY2017.

A significant proportion of the order book is expected to be recognised as revenue in FY2017. As GGTM's granite products are largely used in the building and construction industry, the value of its order book is not indicative of its revenue for any succeeding period as the delivery of such dimension stone granite products to its customer is dependent on the customers' needs and project schedules.

27. DIVIDEND POLICY

As at the Latest Practicable Date, GGTM has not declared or paid any dividends since it commenced its existing business.

As at the Latest Practicable Date, GGTM does not have a fixed dividend policy. The declaration and payment of future dividends will be determined at the sole discretion of GGTM's board of directors subject to shareholders' approval where necessary, and will depend upon GGTM's operating results, financial position, other cash requirements including working capital, capital expenditures, the terms of borrowing arrangements (if any), expansion plans and other factors deemed relevant by the board of directors.

In making their recommendation, the board of directors will consider, among other things, GGTM's future earnings, operations, capital requirements, cash flow and financial condition, as well as general business conditions and other factors which the board may consider appropriate.

28. INTERESTED PERSON TRANSACTIONS

In general, transactions between GGTM and any of its interested persons (namely, directors, controlling shareholders) would constitute an interested person transaction pursuant to Chapter 9 of the Catalist Rules.

APPENDIX A – LETTER TO SHAREHOLDERS FROM THE BOARD OF DIRECTORS OF GGT MANUFACTURING SDN. BHD.

The interested persons in relation to GGTM include:

- (a) its directors, comprising Lim and Peter Ling;
- (b) associates of its directors;
- (c) its Controlling Shareholders, comprising Lim and Luminor 1; and
- (d) associates of its Controlling Shareholders.

28.1 Past Interested Person Transactions

(a) Acquisition of machinery from Gabungan, an associate of Lim, a director and controlling shareholder of GGTM

GGTM had in 2016 acquired machinery from Gabungan, a company in which Lim holds shares. Such acquisitions were one-off in nature. The aggregate amount of such acquisition during the Relevant Period is set out below:

	FY2014	FY2015	FY2016	1 January 2017 to the Latest Practicable Date
Aggregate amount (RM'000)	–	–	87.0	–

GGTM's directors are of the opinion that the above transactions were not undertaken on normal commercial terms nor on an arm's length basis but are not prejudicial to the interests of GGTM, as the acquisition price was agreed based on the net book value of the machinery. GGTM does not intend to continue such transactions moving forward.

(b) Payment made on behalf of GGTM by Lim, a director and controlling shareholder of GGTM

Payment of fees to suppliers in connection with Interior Fit-Out Business was made on behalf of GGTM by Lim. Such payments were one-off in nature. The aggregate amount of such payment made by Lim during the Relevant Period is set out below:

	FY2014	FY2015	FY2016	1 January 2017 to the Latest Practicable Date
Aggregate amount (RM'000)	–	–	140.0	–

APPENDIX A – LETTER TO SHAREHOLDERS FROM THE BOARD OF DIRECTORS OF GGT MANUFACTURING SDN. BHD.

GGTM's directors are of the opinion that the above transactions were not undertaken on normal commercial terms nor on an arm's length basis, as they were undertaken on a cost recovery basis. The above transactions were beneficial to GGTM and therefore not prejudicial to the interests of GGTM. From January 2017, Lim no longer made any payments on behalf of GGTM and there is no intention to continue such arrangement. As at the Latest Practicable Date, GGTM has repaid all sums paid on its behalf and there are no outstanding amounts owing to Lim.

(c) Payment made on behalf of GGTM by Luminor 1, a controlling shareholder of GGTM

Payment of professional fees was made on behalf of GGTM by Luminor 1 to Ben & Partners. Such payments were one-off in nature. The aggregate amounts of such payments made by Luminor 1 during the Relevant Period are set out below:

	FY2014	FY2015	FY2016	1 January 2017 to the Latest Practicable Date
Aggregate amount (RM'000)	–	99.9	127.6	–

GGTM's directors are of the opinion that the above transactions were not undertaken on normal commercial terms nor on an arm's length basis, as they were undertaken on a cost recovery basis. The above transactions were beneficial to GGTM and therefore not prejudicial to the interests of GGTM. From December 2016, Luminor 1 no longer made any payments on behalf of GGTM and there is no intention to continue such arrangement. As at the Latest Practicable Date, GGTM has repaid all sums paid on its behalf and there are no outstanding amounts owing to Luminor 1.

(d) RCPS Agreement entered into between GGTM, Luminor 1 and Lim, a director and controlling shareholder of GGTM

On 24 August 2015, GGTM, Luminor 1 and Lim, a director and controlling shareholder of GGTM, entered into the RCPS Agreement, pursuant to which GGTM agreed to issue the RCPS to Luminor 1 and Lim agreed to guarantee the transaction by providing personal guarantees and execute share charges in respect of a portion of his shares in GGTM each in favour of Luminor 1. The RCPS Agreement was completed on 25 January 2017 and no amounts were paid pursuant to the guarantee. Pursuant to the second supplemental agreement to the RCPS Agreement, both share charges and personal guarantees provided by Lim were discharged.

GGTM's directors are of the opinion that the provision by Lim of a personal guarantee and share charge over some of his shares in GGTM were not undertaken on normal commercial terms nor on an arm's length basis. The above transactions were beneficial to GGTM and therefore not prejudicial to the interests of GGTM. The transaction has completed and there is no intention to continue such arrangement.

APPENDIX A – LETTER TO SHAREHOLDERS FROM THE BOARD OF DIRECTORS OF GGT MANUFACTURING SDN. BHD.

(e) Retainer arrangement with Peter Ling & Van Geyzel, an associate of Peter Ling, a director of GGTM

Peter Ling, a director of GGTM, is a partner in Peter Ling & Van Geyzel (“**PLVG**”). PLVG had a retainer arrangement with GGTM to provide general corporate legal advice to GGTM, which included the drafting and preparation of joint venture agreements and sale and purchase agreements. The aggregate amount of payment made to PLVG during the Relevant Period is set out below:

	FY2014	FY2015	FY2016	1 January 2017 to the Latest Practicable Date
Aggregate amount (RM'000)	–	–	56.3	–

GGTM’s directors are of the opinion that the above transactions were undertaken on normal commercial terms and on an arm’s length basis. The above transactions were not prejudicial to the interests of GGTM. Fees charged by PLVG to GGTM are on an arm’s length basis and based on normal commercial terms. The retainer arrangement was terminated on 31 December 2016 and there is no intention to continue such retainer arrangement.

28.2 Present and Ongoing Interested Person Transactions

(a) Guarantee given by Lim, a director of GGTM, in relation to the hire purchase of vehicle

GGTM had in August 2016 entered into a hire purchase agreement with Public Bank Berhad in relation to a vehicle, pursuant to which Lim provided a personal guarantee for GGTM’s obligations under the agreement. No amounts have been paid pursuant to the personal guarantee during the Relevant Period.

GGTM’s directors are of the opinion that the above transaction was not undertaken on normal commercial terms nor on an arm’s length basis. The above transaction was beneficial to GGTM and therefore not prejudicial to the interests of GGTM. The hire purchase agreement, unless otherwise terminated, will conclude in August 2025. There is no intention for GGTM and Lim to enter into any new arrangements similar to this after its conclusion.

APPENDIX A – LETTER TO SHAREHOLDERS FROM THE BOARD OF DIRECTORS OF GGT MANUFACTURING SDN. BHD.

28.3 Other Transactions

(a) Leasing of Office Space from Angka Alamjaya Sdn Bhd, a subsidiary of the Company

On 1 April 2016, Angka Alamjaya Sdn Bhd (“**AASB**”, a subsidiary of the Company) entered into a lease agreement with GGTM to lease office premises in Kuala Lumpur, Malaysia. The term of lease commenced on 1 April 2016 and was due to expire on 31 March 2017. However, GGTM has exercised an option to renew the lease for a further term of one (1) year which will expire on 31 March 2018. The aggregate value of the rental fees paid to AASB during the Relevant Period is set out below:

	FY2014	FY2015	FY2016	1 January 2017 to the Latest Practicable Date
Aggregate amount (RM'000)	–	–	32.4	44.5

Although the nature of the transactions does not fall within the ambit of Interested Person Transactions under the Catalyst Rules, the above transactions have been disclosed for completeness. GGTM's directors are of the opinion that the above transactions are undertaken on normal commercial terms, on an arm's length basis and are not prejudicial to the interests of GGTM. The prices were based on the market rate for similar leases.

(b) Consultancy agreement entered into between GGTM and Gavin Mark McIntyre, a director of the Company

On 1 June 2016, GGTM and Gavin Mark McIntyre, a director of the Company, entered into a consultancy agreement (“**GMM Consultancy Agreement**”), pursuant to which Mr McIntyre agreed to (i) liaising and coordinating with GGTM's management team and external advisors in relation to the sale of its granite quarry business and assets, (ii) lead and manage efforts to prepare the documentation in relation to the Proposed Acquisition, (iii) liaise with the Sponsor and/or the SGX-ST in relation to the Proposed Acquisition and (iv) deal with ad hoc matters as advised by GGTM. The GMM Consultancy Agreement was terminated on 17 February 2017. The aggregate amount of payments made to Gavin Mark McIntyre during the Relevant Period is set out below:

	FY2014	FY2015	FY2016	1 January 2017 to the Latest Practicable Date
Aggregate amount (RM'000)	–	–	21.6	126.9

APPENDIX A – LETTER TO SHAREHOLDERS FROM THE BOARD OF DIRECTORS OF GGT MANUFACTURING SDN. BHD.

Although the nature of the transaction does not fall within the ambit of Interested Person Transactions under the Catalist Rules, the above transactions have been disclosed for completeness. The transaction was entered into prior to the appointment of Gavin Mark McIntyre as a director of the Company. GGTM's directors are of the opinion that the above transaction was undertaken on an arm's length basis and is not prejudicial to the interests of GGTM. GGTM's directors are unable to ascertain whether the transaction was entered into on normal commercial terms due to the lack of comparable transactions. As at the Latest Practicable Date, all payments under the GMM Consultancy Agreement have been settled and there is no intention for GGTM and Gavin Mark McIntyre to enter into any new arrangements similar to this.

In addition, the Nominating Committee of the Company has considered the GMM Consultancy Agreement and determined that Mr Gavin Mark McIntyre is considered independent in character and judgement. Please refer to Section 13 of this Circular entitled "Directors' Recommendations" for further details.

29. CONFLICTS OF INTEREST

Save as disclosed in Section 29 of this **Appendix A** entitled "Interested Person Transactions", during the Relevant Period:

- none of GGTM's directors, controlling shareholders or any of their associates has any interest, direct or indirect, in any material transactions to which GGTM was or is a party;
- none of GGTM's directors, controlling shareholders or any of their associates has any interest, direct or indirect, in any entity carrying on the same business or dealing in similar products and/or services which competes materially and directly with the existing business of GGTM; and
- none of GGTM's directors, controlling shareholders or any of their associates has any interest, direct or indirect, in any enterprise or company that is its customer or supplier of goods and/or services.

For completeness, the Luminor Group currently does not have any interest in any entity carrying on the same business or dealing in similar products of services as GGTM. As a private equity fund, they may have other portfolio companies in a similar sector.

APPENDIX A – LETTER TO SHAREHOLDERS FROM THE BOARD OF DIRECTORS OF GGT MANUFACTURING SDN. BHD.

30. GENERAL AND STATUTORY INFORMATION

30.1 Information on Directors and Executive Officers

None of GGTM's directors, executive officers or controlling shareholders is or was involved in any of the following events:

- (a) during the last 10 years, an application or a petition under any bankruptcy laws of any jurisdiction filed against him or against a partnership of which he was a partner at the time when he was a partner or at any time within two (2) years from the date he ceased to be a partner;
- (b) during the last 10 years, an application or a petition under any law of any jurisdiction filed against an entity (not being a partnership) of which he was a director or an equivalent person or a key executive, at the time when he was a director or an equivalent person or a key executive of that entity or at any time within two (2) years from the date he ceased to be a director or an equivalent person or a key executive of that entity, for the winding-up or dissolution of that entity or, where that entity is the trustee of a business trust, that business trust, on the ground of insolvency;
- (c) any unsatisfied judgments against him;
- (d) a conviction of any offence, in Singapore or elsewhere, involving fraud or dishonesty which is punishable with imprisonment, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such purpose;
- (e) a conviction of any offence, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such breach;
- (f) during the last 10 years, judgment entered against him in any civil proceedings in Singapore or elsewhere involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or a finding of fraud, misrepresentation or dishonesty on his part, or has been the subject of any civil proceedings (including any pending civil proceedings of which he is aware) involving an allegation of fraud, misrepresentation or dishonesty on his part;
- (g) a conviction in Singapore or elsewhere of any offence in connection with the formation or management of any entity or business trust;
- (h) disqualification from acting as a director or an equivalent person of any entity (including the trustee of a business trust), or from taking part directly or indirectly in the management of any entity or business trust;
- (i) has ever been the subject of any order, judgment or ruling of any court, tribunal or governmental body permanently or temporarily enjoining him from engaging in any type of business practice or activity;

APPENDIX A – LETTER TO SHAREHOLDERS FROM THE BOARD OF DIRECTORS OF GGT MANUFACTURING SDN. BHD.

- (j) has ever, to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of affairs of:
 - (i) any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere;
 - (ii) any entity (not being a corporation) which has been investigated for a breach of any law or regulatory requirement governing such entities in Singapore or elsewhere;
 - (iii) any business trust which has been investigated for breach of any law or regulatory requirement governing business trusts in Singapore or elsewhere; or
 - (iv) any entity or business trust which has been investigated for a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere,

in connection with any matter occurring or arising during the period when he was so concerned with the entity or business trust; and

- (k) has ever been the subject of any current or past investigation or disciplinary proceedings, or has been reprimanded or issued any warning, by the Authority or any other regulatory authority, exchange, professional body or government agency, whether in Singapore or elsewhere.

30.2 Financial Condition and Operations of GGTM

Save as disclosed in this Circular, GGTM's directors are not aware of any event which has occurred since 1 January 2017 to the Latest Practicable Date which may have a material effect on the financial position and results of GGTM.

Save as disclosed in this Circular, GGTM's financial condition and operations are not likely to be affected by any of the following:

- (a) known trends, uncertainties, demands, commitments or events that will result or are reasonably likely to result in GGTM's liquidity increasing or decreasing in any material way;
- (b) material commitments for capital expenditure;
- (c) unusual or infrequent events or transactions or any significant economic changes that materially affect the amount of reported income from operations; and
- (d) known trends, uncertainties, demands, commitments or events that have had or that GGTM expects to have a material favourable or unfavourable impact on its revenues or operating income.

APPENDIX A – LETTER TO SHAREHOLDERS FROM THE BOARD OF DIRECTORS OF GGT MANUFACTURING SDN. BHD.

30.3 Material Contracts

The following contracts, not being contracts entered into in the ordinary course of business, have been entered into by GGTM within the two (2) years preceding the Latest Practicable Date and are or may be material:

- (a) the RCPS Agreement, further details of which are set out in Section 1 of this **Appendix A** entitled “Background and History”;
- (b) the Concession Agreement, further details of which are set out in Section 2.3 of this **Appendix A** entitled “Dimension Stone Granite Properties and Concessions”;
- (c) the sale and purchase agreement dated 12 May 2016 entered into between the Company, Kho Teng Hook, Kho Teng Kat and Kho Teng Twee in respect of the sale and purchase of the property located at Geran Mukim No. Hakmilik 1461, No. Lot 1642, Mukim Tersat, Daerah Hulu Terengganu, Negeri Terengganu for the price of RM460,000;
- (d) the Joint Venture Agreement, further details of which are set out in Section 2.6 of this **Appendix A** entitled “Interior Fit-Out Business – Joint Venture Arrangement”;
- (e) the engagement letter between GGTM and Well-Cept dated 10 February 2015 and the supplemental agreement thereto dated 26 April 2017; and
- (f) the GMM Consultancy Agreement.

30.4 Litigation

GGTM is not engaged in any legal or arbitration proceedings as plaintiff or defendant including those which are pending or known to be contemplated, which may have or have had in the last 12 months immediately before the date of this Circular, a material effect on the financial position or the profitability of GGTM.

30.5 Interest of Experts

No expert is employed on a contingent basis by GGTM, has a material interest, whether direct or indirect, in the shares of GGTM, or has a material economic interest, whether direct or indirect in GGTM.

30.6 Miscellaneous

- (a) As at the Latest Practicable Date, there have been no material changes since the effective date of the Qualified Person’s Report. Please refer to **Appendix C** entitled “Qualified Person’s Report” to this Circular for more information.
- (b) As at the Latest Practicable Date, there have been no material changes since the effective date of the VALMIN Valuation Report. Please refer to **Appendix D** entitled “VALMIN Valuation Report” to this Circular for more information.

APPENDIX A – LETTER TO SHAREHOLDERS FROM THE BOARD OF DIRECTORS OF GGT MANUFACTURING SDN. BHD.

- (c) There has not been any public take-over offer by a third party in respect of GGTM's shares, or by GGTM in respect of shares of another corporation or units of a business trust, which has occurred between 1 January 2017 and the Latest Practicable Date.
- (d) Save as disclosed in Section 3.2 entitled "Shareholders" in this Appendix A, GGTM is not owned or controlled directly or indirectly by another corporation or any government or other natural or legal persons whether jointly or severally.
- (e) To the best knowledge of the directors of GGTM, save for the Proposed Acquisition, there are no arrangements the operation of which may result in a change in control of GGTM after the Completion.
- (f) As at the Latest Practicable Date, there is only one (1) class of shares in the share capital of GGTM which all carry the same voting rights, and none of these shares are listed for quotation or quoted on any securities exchange or overseas securities exchange.

31. RESPONSIBILITY STATEMENT OF THE DIRECTORS OF GGTM

The directors of GGTM collectively and individually accept full responsibility for the accuracy of the information given in this **Appendix A** and any information in the Circular relating to GGTM and the Vendors in connection with the Proposed Transactions (save for the information set out in **Appendices C to I** to this Circular) and confirm after making all reasonable enquiries that, to the best of the knowledge and belief of the directors of GGTM, this Circular (save for the information set out in **Appendices C to I** to this Circular) constitutes full and true disclosure of all material facts about GGTM in connection with the Proposed Transactions, and the directors of GGTM are not aware of any facts the omission of which would make any statement in this Circular (save for the information set out in **Appendices C to I** to this Circular) misleading.

Where information given in this **Appendix A** and any information in the Circular relating to GGTM and the Vendors in connection with the Proposed Transactions (save for the information set out in **Appendices C to I** to this Circular) has been extracted from or published or otherwise publicly available sources or obtained from a named source, the sole responsibility of the directors of GGTM has been to ensure that such information have been accurately and correctly extracted from those sources and/or reproduced in this Circular in its proper form and context.

APPENDIX B – IFA LETTER

LETTER FROM ASIAN CORPORATE ADVISORS PTE. LTD. TO THE NON-INTERESTED DIRECTORS OF ANCHOR RESOURCES LIMITED

ASIAN CORPORATE ADVISORS PTE. LTD.

(Incorporated in the Republic of Singapore)
(Company Registration No: 200310232R)

160 Robinson Road #21-05
SBF Center
Singapore 068914

The Non-Interested Directors (as hereinafter defined)
Anchor Resources Limited
80 Robinson Road, #17-02
Singapore 068898

30 June 2017

- (1) THE PROPOSED ACQUISITION OF ALL THE ISSUED AND FULLY-PAID SHARES IN THE CAPITAL OF GGT MANUFACTURING SDN. BHD., BEING A VERY SUBSTANTIAL ACQUISITION AND AN INTERESTED PERSON TRANSACTION UNDER THE CATALIST RULES (“PROPOSED ACQUISITION”);
- (2) THE PROPOSED WHITEWASH RESOLUTION BY INDEPENDENT SHAREHOLDERS FOR THE WAIVER OF THEIR RIGHTS TO RECEIVE A MANDATORY GENERAL OFFER FROM LIM CHIAU WOEI AND HIS CONCERT PARTIES (“PROPOSED WHITEWASH RESOLUTION”); AND
- (3) THE PROPOSED INTERESTED PERSON TRANSACTIONS MANDATE (“PROPOSED IPT MANDATE”)

Unless otherwise defined or where the context otherwise requires, all terms used herein shall have the same meanings as defined in the circular dated 30 June 2017 (the “Circular”).

1. INTRODUCTION

Asian Corporate Advisors Pte. Ltd. (“**ACA**”) has been appointed as an independent financial adviser (“**IFA**”) to the directors of Anchor Resources Limited (the “**Company**”, and together with its subsidiaries, the “**Group**”) who are deemed independent (the “**Non-Interested Directors**”) for the purposes of making recommendation(s) in relation to (i) the Proposed Acquisition, (ii) the Proposed Whitewash Resolution and (iii) the Proposed IPT Mandate.

We note from the Circular that the Non-Interested Directors comprise Dr Wilson Tay Chuan Hui, Mr Chan Koon Mong and Ms Ch’ng Li-Ling.

This letter (“**Letter**” or “**IFA Letter**”) sets out, *inter alia*, our views and evaluation of the Proposed Acquisition as an interested person transaction (“**IPT**” or “**Interested Person Transaction**”), the Proposed Whitewash Resolution and the Proposed IPT Mandate which have been proposed as ordinary resolutions in the notice of the extraordinary general meeting (“**EGM**”) of the Company as set out in the Circular to registered holders (“**Shareholders**”) of the ordinary shares (“**Shares**”) in the capital of the Company. Likewise, it contains our recommendations to the Non-Interested Directors in relation to the Proposed

APPENDIX B – IFA LETTER

Acquisition as an IPT, the Proposed Whitewash Resolution as well as the Proposed IPT Mandate as set out in Section 7 of the Circular, for determining whether (i) the financial terms of the Proposed Acquisition as an IPT (pursuant to Chapter 9 of the Listing Manual Section B: Rules of Catalist (“**Catalist Rules**”) of the Singapore Exchange Securities Trading Limited (“**SGX-ST**)) are on normal commercial terms and are not prejudicial to the interests of the Company and the minority shareholders of the Company (“**Minority Shareholders**”); (ii) the financial terms of the Proposed Acquisition, being the subject of the Proposed Whitewash Resolution, is not prejudicial to the interest of the Independent Shareholders (defined below); and (iii) the review procedures, as set out in Section 7.6 of the Circular, for determining transaction prices and/or the terms, are sufficient to ensure that the transactions under the Proposed IPT Mandate will be carried out on normal commercial terms and will not be prejudicial to the interests of the Company and its Minority Shareholders.

This Letter is prepared for inclusion in the Circular in connection with, *inter alia*, the Proposed Acquisition as an IPT, the Proposed Whitewash Resolution and the Proposed IPT Mandate. For the purposes of this Letter, references to independent Shareholders (“**Independent Shareholders**”) shall in the context of the Proposed Acquisition and the Proposed Whitewash Resolution mean Shareholders who are independent for the purpose of approving the Proposed Transactions, namely Shareholders other than Lim Chiau Woei (“**Lim**”), parties acting in concert with him and parties not independent of them or the Proposed Acquisition (including JHW Minerals & Resources Pte. Ltd. (“**JHW**”), Koh Ah Luan (“**Koh**”), and Law Phooi Wong (“**William Law**”). Unless otherwise defined or where the context otherwise requires, the definition used in the Circular shall apply throughout this Letter. Certain figures and computations as enumerated or set out in this Letter are based on approximations and its accuracy is subject to rounding.

1.1. BACKGROUND

The Proposed Acquisition

On 27 June 2016 (the “**Announcement Date**”), the Company announced, *inter alia*, that it had on 21 June 2016 entered into a conditional sale and purchase agreement (“**Sale and Purchase Agreement**”) with Lim, Koh and Luminor Pacific Fund 1 Ltd. (“**Luminor 1**”) (collectively “**Vendors**”) in relation to the Proposed Acquisition of all the issued and fully-paid shares (“**Sale Shares**”) in the capital of GGT Manufacturing Sdn. Bhd. (“**GGTM**” or “**Target**”), representing 100% of the issued shares in the Target, on the terms and subject to conditions of the Sale and Purchase Agreement.

On 29 March 2017 and 13 April 2017, the Company further announced that it and the Vendors had entered into the Supplemental Agreement (as defined in the Circular) and Second Supplemental Agreement (as defined in the Circular), respectively, to supplement and amend the terms of the Sale and Purchase Agreement.

In accordance with the Sale and Purchase Agreement, the consideration for the Proposed Acquisition (“**Consideration**”) of S\$103,265,000 shall be fully satisfied by the allotment and issuance of an aggregate of 712,172,414 new Shares (“**Consideration Shares**”) based on S\$0.145, being the issue price in respect of each Consideration Share (“**Issue Price**”) to the Vendors upon completion of the Proposed Acquisition (“**Completion**”).

APPENDIX B – IFA LETTER

As at 18 June 2017 (the “**Latest Practicable Date**”), Lim, the Managing Director of the Group, holds (directly and indirectly via JHW) 69,529,879 Shares, representing approximately 22.40% of the issued Shares.

The Proposed Acquisition constitutes an IPT and is subject to, *inter alia*, approval of the Shareholders at the EGM pursuant to Rule 906 of the Catalist Rules in view of:–

- (a) Lim (one of the Vendors) is the Managing Director of the Group and a controlling Shareholder, he is an “interested person” under Rule 904(4)(a) of the Catalist Rules.
- (b) The Proposed Acquisition involves the acquisition of shares in the Target and the issue of Consideration Shares, it is a “transaction” under Rule 904(6)(b) of the Catalist Rules.

In addition, the Proposed Acquisition constitutes a very substantial acquisition as defined under Chapter 10 of the Catalist Rules and is subject to, *inter alia*, approval of the Shareholders at the EGM pursuant to Rule 1015 of the Catalist Rules.

Accordingly, the Company will be seeking the approval of the Shareholders for the Proposed Acquisition at the EGM. Following Completion, the Target will become a wholly-owned subsidiary of the Company.

1.2. THE PROPOSED WHITEWASH RESOLUTION

As at the Latest Practicable Date, Lim holds (directly and indirectly) an interest in 69,529,879 Shares, representing approximately 22.40% of the issued Shares as well as the voting rights in the Company or 310,500,000 Shares (excluding treasury shares) (the “**Existing Share Capital**”). Subject to the Sale and Purchase Agreement, on Completion, Lim will be issued 427,303,448 Consideration Shares and thereafter, Lim and parties acting in concert with him (William Law, JHW and WA Consolidated Private Limited) will hold or control an aggregate of 510,001,661 Shares, representing approximately 49.87% of the enlarged number of issued Shares as well as the voting rights in the Company.

Under Rule 14 of the Singapore Code on Take-overs and mergers (“**Code**”), where any person acquires whether by a series of transactions over a period of time or not, shares which (taken together with shares held or acquired by persons acting in concert with him) carry 30% or more of the voting rights of a company, such person is required, except with the consent of Securities Industry Council (“**SIC**”), to make a mandatory general offer, for all remaining issued shares in the company concerned which he and/or his concert parties do not already own, control or have agreed to acquire.

Therefore, pursuant to Rule 14 of the Code, Lim and parties acting in concert with him will incur an obligation to make a mandatory general offer for the remaining Shares not owned, controlled or agreed to be acquired by him or his concert parties at the highest price paid or agreed to be paid by any of them for the Shares, in the six months preceding the allotment and issue of the Consideration Shares, unless such obligation is waived by the SIC and the Proposed Whitewash Resolution is approved by the Independent Shareholders at the EGM.

APPENDIX B – IFA LETTER

On 3 March 2017, the SIC waived the obligation of Lim to make a mandatory general offer for the Company under Rule 14.1 of the Code in the event that Lim and his concert parties' aggregate holdings in the Company increase to more than 30% based on the enlarged share capital as a result of the issue of the Consideration Shares to Lim under the Proposed Acquisition ("**Whitewash Waiver**").

The Whitewash Waiver is subject to, among other things, the following conditions:

- (a) a majority of holders of voting rights of the Company present and voting at a general meeting, held before the issue of the Consideration Shares under the Proposed Acquisition, approve by way of poll the Proposed Whitewash Resolution;
- (b) the Proposed Whitewash Resolution is separate from other resolutions;
- (c) Lim, his concert parties and parties not independent of them or the Proposed Acquisition abstain from voting on the Proposed Whitewash Resolution;
- (d) Lim did not acquire or are not to acquire any Shares or instruments convertible into and options in respect of Shares (other than subscriptions for, rights to subscribe for, instruments convertible into or options in respect of the Consideration Shares):
 - (i) during the period between the Announcement Date and the date on which Shareholders' approval is obtained for the Proposed Whitewash Resolution; and
 - (ii) in the six (6) months prior to the Announcement Date but subsequent to negotiations, discussions or the reaching of understandings or agreements with the Directors in relation to the Proposed Acquisition;
- (e) the Company appoints an independent financial adviser to advise its Independent Shareholders on the Proposed Whitewash Resolution;
- (f) the Company sets out clearly in the Circular:
 - (i) details of the Proposed Acquisition;
 - (ii) the possible dilution effect to existing holders of voting rights as a result of Lim acquiring the Consideration Shares;
 - (iii) the number and percentage of voting rights in the Company as well as the number of instruments convertible into, rights to subscribe for and options in respect of Shares held by Lim and his concert parties as at the Latest Practicable Date;
 - (iv) the number and percentage of voting rights to be issued to Lim under the Proposed Acquisition; and
 - (v) that Shareholders, by voting for the Proposed Whitewash Resolution, are waiving their rights to a general offer from Lim at the highest price paid by Lim and his concert parties for the Shares in the past six (6) months preceding the Proposed Acquisition;

APPENDIX B – IFA LETTER

- (g) the Circular states that the waiver granted by the SIC to Lim from the requirement to make a general offer under Rule 14 is subject to the conditions stated in subparagraphs (a) to (f) above;
- (h) Lim obtains the SIC's approval in advance for those parts of the Circular that refer to the Proposed Whitewash Resolution; and
- (i) to rely on the Proposed Whitewash Resolution, the acquisition of the Consideration Shares to Lim must be completed within three months (3) of the date of approval of the Proposed Whitewash Resolution.

As at the Latest Practicable Date, save for conditions set out under Section 1.2(a), 1.2(c), 1.2(d)(i) and 1.2(i), which are expected to be satisfied only at or after the EGM, all the other conditions imposed by the SIC set out above have been satisfied.

Lim and his concert parties did not acquire and nor will they acquire, any Shares, instruments convertible into Shares or options in respect of Shares:

- (a) during the period between the Announcement Date and the date on which Independent Shareholders' approval is obtained for the Proposed Whitewash Resolution at the EGM; and
- (b) in the six (6) months prior to the Announcement Date.

The Independent Shareholders are requested to vote by way of poll on the Proposed Whitewash Resolution as set out as an ordinary resolution in the Notice of EGM, waiving their rights to receive a general offer from Lim for the remaining Shares that Lim and his concert parties do not already own, control or have agreed to acquire.

We recommend the Non-Interested Directors to highlight to the Independent Shareholders that:

- (i) **Shareholders should note that the Proposed Acquisition is conditional, among other things, upon the passing of the Proposed Whitewash Resolution by the Independent Shareholders. In view of this, in the event that the Proposed Whitewash Resolution is not passed by the Independent Shareholders, the Proposed Acquisition will not take place.**
- (ii) **Independent Shareholders should also note that by voting for the Proposed Whitewash Resolution, they will be waiving their rights to a general offer from Lim at the highest price paid by Lim and his concert parties for the Shares in the six (6) months preceding the allotment and issuance of the Consideration Shares.**

1.3. PROPOSED IPT MANDATE

Pursuant to the Proposed Acquisition and the proposed diversification of the Group's business to include the Dimension Stone Granite Business (as defined in the Circular) and the Interior Fit-Out Business (as defined in the Circular) as additional core businesses of the Group ("**Proposed Diversification**"), the enlarged group comprising the Group and the Target, assuming Completion ("**Enlarged Group**") intends to enter into transactions with

APPENDIX B – IFA LETTER

Luminor group of companies, including but not limited to Luminor 1 and Luminor Pacific Fund 2 Ltd (the “**Luminor Group**”) in relation to the supply of dimension stone granite products and provision of interior fit-out and other dimension stone granite related services.

Accordingly, the Company will be seeking the approval of the Shareholders for the Proposed IPT Mandate at the EGM.

2. TERMS OF REFERENCE

ACA has been appointed by the Company to advise the Non-Interested Directors in respect of (i) the Proposed Acquisition as an IPT; (ii) the Proposed Whitewash Resolution; and (iii) the Proposed IPT Mandate. We were neither a party to the negotiations entered into by the Company in relation to the Proposed Acquisition as an IPT, the proposed issue and allotment of the Consideration Shares, the Proposed Whitewash Resolution and the Proposed IPT Mandate (collectively, the “**Selected Transactions**”), nor were we involved in the deliberation leading up to the decision on the part of the directors of the Company (“**Directors**”) to enter into the Selected Transactions, and we do not, by this Letter or otherwise, advise or form any judgment on the merits of the transactions contemplated in the Circular, (the “**Proposed Transactions**”) for the Group or the possibilities or feasibilities of the completion of the Selected Transactions or the Proposed Transactions or the timing on when the Proposed Acquisition can be completed or whether there are alternative transactions available other than to form an opinion, strictly and solely on the bases set out herein on whether: (i) the financial terms of the Proposed Acquisition as an IPT (pursuant to Chapter 9 of the Catalist Rules) are on normal commercial terms and are not prejudicial to the interests of the Company and its Minority Shareholders; (ii) the financial terms of the Proposed Acquisition, being the subject of the Proposed Whitewash Resolution, is not prejudicial to the interests of the Independent Shareholders and (iii) whether the review procedures, as set out in Section 7.6 of the Circular, for determining transaction prices and/or the terms, are sufficient to ensure that the transactions under the Proposed IPT Mandate will be carried out on normal commercial terms and will not be prejudicial to the interests of the Company and its Minority Shareholders.

We have confined our evaluation strictly and solely on the financial terms for the Proposed Acquisition as an IPT, the Proposed Whitewash Resolution and have not taken into account the commercial/financial/operational/compliance risks and/or merits (if any) of or the timing for the Proposed Transactions contemplated in the Circular including the structuring or inter-conditionality of the Proposed Transactions or the validity of any resolution or its feasibility. It is not within our scope to opine on the future financial performance or position of the Company or the Group or the Target or the Enlarged Group subsequent to the Proposed Acquisition or the Proposed IPT Mandate or the possibility or probability that the Group or the Target or the Enlarged Group can improve their profitability or that the anticipated benefits from the Proposed Acquisition can be realised (as the case may be) or the prices at which the Shares would trade after the completion of the Proposed Transactions or the viability, profitability and risks of the Proposed Acquisition or the profitability and risks related to the Target’s business operations.

In addition, our scope does not require us to opine or comment on the adequacy of the working capital of the Group, the Target or the Enlarged Group or the ability of the Group and the Target to renew or obtain the relevant mining leases, mining license, or relevant regulatory’s approval. Our evaluation is premised on the assumption that the Group and the Target would be able to renew or obtain the relevant mining leases, mining license, or relevant regulatory’s approval as and when required. Such evaluation or comment remains

APPENDIX B – IFA LETTER

the responsibility of the Directors and the management (“**Management**”) of the Company or where applicable the directors of the Target (“**Target Directors**”) and the management of the Target (“**Target Management**”) although we may draw upon their views or make such comments in respect thereof (to the extent deemed necessary or appropriate by us) in arriving at our view as set out in this Letter.

In addition, our terms of reference do not require us to evaluate or comment on the strategic or commercial/financial/legal/operational/compliance merits of the Proposed IPT Mandate (including the reliability of the sources for the transactions as well as the pricing as compared to third party sources) or on the future prospects or value of the Company or the Group or the Enlarged Group following the completion of the Proposed Acquisition. In addition, we are not required to comment and have not commented on the reliability as well as the implementation of the system for review and monitoring of the Interested Person Transactions. In addition, we do not and are not required to determine or confirm the nature or the types of Interested Person Transactions or the disclosure of the Interested Person Transactions that the Company or the Group or the Enlarged Group is involved in. Although, there are certain controls and procedures in determining Interested Person Transactions, we are not required to and had not commented on or evaluated the methods or the procedures for determining Interested Person Transactions. Likewise we are not required to comment on or evaluate the methods or procedures used by the Company in the context of possible changes in the nature of operations. Such evaluations or comments remain the sole responsibility of the Directors and Management.

In the course of our evaluation, we have held discussions with certain Directors and the Management as well as, where applicable, the Target Directors and the Target Management, *inter alia*, regarding their assessment of the rationale for the Proposed Acquisition as an IPT, the Proposed Whitewash Resolution and the Proposed IPT Mandate as well as the existing and future processes or procedures for the Company in connection with IPT, the Group and/or the Enlarged Group, and have examined publicly available information collated by us including the audited financial statements as well as information including material information or developments pertaining to the Company, the Group, and the Target where applicable (both written and verbal), provided to us by the Directors and Management or where applicable the Target Directors and the Target Management and professional advisers of the Company, including its consultants or advisers or solicitors or auditors. We have not independently verified such information but have made such reasonable enquiries and used our judgement as we deemed necessary on the reasonable use of such information and have found no reason to doubt the accuracy or reliability of the information. Accordingly, we cannot and do not expressly or impliedly represent or warrant, and do not accept any responsibility for, the accuracy or completeness or adequacy of such information or the manner it has been classified or presented or the basis of any valuations.

We have relied upon the assurance of Directors and Management that all statements of fact, belief, opinion and intention made by the Directors and the Management in the Circular as well as their announcements for the financial results have been reasonably made after due and careful enquiry. Likewise, we have relied upon the assurance that all statements of fact, belief, opinion and intention made by the Target Directors and the Target Management in the Circular (including its appendixes) have been reasonably made after due and careful enquiry. Accordingly, no representation or warranty, expressed and implied, is made and no responsibility is accepted by us concerning the accuracy or completeness or adequacy of such information or statements of facts or belief or opinion or intention.

APPENDIX B – IFA LETTER

Our evaluation is based solely on publicly available information and other information provided by the Company as well as the economic and market conditions prevailing as at the Latest Practicable Date, and therefore does not reflect expected financial performance after the financial statements for the financial year ended 31 December 2016 (“FY2016”) for the Group and for the Target. The scope of our appointment does not require us to express, and we do not express and have not commented on or assessed the expected future performance or prospects of the Company or the Group or the Target or the Enlarged Group after the completion of Proposed Transactions. Accordingly, our evaluation and opinion and recommendation do not and cannot take into account future or prospective performance of the Company or the Group or the Target or the Enlarged Group and neither are we responsible for it. We are therefore not expressing any view herein as to the prices at which the Shares may trade upon completion or rejection of the Proposed Transactions (in part or in full) or voting for or voting against the Proposed Acquisition or the other transactions or resolutions stipulated in the Circular (if any) or on the future financial performance of the Company or the Group or the Target or the Enlarged Group or the plans (if any) for each of them. Estimates or analysis or evaluation of the merits of the Company or the Group or the Target or the Enlarged Group or the Proposed Acquisition as an IPT, or the Proposed Whitewash Resolution or the Proposed IPT Mandate if any, in this Letter are necessarily limited and we do not warrant or represent that it is complete or in entirety.

Our opinion in this Letter is based on economic, market, industry, monetary and other conditions (if applicable) in effect on, and the information provided to us, as of the Latest Practicable Date. Accordingly, the bases or assumptions and likewise our views or opinion or recommendation may and do change in the light of these developments which, *inter alia*, include general as well as company specific or industry specific conditions or sentiments or factors. Non-Interested Directors (as well as Independent Shareholders of the Company who would be receiving the Circular and this Letter enclosed with the Circular) should note that our evaluation is based solely on publicly available information and other information provided by the Company, the Directors, the Target Directors as well as those disclosed in the Circular as well as the economic and market conditions prevailing as at the Latest Practicable Date, and therefore does not reflect expected financial performance after the relevant financial year end or financial period for the Company or the Group or the Target or developments both macro and company specific and that these factors do and will necessarily affect the evaluation of the Selected Transactions and our recommendation or opinion or views. Likewise this Letter outlines some of the matters or bases or factors or assumptions which we have used in our assessment and is a summary. They are by no means exhaustive or a reproduction of all the matters or bases or factors or assumptions etc. which we have used in our assessment.

As set out in Section 17.1 of the “Letter to Shareholders” of the Circular (“**Anchor Resources Letter**”), the Directors collectively and individually accept full responsibility for the accuracy of the information given in the Circular (save for the information on the Vendors and the Target and the information set out in Appendices A to I to the Circular) and confirm after making all reasonable enquiries that to the best of their knowledge and belief, the Circular constitutes full and true disclosure of all material facts about the Proposed Transactions and the Group, and the Directors are not aware of any facts the omission of which would make any statement in the Circular (save for the information on the Vendors and the Target and the information set out in Appendices A to I to the Circular) misleading.

APPENDIX B – IFA LETTER

As set out in Section 32 of the Appendix A of the Circular entitled “Letter to Shareholders from the Board of Directors of GGT Manufacturing Sdn. Bhd.” (“**Appendix A**”), the Target Directors collectively and individually accept full responsibility for the accuracy of the information given in the Appendix A and any information in the Circular relating to the Target and the Vendors in connection with the Proposed Transactions (save for the information set out in Appendices C to I to the Circular) and confirm after making all reasonable enquiries that to the best of their knowledge and belief, the Circular (save for the information set out in Appendices C to I to the Circular) constitutes full and true disclosure of all material facts about the Target in connection with the Proposed Transactions, and the Target Directors are not aware of any facts the omission of which would make any statement in the Circular (save for the information set out in Appendices C to I to the Circular) misleading.

The Directors have, to their best knowledge, confirmed to ACA that all material information including but not limited to plans or prospects or proposals or rationale involving the Company or the Group or the Target or the Enlarged Group or the Proposed Transactions stipulated in the Circular or issue or changes to its capital structure, available to them and the Management in connection with the Selected Transactions has been disclosed to ACA and included in the Circular, that such information is true, complete and accurate in all material respects and that there is no other information or fact including the expected future performance or future growth prospects or plans of the Company or the Group, the omission of which would result in the facts stated and the opinions expressed or confirmations given by the Directors in the Circular or the IFA letter to be untrue, inaccurate or incomplete in any respect or misleading.

Likewise, the Target Directors have, to their best knowledge, confirmed to ACA that all material information including but not limited to plans or prospects or proposals or rationale involving the Target or the Enlarged Group or the Selected Transactions stipulated in the Circular or issue or changes to its capital structure, available to them in connection with the Proposed Transactions has been disclosed to ACA and included in the Circular, that such information is true, complete and accurate in all material respects and that there is no other information or fact including the expected future performance or future growth prospects or plans of the Target or the Enlarged Group, the omission of which would result in the facts stated and the opinions expressed or confirmations given by the Target Directors in the Circular or the IFA letter to be untrue, inaccurate or incomplete in any respect or misleading. Accordingly, no representation or warranty, expressed or implied, is made and no responsibility is accepted by ACA concerning the truth, accuracy, completeness or adequacy of such information or facts.

Our scope does not require us and we have not made any independent evaluation or business valuation of the Group or the Target or the Enlarged Group (including without limitation, market or business value or economic potential) or appraisal of assets and liabilities of the Group or the Target (including without limitation, mine property) or contracts entered into by the Group or the Target and we have not been furnished with any such evaluation and appraisal in respect of assets and liabilities (if any) held or contracts entered into by the Group or the Target save for the following:–

- (i) the independent business valuation report in respect of the market value of 100% equity interest in the Target dated 12 May 2017 (“**Business Valuation Report**”) prepared by Jones Lang Lasalle Corporate Appraisal and Advisory Limited (the “**Independent Valuer**”); and

APPENDIX B – IFA LETTER

- (ii) the independent VALMIN valuation report in respect of the dimension stone granite deposit held by the Target dated 12 May 2017 prepared by the Independent Valuer in accordance with the Catalist Rules and the VALMIN Code (“**VALMIN Valuation Report**”).

We have not been provided with the updated valuation report in connection with the market value of the mineral assets of the Lubuk Mandi Mine (defined later) but have relied on the valuation report issued by the IPO Valuer (defined later) and enclosed in the IPO Prospectus (defined later) as well as confirmation and representation by the Directors and Management in respect of the preferred value of the mineral assets of the Lubuk Mandi Mine. We are also not required to and do not comment on the validity of the Group’s IQPR (defined later) or the Target’s IQPR (defined later).

With respect to such valuations, we are not experts in the evaluation (including without limitation, market or business value or economic potential) or appraisal of assets and liabilities (including without limitation, mine property) including, *inter alia*, the contracts or agreements that the Group or the Target has embarked upon or are about to embark upon and have relied on the opinion of the Directors and the financial statements (audited and unaudited), where applicable for the assessment.

The Directors are of the opinion that the values of the assets and liabilities as well as the financial performance or condition of the Company and the Group as reflected in the full year audited financial statements for the Company and the Group as at 31 December 2016 are true and fair. The Directors have also confirmed that to the best of their knowledge, nothing has come to their attention which may render the audited financial statements for FY2016 to be false or misleading in any material aspect. In addition, the Directors confirmed that to the best of their knowledge and belief, such information is true, complete and accurate in all respects and that there is no other information or fact *inter alia* the valuation or appraisal of business, assets and liabilities including, *inter alia* the contracts or agreements that the Group has embarked upon or are about to embark upon, the omission of which would render those statements or information including our views or analysis or opinions or reliance of such statements or information to be untrue, inaccurate, incomplete or misleading.

Likewise, the Target Directors are of the opinion that the values of the assets and liabilities as well as the financial performance or condition of the Target as reflected in the full year audited financial statements for the Target for FY2016 are true and fair. The Target Directors have also confirmed that to the best of their knowledge, nothing has come to their attention which may render the audited financial statements for FY2016 to be false or misleading in any material aspect. In addition, the Target Directors confirmed that to the best of their knowledge and belief, such information is true, complete and accurate in all respects and that there is no other information or fact *inter alia* the valuation or appraisal of business, assets and liabilities including, *inter alia*, the contracts or agreements that the Target has embarked upon or are about to embark upon, the omission of which would render those statements or information including our views or analysis or opinions or reliance of such statements or information to be untrue, inaccurate, incomplete or misleading. Our views, opinion and recommendations are thus limited and subject to these matters as well as others mentioned in the Letter.

APPENDIX B – IFA LETTER

The Directors further confirmed that as at the Latest Practicable Date and save for matters disclosed in this Letter, the Circular, the audited financial statements for the Group for FY2016, there has been no material changes to the Group's business, assets and liabilities, financial position, condition and performance.

The Target Directors further confirmed that as at the Latest Practicable Date and save for matters disclosed in this Letter, the Circular, the audited financial statements for the Target for FY2016, there has been no material changes to the Target's business, assets and liabilities, financial position, condition and performance.

The scope of our appointment does not require us to express, and we do not express, a view or analysis or opinion on the basis or rationale for determining or negotiating the terms and conditions for the Selected Transactions or the basis of valuation used by parties (including but not limited to reliance or non-reliance on certain valuation basis or basis) for determining the consideration payable or the need for or amount of adjustments to the number of Consideration Shares to be issued pursuant to the Proposed Acquisition or the basis or methodology of any valuations undertaken or future growth prospects of the Company or the Group or the Target or the Enlarged Group before and after the transactions stipulated in the Circular or the Selected Transactions. We are also not expressing any view herein as to the prices at which the Shares may trade upon completion or rejection of the Selected Transactions or the other transactions or resolutions stipulated in the Circular or voting for or voting against the Selected Transactions or the other transactions or resolutions stipulated in the Circular or on the future financial performance of the Company or the Group or the Target or the Enlarged Group or the plans (if any) for each of them.

In rendering our opinion and giving our recommendation, we have not had regard to the general or specific investment objectives, financial situation, tax position, risk profiles or unique needs and constraints of any individual Independent Shareholder. As different Independent Shareholders would have different investment profiles and objectives, we would advise the Non-Interested Directors to recommend that any individual Independent Shareholder who may require advice in the context of his specific investment portfolio, including his investment in the Company, consult his stockbroker, bank manager, solicitor, accountant, tax adviser or other professional adviser immediately.

Accordingly, any factor or assumption or basis as well as the relative emphasis on any matter set out in this Letter or the Selected Transactions or the Company or the Group or the Target or the Shares or the Consideration Shares which we used or may have used may differ from the relative emphasis accorded by any individual Independent Shareholder or Director or Non-Interested Director, and as such the Non-Interested Directors are advised to highlight to Independent Shareholders as well as note for themselves that any reliance on our opinion or view or assessment, is subject to the contents of this Letter in its entirety. In addition, ACA will not be responsible or required to provide an updated assessment or opinion or views of the Selected Transactions or its recommendation, following the date of the issue of this Letter.

APPENDIX B – IFA LETTER

This Letter is addressed to the Non-Interested Directors in connection with and for the sole purposes of their evaluation of the financial terms of the Proposed Acquisition as an IPT, the Proposed Whitewash Resolution and the Proposed IPT Mandate. Whilst a copy of this Letter may be included in the Circular, neither the Company nor the Directors nor Shareholders, may reproduce, disseminate or quote from this Letter (or any part thereof) for any other purpose at any time and in any manner without the prior written consent of ACA in each specific case, except at the forthcoming EGM and for the sole purpose of the Proposed Acquisition as an IPT, the Proposed Whitewash Resolution and the Proposed IPT Mandate. In addition, any references to our Letter or opinion or views or recommendation, should not be made except with our prior consent in writing and even if made with our prior consent in writing, shall be subject to the contents of this Letter in its entirety, *inter alia*, the matters, conditions, assumptions, limitations, factors and bases as well as our terms of reference for this Letter.

3. PROPOSED ACQUISITION

3.1. PRINCIPAL TERMS OF THE PROPOSED ACQUISITION

The principal terms the Proposed Acquisition can be found in Section 2.3 of the Circular. The principal terms of the Proposed Acquisition have been extracted from the Circular and are set out in italics below. We recommend that Independent Shareholders read those pages of the Circular carefully. Unless otherwise defined or the context otherwise requires, all terms defined in the Circular shall have the same meaning herein.

“2.3 Principal Terms of the Proposed Acquisition

(a) Sale Shares

The Sale Shares will be acquired by the Company free from all encumbrances together with all rights and entitlements attaching thereto on and from the Completion Date. No party shall be obliged to complete the Proposed Acquisition unless the sale and purchase of all the Sale Shares are completed simultaneously.

Immediately prior to Completion, the Target will be wholly-owned by the Vendors, with Lim, Luminor 1 and Koh holding 60.0%, 30.0% and 10.0% of the Sale Shares, respectively.

(b) Consideration

*Under the Sale and Purchase Agreement, the Consideration shall be adjusted to 95% of the market value of the equity interest in the Target based on the Business Valuation Report. Accordingly, the Consideration shall be S\$103,265,000 based on the market value of the equity interest in the Target of S\$108,700,000. Please refer to the Business Valuation Report set out in **Appendix E** to this Circular.*

The consideration payable for each Sale Share shall be equal to the Consideration divided by the aggregate number of Sale Shares held by the Vendors immediately prior to Completion. The Company will satisfy the Consideration in full by way of the allotment and issue of the Consideration Shares to the Vendors.

APPENDIX B – IFA LETTER

Accordingly, the Consideration will be payable by the Company to each of the Vendors on Completion in the following proportions:

Vendor	Consideration (S\$)	Number of Consideration Shares
<i>Lim</i>	<i>61,959,000</i>	<i>427,303,448</i>
<i>Luminor 1</i>	<i>30,979,500</i>	<i>213,651,724</i>
<i>Koh</i>	<i>10,326,500</i>	<i>71,217,242</i>
Total	103,265,000	712,172,414

(c) Consideration Shares

The Issue Price for each Consideration Share is S\$0.145, which was calculated based on 115% of the VWAP of the Shares traded on the Catalist for the six calendar months' period from the initial trading of the Shares on the Catalist to the expiry of 17 September 2016. The Issue Price is within the range of the minimum consideration issue price of S\$0.08 and maximum consideration issue price of S\$0.18 in accordance with the terms of the Sale and Purchase Agreement.

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

The Consideration Shares will represent approximately 69.94% of the Enlarged Share Capital, assuming no new Shares are issued by the Company between the Latest Practicable Date and the Completion Date (both dates inclusive).

(d) Conditions Precedent

*Completion is subject to certain conditions precedent ("**Conditions Precedent**") being satisfied or waived in accordance with the Sale and Purchase Agreement, including, inter alia, the following:*

- (i) completion of the proposed placement by the Company as defined in its Announcement;*
- (ii) approval of Shareholders at the EGM being obtained for the Proposed Acquisition;*
- (iii) approval of Independent Shareholders being obtained at the EGM for Proposed Whitewash Resolution;*
- (iv) approval of the SGX-ST in respect of the Circular and if such approval is subject to conditions, such conditions being reasonably acceptable to the parties and if required by the SGX-ST, such conditions being fulfilled or satisfied before the Completion, and such approval remaining in full force and effect;*

APPENDIX B – IFA LETTER

- (v) *the SIC having granted Lim and parties acting in concert with him, and such grant remaining in full force and effect, the Whitewash Waiver, subject to the passing of the Proposed Whitewash Resolution and such other conditions that the SIC may impose which are reasonably acceptable to the parties;*
- (vi) *completion of an internal restructuring exercise of the Target;*
- (vii) *the Company having undertaken and having completed its due diligence exercise on the Target, and: (i) the results of the same being satisfactory to the Company in its sole discretion; and (ii) the Vendors having furnished a supplemental deed of warranties in relation to the Target addressing findings of the Company in its due diligence exercise in form and substance satisfactory to the Company in its sole discretion;*
- (viii) *the Qualified Person's Report being in compliance with the Catalist Rules, the JORC Code and in such form and substance reasonably acceptable to the Company;*
- (ix) *the VALMIN Valuation Report being in compliance with the Catalist Rules, the VALMIN Code and in such form and substance reasonably acceptable to the Company, and setting out a VALMIN valuation (or where the VALMIN valuation is stated as a range, the simple average of the highest and lowest value of such VALMIN valuation) of the Target which shall be no less than S\$100 million;*
- (x) *the Business Valuation Report being in compliance with the Catalist Rules and in such form and substance reasonably acceptable to the Company, and the equity valuation (or where the equity valuation is stated as a range, the simple average of the highest and lowest value of such equity valuation) being no less than S\$107 million;*
- (xi) *all necessary approvals, filings, exemptions or waivers by regulatory authorities and bodies in relation to the Proposed Acquisition being obtained or made on terms reasonably acceptable to the parties, including and not limited to any approval (where necessary) from or notification with the Central Bank of Malaysia (Bank Negara Malaysia) as required under Notice 3 (Investment in Foreign Currency Asset) of the Malaysian Foreign Exchange Rules as prescribed under the Financial Services Act 2013 for the Vendors with respect to the Consideration Shares, and all such approvals and filings remaining in full force and effect on the Completion Date;*
- (xii) *all necessary approvals, consents or waivers by contracting third parties of the Target in relation to the Proposed Acquisition (including bankers, suppliers and customers, to the extent such approvals, consents or waivers are material in the context of the Proposed Acquisition) being obtained or made on terms reasonably acceptable to the parties, and all such approvals, consents or waivers remaining in full force and effect on the Completion Date;*

APPENDIX B – IFA LETTER

(xiii) *no governmental authority or court of competent jurisdiction having enacted, issued, promulgated, enforced or entered any law, rule, regulation, judgment, decree, executive order or award having the effect of making the Proposed Acquisition illegal or otherwise prohibiting consummation thereof on or prior to the Completion Date;*

(xiv) *the Shares remaining listed on the SGX-ST and not having been halted or suspended from trading for a period of more than 30 market days in aggregate; and*

(xv) *all representations, warranties and undertakings of each party under the Sale and Purchase Agreement being complied with, and remaining true, accurate and correct in all material respects as at the Completion.*

As at the Latest Practicable Date, the Conditions Precedent under sub-paragraphs (i),(v) and (vii) to (x) above have been fulfilled.

In relation to the condition set out in sub-paragraph (v), on 3 March 2017, the SIC had granted the Whitewash Waiver in respect of Lim, subject to certain conditions more particularly set out in Section 3.2 of the Circular.

In the event any condition precedent is not fulfilled or waived on or before 30 September 2017 (or such other date as agreed in writing between the parties), the Sale and Purchase Agreement shall cease and determine and no party shall have any claim against the other parties, save for any antecedent breach.

Following Completion, the Company intends to change the name of the Target in line with the Group's corporate identity."

3.2. PROPOSED ACQUISITION AS A VERY SUBSTANTIAL ACQUISITION

We note from Section 2.4 of the Circular that the Proposed Acquisition is governed by the rules of Chapter 10 of the Catalyst Rules. Based on the audited consolidated financial statements of the Group for FY2016, the relative figures in respect of the Proposed Acquisition computed on the bases set out in Rule 1006 of the Catalyst Rules are as follows:

Rule 1006	Bases	Relative figure (%)
(a)	The net asset value of the assets to be disposed of, compared with the group's net asset value. This basis is not applicable to an acquisition of assets	Not applicable
(b)	The net profits attributable to the assets acquired or disposed of, compared with the group's net profit	Not applicable ⁽¹⁾
(c)	The aggregate value of the consideration given or received, compared with the issuer's market capitalisation based on the total number of issued shares excluding treasury shares	307.94 ⁽²⁾
(d)	The number of equity securities issued by the issuer as consideration for an acquisition, compared with the number of equity securities previously in issue	229.36 ⁽³⁾

APPENDIX B – IFA LETTER

Rule 1006	Bases	Relative figure (%)
(e)	The aggregate volume or amount of proved and probable reserves to be disposed of, compared with the aggregate of the group's proved and probable reserves. This basis is applicable to a disposal of mineral, oil or gas assets by a mineral, oil and gas company, but not to an acquisition of such asset	Not applicable

Notes:

- (1) The Target had a net loss of S\$1,419,069 (based on the exchange rate of S\$1:RM3.0016) in FY2016, whereas the Group recorded a net loss of S\$9,195,551 (based on the aforementioned exchange rate) in FY2016.
- (2) Computed based on the aggregate Consideration of S\$103,265,000 and the market capitalisation of the Company of S\$33,534,000, based on the closing Share price of 10.8 cents on 28 March 2017 (being the last trading day prior to the Company's announcement on 29 March 2017).
- (3) Computed based on the aggregate of 712,172,414 Consideration Shares and the total of 310,500,000 Shares in issue as at the Latest Practicable Date.

Having regard to the above, as the relative figures computed based on Rules 1006 (c) and (d) exceed 100% and the Proposed Acquisition will not result in a change of control of the Company (as Lim will remain the Controlling Shareholder), the Proposed Acquisition constitutes a very substantial acquisition under Rule 1015 of the Catalist Rules. Accordingly, the Proposed Acquisition shall be subject to approval of the Shareholders being obtained pursuant to Rule 1015 of the Catalist Rules.

3.3. PROPOSED ACQUISITION AS AN INTERESTED PERSON TRANSACTION

We note from Section 2.5 of the Circular that the Consideration for the Proposed Acquisition is S\$103,265,000 and the portion of the Consideration payable to Lim is S\$61,959,000. The Group's latest audited NTA as at 31 December 2016 is RM28,494,000 (approximately S\$9,189,836). As the Consideration (to be satisfied by way of allotment and issue of Consideration Shares) payable to Lim against the Group's latest audited NTA is approximately 674.21%, the Proposed Acquisition is an interested person transaction (as defined under the Catalist Rules) and is therefore subject to the approval of Shareholders (other than Lim and his associates) at the EGM.

4. INFORMATION ON THE TARGET AND THE VENDORS

Information on the Target and Vendors can be found in Section 2.2(a) and 2.2(b) of the Circular respectively.

5. EVALUATION OF THE PROPOSED ACQUISITION AS AN IPT AND THE PROPOSED WHITEWASH RESOLUTION

In assessing the financial terms of the Proposed Acquisition as an IPT and for the purpose of the Proposed Whitewash Resolution, we have taken into account the following pertinent factors as well as others as set out in this Letter, which we consider as having a significant bearing on our assessment:—

- (i) Rationale for the Proposed Acquisition;
- (ii) Assessment of the Issue Price;

APPENDIX B – IFA LETTER

- (iii) Assessment of the Consideration; and
- (iv) Other considerations which have significant bearing on our assessment.

These factors are discussed in detailed in the ensuing sections.

We have applied certain valuation ratios in assessing the reasonableness of the Consideration and the Issue Price. A brief description of such valuation ratios are as follows:–

- (i) **EV/EBITDA**

“EV” or “Enterprise Value” is defined as the sum of a company’s market capitalisation, preferred equity, minority interests, short term and long term debts less its cash and cash equivalents. “EBITDA” stands for earnings before interest, tax, depreciation and amortisation but after share of associates’ and joint ventures’ income but excluding exceptional items.

The “EV/EBITDA” multiple is an earnings-based valuation methodology that does not take into account the capital structure of a company as well as its interest, taxation, depreciation and amortisation charges. Therefore, it serves as an illustrative indicator of the current market valuation of the business of a company relative to its pre-tax operating cash flow and performance.
- (ii) **Price-to-Sales (“P/Sales”)**

The P/Sales ratio is the ratio of a company’s market capitalisation divided by the historical revenue. It is a revenue-based valuation methodology and is calculated based on the net revenue.
- (iii) **Price-to-Earnings (“PER”)**

The PER is a widely used earnings-based valuation methodology that illustrates the ratio of the current market price of a company’s shares relative to its net earnings per share. Unlike the EV/EBITDA multiple, the PER is based on the net earnings attributable to shareholders after interest, taxation, depreciation and amortisation expenses. As such, the PER is affected by the capital structure of a company, tax position as well as its depreciation and goodwill policies.
- (iv) **Price-to-NTA (“P/NTA”)**

The P/NTA ratio is the ratio of the relevant prices of the shares to the net tangible asset value of the relevant companies. It is an asset-based valuation methodology that illustrates the ratio of the current market valuation of a company relative to its asset backing as measured in terms of its NTA value.

APPENDIX B – IFA LETTER

The NTA of a company provides an estimate of its value assuming a hypothetical sale of all its tangible assets, the proceeds of which are first used to repay the liabilities and obligations of that company with the balance available for distribution to its shareholders. The NTA-based approach is widely used for valuing the shares of property-based companies as their tangible asset backings are perceived as providing support for the value of their shares.

(v) **Price-to-NAV (“P/NAV”)**

The P/NAV ratio is the ratio of the relevant prices of the shares to the net asset value of the relevant companies. It is an asset based valuation methodology that illustrates the ratio of the current market valuation of a company relative to its tangible and intangible asset backing as measured in terms of its NAV value.

The NAV of a company provides an estimate of its value assuming a hypothetical sale of all its tangible and intangible assets, the proceeds of which are first used to repay the liabilities and obligations of that company with the balance available for distribution to its shareholders.

(vi) **Enterprise value-to-Reserves (“EV/Reserves”)**

“EV” or “**Enterprise Value**” is defined as the sum of a company’s market capitalisation, preferred equity, minority interests, short term and long term debts less its cash and cash equivalents.

Reserves refer to the proved and probable mineral reserves the company has attributable to its projects. We have relied on the JORC compliant reserves estimates as reported in their latest annual reports, financial statements and publicly available announcements as available as at the Latest Practicable Date. We wish to highlight that the estimated proved and probable reserves of the Selected Comparable Companies may not reflect the entire potential reserves that could be explored and commercialised.

The EV/Reserves ratio illustrates the ratio of the market value of an entity’s business in relation to the reserves owned by the company. Any comparison made in relation to the EV/Reserves ratio is solely for illustration purposes only.

APPENDIX B – IFA LETTER

(vii) **Enterprise value-to-Resources (“EV/Resources”)**

“EV” or “Enterprise Value” is defined as the sum of a company’s market capitalisation, preferred equity, minority interests, short term and long term debts less its cash and cash equivalents.

Resources refer to the aggregate measured, indicated and inferred mineral resources the company has attributable to its projects. We have relied on the JORC compliant resources estimates as reported in their latest annual reports, financial statements and publicly available announcements as available as at the Latest Practicable Date. We wish to highlight that the estimated resources of the Selected Comparable Companies may not reflect the entire potential resources that could be explored and commercialised.

The EV/Resources ratio illustrates the ratio of the market value of an entity’s business in relation to the resources owned by the company. Any comparison made in relation to the EV/Resources ratio is solely for illustration purposes only.

In assessing the Proposed Acquisition as an IPT, and being the subject of the Proposed Whitewash Resolution, we have taken into account the following pertinent factors (as well as others in this Letter), which we consider will have a significant bearing on our assessment.

5.1. Rationale for the Proposed Acquisition

The rationale for the Proposed Acquisition can be found in Section 2.1 of the Circular and have been extracted and set out in italics below. Shareholders are advised to read Section 2.1 of the Circular carefully. Unless otherwise defined or the context otherwise requires, all terms defined in the Circular shall have the same meaning herein.

“2.1 Rationale for the Proposed Acquisition

The Proposed Acquisition is in line with the Group’s long-term growth strategy to expand its business through mergers and acquisitions. The Proposed Acquisition will provide the Enlarged Group with an additional income stream from the sale of dimension stone granite and diversify its revenue sources between the mineral resources of gold and dimension stone granite in the State of Terengganu, Malaysia. It will also improve the Enlarged Group’s financial position. As at the Latest Practicable Date, the Target has a cash balance of approximately S\$2.32 million (approximately RM7.17 million).

The Proposed Acquisition will also grow the asset base of the Enlarged Group and widen its shareholder base, attracting more interest from the investment community focused on the minerals sector in investing in the Enlarged Group.

APPENDIX B – IFA LETTER

The Consideration is to be satisfied by the allotment and issue of Consideration Shares to the Vendors. By satisfying the Consideration by way of the Proposed Allotment, the Company is able to conserve its cash to be utilised for other purposes such as its working capital and for other investment opportunities.

*Please refer to section 25 of **Appendix A** to this Circular entitled “Prospects, Trends and Future Plans” for more information.”*

5.2. Assessment of the Issue Price

In assessing the Issue Price, we have considered the historical financial performance and position of the Group, the historical trading performance of Shares, the Group’s NAV and NTA, and comparison with the precedent successful reverse takeovers (“**RTOs**”) transactions undertaken by companies listed on the SGX-ST.

(a) Historical financial performance and position of the Group

Overview of the Group’s business

The Group is primarily engaged in the business of exploration, mining and production of gold for sale in Malaysia and has concession rights in respect of the Lubuk Mandi Mine and the Bukit Panji Property, located in Terengganu, Malaysia. The concession rights for the Lubuk Mandi Mine was granted to the Group by Perbadanan Memajukan Iktisad Negeri Terengganu, the State Economic Development Corporation of Terengganu, Malaysia (“**PMINT**”) pursuant to the concession contract work agreement in respect of the Lubuk Mandi Mine dated 15 February 2013 (the “**Lubuk Mandi Concession Agreement**”) entered into between PMINT and the Company’s wholly-owned subsidiary, Angka Alamjaya Sdn. Bhd. (“**AASB**”), which commenced from 5 March 2013. The renewal period of the Lubuk Mandi Concession Agreement is subject to the renewal period of the two (2) mining leases, namely ML 1/2007 and ML 2/2007 (collectively, the “**Mining Leases**”), in respect of the Lubuk Mandi Mine, and such Mining Leases (which were granted to PMINT by the Terengganu State Authority) fell due for renewal on 5 March 2017. The Terengganu State Authority had given its approval-in-principle for the extension of ML 1/2007 and ML 2/2007 to PMINT on 21 February 2017 and 23 February 2017, respectively. On 9 May 2017, the Company announced that the renewal certificate for one of the Mining Leases, namely, ML 1/2007 (“**ML 1/2007 Renewal Certificate**”), has been issued by the Terengganu State Authority to PMINT. Pursuant to the ML 1/2007 Renewal Certificate, ML 1/2007 shall be renewed for a 5-year period commencing from 9 April 2017 to 8 April 2022. As at the Latest Practicable Date, the issuance of the formal certificate of renewal in respect of the Mining Leases for ML 2/2007 by the Terengganu State Authority to PMINT is still in the process.

The concession right for the Bukit Panji Property is currently in the process of being renewed by the land owner before the Group is able to utilise its concession right for exploitation and mining activities in the Bukit Panji Property.

APPENDIX B – IFA LETTER

We note that the Company had on 18 May 2017 announced that it had on the same day entered into a termination agreement with Sinomine Resource Exploration Co., Ltd (“**Sinomine**”), which was previously engaged by AASB on a non-exclusive basis to carry out, *inter alia*, hard rock gold mining, processing and smelting works at the Group’s Lubuk Mandi Mine (the “**Termination Agreement**”), pursuant to which, AASB and Sinomine have mutually agreed to terminate the Co-operation Agreement in accordance with the terms and conditions set out in the Termination Agreement (the “**Termination**”), and to, *inter alia*, release and discharge each other from all claims and other actions arising from the mining co-operation agreement dated 14 August 2015. In addition, the Company announced on 18 May 2017 that AASB has on 18 May 2017 entered into a mining agreement (the “**Mining Agreement**”) with Great Aims Resources Sdn Bhd (“**GAR**”), pursuant to which, AASB has engaged GAR on an exclusive basis to carry out gold mineral mining works at the Group’s Lubuk Mandi Mine. In consideration of the services provided by GAR pursuant to the Mining Agreement, the revenue (net of all tributes and royalty payments) generated from sale of gold produced in connection with the Mining Agreement shall be distributed between GAR and AASB on a 65:35 basis. Additionally, AASB and GAR have agreed that GAR shall pay to AASB monthly payments representing GAR’s 65% share of the aggregate tributes and royalties, respectively, payable in respect of any Revenue earned in that month, subject to a minimum payment by GAR of RM80,000 per month which shall be applied towards payment of the tributes (the “**GAR Minimum Contribution**”). The GAR Minimum Contribution shall be payable regardless of whether any Revenue is earned in the relevant month and payment by GAR of the GAR Minimum Contribution shall commence from 1 August 2017. The Directors have confirmed that the Termination and the entry into the Mining Agreement have no material effects on the operations, profitability, cash flow and value of the Lubuk Mandi Mine as at the Latest Practicable Date.

The Group commissioned its processing facilities for the mining and processing of tailing in March 2015 and commenced its 12 hours production cycle since July 2015 after completing its commissioning in June 2015. In the last quarter of FY2016, the Group shifted its focus to developing its capabilities in hardrock processing due to the low recovery rates from the production of gold using the tailing process.

A summary of the audited consolidated financial statements of the Group for FY2016, FY2015 and FY2014 are set out below:–

Summary of the Consolidated Statement of Income

Figures in RM'000 ⁽¹⁾	Audited FY2016	Audited FY2015	Audited FY2014
Revenue	2,175	678	–
Total operating expenses ⁽²⁾	(30,724)	(44,856)	(6,821)
Loss before tax	(28,512)	(44,171)	(6,812)
Loss after tax attributable to owners of the Company	(28,512)	(44,171)	(6,812)

APPENDIX B – IFA LETTER

Summary of the Consolidated Balance Sheet

Figures in RM'000 ⁽¹⁾	Audited FY2016	Audited FY2015	Audited FY2014
Non-current assets	29,511	25,770	19,882
Current assets	8,693	6,858	8,641
Non-current liabilities	239	–	–
Current liabilities	9,471	30,555	28,927
Total borrowings	303	–	22,773
Shareholders' equity	28,494	2,073	(404)
Net working capital	(778)	(23,697)	(20,286)

Summary of cash flow statement

Figures in RM'000 ⁽¹⁾	Audited FY2016	Audited FY2015	Audited FY2014
Net cash used in operating activities	(12,095)	(5,488)	(7,653)
Net cash used in investing activities	(5,113)	(7,199)	(14,112)
Net cash generated from financing activities	23,614	11,877	18,651
Net increase/(decrease) in cash and cash equivalents	6,406	(810)	(3,114)
Cash and cash equivalents at end of the period	7,491	1,155	1,965

Notes:

- (1) The figures included herein and discrepancies between the listed and total amounts thereof are subject to rounding.
- (2) Total operating expenses comprised raw materials and consumables used, change in inventories of work-in-progress, contractor expenses, royalty fee expenses, depreciation and amortisation expenses, employee benefits expenses, operating lease expenses, other expenses, finance costs and fair value loss on derivative financial instruments.

We note the following:

- (a) The Group did not generate any revenue in FY2014 as it was still at the stage of constructing the processing facilities. The Group commissioned the processing facilities for the mining and processing of tailing in March 2015 and produced 146.39 oz of gold with 3.86 oz of gold remain unsold at the end of FY2015. The Group generated revenue of approximately RM0.7 million in FY2015 with a gold sale of 142.53 oz. For FY2016, the Group recorded an increase in revenue of approximately RM1.5 million (or 220.8%) to approximately RM2.2 million in FY2016 due to an increase in gold sale from 142.53 oz in FY2015 to 423.50 oz in FY2016 as well as an increase in the average realised gold price from RM4,759.19 per oz in FY2015 to RM5,134.88 per oz in FY2016.

APPENDIX B – IFA LETTER

- (b) Total operating expenses increased from approximately RM6.8 million in FY2014 to approximately RM44.9 million in FY2015 mainly due to:–
- (i) Increase in raw materials and consumables and changes in inventories of work-in-progress used by approximately RM0.9 million due to the commissioning of the processing facilities.
 - (ii) Increase in contract expenses by approximately RM0.3 million due to excavation of tailing feed.
 - (iii) Increase in depreciation and amortisation by approximately RM1.2 million due to the commencement of processing facilities.
 - (iv) Increase in employee benefits expense by approximately RM 1.4 million due to the increase in headcount after commencement of processing facilities.
 - (v) Increase in other expenses by approximately RM4.3 million due to higher professional fees and foreign exchange losses.
 - (vi) Increase in finance costs by approximately RM0.5 million due to an increase in weighted average outstanding of Redeemable Convertible Loan (“**RCL**”) from approximately RM12.8 million in FY2014 to RM22.3 million in FY2015.
 - (vii) One-off charge of fair value loss on derivative financial instruments in FY2015 on the value of option to convert RCL to equity of approximately RM5.7 million.
 - (viii) One-off charge of fair value loss on modification arrangement on issuance of adjustment shares to RCL lenders of approximately RM23.9 million.

Total operating expenses decreased from approximately RM44.9 million in FY2015 to approximately RM30.7 million in FY2016 mainly due to absence of fair value loss on derivative financial instruments of approximately RM5.7 million and modification arrangement on issuance of adjustment shares to RCL lenders of approximately RM23.9 million; which was partially offset by:–

- (i) Increase in raw materials and consumables used by approximately RM0.03 million due to the commencement of hard rock production in the second half of FY2016.
- (ii) Increase in royalty fee expenses by approximately RM0.8 million due to the increase in the sale of gold and commencement of the minimum royalty payment of RM0.08 million per month since May 2016.
- (iii) Increase in depreciation and amortisation by approximately RM0.4 million due to additional purchase of property, plant and equipment of approximately RM4.2 million and mining properties of approximately RM1.0 million for the Lubuk Mandi Mine.

APPENDIX B – IFA LETTER

- (iv) Increase in employee benefit expense by approximately RM3.1 million due to share based payment expense for directors and staff of RM1.0 million, increase in directors' remuneration and fees of RM1.5 million and increase in salaries of RM0.4 million due to increase in headcount for FY2016.
- (c) The Group incurred losses after tax attributable to owners of the Company of approximately RM28.5 million, RM44.2 million and RM6.8 million in FY2016, FY2015 and FY2014 respectively.

The Management has represented that for illustrative purpose only, assuming the following one-off and non-recurring expenses are excluded:

- IPO listing expenses of approximately RM13.3 million in FY2016;
- Finance cost on equity for anti-dilution holder of approximately RM0.4 million in FY2016;
- Expenses in relation to the Proposed Acquisition of RM2.3 million in FY2016;
- General corporate consultancy fee of approximately RM1.3 million in FY2016;
- Fair value loss on derivative financial instruments of approximately RM29.6 million in FY2015;
- Listing preparation expenses of approximately RM1.4 million for FY2015; and
- Commissioning costs of approximately RM1.8 million in FY2015,

the losses after tax of the Group would have been RM11.2 million and RM11.4 million for FY2016 and FY2015 respectively.

- (d) The Group's total assets amounted to approximately RM38.2 million as at 31 December 2016 comprising non-current assets of approximately non-current RM29.5 million and current assets of approximately RM8.7 million. The Group's non-current assets as at 31 December 2016 comprised property, plant and equipment of approximately RM15.8 million, mining properties of approximately RM13.7 million and exploration and evaluation assets of approximately RM0.05 million. The Group's current assets as at 31 December 2016 comprised cash and cash equivalents of approximately RM7.6 million, non-trade receivables of approximately RM0.7 million, inventories of approximately RM0.3 million and prepayments of approximately RM0.1 million.

The Group's total liabilities amounted to approximately RM9.7 million as at 31 December 2016 comprising non-current liabilities of approximately RM0.2 million (solely consisted of finance lease payables) and current liabilities of approximately RM9.5 million (consisted of trade and other payables of approximately RM9.4 million and finance lease payable of approximately RM0.06 million).

APPENDIX B – IFA LETTER

- (e) The Group's net working capital has been in the negative and deteriorated from approximately negative RM20.3 million as at 31 December 2014 to approximately negative RM23.7 million as at 31 December 2015 mainly due to a decline in current assets (attributable to the lower non-trade receivables for advance payments to third party suppliers and lower cash and cash equivalents which was partially offset by an increase in prepayments) and an increase in current liabilities (attributable to higher trade and other payables and modification of the RCL).

As at 31 December 2016, the Group's net working capital improved but remained in the negative region of approximately RM0.8 million due to an increase in current assets (mainly attributable to the higher cash and cash equivalents in view of the issuance of new Shares via initial public offering in March 2016 and private placement in July 2016) and a substantial decline in current liabilities (mainly due to the capitalisation of RM23.9 million of derivative financial instruments into equity which was partially offset by an increase of approximately RM2.8 million in trade and other payables).

- (f) Total equity increased from approximately negative RM0.4 million as at 31 December 2014 to approximately positive RM2.1 million as at 31 December 2015 and approximately positive RM28.5 million as at 31 December 2016. The increase in total equity during FY2014 to FY2016 of approximately RM26.4 million was mainly due to the increase in share capital of approximately RM85.2 million (mainly attributable to issuance of new Shares pursuant to the restructuring exercise prior to the initial public offering and issuance of new Shares pursuant to the initial public offering in March 2016 and private placement in July 2016) which was partially offset by an increase in accumulated losses of approximately RM72.7 million. It is noted that the aggregate net proceeds raised from the initial public offering in March 2016 and private placement in July 2016 of approximately RM31.1 million is slightly higher than the Group's loss after tax of approximately RM28.5 million in FY2016.
- (g) As at 31 December 2016, the Group's total borrowing (comprised mainly of finance lease payables) amounted to approximately RM0.3 million and the Group's gearing ratio stood at a low 0.01 times. The Group's cash and cash equivalents amounted to approximately RM7.6 million as at 31 December 2016 which is more than sufficient to cover its total borrowings.
- (h) The Group's operating net cash flow has been in the negative during the three financial years under review in view of the losses incurred. The Group's net cash flow used in operating activities amounted to approximately RM7.7 million, RM5.5 million, and RM12.1 million in FY2014, FY2015 and FY2016 respectively. During FY2014 to FY2016, the Group's operating and investing activities appeared to have been financed by the Group's net cash flow from financing activities (from the issuance of new Shares pursuant to the restructuring exercise as well as the initial public offering).

APPENDIX B – IFA LETTER

Resources

The Group's annual report for FY2016 ("AR2016") contains an independent qualified person's report dated 24 February 2017 ("Group's IQPR") issued by an independent qualified person named in the AR2016. We present below the summary of the total mineral resources as at 31 December 2016, which is extracted from the Group's IQPR.

Area	Category	Gross attributable to licence			Net attributable to issuer			Change from previous
		Tonnes (Mt)	Gold grade (g/t)	Ounces gold	Tonnes (Mt)	Gold grade (g/t)	Ounces gold	
Tailings	Measured	—	—	—	—	—	—	
	Indicated	1.2	0.73	27,700	1.19	0.73	27,700	(9)%
	Inferred	0.1	0.83	2,500	0.10	0.83	2,500	0%
	Total	1.3	0.73	30,200	1.29	0.73	30,200	(8)%
In-situ	Measured	—	—	—	—	—	—	
	Indicated	1.5	1.46	69,900	1.50	1.46	69,900	(1)%
	Inferred	0.3	1.01	6,500	0.30	1.01	6,500	0%
	Total	1.8	1.33	76,400	1.80	1.33	76,400	(1)%

Note: Mineral resources tonnes and grade figures have been rounded to reflect the accuracy of the estimate. Totals may not add due to rounding.

We note from the table above that the total gold resources for the Lubuk Mandi Mine is approximately 106,600 oz as at 31 December 2016 (being the aggregate tailings resources of approximately 30,200 oz and in-situ resources of approximately 76,400 oz), and this is lower than the previous total gold resources of approximately 114,000 oz as at 30 September 2015. We further note from the Group's IQPR that in order to determine the mineral resources as at 31 December 2016, the mineral resources as at 30 September 2015 has been depleted based on reported 2017 production. As stated in the Group's IQPR, the total depletion until 31 December 2016 is largely immaterial relative to the total mineral resource.

Operating costs and capital expenditure

Based on the Group's IQPR, we present below the summary the various operating cost centres for gravity and carbon-in-leach ("CIL") gold processing respectively.

2017 forecast operating cost schedule (gravity gold)

	Operating cost (RM million)	Operating cost (US\$ million)
Royalty and tribute	1.44	0.36
Blasting costs	0.87	0.22
Haulage costs	1.73	0.43
Crushing costs	1.13	0.28
Insurance	0.01	0.00
Utility	1.20	0.30
Salary – site	0.73	0.18

APPENDIX B – IFA LETTER

	Operating cost (RM million)	Operating cost (US\$ million)
Depreciation	0.46	0.12
Amortisation	0.62	0.15
Ball mill ball cost	0.85	0.21
Total production costs	9.04	2.26
Cost per ounce gold sold	3,150	787

2017 forecast operating cost schedule (CIL gold)

	Operating cost (RM million)	Operating cost (US\$ million)
Royalty and tribute	1.08	0.27
Security	0.17	0.04
Salary	1.16	0.29
Chemical	1.86	0.46
Insurance	0.10	0.03
Utilities	0.75	0.19
Repair and maintenance	0.21	0.05
Equipment rental	0.29	0.07
Depreciation and amortisation	1.39	0.35
Diesel – plant and machinery	0.09	0.02
Total production costs	7.10	1.78
Cost per ounce gold sold	3,300	824

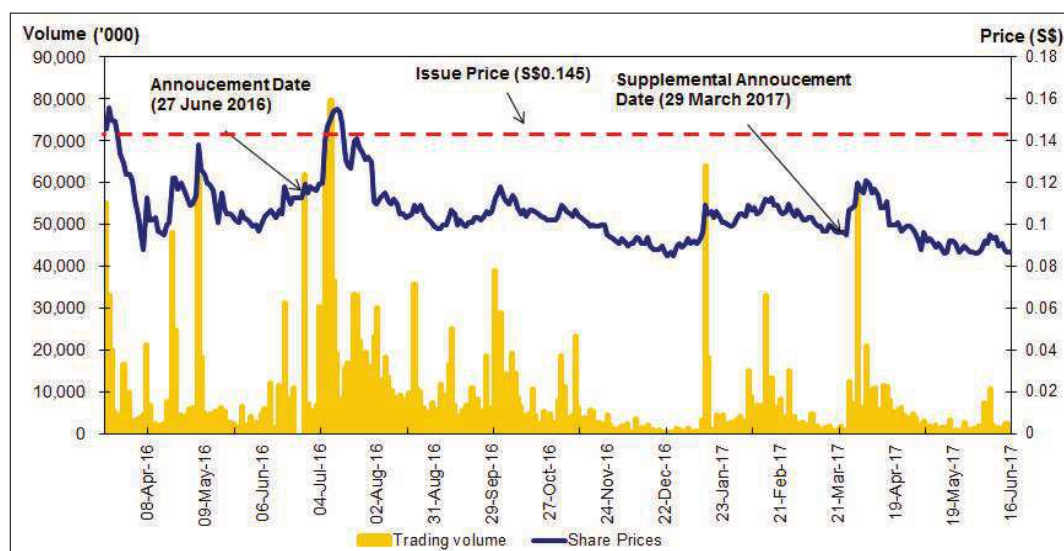
It is noted from the Group's IQPR that AASB, a subsidiary of the Company, commissioned a treatment plant for the processing of the tailings mineral resource. Total capital costs of approximately RM13.0 million were expended in the construction and commissioning of the tailing retreatment plant. In the latter half of 2016, AASB modified the tailings treatment plant to process hard rock material including installation of comminution facilities and modification of the CIL circuit. Total capital expenditure for the plant modifications was in the order of RM2.9 million. Forecast ongoing capital costs are expected to be minimal over the remainder of the operation.

We would also like to highlight that based on the Group's IQPR, the 2017 budget forecasts recovery of 2,880 ounces of gravity gold and a further 2,160 ounce of CIL recovered gold from 125,000 tonnes of feed is deemed to be reasonable given AASB are able to successfully stabilise plant recoveries and throughputs.

APPENDIX B – IFA LETTER

(b) Market quotation and trading activity of the Shares

The historical price chart (based on the closing prices together with the number of Shares traded on a daily basis) for the Shares during the period commencing from 18 March 2016 (being the date of initial public offer (“**IPO Date**”) and ending on 16 June 2017, being the latest Market Day preceding to the Latest Practicable Date is set out below:–



Source: SGX-ST

For the period commencing from 18 March 2016 and ending on 24 June 2016, being the last Market Day prior to the Announcement Date (both dates inclusive), we note that the Shares were being traded on 66 Market Days out of 69 Market Days. It is noted that the Company requested trading halt for the Shares for 3 Market Days prior to the Announcement Date (from 22 June 2016 to 24 June 2016). The closing prices for the Shares were above the Issue Price for 4 consecutive Market Days (from 18 March 2016, being the IPO Date, to 23 March 2016) and below the Issue Price for 65 Market Days. We observed that the Share price closed at S\$0.119 on 27 June 2016, being the Announcement Date as compared to closing price of S\$0.113 for the Shares on the last Trading Day on 21 June 2016 prior to the Announcement Date (the trading for the Shares were halted on 22 June 2016 to 24 June 2016). For the period commencing from 27 June 2016 till 16 June 2017 (being the latest Market Day preceding to the Latest Practicable Date), the closing prices for the Shares were lower than the Issue Price for 240 Market Days out of a total 246 Market Days and were higher than the Issue Price for 6 consecutive Market Days (8 July 2016 to 15 July 2016). We note that save for the announcement on the Proposed Acquisition and the 2016 Placement (defined later), there were no other major announcements made by the Company prior to 8 July 2016. The price for the Shares closed at S\$0.087 as at 16 June 2017, being the latest Market Day prior to the Latest Practicable Date.

As a general market comparison and observation, the FTSE Straits Times Catalyst Index (“**FTSE ST Catalyst**”) decreased by approximately 4.9% for the period commencing from 18 March 2016 and ending on 24 June 2016, being the last Trading Day prior to the Announcement Date, and subsequently increased by approximately

APPENDIX B – IFA LETTER

13.5% from 27 June 2016 to the Latest Practicable Date. For the same period commencing from 18 March 2016 and ending on 24 June 2016, being the last Trading Day prior to the Announcement Date, the price for the Shares declined by approximately 18.5% and subsequently declined further by approximately 26.9% from 27 June 2016 till 16 June 2017, being the latest Trading Day prior to the Latest Practicable Date. We observed that the Shares have underperformed the FTSE ST Catalist for the period commencing from the IPO Date till the Latest Practicable Date.

The above chart and the analysis below is presented for illustrative purposes only, and they are by no means representative of the future trading performance or prices of the Shares.

The volume-weighted closing price (“**VWCP**”) of the Shares, the highest and lowest transacted prices for the Shares and the average number of Shares traded on a daily basis from the IPO Date to the Latest Practicable Date is set out below:–

	VWCP⁽¹⁾ per Share (S\$)	Premium of the Issue Price over the VWCP per Share (%)	Lowest transacted price (S\$)	Highest transacted price (S\$)	Average daily trading volume⁽²⁾ ('000 Shares)	Average daily trading volume as % of free-float⁽³⁾ (%)
For the period prior to the Announcement Date (27 June 2016)						
IPO Date to 21 June 2016 (being the last Trading Day prior to the Announcement Date)	0.124	16.9%	0.083	0.199	8,266	4.51%
Last 3 months	0.117	23.6%	0.083	0.142	7,075	3.86%
Last 1 month	0.110	32.0%	0.097	0.121	5,154	2.81%
Last transacted price on 21 June 2016 (being the last Trading Day prior to the Announcement Date) ⁽⁴⁾	0.113	28.3%	0.110	0.118	10,939	5.97%
For the period after (including the Announcement Date) up to the Latest Practicable Date						
Till the Latest Practicable Date	0.116	24.8%	0.083	0.168	7,897	4.31%
Last Trading Day prior to the Latest Practicable Date ⁽⁵⁾	0.087	66.7%	0.086	0.088	1,485	0.81%

Source: SGX-ST

Notes:

- (1) The VWCP had been weighted based on the last transacted prices of the Shares and traded volumes for the relevant trading days for each of the periods.
- (2) The average daily trading volume of the Shares is calculated based on the total number of Shares traded during the period divided by the number of Market Days during that period.
- (3) Free float refers to the approximately 183,245,685 Shares or approximately 59.02% of the issued Share capital held by Shareholders, other than the Substantial Shareholders, the Vendors and Directors as at the Latest Practicable Date.
- (4) This represents the last transacted price instead of VWCP for the Shares on 21 June 2016, being the last Trading Day prior to the Announcement Date. The trading for the Shares were halted for 3 Market Days prior to the Announcement Date.
- (5) This represents the last transacted price instead of VWCP and trading volume for the Shares on 16 June 2017, being the last Trading day prior to the Latest Practicable Date.

APPENDIX B – IFA LETTER

Based on a general observation of the chart above and after taking into account the summary of the transacted prices for the Shares, we note that the Issue Price represents:

- (i) a premium of approximately 28.3% over the last transacted price of S\$0.113 per Share on the SGX-ST on 21 June 2016, being the last Trading Day prior to the Announcement Date;
- (ii) a premium of approximately 16.9% over the VWCP for the Shares for the period commencing from the IPO Date and ending on 21 June 2016, being the last Trading Day prior to the Announcement Date;
- (iii) a premium of approximately 23.6% and 32.0% over the VWCP for the Shares for the 3-month and 1 month prior to the Announcement Date respectively;
- (iv) a premium of approximately 24.8% over the VWCP for the Shares for the period commencing from the Market Day immediately after the Announcement Date and ending on the Latest Practicable Date; and
- (v) a premium of approximately 66.7% over the last transacted price of S\$0.087 per Share on the SGX-ST on 16 June 2017, being the last Trading Day prior to the Latest Practicable Date.

For illustrative purpose only, based on the number of Shares traded on a daily basis during the period commencing from the IPO Date and ending on the Latest Practicable Date, we note that:—

- (i) from the IPO Date to the last Trading Day prior to the Announcement Date (both dates inclusive), Shares were traded on 66 Trading Days out of the total 69 Market Days during the period, with the total number of Shares traded being approximately 570.4 million and an average daily trading volume of approximately 8.3 million Shares, which represents 2.7% of the issued Share capital as at the Latest Practicable Date or approximately 4.5% of the issued Share capital held by Shareholders other than the Substantial Shareholders (including, where applicable, the Vendors) and Directors as at the Latest Practicable Date; and
- (ii) for the period commencing from the Announcement Date till the Latest Practicable Date (both dates inclusive), Shares were traded on 246 Trading Days out of the total 246 Market Days during the period, with the total number of Shares traded being approximately 1.9 billion and an average daily trading volume of approximately 7.9 million Shares, which represents 2.5% of the issued Share capital as at the Latest Practicable Date or approximately 4.3% of the issued Share capital held by Shareholders other than the Substantial Shareholders (including, where applicable, the Vendors) and Directors as at the Latest Practicable Date.

APPENDIX B – IFA LETTER

We note that trading for the Shares is erratic and that the daily average number of Shares traded commencing from the IPO Date till prior to the Announcement Date is moderate as compared to the issued Share capital held by Shareholders other than the Substantial Shareholders (including, where applicable, the Vendors) and Directors. In addition, the trading for the Shares was relatively active in the context of that the Shares were traded on 66 Trading Days out of 69 Market Days during the period from the IPO Date till prior to the Announcement Date and 246 Trading Days out of 246 Market Days during the period from the Announcement Date to the Latest Practicable Date. It is generally accepted that the more actively traded the shares, the greater the reliance on market prices as a determination of the fair value of the shares between willing buyer and willing seller.

We also note that the number of Shares that were traded on a daily basis for the period commencing on the Announcement Date till the Latest Practicable Date is marginally lower than the number of Shares that were traded on a daily basis during period from the IPO Date till prior to the Announcement Date.

The relatively weaker performance of the Shares as compared to the FTSE ST Catalist and the marginal decline in the number of Shares traded on the Announcement Date to the Latest Practicable Date may, *inter alia*, be a reflection of the Proposed Acquisition as well as prospects or demand for the Shares on or after the Announcement Date.

Non-Interested Directors should note that there is no assurance that the average trading volume on a daily basis will be maintained or that the transacted prices for the Shares after the completion of the Proposed Acquisition (or if the Proposed Acquisition lapses) will be at the same levels prevailing during the period commencing from the Date and ending on the Latest Practicable Date.

(c) NAV and NTA Analysis

The NAV based approach of valuing a company or group is based on the aggregate value of all the assets of the company in their existing condition, after deducting the sum of all liabilities of the company and minorities' interests. The NAV based approach is meaningful as it shows the extent to which the value of each share is backed by both tangible and intangible assets and would be relevant in the event that the company or group decides to realise or convert the use of all or most of its assets. The NAV based approach in valuing a company may provide an estimate of the value of a company or group assuming the hypothetical sale of all its assets (including any intangible assets including but not limited to land use rights, goodwill, trademarks and brand names) over a reasonable period of time at the aggregate value of the assets used in the computation of the NAV, the proceeds of which are used to settle the liabilities, minority interest and obligation of the company or group with the balance to be distributed to its shareholders. However the NAV approach does not take into consideration nor does it take into account the hypothetical sale of assets in a non-orderly or over a short period of time. It does not illustrate the values of which assets may actually be realized or disposed of.

APPENDIX B – IFA LETTER

The NTA based approach of valuing a company or group is based on the aggregate value of all the assets of the company in their existing condition, after deducting the sum of all liabilities and intangible assets of the company. The NTA based approach is meaningful as it shows the extent for which the value of each share is backed by tangible assets and would be relevant in the event that the company or group decides to realise or convert the use of all or most of its assets. The NTA based approach in valuing a company may provide an estimate of the value of a company or group assuming the hypothetical sale of all its assets over a reasonable period of time at the aggregate value of the assets used in the computation of the NTA, the proceeds of which are used to settle the liabilities, minority interest and obligation of the company or group with the balance to be distributed to its shareholders. However, the NTA approach does not take into account or consideration the presence of any intangible or non-tangible assets, *inter alia*, goodwill, trademarks and brand names nor does it take into account the hypothetical sale of assets in a non-orderly manner or over a short period of time. It does not illustrate the values for which assets may actually be realised or disposed of.

In assessing the Issue Price for the Consideration Shares, in relation to the NAV and NTA per Share of the Group as at 31 December 2016, we have reviewed the audited statements of financial position of the Group as at 31 December 2016 to determine whether there are any assets that are of an intangible nature and as such would not appear in a valuation based on the NTA approach, but would be included in the NAV approach. Save as disclosed in the audited statements of financial position of the Group as at 31 December 2016 and in the Circular, the Directors have confirmed, that as at the Latest Practicable Date, to the best of their knowledge and based on disclosures made available to them, there are no other intangible assets or tangible assets which ought to be disclosed in such audited statements of financial position of the Group as at 31 December 2016 in accordance with Singapore Financial Reporting Standards and which have not been so disclosed and where such intangible or tangible assets would have had a material impact on the overall financial position of the Group as at Latest Practicable Date.

The Directors have also confirmed that as at the Latest Practicable Date, there were no material contingent liabilities, bad or doubtful debts or unrecorded earnings or expenses or assets or liabilities which could have a material impact on the NAV or NTA of the Group as at 31 December 2016, save as disclosed in the audited statements of financial position of the Group as at 31 December 2016 as well as the Circular. In addition, the Directors are of the opinion that save as disclosed in the Circular, the values of the assets (other than those for which valuation has been conducted), and liabilities as well as financial performance or condition of the Group as disclosed and reflected in the statements of financial position of the Group as at 31 December 2016 are true and fair. Lastly, the Directors confirmed that to the best of their knowledge or belief that such information is true, complete and accurate in all respects and that there is no other information or fact, the omission of which would render those statements or information, including our references, as well as analysis of such information to be untrue, inaccurate or incomplete in any respect or misleading.

APPENDIX B – IFA LETTER

Consolidated audited balance sheet as at 31 December 2016⁽¹⁾	RM'000
Non-current assets	
Property, plant and equipment	15,774
Exploration and evaluation assets	50
Mining properties	13,687
	29,511
Current assets	
Inventories	289
Non-trade receivables	706
Prepayments	107
Cash and cash equivalents	7,591
	8,693
Non-current liabilities	
Finance lease payables	239
	239
Current liabilities	
Trade and other payables	9,407
Finance lease payables	64
	9,471
NAV including non-controlling interest as at 31 December 2016	28,494
Less: Non-controlling interest	—
NAV attributable to owners of the parent as at 31 December 2016	28,494
Less: Intangible assets	—
NTA of the Group as at 31 December 2016	28,494
NAV/NTA per Share (RM)⁽²⁾	0.092
NAV/NTA per Share (S\$)⁽²⁾⁽³⁾	0.030
Issue Price (S\$)	0.145
Premium of the Issue Price over the Group's NAV and/or NTA per Share	388.2%
Cash and cash equivalents less finance lease payables ("Net Cash")⁽⁴⁾	7,288
Net Cash per Share (RM) ⁽²⁾	0.023
Net Cash per Share (S\$) ⁽²⁾⁽³⁾	0.008
Issue Price less Net Cash per Share (S\$)	0.137
NAV and/or NTA per Share less Net Cash per Share (S\$)	0.022
Premium of the Issue Price less Net Cash per Share over the Group's NAV/NTA per Share less Net Cash per Share	521.9%

APPENDIX B – IFA LETTER

Notes:

- (1) Based on the Group's audited financial statements for FY2016. The figures and computations therein are subjected to rounding.
- (2) Based on the Company's issued Share capital of 310,500,000 Shares as at the Latest Practicable Date.
- (3) Based on exchange rate of S\$1:RM3.0900 as at the Latest Practicable Date.
- (4) Net Cash has been computed based on the cash and cash equivalents of approximately RM7.6 million less the finance lease payables of approximately RM0.3 million.

From the above table, we note that the Group had NAV and NTA of approximately RM28.5 million as at 31 December 2016 or approximately RM0.092 per Share (or approximately S\$0.030 per Share based on the applicable exchange rate as at the Latest Practicable Date). For illustrative purposes only, the Issue Price of S\$0.145 for each Consideration Share represents a premium of approximately 388.2% over the Group's NAV/NTA per Share as at 31 December 2016.

We also wish to highlight that the Group has significant cash and cash equivalents which amounted to approximately RM7.6 million as at 31 December 2016, which is substantially higher than the Groups borrowings of approximately RM0.3 million as at 31 December 2016. Excluding the Net Cash, the premium of the Issue Price less Net Cash per Share over the Group's NAV/NTA per Share less Net Cash per Share would be approximately 521.9%.

Revalued NAV ("RNAV") and NTA ("RNTA") of the Group

In our evaluation of the Issue Price, we have also considered whether there are any assets which should be valued at an amount that is materially different from that which was recorded in the audited statements of financial position of the Group as at 31 December 2016.

We noted from the IPO offer document dated 9 March 2016 ("**IPO Prospectus**") that as part of the listing of the Shares, the Directors have appointed an independent mining consultancy firm named in the IPO Prospectus ("**IPO Valuer**") to conduct an independent valuation of the mining properties in accordance with the VALMIN Code (which is solely for the valuation of the Lubuk Mandi Mine). As stated in the IPO Prospectus, the Directors were of the view that it was premature to conduct a valuation of the Bukit Panji Property which has yet to commence any exploration activities and pre-feasibility study.

As stated in the IPO Prospectus, the overall value of the mineral assets of the Lubuk Mandi Mine has been determined by combining the value of the tailings mineral assets (US\$11.5 million within a range of US\$10.2 million to US\$12.9 million) with the value of the in situ mineral asset (hard rock) (US\$7.8 million within a range of US\$5.9 million to US\$9.3 million). On this basis, the IPO Valuer has arrived at a preferred value of the mineral assets of the Lubuk Mandi Mine gold property at US\$19.2 million (effective date of the valuation is 30 September 2015).

APPENDIX B – IFA LETTER

As highlighted earlier, based on the Group's IQPR, the total gold resources for the Lubuk Mandi Mine is approximately 106,600 oz as at 31 December 2016 and this is lower than the previous total gold resources of approximately 114,000 oz as at 30 September 2015.

The Directors and the Management have represented and confirmed to us that they have noted the current development and circumstances including, *inter alia*, (a) movements of the gold price from 30 September 2015 (being the effective date of valuation) to the Latest Practicable Date; (b) the Termination and the entry into the Mining Agreement on 18 May 2017; and (c) the lower total gold resources as at 31 December 2016 (compared to the total gold resources as at 30 September 2015), and are of the view that the total depletion until 31 December 2016 is largely immaterial relative to the total mineral resource and that the market value of the Lubuk Mandi Mine as at the Latest Practicable Date shall not materially differ from the preferred value of the mineral assets of the Lubuk Mandi Mine ascribed by the IPO Valuer as at 30 September 2015.

We have not made any independent evaluation or appraisal of the mining properties but have relied on the valuation report issued by the IPO Valuer and enclosed in the IPO Prospectus as well as confirmation and representation by the Directors and Management in respect of the preferred value of the mineral assets of the Lubuk Mandi Mine.

We understand that the Directors having reviewed the valuation report issued by the IPO Valuer prior to the IPO (*inter alia*, the assumptions, methodology used and information relied upon by the IPO Valuer) and are of the opinion that the assumptions and methodology adopted by the IPO Valuer are reasonable. As at the Latest Practicable Date, the Directors and Management are of the opinion that the assumptions and methodology adopted by the IPO Valuer are still valid and reasonable.

For illustrative purpose only, the revaluation surplus has been calculated and presented in the table below assuming a hypothetical sale of the Lubuk Mandi Mine at the value ascribed by the IPO Valuer above. The Directors and the Management represented that there will be no potential tax liability if the Lubuk Mandi Mine which is subject to valuation were to be sold at the market value ascribed by the IPO Valuer.

RNAV and RNTA	
NTA of the Group as at 31 December 2016 (RM'000)	28,494
NTA of the Group as at 31 December 2016 (S\$'000)⁽²⁾	9,221
Preferred value of the mining properties (the Lubuk Mandi Mine) ascribed by the IPO Valuer (US\$'000)	19,200
(1) Preferred value of the mining properties (the Lubuk Mandi Mine) ascribed by the IPO Valuer (S\$'000) ⁽³⁾	26,556
Net book value of the mining properties as at 31 December 2016 (RM'000)	13,687
(2) Net book value of the mining properties as at 31 December 2016 (S\$'000) ⁽²⁾	4,429
Revaluation surplus of the mining properties (1) – (2) (S\$'000)	22,126

APPENDIX B – IFA LETTER

RNAV and RNTA	
NTA of the Group as at 31 December 2016 (RM'000)	28,494
RNAV and/or RNTA (S\$'000)	31,347
RNAV and/or RNTA per Share (S\$) ⁽⁴⁾	0.101
Premium of the Issue Price over the Group's RNAV and/or RNTA per Share	43.6%

Notes:

- (1) Based on the Group's audited financial statements for FY2016. The figures and computations therein are subjected to rounding.
- (2) Based on exchange rate of S\$1:RM3.0900 as at the Latest Practicable Date.
- (3) Based on exchange rate of US\$1:S\$1.3831 as at the Latest Practicable Date.
- (4) Based on the Company's issued Share capital of 310,500,000 Shares as at the Latest Practicable Date.

For illustrative purposes only, the Issue Price represents a premium of approximately 43.6% over the Group's RNAV and/or RNTA per Share as at 31 December 2016.

The Directors have confirmed that to their best knowledge and belief, as at the Latest Practicable Date, save for the mining properties being the Lubuk Mandi Mine, there are no material differences between the realisable value of the Group's assets and their respective book values as at 31 December 2016 which would have a material impact on the Group's RNAV and/or RNTA per Share.

The above computations and analysis are meant as an illustration and it does not necessary mean or imply that the net realisable value of the Group is as stated above. It also does not imply that the assets or properties of the Group can be disposed of at the estimated value indicated above and that after payment of all liabilities and obligations, the values or amounts as indicated for the respective types of NTA and is realisable or distributable to the Shareholders of the Group or the Company.

It should be noted that the NTA basis of valuation provides an estimate of the value of a hypothetical sale of all its tangible assets over a reasonable period of time and is only relevant in the event that the Group decides to change the nature of its business or to release or convert the uses of all its assets. The NTA basis of valuation, however, does not necessarily reflect the value of the Group as a going concern nor can it capture or illustrate any value for the Group's goodwill or branding. In addition, it does not illustrate the values at which the assets may actually be realised or disposed.

(d) Relative valuation analysis

In assessing the Issue Price, we have considered the financial performance, financial position of selected listed companies ("**Selected Comparable Companies**") that may, in our view, be broadly comparable to the core businesses of the Group as at the Latest Practicable Date, which is in the exploration, mining and production of gold business.

The Selected Comparable Companies have been identified after a search was carried out on various exchanges, and evaluation of the companies operating in the same industry as the Group. We have had discussions with the Directors and Management

APPENDIX B – IFA LETTER

of the Group about the suitability and reasonableness of these Selected Comparable Companies acting as a basis for comparison with the core businesses of the Group. Relevant information has been extracted from the annual reports and/or public announcements of the Selected Comparable Companies. Shareholders should note that the Selected Comparable Companies may not be directly comparable to the Group in terms of composition of business activities, scale of operations, asset base, clientele base, risk profile, geographical spread of activities and assets, track record, future prospects and other relevant criteria. Comparisons may also be affected, *inter alia*, by differences in their accounting policies.

We advise Non-Interested Directors to note that there may not be any company listed on any relevant stock exchange that is directly comparable to the Group in terms of size, diversity of business activities and products/services, branding, geographical spread, track record, prospects, operating and financial leverage, risk profile, quality of earnings and accounting, listing status and such other relevant criteria. We wish to highlight that it may be difficult to place reliance on the comparison of valuation statistics for the Selected Comparable Companies as the businesses of the Selected Comparable Companies, its capital structures, growth rates, operating and financial leverage, taxation and accounting policies as well as the liquidity of these shares and the demand/supply conditions for these shares and that of the Group may differ. As such, any comparison made herein is necessarily limited and serves only as an illustrative guide and any conclusion drawn from the comparison may not necessarily reflect the perceived or implied market valuation (as the case may be) of the Group as at the Latest Practicable Date.

Non-Interested Directors should note that the prices at which shares trade include factors other than historical financial performance, and some of these, *inter alia*, include prospects real or perceived of financial performance or historical share price performance or demand and supply conditions of the shares as well as the relative liquidity and the market capitalisation or the relative sentiments of the market for the shares.

Selected Comparable Companies	Market Capitalisation (S\$' million)	Principal Activities
CNMC Goldmine Holdings Limited ("CNMC") <i>Listed on the SGX-ST</i>	107.9	The group is principally engaged in the business of exploration, mining of gold and the processing of mined ore into gold dorés. The Group is currently focused on the development of its flagship project – the Sokor Gold Field Project.
LionGold Corporation Limited ("LionGold") <i>Listed on the SGX-ST</i>	5.8	The group acquires, explores and develops mining projects for gold and other mineral deposits.
Wilton Resources Corporation Limited ("Wilton") <i>Listed on the SGX-ST</i>	190.1	The group is engaged in the business of exploration and mining of gold, and production of gold doré. The group has not commenced its production during the period reviewed.

APPENDIX B – IFA LETTER

Selected Comparable Companies	Market Capitalisation (\$' million)	Principal Activities
PT J Resources Asia Pasifik TBK ("J Resources") <i>Listed on the Indonesian Stock Exchange</i>	583.2	The group operates, mines, explores, and invests in the gold mining sector via its operating subsidiary – PT J Resources Nusantara.

The following tabulates the salient ratios for comparative financial performance and position for the Selected Comparable Companies:–

Selected Comparable Companies	LTM ROE ⁽¹⁾ (%)	LTM net profit margin ⁽²⁾ (%)	LTM asset turnover ⁽³⁾ (times)	Total liabilities ⁽⁴⁾ / shareholder equity (times)	Total borrowings ⁽⁶⁾ / shareholder equity ⁽⁵⁾ (times)
CNMC	11.6%	14.8%	0.6	0.2	0.02
LionGold	n.m. ⁽⁷⁾	n.m. ⁽⁷⁾	1.4	1.2	0.6
Wilton	n.m. ⁽⁸⁾	n.m. ⁽⁸⁾	n.m. ⁽⁸⁾	0.03	No borrowings
J Resources	4.7%	6.3%	0.3	1.7	1.1
MAXIMUM	11.6%	14.8%	1.4	1.7	1.1
MINIMUM	4.7%	6.3%	0.3	0.03	0.02
MEDIAN	8.1%	10.5%	0.6	0.7	0.6
SIMPLE AVERAGE	8.1%	10.5%	0.8	0.8	0.6
The Group	n.m.⁽⁹⁾	n.m.⁽⁹⁾	0.1	0.3	0.01

Source: The latest annual reports and the announced unaudited financial statements of the respective companies.

Notes:

- (1) The last twelve months ("LTM") return on equity ("ROE") is based on the ratio of the most recent twelve months consolidated net profits after tax attributable to the equity holders to the consolidated equity holders excluding minority interest of the respective companies.
- (2) LTM net profit margin is the ratio of the most recent twelve months consolidated net profits after tax attributable to shareholders to the most twelve months total consolidated revenue of the respective companies.
- (3) LTM asset turnover is the ration of the most recent twelve months total consolidated revenue to the total consolidated assets of the respective companies.
- (4) Total liabilities include all the liabilities of the respective companies but exclude any contingent liabilities, if any.
- (5) Shareholders' equity is the consolidated shareholders' funds excluding minority interest of the respective companies.
- (6) Total borrowings include all bank loans and borrowings as well as hire purchase obligations and interest bearing debts, where applicable.
- (7) LionGold incurred a loss after tax attributable to equity holders of approximately S\$42.1 million for the financial year ended 31 March 2017. Hence, LionGold's LTM ROE and LTM net profit margin ratios are negative and not meaningful.

APPENDIX B – IFA LETTER

- (8) Wilton has yet to commence production and did not record any revenue for the LTM ended 31 March 2017. Hence, Wilton's LTM ROE, LTM net profit margin and LTM asset turnover ratios are not meaningful.
- (9) The Group incurred a loss after tax attributable to equity holders of approximately RM28.5 million for the LTM ended 31 December 2016. Hence, the Group's LTM ROE and LTM net profit margin ratios are negative and not meaningful.

For illustrative purposes only, we note the following:–

- (i) The Group incurred a loss after tax attributable to owners of approximately RM28.5 million for FY2016. Accordingly, the Group's LTM ROE and LTM net profit margin are negative and not meaningful. For comparison purposes only, CNMC and J Resources were profitable for the period under review with LTM ROE of approximately 11.6% and 4.7% respectively and positive LTM net profit margins of approximately 14.8% and 6.3% respectively. It is also further noted that LionGold and Wilton, both are also listed in SGX-ST, were also loss making during the period under review.
- (ii) The Group's LTM asset turnover is lower than any of the Selected Comparable Companies (save for Wilton's LTM asset turnover which is not meaningful as it has yet to commence production and did not record any revenue for the LTM).
- (iii) The Group's total liabilities to shareholders' equity ratio is within range but lower than both the median and simple average for the Selected Comparable Companies whilst the Group's shareholders equity ratio is lower and more favourable than any of the Selected Comparable Companies (save for Wilton which had no borrowings).

In summary, the historical financial performance of the Group as reflected by its LTM ROE and LTM net profit margin appears to be less favourable than the Selected Comparable Companies (save for LionGold and Wilton which were also loss making) and the Group's LTM asset turnover appears to be lower and less favourable than any of the Selected Comparable Companies (save for Wilton LTM asset turnover which is not meaningful as it has yet to commence production and did not record any revenue for the LTM). In addition, the Group's financial position (in terms of total liabilities to shareholders' equity) appears to be lower and more favourable than the median and simple average of the Selected Comparable Companies, whilst the Group's financial position (in terms of total borrowings to shareholders' equity) appears to be lower and more favourable than any of the Selected Comparable Companies (save for Wilton which had no borrowings).

The following valuation statistics for the Selected Comparable Companies are based on their respective closing prices as at the Latest Practicable Date, while those for the Group are based on the Issue Price. We note that the last transacted price for the Shares as at the Latest Practicable Date is lower than the Issue Price. All the valuation statistics of the Selected Comparable Companies are computed on a historical basis using financial data and information obtained from their latest publicly available unaudited financial statements or audited financial statements from their annual reports or result announcements.

APPENDIX B – IFA LETTER

The following table tabulates the comparative valuation statistics for the Selected Comparable Companies and the Group and should be evaluated in the context of their relative financial performance.

Selected Comparable Companies	Grade (g/t)	Mkt capitalisation (\$' m)	LTM EV/EBITDA ⁽¹⁾ (times)	LTM PER ⁽²⁾ (times)	P/NAV ⁽³⁾ (times)	P/NTA ⁽³⁾ (times)	Premium/ (discount) over/from NTA (%)	P/ Sales ⁽⁴⁾ (\$\$)	EV/ Resources ⁽⁵⁾ (\$\$/oz)	EV/ Reserves ⁽⁶⁾ (\$\$/oz)
CNMC	1.50	107.9	6.0	17.0	2.0	2.0	96.6%	2.5	245.6	503.0
LionGold	8.80	5.8	n.m. ⁽⁷⁾	n.m. ⁽⁷⁾	0.2	0.2	(79.6)%	0.08	n.m. ⁽⁷⁾	n.m. ⁽⁷⁾
Wilton	7.60	190.1	n.m. ⁽⁸⁾	n.m. ⁽⁸⁾	4.9	4.9	390.5%	n.m. ⁽⁹⁾	413.1	n.m. ⁽¹⁰⁾
J Resources	0.84	583.2	10.7	30.5	1.4	1.6	60.1%	1.9	155.8	349.8
MAXIMUM		583.2	10.7	30.5	4.9	4.9	390.5%	2.5	413.1	503.0
MINIMUM		5.8	6.0	17.0	0.2	0.2	(79.6)%	0.08	155.8	349.8
MEDIAN		149.0	8.4	23.8	1.7	1.8	78.3%	1.9	245.6	426.4
SIMPLE AVERAGE		221.8	8.4	23.8	2.1	2.2	116.9%	1.5	271.5	426.4
Group (as implied by the Issue Price)	0.73-1.33	45.0	n.m.⁽¹¹⁾	n.m.⁽¹¹⁾	4.9⁽¹²⁾	4.9⁽¹²⁾	388.2%	0.06	400.2	n.m.⁽¹³⁾

Notes:

- (1) The LTM EV/EBITDA for the Selected Comparable Companies are based on the most recent twelve months EBITDA as reported by the respective companies. The EBITDA for LionGold is extracted from the unaudited financial statements for the financial year ended 31 March 2017. The LTM EBITDA for CNMC, Wilton and J Resources are based on the most recent twelve months period ended 31 March 2017.

APPENDIX B – IFA LETTER

- (2) The LTM PER for the Selected Comparable Companies are based on the most recent twelve months earnings after tax as reported by the respective companies. The earnings after tax for LionGold is extracted from the unaudited financial statements for the financial year ended 31 March 2017. The earnings after tax for CNMC, Wilton and J Resources are based on the most recent twelve months period ended 31 March 2017. The P/NAV for the Selected Comparable Companies are based on their respective NAV values as set out in their latest available announced audited or unaudited financial statements. The NAV for LionGold is extracted from the unaudited financial statements for the financial year ended 31 March 2017. The NAV for CNMC, Wilton and J Resources are based on the most recent twelve months period ended 31 March 2017.
- (3) The P/NAV and P/NTA ratios for the Selected Comparable Companies are based on their respective NAV and NTA values as set out in their latest available announced audited or unaudited financial statements. The NTA for LionGold is extracted from the unaudited financial statements for the financial year ended 31 March 2017. The NTA for CNMC, Wilton and J Resources are based on the most recent twelve months period ended 31 March 2017.
- (4) The P/Sales ratios for the Selected Comparable Companies are based on their respective revenue values as set out in their latest available announced audited or unaudited financial statements. The revenue for LionGold is extracted from the unaudited financial statements for the financial year ended 31 March 2017. The revenue for CNMC, Wilton and J Resources are based on the most recent twelve months period ended 31 March 2017.
- (5) The EV/Resources ratio for the Selected Comparable Companies are based on the sum of their respective market capitalisation as at the Latest Practicable Date, debt, minority interest and less cash based on their latest audited financial statements. The resources are based on the JORC compliant resources estimates of gold as reported in their latest annual reports, financial statements and publicly available announcements as at the Latest Practicable Date. The EV/Resources ratio of the Group is based on the latest annual report, financial statements, publicly available announcements and the Group's IQPR as available as at the Latest Practicable Date.
- (6) The EV/Reserves ratio of the Selected Comparable Companies are based on the sum of their respective market capitalisation as at the Latest Practicable Date, debt, minority interest and less cash based on their latest audited financial statements. The reserves are based on the JORC compliant reserves estimates of gold as reported in their latest annual reports, financial statements and publicly available announcements as available as at the Latest Practicable Date. The EV/Reserves ratio of the Group is based on the latest annual report, financial statements, publicly available announcements and the Group's IQPR as available as at the Latest Practicable Date.
- (7) LionGold recorded a loss after tax of approximately S\$42.1 million and negative EV of approximately S\$0.5 million for the financial year ended 31 March 2017. Hence, LionGold's EV/EBITDA, PER, EV/Resources and EV/Reserves ratios are negative and not meaningful.
- (8) Wilton recorded a loss after tax attributable to owners of approximately IDR40.3 billion and negative EBITDA of approximately IDR35.8 billion for the LTM 31 March 2017. Hence, Wilton's PER and EV/EBITDA are negative and not meaningful.
- (9) Wilton has yet to commence production and did not record any revenue for the LTM ended 31 March 2017. Hence, Wilton's P/Sales is negative and not meaningful.
- (10) Wilton's reserves are not available and an estimate of the ore reserves is expected to be announced during the full year ended 30 June 2017 as part of the production programme highlighted in Wilton's annual report for the full year ended 30 June 2016. Accordingly, Wilton's EV/Reserves are not meaningful.
- (11) The Group recorded a loss after tax attributable to owners of approximately RM28.5 million and negative EBITDA of approximately RM26.4 million for FY2016. Hence, the Group's EV/EBITDA and LTM PER ratios are negative and not meaningful.
- (12) The Group's P/NAV and P/NTA is computed based on the NAV per Share and NTA per Share as at 31 December 2016.
- (13) The Group's reserves are not available as there are no ore reserves estimated as at 31 December 2016 as highlighted in the Group's IQPR. Accordingly, the Group's EV/Reserves are not meaningful.

APPENDIX B – IFA LETTER

For illustrative purposes only, we note the following:–

- (i) The market capitalisation of the Group (as implied by the Issue Price) is lower than the Selected Comparable Companies (save for LionGold). We note that the trading statistics for companies with higher capitalisation may be different than those with lower market capitalisation and this may be attributable to relative liquidity in terms of number or value of shares traded as well as relative interest in shares of companies with larger market capitalisations.
- (ii) The valuation of the Group in terms of LTM EV/EBITDA and LTM PER are negative and not meaningful (which are similar to LionGold and Wilton which were also loss making) in view of the Group's loss after tax of approximately RM28.5 million and negative EBITDA of approximately RM26.4 million. For illustrative purposes only, CNMC's valuation multiples in terms of LTM EV/EBITDA and LTM PER are 6.0 times and 17.0 times respectively, whilst J Resources' valuation multiples in terms of LTM EV/EBITDA and LTM PER are 10.7 times and 30.5 times respectively.
- (iii) The valuation of the Group in terms of P/NAV and P/NTA (as implied by the Issue Price and based on the Group's NAV per Share and NTA per Share as at 31 December 2016) are within range and in line with the maximum of the Selected Comparable Companies. As set out in Section 5.2(c) of this Letter, the valuation of the Group in terms of P/RNAV and P/RNTA are approximately 1.4 times. For the Selected Comparable Companies, there are no updated valuation reports in connection with their mine properties, as such no comparison can be made with the Group's P/RNAV and P/RNTA multiples.
- (iv) The valuation of the Group in terms of P/Sales ratio (as implied by the Issue Price and based on the Group's sales for FY2016) is lower than any of the Selected Comparable Companies (save for Wilton which has not recorded any revenue), which should be viewed in conjunction with the fact that the Group has only commenced operations of the gold mining business in FY2015 and have sold 423.5 oz in FY2016.
- (v) The valuation of the Group in terms of EV/Resources (as implied by the Issue Price and based on the gold resources of approximately 106,600 oz as disclosed in the Group's IQPR) is within the range and higher than the simple average and median for the Selected Comparable Companies (save for LionGold as its ratio of EV/Resources is not meaningful in view of its negative EV). We also note that the valuation of the Group is higher than CNMC's EV/Resources (closest competitor of the Group).
- (vi) The valuation of the Group in terms of EV/Reserves is not meaningful as there are no ore reserves estimated as at 31 December 2016 as highlighted in the Group's IQPR. For illustrative purposes only, CNMC's and J Resources' valuation multiple in terms of EV/Resources are S\$503.0/oz and S\$349.8/oz respectively, whilst these are not meaningful for Wilton (due to unavailability of reserves) and LionGold (due to negative EV).

APPENDIX B – IFA LETTER

In summary, the valuation of the Group, in terms of LTM PER, LTM EV/EBITDA and EV/Reserves are negative and not meaningful which are similar to LionGold and Wilton. The Group's P/NAV and P/NTA ratios are more favourable than the simple average and the median and in line with the maximum of the Selected Comparable Companies. In addition, the valuation of the Group in terms of EV/Resources is higher and more favourable than the simple average and median for the Selected Comparable Companies.

We also wish to highlight that the NAV and NTA based approach of valuing a company is dependent on factors that may differ for each Selected Comparable Company including, *inter alia*, factors such as depreciation policies. As such, the comparison of the NAV and NTA of the Group with those of the Selected Comparable Companies is necessarily limited and such comparison is made for illustrative purposes only. In addition, as all the ratios and tools used invariably uses the price of the shares, they may or may not take into account any relative or perceived or actual risk premiums or demand and supply conditions for those shares which may or may not have been fundamentally justified. In addition, as these are tools or ratios that are based on historical financial performance or position, they may or may not reflect the anticipated financial performance and the mix of its activities or the relative contributions in terms of assets, financial performance may differ.

Non-Interested Directors should note that the prices at which shares trade include factors other than historical financial performance, and some of these, *inter alia*, include prospects real or perceived of financial performance or historical share price performance or demand and supply conditions of the shares as well as the relative liquidity of the shares and the market capitalisation or the relative sentiments of the market for the shares.

(e) Comparison with Precedent Reverse Takeover Transactions

In our assessment of the reasonableness of the Issue Price as compared to the last traded price of the Shares prior to the Announcement Date and the NTA of the Group as well as the impact on the dilution arising from the number of Consideration Shares to be issued for the Proposed Acquisition, we have considered the details of other selected completed reverse takeover ("**Selected RTO Transactions**") transactions that involved SGX-ST listed companies ("**Selected RTO Companies**"), and issuance of their shares. Shareholders should note that most of these Selected RTO Transactions are more than one year old since their respective completion dates, and as such references or observation made herein is necessary limited.

APPENDIX B – IFA LETTER

Selected RTO Companies	Target Companies	Announcement date	No. of shares issued	Percentage of new share to existing shares (%)	Adjusted Issue price (\$\$)	Price on last traded market day before announcement date (\$\$)	Premium/(Discount) of issue price over last price traded on market day prior to announcement date (%)	Issue price/ NTA(for the issuer) (times)
R H Energy Ltd ⁽¹⁾	Chiwayland Group (Singapore) Pte. Ltd.	25-Jan-13	549,275,362	578.3%	0.230	0.143	60.8%	1.8
Pteris Global Limited ⁽²⁾	Shenzhen CIMC-Tianda Airport Support Ltd	6-Feb-13	1,427,331,774	260.0%	0.130	0.123	5.7%	1.0
NH Ceramics Ltd ⁽³⁾	BlackGold Asia Resources Pte.Ltd. and BlackGold Energy Limited	28-Mar-13	635,593,220	947.0%	0.059	0.049	20.4%	195.7
W Corporation Limited ⁽⁴⁾	YuuZoo Corporation Limited	15-Apr-13	515,880,000	889.4%	0.100	0.064	56.3%	n.m.
United Fiber System Limited ⁽⁵⁾	PT Golden Energy Mines Tbk	5-Jun-13	98,916,371,793	2,559.8%	0.019	0.031	(38.7)%	n.m.
Scorpio East Holdings Ltd ⁽⁶⁾	KOP Properties Pte. Ltd.	26-Aug-13	714,285,714	775.7%	0.105	0.091	15.4%	1.1
Top Global Limited ⁽⁷⁾	PT. Suryamas Dutamakmur, Tbk.	10-Dec-13	19,000,000,000	166.4%	0.008	0.007	(11.1)%	0.7
Hisaka Holdings Limited ⁽⁸⁾	Regal International Holdings Pte. Ltd.	20-Dec-13	130,000,000	222.4%	0.275	0.195	41.0%	1.1
HanKore Environment Tech Group Limited ⁽⁹⁾	China Everbright Water Investments Limited	30-Dec-13	1,940,269,305	381.1%	0.625	0.800	(21.9)%	1.3
Swissco Holdings Limited	Scott and English Energy Pte. Ltd.	28-Feb-14	452,380,952	206.9%	0.315	0.375	(16.0)%	1.0
St James Holdings Ltd ⁽¹⁰⁾	Perennial Real Estate Holdings Limited	14-Mar-14	798,686,838	10,430.2%	0.027	0.054	(50.5)%	9.5
MYP Limited ⁽¹¹⁾	Grace Shine Pte. Ltd. and Affreton Pte. Ltd.	20-May-14	854,653,577	441.7%	0.022	0.020	10.0%	1.0

APPENDIX B – IFA LETTER

Selected RTO Companies	Target Companies	Announcement date	No. of shares issued	Percentage of new share to existing shares (%)	Adjusted Issue price (\$\$)	Price on last traded market day before announcement date (\$\$)	Premium/(Discount) of issue price over last price traded on market day prior to announcement date (%)	Issue price/ NTA(for the issuer) (times)
Sky One Holdings Limited ⁽¹²⁾	Energy Prima Pte. Ltd.	1-Jul-14	1,325,000,000	414.1%	0.200	0.124	63.9%	22.0
E2Capital Holdings Limited ⁽¹³⁾	Astaka Padu Limited	17-Sep-14	1,597,611,048	1,711.7%	0.089	0.071	25.8%	12.6
Brooke Asia Limited ⁽¹⁴⁾	China Star Food Holdings Pte. Ltd.	5-Nov-14	840,000,000	1,566.1%	0.200	0.146	37.0%	2.6
EMS Energy Limited ⁽¹⁵⁾	Windale Holdings Limited	24-Apr-15	344,155,420	329.1%	0.023	0.022	4.5%	1.3
VGO Corporation Limited (now known as Hatten Land Limited) ⁽¹⁶⁾	Sky Win Management Consultancy Pte. Ltd.	6-Jun-16	1,187,692,308	1,285.5%	0.325	0.128	153.9%	13.1
LH Group Limited (now known as Pacific Star Development Limited)	Pacific Star Development Pte. Ltd.	20-May-16	132,500,000	882.6%	0.800	0.570	40.4%	0.6
3Cnergy Limited ⁽¹⁷⁾	Liberty Bridge Sdn Bhd	29-Mar-16	955,223,880	796.5%	0.067	0.088	(23.9)%	1.0
MAXIMUM				10,430.2%			153.9%	195.7
MINIMUM				166.4%			(50.5)%	0.6
MEDIAN (excluding NH Ceramics Ltd)				677.0%			12.7%	1.2⁽¹⁸⁾
SIMPLE AVERAGE (excluding NH Ceramics Ltd)				1,327.6%			19.6%	4.5⁽¹⁸⁾
The Group	Target	27-Jun-16	712,172,414	229.4%	0.145	0.113	28.3%	1.4

Source: Circulars and announcements of the respective Selected RTO Transactions

APPENDIX B – IFA LETTER

Notes:

- (1) Based on the issue price on a pre-share consolidation basis of S\$0.23 and the NTA backing per share (in cash) of S\$0.126, as the company will effectively en-cash its existing business for S\$36 million via a proposed disposal.
- (2) Based on the unaudited NTA of the group as at 31 March 2014.
- (3) Based on the adjusted NTA per share of the group assuming the completion of the selective capital reduction exercise.
- (4) Based on issue price on a pre-share consolidation basis of S\$0.100. Issue price over NTA is not meaningful as company was in a net liabilities position as at 30 June 2013.
- (5) Based on the maximum net tangible liabilities requirement of US\$77 million, hence issue price over NTA is not meaningful.
- (6) Based on the issue price on a pre-share consolidation basis of S\$0.105 and the revalued NTA of the group as at 31 October 2013.
- (7) Based on the unaudited NTA of the group as at 31 March 2014.
- (8) Based on the unaudited NTA of the group as at 30 June 2014.
- (9) Based on the restated NTA of the group as at 31 December 2013 before the framework agreement announcement.
- (10) Based on the unaudited NTA of the group as at 30 June 2014.
- (11) Based on the NTA per share of the group of S\$0.23.
- (12) Based on the issue price of S\$0.20 and the audited NTA of the group as at 31 March 2014.
- (13) Based on the indicative net asset value of the group as at completion.
- (14) Based on the unaudited NTA per share of the group as at 31 May 2015.
- (15) Based on the NTA per share of the group as at 31 December 2014.
- (16) Based on the en-cashed NTA per Share of S\$0.0249.
- (17) Based on the estimated indicative fair value of 100% of Liberty Bridge Sdn Bhd.
- (18) Excluding issue price/NTA of NH Ceramics Ltd as it is deemed as outlier.

APPENDIX B – IFA LETTER

For illustrative purpose only, we note from the above table that the number of Consideration Shares to be issued pursuant to the Proposed Acquisition as a percentage of the existing Share capital is approximately 229.4% and this is within the range and lower than both the median and simple average (after excluding NH Ceramics Ltd) for the Selected RTO Transactions.

In addition, the Issue Price represents a premium of approximately 28.3% over the last transacted prices for the Shares prior to the Announcement Date, and this is within the range and higher than both the median and simple average (after excluding NH Ceramics Ltd) for the Selected RTO Transactions.

We note that the Issue Price is approximately 1.4 times of the Group's RNTA per Share and this is within the range, higher than the median, but lower than the simple average (after excluding NH Ceramics Ltd) for the Selected RTO Transactions.

We wish to highlight that the level of premium (if any) an acquirer would normally pay for acquiring a listed company through a reverse takeover/very substantial acquisition varies in different circumstances depending on, *inter alia*, the attractiveness of the underlying business to be acquired by the listed company, the synergies to be gained by the acquirer from integrating the target company's business with the existing business of the listed company, the possibility of a significant appraisal of the assets to be acquired, the availability of substantial cash reserves, the liquidity in the trading of listed company's shares, the presence of competing bids for the target company, the extent of control the acquirer already has in the target company or the extent of control the existing substantial or controlling shareholders have on the listed company, relative or perceived motivation to sell/buy and current market expectation as well as general economic and business risks. Nevertheless, it should be noted that as at the Latest Practicable Date, Lim (one of the Vendors and the Managing Director of the Company) is already the largest controlling Shareholder and subsequent to the completion of the Proposed Acquisition (and assuming that no other new Shares are issued), Lim will continue to be the largest controlling Shareholder. Lim's shareholding in the Company would, however, increase from approximately 22.40% as at the Latest Practicable Date to approximately 48.58% of the enlarged Share capital following issuance and allotment of the Consideration Shares (but before the Well-Cept Transfer).

We wish to highlight that the list of companies and Selected RTO Transactions listed above are not directly comparable to the Group or Target in terms of size, market capitalisation, business activities, asset base, geographical spread, track record, accounting policy, future prospects and other relevant criteria. Each of the Selected RTO Transactions must be judged on its own commercial and financial merits. Furthermore, the list of Selected RTO Transactions is by no means exhaustive and information relating to the successful RTO Transactions was compiled from public available information. Therefore, any comparison with the Selected RTO Transactions is for illustrative purpose only and merely serves as a guide to illustrate the relative premiums or discounts for the transactions. Conclusions drawn from the comparisons made may not necessarily reflect any perceived market valuation for the Group or Target.

APPENDIX B – IFA LETTER

(f) Comparison with previous fund raising

Comparison with IPO

The Company was listed on the Catalist on 18 March 2016 via a placement of 28,800,000 new Shares (“**Placement Shares**”) at S\$0.25 per Placement Share (“**IPO Price**”). For illustrative purpose only, we note the following:–

- (i) in nominal terms, the IPO Price is approximately 72.4% higher than the Issue Price of S\$0.145 per Consideration Share.
- (ii) The valuation of the Company in terms of P/NAV (as implied by the IPO Price) of approximately 4.3 times (based on the proforma NAV before adjusting for the net proceeds from the placement of 28,800,000 Placement Shares) to 5.1 times (based on the proforma NAV after adjusting for the net proceeds from the placement of 28,800,000 Placement Shares) is fairly comparable to the P/NAV (as implied by the Issue Price and based on the Group’s NAV as at 31 December 2016) of approximately 4.9 times.
- (iii) The valuation of the Company in terms of EV/Resources (as implied by the IPO Price and based on the gold resources of approximately 114,000 oz as disclosed in the IPO Prospectus) of approximately S\$550.7/oz is higher and more favourable than the EV/resource (as implied by the Issue Price and based on the gold resources of approximately 106,600 oz as disclosed in the AR2016) of approximately S\$400.2/oz).

Whilst the P/NAV multiple for the Company based on the IPO Price and the Issue Price is fairly comparable, the EV/Resources for the Company based on the IPO Price appears to be more favourable than EV/Resources based on the Issue Price. The relatively less favourable pricing for the Company based on the Issue Price as compared to the IPO Price should be assessed in conjunction with the fact that the market prices for the Shares were lower than the IPO Price since the IPO Date to the Latest Practicable Date and that the valuation of the Company in terms of EV/Resources based on the Issue Price is higher and more favourable than the simple average and median for the Selected Comparable Companies.

Comparison with placement in 2016

On the Announcement Date, the Company announced a placement of 30,770,000 new Shares (“**2016 Placement Shares**”) at S\$0.104 per 2016 Placement Share (“**Placement Price**”) (the “**2016 Placement**”). The 2016 Placement was completed on or about 22 July 2016. For illustrative purpose only, we note the following:–

- (i) in nominal terms, the Placement Price is approximately 28.3% lower than the Issue Price of S\$0.145 per Consideration Share.
- (ii) The valuation of the Company in terms of P/NAV (as implied by the Placement Price and based on the proforma NAV as disclosed in the announcement dated 27 June 2016 in connection with, *inter alia*, the 2016 Placement) of approximately 8.4 times is higher than the P/NAV (as implied by the Issue Price and based on the Group’s NAV as at 31 December 2016) of approximately 4.9 times.

APPENDIX B – IFA LETTER

- (iii) The valuation of the Company in terms of EV/resource (as implied by the Placement Price and based on the gold resources of approximately 114,000 oz as disclosed in the IPO Prospectus) of approximately S\$211.2/oz is lower and less favourable than the EV/resource (as implied by the Issue Price and based on the gold resources of approximately 106,600 oz as disclosed in the AR2016) of approximately S\$400.2/oz).
- (iv) The Issue Price represents a premium of approximately 28.3% over the last transacted price for the Shares prior to the Announcement Date whilst the Placement Price represented a discount of approximately 8.0% from the last transacted price prior to the Announcement Date.

The above comparison has to be assessed in the context of the fact that the economic or general market conditions for the Shares or the prices for which the Shares were traded at the time then prevailing as well as the purpose for the issuance of such instruments may have been different from the Proposed Acquisition and that the placement during the IPO and the 2016 Placement involved cash injection into the Company whilst the Consideration for the Proposed Acquisition shall be satisfied solely by issuance of the Consideration Shares without any cash injection. Hence, the comparison between the Issue Price pursuant to the Proposed Acquisition with the IPO Price and the Placement Price above is necessarily limited and meant for illustration purpose.

5.3. Assessment of the Consideration

We note from the Circular that pursuant to the Sales and Purchase Agreement, the Consideration shall be adjusted to 95% of the market value of the equity interest in the Target based on the Business Valuation Report. Accordingly, the Consideration shall be S\$103,265,000 based on the market value of the Target of S\$108,700,000.

The consideration payable for each Consideration Share shall be equal to the Consideration divided by the aggregate number of Sale Shares held by the Vendors immediately prior to Completion. The Company will satisfy the Consideration in full by way of the allotment and issue of the Consideration Shares to the Vendors.

Accordingly, the Consideration will be payable by the Company to each of the Vendors on Completion in the following proportions:

Vendor	% equity interest in the Target (%)	Consideration (S\$)	Number of Consideration Shares
Lim	60.0	61,959,000	427,303,448
Luminor 1	30.0	30,979,500	213,651,724
Koh	10.0	10,326,500	71,217,242
Total	100.0	103,265,000	712,172,414

The Directors confirmed that the Consideration Shares to be issued to the respective Vendors are in proportion to the respective equity interest in the Target.

APPENDIX B – IFA LETTER

(a) Financial performance and position of the Target

Information on the Target

The information on the Target is set out in Section 2.2 of the Circular and have been extracted in italics below. All terms and expressions used in the extract below shall have the same meanings as those defined in the Circular, unless otherwise stated.

“2.2 Information on the Target and the Vendors

(a) Information on the Target

*The Target is principally engaged in the Dimension Stone Granite Business and the Interior Fit-Out Business. It owns an exclusive dimension stone granite concession of 300ha in Hulu Terengganu in the State of Terengganu, Malaysia, granted by PMINT, for a 14-year period expiring on 26 October 2029. The types of dimension stone granite found within the concession area include green microgabbro, white granite and pink granite, which are marketed as “Terengganu Green” (“**TG**”), “Sekayu White” (“**SW**”) and “Rosa Tenggo” (“**RT**”), respectively.*

The Target is currently the sole dimension stone granite operator in the State of Terengganu, Malaysia, employing the circular saw and diamond wire saw technology for the extraction and processing of dimension stone granite. The Target also owns granite block cutting facilities located in the vicinity of the concession area at Kampung Cheting, Sekayu, which utilises machinery such as multi-blade block cutter, bridge cutter and polishing machines.

*Please refer to the Letter to Shareholders from the Board of Directors of GGT Manufacturing Sdn. Bhd. set out in **Appendix A** to this Circular for further details relating to the Target including the following:*

Section 2.2 – Business Overview

Section 2.4 – Resource Estimates

Section 4 – Competition and Competitive Strengths

Section 5 – Independent Valuation

Section 19 – Government Regulations, Permits and Licences

Section 20 – Risk Factors

Section 22 – Management’s Discussion and Analysis of Financial Position and Results of Operations”

A summary of the audited financial statements of the Target for FY2016, the nine months period commenced on 1 April 2015 and ended 31 December 2015 (“**FP2015**”), and the twelve months period commenced on 1 April 2014 and ended 31 March 2015

APPENDIX B – IFA LETTER

(“FP2014”) are set out below. The following summary of financial information should be read together with Appendix H of the Circular, including, where applicable, the notes thereto.

Summary of statement of profit or loss

Figures in RM'000⁽¹⁾	Audited FY2016	(Restated) Audited FP2015⁽²⁾	Audited FP2014⁽³⁾
Revenue	4,923	53	–
Total operating expenses ⁽⁴⁾	(9,434)	(1,049)	(3)
Loss before tax	(4,400)	(981)	(3)
Loss after tax attributable to owners of the Target	(4,400)	(982)	(3)

Summary of statement of financial position

Figures in RM'000⁽¹⁾	Audited FY2016	(Restated) Audited FP2015⁽²⁾	Audited FP2014⁽³⁾
Non-current assets	4,537	648	–
Current assets	6,697	2,718	91
Non-current liabilities	91	4,229	–
Current liabilities	16,316	58	9
Total borrowings	13,726	4,229	–
Shareholders' equity	(5,172)	(922)	82
Net working capital	(9,618)	2,659	82

Summary of statement of cash flows

Figures in RM'000⁽¹⁾	Audited FY2016	(Restated) Audited FP2015⁽²⁾	Audited FP2014⁽³⁾
Net cash (used in)/generated from operating activities	(507)	(588)	4
Net cash used in investing activities	(3,778)	(636)	–
Net cash generated from financing activities	6,115	3,544	–
Net increase in cash and cash equivalents	1,830	2,320	4
Cash and cash equivalents at end of the period	4,155	2,325	5

APPENDIX B – IFA LETTER

Notes:

- (1) The figures included herein and discrepancies between the listed and total amounts thereof are subject to rounding.
- (2) The Target changed its financial year end from 31 March 2015 to 31 December in 2015. The financial statements represent the financial period of 9 months from 1 April 2015 to 31 December 2015.
- (3) The financial statements represent the 12 months financial period from 1 April 2014 to 31 March 2015.
- (4) Total operating expenses comprised raw materials and consumables used, change in inventories of work-in-progress, contractor expenses, royalty fee expenses, depreciation and amortisation expenses, employee benefits expenses, operating lease expenses, other expenses, finance costs and fair value loss on derivative financial instruments.

We note the following:

- (i) The Target did not generate any revenue in FP2014 as it had yet to commence operations. In FP2015, the Target generated revenue of approximately RM0.05 million from sales of granite stone which was extracted during the development stage. In FY2016, the Target recorded approximately RM4.9 million in revenue from the sale of granite stone of approximately RM0.08 million and progress billing on interior fit-out project of approximately RM4.8 million based on percentage of completion method.

The Target recorded other income (which solely comprised of interest income) of approximately RM15.5 thousand and RM110.4 thousand in FP2015 and FY2016 respectively. The increase in interest income is due to additional fixed deposit placed on unutilised funds raised from RCPS subscription.

We note from the Appendix A of the Circular entitled “Letter to Shareholders from Board of Directors of GGT Manufacturing Sdn. Bhd.” that the Target has not applied for the proprietary mining licence in respect of the Bukit Machang Property as it intends to focus its operational efforts on the Bukit Chetai Mine. The Bukit Machang Property is currently classified as an exploration target. We also note from the Appendix A of the Circular that the mining license for the Bukit Chetai falls due for renewal on 4 August 2018. The Target Directors intend to submit the renewal application on or before 4 August 2017. In order to demonstrate his continued commitment to the Target’s business and to align his interests with the minority shareholders of the Company, Lim (the controlling shareholder and director of the Target), who has been instrumental and committed in obtaining the renewal of mining licence for the Bukit Chetai Mine, has agreed to enter into an escrow agreement (“**Escrow Agreement**”) with the Company and Rajah & Tann (Singapore) LLP (“**R&T**”) to appoint R&T as the escrow agent to hold in escrow the Lim Moratorium Shares, representing 57% of the total Consideration Shares (“**Escrow Shares**”). The Escrow Shares shall only be released to Lim upon the renewal of the Bukit Chetai Mining Licence. In the event of non-renewal of the Bukit Chetai Mining Licence within the 6-month period post-expiry of the mining licence (4 August 2018), i.e. by 4 February 2019, the Company shall have the right to take the necessary steps to cancel the Escrow Shares in accordance with the applicable laws and regulations and the Catalist Rules. The Audit Committee of the Company shall be responsible for the oversight of this arrangement. Independent Shareholders should note that the Escrow Shares covers 57% of the total Consideration Shares and as stated in the risk factors section of Appendix A of the Circular entitled “Risks relating to GGTM’s Businesses”, there can be no assurance that the Target will be able to

APPENDIX B – IFA LETTER

renew its necessary permits, approvals and licences. In the event that any of the permits, approvals and licences is not renewed, the business of Target will be adversely affected and will have impact on our analysis and evaluation. Independent Shareholders should note that our evaluation is premised on the assumption that the Group and the Target would be able to renew or obtain all the necessary permits, licences and permits as and when required. As at the Latest Practicable Date, both the Directors and Target Directors are not aware of anything that will hinder the renewal of the mining license for the Bukit Chetai Mine and the Target Directors are confident that the mining license for the Bukit Chetai Mine will be renewed.

- (ii) The Target recorded operating expenses of only approximately RM3 thousand in FP2014 as it had yet to commence operations. Total operating expenses amounted to approximately RM1.0 million in FP2015 consisted of finance costs of approximately RM0.7 million (due to interest expense from the first tranche of redeemable convertible preference shares (“RCPS”) of RM5.00 million at the effective interest rate), other operating expenses of approximately RM0.3 million (professional and consultancy fees, diesel, repair and maintenance, travelling and accommodation), employee benefit expense of approximately RM53.5 thousand, operating lease expense of approximately RM19.2 thousand, raw materials and consumable used of approximately RM13.9 thousand and depreciation and amortisation expenses of approximately RM4.1 thousand. For FY2016, the Target’s total operating expenses amounted to approximately RM9.4 million consisted of contractor expenses of approximately RM3.7 million (mainly due to the processing works of granite stone of approximately RM0.35 million and interior fit-out works of approximately RM3.30 million), finance cost of approximately RM3.4 million (the higher finance cost was due to the increase in interest expense of RCPS as the Target had raised a further of approximately RM6.00 million from the RCPS in June 2016 after the first tranche of RM5.00 million in October 2015, making the total accumulated fund raised from RCPS amounting to approximately RM11.00 million as at end of FY2016), other operating expenses of approximately RM1.4 million, employee benefit expenses of approximately RM0.7 million, depreciation and amortisation expenses of approximately RM184.7 thousand, operating lease expense of approximately RM160.1 thousand, raw materials and consumables used of approximately RM40.8 thousand, royalty fee expenses of approximately RM35.0 thousand (being the monthly minimum payments of RM10,000 from 15 September 2016 to 31 December 2016) which was offset partially by a positive change in inventories of approximately RM184.4 thousand.
- (iii) The Target incurred losses after tax attributable to owners of the Target of approximately RM4.4 million, RM1.0 million and RM3 thousand in FY2016, FP2015 and FP2014 respectively.
- (iv) As at 31 December 2016, the Target’s total assets amounted to approximately RM11.2 million comprising non-current assets of approximately RM4.5 million and current assets of approximately RM6.7 million. The Target’s non-current assets were made up by plant and equipment of approximately RM2.7 million (mainly plant and equipment of approximately RM2.0 million and land and building of approximately RM0.5 million), mine properties of approximately RM1.8 million, and prepayment of approximately RM83 thousand. The Target’s current assets comprised cash and bank balances of approximately RM4.2

APPENDIX B – IFA LETTER

million, trade and other receivables of approximately RM2.3 million (comprising mainly third party trade receivables), and inventories of approximately RM0.2 million.

As at 31 December 2016, the Target's total liabilities amounted to approximately RM16.4 million comprising non-current liabilities of approximately RM0.09 million (consisted solely of hire purchase creditor) and current liabilities of approximately RM16.3 million (consisted of RCPS of approximately RM13.6 million, trade and other payables of approximately RM1.9 million, amount due to customer of approximately RM0.8 million and hire purchase creditor of approximately RM9 thousand).

- (v) Net working capital improved from approximately RM82.0 thousand as at 1 April 2014 to approximately RM2.7 million as at 31 December 2015 mainly due to the increase in current assets (arising from the significantly higher cash and cash equivalents from the issuance of the RCPS, and higher trade and other receivables), whilst the current liabilities remained minimum comprising trade and other payables of approximately RM58 thousand. The Target's net working capital subsequently deteriorated to approximately negative RM9.6 million as at 31 December 2016 due to a significant increase in current liabilities of approximately RM16.3 million (mainly due to additional issuance of RCPS and higher trade and other payables) which was partially offset by an increase in current assets of approximately RM4.0 million.
- (vi) As at 31 December 2016, the Target's total equity was in the negative of approximately RM5.2 million mainly attributable to the accumulated losses during the period reviewed.

As at 31 December 2016, the Target's total borrowings (comprised both RCPS and hire purchase creditors) amounted to approximately RM13.7 million whilst the Target's cash and cash equivalents amounted to approximately RM4.2 million as at 31 December 2016 which is insufficient to cover its total borrowings. It should also be noted that the RCPS can be convertible into shares in the Target at the option of the RCPS subscriber at any time prior to *inter alia*, the Proposed Acquisition, in the event it is not redeemed by the Target.

We note from the Circular that the Conditions Precedent for the Completion of the Proposed Acquisition include, *inter alia*, the completion of the internal restructuring exercise of the Target. We understand from the Target Directors and the Target Management that the said internal restructuring shall include, *inter alia*, the conversion of the RCPS into shares in the Target and that upon completion of the internal restructuring and immediately prior to Completion, the Target's share capital consists of 301,327 ordinary shares and all the shares in the Target are owned by the Vendors. The Target Directors and the Target Management represented and confirmed that: (a) the Target's total equity had further deteriorated to approximately negative RM5.8 million as at the Latest Practicable Date; and (b) upon completion of the internal restructuring, the Target's shareholders equity would improve from approximately negative RM5.8 million as at the Latest Practicable Date to approximately positive RM13.4 million.

APPENDIX B – IFA LETTER

- (vii) The Target recorded negative operating net cash flow for FY2016 and FP2015 of approximately RM0.5 million and RM0.6 million respectively in view of the losses incurred before tax whilst the Target recorded positive operating net cash flow for FP2014 of approximately RM4 thousand (due to positive cash generated from operations of approximately RM4 thousand). During FP2014 to FY2016, the Target's operating and investing activities was financed by the Target's net cash flow from financing activities (mainly from the issuance of RCPS).
- (viii) The following paragraphs in connection with the Target's going concern have been extracted from note 4.1 to the audited financial statements of the Target:–

“....During the financial year ended 31 December 2016, the Company recorded a loss of RM4,399,966, and as of that date, the Company had capital deficiency of RM5,171,966 and its current liabilities exceed its current assets by RM9,618,242. The continuation of the Company as a going concern is therefore dependent upon the ability of the Company to receive continuous financial support from its shareholders to meet its obligations as and when they fall due.

Notwithstanding the above, the Directors of the Company are of the opinion that the Company is able to meet their obligations as and when they fall due having regard to the following:

- (i) *the Directors of the Company have carried out a detailed review of the cash flow forecast of the Company for the financial year ending 31 December 2017. Based on such forecast, the Directors of the Company have estimated that adequate liquidity exists to finance the working capital requirements of the Company for the next twelve months. In preparing the cash flow forecasts, the Directors of the Company have considered the operating cash requirements of the Company as well as other key factors, including the use of the net proceeds from redeemable convertible preference shares (“RCPS”) and the conversion of the RCPS into ordinary shares of the Company upon the completion of internal restructuring to satisfy the Company's future working capital requirements, which may impact the operations of the Company during the next twelve months. The Directors of the Company are of the opinion that the assumptions which are included in the cash flow forecast are reasonable; and*
- (ii) *the Company has received an undertaking from a substantial shareholder to continue to provide the Company with financial support as necessary to enable the Company to continue as going concerns and support their operating and investing activities.”*

Operating costs and capital expenditure

Based on the Target Independent Qualified Person's Report dated 31 March 2017 (“**Target's IQPR**”), we note that the Target has provided Rockhound Limited (“**RH**”) financial forecast for the period (FY2017 to FY2026) and with the assumption that costs remain unchanged after FY2016. In addition, both the quarrying costs and processing costs were drawn up based on a rate of RM2.1 per litre for diesel and escalated over time throughout the project period (as shown in the table below).

APPENDIX B – IFA LETTER

	Direct operating costs (FY2017 to FY2026)									
	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026 ⁽¹⁾
Quarry operating cost (RM/m ³ of extraction)	215.48	206.82	250.65	231.63	217.73	142.73	98.46	87.33	79.48	79.48
Slab cutting cost (RM/m ³ of blocks cut into slabs)	1,068	1,047	1,112	1,128	1,144	1,175	1,228	1,235	1,281	1,281
Tile cutting cost (RM/m ³ of blocks cut into tiles)	475	475	499	499	523	523	551	551	575	575

Note:

- (1) Costs for 2027 to 2036 are assumed to be as 2026 costs.

We also note the following:

- (i) The Target's quarry operating cost per cubic metre of extraction in the next 10 years is expected to decrease from RM215.48/m³ in FY2017 to RM206.82/m³ in FY2018 and increase to RM250.65/m³ in FY2021. The Target's quarry operating cost per cubic metre is thereafter expected to decrease to RM79.48/m³ in FY2026.
- (ii) The Target's slab cutting cost per cubic metre is expected to decrease from RM1,068/m³ in FY2017 to RM1,047/m³ in FY2018 and increase to RM1,281/m³ in FY2026.
- (iii) The tile cutting cost per cubic metre is expected to increase from RM475/m³ in FY2017 to RM575/m³ in FY2026.

It is noted from the Target's IQPR that the Target currently has an existing processing facility inherited from the previous quarry operator at Bukit Chetai, but to handle greater throughputs in the future, the Target have acquired a new site close by to the existing processing facility where plans are been made to build a new facility ("**New Processing Facility**"). The plans for the existing processing facility will be used primarily for production of small tiles whilst the New Processing Facility will be used for production of both slab tiles and small tiles.

The Target has already acquired some quarrying and processing equipment to kick-start the New Processing Facility. However, in order to achieve the production targets for FY2017, the initial project outlay has been estimated at approximately RM6.2 million for FY2017. Approximately RM2.0 million capital expenditure will be incurred at various times in FY2017 for *inter alia*, quarry operation, quarry development and construction of sites offices and other buildings. An additional capital expenditure of approximately RM4.2 million is expected to be incurred later until the last quarter of FY2017 where the new processing plant is expected to be operational. As at the Latest Practicable Date, the land for the New Processing Facility has been acquired but construction of the new processing plant has yet to commence.

APPENDIX B – IFA LETTER

Over the next six years (FY2018 – FY2023), there will also continue to be significant capital expenditures of approximately RM12.6 million on equipment to meet the production targets. To keep capital costs to a minimum, equipment will also be hired (eg. genset, mobile plant, lorries) for short term uses.

We would also like to highlight that RH has reviewed the capital expenditure programme in detail at the time of the pre-feasibility study (December 2016) and found it to be reasonable.

Working capital sufficiency

Including the above and notwithstanding the net liabilities and negative working capital as at 31 December 2016, we note that the Target Directors are of the reasonable opinion that, after having made due and careful enquiry and after taking into account of cash flow generated from the Target's operations as at the Latest Practicable Date, the Target's existing cash and bank balances, the working capital available to the Target is sufficient for its present requirements and for at least 18 months from the date of the Circular.

We wish to highlight to the Non-Interested Directors that the above analysis is only for illustrative purposes and is not meant to be an indication of, or comment on the Target's future profitability, growth prospects, financial position and working capital sufficiency.

Order book

We note from Section 26 of the Appendix A of the Circular that as at the Latest Practicable Date, the Target has an order book for its dimension stone granite products of approximately RM10.4 million (approximately S\$3.3 million), in connection with its off-take arrangements. In addition, as at the Latest Practicable Date, the Target has an unbilled revenue from the JMA Project (as defined in the Circular) of approximately RM3.8 million (approximately S\$1.2 million) to be recognised in FY2017. A significant proportion of the order book is expected to be recognised as revenue in FY2017. As the Target's granite products are largely used in the building and construction industry, the value of its order book is not indicative of its revenue for any succeeding period as the delivery of such dimension stone granite products to its customer is dependent on the customers' needs and project schedules.

The Target Directors have confirmed that the successful realisation of the future economic benefits from the above mentioned order book for the Target will depend on, *inter alia*, the due execution of contracts, timely and efficient execution and delivery of the products and/or the projects as well as the fulfilment of conditions pursuant to such contracts, the industry prospects, the prevailing economic and market conditions in the markets. The Target Directors have further confirmed that in view of the above factors and that such order book may be subject to cancellation, deferral or rescheduling by customers, the impact of these orders on the Target's financial performance and financial position (including the estimated future profit or loss as well as the estimated costs to be incurred) cannot be measured with certainty as at the Latest Practicable Date. Accordingly, no views are being expressed with regard to the

APPENDIX B – IFA LETTER

impact of the above order book on the NTA and the prospects of the Target in terms of, *inter alia*, the estimated future profit or loss as well as the estimated costs to be incurred.

(b) NAV and NTA Analysis of the Target

For the brief description of the NAV and NTA based approach, please refer to Section 5.3(c) of the IFA Letter.

In assessing the Consideration in relation to the NAV and NTA of the Target as at 31 December 2016, we have reviewed the audited statement of financial position of the Target as at 31 December 2016 to determine whether there are any assets that are of an intangible nature and as such would not appear in a valuation based on the NTA approach, but would be included in the NAV approach. Save as disclosed in the audited balance sheet of the Target as at 31 December 2016 and in the Circular, the Target Directors have confirmed, that as at the Latest Practicable Date, to the best of their knowledge and based on disclosures made available to them, there are no other intangible assets or tangible assets which ought to be disclosed in such audited balance sheet as at 31 December 2016 in accordance with the International Financial Reporting Standards and which have not been so disclosed and where such intangible or tangible assets would have had a material impact on the overall financial position of the Target as at Latest Practicable Date.

The Target Directors have also confirmed that as at the Latest Practicable Date, there were no material contingent liabilities, bad or doubtful debts or unrecorded earnings or expenses or assets or liabilities which could have a material impact on the NAV or NTA of the Target as at 31 December 2016, save as disclosed in the audited statement of financial position of the Target as at 31 December 2016 as well as the Circular. In addition, the Target Directors are of the opinion that save as disclosed in the Circular, the values of the assets (other than those for which valuation has been conducted), and liabilities as well as financial performance or condition of the Target as disclosed and reflected in the audited statement of financial position of the Target as at 31 December 2016 are true and fair. Lastly, the Target Directors confirmed that to the best of their knowledge or belief that such information is true, complete and accurate in all respects and that there is no other information or fact, the omission of which would render those statements or information, including our references, as well as analysis of such information to be untrue, inaccurate or incomplete in any respect or misleading.

Audited balance sheet as at 31 December 2016⁽¹⁾	RM'000
Non-current assets	
Property, plant and equipment	2,700
Mine properties	1,754
Prepayments	83
	4,537
Current assets	
Inventories	204
Trade and other receivables	2,292
Prepayments	46
Cash and cash equivalents	4,155
	6,697

APPENDIX B – IFA LETTER

Audited balance sheet as at 31 December 2016 ⁽¹⁾	RM'000
Current liabilities	
RCPS	13,626
Finance lease payables	9
Trade and other payables	1,918
Amount due to customer for contract works	763
	16,316
Non-current liabilities	
Finance lease payables	91
	91
Net liabilities including non-controlling interests	(5,172)
Less: Non-controlling interests	–
Net liabilities attributable to owners of the Target (“NL”)	(5,172)
Less: Intangible assets	–
Net tangible liabilities (“NTL”) as at 31 December 2016	(5,172)
NTL as at 31 December 2016 (S\$'000)⁽²⁾	(1,674)
Consideration (S\$'000)	103,265
Premium/(Discount) of Consideration over/from the Target's NL/NTL (%)	n.m.

Notes:

- (1) The figures above are based on the Target audited financial statement for the financial year ended 31 December 2016. The figures and computations therein are subjected to rounding.
- (2) Based on exchange rate of S\$1:RM3.0900 as at the Latest Practicable Date.

For illustrative purpose only, we note from the table above that the Target had NL and NTL of approximately RM5.2 million as at 31 December 2016. Accordingly, the comparison between the Consideration and Target's NTL is negative and not meaningful.

As highlighted previously, the Target Directors and the Target Management represented and confirmed that: (a) the Target's total equity had further deteriorated to approximately negative RM5.8 million as at the Latest Practicable Date; and (b) upon completion of the internal restructuring, the Target's shareholders equity would improve from approximately negative RM5.8 million as at the Latest Practicable Date to approximately positive RM13.4 million. As such upon completion of the internal restructuring, the adjusted NAV and/or NTA (“**Adjusted NAV**” or “**Adjusted NTA**”) of the Target would be approximately RM13.4 million and thus, the Consideration represents a substantial premium of approximately 2,283.2% over the Target's Adjusted NAV and/or NTA.

Pursuant to the subscription agreement dated 24 August 2015 (“**Principal Subscription Agreement**”) entered into between the Target, Lim and Luminor 1, Luminor 1 agreed to subscribe for 42,857 RCPS at the issue price of RM700 per RCPS and in aggregate amount of RM29,999,900 in total. Pursuant to the Principal Subscription Agreement, Luminor 1 has subscribed for 7,143 RCPS for RM5,000,100 in October 2015. It was further agreed pursuant to the Principal Subscription Agreement that the remaining 35,714 RCPS shall be subscribed by Luminor 1 at the

APPENDIX B – IFA LETTER

subscription price of RM24,999,800 within twelve (12) months from the date of the Principal Subscription Agreement. The parties subsequently agreed and have entered into a supplemental subscription agreement dated 8 June 2016 (“**First Supplemental Agreement**”). Pursuant to the First Supplemental Agreement, Luminor 1 had undertaken to subscribe for 8,571 RCPS for RM5,999,700 in June 2016. It was further agreed pursuant to the First Supplemental Agreement that the remaining 27,143 RCPS shall be subscribed by Luminor 1 at the subscription price of RM19,000,100 within twelve (12) months from the date of the First Supplemental Agreement. In January 2017, Luminor 1 subscribed for 4,817 RCPS for RM3,371,900.

Between 2015 and 2017, the Target raised RM14,371,700 from Luminor 1 through the issuance of RCPS, which is presented in the table below:–

Date of RCPS Subscription	Amount (RM)	No. of RCPS	No. of Target Shares⁽¹⁾	% of equity interest in Target⁽²⁾
2 October 2015	5,000,100	7,143	17,857	5.9%
7 June 2016	5,999,700	8,571	21,427	7.1%
25 January 2017	3,371,900	4,817	12,043	4.0%
Total	14,371,700	20,531	51,327	17.0%

Notes:

1. The conversion from RCPS to Target's shares is based on agreed conversion ratio of 1:2.5000117.
2. Based on Target's enlarged issued and paid-up share capital of 301,327 ordinary shares (immediately after conversion of the RCPS into GGTM shares).

In addition, the parties entered into a second supplemental subscription agreement dated 23 January 2017 (“**Second Supplemental Agreement**”) for the sale of 39,071 Target's shares (representing approximately 13.0% of the Target's enlarged share capital of 301,327 ordinary shares (immediately after conversion of the RCPS into GGTM shares)) to Luminor 1 at RM15,628,200, which is in lieu of the further subscription of the remaining RCPS by Luminor 1.

We note that the valuation ascribed to 100% equity interest in the Target based on the aggregate RCPS subscribed by Luminor 1 and based on the sale of Target's shares to Luminor 1 is approximately RM84.5 million and RM120.2 million, respectively. We note that these are substantially lower than the Consideration of approximately S\$103.3 million (or equivalent to RM318.7 million based on the applicable exchange rate as at the Latest Practicable Date). The substantially lower valuation of the Target ascribed based on aggregate RCPS subscribed by Luminor 1 and the sale of Target's shares to Luminor 1 as compared to the Consideration should be assessed in conjunction with the following:–

- (i) Pursuant to the Principal Subscription Agreement, Luminor 1 had upfront agreed to invest into the Target for RM30 million in tranches for eventual equity interest in the Target of 30%.
- (ii) Unlike the Consideration for the Proposed Acquisition which is to be satisfied in full by the issuance of Consideration Shares at the Issue Price which is at premium over the historical prices for the Shares and the Group's RNAV and/or RNTA per Share, the subscription of RCPS by Luminor 1 involved injection of fresh capital into the Target and payment of cash consideration to Lim for the acquisition of 39,071 Target's shares (which is part of the internal

APPENDIX B – IFA LETTER

shareholding restructuring as required to satisfy one of the conditions precedent for the Proposed Acquisition). In addition, the Principal Subscription Agreement contains, *inter alia*, rights and obligations of the parties providing *inter alia*, a right of first-refusal and also tag-along rights whereby there are restrictions on holders of any Target's shares to sell unless and until the acquirer of the Target purchases such number of RCPS at the discretion of Luminor 1, at a price which shall be at least equivalent to the redemption amount of the RCPS (which shall be equivalent to 30% compounded internal rate of return per annum) and on the same terms as those offered to the said holders of the Target's shares.

- (iii) The Principal Subscription Agreement was entered on 24 August 2015, before the Target obtained any concession and commencement of any operating activities by the Target and prior to the entry into the Sale and Purchase Agreement for the Proposed Acquisition. As such, Luminor 1 is deemed as "original financier" and its injection of fresh capital into the Target involved significant risk including, *inter alia*, uncertainty on the Target's business, continued licensing and risk relating to investment into a "non-listed" shares.
- (iv) The investment by Luminor 1 in the RCPS and 39,071 Target's shares are not conditional upon, *inter alia* completion of the Proposed Acquisition. Thus, irrespective of the outcome of the Proposed Acquisition, Luminor 1 has already subscribed for RCPS and acquired 39,071 Target's shares without any assurance for these shares to be exchanged for listed shares.
- (v) Unlike the Proposed Acquisition which involves acquisition of 100% equity interest in the Target, the investment by Luminor 1 into the Target pertains to non-controlling stake in the Target. It is generally accepted that acquisition of 100% equity interest will involve a controlling premium. Furthermore, the other Vendors for the Proposed Acquisition (being Lim and Koh) are not related to Luminor 1.

Target RNAV and/or RNTA

In our evaluation of the Consideration, we have also considered whether there are any assets which should be valued at an amount that is materially different from which recorded in the audited statements of financial position of the Target as at 31 December 2016. We understand from the Directors that the Company has commissioned the Independent Valuer to determine the market value of the mining rights to the Bukit Chetai Mine in accordance with the guidelines set by the Technical Assessment and Valuation of Mineral and Petroleum Assets and Securities for Independent Expert Reports promulgated by the VALMIN Committee, with regards to valuations ("VALMIN Code 2015") and the Catalist Rules pertaining to mineral, oil and gas projects. We recommend that the Directors advise Shareholders to note and review carefully the contents of the VALMIN Valuation Report (which is set out as Appendix D of the Circular) in its entirety including the assumptions made and the basis for assumptions.

Accordingly to the VALMIN Valuation Report, the Independent Valuer have arrived at the following:

- (i) The technical value of the Bukit Chetai Mine ranges from RM421 million to RM750 million with a preferred value of RM585 million; and
- (ii) The market value of the Bukit Chetai Mine ranges from RM241 million to RM429 million with a preferred value being RM335 million.

The Target is of the view that it is currently premature to conduct a valuation of the Bukit Machang property as the Bukit Machang mining licence has not been obtained and no technical reporting has been conducted in respect of the Bukit Machang property.

APPENDIX B – IFA LETTER

The Independent Valuer has undertaken the valuation of the Bukit Chetai Mine using the discounted cash flow method under the income approach as the primary valuation methodology, given the availability of reasonable estimations of costs and potential revenue for the Bukit Chetai Mine. Because of the difficulties involved in identifying similar projects for the comparable transactions method, making the market approach less appropriate, the Independent Valuer has not used the market approach for the valuation.

We also note from the VALMIN Valuation Report that the market value of the Bukit Chetai Mine is based on the following assumptions with respect to *inter alia*, the tenure, mining and processing, revenue, capital and operating costs and financial assumptions, other considerations and reasonableness of assumptions.

The Directors have confirmed that they have reviewed the VALMIN Valuation Report to understand the assumptions, methodology used in arriving at the market value of the Bukit Chetai Mine. The Directors have reviewed the information made available to them as a whole and are of the opinion that the assumptions and methodology of the VALMIN Valuation Report are reasonable and appropriate.

We note that the market value of the Bukit Chetai Mine as ascribed by the Independent Valuer as at 28 February 2017 (the “**Valuation Date**”) with a preferred value of RM335 million (the “**Preferred Value**”), is substantially higher than the net book value of the Bukit Chetai Mine of approximately RM1.8 million.

For illustrative purpose only, the revaluation surplus has been calculated and presented in the table below assuming a hypothetical sale of the Bukit Chetai Mine at the value ascribed by the Independent Valuer above. The Target Directors and the Target Management represented that there will be no potential tax liability if the Mining Property which is subject to valuation were to be sold at the market value ascribed by the Independent Valuer.

RNAV and RNTA⁽¹⁾	RM'000
Preferred Value of the Bukit Chetai Mine⁽²⁾	335,000
Less: net book value of Bukit Chetai Mine	(1,754)
Revaluation surplus of the Mining Property	333,246
Adjusted NAV and/or NTA after internal restructuring	13,389
Add: Revaluation surplus of the Mining Property	333,246
RNAV and/or RNTA	346,635
RNAV and/or RNTA (S\$'000)⁽³⁾	112,318
Discount of Consideration from the Target's RNAV and/or RNTA (%)	(7.9)%

Notes:

- (1) The figures and computations therein are subjected to rounding.
- (2) Based on the preferred value of approximately RM335.0 million as provided by the Independent Valuer in the VALMIN Valuation Report.
- (3) Based on exchange rate of S\$1:RM3.0900 as at the Latest Practicable Date.

Based on the table above, the Consideration represents a slight discount of approximately 7.9% from the Target's RNAV and/or RNTA.

APPENDIX B – IFA LETTER

We wish to highlight that although the RNAV and RNTA of the Target shown above include revaluation surplus of the Mining Property, Independent Shareholders should note that the Target has not realised the surplus on such assets as at the Latest Practicable Date, and that there is no assurance that the revaluation surplus eventually recorded by the Target on the Mining Property as described above (in the event that the Mining Property are disposed) will be the same as that indicated above.

The above computations and analysis are meant as an illustration and it does not necessary mean or imply that the net realisable value of the Target is as stated above. It also does not imply that the assets or properties of the Target can be disposed of at the value indicated above and that after payment of all liabilities and obligations, the values or amounts as indicated for the respective types of NTA and is realisable or distributable to the shareholders of the Target.

It should be noted that the NTA basis of valuation provides an estimate of the value of a hypothetical sale of all its tangible assets over a reasonable period of time and is only relevant in the event that the Target decides to change the nature of its business or to release or convert the uses of all its assets. The NTA basis of valuation, however, does not necessarily reflect the value of the Target as a going concern nor can it capture or illustrate any value for the Target's goodwill or branding. In addition, it does not illustrate the values at which the assets may actually be realised or disposed.

(c) Equity value of the Target

We note from the Business Valuation Report (as set out in Appendix E of the Circular) that the Independent Valuer has been engaged by the Company to provide the market value of the one hundred per cent (100%) equity interest in the Target.

As stated in the Business Valuation Report, the Independent Valuer is of opinion that the market value of 100% equity interest in the Target is RM344,200,000 (or S\$108,700,000) as at 28 February 2017 as per the Business Valuation Report, which is approximately 5.3% higher than the Consideration.

In arriving at the market value, the Independent Valuer have considered three generally accepted approaches, namely, market approach, cost approach and income approach.

The Target was evaluated as two segments: mining and interior fit-out. The mining segment of the Target was valued using an income based approach as specified in the VALMIN report. Given the short operating history of the Target's fit-out business; the Independent Valuer believe that using a net asset method in which one of the three approaches is used to value each asset and liability is most appropriate. In this case, all assets and liabilities were assessed as being equal to the book value except for the signed contract on the project known as "Cadangan merkabentuk, membina, menguji, mentaulliah dan menyelenggara hiasan dalaman di 1 Block Hotel 17 Tingkat (208 Billik) Serta Kerka-Kerja Berkaitan di Jalan Maskid Abidin, Mukim Bandar Kuala Terrengganu" (the "**Project**"); where an income-based approach was applied.

There are substantial limitations for the market approach and the cost approach for valuing the underlying asset. Firstly, the market approach requires market transactions of comparable assets as an indication of value. However, due to the start-up nature of the fit-out business of the Target and its operating scale, the Independent Valuer have not identified any current market transactions which are comparable. Secondly, the cost approach does not directly incorporate information about the economic benefits contributed by Target.

APPENDIX B – IFA LETTER

The valuation of the signed contract was developed through the application of multi-period excess earnings method, the residual cash-flows after considering the contributory assets charges are then discounted into their present worth to eliminate the discrepancy in the time value of money by using a discount rate which a number of factors including the current cost of finance and the considered risk inherent related to customer relationship were taken into account.

These charges are calculated based on the returns on the values of the contributory assets. Examples of such assets include: fixed assets, net working capital and assembled workforce.

The residual cash-flows are then discounted into their present worth to eliminate the discrepancy in the time value of money. This is done by using a discount rate to reflect all business risks including intrinsic and extrinsic uncertainties in relation to the operation.

We also note from the Business Valuation Report that the market value of 100% equity interest of the Target is based on the following key assumptions and representations by the Target:–

- The projected business can be achieved with the effort of the management of the Target;
- The operational and contractual terms stipulated in the relevant contracts and agreements will be honored;
- The facilities and systems proposed are sufficient for future expansion in order to realize the growth potential of the business and maintain a competitive edge;
- There will be no material change in the existing political, legal, technological, fiscal or economic conditions, which might adversely affect the business of the Target;
- The information on the copies of the financial statements, joint venture consortium agreement, pre-feasibility study and Target's IQPR are assumed to be reliable and legitimate. The Independent Valuer have relied to a considerable extent on such information provided in arriving at their opinion of value;
- The Independent Valuer have assumed the accuracy of the financial and operational information provided to them by the Target and relied to a considerable extent on such information in arriving at their opinion of value; and
- There are no hidden or unexpected conditions associated with the asset valued that might adversely affect the reported value. Further, the Independent Valuer assumes no responsibility for changes in market conditions after the Valuation Date.

The Directors have confirmed that they had reviewed the Business Valuation Report to understand the assumptions, methodology used in arriving at the market value of the Target. The Directors have also reviewed the information made available to them as a whole and are of the opinion that the assumptions and methodology of Business Valuation Report are reasonable and appropriate.

We also wish to highlight that the above valuation is subject to and dependent on major assumptions, (as highlighted in the Business Valuation Report) which have significant effect on the calculation of the market value of the Target under the income approach *inter alia*: (1) the forecast based on the contract value of the Project, (2) contributory assets charges, (3) various risk factors relevant to the Independent Valuer's selection of an appropriate discount rate, (4) risk factors that may affect the result of this valuation such as realization of forecast and projection and the change in political, economic and regulatory environment.

APPENDIX B – IFA LETTER

Our scope does not require us and we have not made any independent evaluation or business valuation of the market value of the Target (including without limitation, market value or economic potential). With respect to such valuation, we are not experts in the evaluation of market value of the Target (including without limitation, market value or economic potential) and have relied on the opinion of the Directors and the financial statements of the Target (audited and unaudited), where applicable for the assessment.

(d) Relative valuation analysis for the Target

In our evaluation of the Proposed Acquisition as IPT and the Proposed Whitewash Resolution, we have had discussions with the Directors and the Management and searched for public listed companies that may be broadly comparable to the Target in terms of the core business. Whilst there are few public companies whose core business may be broadly comparable to the Target, no comparisons (in terms of relative financial performance and position as well as valuation) were made in view of: (a) the fact that the Consideration is supported by the market value of the equity interest in the Target as ascribed in the Business Valuation Report, and (b) limitations in terms of, *inter alia*, differences in accounting treatment, disclosure requirements and quality of information (including but not limited to financial information and information on the reserves and resources).

6. OTHER CONSIDERATIONS

6.1 Financial effects of the Proposed Acquisition and the Proposed Exchangeable Bonds Issue

The proforma financial effects of the Proposed Acquisition, and the Proposed Exchangeable Bonds Issue and the underlying assumptions are set out in Section 9 of the Circular. We recommend that the Non-Interested Directors advise the Independent Shareholders to read those pages of the Circular carefully. The financial effects of the Proposed Acquisition and the Proposed Exchangeable Bonds Issue have been extracted from Section 9 of the Circular and is set out in italics below:

“9. FINANCIAL EFFECTS

The pro forma financial effects of the Proposed Acquisition and the Proposed Exchangeable Bonds Issue on the Company presented below are strictly for illustrative purposes only and do not reflect the actual financial results or the future financial performance and condition of the Company, the Group and/or the Enlarged Group after Completion. The pro forma financial effects below were prepared on the basis of the audited consolidated financial statements of the Group for FY2016.

(a) Assumptions

The pro forma financial effects of the Proposed Acquisition and Proposed Exchangeable Bonds Issue set out below are subject to the following assumptions:

- (i) that the Proposed Acquisition had completed and the Bonds had been issued on 31 December 2016, for the purposes of illustrating the financial effects on share capital, NTA and gearing;*
- (ii) that the Proposed Acquisition had completed and the Bonds had been issued on 1 January 2016 for the purposes of illustrating the financial effects on the Loss Per Share (“LPS”);*

APPENDIX B – IFA LETTER

- (iii) aggregate expenses relating to the Proposed Acquisition and the Proposed Exchangeable Bonds Issue of approximately S\$1.7 million; and
- (iv) that the pro forma financial effects do not take into account the GB Issue which was completed on 3 April 2017.

(b) Share Capital

	<i>Before the Proposed Transactions</i>	<i>After (i) the Proposed Acquisition and (ii) issue of Bonds</i>	<i>After (i) the Proposed Acquisition, (ii) issue of Bonds and (iii) exchange of Bonds and issue of Exchange Shares</i>
Number of Shares	310,500,000	1,022,672,414	1,043,397,803
Issued and paid up share capital (S\$)	30,101,319	35,663,933	37,663,933

(c) NTA

	<i>Before the Proposed Transactions</i>	<i>After (i) the Proposed Acquisition and (ii) issue of Bonds</i>	<i>After (i) the Proposed Acquisition, (ii) issue of Bonds and (iii) exchange of Bonds and issue of Exchange Shares</i>
NTA (S\$)	9,189,836	11,624,882	13,624,882
Number of Shares	310,500,000	1,022,672,414	1,043,397,803
NTA per Share (cents)	2.96	1.14	1.31

APPENDIX B – IFA LETTER

(d) LPS

	<i>Before the Proposed Transactions</i>	<i>After (i) the Proposed Acquisition and (ii) issue of Bonds</i>	<i>After (i) the Proposed Acquisition, (ii) issue of Bonds and (iii) exchange of Bonds and issue of Exchange Shares</i>
Loss after tax attributable to Shareholders (S\$)⁽¹⁾	(9,195,550)	(11,993,505)	(11,993,505)
Weighted average number of Shares	279,231,902	991,404,316	1,012,129,705
LPS (cents)	(3.29)	(1.21)	(1.18)

Note:

- (1) "Loss after tax attributable to Shareholders" after the Proposed Acquisition has been computed based on the audited loss after tax attributable to the Target of S\$1,419,070 for the financial year ended 31 December 2016."

(e) Gearing

	<i>Before the Proposed Transactions</i>	<i>After (i) the Proposed Acquisition and (ii) issue of Bonds</i>	<i>After (i) the Proposed Acquisition, (ii) issue of Bonds and (iii) exchange of Bonds and issue of Exchange Shares</i>
Total borrowings (S\$)	97,782	2,130,064	130,064
Cash and cash equivalents (S\$)	2,448,335	6,830,122	6,830,122
Equity attributable to owners of the Company (S\$)	9,189,836	11,624,882	13,624,882
Net gearing ratio (times)	0.01	0.18	0.01

APPENDIX B – IFA LETTER

For illustrative purposes only, we note from the table above that the loss per Share attributable to Shareholders (“**LPS**”) of the Group would improve from 3.29 S\$ cent before the Proposed Transactions to 1.21 S\$ cent after the Proposed Acquisition and issue of Bonds (as defined in the Circular) and to 1.18 S\$ cent after the Proposed Acquisition, issue of Bonds and issue of Exchange Shares (as defined in the Circular). The Group’s NTA would decline from 2.96 S\$ cent before the Proposed Transactions to 1.14 S\$ cent after the Proposed Acquisition and issue of Bonds but increase slightly to 1.31 S\$ cent after the Proposed Acquisition, issue of Bonds and issue of Exchange Shares. In addition, the Group’s net gearing ratio would increase from 0.01 times before the Proposed Transactions to 0.18 times after the Proposed Acquisition and issue of Bonds (as defined in the Circular) but decline back to 0.01 times after the Proposed Acquisition, issue of Bonds and issue of Exchange Shares.

We also wish to highlight that while the Proposed Acquisition, issue of Bonds and issue of Exchange Shares will lead to a lower NTA per Share, but it will result in an improvement in LPS and higher cash and cash equivalents and have no net effect to the Group’s financial position in terms of gearing.

APPENDIX B – IFA LETTER

6.2 Dilution Impact

It is important to note that pursuant to the Proposed Acquisition, the shareholdings of the existing Independent Shareholders will be diluted significantly. In evaluating the dilution impact of the Proposed Acquisition on the existing Independent Shareholders, we have considered the following:–

	As at the Latest Practicable Date				Immediately after the Proposed Acquisition			
	Direct Interest	Deemed Interest	Total Interest		Direct Interest	Deemed Interest	Total Interest	
	Number of Shares	Number of Shares	Number of Shares	% ⁽¹⁾	Number of Shares	Number of Shares	Number of Shares	% ⁽²⁾
Directors								
Dr Wilson Tay Chuan Hui Lim ⁽³⁾	–	–	–	–	–	–	–	–
	26,383,856	43,146,023	69,529,879	22.40	338,271,442	158,561,885	496,833,327	48.58
Chan Koon Mong ⁽⁴⁾	–	1,597,222	1,597,222	0.51	–	1,597,222	1,597,222	0.16
William Law ⁽⁵⁾	13,168,334	43,146,023	56,314,357	18.14	13,168,334	43,146,023	56,314,357	5.51
Ch'ng Li-Ling	–	–	–	–	–	–	–	–
Gavin Mark McIntyre	–	–	–	–	–	–	–	–
Vendors (other than Lim)								
Luminor 1	–	–	–	–	213,651,724	–	213,651,724	20.89
Luminor Capital ⁽⁶⁾	–	–	–	–	–	213,651,724	213,651,724	20.89
Foo ⁽⁶⁾⁽⁷⁾	–	–	–	–	–	213,651,724	213,651,724	20.89
Kwan CS ⁽⁶⁾⁽⁷⁾	–	–	–	–	–	213,651,724	213,651,724	20.89
Kwan YW ⁽⁶⁾⁽⁷⁾⁽⁸⁾	–	–	–	–	–	213,651,724	213,651,724	20.89
Koh	11,337,644	–	11,337,644	3.65	82,554,885	–	82,554,885	8.07
Substantial Shareholders (other than the Directors and the Vendors)								
JHW	43,146,023	–	43,146,023	13.90	43,146,023	–	43,146,023	4.22
GBM Resources Limited ⁽⁹⁾	17,610,618	14,010,618	31,621,236	10.18	17,610,618	14,010,618	31,621,236	3.09
WA Consolidated Private Limited ⁽¹⁰⁾	–	–	–	–	115,415,862	–	115,415,862	11.29
Other Shareholders								
Wong Lee Chin ⁽⁴⁾	1,597,222	–	1,597,222	0.51%	1,597,222	–	1,597,222	0.16%
Maybank Kim Eng Securities Pte. Ltd. ⁽⁹⁾	14,010,618	–	14,010,618	4.51%	14,010,618	–	14,010,618	1.37%
Public Shareholders⁽¹¹⁾			183,245,685	59.02			183,245,685	17.92
Independent Shareholders			216,464,143	69.71			216,464,143	21.17

APPENDIX B – IFA LETTER

	As at the Latest Practicable Date			Immediately after the Proposed Acquisition		
	Direct Interest	Deemed Interest	Total Interest	Direct Interest	Deemed Interest	Total Interest
	Number of Shares	Number of Shares	Number of Shares % ⁽¹⁾	Number of Shares	Number of Shares	Number of Shares % ⁽²⁾
Directors						
Total			310,500,000			1,022,672,414
			100.00			100.00

Notes:

- (1) Based on 310,500,000 as at the Latest Practicable Date.
- (2) Based on the Enlarged Share Capital comprising 1,022,672,414 Shares immediately after Completion, assuming that the 712,172,414 Consideration Shares are allotted and issued, and no other new Shares are issued by the Company between the Latest Practicable Date and the Completion Date (both dates inclusive).
- (3) Lim owns 45.5% of the shares in JHW, and accordingly, is deemed to have an interest in the 43,146,023 Shares held by JHW. WA Consolidated Private Limited is wholly owned by Lim, and accordingly, is deemed to have an interest in the 115,415,862 Shares held by WA Consolidated Private Limited.
- (4) Chan Koon Mong is deemed to have an interest in the 1,597,222 Shares held by his spouse, Wong Lee Chin.
- (5) William Law owns 40.5% of the shares in JHW, and accordingly, is deemed to have an interest in the 43,146,023 Shares held by JHW.
- (6) Luminor Capital, a discretionary fund manager, manages each of Luminor 1 and Luminor 2 and accordingly, is deemed to have an interest in the Shares held by Luminor 1 and Luminor 2. Its shareholders are Foo, Kwan CS and Kwan YW who hold 50.0%, 30.0% and 20.0% of the share capital of Luminor Capital, respectively. Foo holds 100% of the ordinary shares in Luminor 1 and Luminor 2 as nominee of Luminor Capital.
- (7) Foo, Kwan CS and Kwan YW hold 50.0%, 30.0% and 20.0% of the share capital of Luminor Capital, respectively, and accordingly, is each deemed to have an interest in the Shares held by Luminor 1 and Luminor 2. Foo holds 100% of the ordinary shares in Luminor 1 and Luminor 2 as nominee of Luminor Capital.
- (8) Kwan YW is an immediate family member of Kwan KS.
- (9) Maybank Kim Eng Securities Pte. Ltd., a nominee company, is the registered holder of 14,010,618 Shares and hold such Shares as nominee for GBM Resources Limited. Accordingly, GBM Resources Limited is deemed to have an interest in these Shares held by Maybank Kim Eng Securities Pte. Ltd.. Further, it is assumed for illustration purposes that Maybank Kim Eng Securities Pte. Ltd. does not hold any other Shares or interests (whether direct or indirect) in the securities of the Company, whether as nominee for other persons or otherwise.
- (10) WA Consolidated Private Limited is a Singapore incorporated company wholly owned by Lim.
- (11) Based on 183,245,685 Shares held by the public (defined under the Catalyst Rules) as at the Latest Practicable Date. As at the Latest Practicable Date, the 11,337,644 Shares held by Koh are part of the public float. Immediately after the Proposed Acquisition, Koh will become a substantial shareholder and as such, her shareholding will no longer be part of the public float. For the purpose of illustration, the Shares held by her have been separately presented.

APPENDIX B – IFA LETTER

Based on the above illustration, we note that following the issuance of 712,172,414 Consideration Shares pursuant to the Proposed Acquisition, the number of Shares in issue will increase from 310,510,000 Shares to 1,022,672,414 Shares and the Vendors' shareholding will increase from approximately 26.05% to approximately 77.55%. Lim's shareholding (including his deemed interest in JHW) will increase from approximately 22.40% to approximately 48.58%. In addition, we note that the shareholdings of the existing Independent Shareholders will decrease significantly from approximately 69.71% to approximately 21.17%.

Pursuant to the investor relations agreement between Lim and Well-Cept, Lim agreed to transfer 21,365,172 Consideration Shares to Well-Cept as payment for the investor relations service rendered by Well-Cept upon Completion ("**Well-Cept Transfer**").

Subsequent to the Well-Cept Transfer:

- (a) Lim will have an interest in 405,938,276 Consideration Shares (comprising 290,622,414 Consideration Shares held directly and 115,415,862 Considerations Shares held indirectly through WA Consolidated Private Limited) ("**Lim Moratorium Shares**"); and
- (b) Lim's interest in the Company will be 46.49% of the Enlarged Share Capital (taking into account all the Consideration Shares), comprising 475,468,155 Shares held directly and indirectly.

As such, the existing Independent Shareholders' ability to influence the outcome of any resolutions tabled in a general meeting will be significantly reduced after issuance of the Consideration Shares.

Independent Shareholders should note that:

- (a) **the Proposed Acquisition is conditional, among other things, upon the passing of the Proposed Whitewash Resolution by the Independent Shareholders. In view of this, in the event that the Proposed Whitewash Resolution is not passed by the Independent Shareholders, the Proposed Acquisition will not take place.**
- (b) **by voting for the Proposed Whitewash Resolution, they will be waiving their rights to a general offer from Lim at the highest price paid by Lim and his concert parties for the Shares in the six (6) months preceding the allotment and issuance of the Consideration Shares.**

6.3 Moratorium Undertakings

The information regarding moratorium undertakings in connection with the Proposed Acquisition are set out in Section 2.6 of the Circular, which have been extracted from the Circular and are set out in italics below. We recommend that the Non-Interested Directors advise the Independent Shareholders to read those pages of the Circular carefully. Unless otherwise defined or the context otherwise requires, all terms defined in the Circular shall have the same meaning herein.

APPENDIX B – IFA LETTER

“2.8 Moratorium Undertakings

The Proposed Acquisition, being within the ambit of Rule 1015, is subject to the moratorium requirements specified in Rules 420, 421 and 443 of the Catalist Rules. Rule 1015(3)(b) provides that the moratorium requirements specified in Rules 420, 421 and 443 of the Catalist Rules are applicable to the following persons:

- (a) the existing Controlling Shareholders and their associates; and*
- (b) persons who will become a Controlling Shareholder and their associates.*

Such persons are required to provide an undertaking to maintain the relevant person’s effective interest in the securities under the moratorium during the moratorium period.

Lim

Upon Completion, the Company will issue 712,172,414 Consideration Shares, of which 427,303,448 Consideration Shares will be allotted and issued to Lim (of which 115,415,862 Consideration Shares will be allotted and issued to WA Consolidated Private Limited, which is wholly owned by Lim). Accordingly, Lim’s interest in the Company will increase to 48.58% of the enlarged number of Shares (taking into account all the Consideration Shares), comprising 496,833,327 Shares held directly and indirectly.

*Pursuant to the investor relations agreement between Lim and Well-Cept, Lim agreed to transfer 21,365,172 Consideration Shares to Well-Cept as payment for the investor relations service rendered by Well-Cept upon Completion (“**Well-Cept Transfer**”). Subsequent to the Well-Cept Transfer:*

- (a) Lim will have an interest in 405,938,276 Consideration Shares (comprising 290,522,414 Consideration Shares held directly and 115,415,862 Consideration Shares held indirectly through WA Consolidated Private Limited) (“**Lim Moratorium Shares**”); and*
- (b) Lim’s interest in the Company will be 46.49% of the Enlarged Share Capital (taking into account all the Consideration Shares), comprising 475,468,155 Shares held directly and indirectly.*

Accordingly, in compliance with the moratorium requirements specified in Rule 420 of the Catalist Rules, Lim has undertaken not to sell, transfer, assign or otherwise dispose of: (a) any part of the Lim Moratorium Shares for a period of 12 months from the date of issue of the Consideration Shares; and (b) more than 50.0% of the Lim Moratorium Shares (adjusted for any bonus issue or sub-division of Shares) for a period of six (6) months thereafter. Lim has further undertaken that he will not sell, transfer, assign or otherwise dispose of any part of his shareholding interest in WA Consolidated Private Limited for a period of 18 months from the date of issue of the Consideration Shares.

Luminor Group

In compliance with the moratorium requirements specified in Rule 420 of the Catalist Rules, Luminor 1 has undertaken not to sell, transfer, assign or otherwise dispose of (a) any part of its Consideration Shares for a period of 12 months from the date of

APPENDIX B – IFA LETTER

issue of the Consideration Shares; and (b) more than 50.0% of its respective Consideration Shares (adjusted for any bonus issue or sub-division of Shares) for a period of six (6) months thereafter.

In addition, for a period of 18 months from the date of issue of the Consideration Shares, Luminor Capital, Foo, Kwan CS and Kwan YW have undertaken not to sell, transfer, assign or otherwise dispose of any part of their shareholding interests in: (i) (in the case of Luminor Capital) Luminor 1, (ii) (in the case of Foo, Kwan CS and Kwan YW) Luminor Capital, and (iii) (in the case of Foo who holds 100% of the ordinary shares in Luminor 1 as nominee of Luminor Capital) Luminor 1. In addition, Luminor Capital has undertaken that it will continue to be the fund manager of Luminor 1 for the same period.

Koh

Koh is not subject to any moratorium requirements relating to her Shares as Koh holds her Shares (including the Consideration Shares) solely for investment purposes and does not participate in the management or carrying on of business of the Group. Koh invested in GGTM in 2015, is not a controlling shareholder of GGTM and is not directly or indirectly related to Lim and the Luminor Group.

Well-Cept

In addition, Well-Cept has undertaken not to sell, transfer, assign or otherwise dispose of (a) any part of their Consideration Shares to be transferred to it pursuant to the Well-Cept Transfer for a period of 12 months from the date of the Well-Cept Transfer; and (b) more than 50.0% of its respective Consideration Shares (adjusted for any bonus issue or sub-division of Shares) for a period of six (6) months thereafter. The shareholders of Well-Cept have undertaken not to sell, transfer, assign or otherwise dispose of any part of their shareholding in Well-Cept for a period of 18 months from the date of the Well-Cept Transfer.”

Shareholders are also advised to note that pursuant to the exclusive dimension stone granite concession work contract agreement entered into on 16 September 2015 between PMINT and the Target (“**Concession Agreement**”), in the event of non-renewal of Bukit Chetai Proprietary Mining Licence, PMINT will refund the deposit to the Target within 30 days from the expiry date and compensate the Target based on the valuation determined by an independent valuer to be appointed and agreed by PMINT and the Target within 30 days from the expiry date.

Save as stated above, there are no salient terms of compensation stated in the Concession Agreement. Pursuant to the Concession Agreement, the parties are aware that it is impractical for the Concession Agreement to cater all situations that may occur during the duration of the Concession Agreement. Therefore, it has been agreed between the parties that the terms of the Concession Agreement will be implemented fairly and in good faith without affecting the interest of either party and should there be any injustice arising from the Concession Agreement, the parties will use all efforts to seek for an agreeable solution. In any event, the Target and the Company as part of the Enlarged Group upon Completion, based on their track records and experiences in renewal application, expect the renewal application to be approved.

APPENDIX B – IFA LETTER

In order to demonstrate his continued commitment to the Target's business and to align his interests with the minority shareholders of the Company, Lim (the controlling shareholder and director of the Target), who has been instrumental and committed in obtaining the renewal of mining licence for the Bukit Chetai Mine, has agreed to enter into an Escrow Agreement with the Company and R&T to appoint R&T as the escrow agent to hold the Escrow Shares. The Escrow Shares shall only be released to Lim upon the renewal of the Bukit Chetai Mining Licence. In the event of non-renewal of the Bukit Chetai Mining Licence within the 6-month period post-expiry of the mining licence (4 August 2018), i.e. by 4 February 2019, the Company shall have the right to take the necessary steps to cancel the Escrow Shares in accordance with the applicable laws and regulations and the Catalist Rules. The Audit Committee of the Company shall be responsible for the oversight of this arrangement. Independent Shareholders should note that the Escrow Shares covers 57% of the total Consideration Shares and as stated in the risk factors section of Appendix A of the Circular entitled "Risks relating to GGTM's Businesses", there can be no assurance that the Target will be able to renew its necessary permits, approvals and licences. In the event that any of the permits, approvals and licences is not renewed, the business of Target will be adversely affected and will have impact on our analysis and evaluation. Independent Shareholders should note that our evaluation is premised on the assumption that the Group and the Target would be able to renew or obtain all the necessary permits, licences and permits as and when required.

6.4 No Alternative Investment or Acquisition Opportunity

As at the Latest Practicable Date, the Directors have confirmed that they are not aware of any alternative investment or acquisition opportunity available to the Company, which is comparable in nature, size and scope to the Proposed Acquisition. It is noted from Section 2.1 of the Circular that the Board is of the view that the Proposed Acquisition is in line with the Group's long-term growth strategy to expand its business through mergers and acquisitions. The Proposed Acquisition will provide the Enlarged Group with an additional income stream from the sale of dimension stone granite and diversify its revenue sources between the mineral resources of gold and dimension stone granite in the State of Terengganu, Malaysia. It will also improve the Enlarged Group's financial position. As at the Latest Practicable Date, the Target has a cash balance of approximately S\$2.32 million (approximately RM7.17 million).

The Proposed Acquisition will also grow the asset base of the Enlarged Group and widen its shareholder base, attracting more interest from the investment community focused on the minerals sector in investing in the Enlarged Group.

6.5 Inter-conditionality

As set out in Section 1.3 of the Circular, Shareholders should note that all ordinary resolutions 1 to 9 relating to *inter alia*, the Proposed Acquisition, issuance and allotment of the Consideration Shares, and the Proposed Whitewash Resolution are inter-conditional upon each other. Accordingly, in the event that any of the resolutions is not approved, the other resolutions will not be passed.

6.6 Risk Factors

While we have, in the course of our evaluation, assessed the financial terms of the Proposed Acquisition and considered the transactions from the perspective of whether such terms are on normal commercial terms and prejudicial to the interests of the Company and

APPENDIX B – IFA LETTER

the minority Shareholders, we have not examined the underlying business and financial risks associated with the Proposed Acquisition as well as the business prospects of the Target or the Enlarged Group following the completion of the Proposed Acquisition, which shall be the responsibility of the Directors.

The risk factors in connection with the Proposed Acquisition are set out in Section 4.6 of the Circular and Section 20 of Appendix A. Should any of the considerations and uncertainties highlighted in the aforementioned risk factors develop into actual event, the business, financial condition or results of the operations of the Group, the Company, the Target or the Enlarged Group could be materially adversely affected.

6.7 No assurance of profitability or prices for Shares

Non-Interested Directors should note that no profit warranty has been provided by any party with respect to the future performance of the Target or the Enlarged Group in connection with the Proposed Acquisition. Thus there can be no assurance that the Target or the Enlarged Group will be able to maintain or improve its profitability or profit after tax.

We recommend that the Non-Interested Directors advise the Independent Shareholders to read the Section 22 entitled “**Management Discussion and Analysis of Financial Position and Results of Operations**” and Section 25 entitled “**Prospects, Trends and Future Plans**” of Appendix A of the Circular.

Non-Interested Directors should also note that there is no assurance that the steps taken or to be taken by the Enlarged Group subsequent to the Proposed Acquisition to improve the profitability of the Enlarged Group and to improve Shareholders’ value will be successful or would result in the Shares being traded at prices higher than the Issue Price for the Consideration Shares.

6.8 Material Litigation

As disclosed in Section 30.4 of Appendix A of the Circular, the Target is not engaged in any legal or arbitration proceedings as plaintiff or defendant including those which are pending or known to be contemplated, which may have or have had in the last 12 months immediately before the date of this IFA Letter, a material effect on the financial position or the profitability of Target.

7. PROPOSED IPT MANDATE

7.1. General

Pursuant to the Proposed Acquisition and the Proposed Diversification, the Enlarged Group will be a supplier of dimension stone granite products and provider of interior fit-out and other dimension stone granite related services (“**Granite Products and Services**”), as part of its core businesses.

Following Completion and assuming that the Consideration Shares are issued to Luminor 1, each of Luminor Capital (being the discretionary fund manager of Luminor 1 and Luminor 2), Dr Foo Fatt Kah (“**Foo**”, being a 50% shareholder of Luminor Capital and holder of 100% of the ordinary shares in Luminor 1 and Luminor 2 as nominee of Luminor Capital), Mr Kwan Chee Seng (“**Kwan CS**”, being a 30% shareholder of Luminor Capital) and Ms Kwan Yu Wen (“**Kwan YW**”, being a 20% shareholder of Luminor Capital) will be deemed interested

APPENDIX B – IFA LETTER

in the Consideration Shares to be held by Luminor 1, representing approximately 20.89% of the Enlarged Share Capital. Accordingly, they will each be deemed a Controlling Shareholder of the Company and will comprise part of the Luminor Group which will be regarded as “Interested Persons” under the Catalist Rules. For the avoidance of doubt, Luminor 1, by virtue of its direct interest in the Consideration Shares, will also be a Controlling Shareholder of the Company.

GRP Development Pte Ltd is a wholly-owned subsidiary of GRP Limited, which is listed on the Mainboard of the SGX-ST. Kwan CS is an executive director and a controlling shareholder of GRP Limited. Accordingly, GRP Limited is an associate of Kwan CS (who is part of the Luminor Group) and following Completion and assuming that the Consideration Shares are issued to Luminor 1, will be regarded as an “Interested Persons” under the Catalist Rules. For the avoidance of doubt, associates of the members of the Luminor Group include but may not be limited to GRP Limited.

The Target (which will form part of the Enlarged Group) had on 15 September 2016 entered into a letter of intent with GRP Development Pte Ltd for the Target to provide Granite Products and Services in connection with a mixed development project in Tangshan, PRC. As at the Latest Practicable Date, the project located at Tangshan, PRC has not commenced operations and the parties are in negotiations to finalise the terms of the Granite Products and Services supply contract. The Target intends to enter into definitive agreements in connection with the aforementioned Granite Products and Services supply contract, as well as, on a recurrent basis and in the ordinary course of business, provide such Granite Products and Services to members of the Luminor Group and/or their respective associates.

Following Completion, members of the Luminor Group will be Controlling Shareholders (deemed or otherwise) and considered interested persons as defined under Chapter 9 of the Catalist Rules, and as such, a transaction between (i) the Enlarged Group and (ii) any member of the Luminor Group and/or any of their respective associates will constitute an IPT as defined under Chapter 9 of the Catalist Rules. Therefore, the Company wishes to seek Shareholders’ approval for the adoption of the Proposed IPT Mandate in respect of future Granite Products and Services transactions that the Enlarged Group may enter into with any member of the Luminor Group and/or any of their respective associates (“Interested Persons”).

Shareholders should note that there may be such other associates of Interested Persons which the Company may not be aware of (whether now or in the future). For the avoidance of doubt, the Proposed IPT Mandate will extend to such Interested Persons notwithstanding that they were not expressly named in the Circular.

7.2. Rationale for the Proposed IPT Mandate and Benefits to the Enlarged Group

The rationale for the Proposed IPT Mandate and benefits to the Enlarged Group has been extracted from Section 7.3 of the Circular and are set out in italics below. We advised the Non-Interested Directors to read those pages of the Circular carefully. Unless otherwise defined or the context otherwise requires, all terms defined in the Circular shall have the same meaning herein.

APPENDIX B – IFA LETTER

“7.3 Rationale for the Proposed IPT Mandate and Benefits to the Enlarged Group

It is envisaged that the Enlarged Group will in its ordinary course of business, continue to enter into transactions providing Granite Products and Services to the Interested Persons (collectively, “IPTs”). Such transactions are recurring transactions that are likely to occur with some degree of frequency and are part of the day-to-day operations of the Group, and could arise any time.

Given that the IPTs are of a revenue nature primarily and are expected to be recurrent and occur at any time, and due to time-sensitive nature of these transactions, obtaining the Proposed IPT Mandate pursuant to Chapter 9 of the Catalist Rules will enable the Enlarged Group, in the ordinary course of business, to undertake such transactions in a more expeditious manner. The Company is seeking the approval of Shareholders for the Proposed IPT Mandate in respect of the IPTs for the purposes of Chapter 9 of the Catalist Rules and for the Group to enter into the IPTs, provided such IPTs are made on normal commercial terms and are in the interests of the Company and not prejudicial to the interests of the Company and the minority Shareholders.

The Proposed IPT Mandate, if approved by Shareholders, will enhance the Enlarged Group’s ability to pursue business opportunities which are time-sensitive, revenue and trading in nature, and will eliminate the need for the Company to announce, or to announce and convene separate general meetings on each occasion to seek Shareholders’ prior approval for the entry by the relevant entity in the Enlarged Group into such IPTs. As such IPTs are also carried out by the Enlarged Group in its ordinary course of business and/or which are necessary for its day-to-day operations (but not in respect of the purchase or sale of assets, undertakings or businesses), the Proposed IPT Mandate will substantially reduce the expenses associated with the convening of general meetings on an ad hoc basis, improve administrative efficiency considerably, and allow manpower resources and time to be channelled towards attaining other corporate objectives without compromising existing corporate objectives and adversely affecting the business opportunities available to the Enlarged Group owing to the time-sensitive nature of commercial transactions.

The Proposed IPT Mandate is intended to facilitate the IPTs in the normal course of business of the Enlarged Group, which are recurrent in nature or necessary for the day-to-day operations of the Enlarged Group and which may be transacted from time to time with the Interested Persons, provided that they are carried out on normal commercial terms, and are not prejudicial to the interests of the Company and its minority Shareholders.”

7.3. Classes of Interested Persons

As set out in Section 7.4 of the Circular, the Proposed IPT Mandate will apply to the IPTs that are carried out between the Group and the Interested Persons in relation to the provision of Granite Products and Services.

7.4. Nature and Scope of the Proposed IPT Mandate

As set out in Section 7.5 of the Circular, the Proposed IPT Mandate will cover the IPTs, in the ordinary course of business, in relation to the provision of Granite Products and Services to the Interested Persons by any member of the Enlarged Group.

APPENDIX B – IFA LETTER

The IPTs are recurrent transactions of a revenue or trading nature, entered into in the ordinary course of business, and are necessary for the Group's day-to-day operations.

For the avoidance of doubt, any sale or purchase of assets, undertakings or businesses will not fall within the ambit of the Proposed IPT Mandate. The Proposed IPT Mandate will also not cover any transaction by any member of the Enlarged Group with an Interested Person that is below S\$100,000 in value as the threshold and aggregation requirements of Chapter 9 of the Catalist Rules would not apply to such transactions.

In addition, transactions with interested persons (including the Interested Persons) that do not fall within the ambit of the Proposed IPT Mandate will be subject to the requirements of Chapter 9 of the Catalist Rules and/or other applicable provisions of the Catalist Rules.

7.5. Guidelines and Review Procedures for the IPTs

The Group has in place internal control systems to ensure that transactions with Interested Persons are made on normal commercial terms, and are consistent with the Group's usual business practices and policies. The audit committee of the Company ("**Audit Committee**") (which currently comprises Dr Wilson Tay Chuan Hui (chairman), Ms Ch'ng Li-Ling and Mr Gavin Mark McIntyre) will also review and approve the IPTs, and to ensure that all IPTs are carried out on normal commercial terms and are not prejudicial to the interests of the Group or the Minority Shareholders.

The following guidelines and review procedures will be implemented after having regard to the nature of IPTs and the criteria for establishing review procedures, which is to ensure that such review procedures are adequate and/or commercially practicable in ensuring that the IPTs are conducted on normal commercial terms, are in the interest of the Company and are not prejudicial to the interests of the Company and Minority Shareholders:

(a) Guidelines

- (i) All IPTs shall be conducted in accordance with the Group's usual business practices and policies, consistent with the usual margins, rates (including, where applicable, fees) or prices extended by the Group for the same or substantially similar type of transactions between the Group and unrelated third parties, and the terms are not more favourable to the Interested Person compared to those extended to unrelated third parties after taking into account all pertinent factors, including but not limited to the value of the contract, the nature of the product, delivery schedules, industry norms, complexity, order quantity, the nature of the services to be provided, as well as costing and earnings for the provision of IPTs, customer requirements and specifications, duration and/or other relevant specifications of the contract. When selling any products or providing any services to an Interested Person, the price or fee or profit margin or terms of at least two other transactions of a similar nature (or comparable nature) rendered by the Enlarged Group to non-Interested Persons will be used as comparison to ensure that the interests of the Enlarged Group or the Minority Shareholders are not disadvantaged. The price or fee or profit margin for the supply of products or provision of services provided to the Interested Persons shall not be more favourable than the price or fee or profit margin charged by the Enlarged Group to non-Interested Persons for similar products and/or services after taking into account all pertinent factors, including but not limited to the value of the contract, the nature of the product, delivery schedules, industry norms, complexity, order quantity, the nature

APPENDIX B – IFA LETTER

of the services to be provided, as well as costing and earnings for the provision of IPTs, customer requirements and specifications, duration and/or other relevant specifications of the contract; and

- (ii) in circumstances where it is impractical or impossible to quote comparable prices of contemporaneous transactions of similar goods or services due to the nature of the goods or services to be provided, any two of the Directors with no interest, direct or indirect, in the IPTs will, subject to the approval thresholds as set out in Section 7.5(b) below, take such necessary steps which would include but not limited to (1) relying on corroborative inputs from reasonably experienced market practitioners in order to determine that the terms provided to the Interested Persons are fair and reasonable; and (2) evaluate and weigh the benefits of, and rationale for transacting with the Interested Persons, taking into account all pertinent factors, including but not limited to the value of the contract, the nature of the product, delivery schedules, industry norms, complexity, order quantity, the nature of the services to be provided, as well as costing and earnings for the provision of IPTs, customer requirements and specifications, duration, other relevant specifications of the contract, risk for such transactions and the attendant cost in managing such risks, and the results of and returns from the underlying transactions.

(b) Approval and Review Threshold

The following approval procedures will be implemented in respect of the Enlarged Group to supplement existing internal control procedures for the IPTs to ensure that such transactions are undertaken on an arm's length basis and on normal commercial terms. For the avoidance of doubt, where the approving party as stipulated herein is interested in the transaction to be approved, he/she will inform the Audit Committee and such disclosures should be documented. In the event any equivalent person with the relevant experience and responsibility, as stated below for the various thresholds cannot be determined, the approving authority shall be decided by the Audit Committee.

Individual and aggregate transactions review and approval thresholds shall be as follow:–

Individual or aggregate value of the IPTs	Approving Authorities
Less than S\$100,000	Chief Financial Officer (“CFO”) or Managing Director
Equal to or exceeding S\$100,000, but less than (a) S\$1,000,000 or (b) 10% of the Enlarged Group's latest audited NTA, whichever is higher	CFO and Managing Director
Equal to or exceeding (a) S\$1,000,000 or (b) 10% of the Enlarged Group's latest audited NTA, whichever is higher	Audit Committee

IPTs that have been approved by the Audit Committee need not be aggregated for the purpose of such approval.

All approvals must strictly follow the guidelines and review procedures as stipulated in Sections 7.5(a) and 7.5(b) of this Letter and must be documented. The documentation, including the reasons for approval where necessary, must be accompanied with supporting documents to serve as audit trails, which will be subject to internal and/or external audit.

APPENDIX B – IFA LETTER

The threshold limits set out above are adopted by the Company taking into account, *inter alia*, the nature, volume, recurrent frequency and size of the transactions as well as the Enlarged Group's day-to-day operations, administration and businesses. The threshold limits are arrived at after considering the operational efficiency for the day-to-day business operations of the Group and the internal control for IPTs. The threshold limits act as an additional safeguard to supplement the review procedures which will be implemented by the Company for IPTs.

In the event that the Company's Managing Director or CFO has an interest in any IPT under consideration for approval, he/she shall also abstain from reviewing and approving the IPT. Such transaction will be reviewed and approved by another person with appropriate seniority in the Group (each having no interest, direct or indirect, in the IPT).

The Directors (none of whom has any interest in the Proposed IPT Mandate) are of the view that the approval thresholds based on the value of the IPTs are reasonable having taken into account the values of past transactions and anticipated values of potential transactions in relation to the provision of Granite Products and Services by the Enlarged Group to the Interested Persons.

(c) Additional Controls

In addition to the guidelines and review procedures set out above, the Company will implement the following supplementary procedures to ensure that the IPTs carried out under the Proposed IPT Mandate are undertaken on an arm's length basis and on normal commercial terms:

(i) Maintain Registers of Interested Persons and IPTs

The finance department of the Enlarged Group will maintain and update a list of Interested Persons (which is to be updated immediately if there are any changes) to enable identification of Interested Persons. The list of Interested Persons will be reviewed quarterly by the CFO (or equivalent person)(who shall also not be interested in any of the IPTs) and who are duly delegated to do so by the Audit Committee. The list of Interested Persons which is maintained shall be reviewed by the Audit Committee at least on a half-yearly basis.

The finance department will also maintain a register of all transactions carried out with the Interested Persons, including those below S\$100,000 in value ("**IPT Register**"). The IPT Register will record information pertinent to the IPTs such as but not limited to, the list of Interested Persons, the nature of the IPTs, the basis and rationale for the entry into the transactions, the pricing and terms of the two other transactions of a similar nature with non-interested persons which were used for comparison, as well as the approving authority. The IPT Register shall be prepared, maintained, monitored and reviewed on a monthly basis by the CFO (or equivalent person) of the Enlarged Group who is not interested in the IPTs. This is to ensure that they are carried out on normal commercial terms and in accordance with the guidelines and review procedures in the Proposed IPT Mandate. All relevant non-quantitative factors will also be taken into account. Such review includes the examination of the transaction(s) and its supporting documents or such other data deemed necessary by the Audit Committee. In addition, any exceptions or departures from the procedures shall be reported and highlighted to the Audit Committee immediately.

APPENDIX B – IFA LETTER

The CFO (or equivalent person) will obtain signed letters of confirmation from the Directors, key management of the Company, the Controlling Shareholders on a periodic basis (of not more than half yearly or such other period as may be determined by the Audit Committee) with respect to their interest in any transactions with the Enlarged Group.

(ii) Review by Audit Committee

The Audit Committee will review all IPTs at least on a half-yearly basis to ensure that the established guidelines and review procedures for the IPTs have been complied with and the relevant approvals have been obtained, as well as monitoring and administration are adequate, sufficient and adhered to, in ensuring that the IPTs are undertaken on normal commercial terms and will not be prejudicial to the interests of the Company and the Minority Shareholders. All relevant non quantitative factors will also be taken into account. Such review includes the examination of the transaction(s) and its supporting documents or such other data deemed necessary by the Audit Committee. The Audit Committee shall, when it deems fit, have the right to require the appointment of independent sources, advisers and/or valuers to provide additional information or review of controls and its implementation pertaining to the transactions under review.

The Audit Committee will also review the established guidelines and review procedures of the IPTs and determine if such guidelines and review procedures continue to be adequate and/or are commercially practicable in ensuring that the IPTs are conducted on normal commercial terms and are not prejudicial to the interests of the Company and the minority Shareholders. If the Audit Committee is of the view that the guidelines and review procedures have become inappropriate or insufficient to meet such objectives, the Company will seek a fresh mandate from the Shareholders based on new guidelines and review procedures for the IPTs. During the period prior to obtaining a fresh mandate from Shareholders, all IPTs will be subject to prior review and approval by the Audit Committee.

In the event that a member of the Audit Committee is interested in any IPT, he/she shall abstain from participating in the review of the particular transaction.

The Audit Committee will review the letters of confirmation from key management personnel, Controlling Shareholders and the Directors of the Enlarged Group on a periodic basis (annual basis or such other period as may be determined by the Audit and Committee) and the minutes of such review and its outcome shall be taken.

(iii) Review by Internal Auditors

The Enlarged Group's annual or periodic (such periods as may be decided by the Audit Committee) internal audit plan may incorporate a review of all new IPTs (where applicable), including the established review procedures for monitoring of such IPTs, entered into during the current financial year pursuant to the Proposed IPT Mandate and consistent with the Code of Corporate Governance 2012. The approval thresholds as stipulated in this Letter may be delegated with the approval of the Audit Committee which will be duly documented together with the bases for such approval.

APPENDIX B – IFA LETTER

Subject to the above paragraph, the Enlarged Group's internal auditor shall on such periods as required by the Audit Committee, subject to adjustment in frequency, depending on factors such as, *inter alia*, substantial increment of aggregate transactional value, report to the Audit Committee on all IPTs, and the basis of such transactions, entered into with the Interested Persons during the preceding period. The Audit Committee shall review such interested person transactions at its periodic meetings (not less than twice or such other frequency a year as decided by the Audit Committee) except where IPTs are required under the review procedures to be approved by the Audit Committee prior to the entry thereof.

(iv) **Review by External Auditors**

The Audit Committee shall on an annual basis, and as and when it deems fit, engage such auditors or professionals as may be required and the scope of such review shall be decided by the Audit Committee.

(v) **Further compliance**

The Directors will ensure that all disclosure, approval and other requirements on the IPTs, including those required by prevailing legislation, the Catalist Rules and accounting standards, are complied with.

7.6. Validity Period of the Proposed IPT Mandate

The Proposed IPT Mandate is subject to Shareholders' approval at the EGM, and if approved, will take effect from the passing of the ordinary resolution as set out in the Notice of EGM and (unless revoked or varied by the Company in a general meeting) will continue in force until the date of the next annual general meeting of the Company ("**AGM**") or the date by which the next AGM is required by law to be held, whichever is earlier. Approval from the Shareholders will be sought for the renewal of the Proposed IPT Mandate at the next AGM and at each subsequent AGM, subject to satisfactory review by the Audit Committee of its continued application to the transactions with the Interested Persons.

7.7. Disclosures

In accordance with the requirements of Chapter 9 of the Catalist Rules, the Company will:

- (a) disclose in the Company's annual report the aggregate value of transactions conducted with the Interested Persons pursuant to the Proposed IPT Mandate during the financial year (in respect of each financial year that the Proposed IPT Mandate continues in force); and
- (b) announce the aggregate value of transactions conducted with the Interested Persons pursuant to the Proposed IPT Mandate for the financial periods that it is required to report on pursuant to Rule 705 of the Catalist Rules (which relates to quarterly reporting by listed companies) within the time required for the announcement of such report.

APPENDIX B – IFA LETTER

The name of the Interested Person and the corresponding aggregate value of the IPTs will be presented in the following format:

Name of Interested Person	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than S\$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than S\$100,000)

8. OPINION

8.1 THE PROPOSED ACQUISITION AS AN IPT AND PROPOSED WHITEWASH RESOLUTION

In arriving at our recommendation, we have reviewed and examined all factors which we have considered to be pertinent in our assessment of the Proposed Acquisition as an IPT and the Proposed Whitewash Resolution, including the views of and representations by the Directors and, where applicable, the Target Directors. Our recommendation or opinion is by no means an indication after completion of the Proposed Transactions, of the merits, prospects, financial performance and position of the Company or the Group or the Target or the Enlarged Group or whether the Target or the Enlarged Group can improve their financial position and performance, and cash flow or that the anticipated benefits from the Proposed Acquisition can be realised (as the case may be) or the prices at which the Shares would trade after the completion of the Proposed Transaction. Our views, recommendation and opinion are necessarily limited and subject to the matters stated in this Letter (including, *inter alia*, the absence of the updated valuation report for the Group's mining properties). The following should be read in conjunction with, and in the context of, the full text of this Letter.

- (a) The rationale for the Proposed Acquisition. We note from Section 2.1 of the Circular that the Proposed Acquisition is in line with the Group's long-term growth strategy to expand its business through mergers and acquisitions. The Proposed Acquisition of the Target will provide the Enlarged Group with an additional income stream from the sale of dimension stone granite and diversify its revenue sources between the mineral resources of gold and dimension stone granite in the State of Terengganu, Malaysia. It will also improve the Enlarged Group's financial position. As at the Latest Practicable Date, the Target has a cash balance of approximately S\$2.32 million (approximately RM7.17 million).
- (b) The historical financial performance and position of the Group. The Group incurred losses after tax attributable to owners of the Company of approximately RM28.5 million, RM44.2 million and RM6.8 million in FY2016, FY2015 and FY2014 respectively. In addition, we note the Group's weak financial positions with negative net working capital and negative net operating cash flow during the past three financial years reviewed. The Group's weak financial performance and position should be assessed in conjunction with the fact that the Group's production was only commenced in FY2015.

APPENDIX B – IFA LETTER

- (c) The evaluation of the Issue Price (as set out in Section 5.2 of this Letter) after taking into account, *inter alia*, the following factors:
- (i) The Issue Price represents a premium of approximately 28.3% over the last transacted price of S\$0.113 per Share on the SGX-ST on 21 June 2016, being the last Trading Day prior to the Announcement Date;
 - (ii) The Issue Price represents a premium of approximately 16.9% over the VWCP for the Shares for the period commencing from the IPO Date and ending on 21 June 2016, being the last Trading Day prior to the Announcement Date;
 - (iii) The Issue Price represents a premium of approximately 23.6% and 32.0% over the VWCP for the Shares for the 3-month and 1 month prior to the Announcement Date respectively;
 - (iv) The Issue Price represents a premium of approximately 24.8% over the VWCP for the Shares for the period commencing from the Market Day immediately after the Announcement Date and ending on the Latest Practicable Date;
 - (v) The Issue Price represents a premium of approximately 66.7% over the last transacted price of S\$0.087 per Share on the SGX-ST on 16 June 2017, being the last Trading Day prior to the Latest Practicable Date;
 - (vi) The Issue Price represents a premium of approximately 388.2% over the Group's NAV/NTA per Share as at 31 December 2016;
 - (vii) The Issue Price less Net Cash per Share represents a premium of approximately 521.9% over the Group's NAV/NTA per Share less Net Cash per Share; and
 - (viii) The Issue Price represents a premium of approximately 43.6% over the Group's RNAV and/or RNTA per Share.
 - (ix) Comparison with the Selected Comparable Companies. The valuation of the Group in terms of P/NAV and P/NTA as implied by the Issue Price are more favourable than the simple average and the median and in line with the maximum of the Selected Comparable Companies. In addition, the valuation of the Group as implied by the Issue Price in terms of EV/Resources is higher and more favourable than the simple average and median for the Selected Comparable Companies. The valuation of the Group, in terms of LTM PER, LTM EV/EBITDA and EV/Reserves are negative and not meaningful which are similar to LionGold and Wilton.
 - (x) Comparison with Selected RTO Transactions. The valuation of the Group in terms of P/NTA (as implied by the Issue Price and RNTA per Share) is within the range, higher than the median, but lower than the simple average (after excluding NH Ceramics Ltd) for the Selected RTO Transactions. In addition, the Issue Price represents a premium of approximately 28.3% over the last transacted prices for the Shares prior to the Announcement Date, and this is within the range and higher than both the median and simple average (after excluding NH Ceramics Ltd) for the Selected RTO Transactions. It should also be noted that as at the Latest Practicable Date, Lim (one of the Vendors and the Managing Director of the Company) is already the largest controlling Shareholder and subsequent to

APPENDIX B – IFA LETTER

the completion of the Proposed Acquisition (and assuming that no other new Shares are issued), Lim will continue to be the largest controlling Shareholder. Lim's shareholding in the Company would, however, increase from approximately 22.40% as at the Latest Practicable Date to approximately 48.58% of the enlarged Share capital following issuance and allotment of the Consideration Shares (but before the Well-Cept Transfer).

- (xi) Comparison with IPO. Whilst the P/NAV multiple for the Company based on the IPO Price and the Issue Price is fairly comparable, the EV/Resources for the Company based on the IPO Price appears to be more favourable than EV/Resources based on the Issue Price. The relatively less favourable pricing for the Company based on the Issue Price as compared to the IPO Price should be assessed in conjunction with the fact that the market prices for the Shares were lower than the IPO Price since the IPO Date to the Latest Practicable Date and that the valuation of the Company in terms of EV/Resources based on the Issue Price is higher and more favourable than the simple average and median for the Selected Comparable Companies.
- (xii) Comparison with 2016 Placement. The valuation of the Company in terms of P/NAV (as implied by the Placement Price and based on the proforma NAV as disclosed in the announcement dated 27 June 2016 in connection with, *inter alia*, the 2016 Placement) is higher than the P/NAV (as implied by the Issue Price and based on the Group's NAV as at 31 December 2016) whilst the valuation of the Company in terms of EV/resource (as implied by the Placement Price and based on the gold resources of approximately 114,000 oz as disclosed in the IPO Prospectus) is lower and less favourable than the EV/resource (as implied by the Issue Price and based on the gold resources of approximately 106,600 oz as disclosed in the Group's IQPR). The Issue Price represents a premium of approximately 28.3% over the last transacted price for the Shares prior to the Announcement Date whilst the Placement Price represented a discount of approximately 8.0% from the last transacted price for the Shares prior to the Announcement Date.
- (d) Historically weak financial performance and position of the Target. The Target incurred losses after tax attributable to owners of the Target of approximately RM4.4 million, RM1.0 million and RM3 thousand in FY2016, FP2015 and FP2014 respectively. The Target's financial position was weak with negative net working capital of approximately RM9.6 million and negative equity of approximately RM5.2 million as at 31 December 2016. The weak financial performance and position of the Target should be reviewed in the context of the fact that the Target had only commenced its operations and generated revenue in FP2015 and the confirmation from the Target Directors that: (a) the Target's total equity had further deteriorated to approximately negative RM5.8 million as at the Latest Practicable Date; and (b) upon completion of the internal restructuring, the Target's shareholders equity would improve from approximately negative RM5.8 million as at the Latest Practicable Date to approximately positive RM13.4 million.

Including the above and notwithstanding the net liabilities and negative working capital as at 31 December 2016, we note that the Target Directors are of the reasonable opinion that, after having made due and careful enquiry and after taking into account of cash flow generated from the Target's operations as at the Latest Practicable Date,

APPENDIX B – IFA LETTER

the Target's existing cash and bank balances, the working capital available to the Target is sufficient for its present requirements and for at least 18 months from the date of the Circular.

As at the Latest Practicable Date, the Directors and Target Directors are not aware of anything that will hinder the renewal of the mining license for the Bukit Chetai Mine and the Target Directors are confident that the mining license for the Bukit Chetai Mine will be renewed. Independent Shareholders should note that the Escrow Shares covers 57% of the total Consideration Shares and as stated in the risk factors section of Appendix A of the Circular entitled "Risks relating to GGTM's Businesses", there can be no assurance that the Target will be able to renew its necessary permits, approvals and licences. In the event that any of the permits, approvals and licences is not renewed, the business of Target will be adversely affected and will have impact on our analysis and evaluation. Independent Shareholders should note that our evaluation is premised on the assumption that the Group and the Target would be able to renew or obtain all the necessary permits, licences and permits as and when required.

- (e) The matters highlighted in the audited financial statements of the Target in connection with, *inter alia*, the Target Directors' opinion and basis on the ability of the Target to meet its obligations as and when they fall due.
- (f) The evaluation of the Consideration (as set out in Section 5.3 of this Letter) after taking into account, *inter alia*, the following factors:
 - (i) The Target had NL and NTL of approximately RM5.2 million as at 31 December 2016. Accordingly, the comparison between the Consideration and Target's NTL is negative and not meaningful.
 - (ii) The Consideration represents a slight discount of approximately 7.9% from the Target's RNAV and/or RNTA (after taking into account, *inter alia*, the internal restructuring involving the conversion of the RCPS and the Preferred Value for the Bukit Chetai Mine as ascribed in the VALMIN Valuation Report).
 - (iii) The market value of 100% equity interest in the Target is RM344,200,000 (or S\$108,700,000) as at 28 February 2017 as per the Business Valuation Report, which is approximately 5.3% higher than the Consideration.
- (g) The potential financial effects of the Proposed Acquisition as outlined in Section 9 of the Circular. We wish to highlight that while the Proposed Acquisition, issue of Bonds and issue of Exchange Shares will lead to a lower NTA per Share, it will result in an improvement in LPS and higher cash and cash equivalents and have no net effect to the Group's financial position in terms of gearing.
- (h) The dilutive impact of the Proposed Acquisition on the percentage of shareholding interest of the existing Independent Shareholders and the significant reduction in the voting interest in the Company pursuant to the Proposed Acquisition. Following the issuance of 712,172,414 Consideration Shares pursuant to the Proposed Acquisition, the number of Shares in issue will increase from 310,510,000 Shares to 1,022,672,414 Shares and the Vendors' shareholding will increase from approximately 26.04% to approximately 77.55%. Lim's shareholding (including his deemed interest in JHW) will increase from approximately 22.40% to approximately 48.58% (before the Well-Cept Transfer). In addition, we note that the shareholdings of the existing Independent

APPENDIX B – IFA LETTER

Shareholders will decrease significantly from approximately 69.71% to approximately 21.17%. As such, the existing Independent Shareholders' ability to influence the outcome of any resolutions tabled in a general meeting will be significantly reduced after issuance of the Consideration Shares.

- (i) The risk factors and the Target's order book as set out in Section 20 and 26 of Appendix A of the Circular respectively.
- (j) The Directors confirmation that as at the Latest Practicable Date, they are not aware of any alternative investment or acquisition opportunity available to the Company, which is comparable in nature, size and scope to the Proposed Acquisition.
- (k) All ordinary resolutions 1 to 9 relating to *inter alia*, the Proposed Acquisition, issuance and allotment of the Consideration Shares, and the Proposed Whitewash Resolution are inter-conditional upon each other. Accordingly, in the event that any of the resolutions is not approved, the other resolutions will not be passed.
- (l) Other relevant considerations as set out in Section 6 of this Letter.

In summary, having regard to our analysis and the consideration in this Letter (including its limitation and constraints, *inter alia*, absence of an updated valuation for the Group's mining properties with net book value of approximately RM13.7 million as at 31 December 2016) and after having considered carefully the information available to us and based on market, economic and other relevant conditions prevailing as at the Latest Practicable Date, and subject to our terms of reference and confirmations and representations from the Directors and/or the Target Directors (pertaining to, *inter alia*, mining licence and its renewal, the market value of the Lubuk Mandi Mine), **we are of the opinion that, on balance:**

- (i) the Proposed Acquisition as an IPT is **ON NORMAL COMMERCIAL TERMS, and NOT PREJUDICIAL** to the interest of the Company and its Minority Shareholders; and
- (ii) the financial terms of the Proposed Acquisition, being the subject of the Proposed Whitewash Resolution is, on balance, **FAIR, REASONABLE and NOT PREJUDICIAL** to the interest of the Company and the Independent Shareholders.

For the purposes of evaluating the Proposed Acquisition, being the transaction that is the subject of the IPT and the Proposed Whitewash Resolution, from a financial point of view, we have adopted the approach that the term "on normal commercial terms", "fair" and "reasonable" comprises two distinct concepts:

- (i) Whether an acquisition(s) is "on normal commercial terms" and "fair" relates to an opinion on the value of the Consideration and the Issue Price for the Consideration Shares. This is based strictly on a financial or fundamental analysis and evaluation of the consideration (*vis a vis* the Target's financial performance and position and equity valuation), and the Issue Price for the Consideration Shares (*vis a vis* the Group's financial performance and position, comparison with previous fund raising, historical prices for the Shares as well as relative valuation analysis and comparison with the Selected RTO Transactions);

APPENDIX B – IFA LETTER

- (ii) Whether an acquisition(s) is “reasonable”, relates to, after taking into consideration the actual and potential financial impact of other circumstances surrounding the acquisition(s) as well as the Company or the Group or the Target *inter alia* Lim’s shareholding prior and after the Proposed Acquisition and issuance of the Consideration Shares etc., which we consider relevant (being both quantitative and qualitative factors available and made known to us).

We consider the financial terms of the Proposed Acquisition as an IPT to be **ON NORMAL COMMERCIAL TERMS**, from a financial point of view after factoring, *inter alia*, the following:

- (i) The Issue Price is at premiums over the historical market prices for the Shares: (a) a premium of approximately 28.3% over the last transacted price of S\$0.113 per Share on the SGX-ST on 21 June 2016, being the last Trading Day prior to the Announcement Date, and this premium is more favourable than the simple average and median for the Selected RTO Transactions (excluding NH Ceramics Ltd) as well as the discount implied by the Placement Price of approximately 8.0%; (b) a premium of approximately 16.9% over the VWCP for the Shares for the period commencing from the IPO Date and ending on 21 June 2016, being the last Trading Day prior to the Announcement Date; (c) a premium of approximately 23.6% and 32.0% over the VWCP for the Shares for the 3-month and 1 month prior to the Announcement Date respectively; (d) a premium of approximately 24.8% over the VWCP for the Shares for the period commencing from the Market Day immediately after the Announcement Date and ending on the Latest Practicable Date; and (e) a premium of approximately 66.7% over the last transacted price of S\$0.087 per Share on the SGX-ST on 16 June 2017, being the last Trading Day prior to the Latest Practicable Date.

It is noted that the Shares were reasonably actively traded during the period from the IPO Date to the Latest Practicable Date and it is generally accepted that the more actively traded the shares, the greater the reliance on market prices as a determination of the fair value of the shares between willing buyer and willing seller.

- (ii) The Issue Price is at premiums over the Group’s NAV and NTA per Share as at 31 December 2016 and the Group’s RNAV and RNTA per Share.
- (iii) Fair or favourable comparison of the valuation of the Group as implied by the Issue Price vis a vis the valuation of the Selected Comparable Companies in terms of P/NTA, P/NAV and EV/Resources.
- (iv) Favourable comparison of the Proposed Acquisition and the Selected RTO Transactions in terms of the premium implied by the Issue Price over the last transacted prices for the Shares prior to the Announcement Date and the P/NTA multiple (as implied by the Issue Price and the Group’s RNTA per Share).
- (v) The Consideration represents a slight discount of approximately 7.9% from the Target’s RNAV and/or RNTA (after taking into account, *inter alia*, the internal restructuring involving the conversion of the RCPS and the Preferred Value for the Bukit Chetai Mine as ascribed in the VALMIN Valuation Report) and is at 5.3% discount from the market value of 100% equity interest in the Target as ascribed by the Independent Valuer.

APPENDIX B – IFA LETTER

(vi) We also note the substantially lower valuation of the Target ascribed based on aggregate RCPS subscribed by Luminor 1 and the acquisition of 39,071 Target's shares by Luminor 1 as compared to the Consideration for the Proposed Acquisition and have considered it in the context of the following:–

- Pursuant to the Principal Subscription Agreement, Luminor 1 had upfront agreed to invest into the Target for RM30 million in tranches for eventual equity interest in the Target of 30%.
- Unlike the Consideration for the Proposed Acquisition which is to be satisfied in full by the issuance of Consideration Shares at the Issue Price which is at premium over the historical prices for the Shares and the Group's RNAV and/or RNTA per Share, the subscription of RCPS by Luminor 1 involved injection of fresh capital into the Target and payment of cash consideration to Lim for the acquisition of 39,071 Target's shares (which is part of the internal shareholding restructuring as required to satisfy one of the conditions precedent for the Proposed Acquisition). In addition, the Principal Subscription Agreement contains, *inter alia*, rights and obligations of the parties providing *inter alia*, a right of first-refusal and also tag-along rights whereby there are restrictions on holders of any Target's shares to sell unless and until the acquirer of the Target purchases such number of RCPS at the discretion of Luminor 1, at a price which shall be at least equivalent to the redemption amount of the RCPS (which shall be equivalent to 30% compounded internal rate of return per annum) and on the same terms as those offered to the said holders of the Target's shares.
- The Principal Subscription Agreement was entered on 24 August 2015, before the Target obtained any concession and commencement of any operating activities by the Target and prior to the entry into the Sale and Purchase Agreement for the Proposed Acquisition. As such, Luminor 1 is deemed as "original financier" and its injection of fresh capital into the Target involved significant risk including, *inter alia*, uncertainty on the Target's business, continued licensing and risk relating to investment into a "non-listed" shares.
- The investment by Luminor 1 in the RCPS and 39,071 Target's shares are not conditional upon, *inter alia* completion of the Proposed Acquisition. Thus, irrespective of the outcome of the Proposed Acquisition, Luminor 1 has already subscribed for RCPS and acquired 39,071 Target's shares without any assurance for these shares to be exchanged for listed shares.
- Unlike the Proposed Acquisition which involves acquisition of 100% equity interest in the Target, the investment by Luminor 1 into the Target pertains to non-controlling stake in the Target. It is generally accepted that acquisition of 100% equity interest will involve a controlling premium. Furthermore, the other Vendors for the Proposed Acquisition (being Lim and Koh) are not related to Luminor 1.

We also consider the financial terms of the Proposed Acquisition as an IPT to be **NOT PREJUDICIAL** to the interest of the Company and its Minority Shareholders, from a financial point of view after factoring, *inter alia*, the following:

- (i) The rationale for the Proposed Acquisition is in line with the Group's long-term growth strategy to expand its business through mergers and acquisitions.

APPENDIX B – IFA LETTER

- (ii) The Proposed Acquisition appears to be more favourable as compared with the Selected RTO Transactions in terms of the dilution impact for the existing Shareholders (arising from the issuance of the Consideration Shares) as well as the fact that Lim is already and will continue to be the largest controlling Shareholder following issuance and allotment of the Consideration Shares.
- (iii) Favourable financial effects of the Proposed Transactions as set out in Section 9 of the Circular on the Enlarged Group's LPS and higher cash and cash equivalents after the Proposed Acquisition, issue of Bonds and exchange of Bonds and issue of Exchange Shares.
- (iv) Directors' confirmation that as at the Latest Practicable Date, they are not aware of any alternative investment or acquisition opportunity available to the Company, which is comparable in nature, size and scope to the Proposed Acquisition.
- (v) Target's Directors confirmation on, *inter alia*, (a) the sufficiency of working capital available to the Target for its requirements in the next 18 months after taking into account of cash flow generated from the Target's operations as at the Latest Practicable Date, the credit facilities available to Target and the Target's existing cash and bank balances and the working capital available to the Target as stated in Section 22 of Appendix A of the Circular, and (b) on the ability of the Target to meet its obligations as and when they fall due as stated in the Target's audited financial statements.

Taking into account the above factors, we are of the opinion that the financial terms of the Proposed Acquisition, being the subject of the Proposed Whitewash Resolution is, on balance, **FAIR, REASONABLE and NOT PREJUDICIAL** to the interest of the Company and the Independent Shareholders.

8.2 THE PROPOSED IPT MANDATE

In arriving at our opinion in respect of the Proposed IPT Mandate, we have considered, *inter alia*, the following:

- (i) the rationale for the Proposed IPT Mandate and benefits to the Enlarged Group as set out in Section 7.3 of the Circular; and
- (ii) the review procedures and additional controls of the Company in relation to the Proposed IPT Mandate, including the role of the Audit Committee in ensuring that the Company adheres to the review procedures, as set out in Section 7.6 of the Circular, and in particular that the Audit Committee will review all Interested Person Transactions at least on half-yearly basis.

Based on the above, we are of the opinion that the adoption of the Proposed IPT Mandate and the procedures as set out in the Circular, is in the interest of the Company and that the review procedures (including the additional controls) for determining the transaction prices pursuant to the Proposed IPT Mandate as set out in Section 7.6 of the Circular, if adhered to fully, are sufficient to ensure that the IPTs will be conducted on normal commercial terms and will not be prejudicial to the interests of the Company and its Minority Shareholders.

APPENDIX B – IFA LETTER

8.3 RECOMMENDATION

Based on our assessment of the financial terms of the Proposed Acquisition as an IPT, the Proposed Whitewash Resolution as well as the Proposed IPT Mandate as set out above, from a financial point of view, we advise the Non-Interested Directors to recommend that Independent Shareholders vote **in favour of** the Proposed Acquisition, the Proposed Whitewash Resolution, and the Proposed IPT Mandate to be proposed at the EGM. We advise the Non-Interested Directors to highlight to Independent Shareholders the matters as stated in our Letter, including, *inter alia*, our limitation in analysis, evaluation, comments and opinion in this Letter is limited. We advise the Non-Interested Directors to recommend the Independent Shareholders to exercise caution in their decision in voting in favour of or against the Proposed Acquisition, the Proposed Whitewash Resolution and the Proposed IPT Mandate.

In performing our evaluation, we have not been provided with, and have not had access to, any financial projections or future plans or corporate actions (if any) of the Company or the Group or the Target or the Enlarged Group. The opinion set forth herein is based solely on publicly available information and information provided by the Directors, Target Directors, Management and Target Management and therefore does not reflect any projections or future financial performance of the Company or the Group or the Target or the Enlarged Group after the completion of the Proposed Transactions and is based on the economic and market conditions prevailing as of the date of this opinion. Our advice is solely confined to our views on the Proposed Acquisition as an IPT, the Proposed Whitewash Resolution and the Proposed IPT Mandate.

Matters to highlight

We would also wish to highlight the following matters which may affect the decisions or actions of the Independent Shareholders:

- (1) The scope of our appointment does not require us to express, and we do not express and have not commented on or assessed the expected future performance or prospects of the Company or the Group or the Target or the Enlarged Group after the completion of Proposed Transactions. Accordingly, our evaluation and opinion and recommendation do not and cannot take into account future or prospective performance of the Company or the Group or the Target or the Enlarged Group and neither are we responsible for it. We are therefore not expressing any view herein as to the prices at which the Shares may trade upon completion or rejection of the Proposed Transactions (in part or in full) or voting for or voting against the Proposed Acquisition or the other transactions or resolutions stipulated in the Circular (if any) or on the future financial performance of the Company or the Group or the Target or the Enlarged Group or the plans (if any) for each of them. Estimates or analysis or evaluation of the merits of the Company or the Group or the Target or the Enlarged Group or the Proposed Acquisition as an IPT, or the Proposed Whitewash Resolution or the Proposed IPT Mandate if any, in this Letter are necessarily limited and we do not warrant or represent that it is complete or in entirety.
- (2) Our scope does not require us and we have not made any independent evaluation or business valuation of the Group or the Target or the Enlarged Group (including without limitation, market or business value or economic potential) or appraisal of assets and liabilities of the Group or the Target (including without limitation, mine property) or contracts entered into by the Group or the Target and we have not been furnished with

APPENDIX B – IFA LETTER

any such evaluation and appraisal in respect of assets and liabilities (if any) held or contracts entered into by the Group or the Target save for the Business Valuation Report and VALMIN Valuation Report prepared by the Independent Valuer. With respect to such valuations, we are not experts in the evaluation (including without limitation, market or business value or economic potential) or appraisal of assets and liabilities (including without limitation, mine property) including, *inter alia*, the contracts or agreements that the Group or the Target has embarked upon or are about to embark upon and have relied on the opinion of the Directors and the financial statements (audited and unaudited), where applicable for the assessment.

- (3) Our scope does not require us to opine or comment on the adequacy of the working capital of the Group, the Target or the Enlarged Group or the ability of the Group and the Target to renew or obtain the relevant mining leases, mining license, or relevant regulatory's approval. Our evaluation is premised on the assumption that the Group and the Target would be able to renew or obtain the relevant mining leases, mining license, or relevant regulatory's approval as and when required. Such evaluation or comment remains the responsibility of the Directors and the Management or where applicable the Target Directors and the Target Management although we may draw upon their views or make such comments in respect thereof (to the extent deemed necessary or appropriate by us) in arriving at our view as set out in this Letter.
- (4) The Directors further confirmed that as at the Latest Practicable Date and save for matters disclosed in this Letter, the Circular, the audited financial statements for the Group for FY2016, there has been no material changes to the Group's business, assets and liabilities, financial position, condition and performance.
- (5) The Directors have confirmed that the Termination and the entry into the Mining Agreement have no material effects on the operations, profitability, cash flow and value of the Lubuk Mandi Mine as at the Latest Practicable Date.
- (6) The Target Directors further confirmed that as at the Latest Practicable Date and save for matters disclosed in this Letter, the Circular, the audited financial statements for the Target for FY2016, there has been no material changes to the Target's business, assets and liabilities, financial position, condition and performance.
- (7) The Directors and the Management have represented and confirmed to us that they have noted the current development and circumstances including, *inter alia*, (a) movements of the gold price from 30 September 2015 (being the effective date of valuation) to the Latest Practicable Date; (b) the Termination and the entry into the Mining Agreement on 18 May 2017; and (c) the lower total gold resources as at 31 December 2016 (compared to the total gold resources as at 30 September 2015), and are of the view that the total depletion until 31 December 2016 is largely immaterial relative to the total mineral resource and that the market value of the Lubuk Mandi Mine as at the Latest Practicable Date shall not materially differ from the preferred value of the mineral assets of the Lubuk Mandi Mine ascribed by the IPO Valuer as at 30 September 2015.
- (8) Shareholders should note that the Proposed Acquisition is conditional, among other things, upon the passing of the Proposed Whitewash Resolution by the Independent Shareholders. In view of this, in the event that the Proposed Whitewash Resolution is not passed by the Independent Shareholders, the Proposed Acquisition will not take place.

APPENDIX B – IFA LETTER

- (9) Independent Shareholders should also note that by voting for the Proposed Whitewash Resolution, they will be waiving their rights to a general offer from Lim at the highest price paid by Lim and his concert parties for the Shares in the six months preceding the allotment and issuance of the Consideration Shares.
- (10) The Directors confirmed that it is premature to conduct a valuation of the Bukit Panji Property which has yet to commence any exploration activities and pre-feasibility study.
- (11) The Target Directors have confirmed that the successful realisation of the future economic benefits from the order book for the Target will depend on, *inter alia*, the due execution of contracts, timely and efficient execution and delivery of the products and/or the projects as well as the fulfilment of conditions pursuant to such contracts, the industry prospects, the prevailing economic and market conditions in the markets. The Target Directors have further confirmed that in view of the above factors and that such order book may be subject to cancellation, deferral or rescheduling by customers, the impact of these orders on the Target's financial performance and financial position (including the estimated future profit or loss as well as the estimated costs to be incurred) cannot be measured with certainty as at the Latest Practicable Date. Accordingly, no views are being expressed with regard to the impact of the above order book on the NTA and the prospects of the Target in terms of, *inter alia*, the estimated future profit or loss as well as the estimated costs to be incurred.
- (12) As at the Latest Practicable Date, the Directors and Target Directors are not aware of anything that will hinder the renewal of the mining license for the Bukit Chetai Mine and the Target Directors are confident that the mining license for the Bukit Chetai Mine will be renewed. Independent Shareholders should note that the Escrow Shares covers 57% of the total Consideration Shares and as stated in the risk factors section of Appendix A of the Circular entitled "Risks relating to GGTM's Businesses", there can be no assurance that the Target will be able to renew its necessary permits, approvals and licences. In the event that any of the permits, approvals and licences is not renewed, the business of Target will be adversely affected and will have impact on our analysis and evaluation. Independent Shareholders should note that our evaluation is premised on the assumption that the Group and the Target would be able to renew or obtain all the necessary permits, licences and permits as and when required.

Specific objectives

In rendering our advice, we have not had regard to the specific investment objectives, financial situation, tax position, risk profiles or particular or individual needs and constraints of any individual Independent Shareholder. As each Independent Shareholder or group of Independent Shareholders would have different investment objectives and profiles, we would advise the Non-Interested Directors to advise any individual Shareholder or group of Shareholders who may require specific advice in the context of investments in unlisted shares or his or their specific investment objectives or portfolio should consult his or their stockbroker, bank manager, solicitor, accountant, tax adviser, or other professional adviser immediately.

APPENDIX B – IFA LETTER

9. ACTION TO BE TAKEN BY SHAREHOLDERS

If a Shareholder is unable to attend the EGM and wishes to appoint a proxy to attend and vote on his behalf, he should complete, sign and return the attached proxy form in accordance with the instructions printed thereon as soon as possible and, in any event, so as to reach the Company's registered address at 80 Robinson Road, #17-02, Singapore 068898 by not later than 48 hours before the time fixed for the EGM. The completion and return of the proxy form by a Shareholder will not prevent him from attending and voting at the EGM in person if he so wishes.

A Depositor shall not be regarded as a Shareholder of the Company entitled to attend the EGM and to speak and vote thereat unless he is shown to have Shares entered against his name in the Depository Register, as certified by the CDP as at 72 hours before the time fixed for the EGM.

In addition, Independent Shareholders are advised to read Section 16 of the Circular and Notice of the EGM which has been enclosed with the Circular carefully so that the appropriate election on voting for or voting against can be made.

This Letter is addressed to the Non-Interested Directors in connection with and for the sole purpose of their evaluation of the Proposed Acquisition as an IPT, the Proposed Whitewash Resolution and the Proposed IPT Mandate and is not meant or intended to be an evaluation of the other resolutions to be proposed or alternatives. Whilst a copy of this Letter may be included in the Circular, neither the Company nor the Directors nor any other party, may reproduce, disseminate or quote this Letter (or any part thereof) for any other purpose at any time and in any manner without the prior written consent of ACA in each specific case, except at the forthcoming EGM and for the sole purpose of the Proposed Acquisition as an IPT, the Proposed Whitewash Resolution and the Proposed IPT Mandate. This opinion is governed by, and construed in accordance with, the laws of Singapore, and is strictly limited to the matters and the scope of our appointment stated herein and does not apply by implication to any other matter. Nothing herein shall confer or be deemed or is intended to confer any right of benefit to any third party and the Contracts (Rights of Third Parties) Act Chapter 53B and any re-enactment thereof shall not apply.

The recommendations made by the Non-Interested Directors to the Independent Shareholders in relation to the Proposed Acquisition, the Proposed Whitewash Resolution and the Proposed IPT Mandate as well as other resolutions referred to in the Circular and the issue of the Circular shall remain the sole responsibility of the Non-Interested Directors and the Directors respectively.

Yours faithfully,

For and on behalf of
ASIAN CORPORATE ADVISORS PTE. LTD.

H.K. LIAU
MANAGING DIRECTOR

FOO QUEE YIN
MANAGING DIRECTOR

APPENDIX C – QUALIFIED PERSON’S REPORT



Minerals Consultants & Advisors
(Company Members of AusIMM & CIM)



QUALIFIED PERSON’S REPORT

Bukit Chetai and Bukit Machang Granite Quarries

District of Hulu Terengganu,
Terengganu Darul Iman, Malaysia

March 2017

Prepared for:
GGT Manufacturing Sdn Bhd,
Kuala Lumpur, Malaysia

Prepared By

Mr Paul Fowler

BSc, MSc, CGeol, CEng, FGS,
FIQ, RPE, FIMMM, MHKIE

Reviewed and Edited By

Mr Glenn Sheldon

BSc (Geology and Ec Geology),
MSEG, FAusIMM, FAIG

Rockhound Limited,
12A, Times Media Centre, 133 Wanchai Road,
Hong Kong. Tel: 852 2572-0122

RH Project 056

APPENDIX C – QUALIFIED PERSON’S REPORT



Rockhound Limited
石 犬 有 限 公 司

Unit A, 12th Floor,
Times Media Centre,
133 Wanchai Road, Hong Kong.
Tel: (852) 2572 0122
Fax: (852) 2572 0899
Email: info@rockhoundasia.com
Website: www.rockhoundasia.com

31 March 2017

The Board of Directors
GGT Manufacturing Sdn Bhd
Block C, Level 3A, Unit 12,
Southgate Commercial Center,
Off Jalan Chan Sow Lin,
55200 Kuala Lumpur,
Malaysia.

Dear Sirs

**Independent Technical Review
Bukit Chetai and Bukit Machang Granite Quarries,
District of Hulu Terengganu, Terengganu, Malaysia
Qualified Person’s Report by Rockhound Limited**

The Bukit Chetai and Bukit Machang Quarries (“Concession Area”) are located in the District of Hulu Terengganu, State of Terengganu, Malaysia. The operator is GGT Manufacturing Sdn Bhd (“GGTM”). Quarrying at Bukit Chetai has already commenced with commercial production of granite dimension stone blocks whilst quarrying at Bukit Machang is planned for some time in the near future.

GGTM has requested that Rockhound Limited (“RH”) carries out a technical due diligence review of the project and prepares a Qualified Person’s Report (“QPR”), consistent with the requirements of the SGX-ST Listing Manual Section B: Rules of Catalyst. RH were engaged by GGTM in October 2015 and have reviewed and contributed to the Ground Investigation of the Project including mapping, drilling and sampling and testing.

RH is a Hong Kong based minerals advisory group, set up in 2006 to provide advice to listed companies, other local firms and institutions. It performs industry studies for mining and quarrying companies, works with funds, financial institutions and natural resources firms. Studies include mineral resource/ore reserve compilations and audits, technical valuations, due diligence, independent expert reviews for acquisition and financing purposes, expert witness in litigation and assistance in negotiating mineral agreements and market analysis. Projects are mostly within the Asia Pacific Region including the People’s Republic of China.

This QPR contains RH’s assessment of the resources/reserves, production schedule, project capital and operating expenses and an estimate of the mine life based on technical reviews of the project

APPENDIX C – QUALIFIED PERSON’S REPORT

data and discussions with technical personnel. It also includes statements of environment and social impact and a risk assessment. RH has reviewed the relevant data to assess the reasonableness of projections and forecasts but RH cannot be assured that factors, both within and beyond the control of GGTM, could cause the actual results to be materially different from RH’s assessments and any projections contained in the QPR.

The QPR provides an independent assessment of the technical aspects of the Project and is provided to the Directors of GGTM in relation to the proposed acquisition on the Catalist Board of the SGX-ST; it should not be relied upon for any other purpose. The report does not constitute a technical or legal audit. Neither the whole nor any part of this QPR nor any reference thereto may be included in, or with, or attached to any document or used for any purpose without RH’s written consent to the form and context in which it appears.

The effective date of this QPR is 31 January 2017 and the Company has advised that there has been no material change to both Quarries since the effective date other than ongoing development of the quarry site at Bukit Chetai.

Yours Faithfully
For Rockhound Ltd



Paul Fowler
Director



Glenn Sheldon
Consultant

APPENDIX C – QUALIFIED PERSON’S REPORT

Bukit Chetai and Bukit Machang Granite Quarries
Hulu Terengganu, Terengganu, Malaysia
Qualified Person’s Report

March
2017

Table of Contents

EXECUTIVE SUMMARY	i
1.0 INTRODUCTION	1
1.1 Land Titles and Agreements	2
1.2 Dimension Stone and Granite	3
1.3 Background to the GGTM Dimension Stone Operation	4
1.4 Aim and Scope of this QPR	5
1.5 Statement of Capability	6
1.6 Statement of Independence	9
1.7 Responsibility	9
2.0 PROPERTY DESCRIPTION	11
2.1 Location, Access and Infrastructure	11
2.1.1 Bukit Chetai Site	12
2.1.2 Bukit Machang	14
2.2 Climate	15
2.3 Topography	15
2.4 Sub-lease of the Land to LTAWNT for Quarrying	18
2.5 Financial Obligations of the Sub-lease	19
2.6 History of Site	19
3.0 GEOLOGICAL BACKGROUND AND GROUND INVESTIGATION	20
3.1 Regional Geology	20
3.2 Geology of Bukit Chetai and Bukit Machang	21
3.3 Ground Investigation	23
3.4 Laboratory Testing Contractors	27
3.5 Findings from Exploration Drilling and Mapping	28
3.6 Bukit Machang Geology	32
3.7 Conclusions	32
4.0 THE NATURE OF THE GRANITE RESOURCE	34
4.1 Specification for Granite Dimension Stone	34
4.2 Colour and Texture of the Granite Resource as Blocks for Slab and Tile Manufacture	35
4.3 Physical and Mechanical Properties of the Granite from Bukit Chetai	36
4.4 Radioactivity of the Granite	37
4.5 Conclusion	38
5.0 GRANITE RESOURCES AND RESERVE	39
5.1 Granite Resource/Reserve Classification	39
5.2 Procedure and Parameters for the Resource Estimation	40
5.2.1 Topographic Survey	42
5.3 Volume Estimation	42
5.4 Determination of Confidence Levels	44
5.5 Mineral Resource Statement	45
5.6 Granite Ore Reserves	45
5.7 Ore Reserve Statement for Granite Dimension Stone Blocks	47
5.8 Quarry Life Analysis	47
5.9 Conclusions and Summary of Granite Ore Reserves and Mineral Resources at 31 January 2017	48
6.0 QUARRY OPERATION AT THE BUKIT CHETAI GRANITE QUARRY	49
6.1 Development	51
6.1.1 Stripping of Vegetation	52
6.1.2 Removal of Overburden and Weathered Rock	53
6.2 Extraction	54
6.2.1 Extraction of Dimension Stone of 30m dyke and White Granite	54
6.2.2 Extraction of Dimension Stone from Boulders and Small Dykes	57
6.3 Transportation and Storage of Granite Products	58
6.4 Workforce	58
6.5 Conclusions	59
7.0 GRANITE DIMENSION STONE PRODUCTS	61
7.1 Processing of Slabs and small tiles at Bukit Chetai	62

APPENDIX C – QUALIFIED PERSON’S REPORT

Bukit Chetai and Bukit Machang Granite Quarries
Hulu Terengganu, Terengganu, Malaysia
Qualified Person’s Report

March
2017

7.2	Existing Processing Facility	64
7.3	New Processing Facility	65
7.4	Conclusions on Processing Capability	67
8.0	OPERATING COSTS	68
8.1	Conclusions	69
9.0	CAPITAL COSTS.....	70
9.1	Conclusions	72
10.0	FINANCIAL ANALYSIS OF THE OPERATIONS AND MARKETING	73
10.1	Financial Analysis	73
10.2	Sales and Marketing	75
10.2.1	Market Sectors in Malaysia for Granite Dimension Stone	77
10.2.2	Market Information	78
10.2.3	Marketing Plan	78
10.2.4	Notable Projects with a demand for dimension stone	81
10.2.5	Prices of Dimension Stone Products	82
10.2.6	Conclusions on Marketing	82
11.0	ENVIRONMENTAL and SOCIAL MANAGEMENT.....	84
11.1	Statutory Requirements	84
11.2	Existing Environment at Bukit Chetai	85
11.3	Environmental Impact	87
11.3.1	Ecological (Biological) Environment	87
11.3.2	Social (Human) Environment	88
11.4	Mitigation Measures to be Implemented by the Company	88
11.5	Environmental Management and Monitoring	89
11.6	Rehabilitation and Abandonment	90
11.7	Social Management.....	90
11.8	Conclusions	91
12.0	OCCUPATIONAL HEALTH and SAFETY (“OH & S”).....	92
12.1	Conclusions	93
13.0	RISK ANALYSIS.....	95
14.0	GLOSSARY OF TERMS and ABBREVIATIONS.....	101

Appendices

Appendix I – JORC Table 1

Appendix II – Sample Testing Programme

APPENDIX C – QUALIFIED PERSON’S REPORT

Bukit Chetai and Bukit Machang Granite Quarries
Hulu Terengganu, Terengganu, Malaysia
Qualified Person’s Report

March
2017

Table of Figures

Figure 1-1; Previous extraction of dimension stone at Bukit Chetai with production of floor and wall tiles	1
Figure 1-2; Kuala Lumpur International Airport	2
Figure 2-1; Map showing location of the project areas (Source: Google Earth)	11
Figure 2-2; Bukit Chetai Site on Government Survey Plan	12
Figure 2-3; Access road into site at junction of road to Kampong Ceting	12
Figure 2-4; Local road network around Bukit Chetai	13
Figure 2-5; Bukit Chetai (Project Area) and Bukit Machang are close to East Coast Expressway	13
Figure 2-6; Bukit Machang Site on Government Survey Plan	14
Figure 2-7; Kuala Terengganu, Climate Graph (Source: Clima Temps)	15
Figure 2-8; Typical landscape at Bukit Chetai	16
Figure 2-9; The outlook of Bukit Machang	16
Figure 2-10; Small stream at west side of Bukit Machang in late October	17
Figure 3-1; Geological map of Peninsular Malaysia by Malaysian Geological Survey	20
Figure 3-2; Geology and mineral distribution map in the vicinity of the Project sites	21
Figure 3-3; Old quarry face with dyke in the foreground	22
Figure 3-4; Plan showing borehole locations and geology.	23
Figure 3-5; Core stored in plastic boxes (one metre long boxes)	25
Figure 3-6; Core boxes stacked and properly labelled ready to be put into storage container on site	26
Figure 3-7; Spacers were put into core boxes to represent where samples were taken	26
Figure 3-8; Well defined contact (in a fallen block) between Microgabbro (on left) and Granite	28
Figure 3-9; Sharp contact between granite host rock and dyke.....	29
Figure 3-10; Geological sections across the site	30
Figure 3-11; Rock extracted at Bukit Machang	32
Figure 4-1; Colour and Texture of the three granite stone products (Source: GGTM)	35
Figure 5-1; Relationship between resources and reserves from JORC Code.....	40
Figure 5-2; Schematic of final landform at Bukit Chetai facing Northwest	41
Figure 5-3; Schematic of final landform at Bukit Machang facing Southeast.....	42
Figure 6-1; Process flow diagram for Granite quarrying operations	50
Figure 6-2; The Quarry will be along the main green granite dyke	52
Figure 6-3; Typical quarry circular saw	55
Figure 7-1; Existing processing facility showing equipment and stockpiles of old tiles	63
Figure 7-2; Plan showing site of new processing facility	63
Figure 7-3; Flow chart showing the processing of granite blocks.....	64
Figure 7-4; Layout of new processing facility	66
Figure 10-1; Colours and patterns of the products.....	75
Figure 11-1; Dense undergrowth and tall trees.....	85
Figure 11-2; Environment in and around Bukit Chetai	86
Figure 12-1; Incident, Accident & Near Miss Flow Chart.....	93

Table of Tables

Table 1-1; Asset Details	2
Table 1-2; Details of the Proprietary Mining License (PML)	3
Table 2-1; Geographic Locations of both Quarries	11
Table 3-1; Borehole Details	25
Table 3-2; Measure of Massiveness	31
Table 4-1; Database of Information used in this QPR.....	34
Table 4-2; ASTM C615 – 03 Standard Specifications for Granite Dimension Stone	34
Table 4-3; Mineralogy of Bukit Chetai Granite (Examination according to ASTM C1721-11)	36
Table 4-4; Test results on samples of granite from Bukit Chetai	36
Table 4-5; Test Results on rock from Bukit Machang in 2009	37
Table 4-6; Radioactivity Tests carried out according to GB standards	38
Table 5-1; Mineral Resource Estimate at Bukit Chetai	43
Table 5-2; Exploration Targets Estimate (million m ³) at Bukit Machang	44
Table 5-3; Mineral Resource Statement (million m ³) at 31 January 2017	45
Table 5-4; Granite Ore Reserves at Bukit Chetai Granite Quarry (million m ³).....	47

APPENDIX C – QUALIFIED PERSON’S REPORT

Bukit Chetai and Bukit Machang Granite Quarries
Hulu Terengganu, Terengganu, Malaysia
Qualified Person’s Report

**March
2017**

Table 5-5; Summary of Statements of Reserves and Resources at Bukit Chetai Granite Quarry (million m ³)	48
Table 6-1; Planned Excavation for Dimension Blocks (m ³) at Bukit Chetai over ten years.....	49
Table 6-2; Extraction Quantities along main dyke (million m ³) to 139mPD – 35m wide Excavation	49
Table 6-3; Equipment Schedule	57
Table 6-4; Manpower Schedule	59
Table 7-1; Granite Dimension Blocks (m ³) Produced at Bukit Chetai over ten years	61
Table 7-2; Processing of dimension stone products from Bukit Chetai.....	62
Table 7-3; New Processing Plant Equipment Schedule	67
Table 8-1; Direct Operating Costs (10 years)	68
Table 8-2; General and Administration Costs (G&A)	68
Table 9-1; Capital Expenditure as Initial Project Outlay (FY 2017).....	70
Table 9-2; Key Capital Items to be Acquired for the Quarry Operation and Processing Facility	70
Table 9-3; Escalation factor used for capital expenditure requirement.....	71
Table 9-4; Key Capital Expenditure needed to achieve Full Planned Production	71
Table 10-1; Selling prices estimated by Company	73
Table 10-2; Escalation rate (%) assumptions	74
Table 13-1; Overall Risk Assessment	96
Table 13-2; Risk Items Identified and Risk Rating.....	97

APPENDIX C – QUALIFIED PERSON’S REPORT

Bukit Chetai and Bukit Machang Granite Quarries
Hulu Terengganu, Terengganu, Malaysia
Qualified Person’s Report

March
2017

EXECUTIVE SUMMARY

GGT Manufacturing Sdn Bhd (“GGTM” or “Company”) has been given the rights to explore, develop and extract granite from two properties centered on two hills – Bukit Chetai and Bukit Machang, both located near Kuala Terengganu in the State of Terengganu, Malaysia (“The Project”). The intention is to extract the granite as dimension stone to be used as floor tiles, wall tiles, countertops, headstones/gravestones, monumental stones, relief stone sculptures and for other architectural uses. Rockhound Limited (“RH”) was requested by GGTM to submit a Qualified Person Report (“QPR”) on the Project.

These quarries were previously small scale operations by others and the dimension stone produced was used in high profile projects. The beneficial owner of the land is the State Government. In 2007 the land was then allocated by the Government for quarry operations, mining, production, and sale of granite products and dimension granite for 30 years and above. In September 2015 GGTM signed an agreement to conduct the operations over a 14 year period at Bukit Chetai. This could be extended to 2037 subject to renegotiation.

The purpose of this QPR is to provide an independent technical assessment of The Project to be included in the circular issued by Anchor Resources Limited (“Listco”) to its shareholders (“Circular”) in connection with the acquisition of the Company by the Listco on the Catalist board of the Singapore Exchange Securities Trading Limited (“SGX-ST”). This QPR has been prepared in accordance with the SGX-ST Listing Rules. The granite resources and reserves are stated in accordance with the 2012 Edition of Australian Code for Reporting Exploration Results, Mineral Resources and Ore Reserves (the “JORC Code”).

A Preliminary Feasibility Study has been carried out recently and the Company has obtained all the necessary licenses, EIA approval and Operational Mining Scheme to commence works according to the plan GGTM has for developing the Quarry and the associated business.

To this effect, RH was engaged in October 2015 to:

- review the available technical information,
- help plan any further investigation required,
- continue to provide an independent view of the investigation,
- carry out its own mapping and sampling to validate the findings and
- assist in the preparation of other technical data needed for the SGX including a Resource Statement reported in accordance with the JORC Code.

Since that time RH has visited The Project site on three occasions and had the opportunity to view the investigation as well as review the sampling and testing of core samples. In

APPENDIX C – QUALIFIED PERSON’S REPORT

Bukit Chetai and Bukit Machang Granite Quarries
Hulu Terengganu, Terengganu, Malaysia
Qualified Person’s Report

March
2017

In addition there have been many discussions with management and the site operations teams regarding the quarry development and future planning. The RH team was led by Paul Fowler who has over 25 years’ experience in the quarry business and is a Competent Person as defined by the JORC Code.

The combined Proved and Probable Reserves at Bukit Chetai Quarry of granite that can be extracted as dimension stone blocks is estimated at 64.39 million cubic metres (“m³”). These Reserves are included in the total Resources which are estimated at 99.06 million m³. There are also exploration targets that could be added to the resource base. At Bukit Machang there could be in excess of 100 million m³.

A Block Rate of 65% is assumed. The Resources are substantial and more than sufficient to meet the production planned over the 20 years of the lease.

	Mineral Type	Gross Volume Attributable to License	Net Volume Attributable to Company
Ore Reserves (million m³)			
Proved	White Granite	57.42	57.42
	Green Granite		
Probable	White Granite	3.90	3.90
	Green Granite	3.07	3.07
Total		64.39	64.39
Mineral Resources (million m³)			
Measured	White Granite	88.34	88.34
	Green Granite		
Indicated	White Granite	6.00	6.00
	Green Granite	4.72	4.72
Total		99.06	99.06

Notes; Table format according to SGX requirements – “Grade” not applicable to dimension stone and ‘Changes from previous update” not applicable to this QPR

The granite at the Bukit Chetai Quarry is massive and homogenous over the whole Project area. It is intersected by green microgabbro dykes, one of which is estimated to be 30m wide. This dyke was the focus of the previous quarry operations. The site is in an area of dense secondary forest with thick overburden and weathered granite above the fresh rock. The ground at Bukit Chetai ranges in height from 35mPD to 269mPD whereas at Bukit Machang it is from 75mPD to 470mPD

Development of the quarry will focus on the microgabbro (termed Green Granite) and along and immediately adjacent to the 30m dyke. It is expected that the final level of excavation will be 139mPD as excavation to this level will produce the 1.065 million m³ targeted by the Company over the next 20 years.

APPENDIX C – QUALIFIED PERSON’S REPORT

Bukit Chetai and Bukit Machang Granite Quarries
Hulu Terengganu, Terengganu, Malaysia
Qualified Person’s Report

March
2017

Blocks are planned to have maximum dimensions of 2.5m length by 1.5m high by 1.5m wide and will be cut using circular saws and diamond wire saws. A monthly production target of 500m³ has been set for FY2017 rising to 9,000m³ by FY2025 when the Quarry will be at full planned capacity with multiple working platforms. The intention is that the 35% of the volume of green granite blocks will be sold to local buyers (15%) and to the People’s Republic of China (20%). The remainder of the blocks will either stay on site and be processed or outsourced for production of dimension stone products.

There are three granite colour types at The Project;



Terengganu Green (referenced ‘TG’) is a premium product and will likely command the highest selling price. The different prices are reflected in the selling price for slabs of each type. Rosa Tenggo (‘RT’) comes from Bukit Machang which will be quarried in the future.

RH has reviewed the capital costs and operating costs and has found them to be reasonable. Over the next four years there will be significant capital expenditures to meet the production targets. From an operational viewpoint meeting the production targets is achievable assuming that development plans are implemented efficiently and effectively. Importantly the recruitment of skilled operatives is a priority.

There are a number of risks associated with the business but the majority are considered to be low or low to medium. Examples include the risks associated with potential variations of the width and inclination of the green granite dyke with depth and along strike, and being able to achieve the marketing plan.

The effective date of this QPR is 31 January 2017 and its sole purpose is for use by the directors of the Company and its sponsor and advisers in connection with the acquisition. RH has received a fee for its services in connection with The Project at its normal rates and normal payment schedules. This fee is not dependent on the findings of the QPR.

APPENDIX C – QUALIFIED PERSON’S REPORT

Bukit Chetai and Bukit Machang Granite Quarries
Hulu Terengganu, Terengganu, Malaysia
Qualified Person’s Report

March
2017

1.0 INTRODUCTION

GGT Manufacturing Sdn Bhd (the “Company” or “GGTM”) has been given the rights to explore, develop and extract granite from two properties centered on two hills – Bukit Chetai and Bukit Machang, both located in the state of Terengganu, Malaysia. The properties are inland and approximately 40km south-west of Kuala Terengganu (KT) close to major north - south transport links in Malaysia. The intention of GGTM is to extract the granite and process it into dimension stone. It will then be further processed to be used as floor tiles, wall tiles, countertops, headstones/gravestones, monumental stones, relief stone sculptures and for other architectural uses.

GGTM is being acquired by Anchor Resources Limited (“Listco”), a company listed on the Catalist board of the Singapore Exchange Securities Trading Limited (“SGX-ST”). As the acquisition is ‘very substantial’; an Independent Qualified Person’s Report (“QPR”) is required to define the granite resource and the nature of the operations in order to meet SGX-ST requirements for the acquisition.

GGTM is a company based in Kuala Lumpur (KL), whose business is quarry extraction of local dimension stone granites, contracting of architectural stone and interior fit-out. GGTM was incorporated in April 2010.



Figure 1-1; Previous extraction of dimension stone at Bukit Chetai with production of floor and wall tiles

Both properties have been quarried in the past (left photo in **Figure 1-1**) by others in small scale operations and the stone processed into dimension stone products (right photo in **Figure 1-1**) which have been used in high profile projects in Malaysia (**Figure 1-2**), as well as exported overseas. The dimension stone production has been driven by the massive nature of the rock and the unusually rich colour. There are three colours – green, white and pink.

APPENDIX C – QUALIFIED PERSON’S REPORT

Bukit Chetai and Bukit Machang Granite Quarries
Hulu Terengganu, Terengganu, Malaysia
Qualified Person’s Report

March
2017



Figure 1-2; Kuala Lumpur International Airport

1.1 Land Titles and Agreements

All land in Malaysia is owned by the State and the beneficial owner of the land in which the Project is found is Lembaga Tabung Amanah Warisan Negeri Terengganu (LTAWNT), a State entity established by the Terengganu State Government on 12 November 1990 under the Terengganu Heritage Trust Fund Enactment, 1990. It is an investment arm of the Terengganu State Government which is authorized to venture into various business activities including mining.

The lease period on the land at Bukit Chetai is 30 years from 24 May 2007 to 23 May 2037. The Lease no. is HS (D) 978. At Bukit Machang the lease period ends on 30 June 2039. The asset details are shown in **Table 1-1**. The requirement of the leases is that the land is to be used for a ‘granite blocks quarry/mining industry only’. To this effect, at Bukit Chetai a Propriety Mining Licence (PML) for a period of 10 years from 5 August 2008 to 4 August 2018 (**Table 1-2**) has been obtained on the land, which can be renewed one year ahead of the expiry date.

Table 1-1; Asset Details

Asset Name/ Country	Issuer's Interest	Development Status	Licence expiry date	Licence area	Type of mineral, oil & gas deposit	Remarks
Lot 4181, Bukit Chetai, Terengganu, Malaysia	100%	Industry - Quarry	23 May 2037	104.7669 ha	Granite	Lot 4181 was previously called temporary Lot PT 4161
Lots 60416 & 60417, Bukit Machang, Terengganu, Malaysia	100%	Industry - Quarry	31 Jan 2039	196.10ha	Granite	Lots 60416 & 60417 were previously called temporary Lots PT 7812 & 7813

Through an Agreement dated 27 October 2014 LTAWNT has appointed Perbadanan Memajukan Iktisad Negeri Terengganu (PMINT) ‘to carry out work in relation to quarrying

APPENDIX C – QUALIFIED PERSON’S REPORT

Bukit Chetai and Bukit Machang Granite Quarries
Hulu Terengganu, Terengganu, Malaysia
Qualified Person’s Report

March
2017

operation, mining, production and sale of granite products and dimension granite’ at both properties. The agreement allocates a period of 15 years from the date of the Agreement (‘Period of the Agreement’) and ending on 26 October 2029 to carry out the work. However PMINT can extend the Period according to its discretion subject to new conditions and whether PMINT has met with the Covenants and Conditions of the Agreement.

Table 1-2; Details of the Proprietary Mining License (PML)

Item	Proprietary Mining License Detail
Number	1/2008
Period	10 years (5 August 2008 – 4 August 2018)
Holder	Lembaga Tabung Amanah Warisan Negeri Terengganu (LTAWNT)
Appointed Contractor	Perbadanan Memajukan Iktisad Negeri Terengganu (PMINT)
Mine Operator	GGT Manufacturing Sdn. Bhd

On 16 September 2015 PMINT in turn entered into a concession agreement with GGTM, ‘a company that has experience and expertise to carry out business relating to quarry operation and mining’, whereby they would carry out exploration and production of dimension stone. In accordance with the terms of this agreement GGTM are only able to operate the mine once they have submitted an Operational Mining Scheme (OMS) to the Director of Mines (DM) for approval.

The licence to operate is for 12 months and it is a requirement that each 12 months the licence is renewed. The first OMS was approved on 17 January 2016. A modified OMS was submitted on 22 December 2016 on the basis of the new mine plan developed by GGTM. Approval in principle has been given and a formal letter of renewal is under processing with permission to mine for the period up to 2 April 2018. It is one of the terms of the licence that no implementation of a modified scheme can be made without approval.

An Environmental Impact Assessment (EIA) is also required and in accordance with statutory requirements the Project may not commence until approval of the Director General of the Department of Environment (DOE) has been obtained. An EIA was submitted at the beginning of December 2016 and was approved on 8 January 2017. Therefore all the legal requirements to operate the Quarry have been obtained.

1.2 Dimension Stone and Granite

Dimension stone as defined by the USGS is natural rock material quarried for the purpose of obtaining blocks or slabs that meet specifications as to size (width, length and thickness) and shape. Colour, texture and pattern, and surface finish of the stone are also normal requirements. Another important selection criterion is durability (the time measure to endure and to maintain its essential and distinctive characteristics of strength), resistance to

APPENDIX C – QUALIFIED PERSON’S REPORT

Bukit Chetai and Bukit Machang Granite Quarries
Hulu Terengganu, Terengganu, Malaysia
Qualified Person’s Report

March
2017

decay (such as from polishing) and appearance.

Quarries are the source of dimension stone. But, unlike conventional quarries where rock is extracted using explosives for aggregate production, rock taken from dimension stone quarries is separated by precise and delicate techniques to maintain the integrity and shape of the blocks extracted. Dimension stone quarries are also different because they are located in geological settings where the rock is massive and competent (ie it is not full of joints and cracks) and can be cut into large blocks.

Although a variety of igneous, metamorphic and sedimentary rocks are used as dimension stone, the principal rock types are granite, limestone, marble, sandstone and slate. According to ‘Natural Stone’, the UK Stone Industry Magazine, granite (45%) and marble (50%) form 95% of all stone consumption.

Granite is an igneous rock whose origin is as a molten mass of hot liquid intruded from below in the earth’s crust and cooled over geological time. It is a rock composed of an aggregate of visible crystals comprising mostly quartz and feldspar. In the dimension stone business, the commercial term “granite” has far wider coverage than the formal geological definition. It includes other rock types, such as syenite, gneiss, migmatites and gabbro.

At both Bukit Chetai and Bukit Machang the rock that is to be quarried is granite. However, the granite outcrop is intruded by near vertical dykes of a green rock termed ‘microgabbro’ whose origin is also as a molten rock. Locally this is referred to as green granite even though it is of a different mineralogical composition to granite.

1.3 Background to the GGTM Dimension Stone Operation

The Project involves excavating granite by cutting it initially into dimension stone blocks. The main focus will be excavation of the green granite as there is already market awareness that this is a premium dimension stone and as such GGTM believe that with this advantage the business already has a solid foundation.

Blocks will be excavated using standard block cutting techniques, including circular saw cutting and diamond wire sawing. There is a substantial thickness of overburden and weathered rock not suitable as dimension stone and this will need to be cleared to create working platforms for circular saw cutting operations. Explosives will not be used.

The plan is to increase monthly production of blocks gradually from approximately 500m³ in FY2017 to 9,000m³ (108,000m³ per year or per annum - “pa”) by FY2025 and thereafter. It is

APPENDIX C – QUALIFIED PERSON’S REPORT

Bukit Chetai and Bukit Machang Granite Quarries
Hulu Terengganu, Terengganu, Malaysia
Qualified Person’s Report

March
2017

planned that 20% of the blocks will be exported to China (“PRC”), 15% sold within Malaysia with the remainder processed further into tile slabs or small tiles (also called joggle pavers). The intention is to generate minimal waste as the target markets identified by GGTM demand both small and large size blocks and the methodology to process joggle pavers allow small off-cuts of slabs to be used, thereby maximizing the use of the granite.

The standard block size is 2.5m (l) x 1.5m (w) x 0.75m (h) (approx. 2.81m³) with bigger blocks up to 1.5m (h) (approx. 5.62m³) produced on demand, and mainly exported. Those blocks which are not exported off site will be processed at two facilities on site, one from the previous operator, and upgraded, and the other a new purpose built facility. The new facility will have the capability to produce in excess of 1,300m² of slabs per day when working at full capacity. In the meantime where demand cannot be met by on site processing arrangements have already been made to outsource production of tile slabs and small tiles.

By 31 January 2017 (the Effective Date – the date on which the Resource statement is made), excavation had started with blocks produced at one of the old working faces using diamond wire saws. Site preparation work and clearance of overburden and weathered rock had started elsewhere to form working platforms for the operation of the circular saw. A circular saw has recently been purchased and is now being commissioned on site.

Some small scale production of slabs and small tiles has also started in the existing processing facility with cutting of blocks left by the previous operator. These are being marketed and sold. The new facility is under construction and is expected to be completed in Q4 2017.

Marketing has also started and a team set up to identify projects which are likely to use the dimension stone products from GGTM. Several LOIs, MOUs and Off-take agreements have been signed and GGTM is already supplying some projects. The Company has secured a fit-out contract using its dimension stone - the 208 room Paya Bunga Square Hotel in Kuala Terengganu.

1.4 Aim and Scope of this QPR

The Listco proposes to issue a circular to its shareholders (“Circular”) to seek shareholders’ approval in connection with the proposed acquisition of GGTM, and all documents are to be prepared in accordance with the requirements of the SGX-ST.

The Board of Directors of the Company engaged Rockhound Limited (“RH”) as their

APPENDIX C – QUALIFIED PERSON’S REPORT

Bukit Chetai and Bukit Machang Granite Quarries
Hulu Terengganu, Terengganu, Malaysia
Qualified Person’s Report

March
2017

independent adviser to undertake a technical review of The Project and to prepare a Qualified Person’s Report (“QPR”) in connection with the acquisition. RH consents to the inclusion of this QPR in the Circular. The QPR is prepared in compliance with Practice Note 4C Part 5 ‘Disclosure Requirements for Mineral, Oil and Gas Companies’.

The reporting standard adopted by this QPR is the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (2012 edition) (the “JORC Code”) prepared by the Joint Ore Reserves Committee of the AusIMM, the Australasian Institute of Geoscientists, and the Minerals Council of Australia in 1999 and revised in 2012. As this is the first public reporting of Resources and Reserves Table 1 of the JORC Code must be complied with. Table 1 provides a checklist of criteria to be considered by the Competent Person in preparing the Public Report. This forms **Appendix I** to this QPR. The commentary on the various criteria is in effect a summary of what is elaborated in the text of the QPR.

This QPR contains forecasts and projections based on information provided by the Company. RH’s assessment of the projected schedules and capital and operating costs is based on technical reviews of project data and project site visits.

The metric system is used throughout this QPR. The currency used is Malaysian Ringgit (“RM”) with conversions to Singapore Dollars (“S\$”) as appropriate. The exchange rate used in this QPR is RM3.1 for S\$1, the average rate from several financial sources on the “Effective Date” of 31 January 2017.

1.5 Statement of Capability

RH is a Hong Kong based minerals advisory group, set up in 2006 to provide advice to listed companies, other local firms and institutions. It performs industry studies for mining and quarrying companies, works with funds, financial institutions and natural resources firms. This includes mineral resource/ore reserve compilations and audits, property assessments and technical valuations, due diligence, independent expert reviews for acquisition and financing purposes, expert witness in litigation, project feasibility studies, assistance in negotiating mineral agreements and market analysis. The firm has worked with a broad spectrum of commodities. Projects are mostly within the PRC, Indonesia, Philippines and Malaysia.

RH is a corporate member of the Canadian Institute of Mining, Metallurgy and Petroleum, an organizational member of the AusIMM and has working agreements with a firm of international mining consultants based in Canada and the United Kingdom (“UK”). RH is also able to call upon experts in environmental work, computer modeling and engineering to

APPENDIX C – QUALIFIED PERSON’S REPORT

Bukit Chetai and Bukit Machang Granite Quarries
Hulu Terengganu, Terengganu, Malaysia
Qualified Person’s Report

March
2017

assist on projects requiring such specific support. RH has no equity in any mining or quarrying project to ensure its independence. This allows conflict-free and objective recommendations on crucial judgment issues.

The principals of RH have occupied senior management roles in both public and private companies and have worked in the Asia Pacific Region for over 30 years as consultants, operators and clients. Since inception RH has completed nearly 50 projects involving independent technical reports, resource and reserve estimations, project valuations and due diligence studies, the majority being in the private sector. Our consultant partners in Canada and the UK have completed many projects with stock exchange listings spanning a period of 40 years.

The Project Manager and Qualified Person for this QPR is Paul Fowler. He is the principal author of the QPR with the review and editing by Mr. Glenn Sheldon, an independent consultant with whom RH have worked in the past. They have been supported in-house and by outside specialists who have been involved in specific areas. The backgrounds of the key members of the team are as follows;

- **Paul FOWLER MBA, MSc. CGeol, CEng, FGS, FIQ, FIMMM, MHKIE, RPE(G)**

Paul Fowler is Managing Director of RH and was **Project Manager** for this technical review. He has over 25 years’ working experience in the Quarry Business.

A geologist with more than 30 years of experience in the areas of exploration, operations, planning, resources and modeling, he began his career in mineral exploration in Southern Africa. Subsequently he worked as a geologist in East Africa and then as a consultant with one of the world’s leading engineering consultancies in the Middle East, Europe and Asia.

He then became General Manager in Hong Kong of one of the largest hard rock Quarry operations in SE Asia and subsequently General Manager responsible for Planning and Development in a Hong Kong Main Board Listed Company, a role which took him to other parts of Asia-Pacific.

In 2005 he was a founder of Aziana Exploration Corporation, a private junior exploring for gold and base metals in Madagascar. With RH, of which he is also a founding partner, he has undertaken due diligence and provided technical and geological support for listed and private companies operating in Indonesia, the PRC and the Philippines. Projects have ranged from gold, base metals and iron ore to dimension stone, quarry products and industrial minerals.

With regard to this QPR Paul Fowler fulfills the requirements of an Independent Qualified Person as defined by Catalist Rule 442 of the SGX. Furthermore in terms of the

APPENDIX C – QUALIFIED PERSON’S REPORT

Bukit Chetai and Bukit Machang Granite Quarries
Hulu Terengganu, Terengganu, Malaysia
Qualified Person’s Report

March
2017

statement of reserves and resources Mr Fowler also meets the requirements for a “Competent Person” as defined in the “JORC Code” and is taking responsibility for this statement.

- **Dominic KOT B.A.Sc. FGS, MAusIMM.**

Mr Kot is **Project Geologist** and holds a Bachelor of Applied Science degree in Geological Engineering from the University of British Columbia. He has over ten years’ experience in the mining and exploration sector dealing with various mineral projects.

Starting out as a field operator conducting geophysical surveys in Canada, he subsequently joined a Hong Kong private company and worked on an iron-titanium mineral project in Inner Mongolia, PRC. This project was eventually sold to a Hong Kong listed company. Subsequently Mr. Kot was involved in exploration and mining for lateritic nickel and placer gold mineral projects in the Philippines.

He is currently a Technical Associate at RH and has responsibility as a team member for a diverse range of projects across Asia and business development.

- **Glenn SHELDON BSc (Geology and Ec Geology), MSEG, FAusIMM, FAIG**

Mr Sheldon has conducted the Peer Review. He has over 27 years’ experience in precious and base metal exploration and resource definition including project identification, due diligence, contract negotiation, joint venture or company establishment, technical team establishment, remote site establishment, grass roots exploration, resource drilling and reporting. Mr Sheldon’s bulk commodity and industrial mineral experience include high purity quartz (HPQ) exploration in China and independent technical reports on bentonite and quartzite for Initial Public Offerings on the Hong Kong Stock Exchange (SEHK).

His responsibilities have ranged from managing regional reconnaissance to resource delineation and existing mine resource upgrade projects in PRC, Australia, Philippines, PNG, Malaysia, Mongolia, North Korea and Russia.

Glenn has been involved in independent technical reports for the SEHK, The Australia Security Exchange (ASX), and the Toronto Stock Exchange (TSX). On this Project he is acting as an independent consultant.

- **Stuart Millis BSc, MSc, CEng, CGeol, MIMMM, MHKIE, RPE(G), FGS**

Mr Millis was the specialist responsible for **resource estimation and modeling**. He is based in Hong Kong and is an Associate Director at Arup, an international firm of Consulting Engineers. An Engineering Geologist by training, Stuart has been involved in

APPENDIX C – QUALIFIED PERSON’S REPORT

Bukit Chetai and Bukit Machang Granite Quarries
Hulu Terengganu, Terengganu, Malaysia
Qualified Person’s Report

March
2017

quarry studies for over 15 years. As part of his current role he is responsible for supervising teams developing 3D GIS terrain models and performing spatial analysis to evaluate rock mass quantity using the latest GIS software and its extensions.

Mr Fowler and Mr Kot have been to the Bukit Chetai and Bukit Machang properties on three occasions, the first in Oct 2015, the second in April 2016 and the last in Oct 2016. During site visits RH:

- held discussions with the operations team, management and drilling contractor (Oct 2015)
- reviewed the development and operational proposals for The Project (April 2016)
- participated in the geological investigation carried out to estimate and determine the nature of the granite resource (April 2016)
- investigated more fully (Oct 2016) for due diligence purposes the areas of the Project which had been largely inaccessible due to dense vegetation and steep terrain and
- reviewed with senior management budgets and forecasts for the period up to FY2026 and beyond together with other longer-term development plans (Oct 2016).

1.6 Statement of Independence

Paul Fowler and RH partners, directors, substantial shareholders and their associates (i) are independent of the Company, its directors and substantial shareholders (ii) do not have any interest, direct or indirect, in the Company or its subsidiaries; and (iii) remuneration paid to Paul Fowler and/or RH is not dependent on the findings of this QPR.

1.7 Responsibility

RH has conducted an independent technical review of the Company’s Bukit Chetai and Bukit Machang granite quarry operation. Several site visits have been made by the RH professionals involved.

RH has independently analyzed the Company’s data and carried out its own sampling and inspection to validate what was provided. RH representatives also reviewed the Ground Investigation (GI) performed and had access to all the rock cores and test data obtained. Other technical and market data has been supplied on request.

For this QPR RH has involved specialists in terrain modeling and volumetric investigation. RH professionals have worked with these specialists in the past and closely on this QPR and are

APPENDIX C – QUALIFIED PERSON’S REPORT

Bukit Chetai and Bukit Machang Granite Quarries
Hulu Terengganu, Terengganu, Malaysia
Qualified Person’s Report

March
2017

satisfied that their technical expertise meets the requirements of this QPR. On this basis Paul Fowler has signed off this QPR as the Qualified Person responsible and accountable for their contributions.

RH has reviewed the resource and reserves estimate and have tabulated in this report the respective resources and reserves according to the comparable JORC Code categorisation. RH has reviewed the data, reports and information provided and has used consultants with appropriate experience and expertise relevant to the various technical aspects of this report. Accordingly RH believes that the resources and reserves reported and tabulated are reasonable and are in compliance with the JORC Code. Paul Fowler, the Managing Director of RH, fulfils the requirements of Qualified Person and accepts responsibility for the QPR and the comparable JORC Code categorisation of the resource and reserves estimates as tabulated in the form and context in which it appears in this report.

RH will review the information contained in the Circular issued by the Listco on the acquisition of the Company and will confirm that the information presented is accurate, balanced, complete and not inconsistent with this QPR.

In preparing this QPR, RH has not undertaken an audit of the data but has taken into account all relevant information supplied by the Company and as such has relied on the data, reports and information provided. RH has nevertheless made such reasonable enquiries and exercised its judgment on the reasonable use of such information and has found no reason to doubt the accuracy or reliability of the data, reports and information provided by the Company.

APPENDIX C – QUALIFIED PERSON’S REPORT

Bukit Chetai and Bukit Machang Granite Quarries
Hulu Terengganu, Terengganu, Malaysia
Qualified Person’s Report

March
2017

2.0 PROPERTY DESCRIPTION

2.1 Location, Access and Infrastructure

Both Bukit Chetai and Bukit Machang are located in the state of Terengganu on the east side of Peninsular Malaysia. Bukit Chetai is approximately 44km SSW of the town centre of Kuala Terengganu (KT) and Bukit Machang is approximately 35km south. Bukit Chetai is about 13km WSW of Bukit Machang. **Figure 2-1** shows the location of the project areas. There are paved roads from KT to both sites. Kuala Lumpur (KL) is approximately 290km to the SW. The geographic locations are:

Table 2-1; Geographic Locations of both Quarries

Property	Latitude	Longitude
Bukit Chetai	N 04°57'34"	E 102°59'09"
Bukit Machang	N 05°00'32"	E 103°05'28"

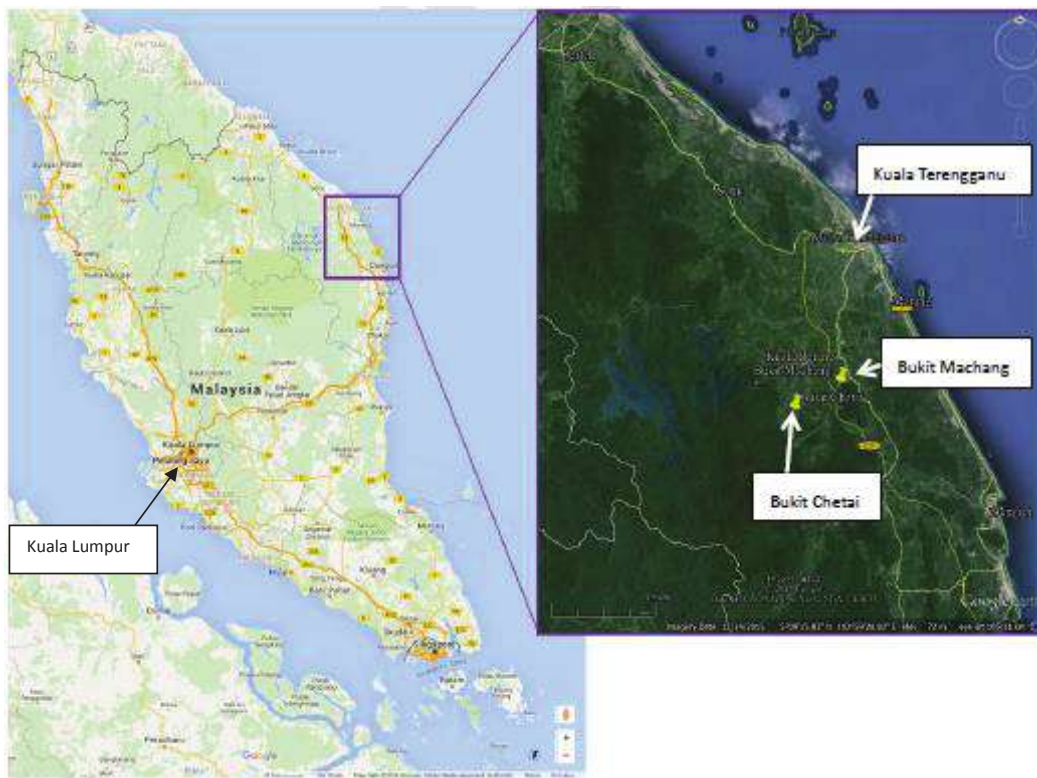


Figure 2-1; Map showing location of the project areas (Source: Google Earth)

APPENDIX C – QUALIFIED PERSON’S REPORT

Bukit Chetai and Bukit Machang Granite Quarries
Hulu Terengganu, Terengganu, Malaysia
Qualified Person’s Report

March
2017

2.1.1 Bukit Chetai Site

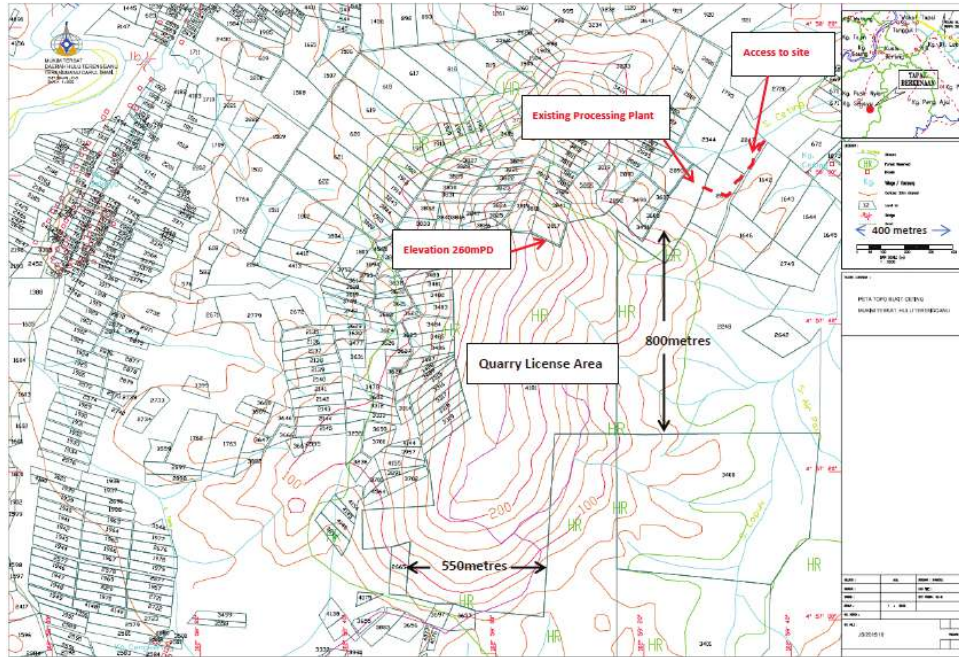


Figure 2-2; Bukit Chetai Site on Government Survey Plan

From the nearest paved road to the site at Bukit Chetai there is a 150m access road (see **Figures 2-2 and 2-3**) which has been partly paved with gravel. The national road network is close by (**Figures 2-4 and 2-5**). The East Coast Expressway is 13km to the E. On site there are tracks from the previous quarry operation, albeit heavily eroded and overgrown in places. There are also old logging tracks which provide limited vehicular access – it is the intention of GGTM to upgrade these.



Figure 2-3; Access road into site at junction of road to Kampong Ceting

APPENDIX C – QUALIFIED PERSON’S REPORT

Bukit Chetai and Bukit Machang Granite Quarries
Hulu Terengganu, Terengganu, Malaysia
Qualified Person’s Report

March
2017

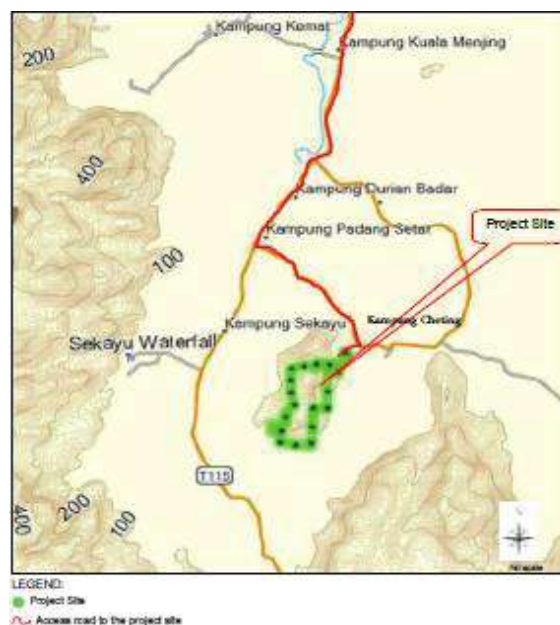


Figure 2-4; Local road network around Bukit Chetai

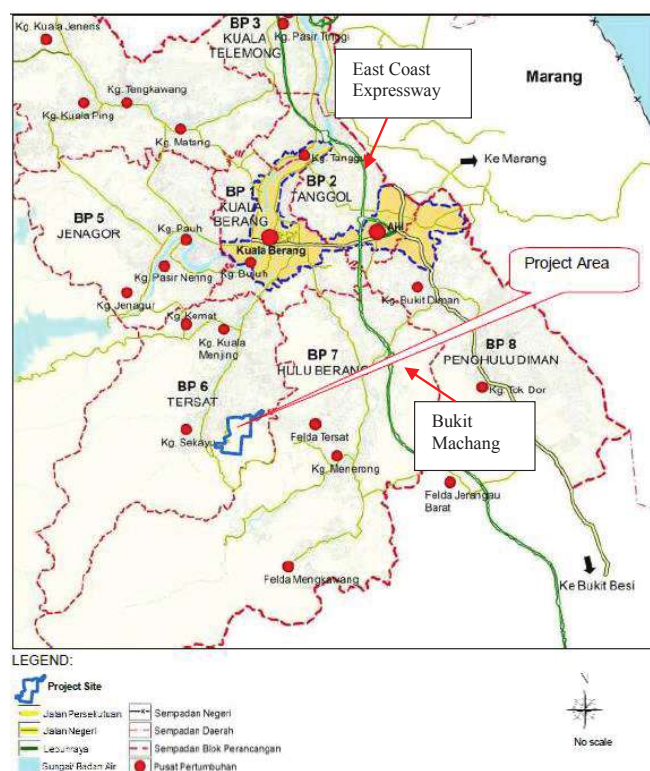


Figure 2-5; Bukit Chetai (Project Area) and Bukit Machang are close to East Coast Expressway

APPENDIX C – QUALIFIED PERSON’S REPORT

Bukit Chetai and Bukit Machang Granite Quarries
Hulu Terengganu, Terengganu, Malaysia
Qualified Person’s Report

March
2017

There is limited power and water supply to the site but it will not be sufficient for the increased production and stone processing that is proposed. In due course, the intention is to supply electricity from the National Grid and water from Government mains. Ceting (a village or Kampong (kg) in the Malay language) (**Figure 2-4**), located 700m from the existing processing facility, already has electricity from the Grid and piped water from the Government main. Therefore extending the supply of both utilities to the Quarry area is a matter of planning - until then generators will be used to supply electricity. The new processing facility will have a water treatment system that will recycle water, so as to minimize the supply requirement from the Government mains.

2.1.2 Bukit Machang

At Bukit Machang there is a 300m length of dirt track from the nearest paved road which provided access in the past (see **Figure 2-6**). The nearest site boundary is midway up the hill and an old quarry working is on the hill above. With the jungle having grown back; there is no clear indication as to where was the access to these workings from below.

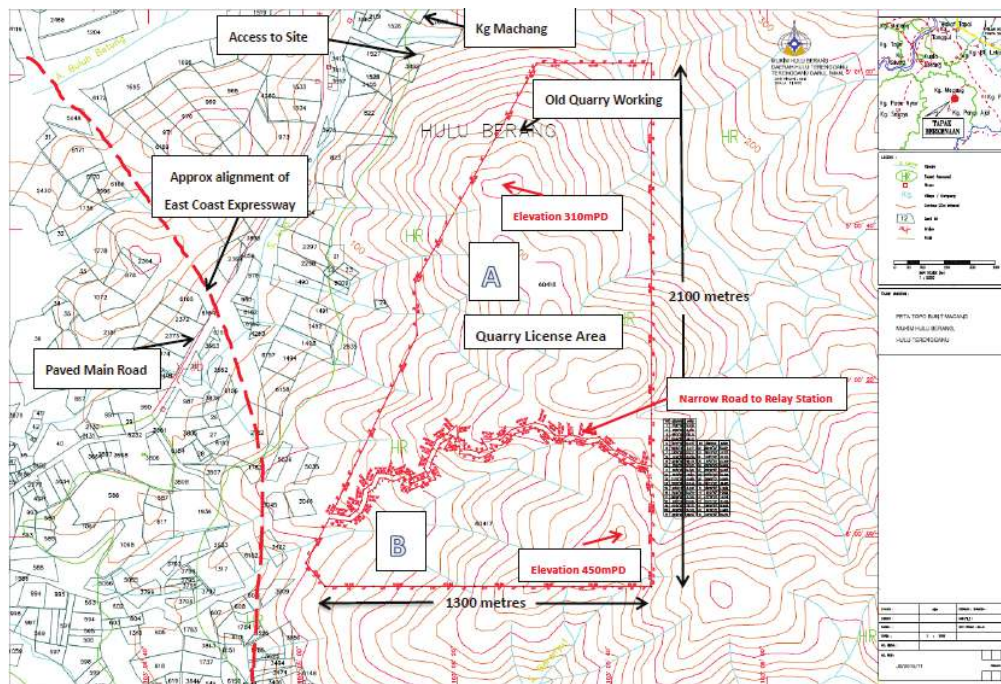


Figure 2-6; Bukit Machang Site on Government Survey Plan

Over the rest of Bukit Machang there is no other visible access apart from a narrow paved road – leading to a small satellite relay station - which separates the northern and southern portions of the site. At least 2km further to the north of the site there are several quarries

APPENDIX C – QUALIFIED PERSON’S REPORT

Bukit Chetai and Bukit Machang Granite Quarries
Hulu Terengganu, Terengganu, Malaysia
Qualified Person’s Report

March
2017

operated by others which are extracting granite to be crushed as aggregate for use in concrete. Bukit Machang is well located with the East Coast Expressway passing close by.

2.2 Climate

The climate is tropical with ample sunshine, hot weather and significant rainfall. The monthly average temperature ranges from 26°C - 28°C with an annual average temperature of 26.7°C. There is no dry season as relative humidity remains at 68% - 79% year round. Total annual precipitation averages 2911mm with a rainy season that extends from October to January. **Figure 2-7** below shows the monthly average of the climate data.

A dimension stone operation is not normally adversely impacted by climatic concerns except when there is heavy rain and access is steep as this could result in the haulage of blocks and equipment being suspended for safety reasons. For this reason the construction and maintenance of haul roads on site will be important to the Project.

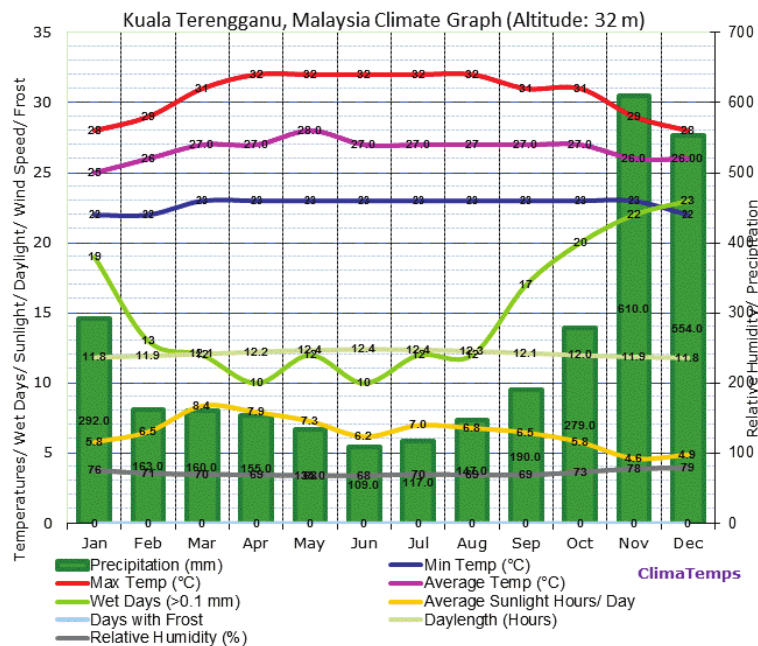


Figure 2-7; Kuala Terengganu, Climate Graph (Source: Clima Temps¹)

2.3 Topography

The project areas are in a terrain of low rolling hills. The elevation at Bukit Chetai ranges

¹ <http://www.terengganu.climatemps.com/>

APPENDIX C – QUALIFIED PERSON’S REPORT

Bukit Chetai and Bukit Machang Granite Quarries
Hulu Terengganu, Terengganu, Malaysia
Qualified Person’s Report

March
2017

from 35m to 269m above datum (0mpD) while Bukit Machang ranges from 75m to 470m above datum. **Figure 2-8** below shows the typical landscape at Bukit Chetai whilst **Figure 2-9** shows the landscape of Bukit Machang. Both sites are similar in outlook and are large in area, respectively 104.8ha and 191ha.

Both sites have a thick vegetation cover with large trees and a dense ground level undergrowth of shrubs and small trees. Both have been logged in the past, probably in the 1980s. There are remnants of the primary forest but mostly the vegetation is due to natural regrowth and it has resulted in a thick jungle with trees over 10m in height.

There is a thick soil cover to most of the site which, when raining, becomes very muddy making access difficult. The dense vegetation hides deep erosion gullies and boulder fields. The boulders are often very large, up to 5m to 6m along the maximum length, and appear to be in situ. However, it is not clear if the erosion is the result of landform degradation after logging or predates the logging.



Figure 2-8; Typical landscape at Bukit Chetai



Figure 2-9; The outlook of Bukit Machang

APPENDIX C – QUALIFIED PERSON’S REPORT

Bukit Chetai and Bukit Machang Granite Quarries
Hulu Terengganu, Terengganu, Malaysia
Qualified Person’s Report

March
2017

At both sites there is a well-developed drainage system as seen on the survey plans (**Figures 2-2 and 2-6**). However, stream flow appears to be minimal outside the rainy season as the only catchment is from within each site and these catchment areas are small. The dense vegetation cover to the ground also ensures that run-off is small (**Figure 2-10**). However, with opening up the quarry, run-off is likely to increase and with it stream flow.



Figure 2-10; Small stream at west side of Bukit Machang in late October

Both Bukit Chetai and Bukit Machang are surrounded by villages and many small private farming lots as can be seen in **Figures 2-2 and 2-6** and whilst these plans are not recent (estimated 1980s and predating logging) there has evidently been very little development in recent years. Survey points to define the lot boundary have been largely consumed by the jungle but two, at ‘turning points’, were located by RH in the exact places set out on the plans. The lot boundaries do not seem to follow any natural topographic feature or break in the landform.

Within a 5 km radius of Bukit Chetai, the surrounding land is categorized as being of mixed land use consisting of settlement areas, subsistence farming, aquaculture and forest. There are six major villages (ie Kampong – Kg) within this radius. Rubber and palm oil plantations are also present. The area is considered underprivileged. As such development of The Project is promoted and supported by the local Government as well as local residents because of tax revenue, employment opportunities and stimulation to the local economy.

The environmental and social impacts of the Project are discussed further in Section 11 of this QPR. Environmentally both sites are categorized as disturbed lowland forest.

APPENDIX C – QUALIFIED PERSON’S REPORT

Bukit Chetai and Bukit Machang Granite Quarries
Hulu Terengganu, Terengganu, Malaysia
Qualified Person’s Report

March
2017

2.4 Sub-lease of the Land to LTAWNT for Quarrying

All land in Malaysia is owned by the State and the beneficial owner of the land in which the Project is found is the LTAWNT (see also Section 1.1). The requirement of the lease to LTAWNT is that the land is to be used for quarrying/mining where the term of the lease ends on 23 May 2037 at Bukit Chetai and 31 January 2039 at Bukit Machang. In turn the State Authority has arranged for LTAWNT to grant a sub-lease to PMINT, another Government body, to carry out the works with possession for a term until October 2029. This can be extended according to its discretion. On this basis PMINT has awarded the right to the Company to carry out quarry operations.

As part of the right the Company has to obtain a license to operate by submitting an Operational Mining Scheme (or OMS) and to renew this on an annual basis not later than three weeks before the expiry of its term. With the renewal application the Company is also required to report on operating performance including environmental matters and health and safety issues. To date there have been two renewal applications both made on behalf of the Company by mining consultant Ir. Chue Hang Cheong – the latest being in December 2016. RH has had the opportunity to view both OMS reports.

The latest application has already been ‘approved in principle’ by the Department of Mines with renewal of the OMS for the period up to 2 April 2018 - the Company is now waiting the formal response. The scheme approval sets no limits on production but if there are modifications from any conditions set on approval these are to be brought to the attention of the Quarry Inspector of the issuing authority in order for them to be endorsed. In total there are nine conditions set out and each shall be fulfilled by the Company. All conditions are similar to those set previously.

The Company is also obliged on an ongoing basis to monitor any potential environmental impact and, if breaches occur, to rectify them in accordance with the approved Environmental Management Plan. Monitoring is carried out several times annually as discussed further in Section 11 of this QPR.

RH has not undertaken a due diligence review of the OMS to ensure it meets all the formal procedural requirements but understands that a review of this and the other operating license and agreements has been undertaken by the Company’s legal advisors.

APPENDIX C – QUALIFIED PERSON’S REPORT

Bukit Chetai and Bukit Machang Granite Quarries
Hulu Terengganu, Terengganu, Malaysia
Qualified Person’s Report

March
2017

2.5 Financial Obligations of the Sub-lease

There are a number of financial obligations on the Company during the term of the sub-lease including;

- A **Tribute** of RM132/m³ of white or pink granite blocks or RM4.40/m² of stone tiles processed with tribute payments based on the production of blocks and tiles.
- A **Tribute** of RM220/m³ of green granite blocks or RM7.33/m² of stone tiles processed with tribute payments based on the production of green blocks and tiles.
- A **yearly rental** of the site of RM30,090.15 of which the first five years (ie RM 150,450.95) was paid in advance at the signing of the Concession Agreement.

Tribute payments are to be made on a monthly basis with the amount not being less than RM10,000 per month (“Minimum Payment”). The tribute becomes due when the granite blocks or slabs are taken from the quarry or block-yard out to the market.

2.6 History of Site

The site originally was covered in primary forest which was logged, probably in the 1980s. In 1989 a seismic report was commissioned by the Mineral Research Institute on both Bukit Chetai and Bukit Machang with a requirement to estimate overburden and rock quantity.

There appears to have been no follow up work or extraction resulting from this until 2008 when both properties were opened up to dimension stone quarrying. These small scale operations ceased operation in 2013. At Bukit Chetai there appears to have been three quarry faces, primarily quarrying the green granite, and one at Bukit Machang quarrying the pink granite.

APPENDIX C – QUALIFIED PERSON’S REPORT

Bukit Chetai and Bukit Machang Granite Quarries
Hulu Terengganu, Terengganu, Malaysia
Qualified Person’s Report

March
2017

3.0 GEOLOGICAL BACKGROUND AND GROUND INVESTIGATION

3.1 Regional Geology

The geology of Terengganu comprises a sedimentary sequence of Carboniferous age (300-360million yrs ago) intruded by granitoid rocks (respectively grey and pink on the attached map – **Figure 3-1**). Granitoid rocks have an extensive outcrop in Peninsular Malaysia

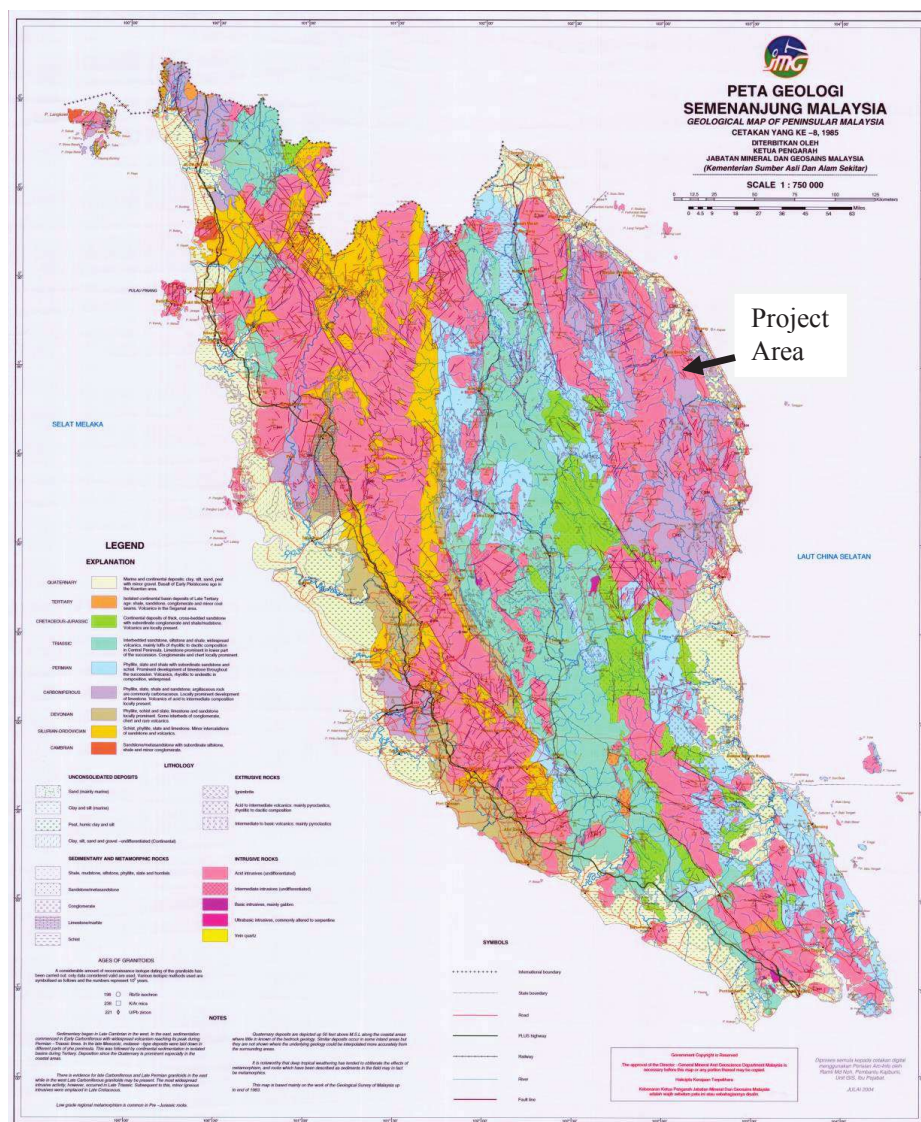


Figure 3-1; Geological map of Peninsular Malaysia by Malaysian Geological Survey

The granites were emplaced at various times from the mid Jurassic (179 Ma) to Late

APPENDIX C – QUALIFIED PERSON’S REPORT

Bukit Chetai and Bukit Machang Granite Quarries
Hulu Terengganu, Terengganu, Malaysia
Qualified Person’s Report

March
2017

Cretaceous Period (79 Ma) as part of a huge batholith intrusion related to the closure of the Tethys Ocean in Permo-Triassic time (approximately 255 Ma). Dykes cut the rock sequence and these were intruded about 70 Ma most likely as some late stage activity in the earth movements related to the closure.

The area is not known to be tectonically active. However, one minor earthquake of magnitude 4.3 on the Richter Scale was recorded 33 years ago – to the east of Terengganu in the South China Sea.

3.2 Geology of Bukit Chetai and Bukit Machang

There are no published geological maps specifically of either Bukit Chetai or Bukit Machang. But local geological maps show both to be underlain by granitoid rocks (**Figure 3-2**). The sites are within Sheet 49 – Bukit Besi – of the New Series L 7010 Geological mapping sheets of Peninsular Malaysia.

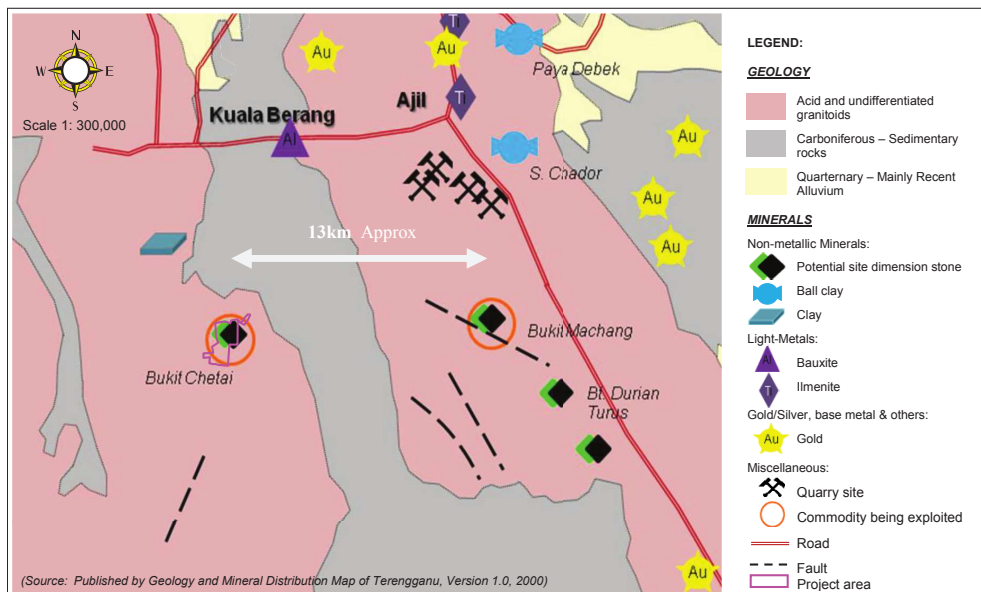


Figure 3-2; Geology and mineral distribution map in the vicinity of the Project sites

The geological structure of the area is unclear and the thick vegetation cover makes interpretation difficult. A report (Geology and Mineral Resources of the Gunung Gajah Terom Area, Terengganu) on mapping sheet 49 (immediately to the west of sheet 48) by WS Chow (Nov 2001) states that the regional lineaments strike NE to ENE and ESE to SE. These trends can in fact be seen in the shape of the reservoir for Kenyir dam to the northwest of

APPENDIX C – QUALIFIED PERSON’S REPORT

Bukit Chetai and Bukit Machang Granite Quarries
Hulu Terengganu, Terengganu, Malaysia
Qualified Person’s Report

March
2017

the Project sites.

From field inspection granite was seen to be present throughout both sites but there is limited exposure to allow the geology to be mapped in sufficient detail. However one observation from the inspection was that on appearance the granite at Bukit Chetai is light grey whilst at Bukit Machang it is pinker in colour - suggesting a slight difference in mineralogical composition.

It is not clear as to why the Project areas were first identified as sites for dimension stone but it is suspected that when the land was cleared during logging (in the 1980s/early 90s) the nature of the bedrock, including the presence of a large dark green dyke, became apparent. This dyke became the focus of quarrying activity (**Figure 3-3**) by the previous operator at Bukit Chetai and is the same green rock that is the focus of GGTM developing their business.



Figure 3-3; Old quarry face with dyke in the foreground

As is typical of granite terrains in a tropical environment there has been significant chemical weathering of the bedrock at both sites resulting in thick overburden development, and what outcrop/bedrock that is exposed is severely weathered with exfoliation. A seismic survey carried out in 1989 over small areas at both sites estimated overburden to be on average 23m to 24.5m in thickness with up to an estimated 5m of weathered and fractured rock above fresh rock. The survey may have been carried out to assist the local Geological Survey identify sites which had potential as Mineral Resources. However it was of limited use to identify the nature of the bedrock.

APPENDIX C – QUALIFIED PERSON’S REPORT

Bukit Chetai and Bukit Machang Granite Quarries
Hulu Terengganu, Terengganu, Malaysia
Qualified Person’s Report

March
2017

3.3 Ground Investigation (“GI”)

In order to investigate the geology at Bukit Chetai, across the site and with depth, an exploration program was carried out over the first half of 2016 involving 2,615m of drilling taken from 15 boreholes (also referenced drill holes) drilled to depths of up to 285m. The purpose of this was twofold (i) to assess the quality of the granite and its suitability as a dimension stone and (ii) to determine the granite resources present and to estimate a quantity that would be made in accordance with the JORC Code.

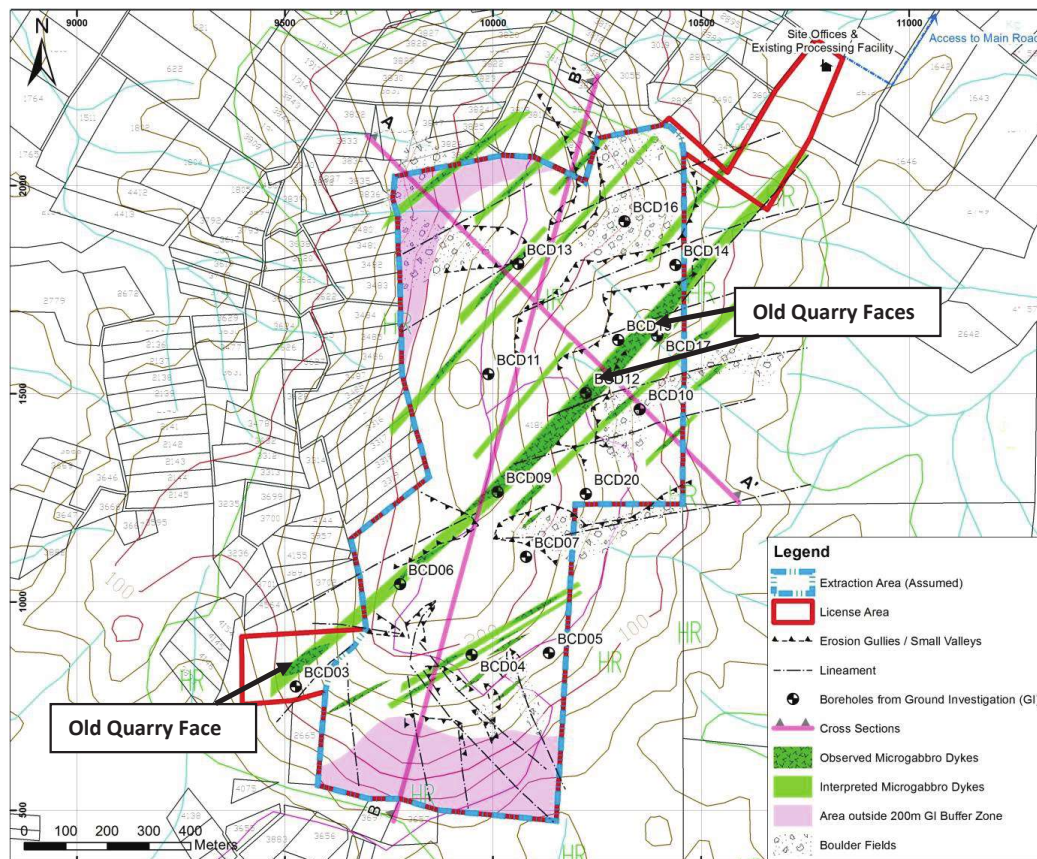


Figure 3-4; Plan showing borehole locations and geology.
(For Sections see Figure 3-10)

The boreholes were originally set out on a grid using the topographic survey (Figure 2-2) that had been supplied by the Company. A spacing of 200m between drill holes was chosen on the basis that in a granite terrain being investigated for dimension stone the nature of the bedrock is unlikely to vary over a site the size of Bukit Chetai.

However, what became apparent when the area was opened up for drilling was that the landform was different from the smooth profile that the survey plan depicted. With steep

APPENDIX C – QUALIFIED PERSON’S REPORT

Bukit Chetai and Bukit Machang Granite Quarries
Hulu Terengganu, Terengganu, Malaysia
Qualified Person’s Report

March
2017

hill sides, dense vegetation, clayey overburden, deep erosion gullies and boulder fields access was a challenge and whilst a grid pattern to define the resource would have been ideal this was not possible. Actual positions were thus dictated more by access considerations.

However, sufficient confidence at the level of the geological understanding was obtained from the program of drilling and from field observations that the borehole spacing was deemed adequate. In this respect as there are no guidelines on borehole spacing to determine the grade of a resource for an industrial application it becomes the responsibility of the Qualified Person to decide the necessary density of boreholes required to establish a reliable geological understanding and thus resource classification. The locations of the boreholes are shown in **Figure 3-4**.

The depths of holes were determined by final level of excavation in the Quarry as advised by the Company. This was taken as datum (ie 0mPD) as the intention was to look at the total resource to then let the Company plan its business. The holes were drilled vertical as it was assumed at the time when the investigation was planned that the granite/green rock contact was at a low angle.

Subsequently, when it became apparent that the green rock was a high angle dyke intruded into the granite, and that there was more than one dyke, some on site adjustments were made in the drilling plan. In practice it would have then been ideal at that time to drill angled holes but this would have posed a technical challenge as several of the holes had collapsed when drilling through the overburden and weathered rock layers causing delay in drilling and loss of equipment. One drill hole, BDCD 9, was relocated three times for this reason.

After due consideration and discussions with the Company it was deemed unnecessary to drill angled holes as it was felt that there was sufficient geological information being obtained based on (i) field observations and (ii) the fact that the resource levels that the Company were requiring for the expected mine life of the Quarry were much smaller than the total resources available in the whole quarry.

The borehole investigation was carried out between November 2015 and June 2016 by Asia Metal Exploration Consultancy Sdn. Bhd. (“AMEC”) - experienced local Malaysian drilling contractors. The investigation was supervised on behalf of the Company by Miss Syazaila Wasli, who is a qualified and experienced exploration geologist. RH made two visits during the investigation to review progress and ensure standards met JORC compliance, as well as to conduct geological mapping.

It was emphasized by RH to the AMEC prior to commencement of works that high drilling

APPENDIX C – QUALIFIED PERSON’S REPORT

Bukit Chetai and Bukit Machang Granite Quarries
Hulu Terengganu, Terengganu, Malaysia
Qualified Person’s Report

March
2017

standards were expected given the need to measure Total Core Recovery (TCR), Rock Quality Designation (RQD) and inspect the nature of any discontinuities in the rock. RQDs greater than 90%, which indicates massive rock with few or no fractures, were seen in nearly 100% of the core recovery in fresh rock.

Table 3-1; Borehole Details

Drillhole No.	Location		Ground Level	Drillhole Length [m]	Depth [m] to base of		Level [mPD] of base of		Thickness of Bedrock in
	Easting	Northing			Overburden	Weathered Rock	Overburden	Weathered Rock	
3	9526.282	795.157	105.96	84.00	1.15	12.00	104.81	93.96	72.00
4	9949.266	872.539	173.99	180.00	24.00	24.00	149.99	149.99	156.00
5	10134.779	877.235	139.60	141.00	25.20	27.00	114.40	112.60	114.00
6	9776.741	1042.060	214.69	285.00	5.20	19.70	209.49	194.99	265.30
7	10079.663	1108.110	218.14	162.50	4.30	12.60	213.84	205.54	149.90
9	10011.547	1263.762	251.09	260.00	6.30	33.00	244.79	218.09	227.00
10	10333.003	1462.534	117.00	118.50	55.10	56.00	61.90	61.00	62.50
11	9988.827	1346.671	265.60	150.00	18.00	18.90	247.60	246.70	131.10
12	10223.525	1501.245	155.12	159.00	0.00	0.00	155.12	155.12	159.00
13	10061.100	1811.838	259.19	262.50	9.00	26.10	250.19	233.09	236.40
14	10438.843	1808.866	160.68	180.00	9.00	13.90	151.68	146.78	166.10
16	10316.337	1914.068	210.53	240.00	10.30	15.00	200.23	195.53	225.00
17	10394.996	1638.684	124.07	123.00	0.00	2.30	124.07	121.77	120.70
19	10301.349	1629.183	140.06	120.00	5.30	34.40	134.56	105.66	85.60
20	10223.147	1258.937	182.95	150.00	2.60	25.70	180.35	157.25	124.30
Total				2615.50					

The boreholes were drilled producing HQ core (63.5mm diameter) with verticality measured at 50m centres. In general the drilling was uneventful although in a few boreholes (BCD 9 in particular) the holes collapsed when drilling through overburden and in two others (BCD 3 & 7) there was some collapse at depth which resulted in early termination of the holes. In two holes there was water loss (at specific levels in zones of more fractured rock). Details of the boreholes are shown in **Table 3-1**.

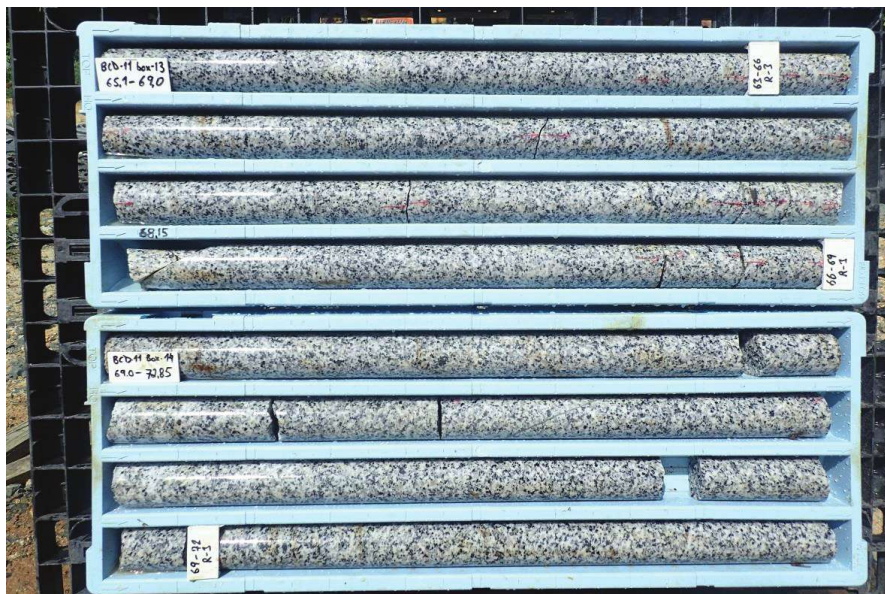


Figure 3-5; Core stored in plastic boxes (one metre long boxes)

APPENDIX C – QUALIFIED PERSON’S REPORT

Bukit Chetai and Bukit Machang Granite Quarries
Hulu Terengganu, Terengganu, Malaysia
Qualified Person’s Report

March
2017

The cores recovered (**Figures 3-5 and 3-6**) were logged, recorded and photographed according to the British Standard code of practice for site investigations and subsequently stored in a secure container on site. Boreholes positions were properly surveyed by a qualified surveyor – Tunas Ukur Consultants, surveyors based in Kuala Terengganu, and concrete plinths cast at the borehole positions with necessary details engraved for future reference. The State of Terengganu has its own grid and the surveyor provided a conversion to Latitude and Longitude to facilitate mapping of the drill holes on plan.



Figure 3-6; Core boxes stacked and properly labelled ready to be put into storage container on site

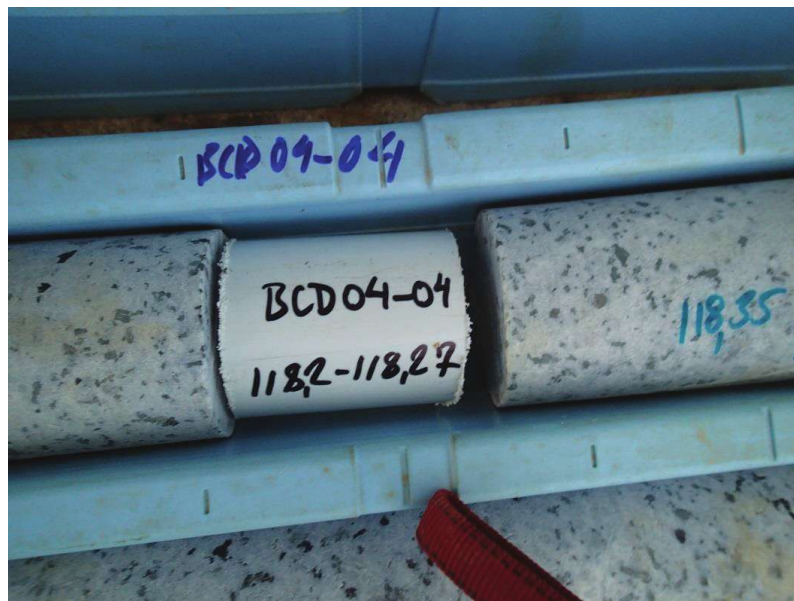


Figure 3-7; Spacers were put into core boxes to represent where samples were taken

APPENDIX C – QUALIFIED PERSON’S REPORT

Bukit Chetai and Bukit Machang Granite Quarries
Hulu Terengganu, Terengganu, Malaysia
Qualified Person’s Report

March
2017

Core samples taken for testing were properly referenced and wrapped before sending to laboratories for testing (**Figure 3-7**). There were two batches of samples both chosen by RH - the 1st batch during the April site visit and the 2nd from photos of core from boreholes drilled and after discussion with the site team. The samples were chosen to be representative of the rock present on the site and at depth. In fact there was consistency in strength and appearance of the rock with depth. In total 54 samples were selected with stick lengths ranging up to 1m. Details of the samples taken are summarized in **Appendix II**.

RH is satisfied that the investigation has been carried out to the standards acceptable to satisfy this QPR and to ensure JORC compliance.

3.4 Laboratory Testing Contractors

Tests on the granite cores were carried out in the following laboratories;

- **Soils & Material Laboratory (M) SDN BHD, located in Kuala Lumpur** – specialists in soils, concrete and asphaltic concrete testing; density and uniaxial compressive strength tests on core samples; modulus of rupture, flexural strength on slab samples, petrographic thin section analysis (sub-contracted and carried out at Geology Dept, University of Malaysia).
- **Pusat Penyelidikan Mineral, Jabatan Mineral Dan Geosains Malaysia, located in Ipoh** – Hardness and Abrasion Resistance.
- **Guangdong Provincial Institute of Mining Applications (Radioactive Mineral Resources Supervision Testing Centre of Ministry of Lands), Shaoguan, Guangdong, PRC.** – Radioactivity tests.

RH has visited both Soils & Material Laboratory (M) SDN BHD and Jabatan Mineral Dan Geosains on another Malaysian dimension stone project in 2014 to inspect the manner in which samples were stored and moved around the laboratory. Both were organized and had well documented internal procedures.

The laboratory at Shaoguan was not visited but RH has worked with them in the past and found that the standards followed in sampling and reporting was acceptable. It is understood the laboratory holds the necessary local accreditation for the radioactivity tests. RH arranged these tests on behalf of the Company.

APPENDIX C – QUALIFIED PERSON’S REPORT

Bukit Chetai and Bukit Machang Granite Quarries
Hulu Terengganu, Terengganu, Malaysia
Qualified Person’s Report

March
2017

3.5 Findings from Exploration Drilling and Mapping

The drilling investigation and mapping shows that Bukit Chetai is underlain by light grey granite traversed by northeast – southwest trending green to dark green dykes which have intruded the granite bedrock. These green dykes have been called granite but in fact geologically they are classified as microgabbro - a rock that has a different mineral composition to granite.

The widest dyke is measured at 30m at two of the working faces of the old quarry (see **Figure 3-4**) and it is suspected that there are narrower dykes traversing the site on the basis of what was interpreted from boreholes, seen in the boulder fields and along some access tracks where green boulders were found in the weathering profile.

The geological map comprising **Figure 3-4** was drawn up by AMEC geologists as commissioned by the Company. The basis for this request was to adjust borehole positions so to more likely intersect the green granite and also as planning ahead for the boreholes to be drilled so that access could be determined. The map shows lineaments, boulder fields and erosion gullies. RH has done its own check and would support the basis for the interpretation. RH also found green corestones in locations not seen by the contractor.

The contact between the granite and the dyke is very pronounced and well defined (**Figures 3-8** and **3-9**) with very little alteration of the granite host rock. The contact as recorded in the boreholes was seen to vary between 45° and 80° , but in the vicinity of the old quarry working near drill hole BCD12 it was near vertical. In the few joint measurements that were possible, taken in the zone of weathering and assuming these are a reflection of the structural control associated with the dyke intrusion, then interpreting high angle dykes would be not unreasonable. North of Bukit Machang in the aggregate producing quarries dykes were seen to be near vertical.



Figure 3-8; Well defined contact (in a fallen block) between Microgabbro (on left) and Granite

APPENDIX C – QUALIFIED PERSON’S REPORT

Bukit Chetai and Bukit Machang Granite Quarries
Hulu Terengganu, Terengganu, Malaysia
Qualified Person’s Report

March
2017

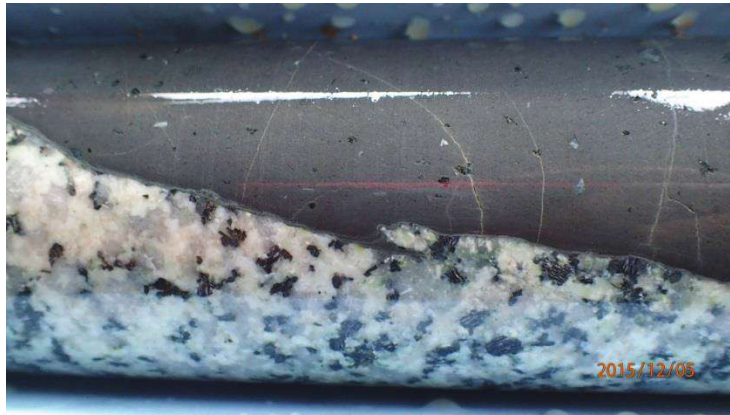


Figure 3-9; Sharp contact between granite host rock and dyke

In terms of dip direction the few measurements that were possible suggest that the dyke is dipping to the northwest. Regarding thickness RH relies on measurements taken at three locations where there are old quarry workings (by BCD drill holes, 3, 12 and 17) and in each 30m was measured. It is acknowledged that the distance between each of these is wide but given the geological nature of dyke intrusions it would not be unreasonable to assume for the purpose of the QPR that the dyke maintains this thickness with depth. The interpretation of the dyke swarm across the site is seen in the sections in **Figure 3-10**.

The interpretation also implies that the dykes have a uniform thickness but in reality it would be anticipated that over distance and with depth that the dykes will ‘pinch and swell’, and they may also spilt. In fact recent excavation in the old quarry working close to BCD12 has measured the dyke to be 40m wide with what appears to be an ‘island’ of granite. Short of carrying out an extensive investigation of angled drill holes to ‘pepper’ the site it would be impossible to determine the true nature of the dyke. This will happen as the Quarry is opened up.

Figure 3-10 also superimposes the nearest boreholes to the section line (**Figure 3-4** shows their location). These are offset by up to 75m which is why they often appear at different levels compared to the adjacent ground. The geological map (**Figure 3-4**) is based on field mapping and interpretation from boreholes. Given the thick overburden, access limitations and discrepancies between the available survey plan and ground conditions, the exact positions of the interface between the dykes and white granite country rock could not be determined with preciseness. The accuracy of the geological map should therefore be considered in this context and somewhat schematic to convey the geological outcrop pattern. Conversely the boreholes have been accurately surveyed and by comparing the information from these with the map there is a slight mismatch. Noting this RH is satisfied that the geological interpretation is realistic.

APPENDIX C – QUALIFIED PERSON’S REPORT

Bukit Chetai and Bukit Machang Granite Quarries
Hulu Terengganu, Terengganu, Malaysia
Qualified Person’s Report

March
2017

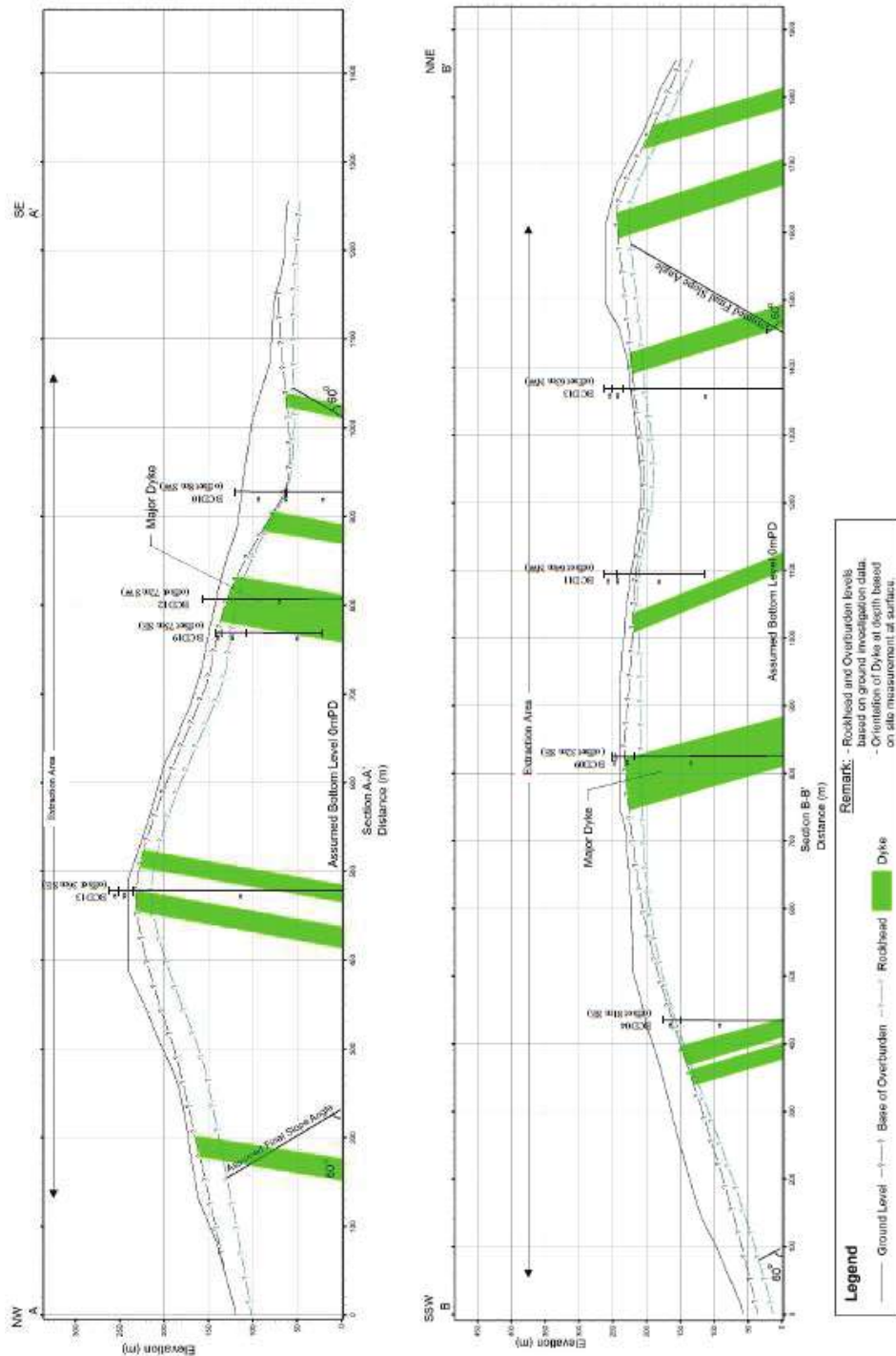


Figure 3-10; Geological sections across the site
(see Figure 3-4 for section locations) - note also borehole locations are offset)

APPENDIX C – QUALIFIED PERSON’S REPORT

Bukit Chetai and Bukit Machang Granite Quarries
Hulu Terengganu, Terengganu, Malaysia
Qualified Person’s Report

March
2017

In terms of suitability as dimension stone the measure is massiveness. The photos of the previous quarry operation show the rock to be massive. To try and quantify this and to examine an average joint spacing were measured in the boreholes (**Table 3-2**) outside (the few) fractured zones. These show that in the white granite (ie SW) the average spacing ranged from 1.80m to 28.50m whilst in the green dyke rock (ie TG) it was 1.48m to >19.00m.

Given that the Company is targeting blocks of up to 1.5m (see Section 6 of this QPR) this would suggest that dimension stone blocks can be excavated with high block rates.

Table 3-2; Measure of Massiveness

Drill Hole	Thickness (m)		Joint (Nos)		Joint Spacing	
	White	Green	White	Green	White	Green
3	53.00	19.00	4	0	13.25	>19.00
4	156.00	-	16	-	9.75	-
5	114.00	-	4	-	28.50	-
6	222.30	43.00	40	3	5.56	14.33
7	94.50	55.40	10	3	9.40	18.47
9	227.00	-	28	-	8.11	-
10	62.50	-	11	-	5.68	-
11	131.10	-	24	-	5.36	-
12	113.45	30.45	27	19	4.21	1.60
13	191.40	45.00	32	9	5.98	5.00
14	166.10	-	73	-	2.28	-
16	225.00	-	29	-	7.75	-
17	36.50	84.20	20	57	1.80	1.48
19	85.60	-	11	-	7.78	-
20	124.30	-	23	-	5.40	-

Note ; Frequency is average metres spacing per joint

Overburden was seen to be up to 20m thick and weathered rock 5m. The green granite tends to have boulders in the weathering profile whereas the white granite appears to grade gradually from being completely decomposed to fresh rock. The boulders generally comprise fresh rock and can be used as dimension stone.

The discrepancy in the topographic survey compared to what was seen on site was not considered material to the assessment of the fresh rock granite at the site. In an attempt to quantify this check surveys were done at 5 locations at Bukit Chetai and the discrepancies were up to 10m difference in elevation. As rock head is deep below a weathered profile the discrepancy is likely to affect only the quantities of overburden. This will lead to a lower stripping ratio but not impact on the resource estimation of the fresh rock. However, it will have an impact on the costs of overburden removal with the uncertainty on quantities.

APPENDIX C – QUALIFIED PERSON’S REPORT

Bukit Chetai and Bukit Machang Granite Quarries
Hulu Terengganu, Terengganu, Malaysia
Qualified Person’s Report

March
2017

3.6 Bukit Machang Geology

The geology of Bukit Machang has not been investigated in any detail but the old quarry working was visited (see **Figure 2-6** for location) and visibly the massive nature of the rock exposed looked very similar to what is found at Bukit Chetai. Abandoned dimension stone blocks (**Figure 3-11**) located near the entrance to the site show massive coarse grained granite which is eminently suitable as a dimension stone.



Figure 3-11; Rock extracted at Bukit Machang

Further to the north, 2km away along the northern boundary of the site, the rock exposed in the aggregate quarries appears is more jointed and thus more suited to be processed into aggregate, although in the same quarries there are also abandoned dimension blocks. It is suspected that the more fractured nature of the rock maybe the result of blasting.

Green dykes were also seen in the working face of the aggregate producing quarry visited although these were not seen to be as wide as the one at Bukit Chetai. One dyke was seen to split into two and this would not be unexpected of the dykes at Bukit Chetai.

3.7 Conclusions

The geology of The Project has been investigated in detail from the GI comprising boreholes, on site mapping, sampling and testing of rock core and grab sample fragments taken from the site. The rock at Bukit Chetai is a massive white to light grey granite intruded by NE-SW trending dykes. Both the dykes and granite rock are massive.

The dykes appear to be dipping at high angles to the NW and there is one large dyke of 30m width which will become the focus of quarrying by GGTM. On the basis of on-site measurements, mapping and knowing the geological nature of dyke intrusions it is expected that the width of the dyke will be maintained with depth.

APPENDIX C – QUALIFIED PERSON’S REPORT

Bukit Chetai and Bukit Machang Granite Quarries
Hulu Terengganu, Terengganu, Malaysia
Qualified Person’s Report

**March
2017**

As the large dyke will be the prime focus of quarrying, to mitigate uncertainty and to help quarry development, further drilling should be carried out and this should involve angled holes. Should the outcome result in some material change of interpretation of the dyke nature then this will be reflected in the Annual Resource statement that the Company will be obliged to report. The Company has accepted this necessity.

Both the granite and the dyke rock (ie the green granite) pass all the specification requirements for use as dimension stone.

APPENDIX C – QUALIFIED PERSON’S REPORT

Bukit Chetai and Bukit Machang Granite Quarries
Hulu Terengganu, Terengganu, Malaysia
Qualified Person’s Report

March
2017

4.0 THE NATURE OF THE GRANITE RESOURCE

The geological database on the granite and reviewed in this QPR, is based on the results of core samples taken from boreholes drilled as part of the GI (Section 3.3). **Table 4-1** summarizes the geological database:

Table 4-1; Database of Information used in this QPR

Item	Quantities		
Numbers of Boreholes	15 Nos		
Total Length of Drilling	2615.50m		
Core Samples from Boreholes – Total Tests		Green Granite	White Granite
Petrographic Analysis	22 Nos	11 Nos	11 Nos
Unconfined Compressive Strength	54 Nos	17 Nos	37 Nos
Bulk Density	54 Nos	17 Nos	37 Nos
Water Absorption	41 Nos	17 Nos	24 Nos
Radioactivity Measurements	6 Nos	3 Nos	3 Nos
Slab Samples – Nos of Tests			
Flexural Strength	8 Nos	5 Nos	3 Nos
Modulus of Rupture	8 Nos	4 Nos	4 Nos
Abrasion Resistance	10 Nos	5 Nos	5 Nos
Hardness Test (Shore)	2 Nos	1 Nos	1 Nos

Nos – Numbers; m – metres

Granite is a rather homogenous rock; its physical properties are not likely to change dramatically over a small distance, except perhaps at weathered zones and fractured zones. The sample testing programme was therefore designed to see if there was any variation with depth and across the site. From observation both the green and white granite showed no obvious variation. Details of the depth and location of samples is shown in **Appendix II**.

4.1 Specification for Granite Dimension Stone

There are a number of institutions worldwide which set standards for dimension stone in the engineering and construction sector. Of these the American and the European standards are the most well-known internationally. The PRC also has its own standards.

Table 4-2; ASTM C615 – 03 Standard Specifications for Granite Dimension Stone

Physical Property	Requirements	Test Method(s)
Absorption by weight, max, %	0.40	C97
Density, min, (kg/m ³)	2.560	C97
Compressive strength, min (MPa)	131	C170
Modulus of rupture, min (MPa)	10.34	C99
Abrasion resistance, min, hardness	25	C241 / C1353
Flexural strength, min (MPa)	8.27	C880

APPENDIX C – QUALIFIED PERSON’S REPORT

Bukit Chetai and Bukit Machang Granite Quarries
Hulu Terengganu, Terengganu, Malaysia
Qualified Person’s Report

March
2017

There are different standards for different end uses and stone types. American standard ASTM C-615-03 sets out the material specifications for granite dimension stone. **Table 4-2** lists the test methods applicable to granite dimension stone together with the specification requirements.

The individual tests to establish these properties are described by other ASTM Standards (eg - Abrasion Resistance is ASTM C-241). ASTM C1721-15 is the specification petrographic examinations. ASTM also has standards for other types of dimension stone; for example the specification for marble is ASTM C-503.

Architects and engineers may also have requirements on properties specific to a project and therefore **Table 4-2** may be considered a basic reference in terms of ultimate end use. Typically dimension stone is cut into slabs and tiles for use on floors and on walls. It may also be used as a sculptured or cut stone for specific purposes. Granite is popular as a kitchen table top.

4.2 Colour and Texture of the Granite Resource as Blocks for Slab and Tile Manufacture

Colour and texture are the two most important parameters for evaluating the aesthetic quality of a rock for dimension stone production. Bukit Chetai has two colours (Green and white) and Bukit Machang one colour (pink). The Company refers to these three types by their marketing names (**Figure 4-1**) which are:



Figure 4-1; Colour and Texture of the three granite stone products (Source: GGTM)

The rock from Bukit Chetai is Terengganu Green (referenced ‘TG’ in this report) and Sekayu White (‘SW’) whilst the pink coloured rock is named Rosa Tenggo (‘RT’). This QPR essentially concerns Bukit Chetai but for reference discussion on RT is included as the Company holds the license for quarrying at Bukit Machang (**Table 1-1**) and there is inventory of RT blocks and tiles from the previous operation which the Company has permission to market and sell.

APPENDIX C – QUALIFIED PERSON’S REPORT

Bukit Chetai and Bukit Machang Granite Quarries
Hulu Terengganu, Terengganu, Malaysia
Qualified Person’s Report

March
2017

The colour variation of both the green and white granites is very consistent as reflected by mineral composition determined from the petrographic examination, where samples examined were taken from various boreholes across the site and with depth (**Table 4-3**).

Table 4-3; Mineralogy of Bukit Chetai Granite (Examination according to ASTM C1721-11)

Colour Granite	Quartz	K-Feldspar	Plagioclase	Other
White (11 Examinations)	28-40%	25-33%	30-35%	5-10%
	Plagioclase	Pyroxene	Other	
Green (11 Examinations)	55-70%	20-30%	10-15%	

The pinker colour of the “RT” granite from Bukit Machang is mostly likely due to the higher content of potassium rich (K)-feldspar compared to the “SW” white granite which is higher in calcium feldspar (ie Plagioclase).

The petrographic examination also showed that the white granite contains no deleterious minerals which would otherwise provide some constraint to where it can be used. As for the green granite the ‘Other’ component comprises small amounts of iron bearing minerals - pyrite, magnetite and hematite, which on weathering could possibly generate ‘rust’ stains. Despite this potential the Company advises that staining has never been an issue even though there has been extensive usage of TG in external environments – walls and floors. Some of such usage has been in external cladding which has been installed more than 10 years ago. Blocks excavated several years ago by the previous operator and stored under external conditions at Bukit Chetai also show no signs of ‘rust’ stains.

4.3 Physical and Mechanical Properties of the Granite from Bukit Chetai

A large number of tests were carried out on core taken from the boreholes. As can be seen (**Table 4-4**) the granite meets all the requirements for use as a dimension stone.

Table 4-4; Test results on samples of granite from Bukit Chetai

Physical Property	Requirement	Green Granite	White Granite
Water Absorption by weight, max, %	0.40	0.06 to 0.15 (41)	0.04 to 0.16 (41)
Density, min, (kg/m ³)	2.560	2.667 to 2.973 (54)	2.655 to 2.768 (54)
Compressive strength, min (MPa)	131	160.6 to 223.2 (54)	126.1 to 196.4 (54)
Mechanical Property	Requirement	Green Granite	White Granite
Modulus of rupture, min (MPa)	10.34	36.5 to 45.6 (4)	27.9 to 29.5 (4)
Abrasion resistance, min, hardness	25	Ave 42.84(5)	Ave 51.07 (5)
Flexural strength, min (MPa)	8.27	19.2 to 26.5 (5)	15.0 to 18.4 (3)
Hardness (Shore)		87 (1)	104 (1)

(Brackets represent the number of tests carried out for each material type)

APPENDIX C – QUALIFIED PERSON’S REPORT

Bukit Chetai and Bukit Machang Granite Quarries
Hulu Terengganu, Terengganu, Malaysia
Qualified Person’s Report

March
2017

The mechanical properties were tested on samples of slabs which had been processed on site by the previous operator and kept in stock (see photo with **Figure 1-1**). These samples were selected by RH and the Company during the site visit in April 2016.

No tests were carried out as part of this current GI on the granites from Bukit Machang apart from flexural strength. For this test samples were taken from tiles cut previously and left in stock. However, as can be seen in **Table 4-5** the results of analysis carried out by Jabatan Minerals Dan Geosains on samples in 2009 show that the pink “RT” granite also meets all the specification requirements for dimension stone.

Table 4-5; Test Results on rock from Bukit Machang in 2009

Physical Property	Requirement	Pink Granite
Absorption by weight, max, %	0.40	0.16
Density, min, (kg/m ³)	2.560	2.62
Compressive strength, min (MPa)	131	178
Modulus of rupture, min (MPa)	10.34	12
Abrasion resistance, min, hardness	25	49
Flexural strength, min (MPa)	8.27	12 (12.0 to 12.4)

(Three Flexural Strength tests were carried out as part of current test programme)

Whilst all the granites meet all the specification requirements for dimension stone the green granite (ie TG) is seen to have more superior physical and mechanical properties - for example higher strength, hardness and density - compared to the SW and RT granites which have very similar properties. The difference is not unexpected as the TG, geologically, is not a granite and it is also a much finer grained rock. In igneous rocks this generally means greater strength and density.

4.4 Radioactivity of the Granite

Dimension stone is tested for radioactivity to ensure there are no health issues related to production, sale and ultimately for when it is in place in its particular end use. Granite contains uranium and thorium isotopes and at high concentrations gives off radon gas. Consequently highly radioactive stone cannot be placed indoors.

To test for radioactivity samples were sent to a PRC laboratory accredited in these tests – the PRC being chosen because the Company is targeting to export 20% of their TG blocks to the PRC. The samples for testing were chosen by RH who then prepared the samples before dispatching them to the Laboratory.

The National Standard for Construction Material in the PRC (GB6566-2001) classifies construction materials into Classes A, B or C. Construction material with $IRa < 1.0$ and $Ir < 1.3$ is classified as Class A which means there is unrestricted use. Classes B and C have more

APPENDIX C – QUALIFIED PERSON’S REPORT

Bukit Chetai and Bukit Machang Granite Quarries
Hulu Terengganu, Terengganu, Malaysia
Qualified Person’s Report

March
2017

restricted use with Class C having the most restriction.

Table 4-6; Radioactivity Tests carried out according to GB standards

Borehole	Depth (mbgl)	IRa	Ir
Green Granite			
BCD12	158.50	<0.10	0.10
BCD17	20.50	<0.10	0.10
BCD 17	101.40	<0.10	0.10
White Granite			
BCD4	170.70	0.70	1.20
BCD9	116.70	0.70	1.30
BCD16	158.60	0.60	1.00

The results show that the granite satisfies the radioactivity requirements of a Class A construction material (**Table 4-6**) which means there is no restriction for its production, sale and utilization. Only Class A stone can be used indoors. It is noted that the TG is non-radioactive and therefore has unrestricted usage as a dimension stone product in the PRC.

These radioactivity levels also fall within the European Union’s acceptable limit range based on the European Commission Radiation Protection Report 112.

4.5 Conclusion

The granites from Bukit Chetai satisfy the minimum requirements on all tests used to assess the acceptability of a natural stone to be used as a dimension stone. It can have unrestricted usage. However, the TG contains iron bearing minerals, albeit in very small amounts, and in very wet environments there may be a potential for staining although from experience to date there is no suggestion that this is likely.

APPENDIX C – QUALIFIED PERSON’S REPORT

Bukit Chetai and Bukit Machang Granite Quarries
Hulu Terengganu, Terengganu, Malaysia
Qualified Person’s Report

March
2017

5.0 GRANITE RESOURCES AND RESERVE

5.1 Granite Resource/Reserve Classification

The JORC Code is a professional code of practice that sets minimum standards for Public Reporting of Exploration Results, Mineral Resources and Ore Reserves. The JORC Code is produced by the Australasian Joint Ore Reserves Committee (ie JORC), which is also responsible for its development and ongoing update. The JORC Code was first published in 1989 with the latest version dated December 2012.

The JORC Code provides a mandatory system for the classification of Exploration Results, Mineral Resources and Ore Reserves according to the levels of confidence in geological knowledge and technical and economic considerations in public reports. In Singapore, the JORC Code is one of the standards recognized by the Stock Exchange when public companies report statements on their Mineral Resources or Ore Reserves.

It covers not only ores which contain metal but also all solid minerals including industrial minerals (also coal, diamonds and other gemstones) for which public reporting of Exploration Results, Mineral Resources and Ore Reserves is required by a Stock Exchange.

A mineral resource is a concentration or occurrence of solid material of economic interest in or on the Earth’s crust in such form, grade (or quality), and quantity that there are reasonable prospects for eventual economic extraction. Under the JORC Code Mineral Resources are sub-divided in order of increasing geological confidence into Measured, Indicated or Inferred categories. A full definition of Mineral Resource and each of the three sub-divisions is presented in Section 14 of this QPR. These are summarized as follows:

- Measured Resource is one which has been intersected and tested by drill holes or other sampling procedures at locations which are close enough to confirm continuity and where geoscientific data are reliably known.
- Indicated Resource is one which has been sampled by drill holes or other sampling procedures at locations too widely spaced to ensure continuity, but close enough to give a reasonable indication of continuity and where geoscientific data are known with a reasonable level of reliability
- Inferred Resource is one where geoscientific evidence from drill holes or other sampling procedures is such that continuity cannot be predicted with confidence and where geoscientific data may not be known with a reasonable level of reliability.

APPENDIX C – QUALIFIED PERSON’S REPORT

Bukit Chetai and Bukit Machang Granite Quarries
Hulu Terengganu, Terengganu, Malaysia
Qualified Person’s Report

March
2017

An Ore Reserve is defined in the JORC Code as the economically mineable part of a Measured and/or Indicated Resource. The definition of Ore Reserve taken from the JORC Code is also presented in Section 14.

Ore Reserve figures incorporate mining dilution and allow for mining losses, and are based on an appropriate level of mine planning, mine design and scheduling and the application of other modifying factors. Proved and Probable Reserves are based on Measured and Indicated Resources respectively. Under the JORC Code Inferred Mineral Resources are deemed to be too poorly delineated to be transferred into the Ore Reserve category.

The general relationship between Exploration Results, Mineral Resources and Ore Reserves under the JORC Code is summarized below in **Figure 5-1**.

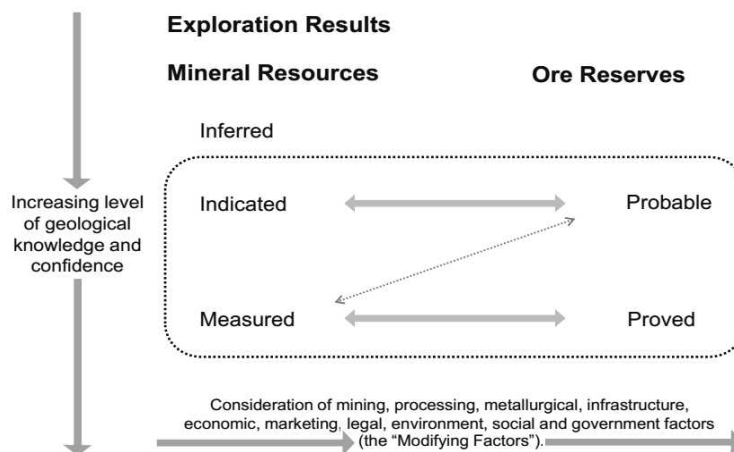


Figure 5-1; Relationship between resources and reserves from JORC Code

Generally the resources quoted are inclusive of those resources converted to reserves and this is the protocol that RH follows. Furthermore in the case of dimension stone quarries resources (and reserves) are reported as volume in units of cubic meters ("m³").

5.2 Procedure and Parameters for the Resource Estimation

The purpose of the estimation is to establish whether there is sufficient green and white granite at the quarry to meet the production targets of the Company over the duration of the Concession Agreement. The first step is to look at the total resource.

As the granite appears to be homogenous and massive over the Quarry area (ie it forms the

APPENDIX C – QUALIFIED PERSON’S REPORT

Bukit Chetai and Bukit Machang Granite Quarries
Hulu Terengganu, Terengganu, Malaysia
Qualified Person’s Report

March
2017

entire mass of material that will be excavated from the landform) the resource estimation is a matter of comparing the final landform with the existing landform.

However, in making this estimation due consideration needs to be made of;

- the difference in landform between what is shown on the provided survey plan and the actual landform (see Section 4.6 of the QPR)
- the irregular shape of the boundary - even though the whole area has been licensed for extraction should some areas be realistically excluded in the resource estimation
- the trend and thickness of the green granite dykes and how much of the total resource can be estimated for these, and finally
- the quantities of overburden and weathered rock

The final landform assumes that the quarry is extracted in full and, as advised by the Company, based on a general agreement with the local Government that the site can be reduced to datum (ie 0mPD). Even though there are no levels stated in the lease conditions for the site the EIA has been approved on this basis and the OMS has been renewed on the approval of the EIA. It is also assumed the small area in the southwest of the site is excluded, being an odd shape, and that the area at the northeast of the site is excluded because this is where offices, the existing processing facility and workshops are located.

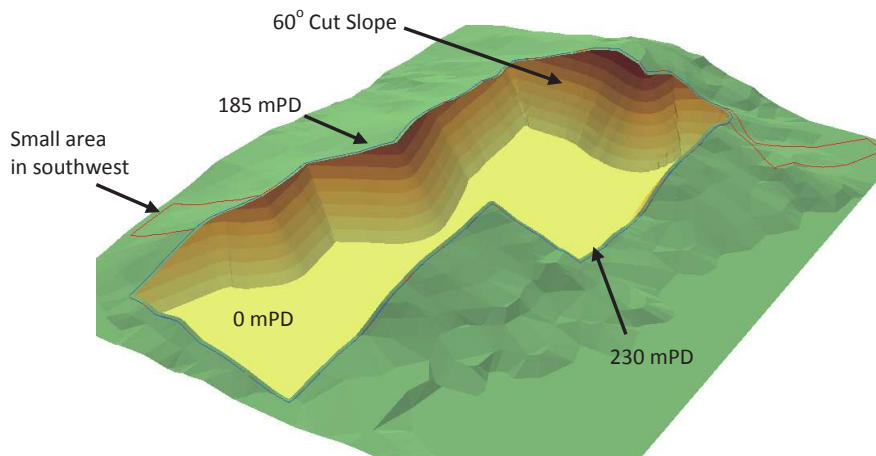


Figure 5-2; Schematic of final landform at Bukit Chetai facing Northwest
(blue line shows extraction boundary)

An average back slope angle of 60° from the final line of excavation is assumed. This is a commonly used safe angle in massive rock to ensure minimal risk from slope instability. In due time this will be benched and vegetated to create a visually acceptable final landform which would also meet environmental objectives. The final landform slope on full excavation will range in height from 25m to over 200m. A schematic of this forms **Figure 5-2** and sections through the final landform can be seen in **Figure 3-10**.

APPENDIX C – QUALIFIED PERSON’S REPORT

Bukit Chetai and Bukit Machang Granite Quarries
Hulu Terengganu, Terengganu, Malaysia
Qualified Person’s Report

March
2017

At Bukit Machang the final landform would be more regular in shape as shown in **Figure 5-3**.

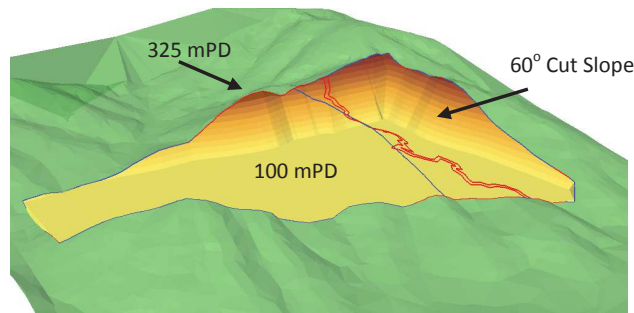


Figure 5-3; Schematic of final landform at Bukit Machang facing Southeast

5.2.1 Topographic Survey

As noted in Section 3.5 of the QPR it was apparent that the survey plan provided (in AutoCAD DWG format) did not truly reflect the actual landform and it was assumed that the plan either predated logging in the 1980s – 1990s or did not take into account the tree canopy. At 5 locations in the vicinity of the old quarry workings a detailed survey was carried out by Tunas Ukur Consultants, surveyors based in Kuala Terengganu and it was found that there were differences of up to 10m, with the ground levels mostly lower.

As the site has a thick cover of overburden and weathered rock to depths of over 20m it was concluded that in terms of Mineral Resource estimation the impact would be minimal given that the drill holes from the GI were accurately surveyed and thus the surface of fresh rock determined with reasonable accuracy. The impact in quantities would be primarily related to the overburden and as such it becomes a cost issue.

5.3 Volume Estimation

The resource quantities at both Bukit Chetai and Bukit Machang were determined from the geological profile established from the GI and comparing it with the ground profile provided in AutoCAD DWG format (see **Figures 2-2** and **2-6**). A 60° back slope was assumed.

The numerical calculation of granite volumes at both Bukit Chetai and Bukit Machang was carried out using ESRI ArcGIS 3D Analyst extension. The software used existing and amended point surface data to generate three dimensional surfaces that facilitate volumetric calculation of the amount of material between different surfaces. The 3D surface models were generated through geostatistical analysis of the available point data using a Kriging process, a method of data interpolation whereby intermediate values between

APPENDIX C – QUALIFIED PERSON’S REPORT

Bukit Chetai and Bukit Machang Granite Quarries
Hulu Terengganu, Terengganu, Malaysia
Qualified Person’s Report

March
2017

known x,y,z point data is modelled by a Gaussian process governed by covariance to give the best linear unbiased prediction of the intermediate values.

The three dimensional surfaces adopted for the resource estimation were as follows;

- Ground Surface: based on the survey plans;
- Base of Overburden: based on contours of stratum levels derived from borehole data and
- Base of Weathered Rock (Rockhead Level): based on contours of stratum levels derived from borehole data

This data was converted into ArcGIS Triangular Irregular Networks (TIN) format and used to model the existing ground profile.

The total resources estimated for Bukit Chetai is given in **Table 5-1**. The excavation area is assumed to be within the blue outlined area in **Figure 3-4** – the quarry extraction area with a 10m sterile zone at the site boundary where no extraction is permitted in accordance with the EIA approval conditions.

Table 5-1; Mineral Resource Estimate at Bukit Chetai

Material Type	million m ³
Overburden	18.10
Weathered Rock	11.26
Total Waste	29.36
White Granite	94.34
Green Granite (30m dyke)	4.72
Green Granite (Subsidiary dykes & boulders)	0.94
Total Mineral Resource	100.00

The volume of the green granite was calculated assuming that the 30m dyke maintains this thickness. A figure of 20% of this volume has been assumed to be from the subsidiary dykes and boulders. This is based on the assumption that the total aggregate thickness of the subsidiary dykes will be about 6m (ie 20% of 30m) after consideration of the number of dykes likely to present and the width of outcrop as mapped by green core stones in the weathered profile in areas of slopes cut for access to drill holes. For the purposes of resource estimation this 20% is assumed to include resource volumes provided by ‘green boulders’.

At Bukit Machang, and in the absence of any borehole information, the following assumptions were made in order to estimate a volume of the Mineral Resource;

APPENDIX C – QUALIFIED PERSON’S REPORT

Bukit Chetai and Bukit Machang Granite Quarries
Hulu Terengganu, Terengganu, Malaysia
Qualified Person’s Report

March
2017

- Vertical cut along the boundary between A and B where A is to the north of the small road leading to the relay station and B is to the south (see **Figure 2-6**)
- 60° cut along the remaining sides
- Base of overburden at 15m below ground
- Rockhead level at 20m below ground (i.e. 5m below base of overburden)

The volume (**Table 5-2**) was calculated in the same way that was generated for Bukit Chetai;

Table 5-2; Exploration Targets Estimate (million m³) at Bukit Machang

Zone	Elevation of Floor (mPD)	Overburden	Weathered Rock	Fresh Rock
Area A	100	16.55	5.44	137.11
	200	11.51	3.75	51.11
Area B	100	11.60	3.79	96.27
	200	8.10	8.10	47.17

These estimates are presented for information as Bukit Machang has not been investigated with any boreholes drilled. They cannot be used in a Mineral Resource statement and according to the JORC code would be defined as Exploration Targets.

5.4 Determination of Confidence Levels

The JORC Code requires that the Resource is classified according to the confidence in the quality of geological and geostatistical data. Boreholes drilled in a grid down to the final formation level would be the ideal solution to simplify this process but at Bukit Chetai this was not possible because of difficulties with access. The layout was therefore random but nonetheless had sufficient coverage of the whole site.

To help define the confidence levels in its assessment, RH took into account:

- the results from boreholes, sampling and testing showing the rock to be consistent in nature in depth and throughout the extraction area.
- the fact that there was no indication of any major geological structure across the site to suggest that any other rock type to the granite and microgabbro (ie green granite in the dykes) would be present in areas of the site that could not be drilled

Therefore RH is of the view that the bulk of the total resource can be considered Measured or Indicated. However, it was decided that for the 20% of green volume (despite the presence of green boulders), because there was insufficient data points for the subsidiary dykes the continuity could not be predicted with confidence and to a reasonable level of reliability. As such, and in accordance with the JORC Code this volume could only be considered an Exploration Target and therefore not included in the Resource Statement.

APPENDIX C – QUALIFIED PERSON’S REPORT

Bukit Chetai and Bukit Machang Granite Quarries
Hulu Terengganu, Terengganu, Malaysia
Qualified Person’s Report

March
2017

5.5 Mineral Resource Statement

The white granite appears to be consistent in quality across the whole site and therefore it was considered that the bulk of this material type can be estimated with a high degree of confidence as a Measured Resource. However, the areas in purple in **Figure 3-4** – termed buffer zone – could not be investigated for reasons of access but there is no reason to believe that the underlying rock will not be granite. As a general rule RH considers that in massive granite a 200m grid of boreholes would be adequate to understand the geology and as these areas are more than 200m from the nearest borehole the confidence level in terms of resource definition would thus be lower and thus the Resource in these areas is Indicated.

In the case of the 30m wide green granite dyke, whilst there is a reasonable level of continuity on the basis of exposures and what was measured during mapping, these points are more widely spaced and thus it is more appropriate that the dyke is classified as Indicated.

As such RH believes that the geological interpretation it has made is reasonable and reliable for the Mineral Resource statement. The Mineral Resource estimate under the JORC Code as at the effective date of 31 January 2017 is summarized in **Table 5-3**.

Table 5-3; Mineral Resource Statement (million m³) at 31 January 2017

Material Type	Totals		
Overburden	18.10		
Weathered Rock	11.26		
Total Waste	29.36		
		Measured	Indicated
White Granite	94.34	88.34	6.00
Green Granite (30m dyke)	4.72		4.72
Total Mineral Resource	99.06	88.34	10.72

5.6 Granite Ore Reserves

The Bukit Chetai Granite deposit is suitable for use as a dimension stone. However, it is only the economic portion of the Measured and Indicated granite Mineral Resources that can accordingly be used to estimate the Proved and Probable granite Ore Reserves. As noted earlier (Section 5.1) not all of the Mineral Resource will be recovered. There will be waste that is generated in the clearance process and also material lost during normal cutting operations. These losses in volume are taken into account when estimating the Ore Reserves.

APPENDIX C – QUALIFIED PERSON’S REPORT

Bukit Chetai and Bukit Machang Granite Quarries
Hulu Terengganu, Terengganu, Malaysia
Qualified Person’s Report

March
2017

Waste from Clearance: The Mineral Resource estimates at Bukit Chetai are based on fresh rock as the surface at the base of the weathered zone between overburden and fresh rock has established from the GI and modelled. Nonetheless it is prudent to take into account some volume loss when estimating the Ore Reserve.

Ordinary operational waste is expected to be minimal as the rock is massive and the use of saws to cut the rock is a high yield low resource loss option. However loose rock will inevitably be generated but this can usefully be used on site as a surfacing to haul roads. Where there is excess rock this can be crushed and sold as aggregate. Losses will inevitably also occur in the handling and transit of blocks to the stock yard.

Apart from having to consider losses from waste and other operational issues it is also necessary to consider the ‘Modifying Factors’ (**Figure 5-1**) before making an Ore Reserve Statement. To define an Ore Reserve requires, as a minimum, that a Pre-Feasibility Study (PFS) is conducted to assess the technical viability of extracting the Mineral Resource as well as social, legal, environmental, transport, marketing and Governmental issues. Some financial analysis should also have been presented.

For the Project the PFS was conducted by RH and completed in December 2016. The PFS covered in detail all the “modifying factors” and concluded the Project had merit and was feasible. The commercial success depends on being able to meet the sales targets and given that the business is starting up then there is some risk here in being able to predict performance in this respect over time. However, an experienced sales team is in place and the marketing plan set out by the Company is thorough and comprehensive, contracts have been awarded and there are LOIs/MOUs/Off-take agreements signed. This is discussed in more detail in Section 10 of the QPR.

As such RH is of the opinion that the granite Mineral Resource, which is being excavated as dimension stone blocks, can be considered a Reserve as all the necessary modifying factors have been suitably addressed. However in order to establish the Reserve the block rate needs to be considered.

The **block rate** is defined as the percentage of the granite Mineral Resources that can be mined out as granite dimension stone blocks. Determining block rate is difficult unless there is a trial excavation and therefore when such projects are being planned operators normally rely on a combination of borehole information, trial excavation and general knowhow of the stone under consideration to establish this rate.

At Bukit Chetai there are no records from the previous quarry operation, other than photos.

APPENDIX C – QUALIFIED PERSON’S REPORT

Bukit Chetai and Bukit Machang Granite Quarries
Hulu Terengganu, Terengganu, Malaysia
Qualified Person’s Report

March
2017

However both the green and white granites are undoubtedly massive on the basis of low frequency of joints measured within the boreholes (Section 3.5 of the QPR) and the mostly 100% RQD measurements in fresh rock. As these joints appear to be random a quantitative analysis would not provide any meaningful guidance. The nature of the existing quarry face was also examined and the rock seen to be massive. Therefore for planning purposes an appropriate block rate can be based on judgement and experience considering all factors available and the operational requirements.

RH considers that for planning purposes a block rate of 65% is appropriate. Initially as excavation takes place close to rock head, and until a large production platform can be formed, the rate may be lower than this but it is expected that with depth this will increase reflecting more competent rock with fewer discontinuities.

The Company has also made their own estimate and believes a higher block rate is achievable given the nature of the rock. Nonetheless as excavation proceeds the block rate will be recorded in accordance with normal operating procedure and a reassessment of the Ore Reserve on the basis of actual recovery can be reported - if the change is material - at the time of the annual resource and reserves statement.

5.7 Ore Reserve Statement for Granite Dimension Stone Blocks

After taking into account the issues of waste and block rate the Measured and Indicated granite Mineral Resources can be converted to include both Proved and Probable Ore Reserves. For the purposes of the Ore Reserve statement a 65% block rate is considered reasonable to estimate the Reserve. The statement as at the effective date of 31 January 2017 is shown in **Table 5-4**. The total Reserves are estimated at 64.39 million m³.

Table 5-4; Granite Ore Reserves at Bukit Chetai Granite Quarry (million m³)

Material Type	Million m ³	Proved	Probable
White Granite	61.32	57.42	3.90
Green Granite (30m dyke)	3.07		3.07
Total Ore Reserve	64.39	57.42	6.97

5.8 Quarry Life Analysis

With a targeted excavation of 1,065,000m³ of TG and 528,600m³ of SW over the next 20 years (as discussed at the beginning of Section 6), there is more than sufficient reserves – respectively 3.07 million m³ and 61.32 million m³ - for the remaining 20 year lease period for the Quarry. However, the life of the Quarry could change in the future for a number of

APPENDIX C – QUALIFIED PERSON’S REPORT

Bukit Chetai and Bukit Machang Granite Quarries
Hulu Terengganu, Terengganu, Malaysia
Qualified Person’s Report

March
2017

reasons including changes in production rate and the balance between blocks of green granite and white granite. However this is a normal consideration for a quarry business.

5.9 Conclusions and Summary of Granite Ore Reserves and Mineral Resources at 31 January 2017

The Mineral Resources and Ore Reserves statement has been built on the basis of proper modelling and assessment of the ground topography and the nature of the geological profile down to the line of final excavation. In summary (**Table 5-5**);

Table 5-5; Summary of Statements of Reserves and Resources at
Bukit Chetai Granite Quarry (million m³)

	Mineral Type	Gross Volume Attributable to License	Net Volume Attributable to Company
Ore Reserves			
Proved	White Granite	57.42	57.42
	Green Granite		
Probable	White Granite	3.90	3.90
	Green Granite	3.07	3.07
Total		64.39	64.39
Mineral Resources			
Measured	White Granite	88.34	88.34
	Green Granite		
Indicated	White Granite	6.00	6.00
	Green Granite	4.72	4.72
Total		99.06	99.06

Notes; Table format according to SGX requirements – “Grade” not applicable to dimension stone and ‘Changes from previous update’ not applicable to this QPR

It is estimated that 65% of the Resource can be excavated as blocks and with the continuity and massiveness of the granite with depth it is anticipated that this Block Rate can be used for ongoing planning. In turn the Company believes that a higher Block rate can be achieved.

The Company intends to carry out further drilling for planning purposes as the quarry is opened up and the nature of the green granite dyke more clearly established. At that time the Mineral Resources can be reviewed and where there is more confidence in their continuity and nature can be converted to Ore Reserves. The Block Rate can also be more accurately factored in.

APPENDIX C – QUALIFIED PERSON’S REPORT

Bukit Chetai and Bukit Machang Granite Quarries
Hulu Terengganu, Terengganu, Malaysia
Qualified Person’s Report

March
2017

6.0 QUARRY OPERATION AT THE BUKIT CHETAI GRANITE QUARRY

The basic plan of the Company is to gradually step up the quarry operation with excavation of fresh rock for dimension block production rising from 500m³ per month in year FY2017 to 9,000m³ per month (108,000m³ pa) by FY2025 when the quarry will be in full production. The level of production will be a reflection of expected market demand of granite products from the site as the intention is that there will be a constant throughput of blocks for immediate processing or sale.

With the green granite (ie TG) being the premium product from the Quarry the basis for the quarry operation in the early years is to extract this with a lesser focus on the white granite (ie SW). Then, as the awareness of the TG granite, and GGTM as a producer of quality dimension stone is established, to further build up the awareness of the SW granite as a quality product. Planned excavation over the ten years to FY2026 is shown in **Table 6-1**:

Table 6-1; Planned Excavation for Dimension Blocks (m³) at Bukit Chetai over ten years

	FY									
	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Green – TG	350	500	800	1,300	1,500	2,800	4,000	5,500	6,000	6,000
White – SW	150	300	400	500	1,000	1,200	2,000	2,500	3,000	3,000
Monthly	500	800	1,200	1,800	2,500	4,000	6,000	8,000	9,000	9,000
Annual	6,000	9,600	14,400	21,600	30,000	48,000	72,000	96,000	108,000	108,000
Green – TG	4,200	6,000	9,600	15,600	18,000	33,600	48,000	66,000	72,000	72,000
White – SW	1,800	3,600	4,800	6,000	12,000	14,400	24,000	30,000	36,000	36,000

This amounts a total excavation of 345,000m³ of TG and 168,600m³ of SW over the next 10 years (respectively 1.065 million m³ and 528,600 m³ over 20 years – ie up to end of LTAWNT lease for site). Given that there is an estimated 4.72 million m³ of TG Resource and 94.34 million m³ of SW Resource, there is more than sufficient rock to meet these targets.

Table 6-2; Extraction Quantities along main dyke (million m³) to 139mPD – 35m wide Excavation

Side of Excavation	Green Granite	White Granite	Weathered Rock	Overburden
60° side slope	1.065	2.40	1.09	0.36
80° side slope	1.065	0.81	0.59	0.20

However, there are some important challenges for the Quarry operation. Firstly there will be an excess of white granite excavated. For an 80° side slope the excess over 20 years (**Table 6-2**) will be 281,400m³ (ie 810,000m³ less 528,600m³). The Company recognizes this and as the Quarry opens up they will evaluate the nature of green and white granite and the development of the working faces along the main 30m wide dyke with the objective of minimizing this excess. The Company will also maximize the excavation from the other sources of green granite on the site (boulders and the smaller dykes) so as to keep the excavation of white granite to a minimum until the marketing effort can focus on generating

APPENDIX C – QUALIFIED PERSON’S REPORT

Bukit Chetai and Bukit Machang Granite Quarries
Hulu Terengganu, Terengganu, Malaysia
Qualified Person’s Report

March
2017

more SW block sales. Alternative markets will also be pursued such as selling the excess for aggregate production. These potential ‘additional’ sales have not been included in the financial projections.

The most immediate challenge is how to open up the Quarry in an efficient and timely manner to ensure fresh rock that meets the specification for dimension stone is exposed. The GI identified the bedrock to be massive with minimal joints and other natural breaks and thus eminently suitable as dimension stone. But there was also as much as 20m of overburden, in some places thicker, as well as weathered bedrock to remove.

The next challenge is how to preferentially extract and achieve the production targets of the TG granite which is present as a 30m wide dyke within the SW country rock. In this respect the dyke appears to be near vertical with a well-defined contact with the SW granite and as such this is a benefit to the extraction technique. There are also smaller subsidiary dykes of the TG granite as well as TG boulders and core stones. The challenge here is to excavate these in a way which maximizes the volume take for dimension stone.

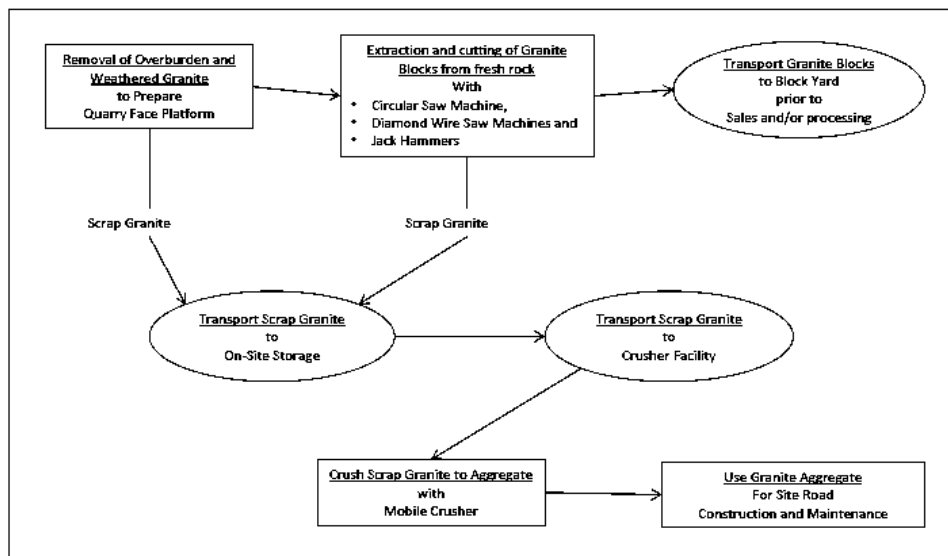


Figure 6-1; Process flow diagram for Granite quarrying operations

The quarrying process that the Company is following is uncomplicated and typical of many other companies operating in this sector. A simplified flow chart (Figure 6-1) is attached but simply put this process can also be described in four phases:

1. **Pre-Production Operations;** Clearance, construction of haul roads and opening up and development of production platforms.

APPENDIX C – QUALIFIED PERSON’S REPORT

Bukit Chetai and Bukit Machang Granite Quarries
Hulu Terengganu, Terengganu, Malaysia
Qualified Person’s Report

March
2017

2. **Primary Extraction Cuts;** Excavation to separate benches or big rock slices from the parent bench. Bench sides are typically planar and vertical.
3. **Secondary Cuts and Removal of Blocks;** whereby numerous rock slices are obtained from a single bench – these being usually cut perpendicular to the bench length with slices into blocks of commercial sizes - and then dislodged from the parent block ready for transportation to the block yard. The standard block size to be cut is 2.5m (length) x1.5m (width) x0.75m (height) - a volume of 2.81m³ (8.2t for green granite blocks and 7.6t for white granite). However for commercial purposes both smaller and larger blocks will be cut - being defined by the height. Large blocks will have a maximum height of 1.5m – a volume of 5.6m³ (16.3t).
4. **Transportation and Storage of Granite Products;** Removal of blocks to storage areas downslope ready for disposal off site to markets or further processing. This phase also includes the disposal of other loose granite fragments from production platforms.

The production efficiency of the operation increases if these four working phases are to be done simultaneously. This is the intention of GGTM who anticipate a continuous throughput whereby blocks are continually being produced and sales are such that inventory in the block yard is kept to a necessary minimum.

The intention is to use a local workforce, migrant workers (primarily from Bangladesh to meet requirements set by the Government on the engagement of migrant workers) and workers from PRC who are skilled in dimension stone operations. Because of this diverse workforce it is assumed that 12 months of actual extraction each year will be achieved. When in full production the quarry will have a work force of over 90 workers.

6.1 Development

Bukit Chetai is a heavily vegetated hillside with dense undergrowth and trees up to 10-15m in height. The undergrowth hides deep erosion gullies and boulder fields. Slopes are often steep. The boulders can be up to 5m in size and pose a challenge to development. There are three working faces which have been worked previously in small scale operations. One of these is barely visible having been consumed by the forest. Another, in the middle of the site, will be main focus of the development of the new quarry by the Company.

With this background, access in and around the Quarry has already been provided and haul roads are being developed to areas not yet opened up. Offices, living quarters and an existing processing facility already exist and clearance for the new processing facility has started. On land behind this facility there is adequate room to expand to support other

APPENDIX C – QUALIFIED PERSON’S REPORT

Bukit Chetai and Bukit Machang Granite Quarries
Hulu Terengganu, Terengganu, Malaysia
Qualified Person’s Report

March
2017

processing facilities as the Quarry develops and production increases.

The focus of quarry development will take place in FY2017 as the Quarry is opened up to create working platforms for cutting the rock, the location of long term haul roads finalized and working procedures become familiar. How to deal with the stripping of vegetation and the removal of overburden to avoid constraining the quarry operation is discussed below. In the long term the quarry will be working along the big dyke (**Figure 6-2**).

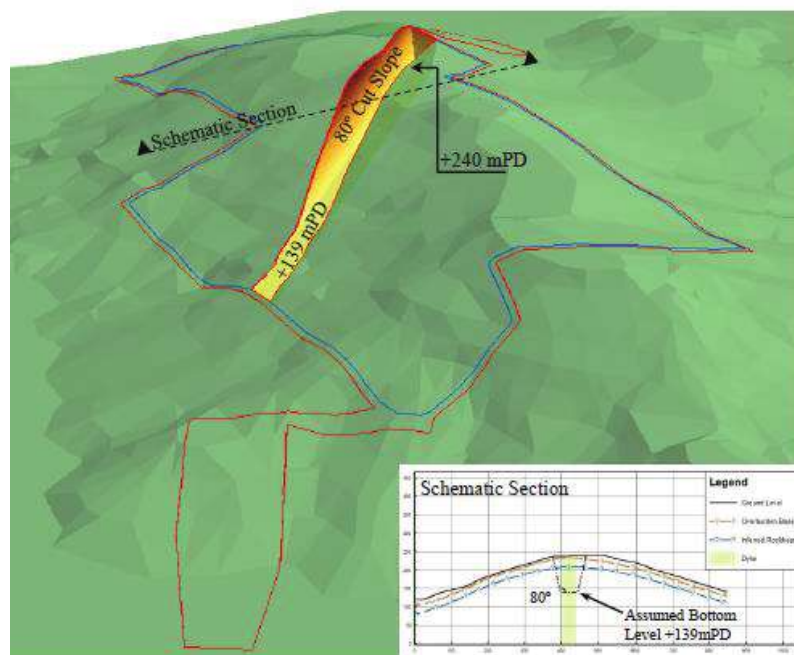


Figure 6-2; The Quarry will be along the main green granite dyke

6.1.1 Stripping of Vegetation

Apart from the small areas previously quarried, development of the project site will involve stripping of a large amount of vegetation, mostly small and medium sized trees, shrubs and grass. However, there are also some large trees remaining from what was the primary forest prior to logging. Vegetation will be removed by excavators, hand held saws and, ultimately, by truck to designated disposal points.

Allocating a centralized dumping area within the proposed project site may involve major transportation and stretch the project schedule - which is considered unnecessary. Furthermore leaving the vegetation for decomposition may also take a long period of time.

APPENDIX C – QUALIFIED PERSON’S REPORT

Bukit Chetai and Bukit Machang Granite Quarries
Hulu Terengganu, Terengganu, Malaysia
Qualified Person’s Report

March
2017

Cut vegetation has potential to be a fire risk unless properly managed. During heavy rainfall, runoff may bring these materials into side drains which can cause clogging and overflow.

The approach to be adopted is that the small vegetation debris is collected and used as a protection layer for soil erosion from rain on the temporary slopes. Larger vegetation and trees will be cut and deposited in designated areas before disposed. Here the main issues are;

- (i) to ensure that the designated area is well enough away from the working quarry faces so as not to hinder development, and where there are
- (ii) larger trees to remove, sufficient time is allowed to cut and dispose of the trees. For larger trees several weeks may be required

At this stage it is difficult to know where disposal may be on site but there is sufficient land area outside of the main dyke area meaning that there will be no constraints to this operation.

6.1.2 Removal of Overburden and Weathered Rock

In the early years of the Project the stripping of overburden and the extraction of weathered rock to reveal bedrock will be a major exercise and part of the preproduction. Removal of overburden will be carried out using excavators with lorries to transport the excavated material to dedicated stockpiles. These will be in locations which will not block natural stream courses and/or not create unwarranted erosion.

While most of this operation will be in soil where **larger boulders** are found these can be processed into blocks using feather and wedge techniques to break up the boulders into manageable shapes. Where **weathered rock** is encountered that is not of sufficient quality for dimension stone excavation, wire saws and/or feather and wedge techniques will loosen up the rock prior to removal by excavators. This operation will be time consuming and will need to be factored into the programme to open up new areas.

Both overburden and waste rock are useful materials for road repairs, and in the case of rock, as a drainage medium it can act as a filter to sediment filled water discharge following heavy rainfall.

Furthermore and in accordance with environmental obligations, clearance will be done ‘little by little’ and to match in with the development programme. Clearance of large areas outside the main areas of development will not be permitted so that fauna can relocate in a

APPENDIX C – QUALIFIED PERSON’S REPORT

Bukit Chetai and Bukit Machang Granite Quarries
Hulu Terengganu, Terengganu, Malaysia
Qualified Person’s Report

March
2017

more orderly manner – thereby mitigating distress.

6.2 Extraction

For purposes of extraction of dimension stone blocks GGTM will use the following equipment:

- Circular Saw Machine - Creates vertical cuts in the face of the quarry in order to extract large blocks more efficiently than a traditional diamond wire saw machine. The large blocks extracted using circular saw machines are typically 157m³ (35m in length, 3.0m in width and 1.5m in height). There is some flexibility in the cutting width as these saws have a cutting range between 2.7m and 3.2m
- Diamond Wire Saw Machine – Cuts the large blocks into medium blocks, typically 10m in length, 3m in width and 1.5m in height.
- Coring Machine – Drills horizontal holes at base of 10m long medium blocks in order to separate the 10m long medium blocks from the granite mass. These holes are drilled in order to insert the diamond wires
- Jack Hammer – Splits the 10m long medium blocks to smaller, more manageable blocks, typically 2.5m in length, 1.5m in width and 0.75m in height.
- Diesel Generator – Generates electricity for machinery at quarry face.
- Air compressor – For operation of machinery at quarry face.
- Derrick Crane and wheel loader – Moves blocks from quarry platforms.
- Lorries – Transports blocks from the quarry face to the block-yard and/or processing facilities.

6.2.1 Extraction of Dimension Stone of 30m dyke and White Granite

The first part of the extraction process will be the primary cut where a long slices of rock will be cut from the parent rock, after which there will be secondary cuts and the removal of blocks. The primary cut will be carried out by Circular Saws (a typical circular saw is seen in **Figure 6-3**), the secondary cut using diamond wire saws or plug and feather to dislodge the blocks from the parent rock and then the use of a derrick crane or excavators with fork attachments to dislodge and lift the blocks onto lorries for hauling down slope to the block yard. This process is common to all dimension stone operations.

Because the rockhead profile is irregular the first platform will be small plan area and irregular in outline but with depth the plan area will increase and the outline more regular.

Primary Cut – The intention is that the quarry will be developed by working the dyke in the

APPENDIX C – QUALIFIED PERSON’S REPORT

Bukit Chetai and Bukit Machang Granite Quarries
Hulu Terengganu, Terengganu, Malaysia
Qualified Person’s Report

March
2017

SW direction from the central location of the old quarry face (**Figure 3-3**) – which is located by drill hole BCD 12 (**Figure 3-4**) - and as the excavation goes deeper this will result in the ground adjacent to the dyke being opened up. Excavation will be in a descending multi-bench form meaning that ultimately there will be several teams working different benches.

However, with ongoing development downwards the excavation will become significantly deeper than the surrounding landform and it will leave side slopes which could have a maximum height of around 100m (**Figure 6-2**). To maintain stability the sides of the excavation will periodically need to be cut to ensure a safe slope angle above the production levels. As the rock appears to be massive with few joints (**Table 3-2**) a high angle slope would appear to be possible but this will need to be reviewed as the side slopes are opened up and the nature of the jointing in the rock becomes clearer. Typically RH recommends 60° which given the massive nature of the granite appears to be conservative.

Ultimately the design of the side slopes in terms of bench width and spacing will be carried out after discussion with the Department of the Environment to ensure accordance with environmental obligations on abandonment. Given the desire of the Company to minimize the excavation of the white granite (see commentary at the beginning of this Section) early discussions should take place to get clarity on what maybe the options.



Figure 6-3; Typical quarry circular saw

The 30m green dyke will be cut normal to its trend with the Circular Saw cutting two parallel lines each about 1.5m vertically into the rock below. In order to extract the full 30m of the dyke the line of cut will overrun the dyke/white granite rock contact. A circular saw run of about 35m, 2.5m either side of the dyke, is anticipated with slices of white granite generated. However, this ‘run’ may increase or decrease depending on the variability of the dyke width and side slope stability. Also with depth the cut area may need to be adjusted depending on the angle of the dyke. The side slopes will be in white granite.

APPENDIX C – QUALIFIED PERSON’S REPORT

Bukit Chetai and Bukit Machang Granite Quarries
Hulu Terengganu, Terengganu, Malaysia
Qualified Person’s Report

March
2017

The Company has already acquired a double blade circular saw machines - model 2QYKT-3600 - from a recognized PRC manufacturer – Hualong. The cutting width of this model can be adjusted to be between 2.7m and 3.2m. The intention is to start commissioning this machine later in March 2017 as and when the first flat base working surface has been formed.

Secondary Cut – in most cases, dimension stone quarrying is more profitable, if the production of sizeable blocks and regular shape is carried out with a comparatively high recovered blocks-to-waste ratio (or recovery percentage of blocks). Small blocks and blocks of irregular form may be recovered but their commercial value is comparatively lower than more sizeable blocks.

For each quarry and dimension stone business these parameters may vary according to the nature of the resource, the topography, the expected end product and the availability of equipment for transporting and processing the blocks.

At Bukit Chetai, GGTM is planning to produce blocks of maximum dimension 2.5m (l) by 1.5m (w) by 1.5m (h) which is 5.6m^3 or 16.3t in weight (these will be exported). This maximum size is realistic after due consideration of site topography, haulage equipment and allowable weight and safety factors in handling and transporting the blocks from the working face to the block yard, and then onto trailer lorries for taking the blocks to markets. Infact the Company is planning to mainly produce blocks of 0.75m (h), which is half the weight, to match expected market demand.

Based on a maximum block size there will be about 28 blocks of 2.5m by 1.5m by 1.5m per slice or 56 blocks if the height is reduced to 0.75m. The individual blocks will be extracted with diamond wire saws by threading a length of steel rope embedded with industrial grade diamonds through ‘pioneer’ core holes drilled in the rock face by small coring machines. This rope is run under tension to cut into the stone between the holes.

The cutting is also done horizontally, to dislodge the block from the parent rock below, and vertically, to dislodge the block on the side laterally. For the standard 1.5m high block the areas to be cut are 3.75m^2 (2.5m by 1.5m) along the base and 2.25m^2 (1.5m by 1.5m) vertically.

Achieving Extraction – The key equipment for the extraction are circular saws, diamond wire saws and coring machines. Experienced quarry operatives are also required to handle the equipment.

For each 35m long slice this is an approximate volume of 157m^3 . Based on the technical specification for the Circular Saw this can be cut in one day (one 12 hour shift) and assuming a 3 day cycle to cut the block, demobilize and then remobilize at a new location this means

APPENDIX C – QUALIFIED PERSON’S REPORT

Bukit Chetai and Bukit Machang Granite Quarries
Hulu Terengganu, Terengganu, Malaysia
Qualified Person’s Report

March
2017

the 1,360m³ can be cut each month (26 days) each month per Circular Saw. This is well within the target production for FY2017. For a 2 day cycle the cutting capacity can be increased to 2,041m³ but this requires more manpower and wire saws. This is planned for FY2018 and by FY2019 a second circular saw will be required to meet planned production.

As for diamond wire saws, to dislodge one large block this will require a combined area of 6.75m² to be cut from the base and laterally on the side. It is expected that in conjunction with jack hammers one wire saw can cut three blocks per day meaning 20.25m²/day. In FY2017 this translates to 59 days and in FY2018 123 days. With 26 days per month this represents the necessity of 3 wire saws in FY2017 and 5 wire saws in FY2018. To achieve this there is also a need for an increased headcount per team.

To achieve the production targets preparation work (ie forming the platform for the Circular Saw and drilling the pilot holes for the wire saws) and for this there is a requirement for loaders and trucks as well as ancillary equipment to power the saws. Furthermore once dislodged the blocks need to be promptly removed to allow access for the wire saws to relocate to the next block.

The anticipated schedule for the major equipment needed for this process is shown in **Table 6-3**. This equipment will be acquired, apart from the lorries which will be hired.

Table 6-3; Equipment Schedule

	FY									
	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Circular Saw 3.6mØ	1	1	2	3	3	4	4	5	5	5
Wire Saw 12m	3	5	10	15	15	20	20	23	23	23
Air Compressor	1	1	2	3	3	4	4	5	5	5
15t Lorry	2	3	4	6	7	8	8	9	9	9
Wheel Loader	1	1	1	2	2	2	2	3	3	3

Note - Ø represents the saw diameter

6.2.2 Extraction of Dimension Stone from Boulders and Small Dykes

Whilst the major extraction will be from the 30m wide dyke, dimension stone can also be cut from large boulders and smaller dykes. The Company is planning for this operation.

The options available will be either to use diamond wire saws (most likely the dykes) or wedging tools (most likely boulders). The depth of inserting feathers and plugs into the drill holes for wedging, as well as their reciprocal distance, depends on the rock type. Blocks on site remaining from the previous operation, and present in the block yard, are seen to have depths generally less than 500mm and drill spacing of only 100mm.

APPENDIX C – QUALIFIED PERSON’S REPORT

Bukit Chetai and Bukit Machang Granite Quarries
Hulu Terengganu, Terengganu, Malaysia
Qualified Person’s Report

March
2017

6.3 Transportation and Storage of Granite Products

Prior to removal, the blocks will be referenced with a unique number to identify their origin, date of extraction, and bench. When the blocks are ready to be moved they are carefully dislodged by an excavator - with a modified fork lift attachment. This is to minimize damage to the block’s edges. In future the Company is considering using air or water bags to force the blocks forward to further reduce the damage potential.

Once separated the blocks will then be moved and lifted by a derrick crane or an excavator onto a truck and taken to the block yard or directly to the processing facility on site. Any loose rock and broken blocks will be removed to a temporary stockpile. In due course this discarded material will either be turned into aggregate or processed into slabs at the facility present on site if the blocks are of meaningful size.

The block yard is located (on a 4Ha piece of land) conveniently near the site entrance so that lorries taking the blocks to the market can have easy access. Prior to dispatch the blocks will be cleaned in accordance with normal practice. Within the storage area the blocks will be further referenced according to size and shape. The ideal shape is a perfect rectangular cuboid (6 surfaces) with sharp edges, but the perfect shape may not be achieved.

The general practice is to compute the commercial volume of blocks according to the dimensions of the maximum rectangular prism inscribed into the actual block volume, minus an allowance (typically a minimum of 50mm per side), which corresponds to the processing of off-cut portions of the block. The total off-cut volume decreases as the form of regularity of blocks increases.

Dimension stone quarrying is more profitable, if the production of sizeable blocks and regular shape is carried out with a comparatively high recovered blocks-to-waste ratio (or recovery percentage of blocks).

6.4 Workforce

For the quarry operation at the working platforms and in the other areas of extraction the intention is to employ workers experienced in dimension stone from PRC. The Company has already started this process of recruitment and the first batch of workers will have arrived in late Feb 2017 - after Chinese New Year.

In addition there are workers for the block yard, as support staff and in general administration. The expected manpower schedule (**Table 6-4**) is as follows;

APPENDIX C – QUALIFIED PERSON’S REPORT

Bukit Chetai and Bukit Machang Granite Quarries
Hulu Terengganu, Terengganu, Malaysia
Qualified Person’s Report

**March
2017**

Table 6-4; Manpower Schedule

	FY									
Designation	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Quarry Operation	9	13	26	39	39	52	52	61	61	61
Block Yard	2	2	4	6	6	6	6	8	8	8
Support	3	4	4	6	7	8	9	10	10	10
Admin	5	6	8	8	9	10	10	10	10	10
Management	1	2	2	2	2	3	3	3	3	3
Total	20	27	44	61	63	79	80	92	92	92

The manpower schedule assumes one shift of 12 hours which means that when in full production there will be up to 92 on site. This seems reasonable. Over time it would be expected that economies in scale could be made but refinement of these manpower numbers is not material at this stage. Local staff will be employed and trained up. In accordance with Government requirements migrant workers will also be employed.

6.5 Conclusions

The plan for the Quarry operation follows proper quarrying principles. The granite is massive and eminently suitable for dimension stone production and the target production is well within the anticipated resource estimates. However, there will probably need to be some refinement on the extraction of the big dyke (ie. the green TG granite) to account for variations in width and angle. The subsidiary dykes and boulders will need to be excavated differently compared to the big dyke.

The equipment being used for production is appropriate and sufficient in terms of quantity. The work force head count is also sufficient and by engaging experienced operators from the PRC the build up to production targets in FY2017 should be able to proceed efficiently.

However, the first year will also be a challenge as the development of the initial production platform for circular saw operation will require stripping of overburden and weathered rock and removal of the thick vegetation.

Finding and maintaining a suitable disposal point for the overburden will be important so as to ensure there is no erosion and discharge of muddy sediments outside the site. Haul roads will also need to be properly and safely maintained with proper surfacing and drainage. Once established the business can ramp up with confidence. There will also be experienced management leading the operation.

The one thing unique about the operation is the fact that quarrying will concentrate on excavation of the big dyke, and also the ancillary dykes as they are found. Given that the big dyke is near vertical and of limited width this benefits the use of the circular saw and makes

APPENDIX C – QUALIFIED PERSON’S REPORT

Bukit Chetai and Bukit Machang Granite Quarries
Hulu Terengganu, Terengganu, Malaysia
Qualified Person’s Report

**March
2017**

higher production targets feasible. However the challenge is that in order to maximize the extraction of the dyke excavation will need to go vertically downwards meaning that the quarry will become a ‘trench like’ excavation.

Given that the excavation in due course could be as much as 100m deep a careful review of the side slope angle of the excavation is necessary at an early stage as the first working faces are excavated with depth. Otherwise all the other practices being applied are well within normal operational procedures.

APPENDIX C – QUALIFIED PERSON’S REPORT

Bukit Chetai and Bukit Machang Granite Quarries
Hulu Terengganu, Terengganu, Malaysia
Qualified Person’s Report

March
2017

7.0 GRANITE DIMENSION STONE PRODUCTS

At the Bukit Chetai Quarry the Company will be producing granite dimension stone products as follows;

- **Large Blocks** – taken from the Quarry site and sold to others. Blocks are 2.5m (l) x 1.5m (w) x ≥0.75m (h). The reference **Standard Block** has a height of 1.5m.
- **Small Blocks** – taken from the Quarry site and sold to others. Blocks are 2.5m (l) x 1.5m (w) x ≤0.75m (h).
- **Slabs (ie Strips)** – Processed at the factory on site from selected blocks
- **Tile-slabs of specific sizes** (as required by the market/customers) - Processed at the factory on site from selected strips.
- **Small Tiles** – (termed sometimes as joggle pavers) – processed from small pieces and off-cuts from the processing of the slabs.

The Company estimates from experience and performance records of the previous operator that approximately 81% of fresh rock volume excavated will be recovered as blocks and turned into granite products. These will be exported to China (big TG blocks), sold locally (both TG and SW) or retained on site for processing in the new facility (**Table 7-1**).

Table 7-1; Planned production of Granite Dimension Blocks (m³) at Bukit Chetai over ten years

	FY									
	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Annual	6,000	9,600	14,400	21,600	30,000	48,000	72,000	96,000	108,000	108,000
Green - TG	4,200	6,000	9,600	15,600	18,000	33,600	48,000	66,000	72,000	72,000
White - SW	1,800	3,600	4,800	6,000	12,000	14,400	24,000	30,000	36,000	36,000
For Export to China (TG only)										
Big Blocks	378	810	1,728	2,808	3,240	6,048	8,640	11,880	12,960	12,960
Local Sales (Big and Small Blocks)										
Green - TG	284	608	1,296	2,106	2,430	4,536	6,480	8,910	9,720	9,720
White - SW	324	972	1,728	2,160	4,320	5,184	8,640	10,800	12,960	12,960
For Processing on site										
Green – TG	1,040	2,228	4,752	7,722	8,910	16,632	23,760	32,670	35,640	35,640
White - SW	405	1,215	2,160	2,700	5,400	6,480	10,800	13,500	16,200	16,200

Blocks being sold off site will be larger than those kept on site and also have more regularity in shape. This is because there is more commercial value in larger blocks as the ‘processing off-cut’ portion normally used to discount the total volume will be less, as a percentage of the total volume (thus meaning higher usable volume). The blocks will be transported from site on trailer lorries and for overseas sales they will then be put into 20-foot containers at the port. For sales to the PRC the port will be Port Klang, with shipping to probably Xiamen or Shenzhen.

APPENDIX C – QUALIFIED PERSON’S REPORT

Bukit Chetai and Bukit Machang Granite Quarries
Hulu Terengganu, Terengganu, Malaysia
Qualified Person’s Report

March
2017

For those blocks which remain on site there is more tolerance in shape as irregularly shaped blocks can still be cut and off-cuts from poorly shaped strips utilized in the production of small tiles. Those blocks retained on site will be processed into :

- 18mm/20mm tile-slabs (also termed semi-finished by GGTM) for onward sale or
- as small tiles (typically joggle pavers) from some of these slabs

The volume of processing dimension stone products on site is as follows (**Table 7-2**).

Table 7-2; Processing of dimension stone products from Bukit Chetai

FY	2017	2018	2019	2020	2021	2022	2023	2024	2025-2026
Terengganu Green (TG)									
Block Volume (m ³) to be processed	1,040	2,228	4,752	7,722	8,910	16,632	23,760	32,670	35,640
Slab (m ²)	22,709	48,662	103,812	168,694	194,647	363,341	519,058	713,705	778,587
Small Tile (m ²)	4,542	9,732	20,762	33,739	38,929	72,668	103,812	142,741	155,717
Sekayu White (SW)									
Block Volume (m ³) to be processed	405	1,215	2,160	2,700	5,400	6,480	10,800	13,500	16,200
Slab (m ²)	6,636	19,907	35,390	44,238	88,476	106,171	176,952	221,189	265,427

From experience to date, from processing the blocks into slabs, 44.6% of block volume is lost from cutting and 55.4% of the material remains. From sizing the slab into desired dimension, 75% of the material turns into slab product and 25% falls off as off-cuts. The conversion rate is 1 m³ of remaining material will turn into 52.58 m². Also from operational performance to date, 60% of the off-cut pieces which break off in slab production can be stamped into small tiles (ie 60% of 55.40% is 33.24%). This would seem rather conservative as the offcuts can be efficiently utilised in the production of joggle pavers.

7.1 Processing of Slabs and small tiles at Bukit Chetai

The company has an existing processing facility (**Figure 7-1**) which was inherited from the previous quarry operator but to handle greater throughputs in the future they have acquired a new site close by (**Figure 7-2**) where they are planning to build a new facility. The existing facility, whilst small, was used in the past by the previous operator to produce tiles and other products used locally in high profile projects in Kuala Terengganu as described in Section 1 of the QPR.

APPENDIX C – QUALIFIED PERSON’S REPORT

Bukit Chetai and Bukit Machang Granite Quarries
Hulu Terengganu, Terengganu, Malaysia
Qualified Person’s Report

March
2017



Figure 7-1; Existing processing facility showing equipment and stockpiles of old tiles

The new facility is expected to be ready for operation in Q4 FY2017 and between then, and when production of newly extracted dimension stone is expected start early in FY2017, the production of slabs will be outsourced.

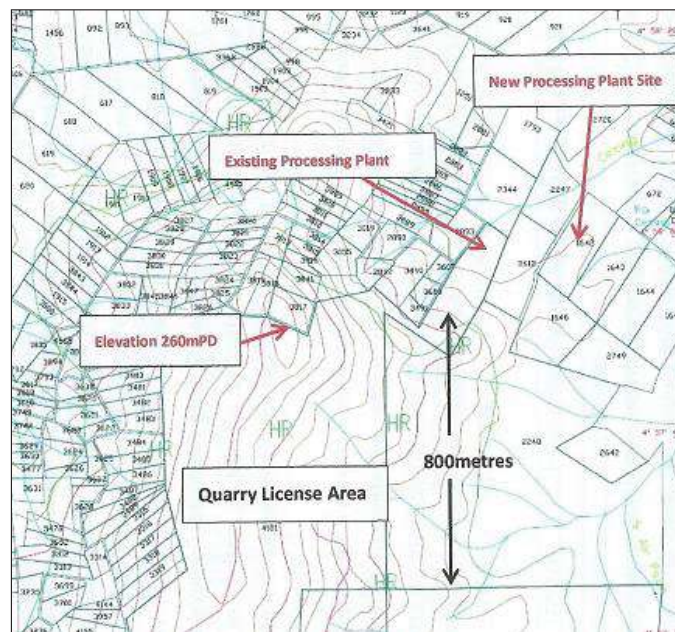


Figure 7-2; Plan showing site of new processing facility

In the meantime the Company has renovated and restored some of the old equipment at the existing facility and is processing blocks and tiles (RT granite from Bukit Machang as well as TG and SW granite tiles from Bukit Chetai) left over from the previous operator. When the Quarry is in production the existing facility will continue to process some of the smaller blocks recovered.

Figure 7-3 shows the general process flow in the production of granite tile-slabs and small tiles from the time when the blocks are transported to the processing facilities on site.

APPENDIX C – QUALIFIED PERSON’S REPORT

Bukit Chetai and Bukit Machang Granite Quarries
Hulu Terengganu, Terengganu, Malaysia
Qualified Person’s Report

March
2017

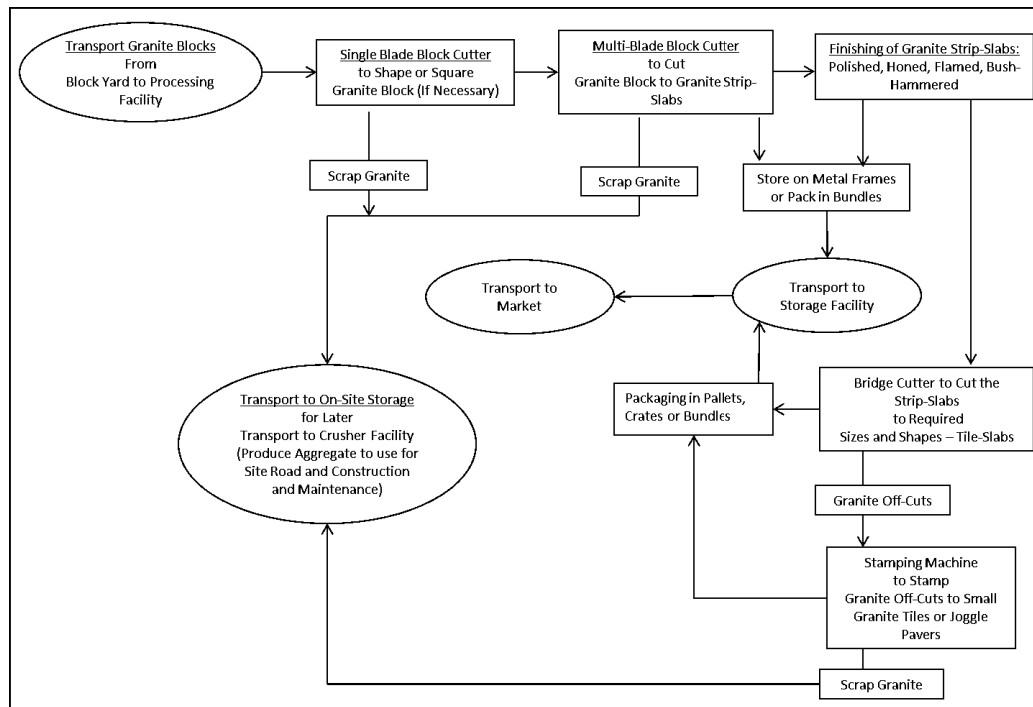


Figure 7-3; Flow chart showing the processing of granite blocks

7.2 Existing Processing Facility

The existing facility was set up in 2008 and small slabs and square shaped tiles of varying size were produced (in **Figure 7-1** stacks of tiles can be seen). It is within the Concession Area and water and power have already been supplied. The equipment at the facility is;

- Single blade trimmer - to trim the blocks to a more regular shape to be used in the block cutter
- Multi-blade block cutter – to cut blocks into slabs (long strips), with a target size of 2500mm in length, 620mm in width and between 18 to 20mm in thickness.
- Manual single head polishing machine (2) – to impart a finish to the surface of the slabs; the finishing may be polished or honed. There is other polishing equipment including edge polishers and single head polishers.
- Manual Flaming Machine – where a textured flame finish is required to the granite surface
- Bridge cutter - to size the long slabs into tiles of various sizes as may be specified by customers and
- Stamping machines – form a template to stamp out small tiles (ie joggle pavers) from slab off cuts.

APPENDIX C – QUALIFIED PERSON’S REPORT

Bukit Chetai and Bukit Machang Granite Quarries
Hulu Terengganu, Terengganu, Malaysia
Qualified Person’s Report

March
2017

The plan is for this facility to generate some early revenue by producing small tiles. Existing blocks are being taken, trimmed and then cut in the block cutter. These are then sized into small shapes and then put into a stamping machine where it is estimated that 60% of these shapes can be turned into small tiles. 20mm thick small tiles are currently being produced.

In the future this facility will primarily be used for producing small tiles. One advantage of producing small tiles is that small or misshapen blocks, and off cuts, can be more fully utilized thereby reducing waste.

7.3 New Processing Facility

The new facility is to be constructed on Lot 1642 (**Figure 7-2**) as close as 150m from the existing facility, and within 50m of the paved road leading to Kg Ceting, 700m to the east. The layout, constructed on a 48m by 83m footprint (3,984m²), is seen in **Figure 7-4**.

The Company has just received (late February) a no-objection letter from the Economic Planning Dept of the State for converting the land designation from agricultural (palm oil) to industrial use, and is now in the process of formalizing this. In the meantime site clearance has started but no installation of equipment can start until the formalization has been completed.

In due course an environmental license will also need to be obtained, primarily to cover water and air quality impacts. This is normal procedure in Malaysia for this type of operation and it is expected that obtaining the license will be a formality. As such the operation of the new facility is not expected to start until Q4 FY2017.

Power will initially be from generators but in due time the plan is to connect to the National Grid – Tenaga Nasional Bhd (TNB). Cables will be laid from the Grid and a substation constructed to provide a more reliable source. A water treatment facility is also proposed to recycle water and thus minimize water demand. With mains water supply (supplied by Syarikat Terengganu Sdn Bhd (SATU)) and electricity from the National Grid already supplied to Kg Ceting, their installation is simply a matter of time and planning. The construction of the substation and the laying of cables have been provided in the capital expenditure budget.

The new facility has been designed to ensure proper process flow with overhead gantry cranes and forklifts to ensure movement of processed material between the various parts of the operation. The process will be as follows;

1. Blocks taken from the Quarry will be stored in a dedicated area with a 48 footprint capacity of 48 spaces. Up to 200 blocks can be stored depending on size with a maximum stacking height of 3 to 4 blocks (approx. 3m)

APPENDIX C – QUALIFIED PERSON’S REPORT

Bukit Chetai and Bukit Machang Granite Quarries
Hulu Terengganu, Terengganu, Malaysia
Qualified Person’s Report

March
2017

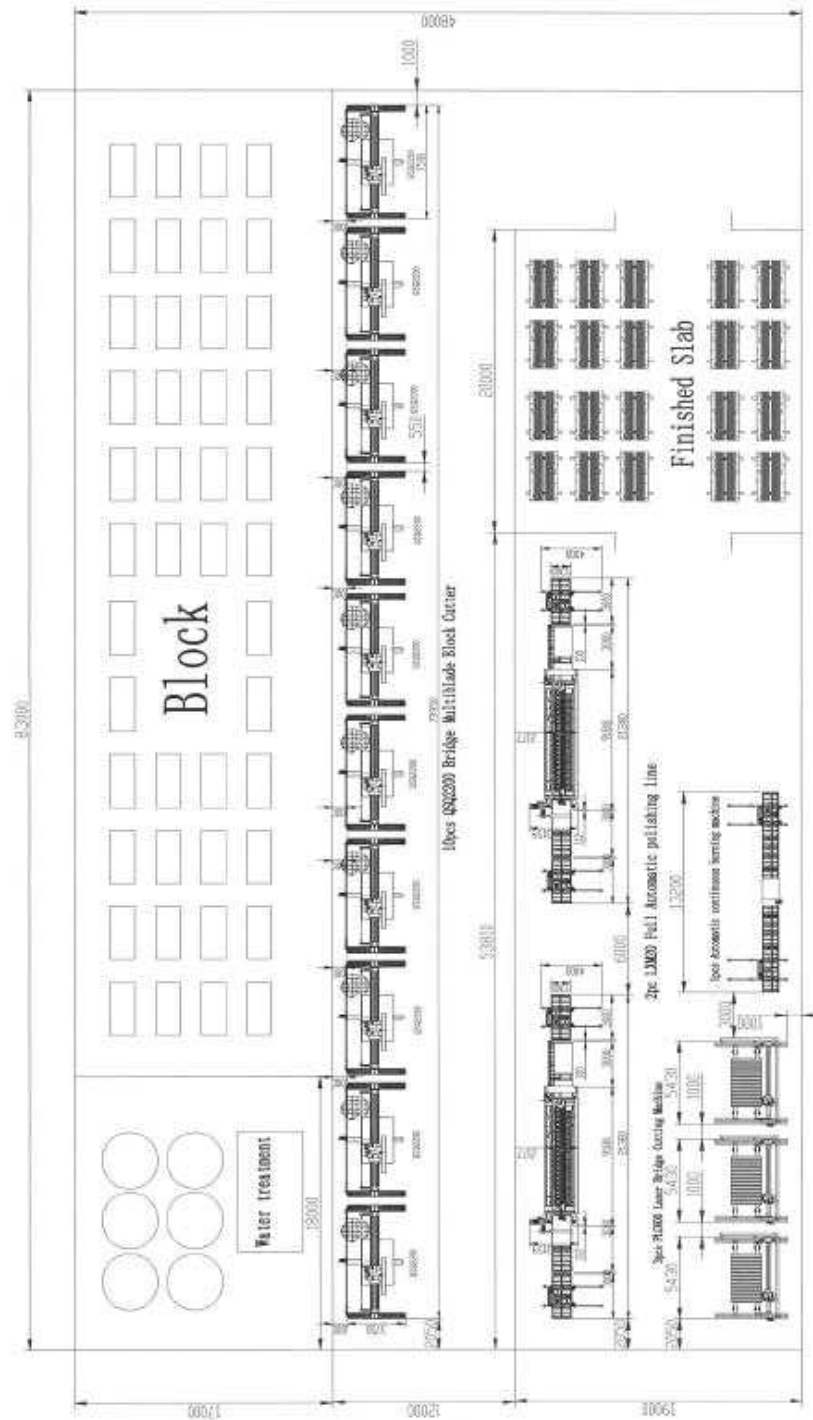


Figure 7-4; Layout of new processing facility

APPENDIX C – QUALIFIED PERSON’S REPORT

Bukit Chetai and Bukit Machang Granite Quarries
Hulu Terengganu, Terengganu, Malaysia
Qualified Person’s Report

March
2017

2. Blocks (of height limit 1150mm) will then be taken to multiblade bridge cutters (capacity - 2,273m²/cutter/mth) for processing into 18mm- 20mm thick strips. Initially there will be 5 cutters, rising to 15 when the Quarry is in full production.
3. The strips will then be taken to a polishing machine – one will be installed.
4. The polished strips will then be further cut into slab tiles on a bridge laser cutting machine to obtain a more regular shape,
5. The finished slab tiles will then be stored before being dispatched to distributors and agents for further processing as required and/or sale to buyers.

As the Company steps up production of slabs there will be a need to increase the amount of equipment and throughput of the facility. Vacant land outside the facility, but within the lot, can be used to store blocks prior to processing if additional space is required. Equipment purchase will mainly be in FY2017 and FY2019 (**Table 9-4**). The new facility has been designed to have the following equipment (**Table 7-3**);

Table 7-3; New Processing Plant Equipment Schedule

Equipment	Specification	Number	Remarks
Multi Blade Block Cutter	9 Blades – 2.2m blade	5 -15	5 initially, 15 when in full production
Auto Line Polisher	16 polishing heads	1	
Bridge Cutter	700mm blade, tilt to 85°	1-3	2 initially, 3 when in full production
Auto Flaming Machine	170-190m ² /hr	1	
Stamping Machine		2	
Gantry Crane		1	
Overhead Crane		1	
Forklift Trucks		2	
Water Treatment Plant		1	

The capital requirements for the new plant schedule are total RM6.34million with nearly 70% of this amount needed in FY2017 (**Table 9-4**). In FY2019 more block cutters will be purchased. However, the total monthly processing capacity of 15 cutters (34,095m²) will be insufficient to meet targeted demand of slabs when the business is operating at full production (approx. 87,000m²) and thus over 50% of processing will be outsourced.

7.4 Conclusions on Processing Capability

Currently, the slab tiles and small tiles are processed in the existing facility. When the new processing facility is in place, it will produce both slab tiles and small tiles and the existing facility will play a supporting role, producing only small tiles. The land allocated for the facility and the equipment proposed is sufficient in terms of technical capacity to meet the sales targets set by the Company. Until the new facility is operational in Q4 2017 the processing of blocks from Bukit Chetai into slabs and tiles will be outsourced. This has been accounted in the operating costs for FY2017.

APPENDIX C – QUALIFIED PERSON’S REPORT

Bukit Chetai and Bukit Machang Granite Quarries
Hulu Terengganu, Terengganu, Malaysia
Qualified Person’s Report

March
2017

8.0 OPERATING COSTS

The Company has provided RH with the financial forecast for the period FY2017 to FY2026 with the assumption that costs remain unchanged after FY2026. Both quarrying costs and processing costs were drawn up based on a rate of RM2.1/L for diesel. These costs were then escalated over time throughout the project period. The operating costs are as follows (Table 8-1):

Table 8-1; Direct Operating Costs (10 years)

Item	FY									
	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Quarry operating cost (RM/m ³ of extraction)	215.48	206.82	250.65	231.63	217.73	142.73	98.46	87.33	79.48	79.48
Slab cutting cost (RM/m ³ of blocks cut into slabs)	1,068	1,047	1,112	1,128	1,144	1,175	1,228	1,235	1,281	1,281
Tile cutting cost (RM/m ³ of blocks cut into tiles)	475	475	499	499	523	523	551	551	575	575

Note – Costs for 2027 to 2036 are assumed to be as 2026 Costs

The G&A (ie General and Administration) costs for each of the products are shown below (Table 8-2);

Table 8-2; General and Administration Costs (G&A)

	Transportation (RM)	Royalty (RM)	Marketing (% of revenue)	Administration (% of revenue)
Block – overseas (TG)	700/m ³	220/m ³	7%	5%
Block – local (TG)	230/m ³	220/m ³	7%	5%
Slab (TG)	4.37/m ²	7.33/m ²	12%	10%
Tile (TG)	4.37/m ²	7.33/m ²	5%	2%
Block – local (SW)	230/m ³	132/m ³	12%	10%
Slab (SW)	4.37/m ²	4.40/m ²	7%	5%

Note – G&A also includes a provision for Environmental Monitoring

The royalty (ie tribute) costs (see Section 2.5 of this QPR) are those set out in the Concession Agreement between the Company and the mine licensee - PMINT (Table 1-2). The royalty is paid on blocks and tiles which have been processed, with payments made on a monthly basis subject to a minimum payment of RM10,000. The tribute becomes due when the granite blocks or slabs are taken from the quarry or block-yard out to the market. Every 3 years PMINT can change the rate but on each occasion when the rate is adjusted it should not be greater than 5% of the pre-existing rate.

The transportation costs (Table 8-2) are assumed based on existing sales and/or quotes on already achieved firm orders. For TG blocks being exported to the PRC they will be taken to Port Klang on trailer lorries before being put into containers and then shipped to the PRC. A cost of RM700/m³ CIF Xiamen PRC is assumed. For blocks being sold locally in Malaysia a

APPENDIX C – QUALIFIED PERSON’S REPORT

Bukit Chetai and Bukit Machang Granite Quarries
Hulu Terengganu, Terengganu, Malaysia
Qualified Person’s Report

March
2017

‘delivered’ transportation cost of RM230/m³ is assumed whilst the figure for slabs and tiles is 4.37/m² ‘delivered’.

In addition to transportation and royalty costs under G&A there is also an environmental monitoring cost of RM50,000 per annum provided. This cost assumes a quarterly site visit by independent consultants to monitor, sample, and test air, noise and water all in accordance with the EMP. This provision is assumed to remain unchanged throughout the duration of the Agreement

The forecast operating costs for the Quarry operation and the processing costs of the slabs and tiles were reviewed in detail at the time of the PFS (December 2016) and are considered reasonable. RH is satisfied with the procedure used in this build up.

8.1 Conclusions

The predicted operating costs are based on the plant and equipment that is planned for the operation and the general operating procedures expected from an experienced quarry operator. As such these costs are not expected to deviate much from what is assumed

At the time of the PFS RH examined in detail the buildup of the various elements and supporting information leading to the unit costs that have been applied in the financial model. As the PFS was only completed in the last three months no adjustment of these costs were considered necessary for this QPR.

APPENDIX C – QUALIFIED PERSON’S REPORT

Bukit Chetai and Bukit Machang Granite Quarries
Hulu Terengganu, Terengganu, Malaysia
Qualified Person’s Report

March
2017

9.0 CAPITAL COSTS

The Company has already acquired some quarrying and processing equipment to kick-start the project. In order to achieve the production targets for FY2017, the initial project outlay has been estimated at RM 6.22million as follows (**Table 9-1**);

Table 9-1; Capital Expenditure as Initial Project Outlay (FY 2017)

Initial Project Cost	RM
1. Quarry Operation – Plant, Machinery and Equipment	1,680,000
2. Quarry Development – Roads , Overburden Removal, Stripping Vegetation	255,000
3. Site Offices & Other Buildings – Workshops, Stores, Accommodation	85,000
4. New Processing Plant – Site Formation, Plant Machinery and Equipment	4,200,475
Total	6,220,475

The expenditure for the first three items will be incurred at various times in the year to match with the opening up the Quarry. However, as the new Processing Plant is not expected to be operational until Q4 FY2017 this expenditure associated with the item 4 in the **Table 9-1** will not be incurred until later. Until then processing of the dimension stone blocks will be outsourced or carried out in a limited capacity at the existing facility on site.

In order to meet planned excavation (**Table 6-1**) and processing (**Table 7-1**) targets, there will be a major programme of equipment acquisition. This is as follows (**Table 9-2**);

Table 9-2; Key Capital Items to be Acquired for the Quarry Operation and Processing Facility

Items	Quantity
Quarry Operation	
Diamond wire saws	25
Coring machine	25
Double blade circular saw	5
Wheel loader (27t)	3
New Processing Facility	
Multi Blade Block Cutter	15
Auto Line polisher	1
Auto Flaming machine	1
Bridge cutter	3
Edge cutting/shaping & polishing	2
Manual single head polisher	3
Overhead crane	1
Gantry crane	1
Water treatment plant	1
Forklift	2
Stamping machine	2

To keep capital costs to a minimum equipment will also be hired (eg genset, mobile plant, lorries) for short term uses.

APPENDIX C – QUALIFIED PERSON’S REPORT

Bukit Chetai and Bukit Machang Granite Quarries
Hulu Terengganu, Terengganu, Malaysia
Qualified Person’s Report

March
2017

In order to estimate the capital requirements over time it would not be unreasonable to assume inflation linked increases in expenditure and to this effect the capital requirement for the quarry operation and processing facility has been adjusted with escalation factors as follows (**Table 9-3**);

Table 9-3; Escalation factor used for capital expenditure requirement

FY	2017	2018	2019	2020	2021	2022	2023
Escalation rate	0.0%	1.5%	2.0%	3.0%	5.0%	5.0%	5.0%

Table 9-4 below summarizes the future capital expenditure over the next seven years in order to match up with the schedule for full production by FY2025.

Table 9-4; Key Capital Expenditure needed to achieve Full Planned Production

	FY						
Expenditure Location	2017	2018	2019	2020	2021	2022	2023
Quarry Operation	1,680	2,754	2,675	-	2,105	-	2,754
Processing Plant	4,200	180	1,734	58	164	-	-
Offices & Buildings	85	15	30	40	15	-	-
Quarry Development	255	38	-	-	-	-	-
Total	6,220	2,986	4,440	98	2,284	-	2,754

Unit: RM thousand

The capital requirements for the Quarry Operation and Processing Plant have been drawn up based on quotes provided by suppliers and the cost of equipment already acquired. Where equipment is to be acquired from outside Malaysia – mostly from the PRC – quotes have been in US dollars and in this case an exchange rate conversion of RM4.45 to 1 US dollar has been assumed as per the average rate at the effective date (ie 31 January 2017). Contingencies were also included in the budget. As such the outlays per item and the total estimated costs appear reasonable and sufficient to meet the planned production outputs from the Quarry.

Under ‘Offices and Buildings’ there is an ongoing provision over 5 years – this relates to accommodation and associated living facilities for the increased work force that will be required as more circular saw machines are acquired. ‘Quarry Development’ costs are high in FY 2017 to cover the cost of a new access road from the site offices to the extraction areas in the Quarry. Within the RM255,000 provision for FY2017 is also the cost of building sand traps, control measures to prevent erosion of stockpiles of overburden and other items needed to avoid pollution of the surrounding lands with silt and sand from the site.

The capital expenditure programme was reviewed by RH in detail at the time of the PFS (December 2016) and found it to be reasonable. The capital requirements and schedule of expenditure are repeated in this QPR.

APPENDIX C – QUALIFIED PERSON’S REPORT

Bukit Chetai and Bukit Machang Granite Quarries
Hulu Terengganu, Terengganu, Malaysia
Qualified Person’s Report

March
2017

9.1 Conclusions

At the time of the PFS RH has reviewed in detail the capital cost estimates and the Company has supported this with catalogues and quotations - RH has found them to be reasonable with adequate contingencies for unexpected issues. The detailed equipment list, the timing of the expenditures - taking into account the time taken to deploy and commission the equipment (ie the circular saw machines/ new processing facility equipment) - is realistic.

As the PFS was only completed in the last three months no adjustment of the expenditure amounts is considered necessary for this QPR.

APPENDIX C – QUALIFIED PERSON’S REPORT

Bukit Chetai and Bukit Machang Granite Quarries
Hulu Terengganu, Terengganu, Malaysia
Qualified Person’s Report

March
2017

10.0 FINANCIAL ANALYSIS OF THE OPERATIONS AND MARKETING

An analysis of the economic viability of the Project has been conducted. The analysis is based on the capital and operating costs, the production schedule and the selling prices of each of the products. It assumes a 20 year time frame consistent with the term of the lease on the land which ends in May 2037. A key assumption in the analysis is that all the production is processed and sold within a short time meaning that inventory requirements are minimal.

The success of this depends on demand and thus the marketing effort, the creation of market awareness and acceptance of the products. The Company has already set up a marketing team and has already secured firm sales, off-take agreements and signed LOIs/MOUs with potential buyers and end users. However, because of the long lead times in many projects which would use dimension stone products the Company has taken a cautious view on market achievement with a gradual step in production over the near term. In FY 2017 monthly production is planned at 500m³ and this will rise over 8 years to 9,000m³ by FY 2025 and thereafter.

10.1 Financial Analysis

Based on (i) marketing information (ii) selling prices already agreed on secured orders and (iii) in LOIs/MOUs; the Company has assumed in the analysis the selling price of each of its products to be as stated in **Table 10-1**;

Table 10-1; Selling prices estimated by Company

Product	Selling Price (Ex-Works)
Terengganu Green (TG)	
TG – Block	RM1,500 / m ³
TG – Slab	RM265 / m ²
TG – Small Tile	RM44 / m ²
Sekayu White (SW)	
SW – Block	RM850 / m ³
SW – Slab	RM157 / m ²

It is noted that the marketing effort will focus on the TG products which is able to command the higher prices because of its unique colour and pattern. It is also noted that the assumption has been that there will be no sales of SW small tiles even though they will be produced. Whilst this is conservative, because there will be revenues generated, the amount will be small and thus not material to the analysis.

APPENDIX C – QUALIFIED PERSON’S REPORT

Bukit Chetai and Bukit Machang Granite Quarries
Hulu Terengganu, Terengganu, Malaysia
Qualified Person’s Report

March
2017

As part of the PFS RH had the opportunity to review the selling price estimates on the basis of information provided by the Company. They show a small increase over time which the Company believes will follow expected rises in building costs to match general trends in inflation. In Malaysia the normal escalation assumed in business is a 5% increase every 2 to 3 years. Using this benchmark the escalation assumed by the Company for The Project is reasonable. **Table 10-2** indicates the assumed escalation over the next 10 years;

Table 10-2; Escalation rate (%) assumptions

FY	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Revenue	0%	0%	0%	5%	5%	10%	10%	10%	16%	16%
Operating	0%	0%	5%	5%	10%	10%	16%	16%	21%	21%

RH does not forecast the long term trend in selling prices but would agree with the assumption behind the escalation factors assumed. These factors do appear conservative.

Apart from the financial obligations of the Company through its Operating Costs (discussed in Section 8 of the QPR) and Capital Expenditure (discussed in Section 9 of the IQPR) **the tax obligations and Malaysian Government charges** are also significant (also highlighted as a G&A cost in Section 8). All land in Malaysia, unless already alienated for extraction is owned by the State. For land that had been alienated for extraction of natural resources, it is common in all jurisdictions that the benefits gained from the extraction of natural resources are to be shared with the State and not just the Company (ie the miner) carrying out the extraction. For ‘The Project’ the payments to the State by Agreement are based on;

- A **Tribute** of RM132/m³ of white or pink granite blocks or RM4.40/m² of stone tiles with payments based on the sale of blocks and tiles.
- A **Tribute** of RM220/m³ of green granite blocks or RM7.33/m² of stone tiles with payments based on the sale of blocks and tiles.
- A **yearly rental** of the site of RM30,090.15 of which the first five years (ie RM 150,450.95) was paid in advance at the signing of the Concession Agreement.

Tribute payments are to be made on a monthly basis with the amount not being less than RM10,000 per month (“Minimum Payment”). However, the tribute becomes due when the granite blocks or slabs are taken from the quarry or block-yard out to the market.

Within the G&A cost a significant provision (see **Table 8-2**) has been made (on average ~8% of the Sales Revenue) has been made for **Sales and Marketing**. This is because it represents a major obligation of the Company in order to raise awareness to the products and to establish a foothold in the market. Without this, the success of the business will be in doubt.

To this effect an experienced and dedicated team has already been recruited, all the more

APPENDIX C – QUALIFIED PERSON’S REPORT

Bukit Chetai and Bukit Machang Granite Quarries
Hulu Terengganu, Terengganu, Malaysia
Qualified Person’s Report

March
2017

important because the industry forecasts on building projects which will utilize the dimension stone products is somewhat difficult to predict, as there appears to be no reliable statistics on trends.

There are no tax liabilities, borrowings or other interest bearing liabilities for FY2017 and the Project as such is considered to be economically viable according to the PFS. In terms of valuation this has been carried out according to the VALMIN Code 2015 by Jones Lang LaSalle Corporate Appraisal and Advisory Limited (“JLL”). Their valuation is derived from a discounted cash flow analysis after taking into account their assessment of the modifying factors, risks and opportunities and marketability. In their valuation report dated 28 February 2017, they estimate the project value to be RM335 million.

10.2 Sales and Marketing

The main target market for the GGTM dimension stone is Malaysia with the PRC being a secondary market. At the same time, GGTM are also marketing, through several sales channels, to Singapore, Hong Kong and part of the ASEAN Region (via the Singapore sales channel). As the business builds and the stone brands become established the aim is that sales can be extended to Thailand, Indonesia and also the Middle East.



Figure 10-1; Colours and patterns of the products

The development of the business will also be built on the **Terengganu Green (TG)** as this is perceived to be unique with no other stone with similar colour and texture apparently available on the market. Preliminary marketing by GGTM supports this assumption. The development of the market for **Sekayu White (SW)** – ie the White Granite – will be

APPENDIX C – QUALIFIED PERSON’S REPORT

Bukit Chetai and Bukit Machang Granite Quarries
Hulu Terengganu, Terengganu, Malaysia
Qualified Person’s Report

March
2017

secondary but marketing of this stone will also be required as extraction of this is necessary to get the maximum yield of TG, and with limited inventory space, sales of SW will be vital to the business. The colour and pattern of the TG and SW can be seen in **Figure 10-1**.

Because TG is extracted at Bukit Chetai GGTM plan to develop this quarry site initially and as they get a further foothold in the market they will then consider developing Bukit Machang and thus the production of the Pink Granite – **Rosa Tenggo (RT)**. In the meantime there is still some inventory of RT blocks left on site from the previous quarry operation at Bukit Machang (which has been left dormant for several years) as well as some of the blocks brought to and kept at the Bukit Chetai quarry. These blocks can be cut into slabs to test the market as the opportunity arises and if there is a demand for this colour of granite.

Whilst GGTM are essentially new entrants to the market they already have a ‘head start’ in terms of the business as;

1. The previous operator of the Quarry was a company, known to some of the shareholders of GGTM. There is therefore a familiarity with the quarry business in Terengganu.
2. TG, SW and RT have been supplied to other projects including those in Kuala Terengganu (KT) such as Paya Bunga Square Hotel, where the local Government are very supportive of local products
3. In the case of TG major high profile Projects in Malaysia have used the stone such as KLIA (**Figure 1-2**) and Petronas Twin Tower, – therefore there is already market awareness
4. GGTM is involved in interior fit out and is thus familiar with the requirements for the end use of architectural stone, and as such
5. The Company has worked closely with reputable developers of high-value property developments
6. Preliminary marketing suggests that TG is unique in terms of colour and texture. Conversely there are likely to be other similar products to SW and RT given that they are more typical granites. Thus marketing of these will require a more focused effort.

In the context of points 2 and 3 specifically, TG, SW and RT granite can be found in various projects and buildings in Malaysia, including but not limited to:

- Kuala Lumpur International Airport (KLIA), Selangor
- Masjid Asy-Syakirin, KLCC, Kuala Lumpur
- Masjid Putra, Putrajaya
- Masjid Taman Ilmu, Besut, Terengganu

APPENDIX C – QUALIFIED PERSON’S REPORT

Bukit Chetai and Bukit Machang Granite Quarries
Hulu Terengganu, Terengganu, Malaysia
Qualified Person’s Report

March
2017

- Petronas Twin Tower, Kuala Lumpur
- Fraser Business Park, Kuala Lumpur
- Dataran Putra (Park), Putrajaya
- Office buildings in Putrajaya:
 - Suruhanjaya Tenaga (Commission of Energy)
 - Jabatan Penerbangan Awan (Department of Civil Aviation)
 - Istana Kehakiman (Palace of Justice-Courts)
 - Syariah Court
 - Perbendaharaan Malaysia (Federal Treasury)
 - Jabatan Imigresen Malaysia (Immigration Dept)
 - Jabatan Pendaftaran Malaysia (Registration Dept)
 - Dataran Putra
 - Kementerian Wilayah Persekutuan (Ministry of Federal Territories)
 - Menara Putrajaya Holdings
 - Wisma Tani (Ministry of Agriculture)

The dimension stone business is built on the nature and texture of stone, the quality control and security of supply. It is like buying wallpaper – whether a product is successful depends on the particular requirements and desires of the end user not on the industry as a whole. Of course if there is no investment in construction then there will be no demand for dimension stone - but this is not the case both in the PRC and Malaysia.

10.2.1 Market Sectors in Malaysia for Granite Dimension Stone

Granites are hard wearing and resistant to weathering, applications of their usage is almost without limit. It is difficult to name the entire spectrum of uses but in general the market sectors can be broken into:

- Developers – commercial, residential and integrated projects
- General and specialist contractors
- Home owners
- Commercial building owners – malls, hotels, condominiums
- Parks – hardscape as well as decorative sculptures
- Religious buildings – mosques, churches, temples
- Temples – statues, relief sculptures – Initial marketing by the Company indicates that TG has a distinct advantage being of a rich colour and fine crystal structure, lending itself to fine detailing
- Tombstones, headstone, monuments. Similarly TG has the advantage of being dark coloured, lending to contrasts of lettering, stencils or pictures
- Memorial parks – tombstones, headstones

APPENDIX C – QUALIFIED PERSON’S REPORT

Bukit Chetai and Bukit Machang Granite Quarries
Hulu Terengganu, Terengganu, Malaysia
Qualified Person’s Report

March
2017

- Armour walls, sea breakers (in form of blocks)

Specifically, granite slabs can also be used as

- Wall, column and beam claddings – internal and external
- Floor pavings – internal and external. Hardscapes. Very suitable where there is heavy traffic, both vehicular (e.g. driveways) as well as pedestrian (e.g. mass transit stations, malls)
- Counter tops, table tops
- Road curbs

There are very specific guidelines on the limits of radioactivity emissions allowed before the granites are allowed to be used without restrictions. Both TG and SW had been tested and found to be within the guidelines (Section 4.4 of the QPR). This means that TG and SW can be used without any restriction whatsoever.

10.2.2 Market Information

There is, at present, no organization in Malaysia that compiles information simply about the usage of dimension stone. Neither government bodies nor construction related bodies like the “Master Builders Association Malaysia” (MBAM) compile information about granite usage or ongoing and near future development or construction projects. Statistics that do exist is old and often limited to broad categories of granite products, mainly as aggregate.

To estimate the projected volume of usage, the Company track current projects and near future projects from publicly published information or from industry feedback. Of particular interest are projects that are government funded or government-partnered as the government is supportive of using local dimension stones. From experience and from previous projects of similar nature, the Company then assesses the possibility and scale of possible usage of dimension stones for such projects. Notable Projects identified are covered in Section 10.2.4 of the QPR.

Further background information on the market can be found in the Industry Report which forms Appendix F of the Circular prepared for the acquisition of GGTM by the Listco.

10.2.3 Marketing Plan

GGTM intend to build its own market using the 6 items of ‘head start’ as the foundation from which to build. The plan is to market the sale and distribution of TG via the following channels:

APPENDIX C – QUALIFIED PERSON’S REPORT

Bukit Chetai and Bukit Machang Granite Quarries
Hulu Terengganu, Terengganu, Malaysia
Qualified Person’s Report

March
2017

- Direct block sales to PRC – this is done mainly to retain a presence in the PRC market which is one of the largest in the world. In addition to competing in the local market, such a presence can also be beneficial in giving Chinese developers knowledge of the existence of TG as Chinese developers extend their operational reach into SE Asia including taking on projects in Malaysia. The target is that 20% of production by volume is sold to PRC.
- Direct sales of small blocks and slabs into Malaysia and neighbouring countries e.g. Singapore, Thailand and Indonesia. No data exists on the size of the Malaysian market but GGTM has been successful in the past 3 months in securing one major interior fit out project. The TG product is well suited for the Malaysian market as green is linked to the Islamic religion. As for sales into Singapore, Thailand and Indonesia, GGTM has already begun receiving enquiries from potential customers to supply projects.
- Direct and Indirect sales of small blocks to the tombstone industry. TG has a rich dark hue which makes it suitable as a base for tombstone engraving. Although GGTM does not sell directly to end users or to retail customers, it does supply to well-known distributors and wholesalers in Malaysia as well as PRC. This is a relatively new growth area for the company but is expected to grow rapidly as TG makes its presence. The Company will likely devote significant time and resources to establish itself as a premier supplier into this market as current incumbents are only able to supply either black or dark grey granite.
- Direct sales of pavers to the renovators and contractors – these are the small tiles (termed joggle pavers) that are cut from slab waste. There is a growing popularity in construction projects to use such pavers as decorative tiling for outdoor areas. The company is able to meet the demands from current and potential customers as it can adapt the tiles for size and shape. Unpolished pavers sold with a rough finish are suitable for outdoor use as the granite is durable, of generally even colour and is not slippery when wet – a useful feature given the humid and wet climate in the SE Asia region.
- Sale via wholesalers and distributors. The company will continue to work with its current network of distributors to widen its market base and reach out to new customers and meet differing needs within the markets of Malaysia, PRC and SE Asia. While demand from distributors may not be stable initially, the company will take steps to build on the popularity of the TG granite, especially for home renovations, kitchen and bathroom tops, building cladding and waterfall and pond features.
- GGTM itself has a team that provides consultancy and design services for retrofitting and renovation of commercial (offices, hotels, dining establishments, mosques), residential

APPENDIX C – QUALIFIED PERSON’S REPORT

Bukit Chetai and Bukit Machang Granite Quarries
Hulu Terengganu, Terengganu, Malaysia
Qualified Person’s Report

March
2017

housing, integrated projects and condominiums projects. Through this channel, GGTM is in a position to also distribute its white and pink granite products – respectively SW and RT - for use in the same project as a more cost effective ‘one shop’ solution as opposed to dealing with many suppliers for different colours.

To ensure the above is carried out in a sustained fashion, the company has enlisted the assistance of experienced sales and operational personnel to build up a **sales team dedicated to GGTM** that can work towards projecting the demand and popularity for TG products.

The company will **compete directly with Chinese based** suppliers of green coloured granite – GGTM intends to put to good advantage its lower costs of production and holds the advantage of the TG granite being naturally dark green coloured. A fair quantity of green coloured granites from PRC had been enhanced with dyes to achieve a dark green colour. However, dyes tend to fade after several months, especially when exposed to weathering.

GGTM also has a strong outreach especially in its home market of Malaysia and also the state of Terengganu. In brief the **3 key limbs of its marketing strategy** for TG products are:

1. Competitive pricing and naturally dark green coloured (as compared to Chinese products of similar colour shade)
2. Reliable delivery and ability to match supply at the appropriate time to end users and developers
3. Tout it as a unique Malaysian product that supports the use of local products for projects within Malaysia.

The company’s aim puts it in direct competition with products such as marble and ceramics for the residential housing market, and with other coloured granite for commercial projects. Whilst there is no stated policy in Malaysia on how much of the project’s materials should come from local sources, the company’s products already have a strong identity with many developers and architects in Malaysia as well as within SE Asia.

Rather than compete on a pricing platform only, the company will work together with developers to create a vision for the project using its products and move to be an integrated operator that can source the TG products, work with developers and project owners and also take on retrofitting and renovation projects that use the TG and other associated granite products produced by GGTM.

APPENDIX C – QUALIFIED PERSON’S REPORT

Bukit Chetai and Bukit Machang Granite Quarries
Hulu Terengganu, Terengganu, Malaysia
Qualified Person’s Report

March
2017

10.2.4 Notable Projects with a demand for dimension stone

Notable projects currently in progress or in the near term include;

- **Putrajaya** has used large quantities of local stones including TG, SW and RT. In the master plan, another 3 million m² of commercial floor space are to be built over the next years. The potential usage of local granites is tremendous.
- **High Speed Railway (HSR) to connect Kuala Lumpur to Singapore** had been given the go-ahead by both the Malaysia and the Singapore governments. HSR will be based at a new township – Bandar Malaysia.
- **East Coast Rail Line (ECRL)** to connect Kuala Lumpur to Kota Bahru has been signed on by the heads of government of PRC and Malaysia. The line will pass quite near to the quarries in Terengganu and will provide them the opportunity to supply granite aggregates and specifically for GGTM the supply of dimension stone granite tiles. Further, rail transport is generally more economical compared to road transport and can afford a cheaper way for the Company to transport the granite blocks, strips and tiles to KL (local sales) as well as to Port Klang (export sales) .
- **Penang** - notable projects include the development of high end residential, medical and commercial buildings.
- **Johor** - The ongoing development of the Iskandar project and various other projects around Johor Bahru city will result in millions of m² of living and lettable space.
- **The next two (2) MRT lines in KL** (ie MRT 2 & MRT3 will require an estimated 30,000 to 80,000 m² of granite tiles for common areas. As this project is partly Government funded, TG, SW and RT could get some sort of preference in terms of stone supplied, subject of course to considerations of cost. Supply of dimension stone is expected to commence in the next two years.
- **Pudu Jail Redevelopment** in Bukit Bintang to a commercial township – now in the initial construction Stage.
- **Merdeka PNB 118** – 118 storey, 682m high commercial building in KL which is being constructed between 2016 and 2019.
- **Kwasa Damansara Township Development** – Construction 2013 to 2028.

APPENDIX C – QUALIFIED PERSON’S REPORT

Bukit Chetai and Bukit Machang Granite Quarries
Hulu Terengganu, Terengganu, Malaysia
Qualified Person’s Report

March
2017

- **Kuala Terengganu City Centre (KTCC)** New Waterfront City with a Convention Centre in Muara North and South with an iconic drawbridge – 6 centers of development.
- **Extension of Primula Beach Hotel in KT** – new hotel block.
- **Ongoing Development of Paya Bunga Hotel KT** where there are 208 rooms which are being fitted out by GGTM in joint venture. This contract requires about 5,000 m² of granite tile-slabs.

There is no guarantee that architects, interior designers and other end users will look favorably on TG as well as SW and RT but with dedicated implementation of the 3 key limbs of the marketing strategy then there is a strong chance that the Company can build up its position in the market and meet its sales targets over the next 5 years and be then ready with a secure market position to be ready for the following 5 years, and thereafter.

10.2.5 Prices of Dimension Stone Products

It is very difficult to obtain market information on prices, as there are no public companies in this business. Therefore the best reference are the LOIs/MOUs/Off-take Agreements and what sales that have already been achieved by the Company. One ongoing project is the Paya Bunga Square Hotel project in KT where the Company is involved in the fit-out using its own products. In addition, there have been sales of blocks to China and to local factories. Also there have been sales of slabs to local factories and contractors. The LOIs/MOUs as well as Off-take Agreements are confidential but there is sufficient information for the Company to be able to estimate the selling price of blocks and slabs with some confidence.

For small tiles (ie joggle pavers) there are no sale documents at this stage as the company is building up its inventory. However, the international prices can be sourced from online portals like Alibaba. These prices are considered as commercially viable for the Company.

The selling prices shown in **Table 10-1** have been built up using all this information.

10.2.6 Conclusions on Marketing

Whilst there is some uncertainty as to the size of the market it does seem sustainable with big projects starting up, and in many cases being partly government funded there is a good chance that GGTM products, as local products, will be seen favorably. Having a few larger projects on hand will provide the foundation and comfort for bidding on other projects and

APPENDIX C – QUALIFIED PERSON’S REPORT

Bukit Chetai and Bukit Machang Granite Quarries
Hulu Terengganu, Terengganu, Malaysia
Qualified Person’s Report

March
2017

due reference to other developers/end users/designers that the GGTM stone products have the right qualities for high value projects. The presence of these products in existing high value projects is also helpful to the marketing effort.

The marketing strategy is to sell blocks through direct sales and to sell both blocks and finished products by direct sales as well as via wholesalers and distributors. GGTM already has orders in place and agreements with a number of distributors and wholesalers. There is also a dedicated sales and marketing team and existing blocks of TG and SW (also RT) left by the previous operators is being processed and sold as a gentle start up with creating market awareness of the products and Company. However, this is relatively small scale, but nonetheless the Company looks to be well placed when larger volumes of dimension stone will start being processed later this year.

APPENDIX C – QUALIFIED PERSON’S REPORT

Bukit Chetai and Bukit Machang Granite Quarries
Hulu Terengganu, Terengganu, Malaysia
Qualified Person’s Report

March
2017

11.0 ENVIRONMENTAL and SOCIAL MANAGEMENT

11.1 Statutory Requirements

The Project falls under “**First Schedule, item 19 – Quarrying of Rock Material**” of the Environmental Quality (Prescribed Activities) (Environmental Impact Assessment (EIA)) Order 2015 and is subject to Section 34A of the Environmental Quality Act, 1974 (Act 127), which requires the submission of an EIA Report for the approval of the Director General of the Department of Environment (DOE) before the Project commences. The Bukit Chetai Granite Quarry qualifies as a “Prescribed Activity” as there are settlements within 3km of the site.

Accordingly an EIA was prepared on behalf of GGTM in November 2016 by Surawaki Environmental Sdn Bhd, specialist environmental consultants based in KT. The study team included specialists registered in the various areas of environmental assessment. The EIA is comprehensive and detailed, evaluating the impacts of the Project and providing an Environmental Management Plan (EMP). Approval of the EIA was given by the DOE in a letter dated 8 January 2017 (the “EIA Approval Letter”) subject to compliance with certain conditions (the “Approval Conditions”). The EIA has focused on Bukit Chetai as this site will be quarried first – Bukit Machang will follow at a later date.

The EIA “Approval Conditions” are standard and require the Company to carry out monitoring on a regular basis and to report the results to ensure compliance. An Environment Officer (EO) who is competent and fully responsible for matters related to environmental management and implementation is to be appointed. A rain gauge is to be installed and if rainfall exceeds 12.5mm in 24 hours areas locations where erosion control measures have been constructed are to be inspected and the findings recorded. Toilet facilities are to be provided at the workers camp site to meet specifications set by the responsible agency. Written notification is required before there is installation/construction of any combustion equipment – the company initially will have one generator on site rising to five when in full production. No burning of stripped vegetation is permitted. A copy of the EIA approval letter is to be displayed at the site office.

Each year when the OMS (Operational Mining Scheme - ie the quarry permit) is renewed it is a requirement that environmental performance is reported as part of the renewal application - the application being prepared by independent consultants. The current OMS is valid until 17 January 2017 and a renewal application was recently made on 22 December 2016 by registered mining consultant, Ir. Chue Hang Cheong, based in Terengganu. Approval in principle has already been given with permission to mine until 2 April 2018. As the EIA has just been awarded (8 January 2017) the first assessment of environmental performance will

APPENDIX C – QUALIFIED PERSON’S REPORT

Bukit Chetai and Bukit Machang Granite Quarries
Hulu Terengganu, Terengganu, Malaysia
Qualified Person’s Report

March
2017

be for the renewal of OMS in April 2018.

11.2 Existing Environment at Bukit Chetai

Bukit Chetai is a hill approximately 2km long by 750m wide in “rolling” hilly terrain. The highest point is 269mPD and the lowest 35mPD.

There is a thick soil cover which is typical of the weathering of granite in a tropical environment. As such the hill has a dense vegetation cover, thick undergrowth and trees as tall as 20m in height. The dense vegetation (**Figure 11-1**) hides steep hillslopes, deep erosion gullies and boulder fields. The vegetation has developed naturally after the primary rain forest was logged an estimated 20 to 30 years ago. There are a few overgrown tracks from that time. Bukit Chetai is classified as disturbed lowland forest.

There is no farming on the land and the nearest village is at Kg Ceting 700m to the east of the site (**Figure 11-2**). Animals are commonly seen on the site - mostly monkeys and wild boar. Cattle graze in the fields outside.



Figure 11-1; Dense undergrowth and tall trees

The climate is equatorial which is characterized by warm and humid weather all year round. The mean daily temperature is 26.5°C and mean annual rainfall was 2813.3mm per year from 2005 to 2015 with most rain in the wet season from November to January (**Figure 2-7**). There are no permanent streams across the site and the nearest river is Sungei (Sg) Ceting located to the north east of the site (**Figure 11-2**).

APPENDIX C – QUALIFIED PERSON’S REPORT

Bukit Chetai and Bukit Machang Granite Quarries
Hulu Terengganu, Terengganu, Malaysia
Qualified Person’s Report

March
2017

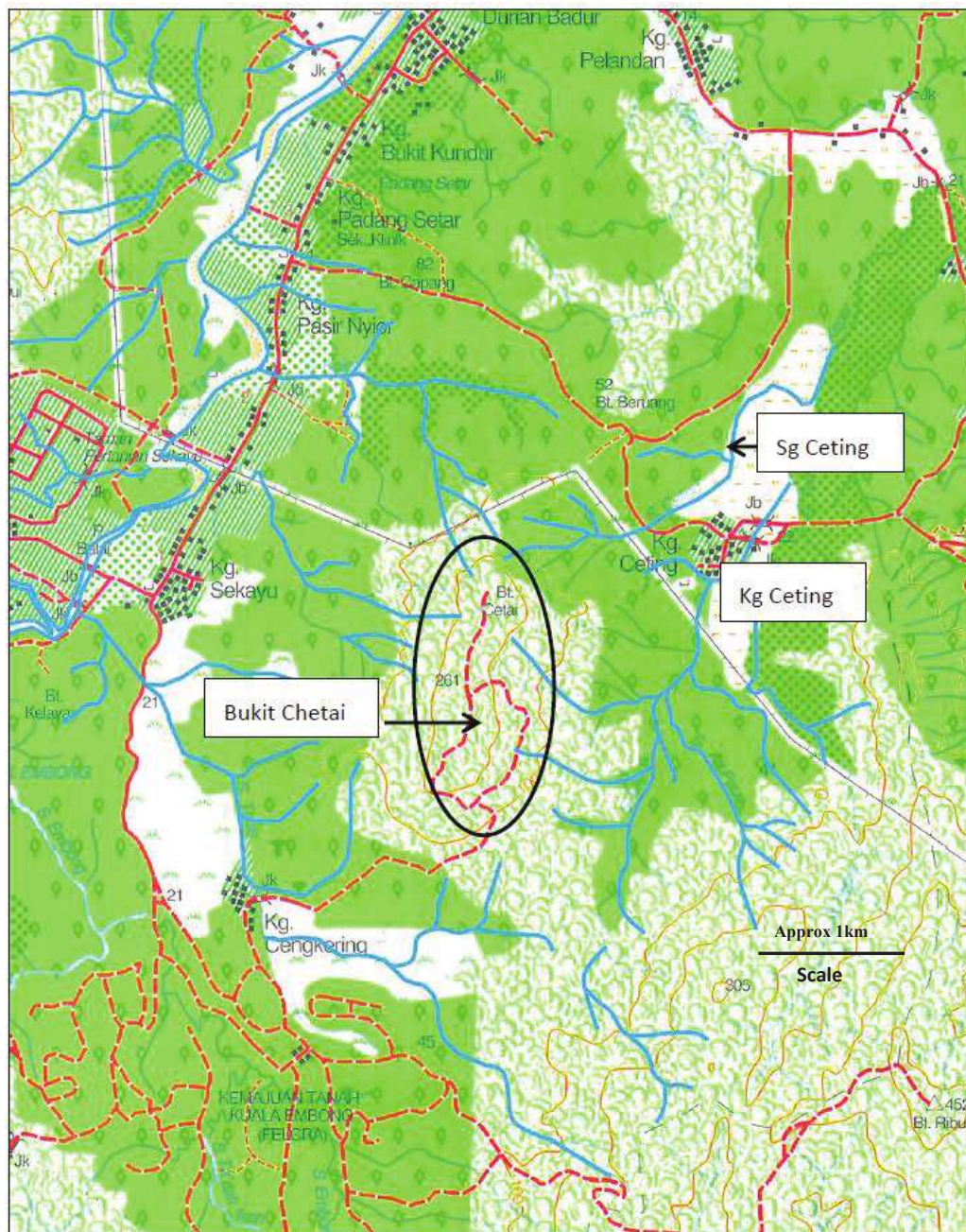


Figure 11-2; Environment in and around Bukit Chetai
(note Bukit Chetai is in forest and is surrounded by plantations shown as dark green)

APPENDIX C – QUALIFIED PERSON’S REPORT

Bukit Chetai and Bukit Machang Granite Quarries
Hulu Terengganu, Terengganu, Malaysia
Qualified Person’s Report

March
2017

11.3 Environmental Impact

Quarries create significant environmental impacts through permanent loss of natural habitat, noise and air pollution from normal operations, and in the case of rainfall, the potential for erosion due to uncontrolled runoff with deposition of mud and sand outside the site polluting the surrounding fields and watercourses. They also impact the local communities from a social viewpoint.

The effects on the environment from quarrying arise during:

- **Development;** clearance of vegetation, any overburden removal, construction of access, any blasting to form production platforms, building and infrastructure construction such as offices, workshops, living quarters and processing facilities. Environmental effects arise from air pollution, surface run-off, generation of waste as well as issues related to workers occupational health and safety (“OH&S” – Refer to Section 12 of this IQPR).
- **Operations;** cutting of granite blocks and haulage, removal of loose rock fragments and broken blocks downslope, dust, vibration and noise from these activities. Ongoing modification of surface run-off features. Noise and air quality impacts from the operation of the existing processing facility. General site activities such as movement of site vehicles, activities related to storage and loading of blocks to be sent to markets.

The impacts at the Project area based on the expected activities were classified in the EIA according to an environmental effect matrix whose categories range from minor adverse impacts to major adverse impacts. The matrix also included minor or major positive impacts. As the Quarry is likely to be worked from north east to south west, over time the main working areas will be moving away from the Kg Ceting and thus the impact on this settlement will be reduced.

GGTM are not aware of any adverse impacts from the time that the previous operator quarried at Bukit Chetai.

11.3.1 Ecological (Biological) Environment

The Project area contains a vast variety of flora and fauna. It is a disturbed lowland forest surrounded by secondary forest and agricultural plots with oil palm plantations on the north and along south-east and south-west borders. Within the site there were over 150 species of flora recorded and numerous varieties of shrubs and grasses. There were also numerous varieties of mammals, birds, reptiles and amphibians.

APPENDIX C – QUALIFIED PERSON’S REPORT

Bukit Chetai and Bukit Machang Granite Quarries
Hulu Terengganu, Terengganu, Malaysia
Qualified Person’s Report

March
2017

In the EIA both flora and fauna were classified according to the IUCN Red Lists which evaluates the status for classifying species at high risk of global extinction. None of the species identified are considered endangered. The conclusion thus drawn in the EIA is that whilst the alteration of the habitat is deemed unavoidable, with proper planning and work phasing to avoid massive clearance at one time, the inevitable changes are acceptable.

11.3.2 Social (Human) Environment

Within a 5 km radius, the existing development surrounding the Project site is categorized as mixed land use consisting of settlement area, agricultural and aquaculture areas and forest.

There are about six (6) major villages within a 5 km radius. Most residents are Malay communities. The villages are equipped with modern amenities and facilities such as water supply, electricity, community hall, kindergarten, bus stop, park, mosque and government clinics. There are also schools and other educational areas.

The project is expected to bring about development to the region and with this in mind a socio-economic survey was carried out. Most of the respondents were aware of the Project and the majority had positive feelings - providing job opportunities and improving infrastructure and facilities.

11.4 Mitigation Measures to be Implemented by the Company

There are standard measures that most quarry operators will implement to mitigate impact. These include;

- **Dust Mitigation;** measures comprise use of water with drilling, cutting and sawing activities; and water trucks to spray access roads and stockpile areas during dry periods. Workers wear masks as personal protection from dust.
- **Noise Control;** methods of control include silencers, use of absorbing materials, Containing noisy activities behind topographic or vegetation barriers to create a buffer. Workers wear ear muffs or ear plugs for noise affected activities.
- **Control of Surface Water Run-Off;** construction of proper drainage system, silt traps at locations where water discharge from the site is taking place. Construction of sumps as necessary to collect rainwater with use of water for operational activities and recycling where possible. Site clearance and overburden stripping removing vegetation as and when the operation requires.

APPENDIX C – QUALIFIED PERSON’S REPORT

Bukit Chetai and Bukit Machang Granite Quarries
Hulu Terengganu, Terengganu, Malaysia
Qualified Person’s Report

March
2017

- **Ongoing Review of Measures in Place;** as the Quarry develops the environmental measures in place would expect to be modified and improved as and when specific issues are identified.

11.5 Environmental Management and Monitoring

The Environmental Management Plan (EMP) proposed covers all phases of the project including planning, development, operational and abandonment phases. It is intended to provide information, guidance and instruction on environmental related issues to personnel associated with the project. In view of this, it is important that the EMP is made accessible to relevant personnel at the project site. The plan can be considered as a tool for a better environmental management programme that provides the necessary and related control measures and guidelines. Implementation of this plan will minimize the environmental issues that might occur. The Company has encapsulated the EMP in its own handbook “Health, Safety & Environmental (HSE) Policies and Procedures”.

There will also be an Environmental Quality Monitoring Programme (EQM) to comply with the “Approval Conditions” of the EIA. Regular noise, water and air quality monitoring with reporting by independent consultants is proposed as follows:

- quarterly in respect of water quality
- Monthly in respect of Total Suspended Solids (TSS) and turbidity in water quality at silt traps;
- quarterly in respect of air quality;
- quarterly in respect of noise

In terms of environmental audit and compliance, Malaysian laws are amended from time to time to further protect the environment and improve on the quality of life. The Government has introduced the requirement to carry out an Environmental Audit in Section 33A, Environmental Quality Act (EQA) 1974 (Amendment 1996). The act requires that the environmental audit and review be carried out based on:

- The compliance status to environmental regulatory requirements
- The environmental management system
- The overall environmental risk of the premises

Pursuant to the above, it would be necessary to review the environmental performance on a regular basis. The proposal is to carry out a regular review once every six (6) months to observe any drastic changes in the environmental elements. The environmental audit shall

APPENDIX C – QUALIFIED PERSON’S REPORT

Bukit Chetai and Bukit Machang Granite Quarries
Hulu Terengganu, Terengganu, Malaysia
Qualified Person’s Report

March
2017

also ensure compliance of the Project activities with legislative laws and regulations, which indirectly lead to improvement in the environment.

11.6 Rehabilitation and Abandonment

In Malaysia requirements for restoration, reclamation and rehabilitation are not clearly defined either legally or administratively. This is because most quarries have a long anticipated life, which makes it difficult to determine a precise after use. There is no specific provision in the National Land Code. However it is also recognized that the appearance of an abandoned quarry does much harm to the environment and thus it is understood by operators that legal provisions may be imposed if the necessity for rehabilitation is ignored. Under the EIA “Approval Conditions” a closure plan is required to be submitted for approval not later than six months before the Project is expected to be terminated or abandoned.

The Company has undertaken to rehabilitate the Quarry on an ongoing basis. However, as there has been no discussion on an after use, and until such times that an after use is decided, rehabilitation will focus on returning the land to a landform with the quarry floor and any slopes to be stable and able to be vegetated.

The landform currently present will be removed as part of the quarry operation and the landscape will be fundamentally different. Any final slopes will be cut to a geotechnically safe angle and vegetated. Elements of reclamation and restoration process will be carried out concurrently with the quarrying operation.

Areas quarried out will be backfilled with waste materials as appropriate and soil to restore the natural landforms where possible. A drainage system will be installed such that the new landform would retain sufficient water for plant growth, reduce the risk of erosion and prevent unwanted waterlogging. The rehabilitation plan will be carried out in accordance with the terms generally set out in the EIA Report, the EMP and OMS approval conditions.

11.7 Social Management

The company has stated that whilst it will engage skilled workers from outside Terengganu its policy is also to ensure that the quarry operation provides social and economic benefits to the local communities. To this effect local people will be employed on an as-need basis and trained for specific tasks as the quarry operation develops.

APPENDIX C – QUALIFIED PERSON’S REPORT

Bukit Chetai and Bukit Machang Granite Quarries
Hulu Terengganu, Terengganu, Malaysia
Qualified Person’s Report

March
2017

11.8 Conclusions

Any quarry operation will have an impact on the environment and local communities. An EIA was carried out at Bukit Chetai by recognized consultants in accordance with statutory requirements. This was submitted in November 2016 and has recently been approved (January 2017) by the DOE. The EIA was comprehensive and found no significant adverse impacts.

The Company has undertaken to carry out its quarry operations to high standards and implement proper mitigation measures and working procedures. A proper management plan to be monitored by independent consultants is being prepared.

In the long term the Quarry will significantly change the landscape and it is important that the land is not sterilized for future use. The rehabilitation plan for when the quarry is closed, which will be developed in due course, will be to leave the land suitable for future development with adjacent slopes and landforms stable and properly vegetated to suit the surrounding environment.

It has also been concluded that the local community will benefit from the presence of the Quarry. There will be employment generated and there are local businesses such as transport contractors that will also benefit. The local community also provides knowledge of local practices, customs and the environment. In addition and importantly, there will be revenue to the State through royalties and through export earnings.

APPENDIX C – QUALIFIED PERSON’S REPORT

Bukit Chetai and Bukit Machang Granite Quarries
Hulu Terengganu, Terengganu, Malaysia
Qualified Person’s Report

March
2017

12.0 OCCUPATIONAL HEALTH and SAFETY (“OH & S”)

GGTM implements a safety policy which incorporates national safety standards and the Company takes its commitments to OH & S very seriously. It is another key performance criterion which is reviewed by outside consultants when the application is made for the annual renewal of the OMS (ie the Quarry Permit). The policies and procedures are contained in a ‘Health, Safety & Environment (HSE)’ handbook prepared by the Company.

Policies related to Emergency and Contingency Procedures are prominently displayed in the site office area located at the existing processing facility at the northern end of the Bukit Chetai site. First aid items are kept on site and there is a room always available for treatment. There are clinics in nearby towns and the schedule for when they are open is kept on record and updated as and when this changes. For serious injuries Kuala Berang Hospital is 30 minutes from the Quarry whilst in the case of major injuries Kuala Terengganu General Hospital is about 70 minutes by car from the Quarry.

As the work force increases with the growth to full planned production – as well as with the commencement of the operation of the new processing plant later in FY2017 - the Company is required to engage a full time health and safety (ie HSE) officer in accordance with the Occupational Safety and Health Act 1994 (OSHA) of Malaysia. Under the OSHA employers with 40 or more employees also must establish a safety and health committee. It is also a requirement that any ‘accident, dangerous occurrence, occupational poisoning or occupational disease’ must be notified to the nearest local Government OH & S office. The attached Flow Chart (**Figure 12-1**) illustrates the Company procedure to be adopted in the event of any such incident.

Tool box talks, onsite training and other activities are now being implemented to emphasize safety awareness. Management within GGTM are experienced in the operations of a dimension stone business and as such has plenty of experience of implementing safety programmes and proactively managing safety standards on construction sites. It is also part of management responsibility that all ‘machineries and equipment’ are kept in good working order, regularly serviced and maintained to protect workers from any potential detrimental effects.

On-site staff and workers are required to wear hard hats on working platforms where granite blocks are being cut. In noisy environments ear plugs are worn and in dusty environments masks and safety glasses are required. Proper safety boots are required for all staff working on site. Monitoring programmes to verify the effectiveness of prevention and control strategies will be implemented including random inspections, surveillance and workers commitment and interest in training.

APPENDIX C – QUALIFIED PERSON’S REPORT

Bukit Chetai and Bukit Machang Granite Quarries
Hulu Terengganu, Terengganu, Malaysia
Qualified Person’s Report

March
2017

To date, the Company has maintained a good safety record with only the occasional minor injury which has been dealt with on site. A HSE officer is already present fulltime on site.

INCIDENT, ACCIDENT & NEAR MISS REPORT FLOWCHART

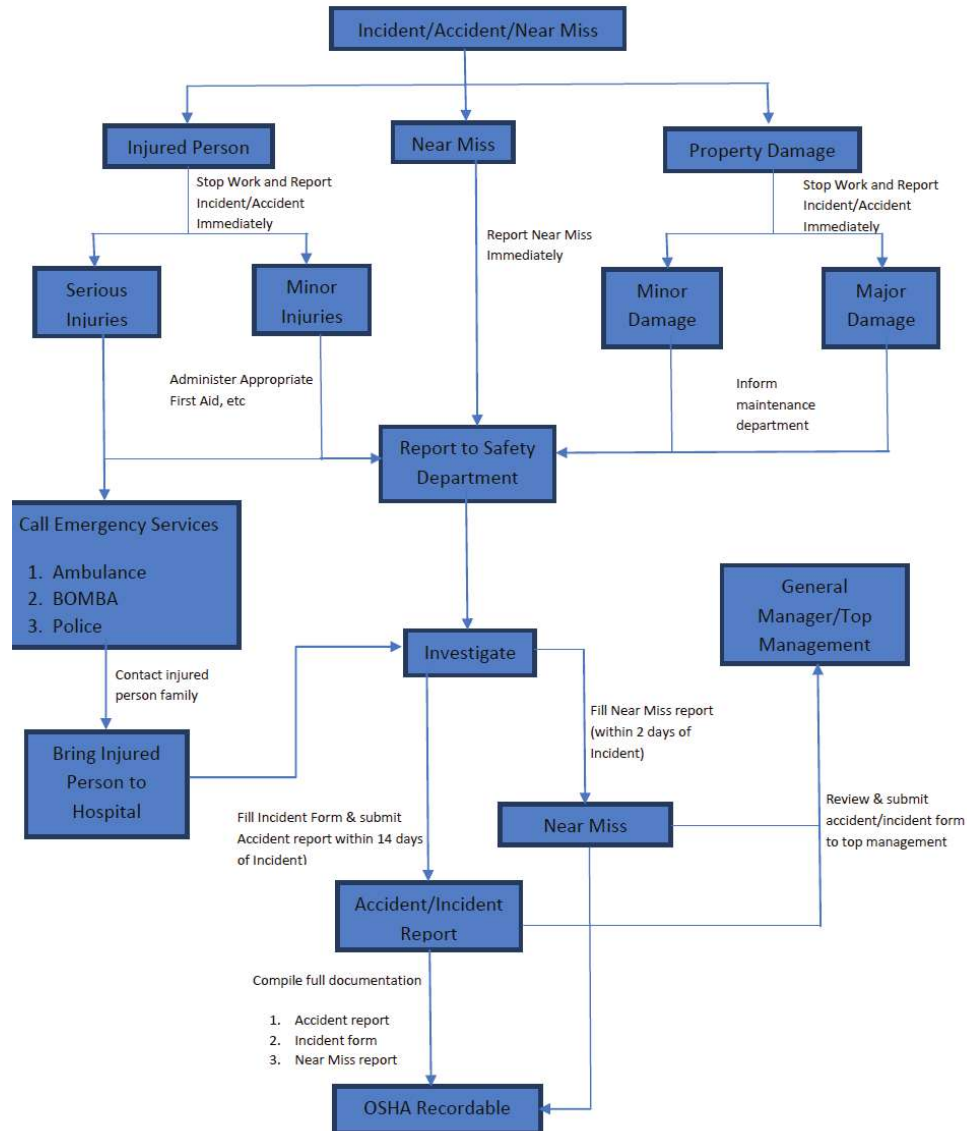


Figure 12-1; Incident, Accident & Near Miss Flow Chart

12.1 Conclusions

Proper and proactive management of OH & S is a fundamental obligation of any responsible

APPENDIX C – QUALIFIED PERSON’S REPORT

Bukit Chetai and Bukit Machang Granite Quarries
Hulu Terengganu, Terengganu, Malaysia
Qualified Person’s Report

**March
2017**

contractor and the Company already has an HSE officer on site at Bukit Chetai. However, OH & S is only as good as the people on site and their commitment to maintaining the expected high standards.

Through measures implemented on site staff and workers are continually made aware by management of the need to be responsible to themselves and their fellow workers. To date performance has been good.

APPENDIX C – QUALIFIED PERSON’S REPORT

Bukit Chetai and Bukit Machang Granite Quarries
Hulu Terengganu, Terengganu, Malaysia
Qualified Person’s Report

March
2017

13.0 RISK ANALYSIS

When compared with many industrial and commercial operations, mining is a relatively high risk business. However a dimension stone quarry probably carries the least risk of all mining operations as there are few potentially dangerous elements to the operation and in particular very limited use of explosives – which in any case will not be used at Bukit Chetai.

At Bukit Chetai the local community is generally in support of the Project and by good fortune the quarry operation is surrounded by dense forest and this provides a buffer and barrier to the nearby settlements. However, there will be noise and dust created during the operation and these will need to be properly managed to mitigate environmental and social impact. If not any goodwill within the local community will be compromised.

The biggest environmental risk comes from erosion and sediment being washed out of the site and to mitigate this eventuality the Company will construct a drainage system to keep the haul roads accessible and to ensure that no sediments will be carried out of the site during rainstorms. An EIA has already been carried out to study the impacts and an EMP has been proposed to provide guidance and instruction on environmental related issues; last but not least, impacts will be regularly monitored (an EQM). Independent consultants will be engaged to carry out the monitoring.

The resource can only be estimated to a certain confidence level given that the sample size is very small, even with a very dense drilling programme. Whilst the total resource is more than sufficient to meet production targets over the long term the amount of green granite – the premium material - is based on (i) geological interpretation from borehole records, (ii) geological mapping and from this (iii) that it maintains a considerable width and extent over the site and, (iv) is near vertical with a distinct contact with the white granite. Ongoing investigation as access improves will be necessary to mitigate this risk. However, what is clear is that both rock types are massive and have physical properties which make them suitable for dimension stone in any application.

With removal of the overburden and weathered granite, a high Block Rate could be achieved in the fresh granite. The standard size blocks targeted by the Company allows better utilization of the resource and jogger pavers (ie small tiles) are able to be produced from off cuts from the processing of slabs thus minimizing overall waste. Waste generated during excavation is expected to be minimal and in due course there is the option of selling this to surrounding quarries to be crushed down into aggregate for use in construction.

Estimations of the project capital, operating costs and revenues were examined in detail by RH in the preparation of the PFS which was completed in December 2016. However, these

APPENDIX C – QUALIFIED PERSON’S REPORT

Bukit Chetai and Bukit Machang Granite Quarries
Hulu Terengganu, Terengganu, Malaysia
Qualified Person’s Report

March
2017

costs are still subject to variations depending on the actual operation and sales. Although dimension stone quarry operations have a long history, and the Company will build the business using standard equipment and procedures, the actual operation and costs depend on many in-situ conditions that cannot always be predicted with certainty - such as the hardness of the rock, the actual Block Rate, the weather and, most importantly, the demand.

In this respect, the Company has endeavored to market its products and certain agreements have already been signed but revenues only materialize when the sales are actually completed. However, the Malaysia government’s support in the use of local products will help to secure the market within the country.

In reviewing the Project, RH has considered areas where there is perceived risk to the operation, particularly where the risk component could materially impact the projected production and resulting cash flows. The assessment is necessarily subjective and qualitative. The consequence of risk has been classified as minor, moderate or major based on the following definitions:

- **Major:** the factor poses an immediate danger of a failure, which if uncorrected, could have a material impact (>15%) on project cash flow and performance and could lead to project failure,
- **Moderate:** the factor if uncorrected, could have a significant impact (>10%) on project cash flow and performance, unless mitigated by some corrective action,
- **Minor:** the factor if uncorrected could have little or no effect on project cash flow and performance.

The likelihood of risk is also considered within a 7 year time frame as follows;

- **Likely:** will probably occur
- **Possible:** may occur
- **Unlikely:** unlikely to occur

Table 13-1; Overall Risk Assessment

Likelihood within 7 yrs	Consequence		
	Minor	Moderate	Major
Likely	Medium	High	High
Possible	Low	Medium	High
Unlikely	Low	Low	Medium

The consequence of a risk and its likelihood are combined into an overall risk assessment as shown in **Table 13-1**.

APPENDIX C – QUALIFIED PERSON’S REPORT

Bukit Chetai and Bukit Machang Granite Quarries
Hulu Terengganu, Terengganu, Malaysia
Qualified Person’s Report

March
2017

The overall assessment is summarized in **Table 13-2** below with the consequences and likelihood for each identified risk item shown:

Table 13-2; Risk Items Identified and Risk Rating

Item	Assessment and Mitigation	Risk Rating
Reduction in Resources	Assessment; Whilst there are sufficient resources of white granite (ie SW) there is less green granite (ie TG). A reduction in the TG resource may have a commercial impact as future performance relies on its sale. The geological interpretation of the big TG dyke over the site and with depth is not unreasonable and with several subsidiary dykes and boulders of TG present throughout any shortfall can be made up. Furthermore the granite is massive and there is no obvious major geological fault across the site which would suggest some major change in rock type. RH therefore considers the resource estimate to be reasonable and acceptable. Furthermore the potential impact is considered to be minimal as the demand for TG up to 2037 is only 1.065 million m³ out of a total estimated resource of 4.72 million m³. However, if a fault is discovered in the quarry face, or with depth and the nature of the TG dyke is seen to change substantially, this may affect the Block Rate and quantity of resource. Mitigation; The Company will closely monitor the operation and adjust the quarrying plan if necessary. Also the Company will adjust the product mix to increase the utilization rate to minimize the impact. Further boreholes will also be drilled to plan ahead.	<i>Consequence:</i> Major <i>Likelihood:</i> Unlikely <i>Overall:</i> Medium Risk
Achieving Production Targets	Assessment; Disruption in quarrying and processing operation or on site manpower issues may lead to failure to meet production targets. Mitigation: The Company is using standard and well tested equipment to excavate the blocks. The workforce operating this equipment has been recruited from similar operations in the PRC and as production increases over time more recruitment of skilled operatives will take place. Circular saw and wire saw equipment for cutting is readily available and any potential disruption can be covered by an inventory of blocks to cover demand when no blocks are being produced. In	<i>Consequence:</i> Major <i>Likelihood:</i> Unlikely <i>Overall:</i> Medium Risk

APPENDIX C – QUALIFIED PERSON’S REPORT

Bukit Chetai and Bukit Machang Granite Quarries
Hulu Terengganu, Terengganu, Malaysia
Qualified Person’s Report

March
2017

	terms of workforce over time the Company will replace the PRC workers with locally trained staff.	
Reduced Market Demand	Assessment: Market demand could be affected by trend and the economy. Reduction in market demand will affect the Company’s revenue. Mitigation: The Company is putting a lot of effort in marketing and to secure long term contracts to ensure its products could be sold. There are also a lot of ongoing and impending big construction contracts in Malaysia. Furthermore products will be sold not only locally but also in the PRC and SE Asia. Broad market coverage and long term supply contracts can mitigate reduced demand.	<i>Consequence:</i> Major <i>Likelihood:</i> Unlikely to Possible <i>Overall:</i> Medium to High Risk
Geotechnical Conditions	Assessment: Geotechnical conditions such as slope stability and problems with water may be different from what is anticipated resulting in disruption to production due to OH & S issues and operational constraints from slope failures. However, the rock is massive in nature such that slope stability is unlikely to be a problem. No seepage was seen and as the Quarry is at the top a hill the groundwater table is likely to be low. Mitigation: The Company will closely monitor the quarry face development as quarrying takes place and engage its mining consultant to recommend remedial measures as necessary.	<i>Consequence:</i> Major <i>Likelihood:</i> Unlikely <i>Overall:</i> Medium Risk
Higher Operating Costs	Assessment: Increase in operating cost will impact the Company’s earnings. The quarrying and processing equipment being used is typical of that being used in the dimension stone industry and thus operating costs should be predictable. Equally other costs, such as salary costs should be predictable to a high confidence level. Mitigation: Increase in costs in certain parts of the operation will have to be accommodated by costs savings elsewhere and/or justifying a higher sales price. The Company will monitor and review its operating costs to make adjustment if necessary.	<i>Consequence:</i> Minor <i>Likelihood:</i> Possible <i>Overall:</i> Low Risk

APPENDIX C – QUALIFIED PERSON’S REPORT

Bukit Chetai and Bukit Machang Granite Quarries
Hulu Terengganu, Terengganu, Malaysia
Qualified Person’s Report

March
2017

Higher Capital Costs and availability of Equipment	Assessment: Increase in capital costs will affect the company’s earnings and if there are delays in delivery of equipment, production targets may not be met. Mitigation: The Company has budgeted in an allowance for increase in capital costs and it looks reasonable. The type of equipment to be used is quite typical of that used elsewhere and therefore equipment delivery should not be an issue.	Consequence: Minor Likelihood: Possible Overall: Low Risk
Compliance of Environmental and Social Issues	Assessment: Non-compliance of environmental and social issues will result in disruption of the operation. Mitigation: The Company is establishing an environmental management system (EMP) and there will be regular monitoring of environmental performance (EQM) by outside consultants. The Company has also been maintaining a good relationship with the members of nearby villages and will employ and train them for specific tasks on site. Being proactive in environmental performance is important to ensure compliance with the OMS. Without due compliance OMS could be withdrawn, therefore noncompliance is not an option!	Consequence: Major Likelihood: Unlikely Overall: Medium Risk
Compliance of Occupational and Health and Safety Matters	Assessment: Non-compliance of OH & S may result in injury / death and disruption of the operation due to stop work orders. Mitigation: The Company will provide training and education to the workers and will be proactive in ensuring that workers use masks, ear plugs, site boots and hard hats to mitigate the risks. A Safety Officer is now full time on site. As with Environmental and Social Issues the renewal of the OMS is also contingent on maintaining a good health and safety record.	Consequence: Moderate Likelihood: Possible Overall: Medium Risk
Licence Renewal	Assessment: The PML issued to LTAWNT expires in August 2018. If the Licence is not renewed then the Company may have to abandon the site which would obviously have serious commercial consequences. LTAWNT is an arm of the State	Consequence: Major Likelihood: Unlikely

APPENDIX C – QUALIFIED PERSON’S REPORT

Bukit Chetai and Bukit Machang Granite Quarries
Hulu Terengganu, Terengganu, Malaysia
Qualified Person’s Report

March
2017

	Government and thus there is no reason to believe that the license would not be renewed. Mitigation: The Company is seeking some clarity on this at the present time and before substantial Capital investment is made.	Overall: Medium Risk
Currency Risk	Assessment: The Project is located in Malaysia where a lot of cost would be in local currency (RM). However, some consumables are purchased in foreign currency (in USD) and equipment to be imported from PRC (in CNY and USD). Depreciation of RM may lead to increase in operating costs. Mitigation: The Company is also selling products to outside Malaysia which may reduce some risks. Hedging currency can be practiced as the volumes of transactions increase. As there are sales in the PRC where payments are in CNY and USD the currency risk would be cancelled out.	Consequence: Moderate Likelihood: Possible Overall: Medium Risk
Dust and Noise Emission	Assessment: Fugitive dust and noise pollution may result in breach of environmental conditions. Mitigation: The secondary forest provides a natural buffer from the dust and noise travelling outside the Quarry site. Furthermore the Company will spray water during the operation to reduce the amount of dust being emitted into the air. Wheel washing facilities will be installed at the site entrance. The environmental license stipulates working hours to be 8am to 6pm.	Consequence: Moderate Likelihood: Unlikely Overall: Low Risk
Disruption caused by Inclement Weather	Assessment: Rainfall is common over most of the year but in the November to January period it is particularly heavy. It can be disruptive, especially to the operations take place in the quarry face, but rarely does it stop production completely. Mitigation: The Company will maintain the access road in good condition and establish a proper drainage system to prevent any flooding. In the event of longer term stoppage totally disrupting production the Company will ensure sufficient inventory. Therefore delivery to customers should not be compromised.	Consequence: Minor Likelihood: Possible Overall: Low Risk

APPENDIX C – QUALIFIED PERSON’S REPORT

Bukit Chetai and Bukit Machang Granite Quarries
Hulu Terengganu, Terengganu, Malaysia
Qualified Person’s Report

March
2017

14.0 GLOSSARY OF TERMS and ABBREVIATIONS

Blocks – Cuboid shaped blocks cut from the insitu granite. There are three definitions;

- **Standard Blocks** - 2.5m (L) x 1.5m (W) x 0.75m (H)
- **Big Blocks** - Standard Block with H > 0.75m
- **Small Blocks** - Standard Block with H < 0.75m

Block rate - percentage of granite resources that can be excavated as granite dimension stone blocks. It relates to what can be extracted at the Quarry face.

Country Rock - a geological term meaning the rock native to an area. The term is used to denote the usual strata of a region in relation to the rock which is being discussed or observed. At both Bukit Chetai and Bukit Machang the Country rock is granite.

Dimension Stone – Natural stone that has been trimmed, cut, drilled or ground to specific sizes or shapes.

Dimension Stone Blocks – stone which is cut from untrimmed quarry stone into a cuboid shape.

Effective Date – Essentially the date at which the operation and business is reviewed and when the Mineral Resources and Ore Reserve Statements are made. This is stated because the Statements will most likely predate the dates of any accompanying report (such as a QPR) and it alerts those reviewing the report that since the Effective Date there may have been further development of the business and excavation thereby depleting the Resource.

Feasibility Study - a comprehensive technical and economic study of the selected development option for a mineral project that includes appropriately detailed assessments of applicable Modifying Factors together with other relevant operational factors and detailed financial analysis that are necessary to demonstrate at the time of reporting that extraction is reasonably justified (economically mineable). The results of the study may reasonably serve as the basis for a final decision by a proponent or financial institution to proceed with, or finance, the development of the project. The confidence level of the study will be higher than that of a Pre-Feasibility Study.

FY – Financial Year. For GGT this is 1 January to 31 December.

Hectare (“Ha”) – a unit of land area where one hectare is equivalent to 10,000m²

APPENDIX C – QUALIFIED PERSON’S REPORT

Bukit Chetai and Bukit Machang Granite Quarries
Hulu Terengganu, Terengganu, Malaysia
Qualified Person’s Report

March
2017

Indicated Mineral Resource - that part of a Mineral Resource for which quantity, grade (or quality), densities, shape and physical characteristics are estimated with sufficient confidence to allow the application of Modifying Factors in sufficient detail to support mine planning and evaluation of the economic viability of the deposit.

Geological evidence is derived from adequately detailed and reliable exploration, sampling and testing gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes, and is sufficient to assume geological and grade (or quality) continuity between points of observation where data and samples are gathered.

An Indicated Mineral Resource has a lower level of confidence than that applying to a Measured Mineral Resource and may only be converted to a Probable Ore Reserve.

Inferred Mineral Resource - that part of a Mineral Resource for which quantity and grade (or quality) is estimated on the basis of limited geological evidence and sampling. Geological evidence is sufficient to imply but not verify geological and grade (or quality) continuity. It is based on exploration, sampling and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes.

An Inferred Mineral Resource has a lower level of confidence than that applying to an Indicated Mineral Resource and must not be converted to an Ore Reserve. It is reasonably expected that the majority of Inferred Mineral Resources could be upgraded to Indicated Mineral Resources with continued exploration.

Joggle Pavers – Also defined as **small tiles** by the Company are tiles of pre-determined shapes including hexagonal shape (the shape depends on the mould which can be varied - there are many different shapes and sizes of joggle pavers depending on these moulds) with a maximum dimension of 190mm and minimum dimension of 170mm cut in a stamping machine from off cuts of slabs. The thickness is typically 18mm, 20mm or 25mm.

JORC Code - the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (2012 edition), as published by the Joint Ore Reserves Committee.

Ma – Million Years Before Present. Used to define the age of geological periods.

Measured Mineral Resource - that part of a Mineral Resource for which quantity, grade (or quality), densities, shape and physical characteristics are estimated with confidence sufficient to allow the application of Modifying Factors to support detailed mine planning and final evaluation of the economic viability of the deposit.

APPENDIX C – QUALIFIED PERSON’S REPORT

Bukit Chetai and Bukit Machang Granite Quarries
Hulu Terengganu, Terengganu, Malaysia
Qualified Person’s Report

March
2017

Geological evidence is derived from detailed and reliable exploration, sampling and testing gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes, and is sufficient to confirm geological and grade (or quality) continuity between points of observation where data and samples are gathered.

A Measured Mineral Resource has a higher level of confidence than that applying to either an Indicated Mineral Resource or an Inferred Mineral Resource. It may be converted to a Proved Ore Reserve or under certain circumstances to a Probable Ore Reserve.

Microgabbro - medium-grained intrusive igneous rock. It is dark green to dark grey, with occasional rare paler crystals. The crystals are small than rice grains, interlocking and randomly oriented indicating that the magma cooled more quickly. It usually occurs as small intrusions called ‘dykes’ or ‘sills’ which are sheet-like and cut through the surrounding rocks. The rock mainly comprises plagioclase and smaller amounts of pyroxene. It contains little or no quartz.

Mineral Resource – a concentration or occurrence of solid material of economic interest in or on the Earth’s crust in such form, grade (or quality), and quantity that there are reasonable prospects for eventual economic extraction. The location, quantity, grade (or quality), continuity and other geological characteristics of a Mineral Resource are known, estimated or interpreted from specific geological evidence and knowledge, including sampling. Mineral Resources are sub divided, in order of increasing geological confidence, into Inferred, Indicated and Measured categories.

mPD – metres above Principal datum – essentially ground elevation above sea level

m² – Square Metres (a unit of area)

m³ – Cubic Metres. (a unit of volume and quantity)

Ore Reserves – the economically mineable part of a Measured and/or Indicated Mineral Resource. It includes diluting materials and allowances for losses, which may occur when the material is mined or extracted and is defined by studies at Pre-Feasibility or Feasibility level as appropriate that include the application of Modifying Factors. Such studies demonstrate that, at the time of reporting, extraction could reasonably be justified. Ore Reserves are sub-divided in order of increasing confidence into Probable Ore Reserves and Proved Ore Reserves.

pa – per annum – normal convention to represent per year

APPENDIX C – QUALIFIED PERSON’S REPORT

Bukit Chetai and Bukit Machang Granite Quarries
Hulu Terengganu, Terengganu, Malaysia
Qualified Person’s Report

March
2017

PRC – People’s Republic of China

Pre-Feasibility Study (PFS) - a comprehensive study of a range of options for the technical and economic viability of a mineral project that has advanced to a stage where a preferred mining method, in the case of underground mining, or the pit configuration, in the case of an open pit, is established and an effective method of mineral processing is determined. It includes a financial analysis based on reasonable assumptions on the Modifying Factors and the evaluation of any other relevant factors which are sufficient for a Competent Person, acting reasonably, to determine if all or part of the Mineral Resources may be converted to an Ore Reserve at the time of reporting. A Pre-Feasibility Study is at a lower confidence level than a Feasibility Study.

Probable Reserves - the economically mineable part of an Indicated, and in some circumstances, a Measured Resource.

Proved Reserves - the economically mineable part of a Measured Resource.

Qualified Person - a person that satisfies Rule 442 of the Catalist Manual of the Singapore Stock Exchange – SGX-ST. The term Qualified Person is considered a similar term to Competent Person as defined in the JORC Code.

Qualified Person’s Report (QPR) - the public report prepared by a Qualified Person on Resources and/or Reserves, in compliance with Rule 441 and Practice Note 4C of the Catalist Listing Manual of the SGX-ST.

RM – Malaysian Ringgits

RQD – Rock Quality Designation – measures aggregate length of sticks of core in a core run > 100mm

Slabs – Granite stones that are processed from Granite blocks. Depending on the market, slabs are typically 18mm, 19mm or 20mm thick.

Small Tiles – Also defined by the Company as Joggle Pavers (see definition of **Joggle Paver**)

S\$ - Singapore Dollars

t – tonnes - metric unit of weight which is equivalent to 1000 kilograms

APPENDIX C – QUALIFIED PERSON’S REPORT

Bukit Chetai and Bukit Machang Granite Quarries
Hulu Terengganu, Terengganu, Malaysia
Qualified Person’s Report

March
2017

Valmin Code – The technical Assessment and Valuation of Mineral and Petroleum Assets and Securities and Independent Expert Reports promulgated by the VALMIN Committee, with regards to valuations.

Valuation – The process of determining the monetary value of a Mineral Asset at a set Valuation Date

APPENDIX C – QUALIFIED PERSON’S REPORT

**March
2017**

Bukit Chetai and Bukit Machang Granite Quarries
Hulu Terengganu, Terengganu, Malaysia
Qualified Person’s Report

**JORC Code, 2012 Edition – Table 1; Bukit Chetai Quarry
Section 1 Sampling Techniques and Data**

Criteria		Commentary
Sampling techniques	• Grab samples were taken to compare rock from any exposed face and boulder with the rock found elsewhere in the site & in boreholes. • Samples for laboratory testing were cores taken from boreholes drilled. These were selected by Rockhound (RH) after examining the cores on site (1st testing batch) & (2nd batch) after reviewing core photos. • Granite (both green and white) core showed very little obvious variation & thus basis for sampling was to take randomly at depths in the borehole to ensure there was a representative coverage of the physical properties over the site & for the full depth of the borehole.. • Samples were collected & put in plastic bags with labels inside. In core boxes samples taken were represented by spacers in the core box.	
Drilling techniques	• Rotary Coring & then wireline. • H-size core (63mm) • Vertical holes	
Drill sample recovery	• Core recoveries as RQD (Rock Quality Designation), TCR (Total Core Recovery) & SCR (Solid Core Recovery) were measured for each core run. • Prior to commencement the contractors were requested to classify breaks in the core as drilling induced or natural. • Recovery was consistent throughout the depth of borehole. In fresh rock there was generally 100% RQD & 100% TCR. Rock is massive.	
Logging	• Prior to drilling RH confirmed with drilling contractor (AMEC) expectations from Ground Investigation (GI). AMEC have their own “Core Logging Procedures” handbook. RH reviewed this & found it to be satisfactory. • All core was logged to full depth & photographed by the Contractor’s geologist as soon as it was recovered. It was then checked by a geologist representing the Client, who was based on site. RH did a cross check on selected boreholes during the April site visit.	

APPENDIX I

APPENDIX C – QUALIFIED PERSON’S REPORT

**March
2017**

**Bukit Chetai and Bukit Machang Granite Quarries
Hulu Terengganu, Terengganu, Malaysia
Qualified Person’s Report**

	Green & white granite is very distinct in terms of colour difference. Therefore there is no doubt about the rock type or the nature of the contact between the two granites.
Sub-sampling techniques and sample preparation	- Core taken as a whole. Very little visual variation with depth - Samples taken & put in plastic bags for dispatch to labs. RH selected the samples. - Samples chosen were representative of the rock across the site, & with depth. Sufficient numbers were taken to ensure that an understanding of the geology could be obtained. - Samples not halved. As there were no obvious variations with depth, this factor was not considered significant.
Quality of assay data and laboratory tests	- Testing for dimension stone mainly to determine physical properties of the rock & the mechanical properties of tile slabs. These are standard tests required to determine suitability of rock for dimension stone. - Laboratory carrying out testing (Soils & Material Laboratory (M) SDN BHD) was visited on a previous occasion. It is accredited to do tests – all according to ASTM. Testing for radioactivity is according to China (PRC) standards & carried out by the laboratory affiliated to a recognized geological Bureau at Shaoguan, Guangdong, PRC. Petrographic Examination was subcontracted by Laboratory to a Registered Professional Geologist from the Geology Dept at University of Malaysia. - Sufficient tests were carried out - over 50 tests on physical properties & 22 petrographic examinations. Results were within expectations showing rock to consistent in nature with depth & across the site.
Verification of sampling and assaying	- RH did not consider it necessary to do repeat tests as the results were what was expected and easily met specification requirements for dimension stone. - Soils & Material Laboratory (M) SDN BHD has in-house ISO accredited protocol to follow samples through the testing procedure.
Location of data points	- All drill holes & quarry workings on site at Bukit Chetai were coordinated with collar levels surveyed using nearby Government survey points as benchmarks. Independent qualified surveyors from Kuala Terengganu – Tunas Consultants Ukur - were engaged to carry out the survey work. . - The same survey team was engaged to locate key data points other than related to drill holes & to carry out check ground surveys as directed by RH.

APPENDIX I

	Ground survey plans for both Bukit Chetai & Bukit Machang were provided in AutoCAD dwg format – the surveys may have predated logging of rain forest (thought to have taken place in the 1980s or 1990s).
Data spacing and distribution	Boreholes were set out in a grid pattern. However because of the nature of the terrain drilling in a grid was not possible & ultimately drill hole locations were relocated to the nearest accessible area. Given the fact that the site is primarily underlain by granite, & there is no obvious major faulting across the site, the drill hole pattern was deemed sufficient.
Orientation of data in relation to geological structure	- The site comprises granite intersected by dykes. Ultimately the sampling & data control focused on (i) trying to understand the nature of the interfaces between the two rock types & (ii) that the quality of the rock in terms of suitability of dimension stone was understood. - The amount of drilling (2615m) & testing (over 50 samples) was deemed sufficient to interpret the geology across the site. However given that there are dykes intersecting the granite the Company plans further drill holes as the quarry opens up & access improved. In this way the nature of the geological structure and the outcrop pattern of the rock types can be further enhanced.
Samples security	- Rock cores were logged & immediately put into core boxes as soon as they were recovered from the drill holes. Core boxes were taken to a secure storage area before being removed to a locked core shed. - Samples sent for testing were taken from the site & delivered by GGTM to the Laboratory in Kuala Lumpur.
Audits or reviews	- The sampling techniques & data are standard. The geologist on site representing the Client randomly checked the sample bags. Other data such as core recovery and borehole information was reviewed on an ongoing basis. - On an ongoing basis the database collected in the GI will be reviewed, collated & summarized as the quarry is developed. At that time the findings can be compared to what is actually revealed on opening up.

APPENDIX C – QUALIFIED PERSON’S REPORT

March
2017

Bukit Chetai and Bukit Machang Granite Quarries
Hulu Terengganu, Terengganu, Malaysia
Qualified Person’s Report

**JORC Code, 2012 Edition – Table 1; Bukit Chetai Quarry
Section 2 Reporting of Exploration Results**

Criteria	Commentary
Mineral tenement & land tenure status	- Land is owned by the State & leased to LTAWNT which is a State entity established by the Terengganu State Government authorized to carry out various business activities including mining. The land is leased for mining of granite until 23 May 2037. PMINT, another Terengganu Government body, was appointed to carry out the mining work & they in turn appointed the Company to operate the mine. Formal agreements have been signed & details of Land Titles & Agreements can be found in Section 1.1 of the QPR. - The Propriety Mining License (PML) held by LTAWNT expires in August 2018 but there is provision to extend the License, & given that LTAWNT are a Government body, an extension of the license should be a formality. The Quarry cannot be operated until approval of an Environmental Impact Assessment (EIA) & the Operational Mining Scheme (OMS) – approval on both of these have been obtained.
Exploration done by other parties	A geophysical survey of a small part at the northern end of the site was carried out in 1989 otherwise we are not aware of any other exploration that has been carried out.
Geology	The geology of the site is very clear – a massive granite body intruded by high angle dykes. Because of the thick vegetation & deep weathering the nature & trend of the dykes has been established from mapping, exposures & drill hole information. The largest dyke is measured as up to 30m wide and has been worked in the past .
Drill hole information	15 vertical boreholes drilled by AMEC, an experienced drilling contractor in Malaysia. The collar levels & position of holes were properly coordinated by an independent local survey company & are shown in a Table in Section 3 of the Qualified Person’s Report (QPR). On site the drill hole positions can be revealed by concrete plinths & record plates left at the location. AMEC confirmed that all the drill holes were vertical.
Data aggregation methods	The investigation focused (i) on understanding the variation in fresh rock quality across the site & with depth & (ii) the depth & thickness of overburden & weathered rock, both of which are unsuitable as dimension stone.
Relationship between mineralization widths and intercept lengths	- The trend and presence of dykes across the site became a key issue during the Ground Investigation (GI). The dykes are high angle as seen exposure in the old quarry workings, and what was seen in another quarry site. In the few exposures on site where joint measurements were possible these appear to have the same trend & inclination as the dyke. - The relationship of the dykes with the granite is seen clearly in exposures in the old working face in the middle of the site (by GI drill hole 12) & in the boreholes. The interface is sharp & high angle.

APPENDIX I

APPENDIX C – QUALIFIED PERSON’S REPORT

**March
2017**

Bukit Chetai and Bukit Machang Granite Quarries
Hulu Terengganu, Terengganu, Malaysia
Qualified Person's Report

Diagrams	Diagrams including plans & sections are within the body of the QPR in Section 3.
Balanced reporting	A balanced view on the geology of the site is presented in the QPR. In terms of dimension stone the key issue is to identify the location & depth of fresh rock which is suitable for dimension stone.
Other substantive exploration data	- The findings of geological mapping & observations by RH are referenced in the QPR. - Apart from what information was gained from the GI obtaining geological information was from observations in small slopes cut into the natural ground around the drill pads & along some newly constructed tracks to the drill hole locations. Such information included some joint measurements, observations in the overburden profile & also the nature & size of boulders in the boulder fields. - A Project Manager & two geologists from AMEC were stationed full time on site. The Company also stationed a geologist on site to check the works by AMEC & to help set out the drill pads.
Further work	As the quarry is opened up & access improved, further drilling will take place to improve the understanding of the trend & thickness of the dykes & as such to plan ahead the excavation of the green granite. The QPR reports further drilling as a future activity.

APPENDIX I

APPENDIX C – QUALIFIED PERSON’S REPORT

**March
2017**

Bukit Chetai and Bukit Machang Granite Quarries
Hulu Terengganu, Terengganu, Malaysia
Qualified Person’s Report

**JORC Code, 2012 Edition – Table 1; Bukit Chetai Quarry
Section 3 Estimation & Reporting of Mineral Resources**

Criteria	Commentary
Database integrity	- Data on geological interfaces within boreholes was submitted in excel format to sub consultant (Arup) who are highly experienced in volume calculations, modelling techniques and very familiar with relevant computer programs. RH personnel have worked with them many times. - Base survey plans were provided in AutoCad dwg. format by Terengganu land surveyors engaged by the Company – Tunas Ukur. At the request of Rockhound (RH) check surveys were carried out to validate the originally provided survey.
Site visits	- Three site visits were carried out – Oct 15, April & Oct 16. Each visit lasted 3 days on site. - The Oct 15 visit was with AMEC prior to their appointment as Ground Investigation (GI) contractor to discuss the requirements from the GI, familiarize the site conditions and to understand the expectations of the Company from the GI. Also to visit the local Mines Bureau to gather any geological information relevant to the site. - The April visit was to review GI progress, choose samples for testing & to carry out mapping now that parts of the site had been opened up. - The Oct 16 visit was to refine the understanding of the site, clarify the nature of the dykes, do due diligence on the site boundary & discuss the mine plan, processing & other factors related to the production of the Pre-Feasibility Study (PFS) & Qualified Person’s Report (QPR).
Geological interpretation	- The GI showed very clearly that Bukit Chetai is underlain by massive granite. There is also no doubt that dykes of microgabbro (ie green granite) intersect the granite outcrop. The geological interpretation of the dykes is based on mapping & findings from the GI. - The consistency of the dyke width & inclination with depth is interpreted from what was seen in the working faces of the previous quarry operation, from drill hole information & from the few joint measurements that were possible in the weathered profile of the bedrock. The contact between the country rock & the dyke is sharp as seen from drill holes. Because of the way dykes are emplaced as a molten mass into a solid granite rock mass it would not be unexpected if there were variations in the width & also some alteration of the granite & dyke rock at the contact boundary. However, on the basis of the information available the geological interpretation is satisfactory. - The location & trend of the ancillary dykes parallel to the major dyke have been interpreted on the basis of the distribution of green granite boulders found in the boulder fields & from what green granite core stones that were observed in the weathered profile.

APPENDIX I

APPENDIX C – QUALIFIED PERSON’S REPORT

Bukit Chetai and Bukit Machang Granite Quarries
Hulu Terengganu, Terengganu, Malaysia
Qualified Person’s Report

March
2017

	All these factors mean that the Mineral Resource estimation of the green granite is more variable in terms of total quantity compared to the white granite.
Dimensions	The white granite appears to be consistent in nature across the site. The nature of the green granite in the dykes is discussed in the Section 2 of Table 1.
Estimation and modelling techniques	- Prior to the GI carried out as part of the current exercise to estimate the Mineral Resources on the site the only recorded resource estimate was by the Mining Engineer who submitted the Operational Mining Scheme (OMS) to obtain approval to quarry from the Director of Mines. This assumed a higher base level of excavation. - The calculation of volumes carried out as part of the current exercise was done using ESRI ArcGIS 3D Analysts extension as described in further detail in Section 5 of the QPR. This programme is applicable to simple geological profiles. The software generates three dimensional TIN surfaces that facilitate volumetric calculations of the amount of material between different surfaces. There were three surfaces (i) ground level (ii) base of overburden & (iii) base of weathered rock. - The volume of the major dyke was also estimated by ESRI ArcGIS. In this model the dyke was assumed to be vertical, of consistent thickness with depth & trending in a NE-SW direction. The volume was calculated using the same modelling technique described above. - The overburden & weathered rock are the waste. Given that the granite has high strength & is massive, waste can be minimized. However, good quality waste rock can be crushed down as aggregate for use in concrete.
Moisture	Moisture is not relevant to granite dimension stone.
Cut-off parameters	The JORC criteria of cut-off parameter is not relevant to dimension stone other than in the context of whether the rock meets the specification for use as a dimension stone. The relevant standard for granite is ASTM C615 & this identifies the individual tests that need to be carried out to determine relevant physical & mechanical properties. These parameters were measured from core samples taken from drill holes & tiles in stock on site.
Mining factors or assumptions	Until working platforms are created diamond wire saws will be used to excavate the granite into dimension stone blocks. Circular saw machines are used for bigger areas and in working platforms they will cut the rock into strips - after which wire saws will further cut the strips into individual blocks. The uses of circular saw machines & wire saws as forms of excavation are quite common in the dimension stone business.

APPENDIX I

APPENDIX C – QUALIFIED PERSON’S REPORT

Bukit Chetai and Bukit Machang Granite Quarries
Hulu Terengganu, Terengganu, Malaysia
Qualified Person’s Report

**March
2017**

	The first circular saw is expected to be ready to be used in production in March 2017. Not all rock excavated can be recovered as blocks. However, as seen from the drill holes & from the previous quarry operation the rock is massive and as such a block yield rate of 65% is estimated. The standard block sizes to be extracted are targeted at 2.5m x 1.5m x 0.75m. This relatively small block size supports a higher yield. However for export and local sales block heights will be up to 1.5m. Actual block yield will be determined as the Quarry opens up.
Metallurgical factors or assumptions	- In the context of dimension stone operations ‘Metallurgical factors or assumptions’ relates to processing of granite blocks into slabs & tiles. The processing techniques to be used at Bukit Chetai are common throughout the industry. A purpose built processing facility will be built on site using standard plant & equipment. - Ideally shapes of blocks should be near rectangular to minimize waste when cutting.
Environmental factors or assumptions	- An Environmental Impact Assessment (EIA) has already been approved by the Dept of Environment. Environmental monitoring of air, noise (both quarterly) & water (monthly) quality is be carried out on a regular basis - Overburden & stripped vegetation will be used as protection to temporary slopes, in haul road construction & ultimately used to build up bunds as a basis for a planting medium.
Bulk density	54 Bulk Density measurements were made. The micro gabbro has a distinctly higher density than the white granite. - In the dimension stone business volumes are the most common unit of measurement of quantity.
Classification	- There is confidence in the geological interpretation to classify the Mineral Resources as Measured or Indicated. For the areas more than 200m from the nearest borehole these are Indicated Resources. To account for the likelihood of variations in thickness of the dyke with depth some of the green granite Resource is classified as Indicated. - RH has taken appropriate account of all relevant factors & is confident that the result appropriately reflects the view of Paul Fowler as Competent Person.
Audits or reviews	The resource estimates & QPR has been the subject of a Peer Review. The Reviewer is someone with many years of geological experience in mining & exploration; he is a competent person & is thus very familiar with the JORC Code & Resource assessment.

APPENDIX I

APPENDIX C – QUALIFIED PERSON’S REPORT

**March
2017**

Bukit Chetai and Bukit Machang Granite Quarries
Hulu Terengganu, Terengganu, Malaysia
Qualified Person's Report

Discussion of relative accuracy/confidence	• A discussion on this is in Section 5 of the QPR. • Estimates on block recovery rates, wastage in the ordinary production process & amounts of overburden will be recorded on a regular basis. The annual statement on the estimates of resources & reserves at the site, as required under SGX requirements, will be an ongoing reflection of confidence levels in these estimates. .

APPENDIX I

APPENDIX C – QUALIFIED PERSON’S REPORT

**March
2017**

Bukit Chetai and Bukit Machang Granite Quarries
Hulu Terengganu, Terengganu, Malaysia
Qualified Person’s Report

**JORC Code, 2012 Edition – Table 1; Bukit Chetai Quarry
Section 4 Estimation & Reporting of Ore Reserves**

Criteria	Commentary
Mineral Resource estimate for conversion to Ore Reserves	- All the Resources of fresh rock estimated for the site can be considered for conversion to a Reserve. As there is insufficient exposure of the ancillary dykes the volumes allocated to them cannot be converted as these dykes, until further investigation is carried out, are considered exploration targets. - The Resources defined include the Reserves.
Site visits	- Three site visits were carried out – Oct 15, April & Oct 16. Each visit lasted 3 days on site. - The Oct 15 visit was with AMEC prior to their appointment as Ground Investigation (GI) contractor to discuss the requirements from the GI, familiarize the site conditions and to understand the expectations of the Company from the GI. Also to visit the local Mines Bureau to gather any geological information relevant to the site. - The April visit was to review progress of the GI, choose samples for testing & to carry out mapping now that parts of the site had been opened up. - The Oct 16 visit was to refine the understanding of the site, clarify the nature of the dykes, do due diligence on the site boundary & discuss the mine plan, processing & other factors related to the production of the Pre-Feasibility Study (PFS) & Qualified Person’s Report (QPR).
Study status	- A PFS was completed in December 2016. Excavation using circular saw machines & wire saws at the quarry face is technically feasible & economically viable. - The other modifying factors - infrastructure, legal issues, environmental matters, processing, costs & economic viability, marketing & social considerations have been considered & reported in the QPR.
Cut-off parameters	Cut-off parameter is not relevant to dimension stone other than in the context of whether the rock meets the specification for use as a dimension stone. The relevant standard for granite is ASTM C615 & this identifies the individual tests that need to be carried out to determine relevant physical & mechanical properties. These parameters were measured from core samples taken from drill holes & tiles in stock on site.

APPENDIX I

APPENDIX C – QUALIFIED PERSON’S REPORT

**March
2017**

**Bukit Chetai and Bukit Machang Granite Quarries
Hulu Terengganu, Terengganu, Malaysia
Qualified Person’s Report**

Mining factors or assumptions	- Extraction techniques are very simple & well understood – the operation is in effect a simple ‘earthworks exercise; - Excavation will focus on the big dyke with the circular saw machine cutting a 35m path normal to the dyke. The excavation will move in a SW direction & be in a descending multi-bench form using circular saw and wire saw extraction. This results in little disturbance to the surrounding ground as would happen with bulk excavation by the use of explosives. The final excavation level is expected to be approx. 139mPD. As part of the normal operation there will be loss of rock from being washed away during sawing & during transportation of blocks to the block yard. - To reveal the surface of the fresh rock for excavation (i) vegetation will need to cut & removed (ii) overburden stripped & (iii) weathered rock excavated probably by feather & wedge techniques. - Not all fresh rock excavation will be turned into blocks as discontinuities in the granite will mean that the desired rectangular shape of blocks cannot be achieved. From drill hole cores & what can be seen in the old quarry workings the granite is massive & block yields are expected to be high. A Project specific Trial excavation has not taken place. - The rock is massive & a 60° back slope for the excavation is a safe angle, especially since the rock is seen in old photos of the previous quarry operation appears to stand near vertical. This design angle will be modified if adverse jointing is revealed on excavation. To minimize excess of white granite, more than can be sold, the company will cut at 80° back slope & modify this to a shallower angle if there are stability concerns. - No permanent seepage was observed & in the old quarry faces that are present. As such there are no geotechnical concerns regarding the stability of the excavation. - There is plenty of space to work multibench & the access to & from these benches is achievable. However, in places haul road gradients will be quite high & there must be careful consideration when transporting blocks & equipment in rain. Fortunately the general operation does not lend itself to large amounts of traffic movements.
Metallurgical factors or assumptions	- In the context of dimension stone operations Metallurgical factors or assumptions relates to processing of granite blocks into slabs & tiles. The processing techniques to be used at Bukit Chetai are common throughout the industry. A purpose built processing facility will be built on site using standard plant & equipment. - Ideally shapes of blocks should be near rectangular to minimize waste when cutting. There are no deleterious elements in the granite. - The specification required for testing the stone is clearly defined. It is based on a series of physical and mechanical tests as defined in ASTM

APPENDIX I

APPENDIX C – QUALIFIED PERSON’S REPORT

**March
2017**

**Bukit Chetai and Bukit Machang Granite Quarries
Hulu Terengganu, Terengganu, Malaysia
Qualified Person’s Report**

	C615, which is the recognized test standard for Granite dimension stone. The reserve estimate has been made in the knowledge that the granite and micro gabbro meets all the specification requirements. Samples were taken and chosen by RH and are representative of the resource rock. Losses during the cutting process always take place. It has been assumed that only 55% of the volume will be turned into slabs for processing into tiles. .
Environmental	- An Environmental Impact Assessment (EIA) has already been approved by the Dept of Environment. Environmental monitoring of air, noise (both quarterly) & water (monthly) quality is be carried out on a regular basis. - Overburden & stripped vegetation will be used as protection to temporary slopes, in haul road construction & ultimately used to build up bunds as a basis for a planting medium. Sand traps will be built at the site boundary to mitigate erosion of newly exposed soil surfaces. - No decisions yet on rehabilitation. However, there are requirements in the EIA that state that the land should ultimately return to its natural form. The Company is aware of the need to rehabilitate the landscape & will work with local Government to effect this in due course.
Infrastructure	- All of these issues have been considered, planned & in some cases already implemented. The site is close to paved roads & within 13km of the East Coast Highway. On site there are some old logging trails and dirt tracks from the previous quarry operation. - Workers will be recruited locally & also migrant workers will be engaged. Skilled operatives from China will be hired to operate equipment for block production. Accommodation will be provided on site. - Power from the Malaysian Grid will be supplied in due course to the new processing facility. Likewise water will be connected from the Government mains.
Costs	- Capital costs have been provided by Company based on actual expenditure and quotes. The equipment is standard & therefore the estimated costs are within expectations. - Operating costs have been built up by the Company using local rates & standard methodology. RH has viewed these & found the build up to be reasonable. - The dimension stone tile slabs & small tiles will be used in construction projects. The Company has already secured orders, has previous sales & signed LOIs & MOUs where rates are quoted. The TG & SW products will generally be chosen by architects & end users & therefore this may also involve competitive bidding. The selling price is related to the value of these projects.

APPENDIX I

APPENDIX C – QUALIFIED PERSON’S REPORT

Bukit Chetai and Bukit Machang Granite Quarries
Hulu Terengganu, Terengganu, Malaysia
Qualified Person’s Report

**March
2017**

	- The Company will be mainly be carrying out transactions in Malaysian Ringits (RM) with some in Singapore \$ & Chinese RMB. The exchange rates will be based on the published figures at the time of any transactions - Transportation costs are based on actual experience. - Royalties (Tribute is the term used in Malaysia) have already been set out in the Agreement between the Company and PMINT. The royalty is higher for the green granite blocks and slabs compared to the white granite. The percentages & methods of calculation are clearly stated – there is no ambiguity. Details can be found in Section 2.5 of the QPR. - All these factors above have been included in the economic assessment in the PFS of the project dated December 2016 & carried out by RH.
Revenue factors	Revenue factors based on market assessment by Company marketing team, selling prices from Contracts awarded, LOIs, MOUs from sales agents and distributors.
Market assessment	- Forecasts for the Malaysian market is very limited & the market assessment has had to rely on what market intelligence the Company marketing team has been able to gather. Information on competitors is minimal as they all tend to be private companies. The green granite is a unique product whereas the white granite has more competition. - A marketing plan has already been developed & the Company does benefit by the fact that the green granite already has market awareness having been used at KLIA & the Petronas Twin Towers amongst other high profile projects. Key information is mentioned in the QPR. . - A number of sales agents & distributors have been appointed in Malaysia, Singapore & China. For example, Stone Zone Pte Ltd, based in Singapore, is appointed marketing agent to cover the ASEAN region. - The specification requirements for dimension stone are well known & the granite meets the requirements. Tests were also carried out on radioactivity & both the granite and the micro gabbro are non-reactive.
Economic	- A preliminary economic assessment of the project was carried out as part of the PFS. Escalation was included in costs, selling prices and in the CAPEX. These were estimated on the assumption that building costs will continue to increase. In order to meet SGX requirements other experts were engaged to carry out a valuation according to the Valmin Code . - Financial forecasts prepared by the Company show the Project to be commercially viable using known costs & conservative revenue forecasts

APPENDIX I

APPENDIX C – QUALIFIED PERSON'S REPORT

Social	The key social stakeholders in the community have been consulted as part of the EIA. There is broad acceptance of the Project & the benefits it could bring to the Community & State in terms of money & job creation.
Other	- A detailed risk assessment is contained in Section 13 of the QPR. Most risks are low to medium. - Legal agreements related to the Project have been signed & are formal. The EIA and OMS have been awarded. The land has been leased until May 2037 by the State for quarrying & the production of granite products. - The Propriety Mining License (PML) will need to be renewed by PMINT in August 2018 & the agreement between PMINT & the State body responsible for holding the land will have to be renewed in October 2029. These key dates are well documented & there is no reason to believe that both the PML & license will not be extended as it involves two Government bodies. - The Concession Agreement between GGT & PMINT was signed on 16 September 2015 with an end date in October 2029. Assuming, not unreasonably, that PMINT will be able to extend the PML then there is likewise no reason to believe that GGT cannot extend the Concession Agreement.
Classification	- Measured Resources were converted to Proven Reserves & Indicated Resources to Probable Reserves. This conversion reflects the considered view of the Competent Person. Block Rate, Operational Losses from clearance & cutting of blocks were all considered in the reserve quantity. - Probable Reserves have been derived from Indicated only.
Audits or reviews	The Ore Reserve estimates have been the subject of a Peer Review. The Reviewer is someone with many years of geological experience in mining & exploration; he is a Competent Person & is thus very familiar with the JORC Code & Resource evaluation.
Discussion of relative accuracy/confidence	- The estimates on quantity have been derived from recognized computer modelling programmes. - The Block rates (of 65%) are derived from mining factors seen from the previous operator & also the massiveness of the rock as evidenced from the drill holes. These appear reasonable. - All the Modifying Factors have been considered in detail in the PFS prepared by RH. The key factor is the nature of the major dyke at depth & along strike.

March
2017

Bukit Chetai and Bukit Machang Granite Quarries
Hulu Terengganu, Terengganu, Malaysia
Qualified Person’s Report

APPENDIX I

APPENDIX C – QUALIFIED PERSON’S REPORT

Bukit Chetai and Bukit Machang Granite Quarries
Hulu Terengganu, Terengganu, Malaysia
Qualified Person’s Report

March
2017

Ground Investigation at Bukit Chetai Sample Testing Schedule – 1 st Batch May-16									
Borehole	Sample Nos			Box	Rock	Tests			
		From	To			Compressive Strength	Bulk Density	Water Adsorption	Petrographic Analysis
4	1	25.20	25.60	1	White Granite	√	√		
4	2	51.00	51.60	8	White Granite				√
4	3	85.80	86.30	16	White Granite	√	√	√	
4	4	117.80	118.40	25	White Granite				√
4	5	138.50	139.00	31	White Granite	√	√	√	
4	6	170.40	171.00	39	White Granite	√	√		
9	1	33.00	33.50	4	White Granite				
9	2	56.50	57.00	9	White Granite	√	√	√	
9	3	85.90	86.60	17	White Granite				
9	4	116.20	116.80	25	White Granite	√	√		
9	5	149.60	150.00	33	White Granite				√
9	6	174.00	174.50	39	White Granite	√	√	√	
9	7	208.00	209.00	47	White Granite				
9	8	237.00	237.50	55	White Granite	√	√	√	
9	9	255.00	255.40	61	White Granite				
13	1	12.00	12.50	2	White Granite	√	√		
13	2	42.00	42.50	8	White Granite				
13	3	72.00	72.50	15	White Granite	√	√	√	
13	4	105.00	105.60	25	White Granite				
13	5	144.00	144.60	34	White Granite	√	√		
13	6	171.00	171.70	43	White Granite	√	√	√	
13	7	206.50	207.00	50	White Granite				√
13	8	215.20	215.40	52	Green Rock				√
13	9	237.00	237.45	58	Green Rock	√	√	√	

APPENDIX II

APPENDIX C – QUALIFIED PERSON’S REPORT

Bukit Chetai and Bukit Machang Granite Quarries
Hulu Terengganu, Terengganu, Malaysia
Qualified Person’s Report

**March
2017**

13	10	254.10	254.70	63	Green Rock				√
13	11	257.50	258.00	64	Green Rock	√	√	√	
16	1	13.00	13.60	2	White Granite	√	√		
16	2	45.00	45.50	9	White Granite				
16	3	87.00	87.60	16	White Granite	√	√	√	
16	4	123.00	123.40	30	White Granite				√
16	5	153.00	153.40	38	White Granite	√	√		
16	6	186.00	186.40	47	White Granite	√	√	√	
16	7	215.00	215.50	53	White Granite				
16	8	284.50	285.00	59	White Granite	√	√		
14	1	24.00	24.80	3	White Granite	√	√	√	
14	2	53.60	54.00	11	White Granite				
14	3	83.50	84.00	19	White Granite	√	√	√	
14	4	110.50	111.00	26	White Granite				√
14	5	146.00	146.80	35	White Granite	√	√		
14	6	175.40	176.20	43	White Granite				
12	1	6.40	7.00	2	Green Rock				√
12	2	15.00	15.6	4	Green Rock	√	√	√	
12	3	27.60	28.00	8	Green Rock	√	√	√	
12	4	36.00	36.60	10	White Granite	√	√	√	
12	5	63.00	63.60	17	White Granite				
12	6	102.00	102.60	27	White Granite	√	√		
12	7	135.00	135.60	36	White Granite				√
12	8	151.70	152.20	40	Green Rock				√
12	9	158.70	158.70	42	Green Rock	√	√	√	
17	1	5.00	5.50	1	Green Rock				√
17	2	14.00	14.80	3	Green Rock	√	√	√	
17	3	20.00	20.40	7	Green Rock	√	√	√	
17	4	38.00	38.80	10	White Granite	√	√	√	
17	5	57.00	57.30	15	White Granite				√
17	6	68.70	69.00	18	Green	√	√	√	

APPENDIX II

APPENDIX C – QUALIFIED PERSON’S REPORT

Bukit Chetai and Bukit Machang Granite Quarries
Hulu Terengganu, Terengganu, Malaysia
Qualified Person’s Report

**March
2017**

					Rock				
17	7	78.90	79.30	21	Green Rock				√
17	8	101.49	101.95	27	Green Rock	√	√	√	
17	9	112.00	113.00	30	Green Rock				√
17	10	122.60	123.00	33	Green Rock	√	√	√	

Rock	Tests			
	Compressive Strength	Bulk Density	Water Adsorption	Petrographic Analysis
White Granite	23	23	13	8
Green Rock	10	10	10	7
Total	33	33	23	15

APPENDIX C – QUALIFIED PERSON’S REPORT

Bukit Chetai and Bukit Machang Granite Quarries
Hulu Terengganu, Terengganu, Malaysia
Qualified Person’s Report

March
2017

Ground Investigation at Bukit Chetai Sample Testing Schedule – 2 nd Batch Jul-16								
Borehole	Sample Nos			Rock	Tests			
		From	To		Compressive Strength	Bulk Density	Water Adsorption	Petrographic Analysis
3	1	15.00	16.00	Green Rock	√	√	√	
3	2	25.00	26.00	Green Rock				√
3	3	33.00	34.00	Green Rock	√	√	√	
3	4	60.00	70.00	White Granite	√	√	√	
5	1	75.00	76.00	White Granite	√	√	√	
5	2	125.00	126.00	White Granite	√	√		
6	1	100.00	101.00	White Granite	√	√	√	
6	2	175.00	176.00	White Granite	√	√	√	
6	3	250.00	251.00	Green Rock	√	√	√	
6	4	260.00	261.00	Green Rock				√
6	5	275.00	276.00	Green Rock	√	√	√	
7	1	20.00	21.00	Green Rock	√	√	√	
7	2	40.00	41.00	Green Rock				√
7	3	60.00	61.00	Green Rock	√	√	√	
7	4	100.00	101.00	White Granite	√	√	√	
10	1	75.00	76.00	White Granite	√	√		
10	2	110.00	111.00	White Granite	√	√	√	
11	1	32.00	32.50	Green Rock				√
11	2	33.00	33.50	Green Rock	√	√	√	
11	3	50.00	51.00	White Granite	√	√	√	
11	4	100.00	101.00	White Granite				√
11	5	125.00	126.00	White Granite	√	√	√	
19	1	50.00	51.00	White Granite	√	√	√	
19	2	80.00	81.00	White Granite				√
19	3	110.00	111.00	White Granite	√	√		
20	1	68.00	69.00	White Granite	√	√	√	
20	2	105.00	106.00	White Granite				√
20	3	130.00	131.00	White Granite	√	√	√	

Rock	Tests			
	Compressive Strength	Bulk Density	Water Adsorption	Petrographic Analysis
White Granite	14	14	11	3
Green Rock	7	7	7	4
Total	21	21	18	7

APPENDIX II



VALUATION REPORT
BUKIT CHETAI DIMENSION STONE QUARRY
TERENGGANU,
MALAYSIA

APPENDIX D – VALMIN VALUATION REPORT

12 May 2017

Board of Directors
Anchor Resources Limited

Dear Sirs,

Independent Valuation of the Bukit Chetai Quarry, Project Goodyear

In accordance with your instructions, Jones Lang LaSalle Corporate Appraisal and Advisory Limited (“JLL” or we) have conducted an independent valuation to determine the Market Value of the mining rights to the Bukit Chetai Dimension Stone Project, over approximately 104.8 hectares of land within the District of Hulu Terengganu, Terengganu Darul Iman, Malaysia (the “Subject”) belonging to GGT Manufacturing Sdn Bhd (“GGTM”) as at 28 February 2017 (the “Valuation Date”). GGTM is being acquired by Anchor Resources Limited (“Anchor”), a company listed on the Catalist board of the Singapore Exchange Securities Trading Limited (“SGX-ST”).

We have consented that this Valuation Report being submitted to the SGX-ST and included in Anchor’s circular to its shareholders in relation to the proposed acquisition of 100% equity interest in the Subject. The Valuation Report that follows is dated 12 May 2017 (the “Report Date”).

APPENDIX D – VALMIN VALUATION REPORT

This Valuation Report has been prepared in accordance with the guidelines set by:

- the Australasian Code for the Public Reporting of Technical Assessments and Valuations of Mineral Assets 2015 Edition (the “VALMIN Code 2015”), prepared by the VALMIN Committee, a joint committee of The Australasian Institute of Mining and Metallurgy and the Australian Institute of Geoscientists, with the participation of the Minerals Council of Australia and other key stakeholder representatives
- the SGX Catalist Rules pertaining to mineral, oil and gas projects.

The valuation was carried out on a Technical Value basis. The VALMIN Code 2015 defines Technical Value as *“an assessment of a Mineral Asset’s future net economic benefit at the Valuation Date under a set of assumptions deemed most appropriate by a Practitioner, excluding any premium or discount to account for market considerations.”*

Modifying Factors were applied to the Technical Value, including assessment of Comparable Transactions to derive a Market Value, which is defined in the VALMIN Code 2015 as *“the estimated amount (or the cash equivalent of some other consideration) for which the Mineral Asset should exchange on the date of Valuation between a willing buyer and a willing seller in an arm’s length transaction after appropriate marketing wherein the parties each acted knowledgeably, prudently and without compulsion.”*

The valuation contains calculations and forecasts based primarily on data provided by GGTm as well as those contained in the following reports:

- “Qualified Person’s Report, Bukit Chetai and Bukit Machang Granite Quarries”, prepared by Rockhound Limited and dated March 2017 (“QPR”)
- “Preliminary Feasibility Study, Bukit Chetai and Bukit Machang Granite Quarry”, prepared by Rockhound Limited and dated December 2016 (“PFS”)

APPENDIX D – VALMIN VALUATION REPORT

The Bukit Chetai deposit is primarily a white granite with NE trending dark green-grey microgabbro dykes, the largest of which is 30m wide at the old quarry face. Dimension stone products, blocks, slabs and tiles are marketed as “Terengganu Green” (“TG”) for the microgabbro rock and “Sekayu White” (“SW”) for the white granite. A pink granite that occurs in the nearby Bukit Machang deposit is marketed as “Rosa Tenggo” (“RT”). However, that deposit does not form part of the Subject of this Valuation.

The QPR estimated that the total Mineral Resources of white granite in the Bukit Chetai deposit to be 94.34Mm³. Estimated total Mineral Resources of the microgabbro were 4.72Mm³ (comprising the main dyke only).

The project valuation is based on accepted valuation procedures and practices that rely substantially on the use of numerous assumptions and consideration of various factors that are relevant to the operation of GGTM. Considerations of various risks and uncertainties that have potential impact on the business have also been made. We have conducted one site visit on 4 October 2016 and have reviewed data pertaining to the geology, exploration results, mine planning and economic viability of the Subject.

The Valuation Date is 28 February 2017. This Valuation Report has been prepared on the basis of information available up to the Valuation Date. The opinions expressed herein are given in good faith and we believe that any assumptions or interpretations made by it are reasonable.

While every effort has been made to ensure the accuracy of this Valuation Report, we take no responsibility if the conclusions of this Valuation Report are based on incomplete or misleading data provided by GGTM. No opinion has been expressed on matters that require legal or other specialized expertise or knowledge, beyond what is customarily employed by valuers. The conclusions assume continuation of prudent management over whatever period of time that is reasonable and necessary to maintain the character and integrity of the assets valued.

APPENDIX D – VALMIN VALUATION REPORT

JLL has undertaken the valuation of the Subject using the Discounted Cash Flow method under the Income Approach as the primary valuation methodology. The Comparable Transactions method under the Market Approach has also been considered. Based on the results of our investigations and analysis outlined in the Valuation Report that follows, we are of the opinion that the Market Value of the Subject as at the Valuation Date is within the range of **RM241 million to RM429 million** with the preferred value being **RM335 million**.

The following pages outline the factors considered, methodology and assumptions employed in formulating our opinions and conclusions. Any opinions are subject to the assumptions and limiting conditions contained therein.

Yours faithfully,
For and on behalf of
Jones Lang LaSalle Corporate Appraisal and Advisory Limited

		
Murray Hutton Principal Consultant		Simon Chan Regional Director
		
Helen Ray Senior Consultant		

TABLE OF CONTENTS

1	INTRODUCTION	1
1.1	COMMISSIONING ENTITY	1
1.2	BACKGROUND	1
1.3	DATE OF VALUATION	2
1.4	SCOPE OF VALUATION	2
1.5	PURPOSE OF VALUATION	2
1.6	BASIS OF VALUATION	3
1.7	STANDARDS AND CODES	3
1.8	BASIS OF OPINION	3
1.9	STATEMENT OF COMPETENCE	4
1.10	STATEMENT OF INDEPENDENCE	7
1.11	RELIANCE ON INFORMATION	7
1.12	REASONABLENESS STATEMENT	8
1.13	COST	8
2	SOURCES OF INFORMATION	9
2.1	SITE INSPECTION	9
2.2	MINING TENEMENTS	9
2.3	INDEPENDENT EXPERT REPORTS	10
2.4	MISCELLANEOUS INFORMATION	11
3	PROJECT DESCRIPTION	13
3.1	INTRODUCTION	13
3.2	GEOGRAPHIC LOCATION, TERRAIN AND CLIMATE	15
3.3	TENURE	17
3.4	GEOLOGY	18
3.5	EXPLORATION PROGRAM	20
3.6	MINERAL RESOURCES	24
3.7	ORE RESERVES	26
3.8	RESOURCES / RESERVES ASSESSMENT	27
3.9	MINING PLAN AND SCHEDULE	27

APPENDIX D – VALMIN VALUATION REPORT

3.10	GEOTECHNICAL TESTWORK	29
3.11	PETROGRAPHIC DESCRIPTIONS	30
3.12	ENVIRONMENTAL ASPECTS	31
4	VALUATION PRINCIPLES AND METHODOLOGY	33
4.1	VALUATION APPROACHES	33
4.1.1	MARKET APPROACH	34
4.1.2	INCOME APPROACH	34
4.1.3	COST APPROACH	35
4.2	RISKS AND SPECIAL CIRCUMSTANCES	35
4.3	SELECTION OF METHODOLOGY	36
5	ASSUMPTIONS	38
5.1	TENURE	38
5.2	MINING AND PROCESSING	38
5.2.1	MINING	39
5.2.2	RECOVERY RATES	40
5.3	REVENUE	40
5.3.1	DIMENSION STONE MARKETS	40
5.3.2	PRICES	42
5.4	CAPITAL AND OPERATING COSTS	46
5.4.1	CAPITAL COSTS	46
5.4.2	OPERATING COSTS	46
5.4.3	OTHER COSTS	47
5.5	FINANCIAL ASSUMPTIONS	47
5.5.1	TAXATION & ROYALTIES	47
5.5.2	FINANCE	48
5.5.3	WORKING CAPITAL	48
5.6	OTHER CONSIDERATIONS	49
5.6.1	EXCHANGE RATE	49
5.6.2	INFLATION	49
5.7	REASONABLENESS OF ASSUMPTIONS	49
6	VALUATION OF THE SUBJECT	50

APPENDIX D – VALMIN VALUATION REPORT

6.1	TECHNICAL VALUE	50
6.1.1	DISCOUNT RATE	50
6.1.2	SENSITIVITY ANALYSIS	53
6.1.3	SUMMARY OF TECHNICAL VALUE	56
6.2	RISKS & OPPORTUNITIES ANALYSIS	56
6.2.1	RISKS	56
6.2.2	OPPORTUNITIES	63
6.2.3	SUMMARY OF RISKS AND OPPORTUNITIES	64
6.3	MARKET VALUE	65
6.3.1	ASSESSMENT OF MODIFYING FACTORS	65
6.3.2	COMPARABLE TRANSACTIONS	66
6.3.3	DISCOUNT FOR LACK OF MARKETABILITY	67
6.3.4	SUMMARY OF MARKET VALUE	68
7	OPINION OF VALUE	69
8	BIBLIOGRAPHY	70
9	TERMS AND DEFINITIONS	71
10	GLOSSARY OF TECHNICAL TERMS	73
APPENDIX 1.	LIMITING CONDITIONS	75
APPENDIX 2.	VALUER'S BIOGRAPHY	78
APPENDIX 3.	VALUER'S PROFESSIONAL DECLARATION	80
APPENDIX 4.	QUALIFIED PERSON'S REPORT	83
APPENDIX 5.	PROJECTS IN MALAYSIA THAT HAVE USED TG, SW & RT PRODUCTS	84
APPENDIX 6.	LEGAL OPINION	85
APPENDIX 7.	PROPRIETARY MINING LICENCE	86
APPENDIX 8.	LEASE AGREEMENT BETWEEN LTAWNT AND PMINT	87
APPENDIX 9.	SUB-LEASE AGREEMENT BETWEEN PMINT AND GGTM	105

APPENDIX D – VALMIN VALUATION REPORT

Figures

Figure 1: Location of the Bukit Chetai Project, Terengganu, Malaysia	15
Figure 2: Average temperatures and rainfall for Kuala Terengganu	16
Figure 3: Geology of the Bukit Chetai and Bukit Machang areas	18
Figure 4: Drillhole locations and surface mapping	22
Figure 5: Perspective view of 3D model, looking NE	23
Figure 6: Sensitivity analysis showing variations in commodity price, operating costs, and capital expenditures	55
Figure 7: Sensitivity analysis showing variations in discount rate	56

APPENDIX D – VALMIN VALUATION REPORT

Tables

Table 1: Mineral Resources at Bukit Chetai as at 31 January 2017	25
Table 2: Ore Reserves at Bukit Chetai as at 31 January 2017 (Rockhound, 2017)	26
Table 3: Monthly production schedule during the first 10 years	28
Table 4: Summary of sample numbers selected for geotechnical testing	29
Table 5: Mineral composition of Sekayu White and Terengganu Green	31
Table 6: Applicability of Valuation Approaches to Projects at different stages of development	33
Table 7: Product selling prices estimated by the company	43
Table 8: Price escalation rate assumptions	44
Table 9: Annual excavation of green and white granite blocks	44
Table 10: Annual production of green and white granite products	44
Table 11: Annual production of blocks	45
Table 12: Annual production of slabs and tiles	45
Table 13: Capital costs estimate	46
Table 14: Operating costs breakdown	46
Table 15: General & Administration cost rates	47

APPENDIX D – VALMIN VALUATION REPORT

Table 16: Sensitivity analysis ranges	53
Table 17: Sensitivity analysis using ranges of granite price and discount rate	54
Table 18: Sensitivity analysis using ranges of granite price and operating costs	54
Table 19: Risk Assessment Grid	57
Table 20: Summary of Risks and Opportunities	65
Table 21: Summary of DLOM Parameters	68

1 INTRODUCTION

1.1 COMMISSIONING ENTITY

This valuation was commissioned by Anchor Resources Limited (“Anchor”).

1.2 BACKGROUND

GGT Manufacturing Sdn Bhd (“GGTM”) has been granted the rights to develop a granite dimension stone quarry under a Proprietary Mining Licence (PML) at Bukit Chetai, located in District of Hulu Terengganu, State of Terengganu, Malaysia. GGTM also has the rights to exploit a second dimension stone quarry project at Bukit Machang, approximately 13km ENE of Bukit Chetai. However, Bukit Machang is not at the same advanced stage as Bukit Chetai and does not form a component of this valuation.

Dimension stone is defined as a natural rock material quarried for the purpose of obtaining blocks or slabs and other products that fulfil specific requirements with regards to size and shape (width, length, thickness, form, etc.) Other geological factors that are inherent in a dimension stone are a combination of aesthetic qualities (colour, texture and pattern) and geotechnical properties (strength, abrasion resistance, etc.). The range of factory finishes possible on the prepared stone forms is also an important characteristic. Dimension stone is used in the building, construction and monumental industries. The dimension stone products from Bukit Chetai have a local, national and international market potential.

This Valuation focuses on Bukit Chetai, which is at an advanced stage of exploration and development. At Bukit Chetai, white to grey granite is intruded by dark green-grey microgabbro dykes, of which the largest has been measured at around 30m in horizontal width and interpreted length of approximately 1km. Three quarry faces have been developed previously, mainly aimed at extracting the green microgabbro. There has been some past production and quarrying activities have recommenced.

APPENDIX D – VALMIN VALUATION REPORT

GGTM has entered into a sale and purchase agreement with Anchor Resources Limited (“Anchor”), a Singapore registered company (listed on the Catalist board of the Singapore Exchange Securities Limited, SGX-ST), relating to the proposed acquisition by Anchor of 100% of the issued shares in GGTM. One of the conditions precedent in the agreement is that the Valuation Report, in compliance with the VALMIN Code 2015, determines a valuation of the target to be no less than S\$100 million.

1.3 DATE OF VALUATION

The date of this valuation is 28 February 2017.

1.4 SCOPE OF VALUATION

The scope of this Valuation Report is to gather, summarise and interpret all material information in the assessment of the Market Value, as at the Valuation Date, of the mining rights over the Bukit Chetai Dimension Stone Quarry (the “Subject”) located within the locality of Bukit Chetai, District of Hulu Terengganu, State of Terengganu, Malaysia. The Subject is contained within an area of land approximately 104.8 hectares sub-leased to GGTM from PMINT.

1.5 PURPOSE OF VALUATION

This Valuation Report has been prepared as part of Anchor’s submission requirements to SGX-ST and public reporting purpose in relation to Anchor’s proposed acquisition of GGTM (the “Transaction”).

APPENDIX D – VALMIN VALUATION REPORT

1.6 BASIS OF VALUATION

The valuation was primarily based on a Technical Value method. The Australasian Code for the Public Reporting of the Technical Assessments and Valuations of Mineral Assets 2015 Edition (the “VALMIN Code 2015”) defines Technical Value as *“an assessment of a Mineral Asset’s future net economic benefit at the Valuation Date under a set of assumptions deemed most appropriate by a Practitioner, excluding any premium or discount to account for market considerations.”*

Assessment of Modifying Factors was applied to the Technical Value to arrive at a Market Value, which is defined by the VALMIN Code 2015 as *“the estimated amount of money (or the cash equivalent of some other consideration) for which the Mineral Asset should exchange on the date of Valuation between a willing buyer and a willing seller in an arm’s length transaction after appropriate marketing wherein the parties each acted knowledgeably, prudently and without compulsion”*.

1.7 STANDARDS AND CODES

We have conducted our valuation in accordance with:

- the VALMIN Code 2015, prepared by the VALMIN Committee, a joint committee of The Australasian Institute of Mining and Metallurgy and the Australian Institute of Geoscientists, with the participation of the Minerals Council of Australia and other key stakeholder representatives,

1.8 BASIS OF OPINION

In order to form an opinion on the Market Value of the Subject, it is vital to make assumptions of certain future events, e.g. economic and market factors. We have taken all reasonable care in examining those assumptions made to ensure that they are appropriate to the case. These assumptions are based on our opinion of the technical knowledge and

APPENDIX D – VALMIN VALUATION REPORT

experience of employees of GGTM and the opinions of independent consultants from Rockhound Limited, authors of the Preliminary Feasibility Study (“PFS”, dated December 2016) and the Qualified Person’s Report (“QPR”, dated March 2017). The valuation procedures employed include the review of physical and economic conditions of the Subject and assessment of the key assumptions, estimates, and representations made by GGTM. All matters essential to the proper understanding of the valuation have been disclosed in this Valuation Report.

The following factors form an integral part of our basis of opinion:

- Assumptions on the market conditions related to the Subject that is considered to be fair and reasonable
- Consideration and analysis on the micro and macro economy affecting the Subject
- Analysis of tactical planning, management and synergy of the Subject
- Analytical review of technical aspects related to the Subject
- Assessment of the leverage and liquidity of the Subject

We planned and performed our valuation so as to obtain all the information that we considered necessary in order to provide us with sufficient evidence to express our opinion on the Subject.

Unless otherwise indicated, all financial figures quoted in this Valuation Report refer to Malaysian Ringgit (RM) or Singapore Dollars (S\$). Values in this Valuation Report do not include any allowance for the costs of negotiating any sale.

1.9 STATEMENT OF COMPETENCE

This Valuation Report has been prepared by Helen Ray, Murray Hutton and Simon Chan, with assistance from Alison Cole, Ray Pohanda and Sandra Long.

APPENDIX D – VALMIN VALUATION REPORT

Helen Ray is a Senior Consultant with Sydney-based Geos Mining Minerals Consultants and serves as a consultant to Jones Lang LaSalle. She has over 37 years' experience in government and the minerals industry. Her qualifications and professional associations include BSc (Hons) in Applied Geology from University of NSW, Sydney, MAppSc from NSW Institute of Technology and membership of the Australian Institute of Geoscientists. Helen has skills and experience in a wide range of industrial minerals, construction materials and, in particular, dimension stone. Helen has a postgraduate qualification in the weathering of dimension sandstone in heritage buildings. She has been providing specialist advice on dimension stone to government departments, architects and other organisations over more than thirty years. Helen has conducted assessments of dimension stone (sandstone, granite and marble) resources in Australia, China and Vietnam and prepared public assessment reports in accordance with the principles of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves 2012 Edition ("the JORC Code 2012"). She has prepared independent technical reports for a range of companies including listings on the Hong Kong Stock Exchange.

Murray Hutton is the Principal Consultant with Geos Mining and serves as a consultant to Jones Lang LaSalle. He has over 40 years' experience in the minerals industry. His qualifications and professional associations include a BA (Hons) in Geology from Macquarie University, Sydney, and membership of the Australian Institute of Geoscientists. Murray has the experience and expertise suitably qualified to produce Public Reports as cited in the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves 2012 Edition ("the JORC Code 2012"). His experience has spanned gold and base metals, tin, tungsten, coal, lithium brines, oil shales and industrial minerals. He has acted as a Competent Person, as defined by the JORC Code 2012, for a diverse range of commodities, particularly for gold and copper projects, involving the production of independent technical reports and valuation reports for many Australian Securities Exchange ("ASX") listed and overseas companies. He fulfills the VALMIN Code 2015 standards for competence, which allows him "Specialist" status under the "VALMIN Practitioners" section of the VALMIN Code 2015.

Simon Chan has extensive work experience in accounting, auditing, valuation and corporate advisory services and now oversees the business valuation department of JLL. He has

APPENDIX D – VALMIN VALUATION REPORT

extensive valuation experience in mineral assets, mining rights and corresponding project investments and has provided a wide range of valuations services to numerous listing companies in Mainland China, Hong Kong, Singapore and the United States since 2007. He is a member of the Australasian Institute of Mining and Metallurgy (AusIMM) as well as a fellow of the Royal Institute of Chartered Surveyors (RICS), Hong Kong Institute of Certified Public Accountants (“HKICPA”) and CPA Australia. His extensive experience means he fulfills the requirement to be a “Securities Expert” under the definition of “VALMIN Practitioners” set out in the VALMIN Code 2015.

Helen Ray is responsible for the assessment of technical aspects of the Subject and is the primary author of the following sections of the Valuation Report:

- Section 2 - Sources of Information
- Section 3 - Project Description
- Section 5.1 - Tenure
- Section 5.2 - Mining and Processing
- Section 5.4 - Capital and Operating Costs

Murray Hutton is responsible for the assessment of the valuation aspects of the Subject and is the primary author of the following sections of the Valuation Report:

- Section 5.3 - Revenue

Simon Chan is responsible for the assessment of market and financial aspects of the Subject and is the primary author of the following sections of the Valuation Report:

- Section 5.5 - Financial Assumptions
- Section 5.6 - Other Considerations

Murray Hutton and Simon Chan have both contributed to the following Sections of the Valuation Report:

- Section 1 - Introduction

APPENDIX D – VALMIN VALUATION REPORT

- Section 4 - Valuation Principles and Methodology
- Section 6 - Valuation of the Subject
- Section 7 - Opinion of Value

1.10 STATEMENT OF INDEPENDENCE

JLL, Helen Ray, Murray Hutton and Simon Chan are independent of GGTM and Anchor Resources and have no contingent interest in the Subject that is likely to lead to bias.

1.11 RELIANCE ON INFORMATION

GGTM agreed to provide JLL all material information on the Subject, including technical, financial and legal information, required for the purpose of preparing this Valuation Report. JLL has undertaken independent investigations, to the best of its ability within the time frame allowed, to satisfy itself that the information provided by the client is accurate and complete.

JLL has no reason to believe that the information provided by GGTM is knowingly materially inaccurate, misleading or incomplete. However, on aspects where we have doubts or concerns regarding the accuracy of the information, we have commented on those doubts within this Valuation Report.

JLL has based its valuation on the information so provided plus information within its own knowledge or acquired as part of its investigations. A draft copy of this Valuation Report has been provided to the client for review of factual accuracy and material omissions.

GGTM has provided JLL with an indemnity, under which it will compensate JLL for any liability resulting from JLL's reliance on information provided by GGTM that is materially inaccurate or incomplete.

APPENDIX D – VALMIN VALUATION REPORT

1.12 REASONABLENESS STATEMENT

In undertaking this valuation, JLL has assessed the Technical and Financial inputs in an impartial, rational, realistic and logical manner. We believe that the overall Technical Assessment, Valuation Approach and Valuation Methods are in line with industry standards and meet the Reasonable Grounds Requirement of the VALMIN Code 2015.

1.13 COST

JLL is to be remunerated on a fixed fee basis for undertaking this valuation, with no bonus payment to be made based on the derived valuation of the Subject or the success of the Transaction.

The fee agreed between JLL and Anchor Resources Limited (the commissioning agent) is 75,000 Singapore Dollars for the Valuation Report Bukit Chetai Dimension Stone Quarry Terengganu, Malaysia and the Valuation Report on the Market Value of One Hundred Per Cent Equity Interest in GGT Manufacturing Sdn Bhd.

2 SOURCES OF INFORMATION

2.1 SITE INSPECTION

A site visit was made by JLL consultants Murray Hutton and Alison Cole, JLL representative Sandra Long, Mr Teoh from GGTM and Paul Fowler of Rockhound, on 3-4 October 2016 to inspect the area covered by the Subject for the purpose of the valuation report dated 12 May 2017. Inspections of the proposed mine area, facilities and plant site were conducted and some data was collected during the visit. Detailed discussions also took place with representatives of GGTM concerning the resources and both current and future mining and processing plans. Drill cores in the core storage facility on site and quarry exposures were inspected during the site visit and some relevant information required for the preparation of this Valuation Report collated. Open discussions with GGTM's personnel regarding technical aspects of relevance were also held.

2.2 MINING TENEMENTS

The beneficial owner of the land, on which the Project is found, is Lembaga Tabung Amanah Warisan Negeri Terengganu ("LTAWNT"), a State entity established by the Terengganu State Government. The Terengganu Director of Lands and Mines Office ("PTG") has approved a lease over Lot PT4161 (104.8 hectares), Bukit Chetai, Mukim Tersat, Daerah Hulu Terengganu, to LTAWNT for a period of 30 years ending on 23 May 2037.

A Proprietary Mining Licence (PML1/2008) was issued to LTAWNT by PTG for a period of 10 years ending on 4 August 2018 in relation to the Bukit Chetai property (Zaid Ibrahim & Co., 2017).

Through an Agreement dated 27 October 2014, LTAWNT has appointed Perbadanan Memajukan Iktisad Negeri Terengganu ("PMINT", a statutory body established pursuant to Terengganu State Economic Development Corporation Enactment 1965) 'to carry out work

APPENDIX D – VALMIN VALUATION REPORT

in relation to quarrying operation, mining, production and sale of granite products and dimension granite’ at Bukit Chetai and Bukit Machang.

On 16 September 2015, PMINT in turn entered into a concession agreement with GGTM, ‘a company that has experience and expertise to carry out business relating to quarry operation and mining, whereby GGTM would carry out exploration and production of dimension stone. PMINT appointed Permint Granite Sdn Bhd (“PGSB”, a wholly-owned subsidiary of PMINT) as management agent for PMINT to deal with GGTM and conduct monitoring in relation to the works defined in the concession agreement (Zaid Ibrahim & Co., 2017).

GGTM provided a scanned copy of the mining title (PML 1/2008) that makes up the Bukit Chetai Project. A copy of the document is included in this Valuation Report as Appendix 7 and copies of the various agreements are included as Appendix 8.

The outline of the PML is presented in a survey map prepared by a local surveyor. However, survey data of the PML boundary in the agreement document between GGTM and PMINT are illegible and we have had to rely on a scanned map to determine the PML boundaries with respect to other information points.

2.3 INDEPENDENT EXPERT REPORTS

Technical reports related to the Subject were provided by GGTM and included:

- Preliminary Technical Report prepared by Rockhound Limited, dated January 2016 (Rockhound, 2016a)
- A report on the drilling program completed during 2015-2016 (AMEC, 2016).
- Qualified Person’s Report (“QPR”) produced by Rockhound, dated March 2017 (Rockhound, 2017). Comments on the information provided in the QPR are provided under Section 3.6 Mineral Resources.
- Preliminary Feasibility Study (“PFS”) report produced by Rockhound, dated December 2016 (Rockhound, 2016b). This report covered mine design and

APPENDIX D – VALMIN VALUATION REPORT

scheduling, project operating and capital costs and assessments of realistically assumed modifying factors that indicate that the project has reasonable prospects for economic viability. Comments on the information provided in the PFS are presented in Section 3.9 Mining Plan and Schedule.

The report on the drilling program (AMEC, 2016) presented the drillhole collars in a table with two co-ordinate systems: “RSO”, and latitude/longitude. The drillhole collars were also shown on a location plan. The RSO co-ordinates are likely to be related to a local grid as they bear no relationship to the actual Malaysia Peninsular RSO datum (GDM2000). The lat/long co-ordinates in the table do not have sufficient precision to accurately locate the collar positions; longitude values were quoted to only 3 decimal places, which equates to $\pm 55\text{m}$ precision.

During the site visit, GPS readings were taken in UTM WGS84 datum for five drillhole collars located in the field: BCD07, BCD09, BCD12, BCD17 and BCD20. The readings show a good correlation with the collar positions on the location plan. For the other drillhole collar positions, we digitised the co-ordinates in WGS84 datum from the location plan. Collar elevations were taken from the survey data in the drilling report.

From the information provided in the drilling report, we created a drilling database, including geological and structural logging and sampling for geotechnical testing. We also digitised the surface topographic contours from the surveyor plan and the interpreted distribution of the dykes at the surface from the QPR. These data were loaded into a Micromine project for visualisation of the distribution of the dykes in 3D and to assess zones of potential low yield due to fracturing or other deleterious features.

2.4 MISCELLANEOUS INFORMATION

Several documents were downloaded from internet sources, relating to operating costs of similar mining operations, marketing of products, commodity prices and forecasts, and

APPENDIX D – VALMIN VALUATION REPORT

financial sources and some information regarding a potential comparable transaction. These items of public available information are mentioned in the respective sections of this Valuation Report. Items of confidential information from projects that JLL has worked on have also been utilized in our assessment of the Subject.

3 PROJECT DESCRIPTION

3.1 INTRODUCTION

Dimension stone is natural rock that is quarried in such a way that large solid blocks can be extracted, typically of dimensions around 2m x 1m x 1m. The blocks are then further worked in factory facilities to produce a variety of products such as slabs, tiles and carved shapes. Qualities inherent in dimension stone products are durability, strength, polishability and aesthetic appeal. The aesthetic appeal of a rock is based on its colour, pattern, grainsize and texture and the subsequent surface finish. The potential dimension stone is usually initially selected based on its aesthetic appeal and then tested to confirm its suitability for various applications in the building industry. The final product may be suitable for a wide range of applications including outdoor situations (building facings and street paving for example) or it may have a more restricted use requiring minimal exposure to the elements (indoor).

In dimension stone industry terminology, a large number of natural rock types are grouped into seven main simplified categories:

- granite,
- limestone,
- marble,
- sandstone,
- slate,
- greenstone and
- basalt.

The “granite” category includes all rocks with visible, medium to coarse grained interlocking crystals. The crystals are typically up to around 10mm in size. Both medium to coarse grained igneous and metamorphic rocks are included in the “granite” category. Metamorphic rocks have undergone a process of heating and/or pressure post deposition and have recrystallised. The industry term “granite” is broad and includes true white, grey, pink and red granites through to the darker grey and black gabbros, diorites and dolerites as well as the coarse grained metamorphic rocks.

APPENDIX D – VALMIN VALUATION REPORT

The Bukit Chetai project is a quarry supplying two varieties of dimension stone:

- dark green-grey microgabbro, marketed as “Terengganu Green”
- white granite, marketed as “Sekayu White”

The quarrying of dimension stone requires a specific expertise enabling the extraction of the maximum volume of whole blocks of stone using various cutting techniques (e.g. large diamond saws and diamond wire). Blasting and other extraction techniques used for aggregate quarries are generally not suitable and the methods allow for a high degree of selectivity during the mining process.

Not all extracted blocks are suitable for further processing due to deleterious features such as variations in aesthetic qualities, fracturing, veins, oxidation of sulphide and ferromagnesian minerals. The percentage of the granite resource that is extracted as blocks suitable for further processing or sale as dimension stone is termed the ‘block yield’. It is calculated by:

$$(\text{volume of blocks suitable for processing} / \text{total volume of blocks extracted}) \times 100$$

In addition to the quarry losses (block yield), there is also a small percentage lost during the processing of blocks into slabs, due to the width of the saw blades used to cut the rock. Typically, this is around 10% of the volume processed.

Unlike other commodities, such as gold and base metals, there is no centralised trading and information source for dimension stone, although premium grade dimension stone is exported worldwide from various countries. Like other building materials (e.g. aggregates), proximity to market reduces costs of transportation, but a premium stone can also be marketed according to its particular characteristics on a worldwide basis. An important component of a dimension stone project is a sophisticated marketing program to achieve maximum exposure in the industry, leading to establishing niche applications in order to command a premium price for the product. The perception in the market of the value of a premium stone may be based on a combination of aesthetic appeal, historical uses and, usually to a lesser degree, its technical specifications.

APPENDIX D – VALMIN VALUATION REPORT

3.2 GEOGRAPHIC LOCATION, TERRAIN AND CLIMATE

The project is located within the Locality of Bukit Chetai, District of Hulu Terengganu, State of Terengganu, Malaysia. Bukit Chetai is approximately 44 km south-southwest of the town centre of Kuala Terengganu (KT). The project area is approximately 250km to the northeast of Kuala Lumpur.

The nearest town is Kuala Berang and access to the mine site is via sealed roads on Route T115, to within approximately 250m of the mine site, and then via well-formed unsealed roads to the site office. It is approximately 13 km from the East Coast Expressway.

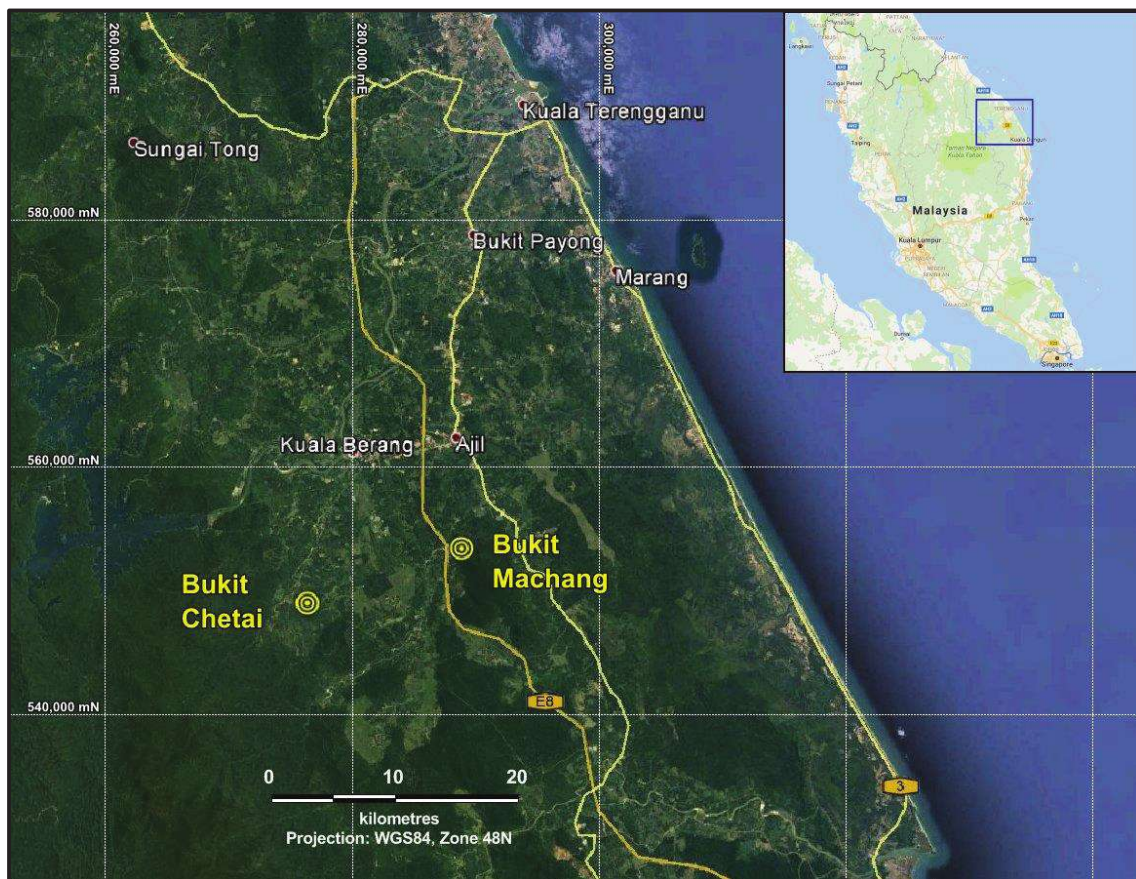


Figure 1: Location of the Bukit Chetai Project, Terengganu, Malaysia

APPENDIX D – VALMIN VALUATION REPORT

The climate is tropical and the average temperature ranges from 25°C to 28°C with day temperatures reaching the low 40s°C during the warmest times around May. Annual average precipitation of 3527mm is recorded at Kuala Berang. Whilst it is humid all year, the maximum rainfall is during the rainy season between October and February (Figure 2). Drainage appears to be ephemeral with minimal flow outside the main rainy season.

The topography consists of moderate to steeply sloping densely forested hills. Elevation ranges from 35m to 269m. The area was logged previously and the forest is thick secondary or tertiary regrowth. Access roads on the site require maintenance during heavy rains and deep erosion gullies form relatively quickly over a few months. Surrounding areas contain oil palm and rubber plantations and small farming lots.

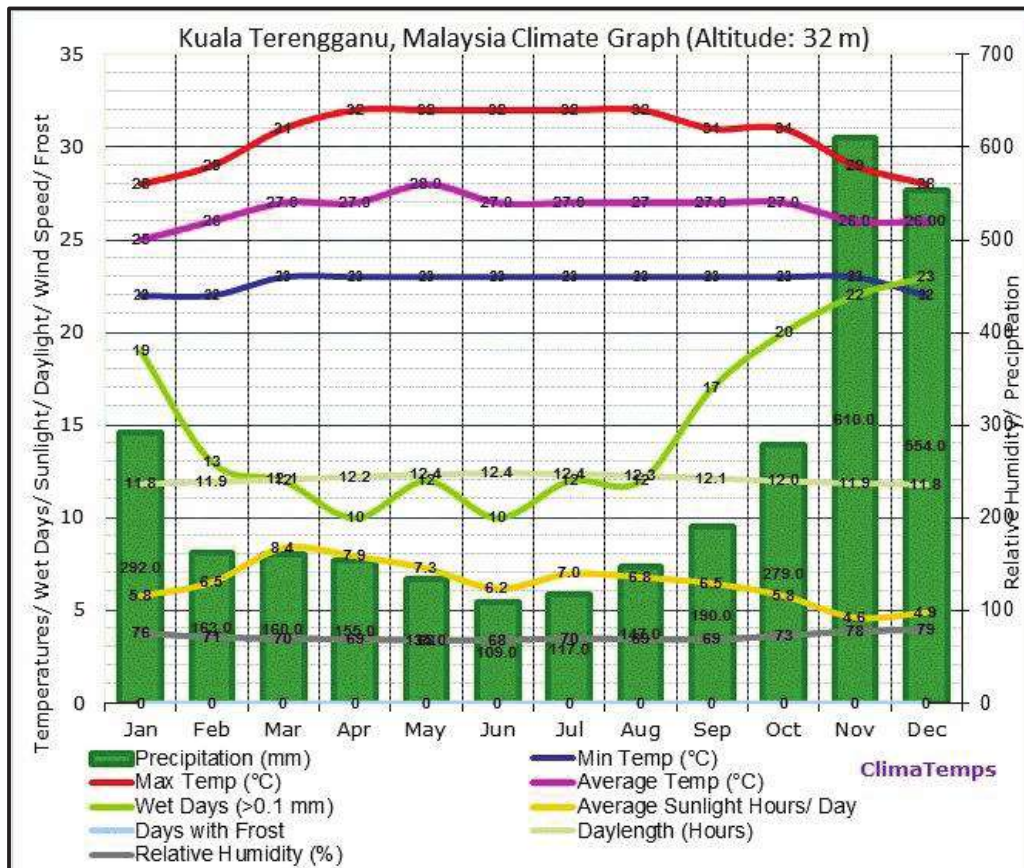


Figure 2: Average temperatures and rainfall for Kuala Terengganu

3.3 TENURE

The land is owned by the Terengganu State Government and administered by the investment arm, Lembaga Tabung Amanah Warisan Negeri Terengganu (“LTAWNT”), which holds lease HS(D)978 over Lot 4181 (104.8ha) for thirty years (24 May 2007 – 23 May 2037). The lease is held for the purpose of granite quarrying. The Proprietary Mining Licence, PML 1/2008, was granted to LTAWNT from 5 April 2008 to 4 April 2018, with renewal possible.

LTAWNT sub-leased the site to Perbadanan Memajukan Iktisad Negeri Terengganu (“PMINT”), another State Government body, in 2014 to carry out quarrying operations and sale of products on the lease. The agreement lasts for 15 years (27 October 2014 to 26 October 2029) and can be extended.

GGTM has been granted the mining rights through an agreement with PMINT, based on its experience in quarry operations and mining, to carry out exploration and production of dimension stone on the lease at Bukit Chetai. An Operational Mining Scheme (“OMS”) approval is required for the annually renewed licence to operate. The first OMS was approved on 17 January 2016, expiring on 17 January 2017. A modified OMS was submitted on 22 December 2016 on the basis of the new mine plan developed by GGTM. Approval in principle has been given and a formal letter of renewal is under processing with permission to mine for the period up to 2 April 2018 (Rockhound, 2017). It is one of the terms of the licence that no implementation of a modified scheme can be made without approval. An Environmental Impact Assessment (“EIA”) is also required and approval of the submitted EIA was received on 8 January 2017.

JLL has not undertaken an independent legal due diligence on the validity of the PML and the agreements between LTAWNT, PMINT and GGTM. However, we have received an undated due diligence report by Zaid Ibrahim & Co. (“ZICO”) who was instructed to conduct a due diligence review on GGTM (Zaid Ibrahim & Co., 2017).

We note that a renewal application to extend the term of the PML needs to be lodged at least 12 months prior to the expiry date, i.e. by 4 August 2017.

APPENDIX D – VALMIN VALUATION REPORT

3.4 GEOLOGY

The Terengganu region is underlain by a sedimentary rock sequence of Carboniferous age that was subsequently intruded by granitoid rocks emplaced as a batholith between the Mid Jurassic to Late Cretaceous periods (179-79 million years ago) (Figure 3). Little detailed work on the local geology is currently available, with information being mainly regional in scale.

The Bukit Chetai area is underlain by mainly light coloured granitic rocks, as a component of the batholith, which have in turn been intruded by dark coloured mafic (microgabbro) dykes (Figure 4, Photo 1). The dykes were emplaced approximately 70 million years ago and clearly cut across and postdate the white granite. They trend NE-SW, parallel to regional structures.

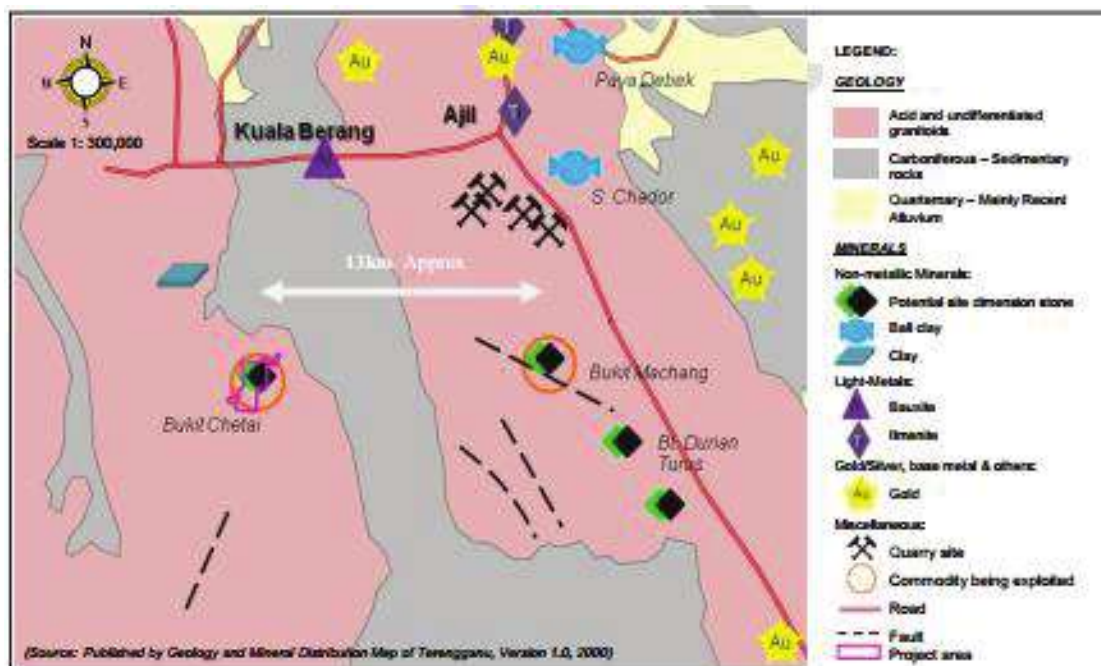


Figure 3: Geology of the Bukit Chetai and Bukit Machang areas

Source: (Rockhound, 2017)

APPENDIX D – VALMIN VALUATION REPORT



Photo 1: Contact between the white granite and the microgabbro dyke

Note: the block is waste from previous quarrying and is not in situ

Thick forest cover and the well-developed weathering profile at the site prevent easy surface mapping. The locations of the dykes have largely been interpreted from the distribution of large boulders, up to 6m in the longest dimension (Rockhound, 2016b) and from corestones seen in the weathering profile. The dykes at Bukit Chetai are geologically classified as microgabbro, based on the mineral make-up of the rock. The colour is a dark greenish grey, with a finer texture and grain size than the surrounding white-grey granite (Photo 2). The largest dyke identified so far is 30m wide, as measured at the existing quarry face.

APPENDIX D – VALMIN VALUATION REPORT



Photo 2: Prepared tiles of white granite and dark green-grey microgabbro

Note: for both rocks, tiles on the left are honed, and polished on the right

3.5 EXPLORATION PROGRAM

Information on the local geology is limited to a seismic geophysical survey covering a portion of the site and the drilling program carried out by AMEC during 2015-2016. Detailed field mapping has been hampered by the steep, heavily vegetated slopes and deep tropical weathering (around 25m thick), resulting in a paucity of outcrop.

Past quarrying on the site has focused on the main microgabbro dyke, approximately 30m wide, trending NE-SW. Boulders of the microgabbro have been reported in other parts of the site with microgabbro corestones seen in the weathering profile and are interpreted as evidence of other narrower dykes (Rockhound, 2016b) (Rockhound, 2017) (Figure 4).

A drilling program was carried out from November 2015 to June 2016 involving 2,615.5m of HQ diamond core drilling in 15 vertical drillholes, drilled to depths of up to 285m below

APPENDIX D – VALMIN VALUATION REPORT

surface (AMEC, 2016) (Figure 4). The program was initially designed on a 200m drillhole spacing, but the locations of the drillholes were modified due to access limitations. The drillhole collar locations are shown in Figure 4, along with interpreted faults, dykes and areas with abundant boulders.

At the time that the drilling program was designed, it was assumed that the granite / microgabbro contact was at a low angle and, hence, vertical drillholes were planned (Rockhound, 2017). When it became apparent that the green rock was a near vertical dyke intruded into the granite, and that there was more than one dyke, some on-site adjustments were made in the drilling plan. In practice it would have then been ideal at that time to drill angled holes but this would have posed a technical challenge as several of the holes had collapsed when drilling through the overburden and weathered rock layers, causing delay in drilling and loss of equipment.

The geological interpretation used by Rockhound in the resource estimation is that the main dyke dips steeply to the northwest and maintains a thickness of 30m laterally and with depth. However, it would be anticipated that over distance and with depth that the dykes will ‘pinch and swell’ and they may also spilt. Short of carrying out an extensive investigation of angled drill holes to ‘pepper’ the site it would be impossible to determine the true nature of the dyke. This will happen as the quarry is opened up (Rockhound, 2016b).

The geology interpretation map (Figure 4) is based on field mapping and interpretation from drillholes (Rockhound, 2017). Given the thick overburden, access limitations and discrepancies between the available survey plan and ground conditions, the exact interface between the microgabbro dykes and the granite country rock could not be accurately determined. As a consequence, Rockhound noted that discrepancies between the distribution of the lithologies in the drillholes and the interpreted surface mapping still exist. The 3D geological model created in Micromine (Figure 5), also shows the inconsistencies in the interpretation of the orientation, continuity and width of the main dyke.

However, the geological model will be adjusted as further drilling and mining proceeds and we do not believe that the current inconsistencies represent a material problem with regards to the determination of mineral resources or the valuation of the project.

APPENDIX D – VALMIN VALUATION REPORT

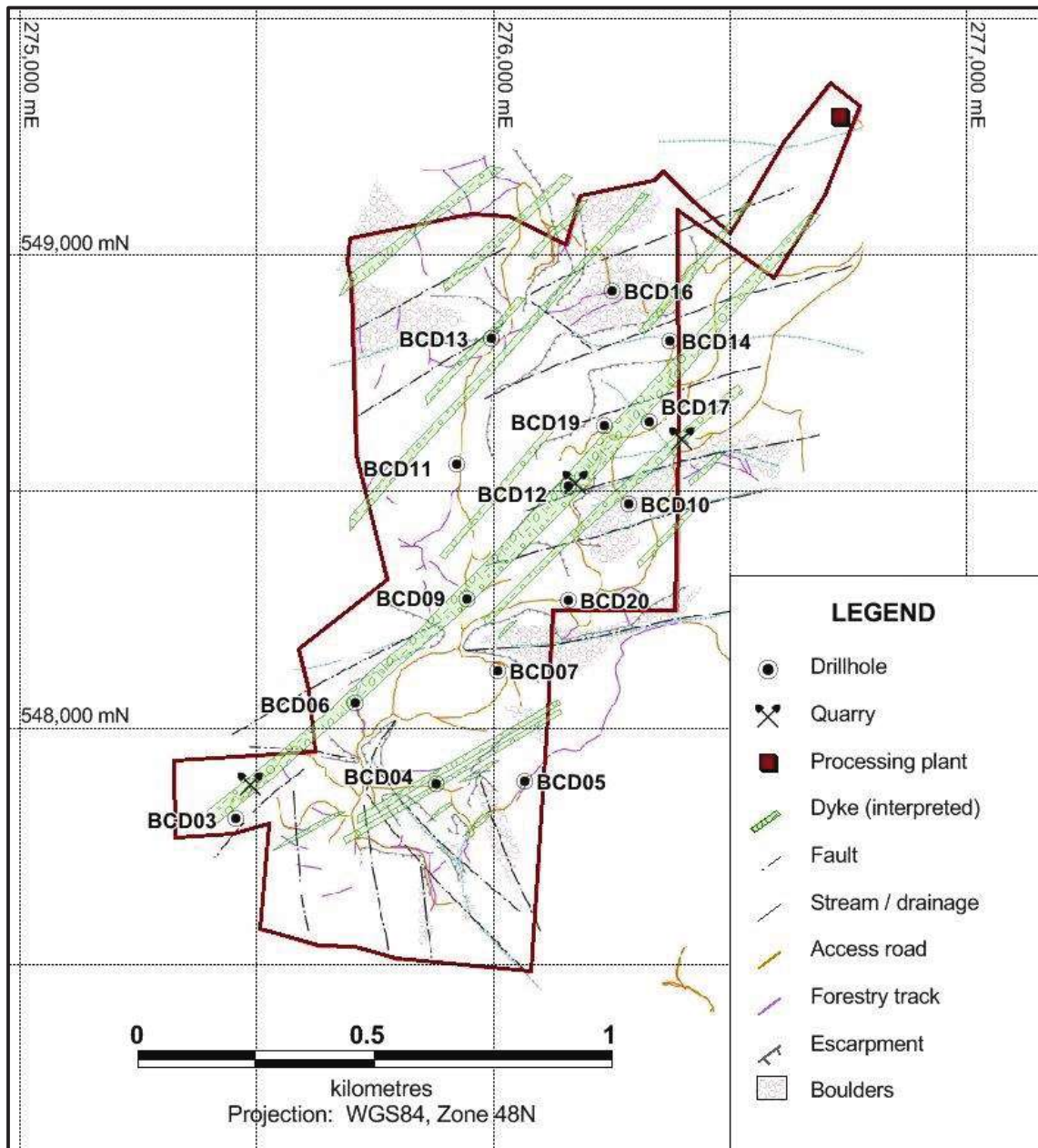


Figure 4: Drillhole locations and surface mapping

Source: (AMEC, 2016) , Rockhound (2017)

APPENDIX D – VALMIN VALUATION REPORT

The overburden, consisting of soil and weathered material unsuitable for dimension stone products, averaged around 20m. However, for those drillholes that collared in dyke material, the overburden averaged around 8m and, for the drillholes that collared in granite, the overburden averaged around 25m (maximum 57m in BCD10). This contrast indicates that the microgabbro dykes are more resistant to weathering and, therefore, the distribution of boulders and soil derived from the dykes at surface are likely to be more widespread than the underlying dyke dimensions.

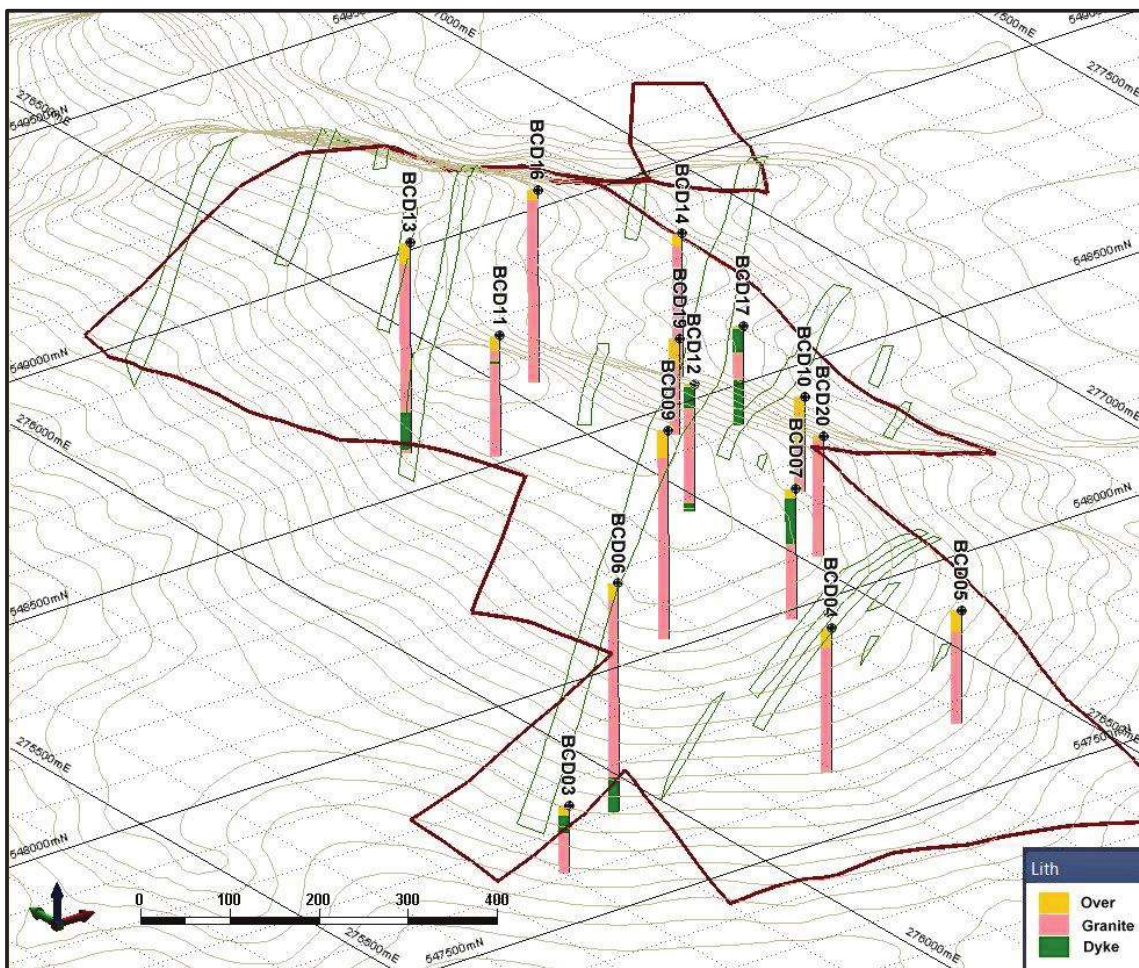


Figure 5: Perspective view of 3D model, looking NE

Outlines of interpreted dykes at surface in green from (Rockhound, 2017); outline of the PML in maroon.

Note: “Over” includes soil, boulders and weathered bedrock.

3.6 MINERAL RESOURCES

Rockhound estimated the mineral resources for the white granite and the green microgabbro at Bukit Chetai, taking into account the points of observation (drillholes, outcrops, quarry exposures), weathering profile, standard specifications for “granite” dimension stone (American standards ASTM C-615-03, ASTM C-241 and ASTM C-1721-15), colour variation, texture, structural logging of the drill core, mechanical properties and radioactivity tests. They concluded that the “granites” from Bukit Chetai satisfy the minimum requirements on all tests used to assess the acceptability of a natural stone to be used as a dimension stone. However, the microgabbro contains iron bearing minerals, albeit in very small amounts, and in very wet environments there may be a potential for staining, although from experience to date there is no suggestion that this is likely (Rockhound, 2017).

The resource estimation aimed to establish whether there is sufficient material at the quarry to meet the production targets of the Company over the duration of the Concession Agreement. The intrusive material was assumed to be homogenous and massive over the quarry area (i.e. it forms the entire mass of material that will be excavated from the landform). The final landform assumes that the quarry is extracted in full and that the final excavation can be reduced to datum (i.e. 0m elevation). It is also assumed the small area in the southwest of the site is excluded, being an odd shape, and that the area at the northeast end of the site is excluded because this is where offices, the existing processing facility and workshops are to be located. An average back slope angle of 60° from the final line of excavation was assumed. The final landform slope on full excavation will range in height from 25m to over 200m.

Three surfaces were generated from the topographic survey plan, base of overburden (soil and boulders) and base of weathered rock from the drillhole logging. The volumes of material amenable for extraction within the PML (less the two exclusion areas mentioned above and with a 10m buffer within the PML boundary) were estimated from the geological profile established from the ground investigation and comparing it with the ground profile provided in AutoCAD DWG format. A 60° back slope to the final excavation was assumed.

The volume of the “green granite” was calculated assuming that the main dyke maintains the 30m width as seen in the quarry faces. An additional amount of 20% of the main dyke volume was assumed to be from the subsidiary dykes and boulders, based on the assumption that the total

APPENDIX D – VALMIN VALUATION REPORT

aggregate thickness of the subsidiary dykes will be about 6m (i.e. 20% of 30m). However, there was insufficient data points for the subsidiary dykes, the continuity could not be predicted with confidence and to a reasonable level of reliability, and as such in accordance with the JORC Code 2012 it could only be considered an Exploration Target and therefore not included in the Resource Statement (Rockhound, 2017).

To determine the classifications of the resources (in accordance with the JORC Code 2012) Rockhound took into account:

- the results from drillholes, sampling and testing showing the rock to be consistent in nature in depth and throughout the extraction area;
- the fact that there was no indication of any major geological structure across the site to suggest that any other rock type to the granite and microgabbro would be present in areas of the site that could not be drilled.

Rockhound considered the white granite to be consistent in quality across the entire site and that the bulk of this material can be classified as Measured Resources.

In the case of the main microgabbro dyke, while there is a reasonable level of continuity on the basis of exposures and what was measured during mapping, these points are more widely spaced and thus it is more appropriate that the dyke is classified as Indicated Resources (Rockhound, 2017).

Material Type	Miliion m ³		
Overburden			18.10
Weathered rock			11.26
TOTAL WASTE MATERIAL			29.36
RESOURCES	Measured	Indicated	Total
White Granite	88.34	6.00	94.34
Green Granite (microgabbro main dyke)		4.72	4.72
TOTAL MINERAL RESOURCES	88.34	10.72	99.06

Table 1: Mineral Resources at Bukit Chetai as at 31 January 2017

Source: (Rockhound, 2017)

APPENDIX D – VALMIN VALUATION REPORT

3.7 ORE RESERVES

Rockhound took into account waste that is generated in the clearance process, and also material lost during normal cutting operations, to estimate the Ore Reserves from the Measured and Indicated Resources of the white and green granite dimension stone. They also considered Modifying Factors to assess the technical viability of extracting the resources, including social, legal, environmental, transport, marketing and Government issues.

The PFS (Rockhound, 2016b) concluded that the project was economically feasible and that the Mineral Resources can be considered Reserves after taking into consideration the block rate (also termed the block yield), which is the percentage of the volume of the Mineral Resources that can be mined out as granite dimension stone blocks. Rockhound used a block rate of 65% (Rockhound, 2017), which they considered to be conservative, to determine the amount of the Mineral Resources that can be mined out as granite dimension stone blocks and taken to the block yard. GGTM estimated a block rate of 81%, based on past experience at Bukit Chetai (but not recorded or documented).

As the true block yield can only be determined as quarrying proceeds and records kept, there may be changes to the Ore Reserve Statement over time. For the purposes of this valuation, we have used an estimate of a block yield of 65%, based on Rockhound's assumptions and our own general industry experience.

The Proved and Probable Ore Reserves estimated by Rockhound as at 31 January 2017 are listed in Table 2.

Material Type	Million m ³		
	Proved	Probable	Total
White Granite	57.42	3.90	61.32
Green Granite (microgabbro main dyke)		3.07	3.07
TOTAL ORE RESERVES	57.42	6.97	64.39

Table 2: Ore Reserves at Bukit Chetai as at 31 January 2017 (Rockhound, 2017)

3.8 RESOURCES / RESERVES ASSESSMENT

Our assessments of the Rockhound resources and reserves estimations are as follows:

- The white granite appears to be consistent in colour and texture throughout the drilling, apart from minor zones of veining, fracturing and weathering. The classification of Measured Resources is appropriate.
- We feel that the classification of Indicated Resources for the entire volume of the dyke is not justified, particularly at depth. However, there is sufficient information close to the current quarry work face to determine geological continuity at sufficient confidence levels to classify part of the dyke as Indicated Resources.
- For the subsidiary dykes, which have been classified as Exploration Targets by Rockhound (in accordance with JORC Code 2012), further exploration may provide sufficient geological continuity to enable determination of Mineral Resources.
- The proposed targeted extraction of white granite (SW) (528,600 m³) and “green granite” (TG) (1,065,000 m³) over the next 20 years (Rockhound, 2017) are well below the total Ore Reserves estimated by Rockhound for the Bukit Chetai deposit. For the valuation process, we feel that these quantities can be justified as Proved and Probable Reserves, respectively.
- A lower block yield will not affect the volume of dimension stone blocks to be made available for processing, but it will increase the cost of block extraction as more waste and SW needs to be removed in order to get access to the blocks of TG.

3.9 MINING PLAN AND SCHEDULE

The quarry plan is a simple four stage process (Rockhound, 2016b):

1. Pre-production, clearing of forest and overburden, haul roads and excavation of initial production platforms

APPENDIX D – VALMIN VALUATION REPORT

2. Primary extraction cuts: large bench-dimension cuts, orthogonal
3. Secondary cutting and removal of blocks
4. Transport and storage options – either as gate sales or to processing facilities.

The current schedule includes a ramp-up period to 2024 to the maximum yearly production rate (Table 3). The proposed 20-year production, to the end of the LTAWNT lease in 2037, totals 1,065,000 m³ TG and 528,600 SW.

Type / Year	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Green - TG (m ³)	350	500	800	1,300	1,500	2,800	4,000	5,500	6,000	6,000
White - SW (m ³)	150	300	400	500	1,000	1,200	2,000	2,500	3,000	3,000
Total Monthly (m ³)	500	800	1,200	1,800	2,500	4,000	6,000	8,000	9,000	9,000
Total Annual (m ³)	6,000	9,600	14,400	21,600	30,000	48,000	72,000	96,000	108,000	108,000

Table 3: Monthly production schedule during the first 10 years

Source: (Rockhound, 2017)

One issue that the company will face is the potential for an oversupply of the white granite due to the need to excavate to access the nearly vertical microgabbro dyke and maintain a stable high wall. The responsive and flexible nature of dimension stone quarrying may allow the Company to develop the quarry face to optimise TG extraction.

An OMS has been submitted as part of the requirements of the granting of the annual licence to operate the quarry. The on-going application needs to be submitted three weeks ahead of the renewal date and can include such changes to the mining plan to optimise the TG extraction.

APPENDIX D – VALMIN VALUATION REPORT

3.10 GEOTECHNICAL TESTWORK

The quality of dimension stone is measured by a series of physical tests, particularly strength, petrography (mineral composition of rocks), radioactivity testing and sometimes chemical analysis. Testing is carried out on whole core samples from the exploration drilling selected as representative of the bulk of the rock. The number of samples taken from the Bukit Chetai core for testing is summarised in Table 4. An additional three slabs of the Sekayu White (SW) granite and five slabs of Terengganu Green (TG) were also tested for flexural strength and abrasion resistance. Results of the tests provide information on the quality of the stone and its suitability for various applications. The results were considered to conform to the ASTM C615-03 Standard Specifications for Granite Dimension Stone, as reported in the QPR (Rockhound, 2017).

Item	Quantities		
Core samples	TG samples	SW samples	Total samples
Petrographic Analysis	11	11	22
Unconfined Compressive Strength	17	37	54
Bulk Density	17	37	54
Water Absorption	17	24	41
Radioactivity	3	3	6
Slab samples	TG samples	SW samples	Total samples
Flexural Strength	5	3	8
Modulus of Rupture	4	4	8
Abrasion Resistance	1	1	2
Hardness (Shore) Test	1	1	2

Table 4: Summary of sample numbers selected for geotechnical testing

Source: (Rockhound, 2017)

Bulk density and water absorption

Bulk density measures the unit weight of the stone and is required by architects and engineers for the design of the structure and fixtures for supporting the stone. The water absorption test

APPENDIX D – VALMIN VALUATION REPORT

is a measure of the porosity of stone and can reflect its general durability and resistance to staining and salt attack.

Compressive and flexural strength

These tests measure the stone's ability to bear loads. The compressive strength is the maximum compressive load that a stone can resist without crushing or deforming. The flexural strength is a measure of the bending strength of the stone. It is measured by applying a load to a specimen that is supported at each end.

Radioactivity

Measuring radioactivity is particularly relevant for true granites like Sekayu White as granites are known to have a tendency to have elevated levels of radioactive elements in some minerals.

Abrasion resistance

The abrasion resistance test measures the resistance of stone to scratching, abrasion and loss of polish.

Shore hardness

Shore hardness is a rebound test designed to measure the elasticity properties of the stone.

3.11 PETROGRAPHIC DESCRIPTIONS

Eleven samples of the two rock types were submitted for petrographic analysis and reported in (Soils & Materials Laboratory M Sdn Bhd, 2016). Petrographic analysis describes the mineral components and textures of the rock types, assists in geological understanding and

APPENDIX D – VALMIN VALUATION REPORT

classification, and identifies any potentially deleterious minerals. Based on the mineral composition and grain size, the Sekayu White is classified as a true granite and Terengganu Green is classified as a microgabbro (Table 5).

The Terengganu Green includes a number of potentially problematic iron-rich minerals - magnetite, hematite and pyrite (included under “other” in Table 5). These have the potential of oxidising and causing a discolouration and rust-like stain. However, with the previous quarrying supplying material that has been used in outdoor, exposed situations for a number of years, there have been no reports of any problems (Rockhound, 2017).

Rock type	Quartz	K-feldspar	Plagioclase	Other
Sekayu White	28-40%	25-33%	30-35%	5-10%
	Plagioclase	Pyroxene	Other	
Terengganu Green	55-70%	20-30%	10-15%	

Table 5: Mineral composition of Sekayu White and Terengganu Green

Source: (Rockhound, 2017)

3.12 ENVIRONMENTAL ASPECTS

The process of quarrying will alter the landscape permanently, starting with the initial clearance of vegetation and emplacement of developments on-site to the final landscape, which will incorporate the final quarry benches and highwall. There will be some permanent loss of habitat and the potential for consequent increases in water run-off from the site. Long-term planning for the mine closure will require the submission of a plan at least 6 months ahead of closure and will need to prevent sterilisation of the land for future possible uses.

As part of the legal requirement for development consent, an Environmental Impact Assessment (EIA) for Bukit Chetai was submitted in November 2016, and approval given by the Director General of the Department of Environment (DOE) on 8 January 2017. The EIA provides an Environmental Management Plan that will be used in conjunction with additional

APPENDIX D – VALMIN VALUATION REPORT

Approval Conditions. The addition conditions require on-going monitoring on a regular basis and submission of reports with the annual Operational Mining Scheme application. The EIA was comprehensive and identified no significant long-term adverse impacts (Rockhound, 2017).

Ongoing monitoring and reporting by independent consultants for air quality, noise and water quality will be undertaken involving monthly and quarterly reporting. Compliance with Malaysian laws (Environmental Audit in Section 33A, Environmental Quality Act (EQA) 1974 (Amendment 1996)) will be met by 6 monthly reports.

Social effects of the mine are seen as beneficial on a local scale as there will be increased employment opportunity on-site as well as opportunity for local business, e.g. trucking companies. There will be State benefits due to the royalties (tributes) paid and the export earnings.

4 VALUATION PRINCIPLES AND METHODOLOGY

4.1 VALUATION APPROACHES

There is no single method of valuation that is appropriate for all situations. Rather, there are a variety of valuation methods, all of which have some merit and are more or less applicable depending on the circumstances. The following are as appropriate items to be considered:

- Market Approach (also known as Comparison Approach)
- Income Approach
- Cost Approach

The VALMIN Code 2015 presents a general guide to the applicability of each valuation approach to projects at different stages of development (Table 6).

Valuation Approach	Exploration Projects	Pre-development Projects	Development Projects	Production Projects
Market	Yes	Yes	Yes	Yes
Income	No	In some cases	Yes	Yes
Cost	Yes	In some cases	No	No

Table 6: Applicability of Valuation Approaches to Projects at different stages of development

Each of these approaches has its own strengths and weaknesses and the selection of the most appropriate method depends upon the stage of development of the project and the information available to the Valuer.

APPENDIX D – VALMIN VALUATION REPORT

4.1.1 MARKET APPROACH

This approach is also known as Comparison Approach. The Comparable Transactions method under the Market Approach utilizes the price paid in recent transactions for similar projects under similar market and geo-political situations to determine the value of a subject.

The difficulty in utilising the Comparable Transactions method is in determining to what extent the property or transaction is indeed comparable, unless the transactions involve the specific parties, projects or tenements under review. There can also be substantial change in value over time, depending especially upon market conditions and commodity prices.

If discussions have been held with other parties and offers have been made on the project or tenements under review, then these values are certainly relevant and worthy of consideration and can be used in establishing a value of the project. Similarly, joint venture terms, where one party pays to acquire an interest in a project and/or spends exploration funds in order to earn an interest, provide an indication of the project's value.

4.1.2 INCOME APPROACH

The Income Approach analyses the anticipated benefits of the potential income or cash flow of a Mineral Asset. The Income Method, also known as the Discounted Cash Flow ("DCF") method, is applicable if the project is in operation, under development, or at an advanced feasibility study stage (which includes detailed pre-feasibility studies). If ore reserves, mining and processing recoveries, and capital and operating costs are well defined, it is generally accepted that the DCF method is the most relevant and appropriate valuation method.

If a project is at the scoping study or pre-feasibility study stage, or if ore reserves have yet to be defined, additional weight has to be given to the risks, due to uncertainties in capital and operating costs, operational performance and a lower degree of confidence in the resources / reserves.

APPENDIX D – VALMIN VALUATION REPORT

4.1.3 COST APPROACH

This approach, also known as the Modified Replacement Value method, examines the cost that would be incurred by an explorer in acquiring and exploring a similarly prospective tenement up to the same stage of development as the subject tenement. Although this method can be applied to projects at all stages of development, it is usually restricted to projects at the early stages of exploration that have not had costs of production identified.

4.2 RISKS AND SPECIAL CIRCUMSTANCES

Modifying Factors are special circumstances of relevance to mining projects or properties that can have a significant impact (both positive and negative) on value and need to be taken into account to modify valuations that might otherwise apply. Examples of Modifying Factors include:

- environmental risks - can result in a project being subject to extensive opposition, delays and possibly refusal of development approvals;
- indigenous peoples / land rights issues - projects in areas subject to claims from indigenous peoples can experience prolonged delays, extended negotiations or veto;
- country and social issues - the location of a project can significantly impact on the cost of development and operating costs and has a major impact on perceived risk and sovereign risk;
- technical issues peculiar to an area or deposit - such as mining, geotechnical or hydrological conditions, or metallurgical difficulties that could affect a project's economics;
- economic and marketing issues - such as changes in commodity prices, supply and demand for commodities, costs of sales;
- legal and government issues – could affect the tenure of the mining tenement.

4.3 SELECTION OF METHODOLOGY

This Valuation Report has been compiled in compliance with the VALMIN Code 2015. The fundamental objective of the VALMIN Code 2015 is the protection of investors. With this objective in mind we have conducted the valuation in the following way:

- where there has been a choice of a simple and a complex method of estimating a financial factor and there is no material difference between the methods in the resulting accuracy of, or confidence about, the factor amount, the simple method has been used; and
- where there is a material uncertainty regarding the quantum of an amount or parameter, we have been as conservative as possible to be consistent with our intent to provide a reasonable estimate of the value of the Subject.

We have assumed the Subject to have an economic transaction value, for an “arms-length” transaction that is not under duress (i.e. negotiated over a suitable timeframe, not a fire sale requiring rapid closure).

The VALMIN Code 2015 recommends using at least two Valuation Approaches and to present a range of values, and a preferred value, for the Subject. The Subject can be described as an early development project, for which Mineral Resources and Ore Reserves have been estimated and preliminary costs have been identified. From Table 6, either of the Market and Income Valuation Approaches could be used to derive the Subject Valuation.

The Income Approach estimates the Net Present Value (“NPV”) of the forecast free cash flow produced by the Subject since the Valuation Date. We make the following observations on the efficacy of the NPV valuation method:

- it is necessarily based on many assumptions, including future operating performance, revenue and costs and it is intended as a guide and not to give an exact number;
- it is quite sensitive to changes in the discount rate, which is itself an estimation;

APPENDIX D – VALMIN VALUATION REPORT

- many of the calculations in the financial model were made on an accrual accounting basis while the determination of free cash flow must necessarily be made on a cash basis;
- it assumes constant risk over the lifetime of the Subject; and
- it does not allow for management's ability to change the cost structure or scale associated with the Subject in response to changed operating or market conditions, including increases in the resource/reserve figures.

The Comparable Transactions method (Market Approach) relies on being able to identify similar projects that have been the subject of deals under similar market conditions that are in force as at the Valuation Date. By their very nature, these transactions will vary considerably due to the fluctuations experienced in the market.

We have chosen the Income Approach – DCF method as our primary valuation methodology in this exercise, given the availability of reasonable estimations of costs and potential revenue for the Subject. Because of the difficulties involved in identifying similar projects for the Comparable Transactions method, making the Market Approach less appropriate, we have not used the Market Approach for this valuation.

5 ASSUMPTIONS

5.1 TENURE

The PML has a long-term tenure. It will need to be renewed by PMINT in August 2018. Further on, this agreement between PMINT and the State body responsible for holding the land will be renewed in October 2029. We are of the view that the quarry can be operated as long as the following are maintained:

- Given that LTAWNT, a Government body, is the PML licence holder, and PMINT, also a Government body, is the management agent, an extension of the licence should be a formality.
- The Quarry cannot be operated until approval of an Environmental Impact Assessment (EIA) & the Operational Mining Scheme (OMS) – approval on both of these have been obtained.

5.2 MINING AND PROCESSING

Dimension stone is typically cut into orthogonal blocks suitable for transport and processing into slabs, small blocks and shaped items.

The PFS states that at Bukit Chetai GGTM is planning to produce green granite blocks of maximum dimension 2.5m (w) by 1.5m (h) by 1.5m (l), which is roughly 5.6m³ or 16.3 tonnes in weight. This maximum size is realistic given the site topography, haulage equipment, size of cutter frame for processing into slabs and allowable weight and safety factors in handling and transportation of the blocks from the working face to the Block Yard and then onto trailer lorries for taking the blocks to markets. The potential market for GGTM dimension stone also includes a demand for smaller sized blocks, although they may sell for lower prices, allowing the processing of boulders within the overburden.

APPENDIX D – VALMIN VALUATION REPORT

5.2.1 MINING

Mining will focus on the microgabbro (green granite) dyke traversing the site from northeast to southwest, and possibly subsidiary dykes that are suggested by boulders and weathered rock observed in the soil profile. The stages of mining, as described in the PFS are:

- **Pre-Production Operations:** Clearance, construction of haul roads and opening up and development of production platforms. Overburden and weathered granite will be removed by excavators, with larger boulders being split using rock hammers, manual wedge and feather techniques or cut by wire saw.
- **Primary Extraction Cuts:** Excavation to separate benches or big rock slices from the parent bench. Bench sides are planar and perpendicular and typically planar and vertical.
- **Secondary Cuts and Removal of Blocks:** whereby numerous rock slices are obtained from a single bench – these being usually cut perpendicular to the bench length with slices into blocks of commercial sizes - and then dislodged from the parent block ready for transportation to the block yard.
- **Transportation and Storage of Granite Products:** Removal of blocks to storage areas downslope ready for disposal off site to markets or further processing. This phase also includes the disposal of other loose granite fragments from production platforms.

Machinery used in extraction includes circular saws for primary vertical cuts, diamond wire saws for secondary cuts and trimming, and coring machines for horizontal cuts. Other machinery includes jack hammers, generators, compressors, cranes, loaders and trucks.

APPENDIX D – VALMIN VALUATION REPORT

5.2.2 RECOVERY RATES

The primary recovery of dimension stone from a quarry is expressed as the block yield, which is the proportion of blocks of particular dimensions recovered from the mineral resource excavated. No records of production from the existing pits at Bukit Chetai are available.

The PFS estimated a loss of 10% during cutting and a further 10% for loss for transit to the on-site stone yard and other miscellaneous damage (block handling loss). A production yield of 65% has been assumed in the QPR (Rockhound, 2017). The method of calculation of this yield has not been detailed, but it included a loss of 5%. Given that there is little outcrop for detailed surface mapping, the vertical drilling would not have accurately detected the spacing and orientation of vertical joint sets. There is a minor risk that the actual block recovery during quarrying may be less than 65%, particularly due to cross-faulting and close-spaced fractures not intersected by the vertical drilling. JLL believes, based on experience of similar granite extraction operations, that the assumed production block yield of 65%, with a further potential 10% loss during handling, is reasonable. A lower block yield will not affect the volume of material available for extraction, as the proposed production rates are well below the defined resources, but it will result in higher costs to produce the blocks.

5.3 REVENUE

5.3.1 DIMENSION STONE MARKETS

According to (Gussoni, 2016), world production of raw dimension stone (including marble, granite and other stones) in 2014 was 155 Mt, of which 34% was produced in China. The world production of finished granite products in 2015 was about 700 Mm³ (Rockhound, 2016b). China is both the largest importer of unprocessed granite blocks and the largest supplier of finished and semi-finished granite products. Malaysia is a relatively small player in the world stone industry, but is regarded as a high-growth market for dimension stone.

APPENDIX D – VALMIN VALUATION REPORT

According to (Gussoni, 2016), Malaysia imported 164,000 tonnes of stone materials in 2015 for a value of 67.3 million Euro, showing a 78.9% increase on 2014 imports. The principal supply country is China, which in 2015 met 78% of the overall Malaysian demand.

Little data on either the Malaysian granite dimension stone industry or Malaysian construction industry trends was found in searches conducted during the preparation of the PFS or the QPR.

Granite dimension stone can be cut and processed into a wide range of shapes, sizes and finishes. It is used for slabs and tiles for walls, floors and bench-tops, for columns and balusters, monumental objects such as tombstones, monuments and sculpture, and for crafted items such as furniture. It may be given a variety of finishes, including honed, polished, hammered and flamed. Most granites can be used for both interior and exterior applications. Granite offcuts are usually used as concrete aggregate and road materials.

According to the PFS (Rockhound, 2016b), the main products from the Bukit Chetai quarry and processing plant will be:

- Large Blocks – taken from the Quarry site and sold to others. Blocks are 2.5m (w) x 1.5m (l) x >0.7m (h).
- Small Blocks – taken from the Quarry site and sold to others. Blocks are 2.5m (w) x 1.5m (l) x <0.7m (h).
- Slabs (i.e. Strips) – Processed at the factory on-site from selected blocks
- Tiles of specific sizes (as required by the market/customers) - Processed at the factory on-site from selected strips
- Small Tiles (sometimes termed joggle pavers) – processed from small pieces and off-cuts

GGTM has developed a marketing plan for the sale and distribution of the Terengganu Green products:

- Direct block sales to China with a target volume of 20% of production by volume

APPENDIX D – VALMIN VALUATION REPORT

- Direct sales of small blocks and slabs into Malaysia and neighbouring countries, e.g. Singapore, Thailand and Indonesia.
- Direct and indirect sales of small blocks to the monumental (tombstone) industry.
- Direct sales of pavers to renovators and contractors
- Sale via wholesalers and distributors
- Provision of consultancy and design services

To ensure the above is carried out in a sustained fashion, the company has enlisted the assistance of experienced sales and operational personnel to build up a sales team dedicated to GGTM that can work towards projecting the demand and popularity for Terengganu Green products.

A list of Malaysian projects that have used Terengganu granite products is presented in Appendix 5. GGTM has also identified a number of major construction projects that may require significant quantities of granite.

5.3.2 PRICES

Dimension stone is chosen by potential purchasers dominantly on the basis of appearance, particularly colour and texture. Larger construction firms and exporters ensure test results meet standard specifications, such as American ASTM or Chinese GB, but this is often a secondary consideration. In addition to physical test results, quality is assessed on factors such as:

- consistency of colour and texture,
- presence of veins and dark or light patches (xenoliths),
- presence of minerals that may be unstable or unsightly such as pyrite, olivine, altered minerals, etc.

APPENDIX D – VALMIN VALUATION REPORT

Dimension stone, unlike metallic commodities, is traded mainly by private contract, and there is little publicly available price information. Each variety of granite is different and has a different price. Colour is particularly important, and some colours such as fine grained black, blue, greens, pure white, and strong reds and yellows tend to attract higher prices. Colour preferences may change from country to country and may also be affected by changes in specifiers colour choices over time.

Terengganu Green products are likely to attract significantly higher prices than Sekayu White. The QPR (Rockhound, 2017) ex-works prices have been estimated on the basis of company experience and existing contracts, letters of intent and initial marketing (Table 7).

Terengganu Green (TG)	
TG - Block	RM1,500 / m ³
TG – Slab	RM 265 / m ²
TG – Small tile	RM 44 / m ²
Sekayu White	
SW – Block	RM 850 / m ³
SW - Slab	RM 157 / m ²

Table 7: Product selling prices estimated by the company

Source: (Rockhound, 2017)

Price escalation rates have been estimated by the company based on “expected rises in building costs to match general trends in inflation” (Table 8) (Rockhound, 2017). Rockhound (2017) stated that, in Malaysia, the normal escalation assumed in business is a 5% increase every two to three years.

APPENDIX D – VALMIN VALUATION REPORT

FY	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Revenue	0%	0%	0%	5%	5%	10%	10%	10%	16%	16%
Operating	0%	0%	5%	5%	10%	10%	16%	16%	21%	21%

Table 8: Price escalation rate assumptions

The above escalation rates are generally in line with the historical inflation rate in Malaysia. The inflation rate adopted by JLL for this valuation as the growth rate of the selling prices and operating costs was the 10-year historical Malaysia inflation rate. (See also section 5.6.2).

5.3.3. Production Details

As per the PFS and QPR, the total excavation, production and products in each year are detailed in Table 9 to Table 12.

Annual Excavation	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Green Granite –TG (m³)	4,200	6,000	9,600	15,600	18,000	33,600	48,000	66,000	72,000	72,000
White Granite –SW (m³)	1,800	3,600	4,800	6,000	12,000	14,400	24,000	30,000	36,000	36,000

Table 9: Annual excavation of green and white granite blocks

The recovery rate after excavation is approximately 90%.

Annual Production	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Green Granite –TG (m³)	3,780	5,400	8,640	14,040	16,200	30,240	43,200	59,400	64,800	64,800
White Granite –SW (m³)	1,620	3,240	4,320	5,400	10,800	12,960	21,600	27,000	32,400	32,400

Table 10: Annual production of green and white granite products

APPENDIX D – VALMIN VALUATION REPORT

Of the annual production, half of each of the products will be processed into blocks. The converting rates are approximately 20% for Green Big Blocks, 40% for White Big Blocks and 15% for Green Small Blocks.

	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
TG Big Blocks (m ³)	378	810	1,728	2,808	3,240	6,048	8,640	11,880	12,960	12,960
SW Big Blocks (m ³)	324	972	1,728	2,160	4,320	5,184	8,640	10,800	12,960	12,960
TG Small Blocks (m ³)	284	608	1,296	2,106	2,430	4,536	6,480	8,910	9,720	9,720

Table 11: Annual production of blocks

The other half of the annual production will be processed into slabs and tiles. The converting rates are approximately 55% for Green Slabs, 50% for White slabs and 25% for Green tiles. The recovery from cutting of slabs is 42% and the recovery from cutting of tiles is 60%. A conversion factor of 53 is applied to convert to square metres.

	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Final Products										
TG Slabs (m ²)	22,709	48,662	103,812	168,694	194,647	363,341	519,058	713,705	778,587	778,587
SW Slabs (m ²)	6,636	19,907	35,390	44,238	88,476	106,171	176,952	221,189	265,427	265,427
TG Tiles (m ²)	4,542	9,732	20,762	33,739	38,929	72,668	103,812	142,741	155,717	155,717

Table 12: Annual production of slabs and tiles

APPENDIX D – VALMIN VALUATION REPORT

5.4 CAPITAL AND OPERATING COSTS

5.4.1 CAPITAL COSTS

As per the PFS and QPR, the total capital cost estimate, in Malaysian Ringgits, is presented in Table 13.

CAPEX	2017	2018	2019	2020	2021	2022	2023
Quarry	1,680,000	2,753,695	2,675,460	-	2,105,250	-	2,754,150
Factory	4,200,475	180,163	1,734,102	57,938	164,063	-	-
Worker Housing	85,000	15,000	30,000	40,000	15,000	-	-
Quarry Development	175,000	37,500	-	-	-	-	-
Roadworks	80,000	-	-	-	-	-	-
TOTAL CAPEX	6,220,475	2,986,358	4,439,562	97,938	2,284,313	-	2,754,150

Table 13: Capital costs estimate

5.4.2 OPERATING COSTS

As per the PFS and QPR, taking into consideration the associated labour costs, diesel costs, equipment rental costs, maintenance costs and polishing costs, the total processing cost per cubic metre was determined to be RM 2,766 per cubic metre, the breakdown is included in Table 14. The growth rate applied to operating costs is the inflation rate as listed in Section 5.6.2.

Operating Expenses	RM / m ³
Labour Costs	102
Diesel Costs	278
Machinery Costs	56
Equipment Rental	85
Maintenance	132
Polishing /Flaming Costs	1,132
Sizing Costs	849
Factory Overhead	132
Total	2,766

Table 14: Operating costs breakdown

APPENDIX D – VALMIN VALUATION REPORT

5.4.3 OTHER COSTS

As per the PFS and QPR, other costs have been taken into consideration, namely transportation, royalty fees, marketing, administrative, and environmental fees. The breakdown is summarised in Table 15. The growth rate applied to operating costs is the inflation rate as listed in Section 5.6.2.

G & A Expenses	Transportation	Royalty	Marketing (% of revenue)	Admin (% of revenue)	Environment
Big Block (G) (RM per m ³)	700	220	7%	5%	50,000
Small Block (G) (RM per m ³)	230	220	7%	5%	
Slab (G) (RM per m ²)	4.37	7.33	12%	10%	
Tile (G) (RM per m ²)	4.37	7.33	5%	2%	
Block (W) (RM per m ³)	230	132	12%	10%	
Slab (W) (RM per m ²)	4.37	4.4	7%	5%	

Table 15: General & Administration cost rates

5.5 FINANCIAL ASSUMPTIONS

5.5.1 TAXATION & ROYALTIES

We have been advised by GGTM that GGTM could enjoy a full tax exemption in Malaysia for a total of 15 years.

As all land in Malaysia is owned by the State, there are a number of taxes payable to the State Government:

- Tribute of RM132/m³ of white or pink granite blocks or RM4.40/m² of stone tiles, based on the sales of blocks and tiles rather than production.

APPENDIX D – VALMIN VALUATION REPORT

- Tribute of RM220/m³ of green granite blocks or RM7.33/m² of stone tiles, based on the sales of blocks and tiles rather than production.
- Yearly rental of the site of RM30,090.15, of which the first five years (i.e. RM150,450.75) was paid in advance at the signing of the Concession Agreement.

These tribute payments are to be paid monthly with a minimum payment of RM10,000/month.

5.5.2 FINANCE

As at 23 January 2017, GGTM has raised working capital of RM14,371,700 by allotting and issuing 20,531 redeemable convertible preference shares (RCPS) of par value RM1.00 at the issue price of RM700.00 per RCPS to Luminor Pacific Fund 1 Ltd. Financing of the project development will be funded from internal funds.

5.5.3 WORKING CAPITAL

Working capital is a measure of both a company's efficiency and its short term financial health. It is estimated based on the historical and to date levels of working capital in the business. The assumptions used in the valuation are as follows:

- Account receivables (AR) days is assumed at 30 days
- Inventory days is assumed at 90 days
- Account payable days is assumed at 60 days

5.6 OTHER CONSIDERATIONS

The value of the Subject is also exposed to various financial factors. We have considered the major factors that can impact upon the valuation.

5.6.1 EXCHANGE RATE

The Subject is only marginally exposed to overseas market, as the main target market for the GGTM dimension stone is Malaysia. Changes in foreign exchange rates should not materially influence the value of the Subject. The exchange rate from Bloomberg as at 28 February 2017 used for illustrative purposes in this report was 3.166 MYR/SGD.

5.6.2 INFLATION

It is estimated that the future operating costs (e.g. labour costs and processing costs) and G&A expenses (e.g. transportation, royalty, and administration) will be affected by inflation rates. Inflation forecast for Malaysia obtained from Bloomberg was 2.6% and was applied in the financial forecast.

5.7 REASONABLENESS OF ASSUMPTIONS

We have reviewed technical aspects of the project including tenure, mining and processing plans, and recovery rates. In our opinion most assumptions are reasonable. Comments have been made in the relevant sections of this report.

We have reviewed the production rates, capital and operating costs, financial and other assumptions used in the cash flow analysis and we believe that they are reasonable when compared to other granite quarry operations that we have assessed in the past.

6 VALUATION OF THE SUBJECT

6.1 TECHNICAL VALUE

According to the VALMIN Code 2015, Technical Value is “*an assessment of a Mineral Asset’s future net economic benefit at the Valuation Date under a set of assumptions deemed most appropriate by a Practitioner, excluding any premium or discount to account for market considerations*”.

We have determined a Technical Value for the Subject based on a DCF model of the anticipated future income from the proposed mining operations at Bukit Chetai. The cashflow model has incorporated assumptions as described in Section 5 of this Valuation Report. The base case scenario estimates a Net Present Value (NPV) for the quarrying and processing operation at Bukit Chetai of approximately RM[585] million.

6.1.1 DISCOUNT RATE

In applying the DCF method, it is necessary to determine an appropriate nominal discount rate for the assets under review. The discount rate represents an estimate of the rate of return required by a third party investor for an investment of this type. The rate of return expected from an investment by an investor relates to perceived risk. Risk factors relevant in our selection of an appropriate discount rate include:

- Interest rate risk, which measures variability of returns, caused by changes in the general level of interest rates;
- Purchasing power risk, which measures loss of purchasing power over time due to inflation;
- Liquidity risk, which measures the ease with which an instrument can be sold at the prevailing market price;
- Market risk, which measures the effects of the general market on the price behaviour of securities; and

APPENDIX D – VALMIN VALUATION REPORT

- Business risk, which measures the uncertainty inherent in projections of operating income.

Weighted Average Cost of Capital

The appropriate rate of return for valuing the Subject is the weighted average cost of capital (“WACC”), which is the weighted average of the return on equity capital and the return on debt capital. The WACC is expressed in the following formula:

$$\text{WACC} = \frac{E}{V} \times R_e + \frac{D}{V} \times R_d \times (1 - T_c)$$

Where:

R_e = Required return on equity

R_d = Required return on debt

E = Fair value of the firm's equity

D = Fair value of the firm's debt

V = *E* + *D*

E/V = Percentage of financing that is equity

D/V = Percentage of financing that is debt

T_c = Corporate tax rate

Cost of Equity

We have used the Capital Assets Pricing Model (“CAPM”) to estimate the cost of equity. The CAPM is a fundamental tenet of modern portfolio theory, which is the generally accepted basis for marketplace valuations of equity capital. The CAPM technique is widely accepted in the investment and financial analysis communities for the purpose of estimating a company’s required return on equity capital.

APPENDIX D – VALMIN VALUATION REPORT

The equation of CAPM is shown as follows:

$$\text{Cost of equity} = \text{Risk free rate} + (\text{Beta} \times \text{Risk premium}) + \text{Other risk premium}$$

The return on equity required of a company represents the total rate of return investors expect to earn, through a combination of dividends and capital appreciation, as a reward for risk taking.

In determining the cost of equity required for the Subject, the following parameters have been used:

Item	Value	Note
Risk Free Rate	4.04%	With reference to the benchmark Malaysia government yield curve for a 10-year term (Source: Bloomberg)
Market Premium	4.24%	With reference to Malaysia country risk premium (Source: Bloomberg)
Relevered Beta	0.81	With reference to the average beta of the comparable companies with similar operations as the Subject (Source: Bloomberg)
Size premium	8.8%	With reference to Duff & Phelps Valuation Handbook 2016
Specific risk premium	6.5%	Attributable to the start-up risk of the Subject
Cost of Equity	22.7%	

The application of CAPM and WACC as outlined above yielded the following discount rate, which we believe to be fair and reasonable required return for the Subject.

Item	Value	Note
Debt-to-Equity Ratio	78.8%	With reference to the average ratio of the comparable companies with similar operations as the Subject (Source: Bloomberg)
Cost of Equity	22.7%	With reference to Malaysia country risk premium (Source: Bloomberg)
Pre-Tax Cost of Debt	6.9%	Based on the Malaysia base lending rates (Source: Bloomberg)
Corporate Income Tax Rate	24.0%	Based on the Malaysia corporate tax rate
WACC	15.0%	

APPENDIX D – VALMIN VALUATION REPORT

6.1.2 SENSITIVITY ANALYSIS

The DCF model has been applied in this valuation to calculate the NPV of the Subject. This value can be used as a base case value within a sensitivity analysis.

Sensitivity analyses were performed using ranges of values for granite dimension stone prices, discount rate, operating costs (including mining costs, processing costs, and freight costs), capital costs and processing yields (Table 16).

Item	Range (relative to base case)	Comment
Capital costs	-10% to +10%	More likely to go up than down
Operating costs	-10% to +20%	More likely to go up than down
Granite Prices	-20% to +20%	Estimated changes in product prices
Discount rate	-200bps to + 200bps	Rates approximately from 13.3% to 17.3%

Table 16: Sensitivity analysis ranges

Table 17 shows the effect on NPV by varying the granite products prices and the discount rate while using the base case operating costs.

APPENDIX D – VALMIN VALUATION REPORT

NPV in RM million		Discount rates (base case 15.3%)				
		13.3%	14.3%	Base Case 15.3%	16.3%	17.3%
Granite Prices	-20%	460	419	382	350	320
	-10%	581	529	484	443	406
	Base Case	701	640	585	536	492
	+10%	822	750	686	629	577
	+20%	942	860	787	721	663

Table 17: Sensitivity analysis using ranges of granite price and discount rate

Table 18 shows the effect on NPV of varying the granite prices and the operating costs. The NPV is not materially affected by reasonable variations in capital costs.

NPV in RM million		Operating costs				
		-10%	-5%	Base Case	+10%	+20%
Granite Prices	-20%	443	413	382	322	261
	-10%	547	515	484	421	358
	Base Case	650	617	585	519	454
	+10%	754	720	686	618	550
	+20%	857	822	787	717	646

Table 18: Sensitivity analysis using ranges of granite price and operating costs

The cells of Table 17 and Table 18 that are shaded light grey contain the range of values that JLL believes are the most likely to contain the preferred value for the Subject. The figures we chose to determine the range are mentioned in Section 7. Our opinion of value takes the minimum and maximum values within the lighter grey areas of the sensitivity analysis tables.

APPENDIX D – VALMIN VALUATION REPORT

The range thus chosen is RM421 million to RM750 million (rounded to nearest million).

The reader is cautioned to remember that it is not possible to forecast future performance of exercising the Subject or other economic factors with certainty and that it is prudent to consider a sufficient range of variation in the relevant factors.

The results of the above sensitivity analyses are plotted in Figure 6 and Figure 7.

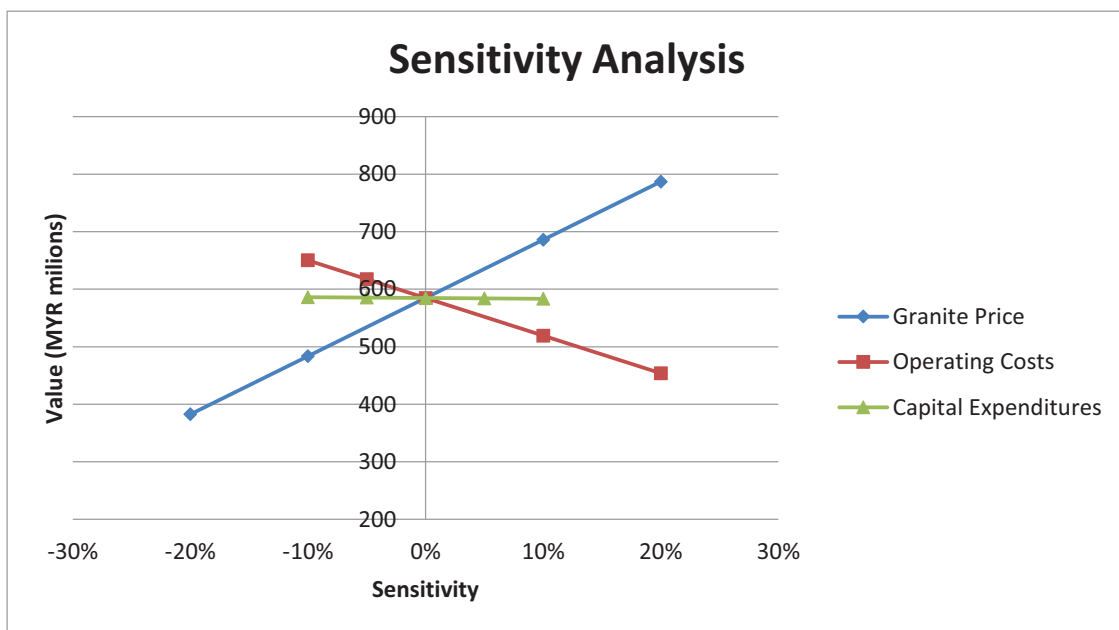


Figure 6: Sensitivity analysis showing variations in commodity price, operating costs, and capital expenditures

APPENDIX D – VALMIN VALUATION REPORT

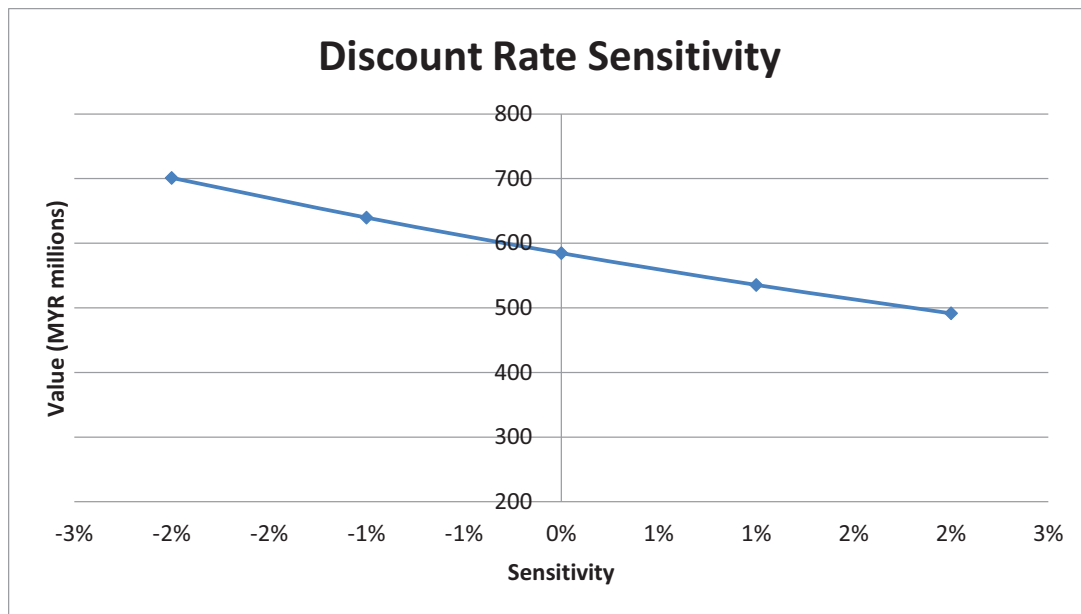


Figure 7: Sensitivity analysis showing variations in discount rate

6.1.3 SUMMARY OF TECHNICAL VALUE

Based on the base case scenario of the DCF model and the results of sensitivity analyses of critical parameters, we determine that the Technical Value for the Subject has a range of values from RM421 million to RM750 million, with a preferred value of RM585 million (rounded to nearest million).

6.2 RISKS & OPPORTUNITIES ANALYSIS

6.2.1 RISKS

Mining is a high risk business that is conducted in an environment where not all events are predictable and each mine has its own set of characteristics that can affect the economic viability of the project. Many risks directly related to the mining operation can be minimised by good planning and management practices. The Bukit Chetai Project is currently at the early stages of development, even though extraction of small amounts of stone has been

APPENDIX D – VALMIN VALUATION REPORT

undertaken in the past. However, there are a number of risks that fall outside of the control of the mine operators.

Assessment of potential risks inherent in a mining project is fundamental to determining a Market Value for the Subject. The overall risk assessment can be constructed from the consequence of the risk and the probability of occurrence (Table 19).

		PROBABILITY					Probability		Consequence		RISK
		A	B	C	D	E	A	Common	1	Catastrophic loss, > 40% of project value	
CONSEQUENCE	1	1	2	4	7	11	B	Has happened	2	Major disruption / impediment, 10% - 40% of project value	HIGH 1-6
	2	3	5	8	12	16	C	Could happen	3	Moderate disruption / impediment, 5-10% of project value	MEDIUM 7-15
	3	6	9	13	17	20	D	Not likely	4	Minor disruption n/ impediment, < 5% of project value	LOW 16-25
	4	10	14	18	21	23	E	Practically impossible	5	No lasting effect	
	5	15	19	22	24	25					

Table 19: Risk Assessment Grid

For each of the risks detailed below, we have provided a subjective assessment of the consequences of the risk on the overall project operation and the likelihood of such risks occurring.

Realization of Forecasts and Projections

This valuation is premised in part on the financial information and / or projections provided by the management of GGTM or as contained in the PFS. Since projections are subjected to

APPENDIX D – VALMIN VALUATION REPORT

numbers of assumptions and relate to the future, there will usually be differences between projections and actual results and, in some cases, those variances may be significant. Accordingly, to the extent that any of the above mentioned information requires adjustment, the resulting investment value may differ significantly.

These risks have been sub-divided into various categories detailed below.

Geology & Resources

Little outcrop, drilling that is vertical, and not a large number of intersections of the main target Terengganu Green microgabbro dyke, pose risks of the dyke not being as wide as interpreted in the PFS. However, even if the size and orientation of the main dyke is not consistent, as interpreted by Rockhound, we do not believe that the volume of TG available for processing will be below the proposed production rate and any significant variations will only lead to increased production costs in order to expose the dyke material for extraction.

Little is known of vertical jointing on the site. If the jointing is greater, or in a non-orthogonal pattern, block yields may be significantly lower than assumed.

Could happen, moderate consequence

C3 - 13

Medium risk

Mining Risks

The proposed mining plan will concentrate on the extraction of the more valuable green dyke rock. Because of the steep terrain, a much larger volume of overburden and white granite will need to be removed in order to get access to the dyke, especially as the quarry gets deeper. The operational production schedule included in the PFS (Table 4-1) does not take into account the additional amounts of white granite that needs to be removed, which could significantly add to the mining costs.

APPENDIX D – VALMIN VALUATION REPORT

There have been insufficient geotechnical studies in order to determine the optimum pit design and the proposed waste dumps. The mine design in the PFS is largely based on their experience with similar projects elsewhere.

Could happen, major consequence

C2 - 8

Medium risk

Reliance on Third Parties

Mining operations will use contracted overseas operators with experience in similar quarrying operations and they may fail to produce quality work, or there may be disputes leading to production delays.

Not likely to happen, minor consequence

D4 - 21

Low risk

Technology / Equipment Risks

The Subject relies on well understood and proven technology and mining practices. We do not know if the proposed mining workforce personnel are familiar with the equipment and selective mining methodology. The achievability of any expansion plan may highly depend on the technical performance of the equipment and appropriate mining methods.

Not likely to happen, minor consequence

D4 – 21

Low risk

Infrastructure Risks

The provision of infrastructure depends on the availability, capacity, reliability, security and operation of third-party contractors. Performance of these third party contractors cannot be assured and is largely out of the mine operator's control. The area covered by the Subject is relatively accessible and GGTM has built up basic infrastructure and has demonstrated strong networks with local third-party contractors who will provide cost-effective supplies of

APPENDIX D – VALMIN VALUATION REPORT

material, equipment, spare parts and other critical consumables. The main infrastructure risk is that interruptions or shortages of supplies, particularly electricity and water, or increases in prices, could adversely affect the mining and processing operations.

Not likely to happen, minor consequence D4 – 21 Low risk

Processing Risks

Processing of the blocks into slabs is well-understood and based on current operations.

Not likely to happen, minor consequence D4 – 21 Low risk

Price Risks

The valuation of the Subject has relied on current prices of granite and assumptions about future market stability. Future granite prices may differ markedly from the assumptions and could drastically affect the profitability of the operations. Granite prices can be influenced by numerous factors outside of the control of mine operators, such as world supply and demand particularly changes in the Chinese market for granite blocks, natural disasters disrupting supplies, macro-economic conditions and political issues. Over the life of the mine, it is likely that the mine plan will change in order to accommodate changes in granite dimension stone prices.

Could happen, moderate consequence C3 - 13 Medium risk

Currency Risk

Some of the revenue and costs will be incurred in Malaysian Ringgit and Chinese Yuan, leaving exposure to exchange rate risk.

APPENDIX D – VALMIN VALUATION REPORT

Not likely to happen, minor consequence D4 – 21 Low risk

Environmental and Natural Disasters Risks

Terengganu is located in a relatively stable part of Malaysia. However, there is still the possibility that small to moderate earthquakes may occur. As the quarry deepens, there may be risks of collapse of walls or roads. The topography is steep and rainfall can be very high resulting in landslips. These events may produce production delays. The design of the quarry and its surrounding infrastructure should take into account the climatic features and possibility of seismic and extreme climatic events.

Not likely to happen, minor consequence D4 – 21 Low risk

Government Approvals & Tenure

As the mining tenement is held by a government authority, approvals for extensions of tenure should not be a major problem provided that the mine operator follows approval conditions and regulations.

Not likely to happen, minor consequence D4 – 21 Low risk

Sale of Granite Blocks in Malaysia

Most of the granite blocks will be sold to local stone processors and building companies and approximately 20% by volume is proposed for export. There is a risk that insufficient numbers of stone specifiers for large projects will not choose Terengganu Green or Segayu White granites. Marketing of the products should ensure future sales.

Not likely to happen, minor consequence D4 – 21 Low risk

APPENDIX D – VALMIN VALUATION REPORT

Export of Granite Blocks

We understand that there are many purchasers of granite in China, but there is also a very rapidly developing domestic stone industry in China. There is a risk that Chinese demand for imports of raw granites similar to those from Terengganu will decrease over coming years. Marketing of the products should ensure future sales.

Not likely to happen, minor consequence D4 – 21 Low risk

Sale of Processed Granite

Similar to the sales of blocks, the marketing of the TG and SW slabs should ensure continued sales.

Not likely to happen, minor consequence D4 – 21 Low risk

Financing Risks

We have been advised by GGTM personnel that they will be relying on internal funds, borrowings from banks and /or shareholder's advances to finance the Capital Costs. Failure to be able to fund the mine construction may result in considerable delays. Alternatively, any requirements to source outside funding may necessitate more detailed and costly feasibility studies. Furthermore, there may be need for ongoing working capital to ensure continuation of the operations during times of temporary closure or delays in receipt of revenue.

Not likely to happen, minor consequence D4 – 21 Low risk

6.2.2 OPPORTUNITIES

The Bukit Chetai Project holds some potential for improvements to the project economics that cannot be adequately quantified at this stage.

Granite Dimension Stone Prices

There are reports of recent strong increases in dimension stone imports to Malaysia (Gussoni, 2016). Whilst it is not known how much of these increases are granite, there is a possibility that the increased demand may lead to increased prices.

Processing

Optimisation of the processing flowsheet and improvements in block recovery may result from adjustments to the mining plan as experience is gained in the quarrying operations.

Construction aggregate

Unweathered waste rock may have a ready market as road construction material or concrete aggregate.

Increased demand for products

The current proposed production rate is well below the total resources available for extraction. Increased demand for the Bukit Chetai products, both TG and SW, could lead to an expansion of the quarrying and processing operations.

APPENDIX D – VALMIN VALUATION REPORT

6.2.3 SUMMARY OF RISKS AND OPPORTUNITIES

We have attempted to quantify the potential risks and opportunities as far as they may impinge upon the valuation of the Subject (Table 20). This assessment is, to a large degree, subjective and is based on our experience in valuing other mineral assets and our assessment of the risks facing the Subject. Further studies to increase the level of confidence in the Subject parameters should be undertaken.

We have chosen not to include the possible upside from additional resources as the proposed total production is well below the defined resources and any increase in total resources is not going to make a significant difference to the operations. Other opportunities, such as sales of waste as road base, are likely to be insignificant contributors to the overall economics of the project.

In some risk categories, such as marketing of products and currency exchange, the pluses and minuses probably cancel each other out.

APPENDIX D – VALMIN VALUATION REPORT

Description	Risk Ranking ¹	Impact	Value adjustment
Geology & Resources	M	Mining costs	-10%
Mining risks	M	Mining costs	-10%
Processing (risks + opportunities)	M	Marketable products	-5%
Environment & Government approvals	L	Costs, delays	-2%
Financing Risks	L	Delays, added costs	-2%
Technology & Infrastructure	L	Costs, delays	-2%
Reliance on third parties	L	Mining efficiencies, recovery	-2%
Commodity Prices (risks + opportunities)	L ²	Revenue (+ / -)	-2%
Marketing of Products	L	Revenue (+ / -)	0%
Currency exchange rates (risks + opportunities)	L ³	Revenue / costs (+ / -)	0%
TOTAL			-35%

Table 20: Summary of Risks and Opportunities

6.3 MARKET VALUE

6.3.1 ASSESSMENT OF MODIFYING FACTORS

The VALMIN Code 2015 defines Market Value as “*the estimated amount of money (or the cash equivalent of some other consideration) for which the Mineral Asset should exchange on the date of Valuation between a willing buyer and a willing seller in an arm’s length transaction after appropriate marketing wherein the parties each acted knowledgeably, prudently and without compulsion*”.

¹ H=High M=Medium L=Low

² The commodity prices and marketing of products are considered to be low risk after considering the opportunities (i.e. potential upside)

³ The currency exchange rates is considered to be low risk after considering the opportunities

APPENDIX D – VALMIN VALUATION REPORT

In arriving at the Market Value, we have taken the Technical Value and applied risk analyses based on Modifying Factors including:

- Geology & Resources,
- Mining,
- Processing,
- Infrastructure,
- Economics & Marketing,
- Environmental, and
- Legal, Social & Government issues.

Table 20 summarises these risks and opportunities analyses and has determined that, at the current stage of understanding of the Subject, there is a significant overall risk factor (-25%) that needs to be applied to the Subject valuation.

Many risks related to the proposed quarrying operation at Bukit Chetai can be minimized by good planning and management practices. However, there is little that the operator can do to prevent abnormal or unforeseen factors, such as global economic conditions, political issues and natural disasters, from impacting the project cash flow.

6.3.2 COMPARABLE TRANSACTIONS

As with all valuations, locating transactions that are truly “comparable” to the subject being valued is fraught with inconsistencies, as each project has its unique qualities and undisclosed factors.

Details of comparable transactions involving dimension stone quarries are scarce in the public domain, due to the generally small nature of the properties and the fact that most are held privately. One 2016 transaction has been located involving 23 dimension stone quarries and licences and a processing facility in Spain that had been held by Granitos de Badajoz SA until 2011 (Fairmont Resources Inc, 2016). While production capacity of the plant is given and the total value of the acquisition is stated (€4.275M, equivalent to RM20.4M) there are

APPENDIX D – VALMIN VALUATION REPORT

no details of actual production from the quarries involved so there is no basis for direct comparison with the Bukit Chetai Project.

Consequently, we have been unable to locate suitable Comparable Transactions upon which a valuation can be determined using Market Approach methods.

6.3.3 DISCOUNT FOR LACK OF MARKETABILITY

The concept of marketability deals with the liquidity of an ownership interest, that is how quickly and easily it can be converted to cash if the owner chooses to sell. The lack of marketability discount reflects the fact that there is no ready market for shares in privately held companies which are typically not readily marketable compared to similar interest in public companies. Therefore, a share of stock in a privately held company is usually worth less than an otherwise comparable share in a publicly held company.

We have assessed the discount for lack of marketability (“DLOM”) of this investment using put option method. The concept is that when comparing a public share and a private share, holder of a public share has the ability to sell the shares (i.e. a put option) to the stock market right away. As the time to a liquidity event getting shorter, the degree of the DLOM becomes smaller.

We have adopted Black Scholes Option Pricing Model with the following parameters to estimate the Discount for Lack of Marketability as at the Valuation Date.

APPENDIX D – VALMIN VALUATION REPORT

Parameters	
Option Type	European Put
Spot Price	1.00
Exercise Price	1.00
Risk Free Rate	3.158%
Volatility	47.42%
Maturity	0.5 years
Implied DLOM	12%

Table 21: Summary of DLOM Parameters

6.3.4 SUMMARY OF MARKET VALUE

Market Value can be derived as follows:

$$\text{Market Value} = \text{Technical Value} \times (1 - \text{Modifying Factors discount/premium}) \times (1 - \text{DLOM})$$

Based on the Technical Value derived from the DCF analysis, discounted by 35% from our overall assessment of the Modifying Factors risks and opportunities (see Table 20), in addition to the 12% discount for lack of marketability, this equation gives a range for the derived Market Value for the Subject of RM241 million to RM429 million, with a preferred value of RM335 million (rounded to nearest million).

APPENDIX D – VALMIN VALUATION REPORT

7 OPINION OF VALUE

Based on the results of our investigations and analysis outlined in this Valuation Report, we are of the opinion that the Technical Value of the Bukit Chetai Dimension Stone Project belonging to GGT Manufacturing Sdn Bhd as at the Valuation Date ranges from **RM421 million to RM750 million**, with the preferred value being **RM585 million**.

Based on our assessment of Modifying Factors, incorporating both risks and opportunities applicable to the project at this stage of development, indicates that the Technical Value should be discounted by a factor of 35% to account risk factors and a factor of 12% for the discount for lack of marketability to derive the Market Value, which has been assessed at **RM241 million to RM429 million**, with the preferred value being **RM335 million**. In accordance with the VALMIN Code 2015, we believe that this valuation can be considered as reflecting an “arm’s length transaction”.

This Valuation Report and opinion of value are subject to our Limiting Conditions as included in this Valuation Report.

Yours faithfully,
For and on behalf of
Jones Lang LaSalle Corporate Appraisal and Advisory Limited

Murray Hutton Principal Consultant		Simon Chan Regional Director
Helen Ray Senior Consultant		

8 BIBLIOGRAPHY

AMEC, 2016. *Summary Report of Bukit Chetai Drilling Project*, Selangor, Malaysia: Asian Metal Exploration Consultancy Sdn. Bhd..

Fairmont Resources Inc, 2016. *corporate-presentation.pdf Fairmont signs agreement to acquire major dimension stone producer.* [Online]
Available at: <http://www.fairmontresources.ca/pdf/corporate-presentation.pdf>

Fowler, P., 2017. *Qualified Person's Report - Bukit Chetai and Bukit Machang Granite Quarries*, s.l.: Report by Rockhound Limited for GGT Manufacturing Sdn Bhd (unpublished).

Gussoni, M., 2016. *Stone Sector 2016 - Annual Report and Outlook for the International Stone Sector.* [Online]
Available at: <http://www.stat.immcarrara.com/it/STAT/stone-sector/stone-sector-intro.asp>

Kot, D. & Fowler, P., 2016a. *Preliminary Technical Report, Findings from Site Visit and proposed Exploration Programme*, s.l.: Rockhound Limited for GGT Manufacturing Sdn Bhd (unpublished).

Kot, D. & Fowler, P., 2016b. *Preliminary Feasibility Study - Bukit Chetai and Bukit Machang Granite Quarry*, s.l.: Rockhound Limited for GGT Manufacturing Sdn Bhd (unpublished).

Soils & Materials Laboratory M Sdn Bhd, 2016. *Petrographic Report of 15 Rock Samples*, s.l.: Soils & Materials Laboratory M Sdn Bhd.

APPENDIX D – VALMIN VALUATION REPORT

9 TERMS AND DEFINITIONS

Term	Definition
AusIMM	Australasian Institute of Mining and Metallurgy
Anchor	Anchor Resources Limited (“Listco”)
Bps	Basis point, refers to one hundredth of one percentage point
Capex	Capital Expenditure
DCF	Discounted Cash Flow
Dyke	Igneous rock that cuts across the structure of adjacent rocks or cuts massive rocks
Feasibility Study	A comprehensive technical and economic study of the selected development option for a mineral project that includes appropriately detailed assessments of applicable Modifying Factors together with any other relevant operational factors and detailed financial analysis that are necessary to demonstrate at the time of reporting that extraction is reasonably justified (economically mineable). The results of the study may reasonably serve as the basis for a final decision by a proponent or financial institution to proceed with, or finance, the development of the project.
Geos Mining	Geos Mining Minerals Consultants (Appointed Granite Consultant of JLL)
GGTM	GGT Manufacturing Sdn. Bhd., Kuala Lumpur, Malaysia
HKICPA	Hong Kong Institute of Certified Public Accountants
JLL	Jones Lang LaSalle Corporate Appraisal and Advisory Limited
JORC Code 2012	2012 Edition of Australian Code for Reporting Exploration Results, Mineral Resources and Ore Reserves
LTAWNT	Lembaga Tabung Amanah Warisan Negeri Terengganu
Mm³	Millions of cubic metres
NPV	Net Present Value
OMS	Operational Mining Scheme
Opex	Operating costs
PMINT	Perbadanan Memajukan Iktisad Negeri Terengganu
QPR	Qualified Persons Report by Rockhound Limited entitled “Qualified Person’s Report ” dated March 2017
Report Date	12 May 2017

APPENDIX D – VALMIN VALUATION REPORT

Term	Definition
RICS	Royal Institute of Chartered Surveyors
RM / MYR	Malaysian Ringgit
Scoping Study	An order of magnitude technical and economic study of the potential viability of Mineral Resources. It includes appropriate assessments of realistically assumed Modifying Factors together with any other relevant operational factors that are necessary to demonstrate at the time of reporting that progress to a Pre-Feasibility Study can be reasonably justified.
SGX-ST	Singapore Exchange Securities Trading Limited
Subject	Mining rights to 104.8 hectares of land within the Bukit Chetai Granite Quarries
Valuation Date	28 February 2017

APPENDIX D – VALMIN VALUATION REPORT

10 GLOSSARY OF TECHNICAL TERMS

Terms not included in this glossary are used in accordance with their definitions in the Australian Concise English Dictionary.

Term	Description
Block yield	The percentage of the granite resource that is extracted as blocks suitable for further processing or sale as dimension stone.
Deposit	a mineral occurrence of sufficient size and grade that it might, under favourable circumstances, be considered to have economic potential
Dimension stone	A natural stone or rock that has been selected and finished (i.e. trimmed, cut, drilled, ground, polished) to specific sizes or shapes. Colour, texture and pattern, and surface finish of the stone are also normal requirements.
Diamond drilling	a drilling method whereby rock is “cored” by an annulus-shaped drill bit at the end of the drill rod string. The cylindrical drill core is retrieved in a core barrel and brought to the surface for geological logging and sampling.
Fault	a geological fracture along which rocks on one side of the fault are dislocated relative to those on the other side.
Granite	Coarse-grained igneous rock containing alkali feldspar & quartz, with lesser amounts of sodic feldspar, muscovite, biotite and accessory minerals.
Hematite	the principal form of iron ore, and is the mineral form of iron(III) oxide (Fe_2O_3), one of several iron oxides. Hematite crystallizes in the rhombohedral system
Indicated Mineral Resource	That part of a Mineral Resource for which quantity, grade (or quality), densities, shape and physical characteristics are estimated with sufficient confidence to allow the application of Modifying Factors in sufficient detail to support mine planning and evaluation of the economic viability of the deposit.
Inferred Mineral Resource	That part of a Mineral Resource for which quantity and grade (or quality) are estimated on the basis of limited geological evidence and sampling.
JORC Code	a code prepared by the Joint Ore Reserves Committee that sets out minimum standards, recommendations and guidelines for public reporting in Australasia of exploration results, mineral resources and ore reserves. The version of the code in current use is the JORC Code 2012.
Microgabbro	Fine-grained igneous rock consisting essentially of calcic plagioclase and clinopyroxene with lesser amounts of orthopyroxene, olivine and accessory minerals
Mineralisation	term describing the deposition of economically important minerals in the formation of ore bodies

APPENDIX D – VALMIN VALUATION REPORT

Term	Description
Mineral Resource	a concentration or occurrence of solid material of economic interest in or on the Earth's crust in such form, grade (or quality) and quantity that there are reasonable prospects for eventual economic extraction. Not all of a Mineral Resource may be economically mineable
Ore Reserves	the economically mineable part of a Measured or Indicated Mineral Resource at the time of reporting, as defined in the JORC Code 2012.
PFS	Pre-Feasibility Study - a comprehensive study of a range of options for the technical and economic viability of a mineral project that has advanced to a stage where a preferred pit configuration is established and an effective method of mineral processing is determined. It includes a financial analysis based on reasonable assumptions on the Modifying Factors and the evaluation of any other relevant factors that are sufficient for a Competent Person, acting reasonably, to determine if all or part of the Mineral Resources may be converted to an Ore Reserve at the time of reporting. A Pre-Feasibility Study is at a lower confidence level than a Feasibility Study
Pyrite	A common sulphide mineral containing iron, with chemical formula FeS_2 ; often called "fool's gold".
Recoverable Resources	the amount of resource that can be removed by a mining process
Sediment	material, such as mud and sand, which has been moved and deposited by water, ice or wind.
Strip Ratio	the ratio of the total waste removed to the total ore mined in open pit mining,
Tenement	an area granted for exploration or mining purposes.
Tonne	Sometimes called "metric ton", equals 1,000 kilograms or 2,204.6 pounds
VALMIN Code 2015	Code for the Assessment and Valuation of Mineral and Petroleum Assets and Securities for Independent Expert Reports. A code prepared to assist those involved in the preparation of public Independent Expert Reports that are required for the assessment and/or valuation of mineral and petroleum assets. Any reference to the VALMIN Code 2015 is made with reference to the 2015 edition.

Appendix 1. LIMITING CONDITIONS

- 1) In preparation of the Valuation Report, JLL has based its valuation on information within its own knowledge and/or acquired as a result of its investigation as well as the information presented by the management of the company and its service providers. JLL has relied upon and assumed the accuracy and completeness of all material information that has been provided. JLL has satisfied itself as to the reasonableness of the information it used by conducting suitable checking, enquiries, analysis and verification work. JLL has no reason to believe that the information provided is materially inaccurate, misleading or incomplete.
- 2) We have explained as part of our service engagement procedure that it is the director's responsibility to ensure proper books of accounts are maintained, and the financial information and forecast give a true and fair view and have been prepared in accordance with the relevant standards and companies ordinance.
- 3) Public information and industry and statistical information have been obtained from sources we deem to be reputable. However, we make no representation as to the accuracy or completeness of such information and have accepted the information in good faith.
- 4) The management of the Company has reviewed and agreed on the Valuation Report and confirmed that the basis, assumptions, calculations and results are appropriate and reasonable.
- 5) Jones Lang LaSalle Corporate Appraisal and Advisory Limited shall not be required to give testimony or attendance in court or to any government agency by reason of this exercise, with reference to the Subject described herein. Should there be any kind of subsequent services required, the corresponding expenses and time costs will be reimbursed from you. Such kind of additional work may incur without prior notification to you.
- 6) No opinion is intended to be expressed for matters which require legal or other specialized expertise or knowledge, beyond what is customarily employed by valuers.

APPENDIX D – VALMIN VALUATION REPORT

- 7) The use of and/or the reliance of the Valuation Report is subject to the terms of engagement letter/proposal and the full settlement of the fees and all expenses.
- 8) Our conclusions assume continuation of prudent management policies over whatever period of time that is considered to be necessary in order to maintain the character and integrity of the assets valued.
- 9) We assume that there are no hidden or unexpected conditions associated with the subject matter under review that might adversely affect the reported review result. Further, we assume no responsibility for changes in market conditions, government policy or other conditions after the Valuation/Reference Date. We cannot provide assurance on the achievability of the results forecasted by GGTM because events and circumstances frequently do not occur as expected; difference between actual and expected results may be material; and achievement of the forecasted results is dependent on actions, plans and assumptions of management.
- 10) This Valuation Report has been prepared for submission to the SGX-ST and for inclusion in the Circular of Anchor in connection with the proposed acquisition of GGTM. Our consent to the disclosure of the Valuation Report in connection with the proposed acquisition of GGTM is solely for the purpose of providing information to potential investors or any interested party.
- 11) This Valuation Report is confidential to the client and calculation of values expressed herein is valid only for the purpose stated in the engagement letter/or proposal as of the reference date. In accordance with our standard practice, we must state that this Valuation Report and exercise is for the use only by the party to whom it is addressed and no responsibility is accepted with respect to any third party for the whole or any part of its contents.
- 12) Where a distinct and definite representation has been made to us by party/parties interested in the assets valued, we are entitled to rely on that representation without further investigation into the veracity of the representation if such investigation is beyond the scope of normal scenario analysis work.
- 13) The Company agrees to indemnify and hold us and our personnel harmless against and from any and all losses, claims, actions, damages, expenses or liabilities,

APPENDIX D – VALMIN VALUATION REPORT

including reasonable attorney's fees, to which we may become subjects in connection with this engagement. Our maximum liability relating to services rendered under this engagement (regardless of form of action, whether in contract, negligence or otherwise) shall be limited to the charges paid to us for the portion of its services or work products giving rise to liability. In no event shall we be liable for consequential, special, incidental or punitive loss, damage or expense (including without limitation, lost profits, opportunity costs, etc.), even if it has been advised of their possible existence.

- 14) We are not environmental consultants or auditors, and we take no responsibility for any actual or potential environmental liabilities exist, and the effect on the value of the asset is encouraged to obtain a professional environmental assessment. We do not conduct or provide environmental assessments and have not performed one for the subject property.
- 15) This exercise is premised in part on the historical financial information and relevant commercial information provided by the management of GGTM. We have assumed the accuracy and reasonableness of the information provided and relied to a considerable extent on such information in arriving at our calculation of value. Since projections relate to the future, there will usually be differences between projections and actual results and in some case those variances may be material. Accordingly, to the extent any of the above mentioned information requires adjustments, the resulting value may differ significantly.
- 16) This Valuation Report and the conclusion of values arrived at herein are for the exclusive use of our client for the sole and specific purposes as noted herein. Furthermore, the Valuation Report and conclusion of values are not intended by the author, and should not be construed by the reader, to be investment advice or as transaction price purpose in any manner whatsoever. The conclusion of values represents the consideration based on information furnished by the Company/engagement parties and other sources. Actual transactions involving the subject assets / business might be concluded at a higher or lower value, depending upon the circumstances of the transaction and the business, and the knowledge and motivation of the buyers and sellers at that time.

Appendix 2. VALUER'S BIOGRAPHY

Murray Hutton

Principal Consultant, Geos Mining Minerals Consultants, Sydney.

Qualifications and Professional Memberships

BA (Hons, Geology)

Member of Australian Institute of Geoscientists

Experience

Murray Hutton has extensive experience in the mineral industry with a primary focus in gold and base metals. He spent his early career working on a variety of project within Australia, Pacific Islands and Southeast Asia, specializing in exploration projects for gold, base metals and tin. He has held senior positions as an exploration geologist for firms based in Papua New Guinea, Philippines, Fiji and Australia. His expertise is thus in exploration program management, including project technical assessment and planning, reconnaissance through to drilling supervision, resource estimation and independent geological reports and valuations. He has been at Geos Mining for over eight years and holds a position as Principal Consultant.

Murray Hutton's qualifications and experience are sufficient for him to be regarded as a "Competent Person" under the JORC Code 2012 and as a "Specialist" under the VALMIN Code 2015.

APPENDIX D – VALMIN VALUATION REPORT

Simon M.K. Chan

Regional Director, Jones Lang LaSalle Corporate Appraisal and Advisory Limited

Qualifications and Professional Memberships

B.Commerce, FCPA, FCPA (Aust.), Member of AusIMM and RICS

Experience

Simon has provided Mineral Asset Valuation Services since 2007 and has extensive work experience in other valuation and corporate advisory industries. He has provided a wide range of valuation services to numerous listed and listing companies of different industries in China, Hong Kong, Singapore and the United States. The valuation services provided include firm valuation, equity valuation, mining rights and mineral assets valuation, purchase price allocation, intangible asset identification and valuation (e.g. trademark, customer base, patent, etc.), biological asset valuation, current asset and liability valuation, goodwill and other asset impairment evaluation, convertible bond valuation, employee share option valuation and other financial instrument valuation. Simon has participated in certain large scale IPOs of State-owned and privately-owned enterprises in China. He has successfully assisted various multinational companies invested in China and has provided different extent of valuable due diligence services for these companies.

Appendix 3. VALUER'S PROFESSIONAL DECLARATION

The following valuers certify, to the best of their knowledge and belief, that:

- Information has been obtained from sources that are believed to be reliable. All facts that have a material bearing on the value concluded have been considered by the valuers and no important facts have been intentionally disregarded.
- The reported analyses, opinions, and conclusions are subject to the assumptions as stated in the Valuation Report and based on the valuers' personal, unbiased professional analyses, opinions, and conclusions. The valuation exercise is also bounded by the limiting conditions.
- The reported analyses, opinions, and conclusions are independent and objective.
- The valuers have no present or prospective interest in the asset that is the subject of this Valuation Report, and have no personal interest or bias with respect to the parties involved
- The valuers' compensation is not contingent upon the amount of the value estimate, the attainment of a stipulated result, the occurrence of a subsequent event, or the reporting of a predetermined value or direction in value that favours the cause of the client.
- The analyses, opinions, and conclusions were developed, and this Valuation Report has been prepared, in accordance with the International Valuation Standards published by the International Valuation Standards Committee and the VALMIN Code 2015.
- The under mentioned persons provided professional assistance in the compilation of this Valuation Report.

Murray Hutton

Project Manager

BA (Hons.) (Geology),

Simon M.K.Chan

Regional Director

FCPA, FCPA (Aust.), FRICS,

APPENDIX D – VALMIN VALUATION REPORT

Member of AIG

Member of AusIMM

Murray Hutton's Declaration

I, Murray Hutton, hereby confirm that:

- 1) I have carried out the assignment for Jones Lang LaSalle Corporate Appraisal and Advisory, located at:

6 F Three Pacific Place,
1 Queen's Road, East Hong Kong
Tel: (852) 2169 6000
Fax: (852) 2169 6008
- 2) I graduated with Bachelor of Arts Degree (Hons) in Geology from Macquarie University, Sydney, Australia (1973 - 1976).
- 3) I am a member of the Australian Institute of Geoscientists.
- 4) I have over 38 years of experience in the resources industry involving the management of gold and base metals exploration programs in Australia, Philippines, Fiji, Papua New Guinea and Vietnam. I have in excess of five years of recent and relevant experience in the Technical Assessment of gold and copper projects in Australia, Indonesia, Cambodia, Peru, Mali and Papua New Guinea. I also have an additional five years of recent and relevant experience in the Valuation of mineral assets.
- 5) I am the primary author responsible for the preparation and compilation of this Valuation Report.
- 6) I have neither present nor prospective interests in the Subject mineral assets, the Business Enterprise, the Company or the values reported herein.
- 7) I am not aware of any material fact or material change with respect to the Subject matter of the Valuation Report that is not reflected in the Valuation Report.

APPENDIX D – VALMIN VALUATION REPORT

- 8) This Valuation Report has been prepared in accordance with the guidelines set by the VALMIN Code 2015 established by the VALMIN Committee in Australia.
- 9) I have read the definition of “VALMIN Practitioners” set out in the VALMIN Code 2015 and certify, by reason of my education, affiliation with a professional association and past relevant work experience, I fulfill the requirements to be a “Specialist” under the VALMIN Code 2015 for the style of the Subject mineral assets.

Simon M. K. Chan’s Declaration

- 1) I have read the definition of “VALMIN Practitioners” set out in the VALMIN Code 2015 and certify, by reason of my education, affiliation with a professional association and past relevant work experience, I fulfill the requirements to be a “Securities Expert” under the “VALMIN Practitioners” section of VALMIN Code 2015.
- 2) I am responsible for the review of this Valuation Report.
- 3) I have read the VALMIN Code 2015 and the Valuation Report has been prepared in accordance with the VALMIN Code 2015.
- 4) I am a certified public accountant in Hong Kong (HKICPA) and Australia (CPA (Aust)), and I am also a member of the AusIMM and RICS. I have extensive work experience in valuation and corporate advisory industry.
- 5) I am not aware of any material fact or material change with respect to the Subject matter of the Valuation Report that is not reflected in the Valuation Report, that a failure to disclose would make the Valuation Report misleading.
- 6) I am independent of GGTM and GGTM, in compliance with Clause 4.2 Independence of the VALMIN Code 2015.
- 7) The Valuation Report is prepared within Jones Lang LaSalle with registered address at 6/F Three Pacific Place, 1 Queen’s Road East, Hong Kong.

Appendix 4. QUALIFIED PERSON'S REPORT

Please refer to Appendix C of the Circular.

Appendix 5. PROJECTS IN MALAYSIA THAT HAVE USED TG, SW & RT PRODUCTS

TG, SW and RT granites had been used extensively as per some of the projects below

- Kuala Lumpur International Airport, Selangor
- Petronas Twin Towers, KLCC
- Fraser Business Park, Kuala Lumpur (Integrated Leisure and Commercial Hub comprising of 5-6 Storey Shop Offices, Banks, Hotels, HELP University Campus, University Hostels, Serviced Apartments, Supermarkets and Entertainment Outlets)
- Private residence, Jalan Langgak Golf, Kuala Lumpur
- Masjid Asy-Syakirin, KLCC
- Masjid Taman Ilmu, Besut, Terengganu
- Dataran Putra (Park), Putrajaya
- Masjid Putra, Putrajaya
- Office buildings in Putrajaya:
 - Suruhanjaya Tenaga (Commission of Energy)
 - Jabatan Penerbangan Awan (Department of Civil Aviation)
 - Istana Kehakiman (Palace of Justice – Court)
 - Mahkamah Syariah (Syariah Court)
 - Kementerian Perdagangan Dalam Negeri, Koperasi Dan Kepenggunaan (Ministry of Domestic Trade, Co-operatives and Consumerism)
 - Kementerian Kewangan (Ministry of Finance)
 - Kementerian Perusahaan Perladangan Dan Komoditi Malaysia (Ministry of Farming and Commodities Malaysia)
 - Perbendaharaan Malaysia (Federal Treasury)
 - Jabatan Imigresen Malaysia (Immigration Dept)
 - Jabatan Pendaftaran Malaysia (Registration Dept)
 - Jabatan Akauntan Negara Malaysia (National Accountant Dept)
 - Jabatan Audit Negara (National Auditor Dept)
 - Jabatan Kastam DiRaja Malaysia (Royal Customs Dept)
 - Kementerian Wilayah Persekutuan (Ministry of Federal Territories)
 - Menara Putrajaya Holdings (Putrajaya Holdings Tower)
 - Menara Usahawan (Entrepreneurs Tower)
 - Wisma Sumber Asli (Natural Resource Building)
 - Wisma Tani (Ministry of Agriculture Building)

Appendix 6. LEGAL OPINION

Please refer to Appendix G of the Circular.

APPENDIX D – VALMIN VALUATION REPORT

Appendix 7. PROPRIETARY MINING LICENCE

MOOI


BORANG G
ENAKMEN MINERAL (TERENGGANU) 2002
(Subsidiary B (10))
LESEN MELOMBONG TUAN PUNYA

Mining lease

Rujukan Fail	PTG.TR.03/18/2006/E/003
No. Lesen Melombong Tuan Punya/Pendaftaran	PML 1/2008
No. Lot/L.O.	PT 4161 (Lot 4161)
No. Hakmilik Semasa	HSO 678
Keluasan	104.3 Hektar
Bandar/Kampung/Mukim	Mukim Tersat
Daerah	Hulu Terengganu
Tarikh Pendaftaran	05hb. Ogos 2008
Tempoh Lesen	Sesuluh (10) Tahun
Tanah Habis Tempoh	04hb. Ogos 2018
Sewa Tahunan	
Nama Pemegang Lesen	Lembaga Tabung Amanah Warisan Negeri Terengganu
No. K.P.P.N. (Jika Terpaksa)	
Alamat Pemegang Lesen	dia Pejabat Perbendaharaan Negeri, Tingkat 4, Wisma Darul Iman, 20502 Kuala Terengganu.

Sebagai balasan pembayaran sewa tahunan yang kena dibayar sebanyak RM _____ tanah yang disebut di atas yang, bagi maksud pengenalpastian, ditunjukkan dalam petan yang dilampirkan, adalah dipegang bagi tempoh di atas oleh pemegang lesen yang dinamakan dalam rekod hakmilik di halaman sebelah untuk melombong mineral bertukuk kepada syarikat yang terkandung dalam Enakmen Mineral (Terengganu) 2002 dan mana-mana undang-undang lain bertubuhan dengan perlombongan dan kepada syarikat yang dilampirkan bersama ini.

Bertarikh 05.08.2008


(M.S.)
Pengerah Tanah dan Pertanian
Terengganu

Appendix 8. LEASE AGREEMENT BETWEEN LTAWNT AND PMINT

BERTARIKH PADA 27 HARI BULAN OKTOBER 2014

DIAN TARA

PERBADANAN MEMAJUKAN IKTISAD NEGERI TERENGGANU
(“PMINT”)

DAN

LEMBAGA TABUNG AMANAH WARISAN
NEGERI TERENGGANU
(LTAWNT)

PERJANJIAN KONTRAK KERJA-KERJA
PERLOMBONGAN DAN PENGELUARAN BATU DIMENSI GRANIT

1

APPENDIX D – VALMIN VALUATION REPORT

KONTRAK KERJA-KERJA PERLOMBONGAN DAN PENGELUARAN BATU DIMENSI GRANIT

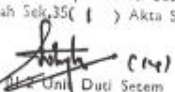
PERJANJIAN ini di buat pada 27 OCT 2014

di antara **LEMBAGA TABUNG AMANAH WARISAN NEGERI TERENGGANU** sebuah badan yang ditubuhkan di bawah Enakmen Kerajaan Negeri Bil. 2 Tahun 1990 dan beralamat di Pejabat Kewangan Negeri, Tingkat 14, Wisma Darul Iman, 20592 Kuala Terengganu (selepas ini disebut sebagai 'LTAWNT') di satu pihak DAN **PERBADANAN MEMAJUKAN IKTISAD NEGERI TERENGGANU** sebuah Perbadanan yang ditubuhkan di bawah Enakmen Terengganu No. 3 Tahun 1965 dan beralamat di Tingkat 14, Menara Permint, Jalan Sultan Ismail, 20200 Kuala Terengganu (selepas ini disebut sebagai 'PERBADANAN') di satu pihak yang lain.

BAHAWASANYA Kerajaan Negeri Terengganu melalui Majlis Mesyuarat Kerajaan Negeri kali ke 32 tahun 1998 yang bersidang pada 16 September 1998 telah bersetuju meluluskan kawasan-kawasan tanah berikut kepada LTAWNT yang mana berpotensi untuk perlombongan batu dimensi granit :-

		Keluasan (ha)
i)	Bukit Machang, Mukim Hulu Berang, Daerah Hulu Terengganu	P.T. 7812 128.5325 P.T. 7813 67.6025
ii)	Bukit Chetai, Mukim Tersat Daerah Hulu Terengganu	P.T. 4161 104.7669

Kawasan-kawasan tanah di atas yang terlibat adalah sebagaimana yang dilakarkan dengan warna MERAH di atas pelan yang dikeipikan bersama ini dan ditandakan sebagai Lampiran A dan B (selepas ini disebut sebagai "tanah-tanah tersebut"). Tanah-tanah tersebut telah diberi hakmilik sementara kepada LTAWNT untuk tempoh 30 tahun di mana masing-masing akan berakhir pada 31 Januari 2039 (Bukit Machang) dan 23 Mei 2037 (Bukit Chetai).

Dikemukakan daripada Duti Setem
di bawah Seks. 35(1) Akta Setem 1949

Unit T. 14.1 Unit Duti Setem
Timbalan Pemungut Duti Setem
Kuala Terengganu, 28.2.2015

1

APPENDIX D – VALMIN VALUATION REPORT

BAHAWASANYA LTAWNT dengan ini memberi akujanji kepada pihak PERBADANAN bahawa tanah-tanah tersebut adalah bebas dari sebarang sekatan (free from all encumbrances) kecuali apa yang tercatat di bawah syarat-syarat nyata Borang 11AK Hakmilik Sementara.

DAN BAHAWASANYA LTAWNT dengan ini berhasrat melantik PERBADANAN untuk menjalankan kerja-kerja perlombongan dan pengeluaran/ pengalihan batu dimensi granit di atas dan dari tanah-tanah tersebut (selepas ini disebut sebagai 'kerja-kerja tersebut') dan pihak PERBADANAN bersetuju menerima pelantikan itu untuk menjalankan kerja-kerja tersebut tertakluk kepada sebarang undang-undang yang berkaitan yang sedang berkuatkuasa serta tertakluk sentiasa kepada sebarang syarat-syarat, larangan-larangan dan pengecualian yang ditetapkan selepas ini.

**MAKA ADALAH DENGAN INI PIHAK-PIHAK KEPADA PERJANJIAN INI
BERSETUJU DAN BERWAAD SEPERTI BERIKUT :-**

1. PELANTIKAN

- 1.1. LTAWNT dengan ini bersetuju melantik PERBADANAN untuk mengusaha/melaksanakan kerja-kerja tersebut dan PERBADANAN dengan ini bersetuju untuk menerima pelantikan tersebut tertakluk kepada terma-terma dan syarat-syarat terkandung selepas ini.

2. TEMPOR

- 2.1. Kedua-dua belah pihak bersetuju bahawasanya perjanjian ini hendaklah berkuatkuasa selama lima belas (15) tahun daripada tarikh perjanjian dan boleh disambung untuk tempoh selanjutnya berasaskan kepada persetujuan kedua-dua belah pihak.

APPENDIX D – VALMIN VALUATION REPORT

3. NOTIS PENYAMBUNGAN TEMPOR KERJA

- 3.1. PERBADANAN hendaklah memberikan notis secara bertulis menyalakan hasrat mereka untuk melanjutkan tempoh kerja/ tempoh perjanjian ini kepada LTAWNT satu (1) tahun lebih awal sebelum tamatnya tempoh kerja seperti dinyatakan di klausa 2. LTAWNT mengikut budi bicaranya bolehlah menyambung kepada satu tempoh selama lima (5) tahun atau satu tempoh lain yang difikirkan sesuai dari masa ke semasa tertakluk sentiasa PERBADANAN telah mematuhi segala waad-waad dan syarat-syarat perjanjian ini serta membincangkan mengenai apa-apa syarat-syarat baru (jika ada).

4. BALASAN PERJANJIAN

- 4.1. Sehubungan dengan klausa 1 perjanjian ini, sebagai balasan dan waad-waad perjanjian, maka PERBADANAN dengan ini bersetuju membayar dan pihak LTAWNT bersetuju menerima bayaran 'tribute' sebanyak 12% dari jualan blok batu dimensi granit di tapak (site) dan juga apa jua hasil sampingannya seperti jubin dan slab, batu-batu kuari yang boleh digunakan sebagai batu pemecah ombak (breakwater), batu kerikil/halus, 'quarry dust' dan sebagainya, mengikut kiraan royalti kerajaan negeri yang akan ditentukan oleh Jabatan Mineral dan Geosains Terengganu. Pihak LTAWNT bertak mengemukakan semula kadar bayaran 'tribute' tersebut setiap tiga (3) tahun.
- 4.2. Pihak PERBADANAN juga bersetuju membayar dan pihak LTAWNT bersetuju menerima bayaran caj penggunaan tanah dengan kadar RINGGIT MALAYSIA : SERATUS SAHAJA PER HEKTAR SETAHUN (RM100.00/ha/tahun) bagi setiap tanah-tanah tersebut.

APPENDIX D – VALMIN VALUATION REPORT

4.2.1 Bukit Macang, Mukim Hulu Berang, Daerah Hulu Terengganu berjumlah RM19,613.50 setahun

4.2.2. Bukit Chetai, Mukim Hulu Tersat, Daerah Hulu Terengganu berjumlah RM10,477.00 setahun.

4.3. Bayaran 'tribute' tersebut hendaklah dibayar kepada LTAWNT secara dua (2) kali setahun iaitu sebelum akhir bulan Januari dan bulan Julai setiap tahun.

4.4 Jika sekiranya PERBADANAN mengalami kerugian atas kerja-kerja tersebut, kerugian tersebut adalah sama sekali tidak ditanggung oleh atau dibebankan kepada LTAWNT

5. PENYERAHAN DAN PELAKSANAAN KERJA-KERJA TERSEBUT

5.1. Sebaik sahaja perjanjian ini ditandatangani, kawasan kerja tersebut dianggap diserahkan kepada PERBADANAN pada tanh perjanjian ini ditandatangani.

6. PENGELUARAN HASIL BALAK DAN LAIN-LAIN HASIL SELAIN DARIPADA HASIL PERLOMBONGAN BATUAN DIMENSI GRANIT

6.1. Walau apapun peruntukan di dalam perjanjian ini, hak bagi menguruskan Hasil Kayu Balak dan lain-lain hasil selain daripada hasil perlombongan Batu Dimensi Granit dan hasil-hasil berkaitan (selepas ini disebut sebagai "Hasil tersebut") adalah menjadi hak eksklusif LTAWNT. LTAWNT boleh menguruskan Hasil tersebut mengikut budi bicaranya sendiri tanpa mempunyai apa-apa ikatan dengan PERBADANAN

APPENDIX D – VALMIN VALUATION REPORT

7. PENJUALAN BATUAN GRANIT

- 7.1. PERBADANAN dibenarkan menjual kesemua produk-produk granit (kecuali batu dimensi granit) yang dikeluarkan dari tanah tersebut ke luar negeri Terengganu ataupun dieksport keluar Negara. PERBADANAN mestilah memproses 40% daripada batu dimensi granit yang dikeluarkan dari tanah tersebut di kilang yang didirikan di tapak projek atau mana-mana tempat di negeri Terengganu dan 60% lagi bolehlah dijual ke luar negeri Terengganu atau dieksport secara berterusan.

8. KEGUNAAN KELENGKAPAN DAN PEMBINAAN KILANG PEMEROSAN

- 8.1. Pihak LTAWNT hendaklah membenarkan pihak PERBADANAN menggunakan segala kelengkapan seperti penggunaan jentera-jentera, mesin-mesin sebagainya milik PERBADANAN sendiri dan apa-apa kemudahan pemerosan (jika perlu) (selepas ini disebut 'kelengkapan tersebut'). Penggunaan kelengkapan tersebut adalah tertakluk kepada terma-terma serta syarat-syarat berikut . -

8.2. Pihak PERBADANAN hendaklah :

- i) Bertanggungjawab serta mematuhi segala undang-undang peraturan-peraturan, perintah-perintah, undang-undang kecil dan sebagainya yang sedang berkuatkuasa atau arahan-arahan pihak berkuasa tempatan/negeri menurut amalan-amalan biasa pelaksanaan operasi perlombongan batu dimensi granit
- ii) Membayar atau menanggung apa-apa kos dan perbelanjaan yang dikenakan atau terlibat berkenaan pembelian alat-alat baru atau alat-alat ganti penyelenggaraan dan operasi kelengkapan tersebut serta kos-kos lain yang berkaitan dengan jentera-jentera dan mesin-mesin kilang tersebut.

6

APPENDIX D – VALMIN VALUATION REPORT

- iii) Menjaga serta menyelenggara kelengkapan tersebut dan kilang tersebut supaya sentiasa berkeadaan baik dan boleh digunakan dengan kos ditanggung oleh PERBADANAN sendiri.

9. KERAHSIAAN

- 9.1 Apa-apa pelan, peta, rekod-rekod, laporan-laporan, maklumat, hasil-hasil kajian atau apa-apa dokumen berkaitan kontrak ini adalah kepunyaan LTAWNT dan sekiranya diserahkan kepada PERBADANAN, PERBADANAN hendaklah menyimpannya sebagai satu rahsia dan tidak boleh sama sekali didedahkan atau diberikan atau digunakan oleh mana-mana pihak orang perseorangan, syarikat dan sebagainya untuk apa-apa maksud sekalipun kecuali mendapat kebenaran bertulis daripada pihak LTAWNT.
- 9.2 Klausula 9.1 di atas tidak terpakai jika pihak PERBADANAN pada kebenaran dan hak yang diberikan sebagaimana di dalam Klausula 11.3 dalam perjanjian ini menyerahkan apa-apa dokumen yang disebutkan dalam klausula 9.1 di atas kepada pihak ketiga ataupun anak syarikat yang dilantiknya untuk menjalankan, mengusahakan atau melaksanakan kerja-kerja tersebut bagi pihaknya.

10. LAPORAN PENILAIAN KESAN ALAM SEKELILING

- 10.1 Pemohonan mendapatkan kelulusan laporan penilaian kesan Alam Sekeliling menurut kehendak seksyen 34 Akta Kualiti Alam Sekeliling hendaklah dibuat oleh PERBADANAN dengan dibantu oleh LTAWNT.
- 10.2 Sekiranya Laporan Penilaian Kesan Alam Sekeliling telahpun dikeluarkan ke atas mana-mana pihak sebelum pelantikan PERBADANAN, pihak PERBADANAN hendaklah memohon supaya laporan tersebut boleh diterimapakai olehnya dengan dibantu sepenuhnya oleh LTAWNT. Apa-apa kos terlibat hendaklah ditanggung oleh pihak PERBADANAN.

7

APPENDIX D – VALMIN VALUATION REPORT

11. TANGGUNGJAWAB PERBADANAN

11.1 Pihak PERBADANAN hendaklah di dalam melaksanakan kerja-kerja tersebut mematuhi perkara-perkara berikut :-

- i) Mengurus dan menjalankan kerja-kerja tersebut secara baik dan mengikut amalan biasa kerja-kerja pengkuarian granit serta mengikut peruntukan perjanjian ini.
- ii) Mematuhi segala undang-undang, peraturan-peraturan, undang-undang kecil yang berkuatkuasa dan arahan-arahan pihak berkuasa tempatan/negeri berkenaan kerja-kerja tersebut.
- iii) Melantik pada kos dan perbelanjaannya sendiri kakitangan bagi melaksanakan dan memastikan operasi kerja-kerja tersebut berjalan lancar.

11.2. Pihak PERBADANAN hendaklah pada setiap bulan tanpa gagal menghantar/menyerahkan apa-apa dokumen, resit-resit dan rekod berkenaan kerja-kerja tersebut kepada LTAWNT bagi pihak PMH-1 bagi tujuan penelitian.

11.3. Pihak PERBADANAN berhak melantik mana-mana pihak ketiga atau anak syarikatnya atau menubuhkan anak syarikat yang baru dan menyerahkan (assignment) kepada pihak ketiga atau anak syarikat yang dilantik atau ditubuhkannya bagi maksud menjalankan tanggungjawab yang termaktub dalam perjanjian ini. Pelantikan tersebut hendaklah dimaklumkan kepada pihak LTAWNT.

11.4. Sekiranya pihak PERBADANAN melantik mana-mana pihak ketiga atau anak syarikat atau menubuhkan anak syarikat yang baru dan kemudian menyerahkannya (assignment) bagi maksud di Klausu 11.3, pihak PERBADANAN bertanggungjawab sepenuhnya terhadap segala kerja-kerja yang dijalankan oleh pihak ketiga atau anak syarikatnya terhadap LTAWNT.

K

APPENDIX D – VALMIN VALUATION REPORT

- 11.5. Pihak PERBADANAN bersetuju untuk memasuki satu perjanjian Surat Penyerahan Hak (Deed of Assignment) dengan mana-mana pihak ketiga atau anak syarikatnya sebaik sahaja pihak PERBADANAN menyerah hak (assignment) sebagaimana dalam peruntukan 11.3 dan 11.4 dalam perjanjian ini.
- 11.6 Pihak PERBADANAN dengan kos dan perbelanjaannya sendiri dibenarkan pada setiap masa berjalannya perjanjian ini tanpa menjejaskan hak-haknya seperti dalam perjanjian ini mendapatkan batu-batu granit dari luar kawasan tanah-tanah tersebut. Pihak LTAWNT bersetuju membantu untuk mendapatkan apa-apa Kebenaran atau kelulusan dari pihak Berkuasa Negeri atau dari mana-mana agensi kerajaan supaya pihak PERBADANAN dapat mengalih serta menjual batu blok granit tersebut di mana bagi kerja kerja tersebut pihak LTAWNT akan dibayar dengan kadar 'tribute' yang sama sebagaimana yang disebut pada Klausu 11.10 dan Klausu 4.1 perjanjian ini.
- 11.7. Pihak PERBADANAN boleh dan dibenarkan pada setiap masa berjalannya perjanjian ini mengkaji, meneroka, mencari serta memohon kawasan-kawasan baru yang berpotensi untuk dijadikan kawasan pengeluaran batu-batu granit.
- 11.8. Permohonan yang dibuat mengikut Klausu 11.7 di atas hendaklah dipohon kepada Berkuasa Negeri melalui pihak LTAWNT dan sekiranya permohonan tersebut berjaya kedua-dua belah pihak bersetuju untuk memasuki satu perjanjian yang akan dirangka kemudian.
- 11.9. Adalah menjadi tanggungjawab dan kewajipan PERBADANAN untuk menjelaskan segala cukai tanah dan apa-apa cukai yang dikenakan oleh Pihak Berkuasa Negeri berhubung penggunaan tanah tersebut selama tempoh perjanjian ini berjalan.

APPENDIX D – VALMIN VALUATION REPORT

- 11.10. Pihak PERBADANAN sepertimana yang disebut di dalam Klausula 4 perjanjian ini akan menjelaskan kepada LTAWNT bayaran 'tribute' sebanyak 12% daripada hasil jualan blok batu dimensi granit dan juga apa-apa hasil yang berkaitan dengannya seperti jubin, slab, batu-batu kuari yang boleh digunakan sebagai batu pemecah ombak (breakwater), batu kerikil/halus, 'quarry dust' dan sebagainya.
- 11.11 Pihak PERBADANAN hendaklah menjelaskan kepada LTAWNT bayaran sewa pajakan lombong dengan kadar RM100.00/hektar/tahun bagi setiap tanah-tanah tersebut.
- 11.12. PERBADANAN mestilah membenarkan LTAWNT atau wakil wakilnya agen-agensya atau orang yang dilantik olehnya memasuki tanah tersebut pada setiap masa bagi maksud melihat, memeriksa atau mengambil apa-apa maklumat berkaitan kerja-kerja tersebut setakat mana ianya dibenarkan mengikut perjanjian ini.

12. HAK SERTA TANGGUNGJAWAB LTAWNT

- 12.1. LTAWNT hendaklah semasa berjalannya perjanjian ini tidak melakukan apa-apa perbuatan atau tindakan yang boleh menyebabkan perjanjian antara PMINT dengan LTAWNT terbalai, tanah-tanah tersebut ditank batik atau hilang hak.
- 12.2. LTAWNT atau melalui wakil-wakil, agen-agen atau orang yang dilantik olehnya hendaklah memaklumkan kepada PERBADANAN terlebih dahulu untuk memasuki tanah tersebut pada setiap masa bagi maksud melihat, memeriksa atau mengambil apa-apa maklumat berkenaan perjanjian ini.
- 12.3. Pihak LTAWNT bersetuju membenarkan pihak PERBADANAN membina kilang-kilang atau apa-apa bangunan kekal atau separuh kekal pada kosnya sendiri sama ada di atas tanah-tanah tersebut atau di mana-mana tempat yang difikirkan sesuai oleh pihak

10

APPENDIX D – VALMIN VALUATION REPORT

PERBADANAN bagi mengeluarkan produk barang siap daripada batu granit.

12.4. Pihak LTAWNT hendaklah membenarkan dan hendaklah sentiasa mendapatkan kebenaran dari pihak-pihak Berkuasa Negeri atau lain-lain pihak berkenaan untuk menjual atau mendapatkan kebenaran bagi menjual batu-batu blok granit kepada pembeli dari dalam mahupun luar negeri Terengganu.

12.5 Pihak LTAWNT tidak berhak dan tidak boleh sama sekali menentukan perjalanan pelaksanaan kerja-kerja tersebut dan tidak boleh campurtangan dalam pengurusan serta pentadbiran pihak PERBADANAN kecuali berkaitan dengan urusan-urusan berkenaan tanah-tanah tersebut serta bayaran 'tribute' kepadanya.

12.6. Selagi PERBADANAN menjelaskan 'tribute' kepada LTAWNT serta melaksanakan ketetapan-ketetapan, syarat-syarat dan waad-waadnya yang terkandung di dalam perjanjian ini, maka PERBADANAN bolehlah dengan aman dan tenteram memasuki kawasan tersebut serta menjalankan kerja-kerja tersebut tanpa gangguan atau kacau ganggu daripada pihak LTAWNT dengan PMINT atau sesiapa yang berhak menuntut melalui atau dengan namanya.

13. AKUJANJI PELEPASAN TANGGUGAN OLEH PERBADANAN

13.1. Pihak-pihak kepada perjanjian ini dengan ini bersetuju bahawa PERBADANAN hendaklah pada setiap masa melepaskan dan memelihara LTAWNT dari sebarang tanggungan membayar apa-apa ganti rugi terhadap sebarang/kesemua tindakan undang-undang, tuntutan, prosiding, kehilangan nyawa dan harta benda, kerosakan, kos dan perbelanjaan termasuk kos peguam dengan pelanggan yang timbul atau akan timbul dari kerja-kerja tersebut dan apa-apa perbuatan atau perubatan tertinggal/pengabaian (omissions) oleh

APPENDIX D – VALMIN VALUATION REPORT

PERBADANAN, kakitangannya, agen-agensya dan/atau sub-kontraktornya di dalam kewajiban melaksanakan kerja-kerja tersebut.

- 13.2. Pihak-pihak kepada perjanjian ini seterusnya bersetuju bahawa PERBADANAN hendaklah bertanggungjawab penuh kepada mana-mana pihak berkuasa terhadap tanah tersebut, segala kelengkapan serta kemudahan terhadap kerja-kerja tersebut dan mestilah melepaskan LTAWNT dari segala tindakan-tindakan, tuntutan-tuntutan, bayaran-bayaran dan prosiding-prosiding yang berkaitan dengannya.

14. PERLINDUNGAN INSURAN

- 14.1. PERBADANAN hendaklah dan tarikh memasuki tanah tersebut dan kerja-kerja berkaitan dengannya, pada kos dan perbelanjaannya sendiri, menguatkuasa dan meneruskan sehingga tamatnya perjanjian ini satu kontrak insuran seperti berikut :-

- a) Polisi atau polisi-polisi Insuran yang melepaskan tanggungan (indemnify) pihak PERBADANAN dan LTAWNT dari segala atau/dan apa-apa liabiliti yang timbul dan apa-apa tuntutan oleh mana-mana dan setiap pekerja yang diambil dalam dan untuk melaksanakan perjanjian ini terhadap apa-apa bayaran ganti rugi di bawah Undang-Undang Ganti rugi Pekerja (Workmen's Compensation Legislation) atau SOCSO dan daripada apa-apa kos dan perbelanjaan berkaitan.
- b) Polisi yang melepaskan tanggungan dan kosalahan pihak LTAWNT terhadap kesemua atau/dan apa-apa liabiliti, kehilangan, tuntutan atau apa-apa prosiding sama ada yang timbul dari Common Law atau statut dari segi penyiasatan, kecederaan atau/dan kematian kepada mana-mana orang atau kecederaan atau kerosakan kepada apa-apa harta benda yang timbul akibat kerja-kerja tersebut disebabkan

12

APPENDIX D – VALMIN VALUATION REPORT

oleh perbuatan atau perbuatan tertinggal/pengabaian (omissions) pihak PERBADANAN, agen-agensya atau mana-mana sub-kontraktornya.

- 14.2. Segala bentuk insuran tersebut hendaklah diambil dari syarikat-syarikat insuran yang sah dan atas syarat-syarat yang dipersetujui bersama selepas dari itu. PERBADANAN hendaklah menandatangani salinan polisi-polisi insuran tersebut berserta resit bayaran premium terbaru kepada pihak LTAWNT.

15. PEMERIKSAAN DOKUMEN

- 15.1. PERBADANAN hendaklah pada setiap masa mengemaskini segala dokumen-dokumen berkenaan perjanjian ini terutamanya rekod-rekod berkenaan kerja-kerja pengkuarian serta akaun-akaun dan LTAWNT hendaklah dibenarkan untuk melihat memeriksa dan sebagainya dokumen-dokumen tersebut. Sekiranya timbul apa-apa keraguan, LTAWNT berhak melantik mana-mana pihak bagi memeriksa apa-apa dokumen berkaitan perjanjian ini dengan kos dan perbelanjaan ditanggung oleh LTAWNT sendiri.

16. PENAMATAN KONTRAK

- 16.1. Selain mengambil kira peruntukan di klausa 2, Perjanjian ini boleh ditamatkan jika .
- i) Jika mana-mana pihak melanggar mana-mana peruntukan-peruntukan perjanjian ini, di dalam keadaan tersebut pihak yang satu lagi hendaklah memberikan notis bertulis kepada pihak yang melanggar mana-mana peruntukan tersebut dengan menyatakan berkenaan pelanggaran peruntukan dalam perjanjian ini dan membetulkan kesalahan tersebut dalam tempoh tiga puluh (30) hari dari tarikh notis dibenkan. Sekiranya kesalahan yang dinyatakan itu tidak dibetulkan dalam tempoh tersebut, pihak yang mengeluarkan notis

..

APPENDIX D – VALMIN VALUATION REPORT

adalah berhak untuk memben notis penamatan kontrak dan perjanjian ini terbatal selepas empat belas (14) hari notis diserahkan.

- 16.2. Pembatalan perjanjian ini sama ada di bawah peruntukan-peruntukan klausa ini atau sebaliknya tidak akan menjejaskan hak-hak atau apa-apa liabiliti kedua-dua pihak yang wujud pada tarikh tertamatnya perjanjian ini.

17. PENYERAHAN SEMULA TANAH

- 17.1. Selepas perjanjian ini tamat atau ditamatkan sebelum tempohnya, maka PERBADANAN dengan kos dan perbelanjaannya sendiri dikehendaki mengosongkan dan membersihkan tanah-tanah tersebut daripada apa-apa jenis sisa-sisa batu granit termasuk stok-stok simpanan batu granit dan sebagainya sebelum menyerahkan semula tanah-tanah tersebut kepada LTAWNT

18. TIMBANGTARA

- 18.1. Kedua-dua belah pihak dengan ini bersetuju bahawa jika terdapat apa-apa perselisihan atau pertikaian dalam apa-apa perkara yang diperuntukkan dalam perjanjian ini maka perselisihan atau pertikaian tersebut hendaklah dirujuk kepada seorang penimbangtara iaitu Presiden Lembaga Jurutera Malaysia atau mana-mana orang yang dilantik atau diberi kuasa mewakilinya dan prosiding timbangtara hendaklah tertakluk sentiasa kepada Akta Timbangtara 1952, mana-mana Peraturan Timbangtara atau apa-apa pindaan berkaitan dengannya yang sedang berkuat-kuasa. Segala keputusan yang dibuat serta termasuk segala kos-kos yang terlibat hendaklah dipatuhi oleh pihak-pihak dalam perjanjian dan keputusan itu hendaklah dianggap sebagai muktamad dan tidak boleh dirayu di mana-mana mahkamah dalam apa bidang kuesanya sekalipun.

APPENDIX D – VALMIN VALUATION REPORT

19. NOTIS

- 19.1. Notis hendaklah secara bertulis dan ditandatangani oleh pihak yang menghantar dan penghantaran adalah sempurna jika dihantar ke mana-mana pihak melalui pos berdaftar, telex atau faksimili, dengan tangan ke alamat pihak-pihak pada masa perjanjian ini ditandatangani adalah seperti berikut :-

LEMBAGA TABUNG AMANAH : WARISAN NEGERI TERENGGANU (LTAWNT)	Lembaga Tabung Amanah Warisan Negeri Terengganu Pejabat Kewangan Negeri Tingkat 14, Wisma Darul Iman 20592 Kuala Terengganu No. Fax : 09 6237949

PERBADANAN MEMAJUKAN IKTISAD NEGERI TERENGGANU (PMINT)	Perbadanan Memajukan Iktisad Negeri Terengganu Tingkat 14, Menara Permint Jalan Sultan Ismail 20200 Kuala Terengganu. No. Fax : 09 6233880

- 19.2 Notis tersebut hendaklah dianggap sempurna :

- i) Jika dihantar melalui pos berdaftar, tujuh (7) hari selepas diposkan dan ;
- ii) Jika dihantar melalui telex dan/atau faksimili, setelah mesin faksimili mengeluarkan pengesahan elektronik atau oleh penghantar

20. MASA

- 20.1. Masa yang disebut di mana-mana dalam perjanjian adalah merupakan intipati penting.

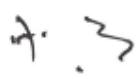
APPENDIX D – VALMIN VALUATION REPORT

PADA MENYAKSIKAN HAL DI ATAS pihak-pihak kepada Perjanjian ini menurunkan Cop Mohor/tandatangan masing-masing pada hari dan tahun yang tertulis di atas.

DITANDATANGANI oleh Pihak
PERBADANAN MEMAJUKAN
IKTISAD NEGERI TERENGGANU

Di hadapan :


HAJI AZMAN BIN AZIDIN
PENGENGAS
BAHAGIAN PERUNDANGAN & INTEGRITI
PERBADANAN MEMAJUKAN IKTIKAD
NEGERI TERENGGANU


HAJI M. HARITH BIN HASSAN
Pengurus Besar
Perbadanan Memajukan Iktisad
Negeri Terengganu

DITANDATANGANI oleh Pihak
LEMBAGA TABUNG AMANAH
WARISAN NEGERI TERENGGANU

Di hadapan :


AZRAN AMIN BIN MATLAN
Setiausaha
Lembaga Tabung Amanah Warisan Negeri
Terengganu


DATO' HAJI OSMAN BIN MUDA
Setiausaha Kerajaan
Terengganu

LAMPIRAN A

PELAN LOT : PT. 7812
 KAWASAN : KAMPUNG MACANG
 MUKIM : HULU BERANG
 DAERAH HULU TERENGGANU
 SKALA 1 : 16000
 SYET BIL : 83 - B
 PETA : 01/15/1994/0002
 PO.MD : 240/2006

PT 7812
 126.5325 Ha

PT 7811

PT 7813
 67.8025 Ha

PT 4256

1587 3692 1008 821

1490 1491 1482 1483 1484 2299 2152 1782 1836 2553 1317

JALAN KAMPUNG MACANG

KAWASAN HULU BERANG

DAERAH HULU TERENGGANU

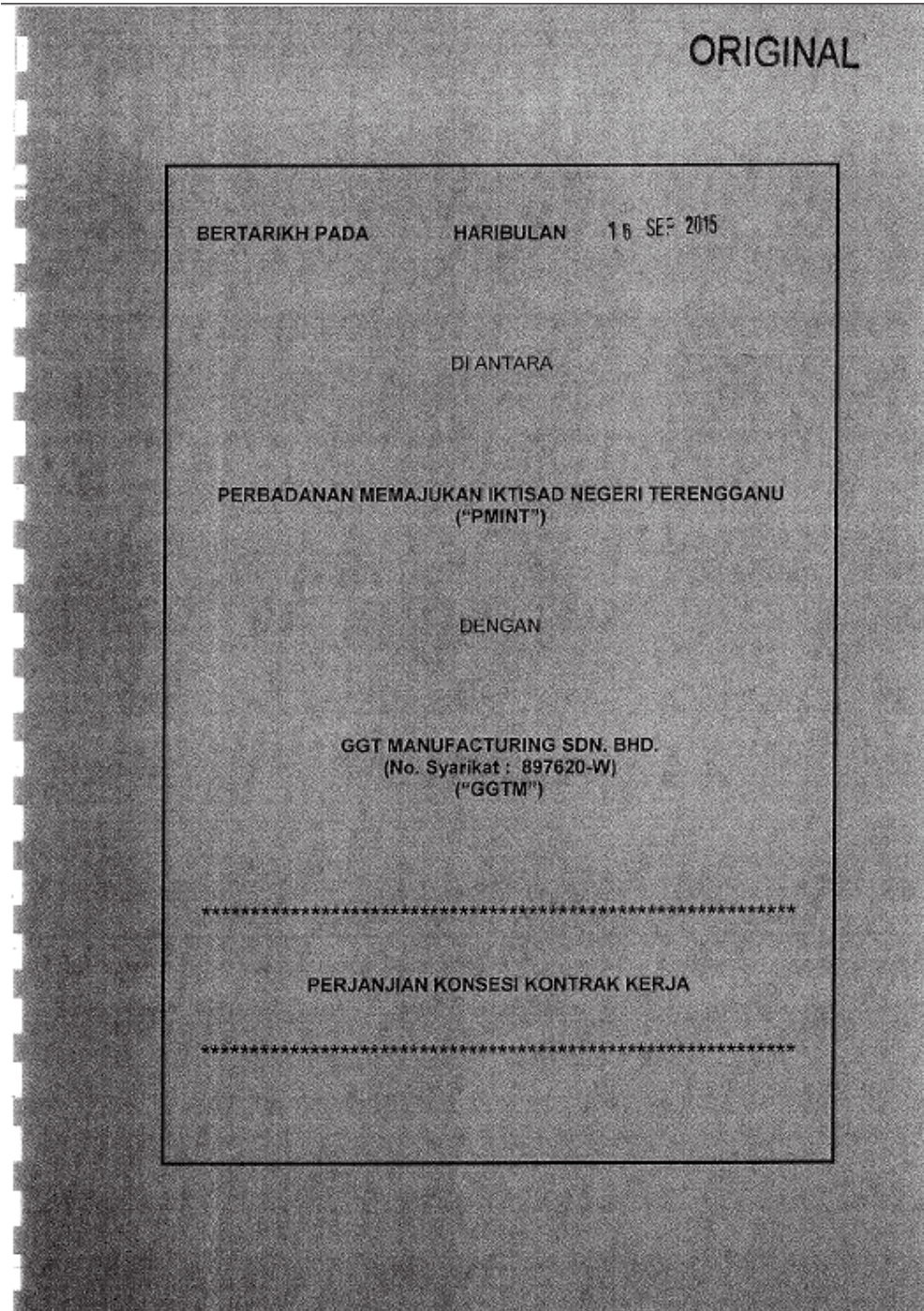
HUTAN
 SAMPAH
 KIKAL
 JERNINGAU

 KAWASAN BERKENAAN

PELAN : LOT P.T. 4161
KAWASAN : BUKIT CHETAJ
MUKOM : TERSAT
DAERAH : HULU TERENGGANU
SKALA : 1 : 8000



Appendix 9. SUB-LEASE AGREEMENT BETWEEN PMINT AND GGTM



APPENDIX D – VALMIN VALUATION REPORT

PERJANJIAN KONSESI KONTRAK KERJA ini diperbuat pada 16 SEP 2015

ANTARA

PERBADANAN MEMAJUKAN IKTISAD NEGERI TERENGGANU sebuah perbadanan yang ditubuhkan di bawah Enakmen Kerajaan Negeri Terengganu No. 2, Tahun 1965 dan beralamat di Tingkat 14, Menara Pemint, Jalan Sultan Ismail, 20200 Kuala Terengganu, Terengganu Darul Iman (selepas ini disebut sebagai "PMINT") di pihak pertama.

DAN

GGT MANUFACTURING SDN. BHD. (No. Syarikat : 897620-W) sebuah syarikat yang diperbadankan di Malaysia di bawah Akta Syarikat 1965 dan beralamat di Blok C, Level 3A, Unit 9-12, Pusat Komersial Southgate, Jalan Dua, Off Jalan Chan Sow Lin, 55200 Kuala Lumpur (selepas ini disebut sebagai "GGTM") di pihak kedua.

BAHAWASANYA :

- A. Melalui satu perjanjian bertarikh 27hb. Oktober 2014 (selepas ini disebut sebagai "Perjanjian Tersebut") antara PMINT dan Lembaga Tabung Amanah Warisan Negeri Terengganu (selepas ini disebut sebagai "LTAWNT"). LTAWNT telah melantik PMINT untuk menjalankan kerja-kerja operasi pengkuarian, perlombongan, pengeluaran dan penjualan produk-produk granit dan batu-batu dimensi granit (selepas ini disebut sebagai "Kerja-Kerja Tersebut") dari tanah-tanah milik LTAWNT iaitu :
- i) Lot 4161 (berkeluasan 104.7669 hektar), Bukit Chetai, Mukim Tersat, Daerah Hulu Terengganu.
 - ii) Lot PT 7812 (berkeluasan 128.5325 hektar) & PT 7813 (berkeluasan 67.6025 hektar), Bukit Machang, Mukim Hulu Berang, Daerah Hulu Terengganu (selepas ini disebut sebagai "Tanah Tersebut") berdasarkan kepada syarat-syarat dan peruntukan Perjanjian Tersebut.

APPENDIX D – VALMIN VALUATION REPORT

- B. Pihak Pejabat Tanah dan Galian Terengganu ("PTG") telah meluluskan tanah Lot No. PT 4161 (berkeluasan 104.7669 hektar) di Bukit Chetai, Mukim Tersat, Daerah Hulu Terengganu dan tanah Lot PT 7812 (128.5325 hektar) serta PT 7813 (67.6025 hektar) kepada LTAWNT dengan tempoh pajakan selama tiga puluh (30) tahun iaitu berakhir 23 Mei 2037 dan 31 Jun 2039 dengan syarat penggunaan perusahaan kuari/perlombongan blok granit sahaja.
- C. Tanah Lot PT 4161 di Bukit Chetai, Mukim Tersat, Daerah Hulu Terengganu telah mendapat status Pajakan Lombong Tuan Punya (PML) iaitu PML 1/2008 untuk tempoh sepuluh (10) tahun iaitu berakhir 4 Ogos 2018 sementara permohonan PML untuk Lot PT 7812 dan PT 7813 di Bukit Machang Mukim Hulu Berang akan dibuat selepas perjanjian ini ditandatangani. Permohonan membaharui tempoh PML tersebut boleh dikemukakan setahun sebelum tamat tempohnya.
- D. Perjanjian Tersebut memperuntukkan tempoh bagi PMINT untuk menjalankan Kerja-Kerja Tersebut adalah selama lima belas (15) tahun daripada tarikh Perjanjian Tersebut iaitu berakhir pada 26 Oktober 2029 (selepas ini disebut sebagai "Tempoh Perjanjian Tersebut"). Walau bagaimanapun PMINT boleh memohon bagi melanjutkan Tempoh Perjanjian Tersebut dengan mengemukakan notis bertulis kepada LTAWNT satu (1) tahun lebih awal sebelum tamat Tempoh Perjanjian Tersebut. LTAWNT mengikut budi bicaranya bolehlah menyambung kepada satu tempoh selama lima (5) tahun atau satu tempoh lain yang difikirkan sesuai dari semasa ke semasa tertakluk sentiasa PMINT telah mematuhi segala waad dan syarat Perjanjian tersebut serta membincangkan mengenai apa-apa syarat-syarat baru (jika ada).
- E. Kawasan yang dibenarkan bagi menjalankan Kerja-Kerja Tersebut di atas Tanah Tersebut adalah sebagaimana yang berlorek **MERAH** di dalam Pelan yang dilampirkan bersama di sini sebagai **Lampiran A** (selepas ini disebut sebagai "**Kawasan Kerja Tersebut**").
- F. PMINT bersetuju melantik GGTM, sebuah syarikat yang menjalankan perniagaan berkaitan dengan operasi pengkuarian, perlombongan dan mempunyai kepakaran dan berpengalaman untuk menjalankan Kerja-Kerja Tersebut tertakluk kepada terma dan syarat Perjanjian ini.

APPENDIX D – VALMIN VALUATION REPORT

- G. PMINT dengan ini memberi waranti kepada GGTM bahawa PMINT hanya memberi hak mutlak kepada GGTM untuk menjalankan Kerja-Kerja Tersebut di sepanjang Tempoh Tersebut dan memberi jaminan bahawa PMINT tidak akan pada masa akan datang di sepanjang Tempoh Tersebut memberi konsesi dan/atau lesen menerusi apa jua cara bagi tujuan menjalankan Kerja-Kerja Tersebut kepada mana-mana pihak ketiga selain daripada GGTM dan berjanji untuk mengemukakan notis bertulis kepada LTAWNT satu (1) tahun lebih awal sebelum tamat tempoh perjanjian tersebut **tertakluk sentiasa GGTM hendaklah mematuhi segala waad dan syarat Perjanjian ini.**
- H. Bagi maksud Perjanjian ini, PMINT telah bersetuju untuk melantik Permit Granite Sdn. Bhd. (PGSB) iaitu sebuah anak syarikat milik penuh PMINT sebagai Ejen Pengurusan bagi PMINT untuk berurusan dengan GGTM serta menjalankan pemantauan berkaitan dengan Kerja-Kerja Tersebut.

ADALAH DENGAN INI DIPERSETUJUI sebagaimana berikut :

1. PELANTIKAN GGTM

- 1.1. Sebagai balasan persetujuan-persetujuan Perjanjian ini, PMINT dengan ini melantik GGTM dan GGTM bersetuju menerima pelantikan tersebut untuk menjalankan Kerja-Kerja Tersebut tertakluk kepada terma-terma dan syarat-syarat Perjanjian ini.

2. AKUJANJI DAN OBLIGASI GGTM

- 2.1. GGTM adalah dengan ini membuat akujanji bahawa GGTM hendaklah :
- (a) Mendapatkan apa-apa pengesahan, kebenaran, kelulusan permit dan lesen-lesen (termasuk permit kerja pekerja-pekerja asing, sekiranya ada) daripada Pihak Berkuasa Yang Berkenaan yang perludengan kosnya di dalam apa-apa perkara berkaitan dengan Perjanjian ini dan dalam menjalankan Kerja-Kerja Tersebut. Segala surat-menyurat dan dokumen yang dihantar kepada Pihak Berkuasa Yang Berkenaan yang berkaitan hendaklah disalinkan kepada PMINT dan PGSB. Untuk mengelakkan segala keraguan, PMINT

APPENDIX D – VALMIN VALUATION REPORT

akan memberi bantuan kepada GGTM dalam mendapatkan lesen-lesen dan permit yang dinyatakan di atas sekiranya bantuan tersebut diperlukan.

- (b) Menyediakan peruntukan kewangan yang mencukupi bagi menampung kesemua kos dan perbelanjaan yang berkaitan bagi menjalankan Kerja-Kerja Tersebut;
- (c) Menjalankan Kerja-Kerja Tersebut dengan mutu kerja yang tinggi yang lazimnya dijalankan oleh mana-mana kontraktor lain; dan
- (d) Menjalankan apa-apa tanggungjawab dan obligasi lain yang perlu dan patut dilakukan oleh GGTM dalam menjalankan Kerja-Kerja Tersebut dan bagi mematuhi peruntukan-peruntukan Perjanjian ini.

3. REPRESENTASI DAN WARANTI GGTM

3.1. GGTM adalah dengan ini membuat representasi dan waranti kepada PMINT bahawasanya :

- (a) Ianya adalah sebuah syarikat yang sah ditubuhkan di bawah undang-undang Malaysia;
- (b) Ianya mempunyai kuasa korporat untuk memasuki dan melaksanakan kewajipan-kewajipannya di bawah Perjanjian ini dan melaksanakan transaksi-transaksi serta menjalankan perniagaannya sebagaimana yang dikehendaki di bawah Perjanjian ini;
- (c) Ianya telah mengambil semua langkah yang perlu sebagai sebuah syarikat untuk membenarkan kemasukan dan pelaksanaan Perjanjian ini dan menjalankan transaksi-transaksi seperti yang dikehendaki oleh Perjanjian ini;
- (d) Selepas tarikh menandatangani Perjanjian ini, tiada sebarang pelaksanaan daripada Perjanjian ini atau apa-apa transaksi yang dijalankan oleh GGTM seperti yang dikehendaki oleh Perjanjian ini boleh melanggar apa-apa peruntukan :

APPENDIX D – VALMIN VALUATION REPORT

- (i) Memorandum dan Artikel Pertubuhan; atau
- (ii) Mana-mana perjanjian atau dokumen lain yang mengikat GGTM dan/atau asetnya;

- (e) Tiada sebarang tindakan litigasi, arbitrase, tuntutan percukaian, pertikaian atau tindakan pentadbiran yang pada masa ini sedang dan/atau masih berjalan atau, yang dalam pengetahuannya, yang akan dikenakan, yang mungkin mempunyai kesan material yang menentang ke atas GGTM atau ke atas kemampuannya untuk melaksanakan kewajipan-kewajipan kewangan atau lain-lain kewajipan di bawah Perjanjian ini;
- (f) perjanjian ini adalah sah menurut undang-undang dan mengikat GGTM dan boleh dikuatkuasakan selaras dengan terma-terma dan syarat-syaratnya;
- (g) GGTM mempunyai kemampuan kewangan dan teknikal yang mencukupi untuk melaksanakan Kerja-Kerja Tersebut;

dan GGTM mengakui bahawa PMINT telah memasuki Perjanjian ini berdasarkan representasi dan waranti yang dibuat oleh GGTM sebagaimana yang dinyatakan di atas.

4. TEMPOH

- 4.1. Kerja-Kerja Tersebut hendaklah dijalankan oleh GGTM bagi tempoh yang bersamaan dengan tempoh Perjanjian Tersebut seperti yang dinyatakan di Mukaddimah D (selepas ini disebut sebagai "**Tempoh Tersebut**"). Sebarang lanjutan Tempoh Tersebut adalah sentiasa tertakluk kepada tempoh lanjutan Perjanjian Tersebut secara '*Back to Back*', prestasi dan pencapaian yang memuaskan oleh GGTM serta pematuhan kepada terma-terma dan syarat-syarat Perjanjian ini.

APPENDIX D – VALMIN VALUATION REPORT

5. BAYARAN SEWA TAHUNAN PAJAKAN TANAH

- 5.1. Pihak GGTM bersetuju membayar dan pihak PMINT bersetuju menerima bayaran sewa tahunan penggunaan Tanah Tersebut yang berjumlah ^{12/2/20} RM30,090.15 setahun. $\times 12 = 360$ x 11 x 11 = 440.36 @ 111 x 11 = 12,321

- 5.2. GGTM juga bersetuju membayar kepada PMINT bayaran pendahuluan sewa tahunan penggunaan Tanah Tersebut untuk tempoh lima (5) tahun pertama berjumlah **RINGGIT MALAYSIA : SERATUS LIMA PULUH RIBU EMPAT RATUS LIMA PULUH DAN SEN SEMBILAN PULUH LIMA SAHAJA (RM150,450.95)** ketika perjanjian ini ditandatangani.

6. PEMBAYARAN DEPOSIT

- 6.1. Ketika menandatangani Perjanjian ini, GGTM hendaklah membayar kepada PMINT deposit dalam bentuk bank draf berjumlah sebanyak **RINGGIT MALAYSIA : SERATUS RIBU SAHAJA (RM100,000.00)** sahaja dan dengan ini diakui penerimaannya oleh PMINT (selepas ini disebut sebagai "Deposit").
- 6.2. Tertakluk kepada klausa 14.3, Deposit tersebut adalah bertujuan sebagai cagaran kepada pematuhan terma-terma dan syarat-syarat Perjanjian ini oleh GGTM.

7. BAYARAN KEPADA PMINT

- 7.1. GGTM dengan ini bersetuju membayar dan PMINT bersetuju menerima bayaran 'tribute' ke atas jualan blok-blok granit/produk-produk granit mengikut ketetapan seperti berikut :-
- (a) **RINGGIT MALAYSIA : SERATUS TIGA PULUH DUA SAHAJA (RM132.00)** bagi setiap meter padu blok batu dimensi granit jenis "Sekayu White" dan "Rosa Tenggo" atau **RINGGIT MALAYSIA : EMPAT DAN SEN EMPAT PULUH SAHAJA (RM4.40)** setiap meter persegi batu jubin/tiles (ketebalan 20 – 30 mm) yang telah diproses; atau :

APPENDIX D – VALMIN VALUATION REPORT

- (b) **RINGGIT MALAYSIA : DUA RATUS DUA PULUH SAHAJA (RM220.00)** bagi setiap meter padu blok batu dimensi granit jenis "Terengganu Green" atau **RINGGIT MALAYSIA : TUJUH DAN SEN TIGA PULUH TIGA SAHAJA (RM7.33)** setiap meter persegi batu jubin/tiles (ketebalan 20 – 30 mm) yang telah diproses; dan jubin-jubin granit yang dihasilkan dengan ketebalan melebihi 30 mm adalah dikira mengikut prorata harga di atas berdasarkan jenis-jenisnya.

Pihak PMINT berhak menyemak kadar 'tribute' pengeluaran produk-produk granit di atas setiap tiga (3) tahun sekali. Sebarang cadangan perubahan kadar 'tribute' mestilah tidak melebihi LIMA PERATUS (5%) daripada bayaran 'tribute' semasa.

- 7.2. Bayaran bagi setiap metrik ton 'synthetic sand' yang dikeluarkan/dijual akan ditentukan bersama dan tertakluk kepada pengesahan pihak Lembaga Tabung Amanah Warisan Negeri Terengganu (LTAWNT).
- 7.3. Tertakluk kepada klausa 7.4 GGTM hendaklah membuat bayaran 'tribute' ke atas pengeluaran blok batu dimensi granit dan lain-lain produk granit kepada PMINT berdasarkan perkiraan di klausa 7.1 di atas pada setiap bulan bermula daripada tarikh Perjanjian ini.
- 7.4. GGTM hendaklah sepanjang Tempoh Tersebut hendaklah membuat bayaran 'tribute' pengeluaran produk-produk granit kepada PMINT dengan jumlah tidak kurang daripada **RINGGIT MALAYSIA : SEPULUH RIBU SAHAJA (RM10,000.00)** sebulan (selepas ini disebut sebagai "Bayaran Minimum"). Bayaran Minimum ini akan berkuatkuasa DUA BELAS (12) bulan daripada tarikh perjanjian ini ditandatangani.
- 8. EKSPORT BATU DIMENSI GRANIT**
- 8.1. Pihak-pihak dengan ini bersetuju bahawa berdasarkan kepada ketetapan yang telah dibuat oleh Pihak Berkuasa Negeri yang berkenaan pada tarikh Perjanjian ini, GGTM dibenarkan menjual kesemua produk-produk granit

APPENDIX D – VALMIN VALUATION REPORT

siap atau pun separuh siap yang dikeluarkan dari Tanah Tersebut ke luar negeri ataupun dieksport ke luar negara. GGTM mestilah memproses EMPAT PULUH PERATUS (40%) daripada batu dimensi granit yang dikeluarkan dari tanah tersebut di Negeri Terengganu dan ENAM PULUH PERATUS (60%) lagi boleh dijual ke luar Negeri Terengganu atau dieksport secara berterusan tanpa proses di Negeri Terengganu (untuk mengelak keraguan, had eksport ENAM PULUH PERATUS (60%) ini terhad kepada produk blok baru dimensi granit yang **belum** diproses sahaja.

- 8.2. Walau bagaimanapun, GGTM boleh membuat rayuan kepada Pihak Berkuasa Negeri yang berkenaan bagi mendapatkan kelulusan mengeksport batu dimensi granit serta Synthetic Sand melebihi had yang dibenarkan tersebut dan PMINT akan memberi kerjasama yang sewajarnya.

9. PEMATUHAN UNDANG-UNDANG

- 9.1. Dalam menjalankan Kerja-Kerja Tersebut, GGTM hendaklah mematuhi segala undang-undang, undang-undang kecil, peraturan arahan dan apa-apa pindaan kepadanya yang berkaitan dengan Kerja-Kerja Tersebut yang berkuatkuasa semasa.

10. AKUJANJI PELEPASAN TANGGUNGAN

- 10.1. GGTM hendaklah pada setiap masa melepaskan tanggungan dan memelihara PMINT dari sebarang/kesemua tindakan undang-undang, tuntutan, prosiding, penalti, kos dan perbelanjaan yang timbul atau akan timbul akibat daripada apa-apa perbuatan atau kesalahan/kegagalan oleh GGTM atau mana-mana pihak lain yang dilantik oleh GGTM di dalam melaksanakan Kerja-Kerja Tersebut dan obligasi-obligasi GGTM sebagaimana diperuntukkan oleh Perjanjian ini.

11. JAMINAN DAN REPRESENTASI PMINT

- 11.1. PMINT dengan ini memberi jaminan dan membuat representasi kepada GGTM bahawa tiada sebarang kegagalan dan/atau ketidakpatuhan PMINT kepada mana-mana syarat dan peruntukan Perjanjian Tersebut sehingga ke tarikh Perjanjian ini.

APPENDIX D – VALMIN VALUATION REPORT

12. PENYERAHAN KAWASAN KERJA DAN TARIKH PERMULAAN KERJA

- 12.1. Sebaik sahaja Perjanjian ini ditandatangani dan segala pembayaran telah dibuat oleh GGTM kepada PMINT sebagaimana diperuntukkan oleh Perjanjian ini. Kawasan Kerja Tersebut adalah dengan ini dianggap diserahkan kepada GGTM pada tarikh Perjanjian ini ditandatangani dan GGTM hendaklah memulakan Kerja-Kerja Tersebut dalam tempoh **SATU (1) BULAN** daripada tarikh Perjanjian ini ditandatangani.

13. BAYARAN KEPADA KERAJAAN NEGERI ATAU PIHAK BERKUASA

- 13.1. GGTM adalah bertanggungjawab membayar royalti kepada Kerajaan Negeri ke atas blok-blok batu dimensi granit yang dihasilkan dan semua bayaran yang berkaitan dengan tanah tersebut.
- 13.2. GGTM juga bertanggungjawab membayar segala caj dan fi berkaitan sepanjang berikat dengan tanah-tanah tersebut.

14. PENAMATAN PERJANJIAN

14.1. Sekiranya :

- (a) sama ada PMINT atau GGTM gagal atau cuai atau enggan menjalankan atau mematuhi mana-mana akujanji, obligasi atau tanggungjawab masing-masing sepertimana diperuntukkan di dalam Perjanjian ini; atau
- (b) mana-mana jaminan atau representasi oleh PMINT atau GGTM yang diperuntukkan di dalam Perjanjian ini adalah tidak benar atau didapati tidak benar; atau
- (c) GGTM gagal menjalankan Kerja-Kerja Tersebut secara berterusan selama **ENAM (6) BULAN** tanpa apa-apa alasan yang munasabah; atau

APPENDIX D – VALMIN VALUATION REPORT

(d) GGTM gagal membuat bayaran Minimum 'tribute' bulanan kepada PMINT sebagaimana diperuntukkan oleh klausa 7.3 di atas selama **ENAM (6) BULAN** tanpa apa-apa alasan yang munasabah; atau

(e) sama ada PMINT atau GGTM membuat penyelesaian secara paksa atau sukarela, atau membuat apa-apa komposisi atau perkiraan dengan pemiutang-pemiutangnya atau terdapat apa-apa perintah penghukuman dan penerimaan bagi pergulungan syarikat dibuat ke atasnya;

dan tertakluk kepada peruntukan klausa 14.2 di bawah, pihak yang tidak melakukan keingkaran berhak, pada setiap masa selagi mana keingkaran itu masih berlaku, menamatkan Perjanjian ini seolah-olah ianya telah dibatalkan oleh pihak yang melakukan keingkaran dengan memberi notis bertulis kepada pihak yang melakukan keingkaran tersebut.

14.2. Sekiranya sama ada PMINT atau GGTM melakukan mana-mana keingkaran atau kemungkiran seperti yang diperuntukkan oleh klausa 14.1 di atas, pihak yang tidak melakukan keingkaran atau kemungkiran itu hendaklah menyerahkan kepada pihak yang melakukan keingkaran atau kemungkiran itu notis bertulis mengarahkan supaya pihak tersebut meremedikan keingkaran atau kemungkiran itu dalam tempoh **EMPAT BELAS (14) HARI** daripada tarikh penerimaan notis bertulis tersebut. Melainkan sekiranya keingkaran atau kemungkiran tersebut diremedikan dalam tempoh tersebut, Perjanjian ini adalah terbatal setelah tamat tempoh Empat Belas (14) Hari tersebut dan pihak-pihak selepas daripada itu tidak lagi mempunyai apa-apa tuntutan terhadap satu sama lain yang berkaitan dengan Perjanjian ini melainkan terhadap apa-apa kemungkiran atau keingkaran sebelum daripada itu ("antecedent breach"), jika ada.

14.3. Sekiranya Perjanjian ini ditamatkan sebagaimana peruntukan klausa 14.2 di atas dan ;

(a) Jika GGTM merupakan pihak yang melakukan keingkaran atau kemungkiran :

APPENDIX D – VALMIN VALUATION REPORT

- (i) GGTM hendaklah dalam tempoh **TIGA PULUH (30) HARI** dari-pada tarikh penamatan tersebut (sepertimana diperuntukkan oleh klausa 14.2 di atas), memberhentikan Kerja-Kerja Tersebut dan pada masa yang sama mengeluarkan dengan kos dan perbelanjaan sendiri segala mesin, peralatan dan barangan yang pada masa-masa material berada di Kawasan Kerja Tersebut;
 - (ii) sebarang bayaran termasuk Deposit yang telah dibuat oleh GGTM kepada PMINT sebagaimana diperuntukkan oleh Perjanjian ini setakat tarikh penamatan tidak akan dikembalikan kepada GGTM;
 - (iii) GGTM tidak akan mempunyai apa-apa tuntutan atau kepentingan ke atas Tanah Tersebut dan PMINT;
 - (iv) batu-batu dimensi granit yang telah dihasilkan tetapi belum dibayar 'tribute' dan royalti oleh GGTM adalah merupakan milik PMINT.
- (b) jika PMINT merupakan pihak yang melakukan keingkaran atau kemungkiran :
- (i) PMINT hendaklah dalam tempoh **TIGA PULUH (30) HARI** daripada tarikh penamatan (seperti mana diperuntukkan oleh klausa 14.2 di atas), mengembalikan Deposit kepada GGTM.
 - (ii) GGTM hendaklah dalam tempoh **TIGA PULUH (30) HARI** daripada tarikh penamatan (seperti mana diperuntukkan oleh klausa 14.2 di atas), memberhentikan Kerja-Kerja Tersebut dan pada masa yang sama mengeluarkan dengan kos dan perbelanjaan sendiri segala mesin, peralatan dan barangan yang pada masa-masa material berada di Kawasan Kerja Tersebut;

APPENDIX D – VALMIN VALUATION REPORT

- (iii) segala bayaran yang telah dibayar oleh GGTM kepada PMINT setakat tarikh penamatan tidak akan dikembalikan;
- (iv) PMINT hendaklah berdasarkan kepada penilaian yang dibuat oleh penilai bebas yang dilantik, membayar kepada GGTM ganti rugi jumlah tertentu yang munasabah dalam tempoh **TIGA PULUH (30) HARI** daripada tarikh penamatan (seperti mana diperuntukkan oleh klausa 14.2 di atas);
- (v) GGTM tidak akan mempunyai apa-apa tuntutan atau kepentingan ke atas Tanah Tersebut, PMINT dan PGSB; dan
- (vi) batu-batu dimensi granit yang telah dihasilkan tetapi belum dibuat pengeluaran dan/atau belum dibeli semula oleh GGTM adalah merupakan milik PMINT.

15. PENAMATAN KERANA KEPENTINGAN AWAM

- 15.1. Walau apapun peruntukan dalam Perjanjian ini, PMINT boleh menamatkan Perjanjian ini dengan memberikan notis tidak kurang daripada **ENAM PULUH (60) HARI** bagi maksud itu kepada GGTM (tanpa apa-apa kewajiban untuk memberikan apa-apa sebab) sekiranya pada pandangan PMINT penamatan itu adalah perlu kerana kepentingan negara, demi kepentingan keselamatan awam atau disebabkan polisi kerajaan atau polisi awam.
- 15.2. Setelah penamatan Perjanjian ini sebagaimana klausa 15.1 di atas, GGTM berhak :
 - (i) mendapat kembali Deposit daripada PMINT; dan
 - (ii) kepada pampasan yang munasabah yang mana ianya hendaklah ditentukan oleh juruaudit bebas yang dilantik dan dipersetujui bersama oleh PMINT dan GGTM.

APPENDIX D – VALMIN VALUATION REPORT

- 15.3. Bagi maksud klausa ini, apa yang menjadi "kepentingan awam", "kepentingan keselamatan awam" hendaklah dibuat dan ditentukan oleh PMINT dan penentuan tersebut hendaklah menjadi muktamad dan konklusif serta tidak boleh dicabar.
16. TIMBANGTARA
- 16.1. Mana-mana pertikaian, perbezaan atau apa-apa persoalan yang timbul pada bila-bila masa (sama ada semasa Perjanjian ini berjalan atau di saat atau selepas ianya terlaksana atau tamat) yang timbul antara pihak-pihak di dalam Perjanjian ini yang menyentuh atau melibatkan Perjanjian ini atau yang berkaitan dengannya atau kesan daripadanya atau yang berkenaan dengan hak, tanggungjawab atau liabiliti di antara pihak yang terlibat yang bersangkutan dengan hal-hal yang terkandung di dalam Perjanjian ini, dan sekiranya kesemua pihak kepada Perjanjian ini gagal mencapai persetujuan bersama, hendaklah menunjukkannya kepada SEORANG (1) "*MEDIATOR*" yang dilantik dan dipersetujui oleh kesemua pihak kepada Perjanjian ini. Sekiranya gagal dipersetujui oleh kesemua pihak, maka permohonan hendaklah dibuat kepada Ketua Pengarah Pusat Timbangtara di Kuala Lumpur dan yang demikian hendaklah dianggap sebagai rujukan kepada timbangtara yang bersesuaian dan mengikut peruntukan Akta Timbangtara, 1952 (dikaji semula 1972). Sebarang keputusan yang dibuat oleh penimbangtara yang dilantik tersebut adalah muktamad dan mengikat tiap-tiap pihak kepada Perjanjian ini.
- 16.2. Pertikaian, perbezaan atau persoalan yang diperuntukkan di dalam Fasal ini akan dibicarakan dan diputuskan mengikut peruntukan Peraturan-Peraturan Timbangtara, Pusat Timbangtara Kuala Lumpur.
- 16.3. Perbicaraan akan dijalankan di Pusat Timbangtara Kuala Lumpur dengan menggunakan peralatan-peralatan dan sistem yang terdapat di pusat tersebut atau mana-mana tempat lain yang akan ditentukan oleh penimbangtara dan dipersetujui oleh kesemua pihak kepada Perjanjian ini.
- 16.4. Sebarang rujukan yang dibuat kepada penimbangtara berkenaan apa-apa pertikaian, perbezaan atau persoalan sebagaimana diperuntukkan di dalam

APPENDIX D – VALMIN VALUATION REPORT

Fasal ini dan/atau apa-apa prosiding timbangtara yang sedang/telah berjalan tidak akan menjadi sekatan kepada kesemua pihak kepada Perjanjian ini untuk menjalankan obligasi-obligasi masing-masing sebagaimana diperuntukkan di dalam Perjanjian ini.

17. *FORCE MAJEURE*

17.1. Pihak-pihak tidak boleh melanggar apa-apa kewajipan atau obligasi yang diperuntukkan oleh Perjanjian ini, melainkan yang disebabkan oleh kejadian *Force Majeure* sebagaimana yang dita'rifkan di dalam klausa 17.2 di bawah.

17.2. "Kejadian *Force Majeure*" bermaksud :

- (a) peperangan (sama ada diisytihar atau tidak), permusuhan, penaklukan, campur tangan kuasa asing;
- (b) pemberontakan, revolusi, huru-hara, rampasan bersenjata atau rampasan kuasa, gangguan sivil atau tindakan pengganas;
- (c) fenomena alam yang tidak terhad kepada kejadian gempa bumi, banjir dan letusan gunung berapi atau apa-apa fenomena yang tidak dapat dijangka dan tidak dapat diatasi dengan pelaksanaan usaha wajar mana-mana pihak;
- (d) letupan nuklear, kontaminasi radioaktif atau bahan kimia atau radiasi;
- (e) tekanan gelombang yang disebabkan oleh pesawat atau peranti-peranti arial lain yang bergerak pada tahap kelajuan sonik dan supersonik; dan
- (f) rusuhan, kekacauan, kecuali yang melibatkan pekerja-pekerja GGSB atau kakitangan, pengkhidmat atau ejen-ejennya sahaja.

APPENDIX D – VALMIN VALUATION REPORT

17.3. Sekiranya kejadian *Force Majeure* berlaku menyebabkan satu pihak tidak dapat memenuhi mana-mana kewajipan di bawah Perjanjian ini (atau mana-mana bahagian daripada Perjanjian ini), pihak tersebut hendaklah memaklumkan dengan serta-merta kepada pihak-pihak lain berkaitan dengan kejadian *Force Majeure* tersebut dengan butir-butir yang penuh mengenainya serta kesan akibat kejadian itu.

17.4. Sekiranya mana-mana pihak beranggapan bahawa kejadian *Force Majeure* akan berterusan untuk suatu tempoh yang panjang yang boleh menjejaskan tujuan asal Perjanjian ini, maka pihak-pihak boleh dengan persetujuan bersama menamatkan Perjanjian ini.

18. INSURAN

18.1. Di sepanjang Tempoh Tersebut dan di dalam melaksanakan Kerja-Kerja Tersebut, GGTM hendaklah memastikan bahawa perlindungan insuran ke atas Kerja-Kerja Tersebut diambil dengan syarikat insuran tempatan yang memperuntukkan perlindungan maksimum dengan mengambilkira syarat-syarat berikut :-

(a) polisi insuran ke atas Kerja-Kerja Tersebut termasuk kesemua peralatan, barang-barang, bahan-bahan dan apa-apa barangan yang perlu bagi menjalankan Kerja-Kerja Tersebut dan melaksanakan Perjanjian ini;

(b) polisi insuran terhadap apa-apa liabiliti termasuk liabiliti pihak ketiga ("3rd Party Liability") dengan perlindungan maksimum bagi tiap-tiap tuntutan yang mungkin timbul berkaitan dengan Perjanjian ini dan pelaksanaan Kerja-Kerja Tersebut.

18.2. Insuran Pekerja

Di samping Tempoh Tersebut dan di dalam melaksanakan Kerja-Kerja Tersebut, GGTM hendaklah memastikan dan sentiasa memastikan insuran-insuran "*Employer's Liability Insurance*" dan "*Workmen Compensation Insurance*" atau mana-mana insuran yang berkenaan diambil kepada pekerja-pekerja, ejen-ejen atau pengkhidmat-pengkhidmatnya sebagaimana diperuntukkan di bawah mana-mana undang-undang di Malaysia.

15

APPENDIX D – VALMIN VALUATION REPORT

18.3. Salinan Polisi Insuran

GGTM hendaklah mengemukakan kepada PMINT salinan yang diakui sah bagi tiap-tiap polisi insuran, sijil pembaharuan polisi dan apa-apa slip pengesahan berkenaan polisi-polisi dengan kadar yang segera setelah penerimaannya oleh GGTM.

18.4. Premium

GGTM hendaklah membayar apa-apa premium dan bayaran yang berkaitan dengan mana-mana polisi insuran yang dikeluarkan sebagaimana diperuntukkan di dalam Fasal ini dan hendaklah mengemukakan kepada PGSB salinan resit-resit pembayaran berkenaan atau apa-apa bukti pembayaran setelah penerimaannya oleh GGTM.

19. PERUBAHAN DAN PINDAAN

- 19.1. Mana-mana perubahan dan pindaan kepada Perjanjian ini hendaklah dibuat secara bertulis, dipersetujui dan ditandatangani oleh kesemua pihak kepada Perjanjian ini.

20. NOTIS

- 20.1. Sebarang notis, kelulusan, kebenaran, permintaan atau apa-apa komunikasi yang dibuat berkaitan dengan Perjanjian ini hendaklah dibuat secara bertulis di dalam Bahasa Melayu atau Bahasa Inggeris dan dialamatkan ke alamat dan nombor faksimili pihak-pihak yang berkenaan yang dinyatakan di bawah atau alamat-alamat lain yang dimaklumkan sewajarnya oleh satu pihak kepada pihak-pihak yang lain dan yang demikian hendaklah dianggap telah dihantar atau dibuat apabila dihantar kepada alamat tersebut atau difakskan ke nombor faksimili yang berkenaan dan diakui penerimaannya.

APPENDIX D – VALMIN VALUATION REPORT

PMINT : PERBADANAN MEMAJUKAN IKTISAD NEGERI TERENGGANU
Tingkat 14, Menara Permint, Jalan Sultan Ismail
20200 Kuala Terengganu, Terengganu Darul Iman.
No. Faksimili : 09 6233880

GGTM : GGT MANUFACTURING SDN. BHD.
(No. Syarikat : 897620-W)
Blok C, Level 3A, Unit 9-12, Pusat Komersial Southgate
Jalan 2, Off Jalan Chan Sow Lin
55200 Kuala Lumpur.
(No. Faksimili : 03 92246917)

- 20.2. Adalah menjadi tanggungjawab tiap-tiap pihak kepada Perjanjian ini untuk memaklumkan kepada pihak-pihak yang lain sebarang pertukaran alamat atau entiti dengan memberi notis secara bertulis dalam tempoh EMPAT BELAS (14) HARI daripada tarikh pertukaran tersebut.

21. PERSETUJUAN UNTUK MELAKSANAKAN SECARA ADIL DAN SAKSAMA

- 21.1. Dalam melaksanakan Perjanjian ini pihak-pihak kepada Perjanjian ini sedia maklum bahawa ianya tidak munasabah untuk mengadakan peruntukan untuk setiap situasi yang akan atau mungkin timbul/dihadapi di sepanjang tempoh Perjanjian ini. Dengan itu, pihak-pihak kepada Perjanjian ini bersetuju dan mengatakan bahawa Perjanjian ini akan dilaksanakan dengan adil dan saksama tanpa menjejaskan kepentingan masing-masing dan sekiranya semasa melaksanakan Perjanjian ini, sebarang ketidakadilan timbul dan/atau disedari dan/atau dijangkakan, pihak-pihak akan mencuba sedaya-upaya untuk mencari penyelesaian yang dipersetujui kesemua pihak di dalam Perjanjian ini.

22. PENYERAHHAKKAN ATAU NOVASI

- 22.1. GGTM tidak boleh menyerahkan atau memindahkan semua atau apa-apa kepentingan atau kewajipan-kewajipan dalam Perjanjian ini kepada pihak ketiga tanpa mendapatkan kebenaran bertulis PMINT terlebih dahulu.

APPENDIX D – VALMIN VALUATION REPORT

23. PELAKSANAAN SPESIFIK

- 23.1. Jika berlaku keingkaran oleh mana-mana pihak kepada Perjanjian ini, pihak yang mengalami kerugian berhak menuntut kepada pelaksanaan spesifik (*specific performance*) dan/atau mana-mana gantirugi yang dibenarkan di bawah mana-mana undang-undang Malaysia yang berkuatkuasa.

24. UNDANG-UNDANG YANG TERPAKAI KEPADA PERJANJIAN

- 24.1. Perjanjian ini adalah tertakluk kepada dan hendaklah ditafsirkan selaras dengan peruntukan undang-undang di Malaysia dan pihak-pihak adalah tertakluk kepada bidang kuasa Mahkamah Malaysia.

25. KOS PERJANJIAN & PERBELANJAAN

- 25.1. Semua perbelanjaan dan kos guaman berkaitan dengan penyediaan perjanjian ini termasuk dan tidak terhad kepada duit setem ke atas Perjanjian ini akan ditanggung oleh GGTM.

26. MASA MENJADI ASAS

- 26.1. Masa hendaklah disifatkan sebagai mustahak di dalam konteks berhubung dengan semua peruntukan di dalam Perjanjian ini.

27. KESAN MENGIKAT

- 27.1. Perjanjian ini hendaklah terikat kepada pengganti dalam hakmilik, dan penerima serahak bagi kesemua pihak di dalam Perjanjian ini.

APPENDIX D – VALMIN VALUATION REPORT

PADA MENYAKSIKAN HAL DI ATAS pihak-pihak kepada Perjanjian ini menurunkan Cop Mohor/tandatangan masing-masing pada hari dan tahun yang tertulis di atas.

DITANDATANGANI oleh
Untuk dan bagi Pihak
**PERBADANAN MEMAJUKAN
IKTISAD NEGERI TERENGGANU**

Di hadapan :


HAJI AZMAL BIN AZADDIN
PENKURUS
DIVISI PERKIDANGAN & INTEGRITI
PERBADANAN MEMAJUKAN IKTISAD
NEGERI TERENGGANU

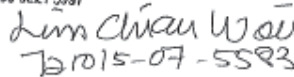


.....
HAJI M. HARITH BIN HASSAN
Pangurus Besar
Perbadanan Memajukan Iktisad
Negeri Terengganu

COP MOHOR bagi
GGT MANUFACTURING SDN. BHD.
(No. Syarikat : 897620-W)
Diperturunkan di sini di hadapan :


ONG TEE CHEE
Advocate & Solicitor
Selangor
01351

.....
GGT Manufacturing Sdn Bhd (897620-W)
C-3A-12 Block C, Pusat Komersial SungaiGala,
No. 2 Jalan Dua Off Jalan Chan Sow Lin,
55200 Kuala Lumpur.
Tel: +603-9221 5900/+603-9221 1997
Fax: +603-9221 5997


72015-07-5583

APPENDIX D – VALMIN VALUATION REPORT

LAMPIRAN A

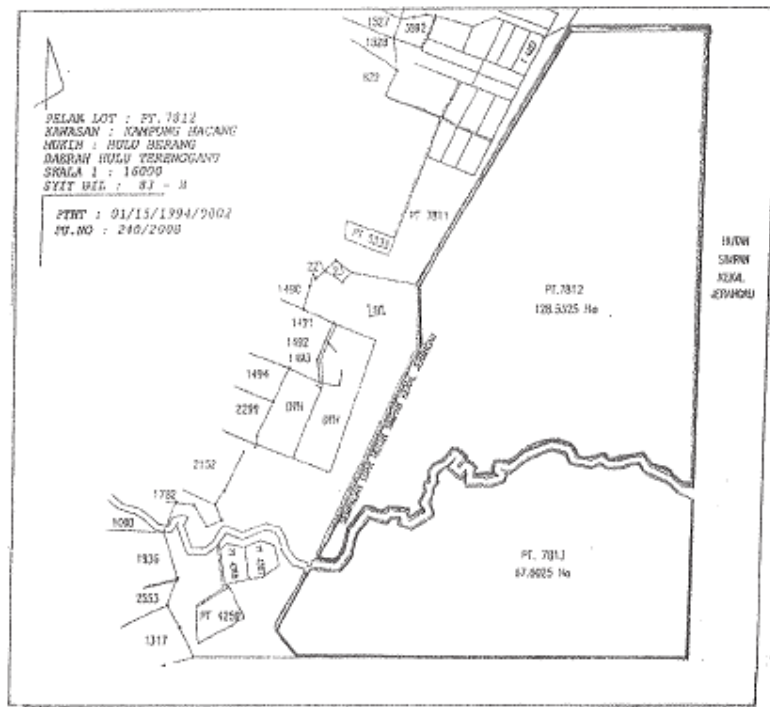
(Hendaklah dibaca dan menjadi bahagian yang penting kepada perjanjian ini)

SALINAN PELAN KAWASAN KERJA TERSEBUT

APPENDIX D – VALMIN VALUATION REPORT

LAMPIRAN A

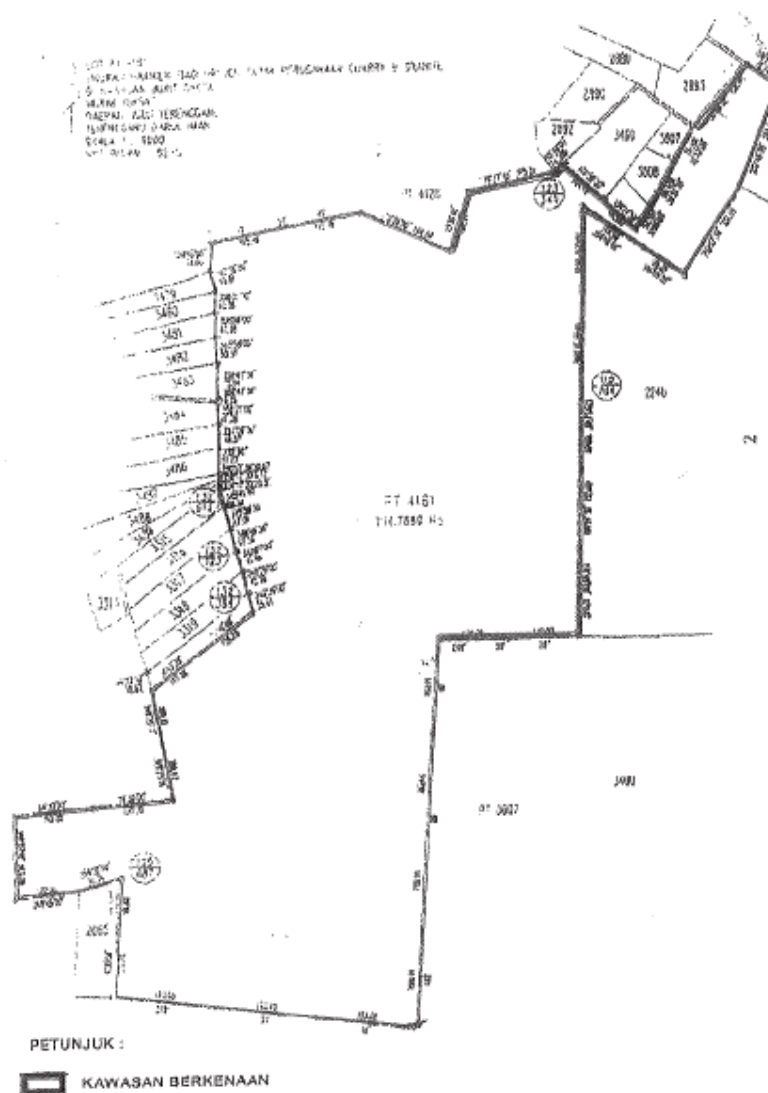
PELAN LOT P.T. 7812 & P.T. 7813
KAWASAN : BUKIT MACANG
MUKIM : HULU BERANG
DAERAH : HULU TERENGGANU
SKALA : 1 : 16,000



PETUNJUK :

 KAWASAN BERKENAAN

PELAN : LOT P.T. 4161
 KAWASAN : BUKIT CHETAI
 MUKIM : TERSAT
 DAERAH : NULU TERENGGANU
 SKALA : 1 : 8000



APPENDIX E – BUSINESS VALUATION REPORT



仲量聯行

Our reference: CON000310146

12 May 2017

The Board of Directors
Block C, Level 3A, Unit 9-12
Southgate Commercial Center
Jalan Dua, Off Jalan Chan Sow Lin
55200 Kuala Lumpur, Malaysia

Dear Sirs,

In accordance with your instructions, we have undertaken a valuation exercise which requires Jones Lang LaSalle Corporate Appraisal and Advisory Limited to express an independent opinion on the market value of one hundred per cent equity interest in GGT Manufacturing Sdn Bhd (“GGTM”) for circular reference. This valuation report which follows is dated 12 May 2017.

Our valuation was carried out on a market value basis. Market value is defined by the International Valuation Standards Council (“IVSC”) as *“The estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.”*

APPENDIX E – BUSINESS VALUATION REPORT

BACKGROUND

GGTM is a private company incorporated in Malaysia in April 2010. It is principally engaged in the mining of dimension stones and interior fit-out. GGTM was granted a Dimension Stone Concession by Perbadanan Memajukan Iktisad Negeri Terengganu (PMINT) to extract dimension stone granite within a concession of 800 acres in Hulu Terengganu. The two main dimension granites mined by GGTM are Terengganu Green and Sekayu White.

GGTM also entered into a Joint Venture Consortium Agreement with Eco Interiors International Sdn Bhd for the purpose of carrying out the project known as “Cadangan merekabentuk, membina, menguji, mentaulliah dan menyelenggara hiasan dalaman di 1 Block Hotel 17 Tingkat (208 Bilik) Serta Kerja-Kerja Berkaitan di Jalan Maskid Abidin, Mukim Bandar Kuala Terengganu” (the “Project”).

On 21 June 2016, Anchor Resources Limited (“Anchor”) entered into a sale and purchase agreement with Mr Lim Chiau Woei, Mdm Koh Ah Luan and Luminor Pacific Fund 1 Ltd in relation to the proposed acquisition of all the issued and fully-paid shares in the capital of GGTM for an indicative aggregate consideration of S\$100 million.

BASIS OF OPINION

We have conducted our valuation in accordance with the International Valuation Standards (“IVS”) issued by the International Valuation Standards Council. The valuation procedures employed include a review of legal status and economic condition of GGTM and an assessment of key assumptions, estimates, and representations made by the proprietor. All matters essential to the proper understanding of the valuation are disclosed in this valuation report.

The following factors form an integral part of our basis of opinion:

APPENDIX E – BUSINESS VALUATION REPORT

- “Qualified Person’s Report, Bukit Chetai and Bukit Machang Granite Quarries”, prepared by Rockhound Limited and dated March 2017 (“QPR”)
- “Preliminary Feasibility Study, Bukit Chetai and Bukit Machang Granite Quarries”, prepared by Rockhound Limited and dated December 2016 (“PFS”)
- Valuation Report Bukit Chetai Dimension Stone Quarry Terengganu, Malaysia (the “VALMIN Report”) dated 12 May 2017;
- The economic outlook in general;
- The nature of business and history of the operation of GGTM;
- The financial condition and projected financial performance of GGTM;
- Market-driven investment returns of companies engaged in similar lines of business;
- Financial and business risk of the business including continuity of income and the projected future results; and
- Consideration and analysis on the micro and macro economy affecting GGTM.

We planned and performed our valuation so as to obtain all the information and explanations that we considered necessary in order to provide us with sufficient evidence to express our opinion on GGTM.

VALUATION METHODOLOGY

In arriving at our assessed value, we have considered three generally accepted approaches, namely, market approach, cost approach and income approach.

Market Approach considers prices recently paid for similar assets, with adjustments made to market prices to reflect condition and utility of the appraised assets relative to the market comparative. Assets for which there is an established secondary market may be valued by this approach.

APPENDIX E – BUSINESS VALUATION REPORT

Benefits of using this approach include its simplicity, clarity, speed and the need for few or no assumptions. It also introduces objectivity in application as publicly available inputs are used. However, one has to be wary of the hidden assumptions in those inputs as there are inherent assumptions on the value of those comparable assets. It is also difficult to find comparable assets. Furthermore, this approach relies exclusively on the efficient market hypothesis.

Cost Approach considers the cost to reproduce or replace in new condition the assets appraised in accordance with current market prices for similar assets, with allowance for accrued depreciation or obsolescence present, whether arising from physical, functional or economic causes. The cost approach generally furnishes the most reliable indication of value for assets without a known secondary market.

Despite the simplicity and transparency of this approach, it does not directly incorporate information about the economic benefits contributed by the subject asset.

Income Approach is the conversion of expected periodic benefits of ownership into an indication of value. It is based on the principle that an informed buyer would pay no more for the project than an amount equal to the present worth of anticipated future benefits (income) from the same or a substantially similar project with a similar risk profile.

This approach allows for the prospective valuation of future profits and there are numerous empirical and theoretical justifications for the present value of expected future cash flows. However, this approach relies on numerous assumptions over a long time horizon and the result may be very sensitive to certain inputs including but not limited to the discount rate, future selling prices and quantities of the products of GGTM, operating and maintenance expenses in the future etc. The income approach also presents a single scenario only.

APPENDIX E – BUSINESS VALUATION REPORT

Selection of Valuation Approach and Methodology

GGTM was evaluated as two segments; mining and interior fit-out. The mining segment of GGTM was valued using an income based approach as specified in the VALMIN report. Given the short operating history of GGTM's fit-out business; we believe that using a net asset method in which one of the three approaches is used to value each asset and liability is most appropriate. In this case, all assets and liabilities were assessed as being equal to the book value except for the signed contract on the Project; where an income-based approach was applied.

There are substantial limitations for the market approach and the cost approach for valuing the underlying asset. Firstly, the market approach requires market transactions of comparable assets as an indication of value. However, due to the start-up nature of the fit-out business of GGTM and its operating scale, we have not identified any current market transactions which are comparable. Secondly, the cost approach does not directly incorporate information about the economic benefits contributed by GGTM.

The valuation of the signed contract was developed through the application of Multi-Period Excess Earnings Method (MPEEM), the residual cash-flows after considering the contributory assets charges are then discounted into their present worth to eliminate the discrepancy in the time value of money by using a discount rate which a number of factors including the current cost of finance and the considered risk inherent related to customer relationship were taken into account.

These charges are calculated based on the returns on the values of the contributory assets. Examples of such assets include:

- Fixed assets
- Net working capital
- Assembled workforce

APPENDIX E – BUSINESS VALUATION REPORT

The residual cash-flows are then discounted into their present worth to eliminate the discrepancy in the time value of money. This is done by using a discount rate to reflect all business risks including intrinsic and extrinsic uncertainties in relation to the operation.

APPENDIX E – BUSINESS VALUATION REPORT

VALUATION ASSUMPTIONS

In determining the market value of the 100 percent equity interest in GGTM, we make the following key assumptions:

- We have assumed that the projected business can be achieved with the effort of the management of GGTM;
- We have assumed that the operational and contractual terms stipulated in the relevant contracts and agreements will be honored;
- We have assumed the facilities and systems proposed are sufficient for future expansion in order to realize the growth potential of the business and maintain a competitive edge;
- We have assumed that there will be no material change in the existing political, legal, technological, fiscal or economic conditions, which might adversely affect the business of GGTM;
- We have been provided with copies of the financial statements, joint venture consortium agreement, Pre-Feasibility Study and Qualified Person's Report. We have assumed such information to be reliable and legitimate. We have relied to a considerable extent on such information provided in arriving at our opinion of value;
- We have assumed the accuracy of the financial and operational information provided to us by GGTM and relied to a considerable extent on such information in arriving at our opinion of value; and
- We have assumed that there are no hidden or unexpected conditions associated with the asset valued that might adversely affect the reported value. Further, we assume no responsibility for changes in market conditions after the Valuation Date.

APPENDIX E – BUSINESS VALUATION REPORT

Major Assumptions

Assumptions which have significant effect on the calculation of the market value of GGTM under the income approach are listed as follows:

Forecast

Management has provided the following forecast based on the contract value of the Project.

The forecast is as follows:

RM	2017
Revenue	24,253,351
Total Cost	20,769,496
Sub-contract	16,525,406
Granite stones	1,028,392
Professional fees	941,246
Others	2,274,451
Profit for FY 2017	3,483,856
Profit for Mar – Dec 2017	3,055,800
Profit After Tax	2,322,408

Contributory Assets Charges

We have deducted returns on contributory assets which represent charges for the use of contributory assets employed to support the business operation and help generating revenue.

Contributory Assets	Working Capital
Rate (%)	5.2%
Contributory Asset Charge	110,760

APPENDIX E – BUSINESS VALUATION REPORT

DISCOUNT RATE

In applying the MPEEM, it is necessary to determine an appropriate discount rate for the assets under review. The discount rate represents an estimate of the rate of return required by a third party investor for an investment of this type. The rate of return expected from an investment by an investor relates to perceived risk. Risk factors relevant to our selection of an appropriate discount rate include:

- Interest rate risk, which measures variability of returns caused by changes in the general level of interest rates;
- Liquidity risk, which measures the ease with which an instrument can be sold at the prevailing market price;
- Market risk, which measures the effects of the general market on the price behavior of securities; and
- Business risk, which measures the uncertainty inherent in projections of operating income.

Consideration of risk, burden of management, degree of liquidity, and other factors affect the rate of return acceptable to a given investor in a specific investment. An adjustment for risk is an increment added to a base or safe rate to compensate for the extent of risk believed involved in the investment.

APPENDIX E – BUSINESS VALUATION REPORT

Weighted Average Cost of Capital

WACC is calculated by multiplying the cost of each capital component by its weight and then summing all subtotals:

$$WACC = \frac{E}{V} \times R_e + \frac{D}{V} \times R_d \times (1 - T_c)$$

R_e = Required return on equity

R_d = Required return on debt

E = Fair value of the firm's equity

D = Fair value of the firm's debt

$V = E + D$

$\frac{E}{V}$ = Percentage of equity financing

$\frac{D}{V}$ = Percentage of debt financing

T_c = Corporate tax rate

Required Return on Equity Capital

We have used Capital Assets Pricing Model (the “CAPM”) to estimate the required return on equity capital.

The CAPM is a fundamental tenet of modern portfolio theory which has been generally accepted basis for marketplace valuations of equity capital. The CAPM technique is widely accepted in the investment and financial analysis communities for the purpose of estimating a company’s required return on equity capital.

The equation of CAPM is shown as follow:

$$\begin{array}{l} \text{Expected} \\ \text{Return on Equity} \end{array} = \begin{array}{l} \text{Required} \\ \text{Risk Free Rate} \end{array} + \begin{array}{l} \text{Nominal Beta } (\beta) \times (\text{Market Risk} \\ \text{Premium}) \end{array} + \varepsilon$$

The return on equity required of a company represents the total rate of return investors expect to earn, through a combination of dividends and capital appreciation, as a reward

APPENDIX E – BUSINESS VALUATION REPORT

for risk taking. The CAPM is used to calculate the required rate of return on equity investment by using publicly-traded companies.

In determining the beta, we have considered the information of certain listed companies which are engaged in the fit-out business. Please refer to Appendix 2 for the betas of these companies, parameters for CAPM and the computation for WACC as at 28 February 2017.

VALUATION COMMENTS

As part of our analysis, we have reviewed financial information, project documentation and other pertinent data concerning the project been made available to us. Such information has been provided by the management. We have assumed the accuracy of, and have relied on such information. We have relied to a considerable extent on such information provided in arriving at our opinion of value.

We confirm that we have made relevant searches and enquire and obtained such further information as is considered necessary for the purposes of this valuation.

The conclusion of value is based on accepted valuation procedures and practices that rely substantially on the use of numerous assumptions and the consideration of many uncertainties, not all of which can be easily quantified or ascertained. Further, while the assumptions and other relevant factors are considered by us to be reasonable, they are inherently subject to significant business, economic and competitive uncertainties and contingencies, many of which are beyond the control of the Subject Company and Jones Lang LaSalle Corporate Appraisal and Advisory Limited.

We do not intend to express any opinion on matters which require legal or other specialized expertise or knowledge, beyond what is customarily employed by valuers. Our conclusions assume continuation of prudent management of GGTM over whatever

APPENDIX E – BUSINESS VALUATION REPORT

period of time that is reasonable and necessary to maintain the character and integrity of the assets valued.

APPENDIX E – BUSINESS VALUATION REPORT

RISK FACTORS

The following factors may affect the result of this valuation.

Realization of Forecast and Projection

There could be a risk of cost overruns due to many factors such as increase in mining costs, engineering requirements, and adverse site conditions. GGTM's business is dependent on continued availability of dimension stones and any interruption in the availability of the dimension stones may adversely affect its business, financial condition and results of operations. Further, GGTM has entered into various Offtake Agreements with the Customers. These agreements are long term in nature and in the if the customers fails or refuses to buy and/or take delivery of the products pursuant to the Offtake Agreements, it may also affect the financial results.

Changes in political, economic and regulatory environment

GGTM is subject to various laws and regulations governing its operations in Malaysia which they operate in. In the near term, GGTM do not foresee any political or legal changes in the country that will impact its operations.

APPENDIX E – BUSINESS VALUATION REPORT

OPINION OF VALUE

Based on the results of our investigation and analysis outlined in the report which follows, we are of the opinion that the market value of 100 percent equity interest in GGTM, as at the Valuation Date is reasonably stated as below:

	28 February 2017
Market Value (RM)	344,200,000
Market Value (S\$)	108,700,000

Please refer to Appendix 3 for the valuation model for GGTM.

APPENDIX E – BUSINESS VALUATION REPORT

LIMITING CONDITIONS

This report is issued subject to our Limiting Conditions as attached.

Based on the results of our investigations and analyses, we are of the opinion that as at the Valuation Date the market value of one hundred per cent equity interest in the GGTM is reasonably stated as S\$108,700,000.

Yours faithfully,
For and on behalf of
Jones Lang LaSalle
Corporate Appraisal and Advisory
Limited



Simon M.K. Chan
Regional Director

Note: Simon M.K. Chan is a fellow (FCPA) of Hong Kong Institute of Certified Public Accountants (HKICPA), Certified Public Accountants of Australia (CPA (Aust.)), a fellow of the Royal Institution of Chartered Surveyors (FRICS), who has extensive experience in valuation and corporate advisory business. He has provided a wide range of valuation and advisory services to numerous listed and private companies in different industries in Asia Pacific region for over 20 years.

APPENDIX E – BUSINESS VALUATION REPORT

APPENDIX A - LIMITING CONDITIONS

1. In the preparation of our reports, we relied on the accuracy, completeness and reasonableness of the financial information, forecast, assumptions and other data provided to us by the Subject Company/engagement parties and/or its representatives. We did not carry out any work in the nature of an audit and neither are we required to express an audit or viability opinion. We take no responsibility for the accuracy of such information. The responsibility for determining expected values rests solely with the Subject Company/engagement parties and our reports were only used as part of the Subject Company's/engagement parties' analysis in reaching their conclusion of value.
2. We have explained as part of our service engagement procedure that it is the director's responsibility to ensure proper books of accounts are maintained, and the financial information and forecast give a true and fair view and have been prepared in accordance with the relevant standards and companies ordinance.
3. Public information and industry and statistical information have been obtained from sources we deem to be reputable; however we make no representation as to the accuracy or completeness of such information, and have accepted the information without any verification.
4. The management and the Board of the Subject Company has reviewed and agreed on the report and confirmed that the basis, assumptions, calculations and results are appropriate and reasonable.
5. Jones Lang LaSalle Corporate Appraisal and Advisory Limited shall not be required to give testimony or attendance in court or to any government agency by reason of this exercise, with reference to the project described herein. Should there be any kind of subsequent services required, the corresponding expenses and time costs will be reimbursed from you. Such kind of additional work may incur without prior notification to you.
6. No opinion is intended to be expressed for matters which require legal or other specialised expertise or knowledge, beyond what is customarily employed by valuers.

APPENDIX E – BUSINESS VALUATION REPORT

7. The use of and/or the validity of the report is subject to the terms of engagement letter/proposal and the full settlement of the fees and all the expenses.
8. Our conclusions assume continuation of prudent management policies over whatever period of time that is considered to be necessary in order to maintain the character and integrity of the assets valued.
9. We assume that there are no hidden or unexpected conditions associated with the subject matter under review that might adversely affect the reported review result. Further, we assume no responsibility for changes in market conditions, government policy or other conditions after the Valuation/Reference Date. We cannot provide assurance on the achievability of the results forecasted by the Subject Company/engagement parties because events and circumstances frequently do not occur as expected; difference between actual and expected results may be material; and achievement of the forecasted results is dependent on actions, plans and assumptions of management.
10. This report has been prepared solely for the internal use purpose. The report should not be otherwise referred to, in whole or in part, or quoted in any document, circular or statement in any manner, or distributed in whole or in part or copied to any their party without our prior written consent. We shall not under any circumstances whatsoever be liable to any third party except where we specifically agreed in writing to accept such liability.
11. This report is confidential to the client and the calculation of values expressed herein is valid only for the purpose stated in the engagement letter/or proposal as of the Valuation / Reference Date. In accordance with our standard practice, we must state that this report and exercise is for the use only by the party to whom it is addressed and no responsibility is accepted with respect to any third party for the whole or any part of its contents.
12. Where a distinct and definite representation has been made to us by party/parties interested in the assets valued, we are entitled to rely on that representation without further investigation into the veracity of the representation if such investigation is beyond the scope of normal scenario analysis work.

APPENDIX E – BUSINESS VALUATION REPORT

13. You agree to indemnify and hold us and our personnel harmless against and from any and all losses, claims, actions, damages, expenses or liabilities, including reasonable attorney's fees, to which we may become subjects in connection with this engagement. Our maximum liability relating to services rendered under this engagement (regardless of form of action, whether in contract, negligence or otherwise) shall be limited to the charges paid to us for the portion of its services or work products giving rise to liability. In no event shall we be liable for consequential, special, incidental or punitive loss, damage or expense (including without limitation, lost profits, opportunity costs, etc.), even if it has been advised of their possible existence.
14. We are not environmental consultants or auditors, and we take no responsibility for any actual or potential environmental liabilities exist, and the effect on the value of the asset is encouraged to obtain a professional environmental assessment. We do not conduct or provide environmental assessments and have not performed one for the subject property.
15. This exercise is premised in part on the historical financial information and future forecast provided by the management of the Subject Company/engagement parties. We have assumed the accuracy and reasonableness of the information provided and relied to a considerable extent on such information in arriving at our calculation of value. Since projections relate to the future, there will usually be differences between projections and actual results and in some cases, and those variances may be material. Accordingly, to the extent any of the above mentioned information requires adjustments, the resulting value may differ significantly.
16. Actual transactions involving the subject assets / business might be concluded at a higher or lower value, depending upon the circumstances of the transaction and the business, and the knowledge and motivation of the buyers and sellers at that time.
17. This report and the conclusion of values arrived at herein are for the exclusive use of our client for the sole and specific purposes as noted herein. Furthermore, the report and conclusion of values are not intended by the author, and should not be construed by the reader, to be investment advice in any manner whatsoever. The conclusion of values represents the consideration based on information furnished by the Subject Company/engagement parties and other sources.

APPENDIX E – BUSINESS VALUATION REPORT

APPENDIX B – VALUERS’ PROFESSIONAL DECLARATION

The following valuers certify, to the best of their knowledge and belief, that:

- Information has been obtained from sources that are believed to be reliable. All facts which have a bearing on the value concluded have been considered by the valuers and no important facts have been intentionally disregarded.
- The reported analyses, opinions, and conclusions are subject to the assumptions as stated in the report and based on the valuers' personal, unbiased professional analyses, opinions, and conclusions. The valuation exercise is also bounded by the limiting conditions.
- The reported analyses, opinions, and conclusions are independent and objective.
- The valuers have no present or prospective interest in the asset that is the subject of this report, and have no personal interest or bias with respect to the parties involved.
- The valuers’ compensation is not contingent upon the amount of the value estimate, the attainment of a stipulated result, the occurrence of a subsequent event, or the reporting of a predetermined value or direction in value that favours the cause of the client.
- The analyses, opinions, and conclusions were developed, and this report has been prepared, in accordance with the International Valuation Standards published by the International Valuation Standards Committee.
- The under mentioned persons provided professional assistance in the compilation of this report.

Simon M. K. Chan
Regional Director

Kevin C. W. Chan
Associate Director

Ray Kwok Pohanda
Manager

Sandra Long
Senior Analyst

20

E-20

[illegible]

APPENDIX E – BUSINESS VALUATION REPORT

Appendix 2 – Discount rate calculation

Ticker	Adjusted Beta	D/E Ratio (3-yr ave)	Effective Tax (3-yr ave)	Unlevered Beta
FFHB MK Equity	1.08	0.25	0.21	0.90
LHO SP Equity	0.85	0.09	0.13	0.79
Median		0.17	0.17	0.84
Average		0.17	0.17	0.84
Risk-free rate	MYR Malaysia Sovereign Curve Yield			4.04%
Market premium	Country Risk Premium, Bloomberg			4.24%
Relevered Beta	Average of comparable companies			0.96
CAPM				8.1%
Size premium	2016 valuation handbook, Duff & Phelps			8.8%
Specific premium				3.0%
Cost of Equity				19.9%
Borrowing cost	Malaysia base lending rates			6.9%
Corporate tax rate	Malaysia corporate tax rate			24.0%
Cost of Debt				5.2%
D/ Market Cap	Average of comparable companies			17.0%
E/A				85.5%
D/A				14.5%
Nominal WACC				17.8%

APPENDIX E – BUSINESS VALUATION REPORT

Appendix 3 – Valuation of GGTM

Client	Anchor Resources		
Valuation Date	28-Feb-17		
Discount Rate	17.8%		
Tax Rate	24%		
Methodology	Sum of parts - fair market of the mine plus the market value of GGTM Manufacturing Eco JV		
	For GGTM Manufacturing Eco JV		
	Asset-Based Approach - Given the short operating history of the business, we believe that an asset-based approach taking into consideration the contract on hand is the most appropriate method of valuation		
Fair Market Value Of Mine	Please refer to Valuation Report Bukit Chetai Dimension Stone Quarry Terengganu, Malaysia		334,700,000
	Add: Cash		6,617,144
Market Value of GGTM Manufacturing Eco JV			
	a. Net book value		1,112,523
	b. Unfinished contract		
	Income Approach - MPEEM method (the most common method for intangible assets		
			FY 2017
	Revenue		24,253,351
	Total Cost		20,769,496
	Sub-contract		16,525,406
	Granite stones		1,028,392
	Professional fees		941,246
	Others		2,274,451
	Profit Before Tax for FY 2017		3,483,856
	Profit for Mar-Dec		3,055,800
	Profit After Tax		2,322,408
	Working Capital	2,127,536	
	Less: Contributory Asset Charges	5.2%	110,760
	Discount Rate	18%	
	Discount Factor	0.93	
	Market Value of Unfinished contract		2,065,233
	a. + b. Market Value of GGT Manufacturing Eco JV		3,177,756
	90% Market Value Attributed to GGTM		2,859,980
Total Market Value (MYR)			344,200,000
Total Market Value (SGD)			108,700,000



Independent Market Research
on the
Granite Industry in Malaysia

26 June 2017

APPENDIX F – INDUSTRY REPORT

© June 2017 Frost & Sullivan

The market research process for this study has been undertaken through secondary/desktop research as well as primary research, which involves discussing the status of the industry with leading participants and experts. The research methodology used is the Expert Opinion Consensus Methodology. Quantitative market information was sourced from interviews by way of primary research, and therefore, the information is subject to fluctuations due to possible changes in the business and industry climate. Frost & Sullivan's estimates and assumptions are based on varying levels of quantitative and qualitative analyses, including industry journals, company reports and information in the public domain.

Forecasts, estimates, predictions, and other forward-looking statements contained in this report are inherently uncertain because of changes in factors underlying their assumptions, or events or combinations of events that cannot be reasonably foreseen. Actual results and future events could differ materially from such forecasts, estimates, predictions, or such statements.

This study has been prepared for GGT Manufacturing Sdn. Bhd. ("**GGTM**") in relation to the proposed acquisition of all the issued and fully-paid shares in the capital of GGTM, being a very substantial acquisition and an interested person transaction under the Catalist rules (the "**Proposed Acquisition**").

Save for the inclusion of this study in the circular and in such presentation materials prepared by or on behalf of GGTM (reviewed by Frost & Sullivan) in relation to the Proposed Acquisition, no part of it may be otherwise given, lent, resold, or disclosed to non-customers without our written permission. Furthermore, no part may be reproduced, stored in a retrieval system, or transmitted in any form or by any means, electronic, mechanical, photocopying, recording, or otherwise, without our permission.

Frost & Sullivan has prepared this study in an independent and objective manner, and it has taken adequate care to ensure its accuracy and completeness. We believe that this study presents a true and fair view of granite industry in Malaysia within the limitations of, among others, secondary statistics and primary research, and it does not purport to be exhaustive. Our research has been conducted with an "overall industry" perspective, and it may not necessarily reflect the performance of individual companies in the industry. Frost & Sullivan shall not be liable for any loss suffered because of reliance on the information contained in this study as may be required by applicable laws and regulations. This study should also not be considered as a recommendation to buy or not to buy the shares of any company or companies as mentioned in it or otherwise.

Authorized Signatory



Sanjay Singh

Senior Vice President

Frost & Sullivan (S) Pte Ltd

100 Beach Road #29-01/11 Shaw Tower

Singapore 189702

APPENDIX F – INDUSTRY REPORT

Executive summary

The granite industry has evolved into a global enterprise due to the proliferation of excavation technologies, sustained growth in private consumption, and the accessibility to reliable logistical networks. Malaysia and the types of dimension stone granite produced domestically plays an important role in this market.

GGTM was awarded the license to explore, develop, and excavate granite from Bukit Chetai and Bukit Machang in Terengganu, Malaysia. The species of granite produced in those locations have a unique colour and pattern, making them a premium dimension stone product for both the domestic and export markets. The trade names of GGTM's granites are: Terengganu Green (TG), Sekayu White (SW), and Rosa Tenggo (RT). Both Terengganu Green and Sekayu White have been used in notable public infrastructure developments such as but not limited to Dataran Putra at Putrajaya, Kuala Lumpur International Airport, Masjid Taman Ilmu in Besut, Terengganu, and Petronas Twin Towers in Kuala Lumpur.

Generally, the demand for dimension stone granite in most countries is influenced by the growth in private consumption, urbanisation rates, and construction spending in the country. The trends that affect use of dimension stone granite are dependent on the end user sectors. Residential trends are heavily reliant on the accessibility of disposable income for renovation and home improvement activities. In the commercial sector, a thriving retail and business ecosystem is likely to encourage the use of premium building materials such as dimension stone granite in order to create a sense of opulence. In transport terminals and hospitals, granite is a suitable flooring material because of material hardness and ease of cleaning its surface. TG granite is also extensively used in temples and parks because its particular shade of green is culturally significant in many countries in Asia. For this reason, there also exists an export market in China for TG and SW, which are widely used across end user sectors.

The market size by revenues for dimension stone granite in Malaysia in 2017 is forecasted to be between MYR194.4 million and MYR291.6 million. In terms of external trade of dimension stones, the latest statistics from the Minerals and Geoscience Department of Malaysia indicate that in 2010, MYR25.7 million (SGD10.9 million) and MYR17.2 million (SGD7.3 million) was exported and imported respectively. Extrapolation of this official data indicate that the 2017 export and import values could be worth MYR37.8 million and MYR25.3 million respectively.

Factors that are likely to drive the Malaysian granite industry in terms of domestic usage and exports are tourism, government-led infrastructure projects, development of transport terminals, and hospitals. Possible restraints to the industry include a stagnating supply of luxury residences and premium office buildings, and the availability of cheaper and lower grade alternatives from China.

Mining activities in Malaysia are subjected to federal and state laws as well as the requirement to obtain mining leases and exploration licenses. Quarry operators are also required to pay royalties to the state government and corporate tax to the federal government.

Within the dimension stone industry, GGTM has a unique business model in that it manages both the upstream and downstream portions of the granite value chain. Most of the companies involved in the Malaysian granite industry are either quarry operators with processing facilities, or distributors. Even then, some quarry operators produce granite aggregates instead of dimension stone granite. In light of this, GGTM has several notable competitive advantages: well perceived and authentic dimension stone granite, a highly scalable extraction plan, experienced management team with an established track record in the quarrying industry, and a broad range of excavating and processing equipment.

APPENDIX F – INDUSTRY REPORT

Overall, GGTM appears to be well positioned to thrive in the dimension stone granite market in Malaysia and also in China.

APPENDIX F – INDUSTRY REPORT

Contents

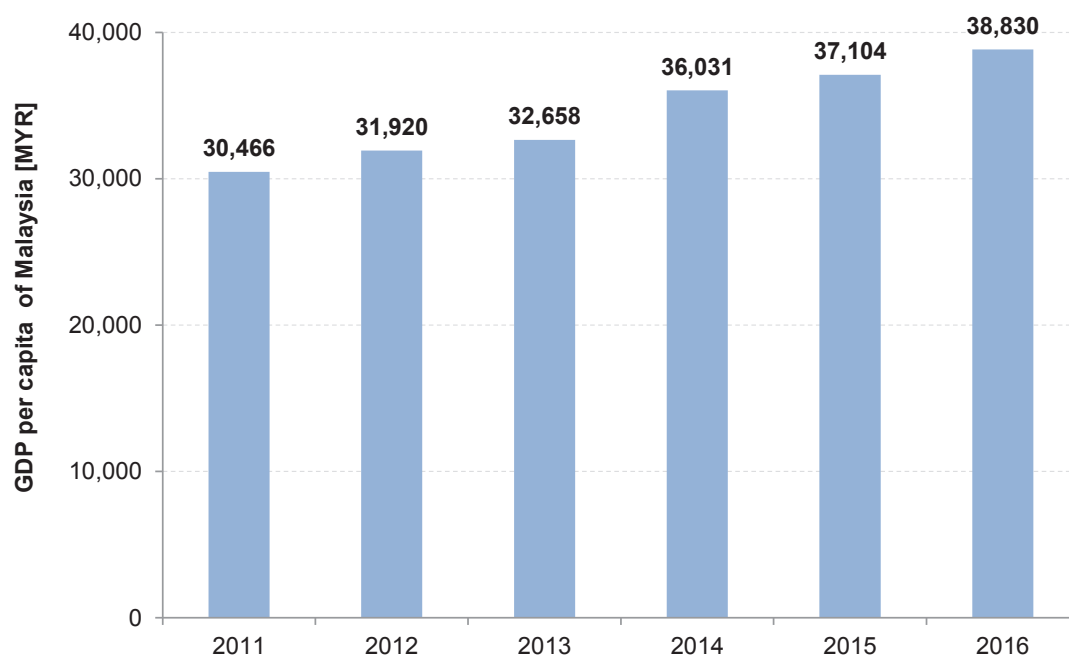
1. Malaysia Macroeconomic Indicators	6
1.1 GDP per capita	6
1.2 Income and private consumption growth	6
1.3 GDP segmentation	7
1.4 Urbanisation.....	7
2. Industry Segmentation and Definitions	8
2.1 Market definitions	8
2.2 Granite value chain	8
3. Analysis of the Granite Market in Malaysia	9
3.1 Overview of the granite industry	9
3.2 Residential trends	9
3.3 Commercial trends.....	11
3.4 Market size and forecast.....	11
3.5 Pricing trends for Malaysian granite	14
3.6 Export and import trends of granite in Malaysia and China.....	15
3.6.1 Malaysia	15
3.6.2 China.....	16
3.7 Industry dynamics of granite produced in Malaysia	17
3.7.1 Growth drivers.....	17
3.7.2 Growth restraints.....	21
3.8 Regulations and government initiatives	22
3.9 Competitive landscape	24
3.9.1 Industry players.....	24
3.9.2 Competitive advantages of GGTM	24
3.10 Market outlook.....	26

1. Malaysia Macroeconomic Indicators

1.1 GDP per capita

The GDP per capita of Malaysia for 2011–2016, at current prices is shown in Figure 1. Whilst year-on-year growth has stagnated, existing government measures to increase exports and facilitate domestic demand are likely to sustain viable growth in 2017.

Figure 1: GDP per capita of Malaysia at current prices, 2011–2016



Source: Department of Statistics Malaysia

1.2 Income and private consumption growth

According to the latest available data from the Department of Statistics in Malaysia, the monthly average household income increased by MYR1,141 from 2012 to 2014. In terms of median income, this increased from MYR3,626 (SGD1,472) to MYR4,585 (SGD1,764).

In 2016, nominal wages in the private sector grew by 4.2% and this was primarily driven by the increases in wages from the manufacturing sector. Public sector wages recorded 6.7% growth due to salary increments and the enforcement of a new minimum wage in the second half of 2016.

In 2016, private consumption growth was at 6.1% (2015: 6%)¹, due to continued wage and employment growth. According to a survey by Nielsen², in 2016, Malaysians spent about 16–20% of their disposable income on home improvement activities.

¹ Bank Negara Malaysia Annual Report 2016

² Nielsen Global Survey of Consumer Confidence and Spending Intentions

APPENDIX F – INDUSTRY REPORT

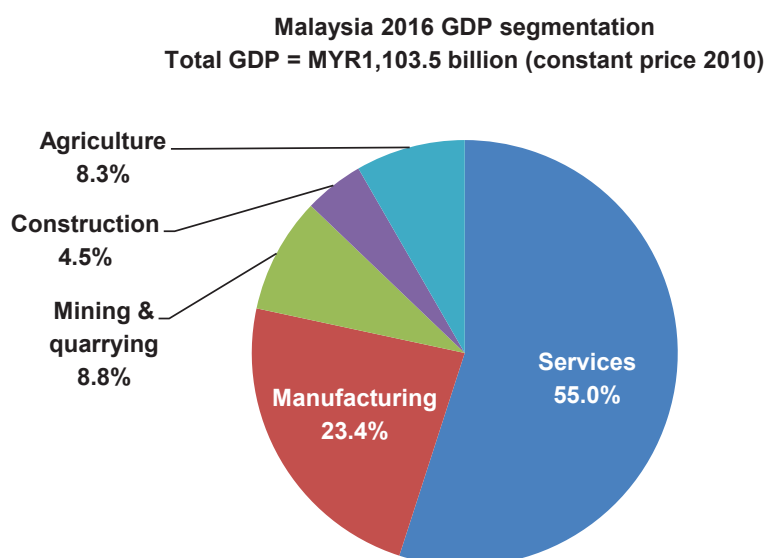
1.3 GDP segmentation

For most developing economies, 2016 was touted as a tough year and this was similarly reflected in Malaysia. Private investment activities were relatively subdued compared to previous years and prices of commodities such as crude oil and metals continued to remain low compared to pre-2015 levels. The unexpected outcomes of political events in the UK and the US brought about uncertainties in financial markets and possible reversal of existing trade agreements. Collectively, they resulted in capital flow volatilities that affected emerging economies. Nevertheless, Malaysia managed to register a commendable GDP growth of 4.2% in 2016 and is expected to grow by 4.3–4.8% in 2017.

In 2017, overall improvements in the global economy are expected to influence the domestic economy through trade, investment, and income channels. Malaysia's exports are likely to benefit from higher trade volumes with important trading partners such as China, Singapore, and the US. It is also foreseeable that commodity prices will recover albeit marginally. Domestic investments are likely to concentrate around the manufacturing sector in order to boost exports and to support the various trade agreements and memorandum of understanding that the prime minister has signed off with China and India. This spur of economic activity will sustainably support continued wage growth and subsequently, private consumption.

The services and manufacturing sectors continue to dominate the economy with a joint contribution of 78.4% of GDP, as shown in Figure 2. The mining and quarrying sector is primarily driven by oil reserves and continued quarrying activities to serve domestic and regional markets. Growth in the construction sector was encouraging but modest and was driven by existing long-term commercial development projects and new launches of residential properties that have attracted international interests.

Figure 2: GDP segmentation for Malaysia, 2016



Source: Department of Statistics Malaysia

1.4 Urbanisation

The urban population was 74.7% of total population in 2015. According to the World Bank, the annual growth rate from 2010 to 2015 is 2.6%. Urbanisation is inevitable as Malaysia strives towards a developed nation

APPENDIX F – INDUSTRY REPORT

status by 2020. According to the World Bank, Malaysia has 19 urban areas with more than 100,000 inhabitants. Johor Bahru, with its close proximity to Singapore, is the second largest urban area in Malaysia after Kuala Lumpur and is experiencing tremendous infrastructure growth due to property and retail investors from Singapore and China.

Increased urbanisation coupled with a healthy growth in private consumption increases demand for housing in urban areas and more luxurious retail facilities in cosmopolitan cities. Consequently, this could lead to a rise in demand for premium building materials such as dimension stone granite in order to cater to the expectations of the urban class.

2. Industry Segmentation and Definitions

2.1 Market definitions

The non-metallic minerals industry in Malaysia can be segmented into three categories:

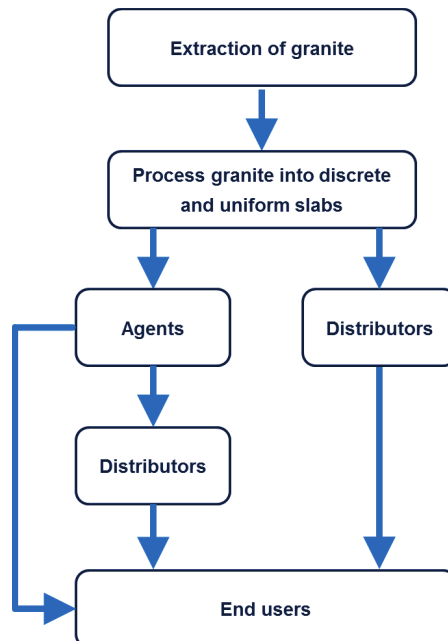
- Rock-based: dimension stone (granite, marble) and limestone
- Sand-based: sodium silicate, filter sand, glass, silicon
- Clay-based: pottery, ceramics, clay bricks

The focus of this report, however, is dimension stone granite. Malaysian granite is typically found in three states: Terengganu, Negeri Sembilan, and Johor, and primarily comes in four colours: pink, dark green, black, white, and grey.

2.2 Granite value chain

The value chain of the Malaysian granite industry is as shown in Figure 3.

Figure 3: Value chain of the Malaysian granite industry



Source: Frost & Sullivan analysis

3. Analysis of the Granite Market in Malaysia

3.1 Overview of the granite industry

The mining and quarrying industry is a crucial cog in a country's fiscal machine because the mere endowment of highly sought minerals can enrich the nation's coffers. For Malaysia, a country that is seeking the status of a developed and industrialised nation by 2020, a domestic quarrying industry ensures a sufficient supply of raw materials needed for the construction and manufacturing segments of the economy.

There are three main quarry types in Malaysia: marble, limestone, and granite. These quarries produce aggregates, ornamental stones, and dimension stones. Dimension stone granite is often selected as a hard-wearing building material for façades and in monolithic landmark projects. Demand for these products is closely linked to the economic development of Malaysia. Section 1 described a 74.7% urbanisation rate in Malaysia in 2015 that will inherently spur the demand for new townships, public infrastructure, and transport networks. These developments will be undertaken in a manner that ensures infrastructure sustainability and a preference for domestically produced resources. Therefore, the demand for premium and long-lasting building materials such as dimension stone granite is likely to grow in tandem with infrastructure developments in Malaysia.

The formation of Malaysia's 2nd National Mineral Policy in 2009 aims to optimally explore, extract, and utilise the country's natural resources and subsequently enhance Malaysia's competitive advantage on a global scale. Mining companies in Malaysia are afforded investment tax allowances, tax rebates on human capital development, exemption from export duties of minerals, and pioneer status certification. These capital incentives are extremely encouraging for the dimension stone granite business. With China being the largest importer of dimension stone granite (HS code: 2516.12) at US\$41.53 million (SGD57.88 million) in 2016, the Malaysian dimension stone granite industry is primed for this business opportunity. Moreover, Malaysia's granite resources include naturally occurring dark green dimension stone granite that is unique in terms of colour and texture.

3.2 Residential trends

Granite is expected to be the preferable material for home decoration

Granite begins its application in the residential sector as a durable and low maintenance building material. As mining technology improved and the price of granite becomes more affordable, it gradually moved into the home decoration domain. Granite is hard and almost impossible to scratch under typical residential use cases. Furthermore, it is impervious to moisture and acid as well as being heat-resistant. With the appropriate coatings and polishing processes, it is almost impossible to stain.

According to primary research, end users require their kitchen countertops and flooring to last at least 10 years. In terms of bathroom decoration, granite is considered to be one of the best natural stone to use in large walk-in showers or steam showers because of its elegance and water-resistance characteristics. A recent advance in granite finishing technology enables the application of granite sinks, from drop-in vanity sinks to countertop vessel sinks.

Based on these factors, granite is a keenly pursued material for kitchen countertops, sinks, flooring and bathroom decoration. Alternatives to granite for this residential use case include quartz and marble stone. Table 1 compares the performance of quartz, marble, and granite for residential applications. A performance

APPENDIX F – INDUSTRY REPORT

scale of 1 to 5 was used to quantify the overall characteristics of each material and granite appears to be a very suitable material for this residential segment.

Quartz is an engineered stone that combines quartz stone and resins, which are then moulded for a natural look that is similar to granite or marble. As shown in Table 1, quartz is stain resistant, bacteria resistant, nonporous, and durable. From an interior designer's perspective, quartz tends to have uniform patterns and is less glossy than granite. In terms of colour selection, quartz is not as diversified as granite because they typically come in either white or black. Thus, the choice of quartz or granite is heavily based on the end user's preference because the physical characteristics of these two materials are similar. In this case, the lower price of granite can be a persuasive factor.

Marble, on the other hand, is a natural stone that is not as mechanically resilient as quartz or granite. Compared with granite, marble is not as stain resistant and has a higher absorption by weight. It is therefore unlikely to withstand the demands from a Southeast Asian residential environment.

Although quartz and marble are granite alternatives in kitchen countertop and flooring applications, granite is expected to remain the mainstream material because of its superior physical characteristics and value proposition.

Table 1: Comparison of the characteristics of quartz, marble, and granite.

Characteristics	Quartz	Marble	Granite
Scratch resistant	5	1	5
Stain resistant	5	1	5
Chip and crack resistant	5	1	5
Heat resistant	3	3	5
Resistance to household cleaning agents	5	3	5
Low maintenance	5	3	5
Nonabsorbent and nonporous	5	1	5
Color consistency	5	1	3
Brightness	3	3	5
Pricing	1	3	3
Total score	42	20	46

Performance scale: Poor (1); Good (3); Best (5)

Source: Primary research, Marble Emporium, Frost & Sullivan analysis

Granite tiles are gaining popularity for residential decoration

Granite tiles are an affordable alternative to large granite slabs for kitchen countertops or flooring. Granite tiles can be arranged from edge to edge, providing the look of and feel of solid granite with lower cost. Apart from kitchen countertop and flooring, granite tiles are also popular for kitchen backsplashes. According to

APPENDIX F – INDUSTRY REPORT

primary research, floor tiles made from granite are gaining in popularity in contemporary homes, even though they are more expensive than conventional ceramic tiles.

Malaysian end users prefer dark coloured granite

According to Malaysian granite distributors, end user preference for Italian or other imported granite is primarily due to its darker colours. Italian granite is a popular choice in the residential end user segment because of its quality and luxuriousness. In fact, granite slabs from Italy are considered to be the most popular around the world. Nevertheless, end users would be willing to switch to lower priced alternatives such as domestically produced dark coloured granite. The cost savings from choosing domestic granite typically ranges from 2 to 4 times. The US Comtrade Database estimates that Malaysia imported 27.2 tonnes of granite blocks from Italy in 2016.

3.3 Commercial trends

Building aesthetics are expected to be a significant factor in high-end commercial buildings

The increasing importance of building aesthetics in premium commercial buildings (offices, hotels, and shopping malls) is expected to increase the utilisation of lasting and high quality building materials such as dimension stone granite. From a designer's perspective, darker colours convey monolithic strength, thus dark coloured granite is often used as flooring in commercial. Apart from flooring, granite is also commonly used in the lobby to construct pillars, ceilings, and walls. Thus, granite is expected to remain popular as an interior decoration in premium commercial buildings.

Dark coloured granite is increasingly used as a material for tombstones

Dark coloured granites such as black, grey, and dark green are increasingly being used for tombstones because it conveys a sense of magnificence. Dark green granite is culturally significant in many countries in Southeast Asia and in China.

3.4 Market size and forecast

The market size by revenue of the dimension stone granite in Malaysia was estimated using this methodology:

Step 1: Obtain official statistics of total value of granite used in construction (2009–2010)

Step 2: Obtain official statistics on construction expenditure (2013–2016)

Step 3: Extrapolate construction expenditure from 2016 to 2019 using forecasts from Bank Negara Malaysia

Step 4: Extrapolate granite values in Step 1 using aggregated growth rates in total construction expenditure (2013–2019)

The Department of Statistics Malaysia conducted surveys to estimate the use of granite aggregates and as tiles in 2009 and in 2010. From Table 2, the total cost of granite used in 2010 is MYR1,069.4 million, which is 1.8% of the total value of construction work conducted in the public, government, and private sectors. A growth of 3.4% was recorded between 2009 and 2010.

APPENDIX F – INDUSTRY REPORT

Table 2: Revenues from the use of granite as a construction material by sector, Malaysia, 2009–2010

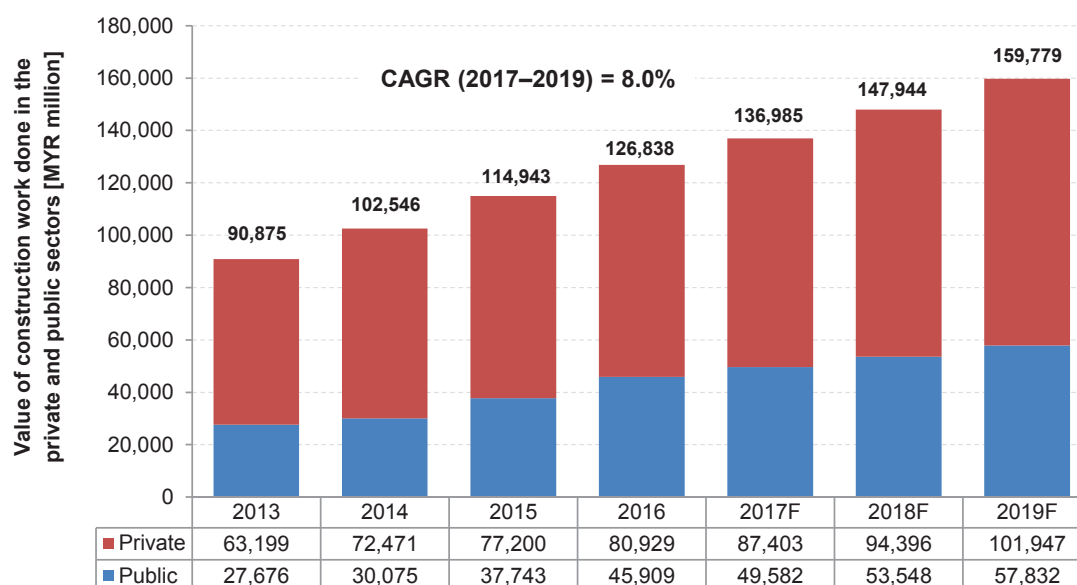
	Residential	Non-residential	Civil engineering	Special trades	Total [MYR million]
2009	234.12	146.21	584.28	69.87	1,034.5
2010	139.37	237.94	665.86	26.19	1,069.4

Source: Department of Statistics Malaysia

Using the Malaysian construction statistics for 2013 to 2016 as a basis, a growth of 8% is forecasted for 2017 based on Bank Negara's 2016 annual report. A similar growth rate is replicated for 2018 and 2019 as a conservative measure. Figure 4 shows the estimated value of construction work in the private and public sectors in Malaysia from 2013 to 2019. The official definition³ of "value of construction work done" is:

"Value for construction work done includes new work, capital repairs, restorations, conversions and current repairs and maintenances which were carried out during the reference period for the owner or investor of the project."

Figure 4: Value of construction work done in the private and public sectors, Malaysia, 2013–2019



Source: Q4 2016 Construction Statistics from the Department of Statistics Malaysia

Extraction and processing of dimension stone has been conducted in Malaysia since the 1960s. Nonetheless, official statistics about the dimension stone market in Malaysia is often limited to broad categories of granite products. Official data from the Department of Statistics Malaysia about the value of granite used for construction is limited to granite aggregates and black granite stone finishes for 2009 and

³ Economic census 2011 – construction sector by the Department of Statistics Malaysia

APPENDIX F – INDUSTRY REPORT

2010. The statistics were compiled in the 2010 and 2011 economic census program and the 2016 version will only be publicly released in June 2017.

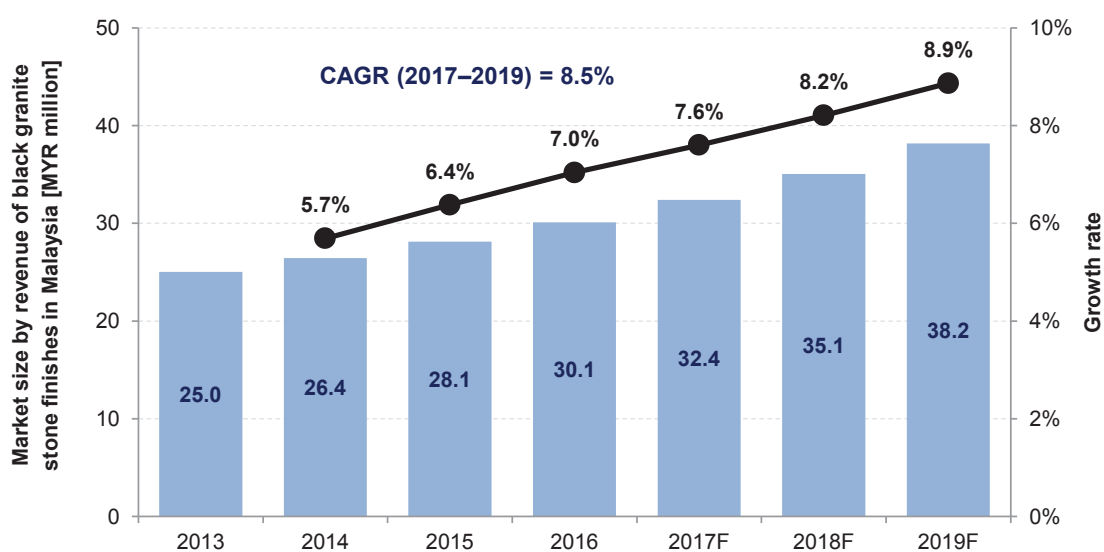
It is assumed that black granite stone finishes largely comprises dimension stone and would therefore be an indication of the market size by revenues of the dimension stone granite in Malaysia. The caveat, in this case, is twofold. Firstly, the economic census relies on the willing participation of companies in Malaysia and secondly, the granite stone finishes are limited to the black varieties only.

Given this constraint, the revenues of dimension stone granite from 2013 to 2019 were extrapolated by aggregating these factors:

- Growth in granite spending in 2009–2010 (3.4%)⁴
- Growth in the Malaysian construction industry, 2012–2016 (10–13%)⁴
- Forecasted growth in the Malaysian construction industry, 2017–2019 (Bank Negara Malaysia forecasts 8% for 2017 and this is replicated for 2018 and 2019)⁵

Figure 5 shows the estimated market size by revenues of the dimension stone granite industry in Malaysia from 2013 to 2019. A compounded annual growth rate of 8.5% is projected for 2017–2019 based on the 2017 construction spending forecast from Bank Negara Malaysia. On an annual basis, the dimension stone granite market in Malaysia is seen to have increased linearly, consistent with the construction expenditure in the country shown in Figure 4.

Figure 5: Market size of black granite stone finishes by revenues, Malaysia, 2013–2019



Source: Economic Censuses 2010 and 2011, Department of Statistics Malaysia

Given that the revenues in Figure 5 are for black granite stone finishes, the Malaysian dimension stone granite market size should be larger because of the availability of multiple granite colours, up to 9 according

⁴ Department of Statistics Malaysia

⁵ Bank Negara Malaysia 2016 Annual Report

APPENDIX F – INDUSTRY REPORT

to a leading dimension stone granite distributor, Marble Emporium Sdn. Bhd. The darker colours are black, grey, red, brown, blue, and green, and the lighter colours are white, beige, and pink.

Assuming a uniform distribution of revenues across all granite colours, if all colours were equally appealing, the Malaysian market size could be 9 times larger. If the darker colours have significantly higher demand and the lighter colours are insignificant, the Malaysian market size could be 6 times larger. Therefore, not implausible that the market size may be 6–9 times larger, as listed in Table 3.

Table 3: Market size by revenues in 2017 of dimension stone granite in Malaysia

2017	Black granite	6 times larger	9 times larger
Market size	MYR32.4 million	MYR194.4 million	MYR291.6 million

Source: Frost & Sullivan analysis

3.5 Pricing trends for Malaysian granite

GGTM produces and sells dimension stone granite in blocks, slabs, and tiles. The dimensions of these granite products are:

- Blocks: 2.5 m (L) x 1.5 m (W) x 0.75 m (H)
- Slabs: 2.5 m (L) x 0.6 m (W) x 18 mm/19 mm/20 mm (thickness)
- Tiles: dimensions are specified by the customer

The dimension stone granite prices listed in Table 4 are based on existing orders and offtake agreements with domestic and Chinese customers. Frost & Sullivan has crosschecked the prices in Table 4 with some of the industry participants and the prices are in line with market prices. Dimension stone granite prices are likely to be influenced by construction spending and end user demand for granite. Through interviews with industry participants and Frost & Sullivan analysis, the domestic and export prices are likely to remain stable in the next 3 years. Beyond that, prices may fluctuate by 2–5%.

Table 4: Prices of Terengganu Green and Sekayu White for the Malaysian and export markets, 2017

Prices in 2016/2017	Product	Domestic price [MYR]	Export price [MYR]
Terengganu Green	Blocks	1,500–2,100 per m ³	2,200–2,300 per m ³
	Slabs	265 per m ²	190–290 per m ²
	Tiles	44 per m ²	Not exported in this form yet
Sekayu White & Rosa Tenggo	Blocks	850–1,500 per m ³	Not exported in this form yet
	Slabs	157 per m ²	120–180 per m ²

Source: GGTM

APPENDIX F – INDUSTRY REPORT

3.6 Export and import trends of granite in Malaysia and China

3.6.1 Malaysia

The 2010 Malaysian Minerals Yearbook is the latest available statistical publication from the Minerals & Geoscience Department of Malaysia. The import and export values of dimension stones in 2009 and 2010 are listed in Table 5. Further details on dimension stone granite from the minerals yearbook are unavailable. Nevertheless, this provides an indication of the scale of external trade conducted in Malaysia for dimension stones. The sharp decline in exports of dimension stone in 2010 was likely due to the global sub-prime credit crunch. Most of the imported granite in Malaysia originates from Greece, India, Iran, and China. Similarly, Malaysian dimension stone products are exported to Singapore, Brunei Darussalam, and Indonesia.

Growth in construction expenditure in Malaysia is expected to remain in the high single digits in the near term (2017–2019). According to the Building and Construction Authority of Singapore, construction spend in 2017 is forecasted to increase from SGD26.1 billion in 2016 to about SGD32.0 billion in 2017. In Indonesia, the 2017 state budget has allocated IDR387.3 trillion for infrastructure development, an increase of IDR70 trillion (SGD7.3 billion) from 2016⁶. In Brunei Darussalam, the Department of Economic Planning and Development reported a decline of 6.6% in construction activities in 2016 and is likely to continue declining due to the low oil prices. Nevertheless, the substantial forecasted increase in construction spending in Singapore will likely result in Malaysia exporting more dimension stone granite to the city state.

Table 5: Export and import values of dimension stone in Malaysia, 2009–2010

Dimension stone	2009	2010
Export [MYR]	66,091,000	25,736,000
Import [MYR]	14,215,000	17,157,000

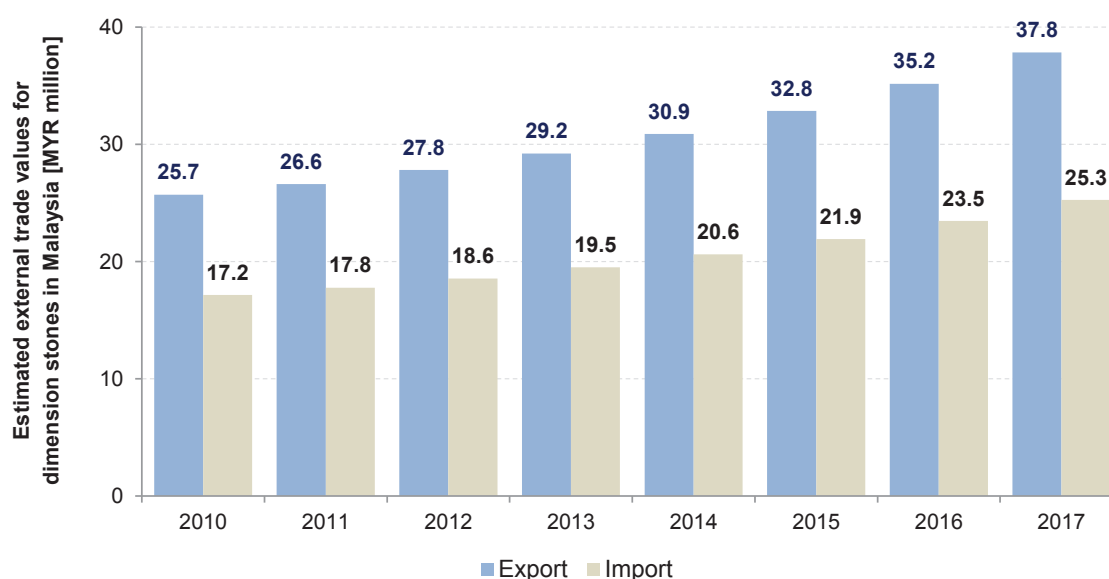
Source: Malaysian Minerals Yearbook 2010

Using the same growth rates from Figure 5, the values in Table 5 were extrapolated to provide an indication of the scale of external trade relative to the estimated market size in 2017. Figure 6 shows an extrapolation of the external trade values of dimension stones in Malaysia based on the growth rates in Figure 5.

⁶ "Infrastructure Budget Indonesia Rises in 2017 State Budget" in Indonesia Investments, 29 October 2016

APPENDIX F – INDUSTRY REPORT

Figure 6: Estimated external trade values for dimension stones in Malaysia, 2010–2017



Source: Malaysian Minerals Yearbook 2010, Frost & Sullivan analysis

3.6.2 China

In 2016, Brazil was the largest importer of granite (HS code: 2516.12) from China⁷. According to primary research with granite distributors in China, Giallo Venezia granite from Brazil is widely used in premium commercial and residential buildings as material for flooring and countertops. Its natural golden hues is a culturally significant colour that is well-regarded by residential and commercial consumers. With the increasing supply of premium commercial space in China, the number of Giallo Venezia imported from Brazil is expected to increase. Imported dimension stone granite from Malaysia such as the Terengganu Green species is also extensively used in residential, commercial, and public infrastructure in China. Several primary research participants have indicated that dark green dimension stone granite is a desirable material for temples and parks whereby it is often carved into sculptures.

In 2016, Thailand was the largest export destination for Chinese granite. Increasing amount of granite would be exported from China in the foreseeable future, mainly due to the extensive infrastructure investment of the Thai government. According to the ASEAN Constructors Federation, the Thai government is expected to invest USD56 billion in infrastructure construction between 2015 and 2022. This investment will be used to construct road and railway networks, and transportation hubs. Examples of significant projects include the Thai-Chinese joint rail development and the phase two expansion of Suvarnabhumi Airport. The former will eventually link the southwestern Chinese city of Kunming to Thailand via Laos. Therefore, the export demand for Chinese granite is likely to increase.

⁷ China Customs Information Center

APPENDIX F – INDUSTRY REPORT

3.7 Industry dynamics of granite produced in Malaysia

3.7.1 Growth drivers

Government-led infrastructure projects in Malaysia

Malaysian produced dimension stone granite such as Terengganu Green and Sekayu White are preferable construction materials in many large scale government projects. Being a low maintenance material, granite floorings are considered as a single application finish, which is welcomed in high footfall areas such as airports and mass transit stations. Granite also conveys a feeling of luxuriousness and prestige and it is therefore regularly found as a decorative material in premium office buildings and shopping malls.

Several example projects that have used Terengganu Green and Sekayu White include: Kuala Lumpur International Airport, Petronas Twin Towers, and Masjid Asy-Syakirin amongst others.

Under the 11th Malaysian Plan (2016–2020), the High Speed Rail project is estimated to invest MYR40 billion for these proposed eight stations:

- Kuala Lumpur
- Putrajaya
- Seremban
- Air Keroh
- Muar
- Batu Pahat
- Johor Bahru
- Jurong, Singapore

Apart from the HSR project, there are other government projects with granite applications and these are in the construction of national railway terminals and airports. These government-led projects are expected to drive the Malaysian granite industry.

Table 6: Infrastructural projects under the 11th Malaysia Plan, 2016–2020

Category	Project name	Location	Estimated investment
Rail	KV MRT – Line 2	Klang Valley	MYR23 billion
Rail	Light Rail Transit – Line 3	Klang Valley	MYR9 billion
Rail	Electrified Double Track Project	Negeri Sembilan and Johor	MYR8 billion
Rail	Monorail Upgrading & Extension	Klang Valley	MYR3 billion
Airport	Mukah Airport & Smart City Mukah	Sarawak	MYR0.2 billion

Source: WTW Property research

New private hospitals being built in Malaysia

Primary and secondary research indicates that granite is a popular flooring material in hospitals because of its low absorption characteristics, which will not host bacteria and dust. This is a crucial requirement within a hospital environment.

APPENDIX F – INDUSTRY REPORT

KPJ Healthcare Berhad (KPJ) will spend up to MYR1.29 billion to build eight hospitals nationwide in the coming years. The new hospitals, which are expected to be ready between 2018 and 2019, will add another 1,210 beds to the group's current capacity. In addition, TMC Life Sciences Berhad is building a new hospital in Iskandar, Johor, and expanding its Kota Damansara hospital for a combined MYR1.5 billion investment until 2019. With at least ten hospitals being built in Malaysia, this could increase the demand for locally sourced granite.

The occupancy rates and supply of retail spaces are expected to remain positive

Premium retail spaces, just like luxury hotels, tend to use dimension stone products such as granite for interior decoration and façades. Table 7 shows 28.3 million square feet of new shopping malls will be constructed by 2019. The demand for modern and sophisticated retail malls will sustain growth in shopping mall developments. According to CBRE research, the occupancy rate of shopping malls in Malaysia has remained healthy in the last five years, averaging about 89%. This is a crucial factor in ensuring the construction of luxury retail spaces.

According to CBRE Research, Klang Valley has shown great potential in attracting domestic and international retail investors particularly in areas such as Kuala Lumpur City Centre and Bukit Bintang. In terms of new supply of shopping malls, Klang Valley ranks first, followed by Penang, Iskandar in Johor, and Kota Kinabalu in Sabah in the development of new shopping malls.

Table 7: Development of new shopping malls in Malaysia.

City/Region	Timeline	Area of new shopping malls [million square feet]
Klang Valley	By 2019	16.6
Penang	By 2022	5.0
Johor	By 2019	4.3
Kota Kinabalu	By 2018	1.4
Kuching	By 2018	1.0
Total area		28.3

Source: CBRE Research

Number of luxury hotels is expected to grow

Dimension stone products such as granite is often used as a critical construction material in luxury hotels, especially in the façade and lobby area. The growth of the luxury hotel business is likely to influence the dimension stone industry in Malaysia because its glossy surface and unique textural designs convey a sense of lavishness and opulence.

Table 8 shows the number of new luxury hotels that are scheduled to be built in Malaysia by the end of 2019. At least 47 new hotels are going to be constructed by the end of 2019. One notable new hotel is Movenpick Hotel in Kota Bharu—a 5-star hotel with an Islamic-themed exterior and layout. As was previously mentioned, dark green granite is a culturally significant material in Asia and the Movenpick Hotel, along with many other luxury hotels in Malaysia, are likely to boost demand for this variety of granite.

APPENDIX F – INDUSTRY REPORT

From a long-term perspective, Klang Valley, Penang, Sabah, and Sarawak have tremendous potential for the luxury hotel business. As one of the economic hubs of Malaysia, Klang Valley is likely to host many international meetings, incentives, conferences, and events activities (MICE). This will support the development of luxury hotels in the area and consequently, the demand for premium dimension stone products. Penang is popular travel destination worldwide, which can be seen from international publications such as Lonely Planet, Los Angeles Times, Holiday Lettings UK, and The Culture Trip in 2016. One of the most famous tourist attractions is George Town, which gained World Heritage Site status in 2008.

The Pioneer Status and Investment Tax Allowance launched by the Malaysian Investment Development Authority would allow companies undertaking new investments in 4 and 5-star hotels in Sabah and Sarawak to be eligible for incentives. As Sabah and Sarawak are the main travel destinations for domestic travellers according to the Department of Statistics Malaysia. Although the hotel sector in Sabah and Sarawak is currently dominated by affordable hotels, the number of luxury hotels is expected to grow due to this tourism incentive.

Table 8: Number of new hotels scheduled to be built in Malaysia by 2019.

City/Region	Timeline	Number of hotels	Notable luxury hotel groups
Klang Valley	By 2019	39	• Oakwood Hotels & Residence • Kempinski • Jumeirah • Banyan Tree • Raffles • Four Season
Penang	By 2019	4	• Hilton • Marriott • Holiday Inn&Suits
Johor	By 2019	2	• Melia Iskandar
Kuching	By 2018	1	• UCSI City Island Hotel
East Coast region	By 2019	1	• Movenpick Hotel

Source: CBRE Research

According to the World Travel & Tourism Council, the total contribution of travel and tourism to the 2016 Malaysian GDP was MYR167.5 billion, accounting for 13.7% of total GDP. It is forecasted to rise by 4.2% in 2017 and it is expected to reach MYR100.4 billion in 2027, with an annual growth rate at 5.2% from 2017-2027. According to WTW property research, a real estate service company in Malaysia & Brunei, a business tourist tends to spend 3 times more on average than a leisure visitor. About 30% of the total spending from a business tourist is on hotels. Malaysia aims to have 2.9 million business tourists by 2020, which will account for 8% of total tourists. Business travellers typically expect a certain level of comfort and the elements of luxury from their hotels. A booming business travel industry is likely to accelerate the growth of luxury hotel. The savvy business traveller is merely one customer segment of the luxury hotel business and a similar analysis can be pragmatically applied to guests of luxury hotels. In order to convey a sense of opulence, luxury hotels characteristically use premium building materials. Consequently, a booming luxury travel industry is likely to result in the use of premium building materials such as granite.

APPENDIX F – INDUSTRY REPORT

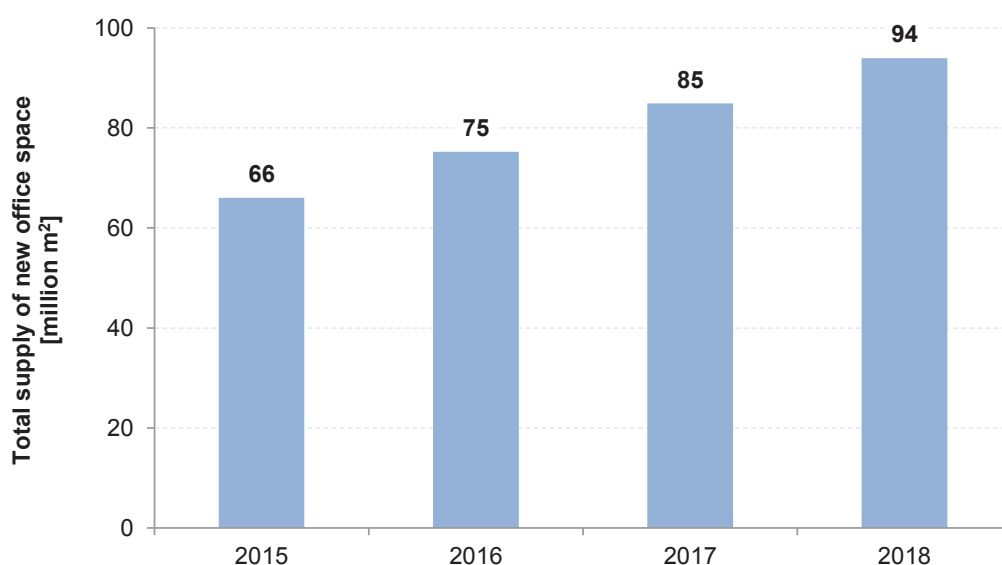
Increase in premium commercial space in China

China is currently one of the importers of Malaysian dimension stone granite. China is the largest importer of HS 2516.12 granite with an estimated 2015 annual value of USD41.53 million (SGD57.88 million)⁸, followed by the United Kingdom with USD33.96 million (SGD47.33 million), and Maldives with USD23.88 million (SGD33.28 million). Italy, a country that was once the dimension stone capital of the world, imported about USD7.53 million worth of HS2516.12 granite. This is evidence that China is likely to replace Italy as the dimension stone capital of the world as Chinese companies have produced over 400 million m² of dimension stone granite over the past 3–5 years.

As one of the main trading partners of Malaysia for granite, China imported about 186 tonnes of various forms of granite, according to the UN Comtrade database. One of the primary reasons for this is Malaysia produces granites in uniquely dark colours.

End users from China typically use dark coloured Malaysian granite to luxuriously furnish office buildings. The chart in Figure 7 shows the new supply of office space in 17 major cities in China. In the short term, the supply of office buildings in these 17 cities is expected to reach 94 million m² by the end of 2018. This trend is likely to continue growing in the subsequent years due to an increase in dedicated central business district areas in Tier 2 cities.

Figure 7: Estimated total supply of new office space in China, 2015–2018



Source: CBRE Research

According to CBRE Research, a global commercial real estate and investment firm, from 2010 to 2015, the supply of premium retail space in Tier 1 cities increased by 60%, while Tier 2 cities experienced an even higher growth of approximately 160%. The increase in premium retail spaces is largely driven by Chinese consumers having more disposable income and their penchant for premium products. Dimension stones such as granite are generally used in premium locations because of the uniqueness of its appearance and

⁸ China Customs Information Center

APPENDIX F – INDUSTRY REPORT

natural hardness. Consequently, granite is often chosen as the material for building façades, flooring, and columns. From the perspective of Chinese consumers, dark coloured granite conveys monolithic strength; a feature that is welcomed in high-end office buildings and luxury shopping malls.

Sustained investments in subway and airport infrastructure projects in China

According to the China National Development and Reform Commission, the total investments in subway construction projects for 2015–2022 amounts to RMB738.3 billion (2015: MYR466.7 billion or SGD161.6 billion), as shown in Table 9. Furthermore, according to China's 13th Five Year Plan, 74 new airports are expected to be completed by 2020. Being a low maintenance material, granite is largely used in high footfall areas such as mass transit railway stations, subways, and airports. Therefore, the continued investment in subway construction and airport construction is expected to drive the demand of granite in China, which could spur the Malaysian granite industry.

Table 9: Infrastructure investments in several Tier 2 cities in China, 2015–2022

City	Timeline	Investment [RMB billion]	Investment [SGD billion]	Projects
Urumqi	2016–2021	33.8	7.4	2
Baotou	2016–2021	30.6	6.7	2
Nanjing	2016–2021	27.8	6.1	3
Xiamen	2016–2022	100.0	21.9	4
Dalian	2015–2020	52.9	11.6	3
Guangzhou	2017–2023	219.6	48.1	10
Hangzhou	2017–2022	142.6	31.2	10
Luoyang	2016–2020	31.0	6.8	2
Wuhu	2016–2020	16.1	3.5	2
Changsha	2017–2022	84.0	18.4	7
Total		738.4	161.7	45

Source: Chinese National and Development and Reform Commission

3.7.2 Growth restraints

The new supply of premium office building is likely to stagnate in the foreseeable future

In Q4 2016, the Business Confidence Index (BCI), a measure developed by the Malaysian Institute of Economic Research, dropped for the second consecutive quarter to 81.2 points, below the 100-point threshold. These are signs of a stagnating business environment in Malaysia and consequently, it could affect the demand for new office spaces.

APPENDIX F – INDUSTRY REPORT

However, in the long run, a weaker Malaysian dollar and increasing economic uncertainties in the US, China and the European Union⁹ is expected to attract more foreign investment. This, in turn, could spur the recovery of the business climate in Malaysia.

The new supply of luxury condominiums is limited in the coming years

Dimension stone granite is popular material choice as a luxury furnishing material in the residential sector. A restraint in the supply of new premium residential units is expected to reflect similarly in the demand for granite. According to CBRE research, the supply of luxury condominiums in 2016 was mainly contributed by Klang Valley, with eight luxury condominium projects amounting to 3004 units completed in 2016. However, the luxury condominium market tends to be a buyer's market in the next coming years because demand is losing its momentum, *i.e.* supply exceeds demand. In fact, according to WTW research, six states are considered as severely unaffordable in terms of median house price over annual household income, namely Sabah, Sarawak, Kuala Lumpur, Pulau Pinang, Selangor and Kelantan.

Availability of imported granite

Through discussions with Malaysian granite distributors and contractors, they have cited several competitively priced Chinese alternatives to the Terengganu Green granite namely: "654 granite", Luo Yuan Qing granite, and Zhang Pu Qing granite. The former is exported to Malaysia whilst the other two are mostly used in China.

3.8 Regulations and government initiatives

Mining operations in Malaysia are subjected to several laws and these are listed and summarised in Table 10. This is a non-exhaustive list and mining operations are also subjected to the State Mineral Enactment that gives power to the States to issue exploration licenses and mining leases. Operators of quarries are also required to pay value-based royalties to the State government and this is in addition to the corporate tax payable to the federal government.

⁹ Winter 2017 Economic Forecast by the European Commission

APPENDIX F – INDUSTRY REPORT

Table 10: Example laws that govern mining operations in Malaysia

Malaysian Law	Brief description
Mineral Development Act 1994	Section 10 of the Mineral Development Act 1994 ("MDA") stipulates that the holder of a proprietary mining licence must submit for approval by the Director of Mines appointed under the MDA, an operational mining scheme for development work and mining on the land which is the subject of such mineral tenement before the commencement of any development work or mining within the mineral tenement area.
Environmental Quality Act 1974	Mining of minerals in new areas where the mining licence covers a total area in excess of 250 hectares is one of the prescribed activities under Environmental Quality (Prescribed Activities) (Environmental Impact Assessment) Order 1987. Pursuant to section 34A of the Environmental Quality Act 1974 ("EQA"), any person intending to carry out any prescribed activity (as described under the schedules of the Environmental Quality (Prescribed Activities) (Environmental Impact Assessment) Order 2015) must appoint a qualified person to conduct an environmental impact assessment and to submit a report thereof to the Director General of Environmental Quality ("Director General") in the manner as the Director General may prescribe. Upon the Director General's opinion that the report satisfies the requirements of the issued guidelines and that the measures to be undertaken to prevent, reduce or control the adverse impact on the environment are adequate, the Director General is required approve the report, with or without conditions attached thereto.
Factories and Machinery Act 1967	The Act general provides for the control of factories with respect to the matter relating to the safety, health and welfare of the person therein the registration and inspection of the machinery and for the matters connected there within.

APPENDIX F – INDUSTRY REPORT

3.9 Competitive landscape

3.9.1 Industry players

GGTM perceives granite trading companies as the closest form of a competitor in its industry. This is largely due to GGTM's involvement throughout the granite value chain in Malaysia, *i.e.* extraction, processing, distribution, and marketing. Competition in the processing (post-extraction) phase of dimension stone granite is mainly based on production capability, turnaround time, price, product range, and value-added services.

According to primary and secondary research, some granite quarry operators produce aggregates instead of dimension stones, for example Sunway Quarry Industries Sdn. Bhd., CMS Quarry Sdn. Bhd., and Hanson Quarry Products Sdn. Bhd. One example of a dimension stone granite producer with quarrying operations is Dimensi Timal Sdn. Bhd. Some quarry operators do not have an updated internet presence and have declined to be interviewed for the purpose of this independent market research.

Most of the dimension stone manufacturers and quarry operators in Malaysia are involved in marble products because of large marble deposits in the country. Three public listed companies in Malaysia, namely Able Group Bhd., Stone Master Corporation Bhd., and Hock Heng Stone Industries Bhd. are involved in the processing of dimension stone granite.

In terms of product, GGTM's Concession Areas in Terengganu would allow it to produce 3 out of the 5 colour types of granite that are typically found in Malaysia, *i.e.* green, white, and pink. Furthermore, GGTM is the sole supplier of Terengganu Green dimension stone granite in Malaysia. The rarity of Terengganu Green is a competitive advantage that GGTM can capitalise and this is elaborated in Section 3.9.2.

3.9.2 Competitive advantages of GGTM

GGTM is involved in many parts of the Malaysian granite value chain, which is beneficial in the dimension stone granite industry. The competitive strengths and advantages of GGTM are described here.

Comprehensive range of processing equipment

GGTM inherited the processing equipment from the previous quarry operator and the facilities are located approximately 1 km from the Concession Area. In terms of processing, they include: stamping machines, auto line polishing machine, multi-blade block cutter, bridge cutter, and an auto flaming machine. The types of equipment required for extraction, which GGTM already has, includes: circular saw machines, diamond wire saw machines, coring machines, jack hammers, transportation vehicles, air compressors, and diesel generators. These machines are either fully or semi-automated and would require experienced and trained personnel to operate them. The availability of these mechanical equipment has allowed GGTM to begin extraction and would allow GGTM to scale production according to demand.

Coverage of Malaysian granite

The dimension stone granite from GGTM's Concession Area includes 3 out of 5 granite types found in Malaysia. This locally sourced dimension stone granite have been utilised for interior fit-out purposes in numerous public infrastructure projects in Malaysia such as but not limited to Dataran Putra at Putrajaya, Kuala Lumpur International Airport, Masjid Taman Ilmu in Besut, Terengganu, and Petronas Twin Towers in Kuala Lumpur.

Integrated dimension stones granite excavation and processing

GGTM has been granted the rights to explore, develop, and extract granite in Bukit Machang and Bukit Chetai in Terengganu. It also has the facilities to processing the excavated granite blocks into standardised

APPENDIX F – INDUSTRY REPORT

dimensions. Most of GGTM's competitors are limited to trading companies because unlike GGTM, they are typically not involved in both the extraction and processing parts of the Malaysian dimension stone granite value chain.

GGTM also has an interior fit-out team that offers consultancy services as an avenue to promote the use of its dimension stone granite. Their end user segments include residential, commercial, and public infrastructure projects. They are also keenly pursuing partnerships with architects and project developers in Malaysia as another distribution channel in the retrofitting and renovation business.

Highly scalable extraction plan

The estimated resources for Terengganu Green and Sekayu White granite types are about 6 million m³ and 100 million m³ respectively. In terms of GGTM's extraction plan, by the end of the 20-year land lease in 2037, they would have extracted about 20.5% and 0.6% of the estimated Terengganu Green and Sekayu White resources. There will be sufficient resources available for GGTM to increase their production targets.

Established track record in the quarrying industry

The management of GGTM have more than 20 years of experience in the Malaysian dimension stone granite industry. Their knowledge and understanding of quarry operations, processing facilities, distribution channels, and last but not least, strong professional relationships with influential project developers in Malaysia are factors that are key to GGTM's success in this market. GGTM has conducted several mining and quarrying activities in Terengganu and are therefore well versed in their dealings with the Terengganu state government.

These factors tie in nicely with the sales and marketing efforts to promote locally source granite for development projects in Malaysia. Having them to manage the entire extraction, processing, sales, and marketing channels will ensure that GGTM will meet and supersede customer's expectations. Collectively, their commitment and enthusiasm is one of the main contributing elements to GGTM's established reputation in the dimension stone granite industry.

Product quality and authenticity

Granite from GGTM's quarries in Terengganu will bear the official "certificate of origin" from the state government. This allows GGTM to protect their industry from counterfeit products. This endorsement from the Terengganu state government will aid GGTM in its efforts to market this unique dimension stone granite domestically and abroad. Simultaneously, end users of GGTM's granite can be assured of the quality and authenticity of the products they have purchased.

According to end users and distributors, the distinguishing factors between a premium and non-premium granite are its colour and material properties. The latter includes characteristics such as: liquid absorption by weight, resistance to abrasion, and compressive strength. In Malaysia, Terengganu Green is considered premium granite because of its dark green colour and it would generally cost approximately 20–30% more than non-premium granite.

Granite, like any other rock, may contain traces of radioactive elements such as uranium, radium, and thorium. According to the United States Environmental Protection Agency, if present, these radioactive elements will decay into radon, which is an odourless and colourless radioactive gas. All granite from GGTM meets or exceeds the standards set by the American Society for Testing and Materials International (ASTM) including the radon test. This is especially crucial requirement for granite that is exported to China.

APPENDIX F – INDUSTRY REPORT

3.10 Market outlook

Globalisation has left no stone unturned and this includes the dimension stones industry. Worldwide annual production of granite in terms of million m² is dominated by China, Brazil, and India¹⁰. Technological advancements and improvements in geological knowledge have made quarrying and the processing of dimension stones more efficient in terms of the reduction of wastage. Similarly, the logistical connectivity between continents has encouraged external trade of this timeless commodity. Dimension stones are used in architectural projects globally for their aesthetic appeal and longevity. Economies of scale have enabled this naturally occurring commodity to be utilised by a diverse range of end users across various pricing categories. The foreseeable future of the dimension stone granite is intrinsically associated with the construction industry and the state of the economy. It is, in any case, a luxury building material that conveys a sense of prosperity and grandeur.

Worldwide, there is an extensive variety of dimension stone granite and these are sold as a raw material, semi-processed or in fully processed forms. Nevertheless, the availability of high quality dimension stone granite with the desired texture, colour, and mechanical properties is often restricted. This is either due to government regulations limiting excavation rates or the sheer difficulty in quarrying the dimension stone.

Malaysia is a country blessed with a diverse range and substantial resources of rock-based minerals such as marble and granite. In the latter category, the Terengganu Green variety has had notable interest in many public sector developments and for the Chinese market. For architectural purposes, Malaysia has a ready supply of dimension stone granite and GGTM in particular, is the sole supplier of Terengganu Green granite in Malaysia. This is an advantage that would ensure a ready supply of dimension stone granite that could be further up-scaled based on demand. Applications of dimension stone granite has evolved from a material that is only accessible to a select few to one that has found diverse applications in urban residences, interior decorations, hospital flooring, luxury hotels, office buildings, and places of worship. The latter use case is closely tied to the cultural and religious significance of the in Asia.

Bank Negara Malaysia forecasts indicate that the construction sector in Malaysia will grow by 8% in 2017 and this is expected to drive the demand for exceptional building materials such as dimension stone granite. Developments in the commercial property segment and public sector buildings (hospitals, state buildings, and transport terminals) are the main drivers for the growth of the granite industry. Furthermore, public infrastructure development activities in China are seen as a growth opportunity for GGTM to export its unique Terengganu Green granite. The ASEAN market is also a potential for expansion especially in Vietnam whereby the construction industry is expected to thrive from the Free Trade Agreement and Trans-Pacific Partnership initiatives. In 2016, Vietnam has 1,800 newly licensed construction projects, a 27% increase from 2015¹¹.

The majority of granite utilisation is in government-led infrastructural projects. The unique selling point of GGTM's dimension stone granite is its colour and it is locally sourced, which is a crucial requirement in many government projects. This is essentially due to the potential cost savings from foreign currency fluctuations, delivery timelines, and the availability of stock. The value-added from processing excavated granite contribute approximately 35% of the total gross output value of granite¹².

¹⁰ Estimated worldwide production of granite in 2014 by the World Natural Stone Association

¹¹ Vietnam Country Report in the 42nd ASEAN Constructors Federation Council Meeting in Yangon, November 2016

¹² Report on survey of construction industries 2014 from the Department of Statistics Malaysia

APPENDIX F – INDUSTRY REPORT

In summary, the growth of the Malaysian dimension stone granite industry is largely driven by these existing and expected factors in Malaysia and China:

- Public infrastructural projects
- Development of luxury hotels and premium retail space
- Increase usage of granite in urban residences and as an interior decoration material

APPENDIX G – ABRIDGED LEGAL OPINION FROM ZAID IBRAHIM & CO

Due incorporation

- (a) GGT Manufacturing Sdn. Bhd. (“**Company**”) has been duly incorporated and is validly existing as a legal entity with limited liability under the laws of Malaysia, having the full capacity, power and authority to enter into legally binding and enforceable contracts and undertakings and to sue or be sued in its own name under the laws of Malaysia.
- (b) The Company has the corporate power and authority necessary to own its assets, including such licences, permits, certificates and approvals as are relevant to its businesses and operations and the Agreements (as defined in the legal opinion), and to perform its businesses in the manner conducted by it as contained in the constitution of the Company (“**Constitution**”).

Constitution

- (c) The Constitution complies with the requirements of applicable laws of Malaysia and is in full force and effect.
- (d) The current board of directors of the Company were properly constituted and in compliance with all applicable laws of Malaysia and the Constitution. As at the date of this legal opinion (“**Opinion**”), the directors of the Company are Lim Chiau Woei and Peter Ling Sie Wuong.

Share capital

- (e) The Company’s current issued and paid-up share capital is RM270,531 consisting of 250,000 ordinary shares and 20,531 redeemable convertible preference shares (“**RCPS**”). The Company’s current issued and paid-up share capital:
 - (i) have been duly authorised and validly issued in compliance with all applicable laws in Malaysia and are non-assessable;
 - (ii) were not subject to any and therefore were not issued in violation of any pre-emptive rights, resale rights, rights of first refusal or similar rights of any party including without limitation, any holder of securities of the Company, under the Constitution or the applicable laws of Malaysia, any agreement, deed or other instrument to which the Company is a party or by which the Company is bound or to any document relating to the properties owned/leased by the Company; and
 - (iii) conform as to the Malaysian legal matters to the description thereof contained under “Share Capital and Principal Shareholders” of the circular dated 30 June 2017 in relation to the Proposed Acquisition (as defined in the Opinion).

The issued shares in the capital of the Company are registered in the names of Lim Chiau Woei, Koh Ah Luan and Luminor Pacific Fund 1 Ltd. (“**Luminor 1**”) and the liability of such registered holders in respect of the equity interest held by them in the Company is limited to their investments therein.

Details of the Company’s current issued and paid-up share capital and shareholding composition are set out in Schedule 1 (of the Opinion).

APPENDIX G – ABRIDGED LEGAL OPINION FROM ZAID IBRAHIM & CO

- (f) The shares in the Company, as described in Schedule 1, have been duly authorised, validly issued and have not been re-purchased or cancelled and based on the Shareholders' Statutory Declaration (as defined in the Opinion), such shares in the Company are not encumbered, save for the put option on 39,071 shares ("**Option Shares**") held by Luminor 1 where Luminor 1 has the right to require Lim Chiau Woei to purchase from Luminor 1 the Option Shares pursuant to a put option agreement dated 23 January 2017 entered into between Lim Chiau Woei and Luminor 1. All the transfers of shares in the capital of the Company are duly authorised, and are in order and effective. There were no irregularities in the transfer of shares in the Company that would affect shareholders' rights and obligations or the validity of the shareholding interest of the respective current shareholders.
- (g) There were no restrictions on transfers or holdings of the shares in the Company, as described in Schedule 1, or any restrictions on the right of persons deemed or designated "non-resident" for exchange control purposes under the laws of Malaysia or foreign shareholders to hold or exercise the voting rights attached to the share capital of the Company imposed by any applicable law of Malaysia or the Constitution.
- (h) The Company does not have treasury shares and have never issued any preference shares or share options, save for the issuance of 20,531 RCPS to Luminor 1. The issue of the aforementioned 20,531 RCPS to Luminor 1 was duly authorised and validly issued.

Title to, validity and enforceability of rights to assets

- (i) Perbadanan Memajukan Iktisad Negeri Terengganu ("**PMINT**") has been granted a contractual right by Lembaga Tabung Amanah Warisan Negeri Terengganu ("**LTAWNT**"), to carry out works in relation to the mining and production of dimensional granite stones ("**Works**") in (i) H.S. (D) 978, PT 4161, Bukit Chetai, Mukim Tersat, Daerah Hulu Terengganu ("**Bukit Chetai Property**") and (ii) H.S. (D) 1122, PT 7812 (now known as PN 9746, Lot 60416) and H.S. (D) 1123, PT 7813 (now known as PN 9747, Lot 60417), Bukit Machang, Mukim Hulu Berang, Daerah Hulu Terengganu ("**Bukit Machang Property**"), pursuant to the terms of the Primary Agreement (as defined in the Opinion) for the period from 27 October 2014 to 26 October 2029.

Subsequently, the Company has been granted a contractual right by PMINT, to carry out the Works in Bukit Chetai Property and Bukit Machang Property, pursuant to the terms of the concession contract work agreement dated 16 September 2015 ("**Concession Agreement**") entered into between PMINT and the Company for the period from 16 September 2015 to 26 October 2029. The renewal period of the Concession Agreement is subject to the period of renewal of the Primary Agreement, the satisfactory performance and achievement of the Company and the Company's compliance with the terms and conditions of the Concession Agreement.

The Bukit Chetai Property and the Bukit Machang Property, both are owned by LTAWNT. At the date of this Opinion, no proprietary mining licence has been issued to LTAWNT for Bukit Machang Property. Based on the Statutory Declaration, the Company has not conducted any Works in Bukit Machang Property.

LTAWNT is the licence holder of the proprietary mining licence (PML 1/2008) ("**Proprietary Mining Licence**") for Bukit Chetai Property, which was granted on 5 August 2008 for a period of 10 years ending on 4 August 2018, pursuant to section 81(1) of the Mineral (Terengganu) Enactment 2002 ("**Enactment 2002**"), being an enactment of the State of Terengganu Darul Imam to enable allocation for mineral tenement and for purposes connected therewith by the

APPENDIX G – ABRIDGED LEGAL OPINION FROM ZAID IBRAHIM & CO

Terengganu State Authority (as defined in the Enactment 2002 to mean the Ruler or the State Executive Council, as the case may be). Under the Enactment 2002 and to the terms and conditions specified in the Proprietary Mining Licence, LTAWNT as the licence holder of the Proprietary Mining Licence has the following rights:

- (i) the exclusive right to mine the Bukit Chetai Property in respect of the Proprietary Mining Licence which has been granted in accordance with the pre-feasibility study submitted under section 81(3) of the Enactment 2002;
- (ii) Subject to section 71 of the Enactment 2002 and any other law relating to minerals,
 - (A) to store, transport, process and sell any mineral extracted and dispose of any waste;
 - (B) to use any timber, sand or gravel as required for mining within the mining land;
 - (C) to use such portions of the mining land as may be required for the purposes of growing plants or vegetables, or keeping animals, poultry or fish as may be reasonable for use by the employees at the mine;
 - (D) to use such portions of the mining land as may be required for the purpose of erecting houses, lines, sheds or other buildings as may be reasonable for the purposes of the mine or for use by the employees at the mine;
 - (E) to do any act or thing and establish and maintain any road and facility to effectually carry out mining operations, on or under the land; and
 - (F) to use, occupy and enjoy the land in respect of which a proprietary mining licence has been granted for mining purposes.

LTAWNT was also granted a letter of approval (“**JMG Approval**”) dated 1 April 2017 for Bukit Chetai Property by the Jabatan Mineral Dan Geosains Malaysia, Terengganu (“**Malaysia Minerals & Geoscience Department**”) for the period from 4 April 2017 to 2 April 2018 under section 10 of the Mineral Development Act 1994 (“**MDA**”) being an Act which applies throughout Malaysia to provide for the inspection and regulation of the mining of minerals and mineral ores and for other matters connected therewith. LTAWNT, with the assistance of PMINT and the Company, may apply for renewal of the JMG Approval on an annual basis.

Malaysia Minerals & Geoscience Department is the relevant department under the Ministry of Natural Resources and Environment, being the Ministry which regulates the MDA, to issue the JMG Approval.

The Proprietary Mining Licence is not issued in PMINT’s name and the Company’s name to mine in the Bukit Chetai Property but such right to mine in the Bukit Chetai Property is given by LTAWNT to PMINT through the Primary Agreement and PMINT to the Company via a contractual right through the Concession Agreement respectively, which such contractual right is acknowledged by the JMG Approval. The Primary Agreement is a valid and enforceable agreement.

APPENDIX G – ABRIDGED LEGAL OPINION FROM ZAID IBRAHIM & CO

The Company has the mining rights in the Bukit Chetai Property arising from (i) such rights granted to LTAWNT under the Proprietary Mining Licence by the Terengganu State Authority which in turn LTAWNT has granted contractual mining rights to PMINT under the Primary Agreement and (ii) the valid and legally enforceable contractual right under the Concession Agreement against PMINT.

LTAWNT is the relevant and competent authority to grant the concession right regarding mining as granted to PMINT in respect of the Bukit Chetai Property, pursuant to the State Heritage Trust Fund Enactment 1990.

PMINT is the relevant and competent authority to grant the concession right regarding mining as granted to the Company in respect of the Bukit Chetai Property, pursuant to the Terengganu State Economic Development Corporation Enactment 1965.

There is nothing under the laws of Malaysia, the Primary Agreement and the terms of the Proprietary Mining Licence which prevents LTAWNT from granting to PMINT and PMINT to the Company, the mining rights in Bukit Chetai Property.

There are no legal impediments preventing the Company from renewing the Concession Agreement and the approval from the Malaysia Minerals & Geoscience Department being renewed by LTAWNT, with the assistance of PMINT and LTAWNT based on and subject to the following:

- (i) the renewal of the Proprietary Mining Licence;
- (ii) the compliance of the terms and conditions of the Concession Agreement;
- (iii) the renewal of the Primary Agreement; and
- (iv) the letter dated 11 May 2017 issued by PMINT to the Company confirming that PMINT will support the application of any renewal, extension of the Proprietary Mining Licence and the continuance of the Concession Agreement, subject to the Company being in compliance with the terms and conditions of the Concession Agreement.

There are no legal impediments preventing PMINT from renewing the Primary Agreement based on and subject to the following:

- (i) the renewal of the Proprietary Mining Licence;
- (ii) the compliance of the terms and conditions of the Primary Agreement; and
- (iii) the letter dated 17 April 2017 issued by LTAWNT to PMINT confirming that LTAWNT will support the application of any renewal, extension of the Proprietary Mining Licence and the continuance of the Primary Agreement, subject to the terms and conditions of the Primary Agreement which must be agreed by PMINT.

The Company has valid and enforceable title and rights to its assets (including its processing plants and machinery), including such authorisations, permits, certificates, licences and approvals as are relevant to its businesses and operations and the Agreements, and we are not aware of the Company having received any notice of claim of any sort that has been asserted by anyone adverse to such rights of the Company, or affecting or questioning such rights of the Company.

APPENDIX G – ABRIDGED LEGAL OPINION FROM ZAID IBRAHIM & CO

Agreements

- (j) The execution, delivery and performance of the Agreements by the Company and the consummation by the Company of the transactions contemplated therein are within the corporate powers of the Company and have been duly authorised by all necessary action of it and do not contravene any law, rule or regulation of Malaysia or its Constitution and all governmental authorisations, approvals and consents which are necessary for the execution, delivery and performance of the Agreements by it have been obtained and are in full force and effect.
- (k) The Agreements constitute legally valid and binding obligations of the Company and are enforceable against it and against the other parties thereto in accordance with its terms.

Compliance with laws, rules and regulations

- (l) The Company has obtained all the necessary authorisations, approvals, permits, licences or certificates required to perform its businesses and operations, and such Licences and Approvals (as defined in the Opinion) (constituting all such necessary authorisations, approvals, permits, licences or certificates required to perform the Company's businesses and operations) are valid and in force and will not cease to be valid or in force as a result of the Proposed Acquisition.
- (m) The Company is in compliance with all the laws, rules and regulations of Malaysia that would affect its businesses and operations, and to the best of our knowledge and relying on the Statutory Declarations, the Company has not received any notice relating to the revocation of any licence, permit, order, certificate, approval or other authorisation.
- (n) There is no governmental law, decree, regulatory requirement or restriction in the Constitution or any other requirement in Malaysia which may affect the repatriation of capital and remittance of profits (in the form of dividends or otherwise) by or to the Company.
- (o) No taxes, fees or charges (including stamp duty) are payable (either by direct assessment, or withholding) to the government or other taxing authority in Malaysia under the laws of Malaysia in respect of the payment of dividends declared and payable on the shares of the Company.
- (p) The Company is in compliance with the laws, rules and regulations of Malaysia as is necessary to and required for the conduct of its businesses and operations, including but not limited to, the proper incorporation and good standing of the Company. For the purpose of this paragraph, "good standing" means that the company is (i) validly in existence and has been in continuous and uninterrupted existence since its incorporation, and that the company has not been merged or filed for dissolution nor is any action currently being taken to strike off the company's existence; (ii) is in compliance with all general administrative requirements pertaining to its continued registration, (iii) has, under Malaysian company law, paid all its statutory dues and has met all filing requirements to the Companies Commission of Malaysia and (iv) therefore, is authorised under the Companies Act 2016 of Malaysia to transact businesses and operate in Malaysia.
- (q) The Company has obtained the insurances as referred in the Due Diligence Report (as defined in the Opinion). The Company has the necessary insurances as required to be maintained under the terms of the Concession Agreement. Insurance is not a requirement under the law for the business operations of the Company.

APPENDIX G – ABRIDGED LEGAL OPINION FROM ZAID IBRAHIM & CO

Litigation

- (r) There are no public searches available in Malaysia to investigate whether the Company are involved in litigation proceedings. As there is no centralised system of searches in Malaysia for litigation, due diligence on litigation is conducted through inquiries with and relying on disclosures by the Company.
- (s) Based on the Statutory Declaration, there are no claims, demands, lawsuits or litigation (including those pending or threatened) by or against the Company, any matters pending or threatened litigations or claims including any unasserted claims or any matters involving possible contingent liabilities against the Company.
- (t) The Company is subject to the civil and commercial laws of Malaysia and are not entitled to claim sovereign immunity in relation to itself or its assets in connection with the obtaining or execution in Malaysia of any judgment or order arising from such proceedings.

Proposed Acquisition

- (u) The Proposed Acquisition (i) does not breach any laws or regulations that are applicable to the Company, (ii) does not directly or indirectly impede or affect the current business operations of the Company and (iii) does not conflict with or constitute a default under any provision of the Agreements and the Licences and Approvals (which constitute all such necessary authorisations, approvals, permits, licences or certificates required to perform the Company's businesses and operations).
- (v) The applicable laws and regulations of Malaysia do not prohibit or restrict any part of the proceeds from the Proposed Acquisition from being transferred by Anchor Resources Limited to the Company or from being used by the Company for the purposes described in the Circular.

Foreign exchange control restrictions

- (w) All dividends and other distributions declared and payable on the shares in the share capital of the Company to shareholders (both individuals and corporate entities) not resident in Malaysia may under Malaysian laws be paid in Malaysia and may be converted into appropriate foreign currency and freely transferred out of Malaysia.

**APPENDIX H – AUDITED FINANCIAL STATEMENTS OF
GGT MANUFACTURING SDN. BHD. FOR THE FINANCIAL YEARS ENDED
31 DECEMBER 2014, 31 DECEMBER 2015 AND 31 DECEMBER 2016**

**GGT MANUFACTURING SDN. BHD. (897620 – W)
(Incorporated in Malaysia)**

AUDITED FINANCIAL STATEMENTS

**FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2014,
31 DECEMBER 2015 AND 31 DECEMBER 2016**

**APPENDIX H – AUDITED FINANCIAL STATEMENTS OF
GGT MANUFACTURING SDN. BHD. FOR THE FINANCIAL YEARS ENDED
31 DECEMBER 2014, 31 DECEMBER 2015 AND 31 DECEMBER 2016**

GGT MANUFACTURING SDN. BHD. (897620 – W)
(Incorporated in Malaysia)

<u>CONTENTS</u>	<u>PAGE</u>
STATEMENT BY DIRECTORS.....	H-3
INDEPENDENT AUDITORS' REPORT.....	H-4 – H-6
STATEMENT OF FINANCIAL POSITION.....	H-7
STATEMENT OF COMPREHENSIVE INCOME.....	H-8
STATEMENT OF CHANGES IN EQUITY.....	H-9
STATEMENT OF CASH FLOWS.....	H-10
NOTES TO THE FINANCIAL STATEMENTS.....	H-11 – H-48

**APPENDIX H – AUDITED FINANCIAL STATEMENTS OF
GGT MANUFACTURING SDN. BHD. FOR THE FINANCIAL YEARS ENDED
31 DECEMBER 2014, 31 DECEMBER 2015 AND 31 DECEMBER 2016**

GGT MANUFACTURING SDN. BHD. (897620 – W)
(Incorporated in Malaysia)

STATEMENT BY DIRECTORS

In the opinion of the Directors, the financial statements set out on pages H-7 to H-48 have been drawn up in accordance with International Financial Reporting Standards so as to give a true and fair view of the financial position of the Company as at 31 December 2014, 2015 and 2016 and of the financial performance, changes in equity and cash flows of the Company for the financial years then ended.

On behalf of the Board,

Lim Chiau Woei
Director
Kuala Lumpur
28 June 2017

Peter Ling Sie Wuong
Director

28 June 2017

APPENDIX H – AUDITED FINANCIAL STATEMENTS OF GGT MANUFACTURING SDN. BHD. FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2014, 31 DECEMBER 2015 AND 31 DECEMBER 2016

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF GGT MANUFACTURING SDN. BHD.

Opinion

We have audited the financial statements of GGT Manufacturing Sdn. Bhd. (the "Company") as set out on pages H-7 to H-48, which comprise the statements of financial position as at 31 December 2014, 2015 and 2016 of the Company, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Company for the financial years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2014, 2015 and 2016 and of its financial performance, its changes in equity and its cash flows for the financial years then ended in accordance with International Financial Reporting Standards ("IFRSs").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the Accounting and Corporate Regulatory Authority (ACRA) *Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities* ("ACRA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Singapore and the *By-Laws (on Professional Ethics, Conduct and Practice)* of the Malaysian Institute of Accountants ("By-Laws") that are relevant to our audit of the financial statements in Malaysia, and we have fulfilled our other ethical responsibilities in accordance with these requirements, the ACRA and the By-Laws. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Matter

We draw attention to Note 4.1 to the financial statements which describes the basis of preparation. The financial statements are non-statutory financial statements prepared for inclusion in the circular of Anchor Resources Limited ("Anchor") to assist Anchor in meeting the requirements of the Singapore Exchange Securities Trading Limited Listing Manual Section B: Rules of Catalist in connection to Anchor's proposed acquisition of the entire issued and fully paid up share capital of the Company. As a result, the financial statements may not be suitable for another purpose. Our report is intended solely for members of the Company and members of Anchor Resources Limited and should not be distributed to or used by parties other than the Company, Anchor Resources Limited or their members. Our opinion is not modified in respect of this matter.

Other Information

The Directors are responsible for the other information. The other information comprises the statement by Directors, unaudited pro forma consolidated financial information of the Enlarged Group and letter to shareholders (including Appendix A – letter of shareholders from the board of Directors of GGT Manufacturing Sdn. Bhd.) in the circular of Anchor (the "Circular"). Apart from that, the other sections in the Circular are not part of the other information.

**APPENDIX H – AUDITED FINANCIAL STATEMENTS OF
GGT MANUFACTURING SDN. BHD. FOR THE FINANCIAL YEARS ENDED
31 DECEMBER 2014, 31 DECEMBER 2015 AND 31 DECEMBER 2016**

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
GGT MANUFACTURING SDN. BHD.**

Other Information (Continued)

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Statements

The Directors of the Company are responsible for the preparation of financial statements in accordance with IFRSs, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit conducted in accordance with International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- (a) Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- (b) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

**APPENDIX H – AUDITED FINANCIAL STATEMENTS OF
GGT MANUFACTURING SDN. BHD. FOR THE FINANCIAL YEARS ENDED
31 DECEMBER 2014, 31 DECEMBER 2015 AND 31 DECEMBER 2016**

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
GGT MANUFACTURING SDN. BHD.**

Auditors' Responsibilities for the Audit of the Financial Statements (Continued)

- (c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- (d) Conclude on the appropriateness of the the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Company to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- (e) Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

BDO LLP
Public Accountants and Chartered Accountants
Singapore
28 June 2017

BDO
Chartered Accountants
Kuala Lumpur
28 June 2017

**APPENDIX H – AUDITED FINANCIAL STATEMENTS OF
GGT MANUFACTURING SDN. BHD. FOR THE FINANCIAL YEARS ENDED
31 DECEMBER 2014, 31 DECEMBER 2015 AND 31 DECEMBER 2016**

GGT MANUFACTURING SDN. BHD. (897620 – W)
(Incorporated in Malaysia)

**STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2014, 2015 AND 2016**

	NOTE	2014 RM	2015 RM	2016 RM
ASSETS				
Non-current assets				
Property, plant and equipment	6	–	46,705	2,700,350
Exploration and evaluation assets	7	–	600,920	–
Mine properties	8	–	–	1,754,140
Prepayments		–	–	82,748
		–	647,625	4,537,238
Current assets				
Inventories	9	–	–	203,961
Trade and other receivables	10	86,060	249,965	2,292,200
Prepayments		–	142,929	46,298
Cash and cash equivalents	11	4,727	2,324,763	4,154,836
		90,787	2,717,657	6,697,295
TOTAL ASSETS		90,787	3,365,282	11,234,533
EQUITY AND LIABILITIES				
Equity attributable to owners of the Company				
Share capital	12	100,000	100,000	250,000
Accumulated losses		(18,074)	(1,022,000)	(5,421,966)
TOTAL EQUITY/(CAPITAL DEFICIENCY)		81,926	(922,000)	(5,171,966)
LIABILITIES				
Non-current liabilities				
Redeemable convertible preference shares	13	–	4,229,055	–
Finance lease payables	15	–	–	90,962
		–	4,229,055	90,962
Current liabilities				
Redeemable convertible preference shares	13	–	–	13,625,542
Finance lease payables	15	–	–	9,133
Trade and other payables	14	8,861	58,227	1,917,897
Amount due to customer for contract works	16	–	–	762,965
		8,861	58,227	16,315,537
TOTAL LIABILITIES		8,861	4,287,282	16,406,499
TOTAL EQUITY AND LIABILITIES		90,787	3,365,282	11,234,533

The accompanying notes form an integral part of the financial statements.

**APPENDIX H – AUDITED FINANCIAL STATEMENTS OF
GGT MANUFACTURING SDN. BHD. FOR THE FINANCIAL YEARS ENDED
31 DECEMBER 2014, 31 DECEMBER 2015 AND 31 DECEMBER 2016**

GGT MANUFACTURING SDN. BHD. (897620 – W)
(Incorporated in Malaysia)

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2014, 2015 AND 2016**

	NOTE	2014 RM	2015 RM	2016 RM
Revenue	17	–	52,653	4,923,199
Other income	18	–	15,494	110,384
Changes in inventories		–	–	184,415
Contractor expenses		–	–	(3,650,959)
Royalty fee expenses		–	–	(35,000)
Raw materials and consumables used		–	(13,903)	(40,764)
Depreciation and amortisation expenses		–	(4,063)	(184,714)
Employee benefits expense	20	–	(53,501)	(704,858)
Operating lease expenses		–	(19,240)	(160,136)
Other expenses		(3,178)	(295,439)	(1,412,874)
Finance costs	18	–	(684,950)	(3,428,659)
Loss before income tax		(3,178)	(1,002,949)	(4,399,966)
Income tax expense	19	–	(977)	–
Loss for the financial year, representing total comprehensive income for the financial year		(3,178)	(1,003,926)	(4,399,966)

The accompanying notes form an integral part of the financial statements.

**APPENDIX H – AUDITED FINANCIAL STATEMENTS OF
GGT MANUFACTURING SDN. BHD. FOR THE FINANCIAL YEARS ENDED
31 DECEMBER 2014, 31 DECEMBER 2015 AND 31 DECEMBER 2016**

GGT MANUFACTURING SDN. BHD. (897620 – W)
(Incorporated in Malaysia)

**STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2014, 2015 AND 2016**

	Share capital RM	Accumulated losses RM	Total RM
Balance as at 31 December 2013	100,000	(14,896)	85,104
Loss for the financial year	–	(3,178)	(3,178)
Total comprehensive income for the financial year	–	(3,178)	(3,178)
Balance as at 31 December 2014	100,000	(18,074)	81,926
Loss for the financial year	–	(1,003,926)	(1,003,926)
Total comprehensive income for the financial year	–	(1,003,926)	(1,003,926)
Balance as at 31 December 2015	100,000	(1,022,000)	(922,000)
Issuance of ordinary shares (Note 12)	150,000	–	150,000
Loss for the financial year	–	(4,399,966)	(4,399,966)
Total comprehensive income for the financial year	–	(4,399,966)	(4,399,966)
Balance as at 31 December 2016	250,000	(5,421,966)	(5,171,966)

The accompanying notes form an integral part of the financial statements.

**APPENDIX H – AUDITED FINANCIAL STATEMENTS OF
GGT MANUFACTURING SDN. BHD. FOR THE FINANCIAL YEARS ENDED
31 DECEMBER 2014, 31 DECEMBER 2015 AND 31 DECEMBER 2016**

GGT MANUFACTURING SDN. BHD. (897620 – W)
(Incorporated in Malaysia)

**STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2014, 2015 AND 2016**

	NOTE	2014 RM	2015 RM	2016 RM
OPERATING ACTIVITIES				
Loss before income tax		(3,178)	(1,002,949)	(4,399,966)
Adjustments for:				
Amortisation of mine properties		–	–	63,544
Finance cost		–	684,950	3,428,659
Depreciation of property, plant and equipment		–	4,063	121,170
Interest income		–	(15,494)	(110,384)
Unrealised exchange difference		–	–	19,564
Operating cash flow before working capital changes		(3,178)	(329,430)	(877,413)
Working capital changes:				
Inventories		–	–	(203,961)
Trade and other receivables		7,670	(163,905)	(2,042,235)
Prepayments		–	(142,929)	13,883
Trade and other payables		(493)	49,366	2,603,071
Cash generated from/(used in) operations		3,999	(586,898)	(506,655)
Income tax paid		–	(977)	–
Net cash generated from/(used in) operating activities		3,999	(587,875)	(506,655)
INVESTING ACTIVITIES				
Additions to exploration and evaluation assets	7	–	(600,920)	(1,216,764)
Purchase of property, plant and equipment	6	–	(50,768)	(2,671,815)
Interest received		–	15,494	110,384
Net cash used in investing activities		–	(636,194)	(3,778,195)
FINANCING ACTIVITIES				
Interest paid		–	–	(1,872)
Repayment of finance lease obligations		–	–	(2,905)
Proceeds from issuance of new ordinary shares		–	–	150,000
Proceeds from issuance of redeemable convertible preference shares		–	3,544,105	5,969,700
Net cash from financing activities		–	3,544,105	6,114,923
Net change in cash and cash equivalents		3,999	2,320,036	1,830,073
Cash and cash equivalents at beginning of financial year		728	4,727	2,324,763
Cash and cash equivalents at end of financial year	11	4,727	2,324,763	4,154,836

The accompanying notes form an integral part of the financial statements.

**APPENDIX H – AUDITED FINANCIAL STATEMENTS OF
GGT MANUFACTURING SDN. BHD. FOR THE FINANCIAL YEARS ENDED
31 DECEMBER 2014, 31 DECEMBER 2015 AND 31 DECEMBER 2016**

GGT MANUFACTURING SDN. BHD. (897620 – W)
(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2014, 2015 AND 2016**

1. CORPORATE INFORMATION

The Company is a private limited liability company, incorporated and domiciled in Malaysia.

The registered office of the Company is located at No. 9A, Jalan Medan Tuanku, Medan Tuanku, 50300 Kuala Lumpur.

The principal place of business of the Company is located at No. C-3A-9, 10, 11 and 12, Block C, Pusat Komersial Southgate, No. 2, Jalan Dua, Off Jalan Chan Sow Lin, 55200 Kuala Lumpur.

The financial statements are presented in Ringgit Malaysia (“RM”), which is also the Company’s functional currency.

2. BASIS OF PREPARATION

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (‘IFRSs’).

3. PRINCIPAL ACTIVITIES AND SEGMENT INFORMATION

The principal activities of the Company are those of exploration, mining and production of dimension stone granites as well as architectural stone for sales and interior fit-out. There have been no significant changes in the nature of these activities during the financial year.

The Company operates its construction segment via GGT Manufacturing Eco JV (“Consortium”) which is an unincorporated entity that is registered in Malaysia.

For management purposes, the company is organised into business units based on their products and services. The Company’s reportable segments are as follows:

- (i) Construction – The construction of building and civil works and provision of interior fit-out.
- (ii) Quarrying – The exploration, mining and production of dimension stone granites as well as architectural stone for sales.

Except as indicated above, no operating segments has been aggregated to form the above reportable segments.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise corporate assets, liabilities and expenses.

**APPENDIX H – AUDITED FINANCIAL STATEMENTS OF
GGT MANUFACTURING SDN. BHD. FOR THE FINANCIAL YEARS ENDED
31 DECEMBER 2014, 31 DECEMBER 2015 AND 31 DECEMBER 2016**

GGT MANUFACTURING SDN. BHD. (897620 – W)
(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2014, 2015 AND 2016**

3. PRINCIPAL ACTIVITIES AND SEGMENT INFORMATION (Continued)

Segment revenue, expenses and results include transfers between business segments. These are eliminated on consolidation.

Business segments

The following table provides an analysis of the Company's revenue, results, assets, liabilities and other information by business segment:

	Quarry RM	Construction RM	Adjustments/ Eliminations RM	Total RM
31 December 2016				
Revenue				
Sales to external customers	76,550	4,846,649	–	4,923,199
Intersegment revenue	723,447	–	(723,447)	–
Total revenue	799,997	4,846,649	(723,447)	4,923,199
Results				
Operating profit/(loss)	(1,766,159)	684,468	–	(1,081,691)
Interest Income	110,384	–	–	110,384
Finance cost	(3,428,659)	–	–	(3,428,659)
	(5,084,434)	684,468	–	(4,399,966)
	Quarry RM	Construction RM	Adjustments/ Eliminations RM	Total RM
At 31 December 2016				
Assets				
Segment assets	9,552,226	2,308,728	(626,421)	11,234,533
Liabilities				
Segment liabilities	15,408,659	1,624,261	(626,421)	16,406,499
Other segment information				
Capital Expenditure	3,991,579	–	–	3,991,579
Depreciation and amortisation	184,714	–	–	184,714

In the previous financial year ended 31 December 2014 and 31 December 2015, the Company primarily operates in one business segment, which is the quarry segment. Accordingly, no segmental information is prepared for 31 December 2014 and 31 December 2015 based on business segment as it is not meaningful.

**APPENDIX H – AUDITED FINANCIAL STATEMENTS OF
GGT MANUFACTURING SDN. BHD. FOR THE FINANCIAL YEARS ENDED
31 DECEMBER 2014, 31 DECEMBER 2015 AND 31 DECEMBER 2016**

GGT MANUFACTURING SDN. BHD. (897620 – W)
(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2014, 2015 AND 2016**

4. SIGNIFICANT ACCOUNTING POLICIES

4.1 Basis of preparation

The financial statements of the Company have been prepared under the historical cost convention except as otherwise stated in the financial statements. The financial statements of the Company are not prepared for statutory purposes.

The financial statements of the Company are prepared for inclusion in the circular of Anchor Resources Limited (“Anchor”) in relation to the Anchor’s proposed acquisition of entire issued and fully paid-up share capital of the Company, being a very substantial acquisition and an interested person transaction under the Singapore Exchange Securities Trading Limited Listing Manual Section B: Rules of Catalyst.

During the financial year ended 31 December 2016, the Company recorded a loss of RM4,399,966, and as of that date, the Company had capital deficiency of RM5,171,966 and its current liabilities exceed its current assets by RM9,618,242. The continuation of the Company as a going concern is therefore dependent upon the ability of the Company to receive continuous financial support from its shareholders to meet its obligations as and when they fall due.

Notwithstanding the above, the Directors of the Company are of the opinion that the Company is able to meet their obligations as and when they fall due having regard to the following:

- (i) the Directors of the Company have carried out a detailed review of the cash flow forecast of the Company for the financial year ending 31 December 2017. Based on such forecast, the Directors of the Company have estimated that adequate liquidity exists to finance the working capital requirements of the Company for the next twelve months. In preparing the cash flow forecasts, the Directors of the Company have considered the operating cash requirements of the Company as well as other key factors, including the use of the net proceeds from redeemable convertible preference shares (“RCPS”) and the conversion of the RCPS into ordinary shares of the Company upon the completion of internal restructuring to satisfy the Company’s future working capital requirements, which may impact the operations of the Company during the next twelve months. The Directors of the Company are of the opinion that the assumptions which are included in the cash flow forecast are reasonable; and
- (ii) the Company has received an undertaking from a substantial shareholder to continue to provide the Company with financial support as necessary to enable the Company to continue as going concerns and support their operating and investing activities.

**APPENDIX H – AUDITED FINANCIAL STATEMENTS OF
GGT MANUFACTURING SDN. BHD. FOR THE FINANCIAL YEARS ENDED
31 DECEMBER 2014, 31 DECEMBER 2015 AND 31 DECEMBER 2016**

GGT MANUFACTURING SDN. BHD. (897620 – W)
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2014, 2015 AND 2016

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.1 Basis of preparation (Continued)

The preparation of financial statements in conformity with IFRSs requires the Directors to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses and disclosure of contingent assets and contingent liabilities. In addition, the Directors are also required to exercise their judgement in the process of applying the accounting policies. The areas involving such judgements, estimates and assumptions are disclosed in Note 5 to the financial statements. Although these estimates and assumptions are based on the Directors' best knowledge of events and actions, actual results could differ from these estimates.

The Company has prepared a separate set of financial statements for the financial year ended 31 March 2015 in accordance with Private Entity Reporting Standards in Malaysia on which Siew Boon Yeong & Associates issued a separate unmodified auditors' report to the shareholders of the Company dated 15 September 2015.

On 1 April 2015, the Company adopted Malaysian Financial Reporting Standards and International Financial Reporting Standards with a transition date of 1 April 2014. These Standards were applied retrospectively by the Directors to the comparative information in those financial statements. Accordingly, the Company changed its financial year-end from 31 March to 31 December 2015.

The financial statements for the 31 December 2015 financial period covers a nine-month period from 1 April 2015 to 31 December 2015 while the financial statements for the 31 March 2015 financial year covers the period from 1 April 2014 to 31 March 2015.

The Company has prepared a separate set of financial statements for the financial period ended from 1 April 2015 to 31 December 2015 and financial year ended 31 December 2016 in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards on which BDO Kuala Lumpur issued a separate unmodified auditors' report to the shareholders of the Company dated 6 June 2016 and 31 March 2017 respectively.

On 22 July 2016, the Company entered into a joint venture consortium agreement with Eco Interiors International Sdn. Bhd. ("EII") ("Agreement") to form an unincorporated joint venture, GGT Manufacturing Eco JV ("Consortium"), for the sole purpose of operating an interior fit-out business, which includes creating the design proposal, procuring financing, obtaining approvals from relevant government authorities, planning and execution of the business in accordance with the Agreement.

The management assessed the accounting implication of the Consortium for the purpose of preparation of the Company's financial statements. The management recognises assets and liabilities based on its rights for the assets and its obligations for liabilities over the Consortium. Accordingly, the Consortium's financial position and performance have been included in the financial statements of the Company.

**APPENDIX H – AUDITED FINANCIAL STATEMENTS OF
GGT MANUFACTURING SDN. BHD. FOR THE FINANCIAL YEARS ENDED
31 DECEMBER 2014, 31 DECEMBER 2015 AND 31 DECEMBER 2016**

GGT MANUFACTURING SDN. BHD. (897620 – W)
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2014, 2015 AND 2016

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.2 Property, plant and equipment and depreciation

All items of property, plant and equipment are initially measured at cost. Cost includes expenditure that is directly attributable to the acquisition of the assets.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when the cost is incurred and it is probable that the future economic benefits associated with the asset would flow to the Company and the cost of the asset can be measured reliably. The carrying amount of parts that are replaced is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in the profit and loss as incurred. Cost also comprises the initial estimate of dismantling and removing the asset and restoring the site on which it is located for which the Company is obligated to incur when the asset is acquired, if applicable.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the asset and which has different useful life, is depreciated separately.

After initial recognition, property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses.

Freehold land has an indefinite useful life and therefore is not depreciated.

Depreciation is calculated to write off the cost of the assets to their residual values on a straight line basis over their estimated useful lives. The estimated useful lives are as follows:

	Years
Electrical installation works	5
Furniture and fittings	5
Motor vehicles	5
Office equipment	5
Plant and machinery	10
Tools and equipment	5
Renovation	5

At the end of each reporting period, the carrying amount of an item of property, plant and equipment is assessed for impairment when events or changes in circumstances indicate that its carrying amount may not be recoverable. A write down is made if the carrying amount exceeds the recoverable amount.

**APPENDIX H – AUDITED FINANCIAL STATEMENTS OF
GGT MANUFACTURING SDN. BHD. FOR THE FINANCIAL YEARS ENDED
31 DECEMBER 2014, 31 DECEMBER 2015 AND 31 DECEMBER 2016**

GGT MANUFACTURING SDN. BHD. (897620 – W)
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2014, 2015 AND 2016

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.2 Property, plant and equipment and depreciation (Continued)

The residual values, useful lives and depreciation method are reviewed at the end of each reporting period to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment. If expectations differ from previous estimates, the changes are accounted for as a change in an accounting estimate.

The carrying amount of an item of property, plant and equipment is derecognised on disposal or when no future economic benefits are expected from its use or disposal. The difference between the net disposal proceeds, if any, and the carrying amount is included in profit or loss.

4.3 Impairment of non-financial assets

The carrying amounts of assets, except for financial assets, are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

The recoverable amount of an asset is estimated for every individual asset. Where it is not possible to estimate the recoverable amount of the individual asset, the impairment test is carried out on the cash generating unit ("CGU") to which the asset belongs.

The recoverable amount of an asset or CGU is the higher of its fair value less cost to sell and its value in use.

In estimating the value in use, the estimated future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the future cash flow estimates have not been adjusted. An impairment loss is recognised in profit or loss when the carrying amount of the asset or the CGU exceeds the recoverable amount of the asset or the CGU. The total impairment loss is allocated to the assets of the CGU on a pro-rata basis of the carrying amount of each asset in the CGU. The impairment loss is recognised in profit or loss immediately.

An impairment loss on assets is reversed if, and only if, there has been a change in the estimates used to determine the assets' recoverable amount since the last impairment loss was recognised.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Such reversals are recognised as income immediately in profit or loss.

**APPENDIX H – AUDITED FINANCIAL STATEMENTS OF
GGT MANUFACTURING SDN. BHD. FOR THE FINANCIAL YEARS ENDED
31 DECEMBER 2014, 31 DECEMBER 2015 AND 31 DECEMBER 2016**

GGT MANUFACTURING SDN. BHD. (897620 – W)
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2014, 2015 AND 2016

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.4 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one enterprise and a financial liability or equity instrument of another enterprise.

A financial asset is any asset that is cash, an equity instrument of another enterprise, a contractual right to receive cash or another financial asset from another enterprise, or a contractual right to exchange financial assets or financial liabilities with another enterprise under conditions that are potentially favourable to the Company.

A financial liability is any liability that is a contractual obligation to deliver cash or another financial asset to another enterprise, or a contractual obligation to exchange financial assets or financial liabilities with another enterprise under conditions that are potentially unfavourable to the Company.

Financial instruments are recognised on the statement of financial position when the Company has become a party to the contractual provisions of the instrument. At initial recognition, a financial instrument is recognised at fair value plus, in the case of a financial instrument not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issuance of the financial instrument.

An embedded derivative is separated from the host contract and accounted for as a derivative if, and only if the economic characteristics and risks of the embedded derivative is not closely related to the economic characteristics and risks of the host contract, a separate instrument with the same terms as the embedded derivative meets the definition of a derivative, and the hybrid instrument is not measured at fair value through profit or loss.

(a) Financial assets

A financial asset is classified into the following four (4) categories after initial recognition for the purpose of subsequent measurement:

(i) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss comprise financial assets that are held for trading (i.e. financial assets acquired principally for the purpose of resale in the near term), derivatives (both, freestanding and embedded) and financial assets that were specifically designated into this classification upon initial recognition.

**APPENDIX H – AUDITED FINANCIAL STATEMENTS OF
GGT MANUFACTURING SDN. BHD. FOR THE FINANCIAL YEARS ENDED
31 DECEMBER 2014, 31 DECEMBER 2015 AND 31 DECEMBER 2016**

GGT MANUFACTURING SDN. BHD. (897620 – W)
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2014, 2015 AND 2016

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.4 Financial instruments (Continued)

(a) Financial assets (Continued)

(i) Financial assets at fair value through profit or loss (Continued)

Subsequent to initial recognition, financial assets classified as fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in the fair value of financial assets classified as fair value through profit or loss are recognised in profit or loss.

However, derivatives that are linked to and must be settled by delivery of unquoted equity instruments that do not have a quoted market price in an active market are recognised at cost.

(ii) Held-to-maturity investments

Financial assets classified as held-to-maturity comprise non-derivative financial assets with fixed or determinable payments and fixed maturity that the Company has the positive intention and ability to hold to maturity.

Subsequent to initial recognition, financial assets classified as held-to-maturity are measured at amortised cost using the effective interest method. Gains or losses on financial assets classified as held-to-maturity are recognised in profit or loss when the financial assets are derecognised or impaired, and through the amortisation process.

(iii) Loans and receivables

Financial assets classified as loans and receivables comprise non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

Subsequent to initial recognition, financial assets classified as loans and receivables are measured at amortised cost using the effective interest method. Gains or losses on financial assets classified as loans and receivables are recognised in profit or loss when the financial assets are derecognised or impaired, and through the amortisation process.

**APPENDIX H – AUDITED FINANCIAL STATEMENTS OF
GGT MANUFACTURING SDN. BHD. FOR THE FINANCIAL YEARS ENDED
31 DECEMBER 2014, 31 DECEMBER 2015 AND 31 DECEMBER 2016**

GGT MANUFACTURING SDN. BHD. (897620 – W)
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2014, 2015 AND 2016

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.4 Financial instruments (Continued)

(a) Financial assets (Continued)

(iv) Available-for-sale financial assets

Financial assets classified as available-for-sale comprise non-derivative financial assets that are designated as available for sale or are not classified as loans and receivables, held-to-maturity investments or financial assets at fair value through profit or loss.

Subsequent to initial recognition, financial assets classified as available-for-sale are measured at fair value. Any gains or losses arising from changes in the fair value of financial assets classified as available-for-sale are recognised directly in other comprehensive income, except for impairment losses and foreign exchange gains and losses, until the financial asset is derecognised, at which time the cumulative gains or losses previously recognised in other comprehensive income are recognised in profit or loss. However, interest calculated using the effective interest method is recognised in profit or loss whilst dividends on available-for-sale equity instruments are recognised in profit or loss when the Company's right to receive payment is established.

Cash and cash equivalents consist of cash on hand, balances and deposits with banks. Cash and cash equivalents are short term highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

A financial asset is derecognised when the contractual right to receive cash flows from the financial asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised directly in other comprehensive income shall be recognised in profit or loss.

A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or marketplace convention. A regular way purchase or sale of financial assets shall be recognised and derecognised, as applicable, using trade date accounting.

**APPENDIX H – AUDITED FINANCIAL STATEMENTS OF
GGT MANUFACTURING SDN. BHD. FOR THE FINANCIAL YEARS ENDED
31 DECEMBER 2014, 31 DECEMBER 2015 AND 31 DECEMBER 2016**

GGT MANUFACTURING SDN. BHD. (897620 – W)
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2014, 2015 AND 2016

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.4 Financial instruments (Continued)

(b) Financial liabilities

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. A financial liability is classified into the following two (2) categories after initial recognition for the purpose of subsequent measurement:

(i) Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss comprise financial liabilities that are held for trading, derivatives (both, freestanding and embedded) and financial liabilities that were specifically designated into this classification upon initial recognition.

Subsequent to initial recognition, financial liabilities classified as fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in the fair value of financial liabilities classified as fair value through profit or loss are recognised in profit or loss.

(ii) Other financial liabilities

Financial liabilities classified as other financial liabilities comprise non-derivative financial liabilities that are neither held for trading nor initially designated as at fair value through profit or loss.

Subsequent to initial recognition, other financial liabilities are measured at amortised cost using the effective interest method. Gains or losses on other financial liabilities are recognised in profit or loss when the financial liabilities are derecognised and through the amortisation process.

A financial liability is derecognised when, and only when, it is extinguished, i.e. when the obligation specified in the contract is discharged or cancelled or expires. An exchange between an existing borrower and lender of debt instruments with substantially different terms are accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, a substantial modification of the terms of an existing financial liability is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability.

Any difference between the carrying amount of a financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

**APPENDIX H – AUDITED FINANCIAL STATEMENTS OF
GGT MANUFACTURING SDN. BHD. FOR THE FINANCIAL YEARS ENDED
31 DECEMBER 2014, 31 DECEMBER 2015 AND 31 DECEMBER 2016**

GGT MANUFACTURING SDN. BHD. (897620 – W)
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2014, 2015 AND 2016

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.4 Financial instruments (Continued)

(c) Equity

An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. Ordinary shares are classified as equity instruments.

Ordinary shares are recorded at the nominal value and proceeds in excess of the nominal value of shares issued, if any, are accounted for as share premium. Both ordinary shares and share premium are classified as equity. Transaction costs of an equity transaction are accounted for as a deduction from equity, net of any related income tax benefit. Otherwise, they are charged to profit or loss.

Interim dividends to shareholders are recognised in equity in the period in which they are declared. Final dividends are recognised upon the approval of shareholders in a general meeting.

4.5 Inventories

Inventories are stated at the lower of cost and net realisable value.

Cost is determined on a weighted average basis or specific identification as appropriate and comprises the original cost of purchase plus other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

4.6 Impairment of financial assets

The Company assesses whether there is any objective evidence that a financial asset is impaired at the end of each reporting period.

Loans and receivables

The Company collectively considers factors such as the probability of bankruptcy or significant financial difficulties of the receivable, and default or significant delay in payments by the receivables to determine whether there is objective evidence that an impairment loss on loans and receivables has occurred. Other objective evidence of impairment include historical collection rates determined on an individual basis and observable changes in national or local economic conditions that are directly correlated with the historical default rates of receivables.

**APPENDIX H – AUDITED FINANCIAL STATEMENTS OF
GGT MANUFACTURING SDN. BHD. FOR THE FINANCIAL YEARS ENDED
31 DECEMBER 2014, 31 DECEMBER 2015 AND 31 DECEMBER 2016**

GGT MANUFACTURING SDN. BHD. (897620 – W)
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2014, 2015 AND 2016

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.6 Impairment of financial assets (Continued)

Loans and receivables (Continued)

If any such objective evidence exists, the amount of impairment loss is measured as the difference between the financial asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The impairment loss is recognised in profit or loss.

The carrying amount of loans and receivables are reduced through the use of an allowance account.

If in a subsequent period, the amount of the impairment loss decreases and it objectively relates to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of impairment reversed is recognised in profit or loss.

4.7 Income taxes

Income taxes include all taxes on taxable profit. Income taxes also include other taxes, such as real property gains taxes payable on disposal of properties.

Taxes in the statement of comprehensive income comprise current tax and deferred tax.

(a) Current tax

Current tax expenses are determined according to the tax laws and include all taxes based upon the taxable profits and real property gains taxes payable on disposal of properties, if any.

(b) Deferred tax

Deferred tax is recognised in full using the liability method on temporary differences arising between the carrying amount of an asset or liability in the statement of financial position and its tax base.

Deferred tax is recognised for all temporary differences, unless the deferred tax arises from goodwill or the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of transaction, affects neither accounting profit nor taxable profit.

**APPENDIX H – AUDITED FINANCIAL STATEMENTS OF
GGT MANUFACTURING SDN. BHD. FOR THE FINANCIAL YEARS ENDED
31 DECEMBER 2014, 31 DECEMBER 2015 AND 31 DECEMBER 2016**

GGT MANUFACTURING SDN. BHD. (897620 – W)
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2014, 2015 AND 2016

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.7 Income taxes (Continued)

(b) Deferred tax (Continued)

A deferred tax asset is recognised only to the extent that it is probable that taxable profit would be available against which the deductible temporary differences, unused tax losses and unused tax credits that can be utilised. The carrying amount of a deferred tax asset is reviewed at the end of each reporting period. If it is no longer probable that sufficient taxable profit would be available to allow the benefit of part or all of that deferred tax asset to be utilised, the carrying amount of the deferred tax asset would be reduced accordingly. When it becomes probable that sufficient taxable profit would be available, such reductions would be reversed to the extent of the taxable profits.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred income tax relate to the same taxation authority on either:—

- (i) The same taxable entity; or
- (ii) Different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Deferred tax would be recognised as income or expense and included in profit or loss for the period unless the tax relates to items that are credited or charged, in the same or a different period, directly to equity, in which case the deferred tax would be charged or credited directly to equity.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on the announcement of tax rates and tax laws by the Government in the annual budgets which have the substantive effect of actual enactment by the end of each reporting period.

**APPENDIX H – AUDITED FINANCIAL STATEMENTS OF
GGT MANUFACTURING SDN. BHD. FOR THE FINANCIAL YEARS ENDED
31 DECEMBER 2014, 31 DECEMBER 2015 AND 31 DECEMBER 2016**

GGT MANUFACTURING SDN. BHD. (897620 – W)
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2014, 2015 AND 2016

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.8 Provisions

Provisions are recognised when there is a present obligation, legal or constructive, as a result of a past event, when it is probable that an outflow of resources embodying economic benefits would be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

If effect of the time value of money is material, the amount of a provision would be discounted to its present value at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits would be required to settle the obligation, the provision would be reversed.

Provisions are not recognised for future operating losses. If the Company has a contract that is onerous, the present obligation under the contract shall be recognised and measured as a provision.

4.9 Contingent liabilities and contingent assets

A contingent liability is a possible obligation that arises from past events whose existence would be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Company or a present obligation that is not recognised because it is not probable that an outflow of resources would be required to settle the obligation. A contingent liability also arises in extremely rare cases where there is a liability that cannot be recognised because it cannot be measured reliably. The Company does not recognise a contingent liability but discloses its existence in the financial statements.

A contingent asset is a possible asset that arises from past events whose existence would be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Company. The Company does not recognise contingent assets but disclose its existence where inflows of economic benefits are probable, but not virtually certain.

**APPENDIX H – AUDITED FINANCIAL STATEMENTS OF
GGT MANUFACTURING SDN. BHD. FOR THE FINANCIAL YEARS ENDED
31 DECEMBER 2014, 31 DECEMBER 2015 AND 31 DECEMBER 2016**

GGT MANUFACTURING SDN. BHD. (897620 – W)
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2014, 2015 AND 2016

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.10 Deferred mining evaluation assets

Evaluation activity involves the determination of technical feasibility and the assessment of the commercial viability of an identified resource. Evaluation expenditure are capitalised in respect of each area of interest for which the rights to tenure are current and where:

- (i) The evaluation expenditures are expected to be recouped through successful development and exploitation of the area of interest; or
- (ii) Evaluation activities in the area of interest have not reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or in relation to, the areas of interest are continuing.

Exploration and evaluation assets are initially measured at cost and include acquisition of rights to explore, studies, exploratory drilling, trenching and sampling and associated activities and an allocation of depreciation and amortisation of assets used in exploration and evaluation activities. General and administrative costs are only included in the measurement of exploration and evaluation costs where they are related directly to operational activities in a particular area of interest.

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable and where a decision is made to proceed with development, the mining evaluation assets attributable to that area of interest are first tested for impairment and then reclassified to mining property within property, plant and equipment.

4.11 Mine properties

Mine properties are transferred from carried forward development assets upon production commences and the accumulated costs for the relevant area of interest will then be amortised using the straight-line method to allocate the amortisable amounts over its estimated useful life of 13 years.

4.12 Employee benefits

- (a) Short term employee benefits

Wages, salaries, social security contributions, paid annual leave, paid sick leave, bonuses and non-monetary benefits are measured on an undiscounted basis and are expensed when employees rendered their services to the Company.

**APPENDIX H – AUDITED FINANCIAL STATEMENTS OF
GGT MANUFACTURING SDN. BHD. FOR THE FINANCIAL YEARS ENDED
31 DECEMBER 2014, 31 DECEMBER 2015 AND 31 DECEMBER 2016**

GGT MANUFACTURING SDN. BHD. (897620 – W)
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2014, 2015 AND 2016

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.12 Employee benefits (Continued)

(a) Short term employee benefits (Continued)

Short term accumulating compensated absences such as paid annual leave are recognised as an expense when employees render services that increase their entitlement to future compensated absences. Short term non-accumulating compensated absences such as sick leave are recognised when the absences occur and they lapse if the current period's entitlement is not used in full and do not entitle employees to a cash payment for unused entitlement on leaving the Company.

Bonuses are recognised as an expense when there is a present, legal or constructive obligation to make such payments, as a result of past events and when a reliable estimate can be made of the amount of the obligation.

(b) Defined contribution plan

The Company makes contributions to a statutory provident fund. The contributions are recognised as a liability after deducting any contribution already paid and as an expense in the period in which the employees render their services.

4.13 Leases and finance lease payables

(a) Operating leases

A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

Lease payments under operating leases are recognised as an expense on a straight-line basis over the lease term.

(b) Finance leases

Assets acquired under finance leases which transfer substantially all the risks and rewards of ownership to the Company are recognised initially at amounts equal to the fair value of the leased assets or, if lower, the present value of minimum lease payments, each determined at the inception of the lease. The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the leases, if this is practicable to determine; if not, the incremental borrowing rate of the Company is used. Any initial direct costs incurred by the Company are added to the amount recognised as an asset. The assets are capitalised as property, plant and equipment and the corresponding obligations are treated as liabilities. The property, plant and equipment capitalised are depreciated on the same basis as owned assets.

**APPENDIX H – AUDITED FINANCIAL STATEMENTS OF
GGT MANUFACTURING SDN. BHD. FOR THE FINANCIAL YEARS ENDED
31 DECEMBER 2014, 31 DECEMBER 2015 AND 31 DECEMBER 2016**

GGT MANUFACTURING SDN. BHD. (897620 – W)
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2014, 2015 AND 2016

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.13 Leases and finance lease payables (Continued)

(b) Finance leases (Continued)

The minimum lease payments are apportioned between the finance charges and the reduction of the outstanding liability. The finance charges are recognised in profit or loss over the period of the lease term so as to produce a constant periodic rate of interest on the remaining lease liabilities.

4.14 Fair value measurement

The fair value of an asset or a liability is determined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.

The Company measures the fair value of an asset or a liability by taking into account the characteristics of the asset or liability if market participants would take these characteristics into account when pricing the asset or liability. The Company has considered the following characteristics when determining fair value:

- (a) The condition and location of the asset; and
- (b) Restrictions, if any, on the sale or use of the asset.

The fair value measurement for a non-financial asset takes into account the ability of the market participant to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The fair value of a financial or non-financial liability or an entity's own equity instrument assumes that:

- (a) A liability would remain outstanding and the market participant transferee would be required to fulfil the obligation. The liability would not be settled with the counterparty or otherwise extinguished on the measurement date; and
- (b) An entity's own equity instrument would remain outstanding and the market participant transferee would take on the rights and responsibilities associated with the instrument. The instrument would not be cancelled or otherwise extinguished on the measurement date.

**APPENDIX H – AUDITED FINANCIAL STATEMENTS OF
GGT MANUFACTURING SDN. BHD. FOR THE FINANCIAL YEARS ENDED
31 DECEMBER 2014, 31 DECEMBER 2015 AND 31 DECEMBER 2016**

GGT MANUFACTURING SDN. BHD. (897620 – W)
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2014, 2015 AND 2016

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.15 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivables, net of discounts and rebates.

Revenue is recognised to the extent that it is probable that the economic benefits associated with the transaction would flow to the Company, and the amount of revenue and the cost incurred or to be incurred in respect of the transaction can be reliably measured and specific recognition criteria have been met for each of the activities of the Company as follows:

(a) Sale of goods

Revenue from sale of goods is recognised when significant risk and rewards of ownership of the goods has been transferred to the customer and where the Company does not have continuing managerial involvement over the goods, which coincides with the delivery of goods and acceptance by customers.

(b) Contract works

Profits from contract works are recognised on a percentage of completion method. Percentage of completion is determined on the proportion of contract costs incurred for work performed to date against total estimated costs where the outcome of the project can be estimated reliably.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

When the outcome of a contract cannot be estimated reliably, revenue is recognised only to the extent of contract costs incurred that it is probable will be recoverable and contract costs are recognised as an expense in the period in which they are incurred.

(c) Other income

Interest income is recognised as it accrues, using the effective interest method.

APPENDIX H – AUDITED FINANCIAL STATEMENTS OF GGT MANUFACTURING SDN. BHD. FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2014, 31 DECEMBER 2015 AND 31 DECEMBER 2016

GGT MANUFACTURING SDN. BHD. (897620 – W)
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2014, 2015 AND 2016

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.16 Foreign currencies

Items included in the financial statements of the Company is measured using the currency of the primary economic environment in which the entity operates (“functional currency”).

The financial statements are presented in Ringgit Malaysia, which is the functional currency of the Company and the presentation currency for the financial statements.

In preparing the financial statements, transactions in currencies other than the entity’s functional currency (“foreign currencies”) are recorded at the rates of exchange prevailing on the date of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are re-translated at the rates prevailing at the end of the reporting period. Non-monetary items carried at fair value that are denominated in foreign currencies are re-translated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not re-translated.

Exchange differences arising on the settlement of monetary items and on re-translating of monetary items are recognised in profit or loss for the financial year. Exchange differences arising on the re-translation of non-monetary items carried at fair value are recognised in profit or loss for the financial year except for differences arising on the re-translation of non-monetary items in respect of which gains and losses are recognised in other comprehensive income. For such non-monetary items, any exchange component of that gain or loss is also recognised in other comprehensive income.

4.17 Segmental Reporting

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the Company) and whose operating results are regularly reviewed by the Company’s chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance.

5. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

5.1 Changes in estimates

Estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

**APPENDIX H – AUDITED FINANCIAL STATEMENTS OF
GGT MANUFACTURING SDN. BHD. FOR THE FINANCIAL YEARS ENDED
31 DECEMBER 2014, 31 DECEMBER 2015 AND 31 DECEMBER 2016**

GGT MANUFACTURING SDN. BHD. (897620 – W)
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2014, 2015 AND 2016

5. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

5.1 Changes in estimates (Continued)

The Directors are of the opinion that there are no significant changes in estimates at the end of the reporting period.

5.2 Critical judgements made in applying accounting policies

In the process of applying the Company's accounting policies, the Directors are of the opinion that there are no critical judgements involved that have a significant effect on the amount recognised in the financial statements.

5.3 Key sources of estimation uncertainty

The following are key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets within the next financial year.

(a) Depreciation of property, plant and equipment

The cost of property, plant and equipment is depreciated on a straight-line basis over the assets' useful lives. Management's estimates of the useful lives of the assets are as disclosed in Note 4.2 to the financial statements. Changes in expected level of usage and technological developments could impact the economic useful lives and the residual values of the assets, and therefore future depreciation charges could be revised. A ten percent (10%) difference in the average useful lives of these assets from management estimates would result in an approximately RM406 variance in profit for the financial year.

(b) Impairment of mine properties

The Company assesses annually whether its mine properties exhibit any indication of impairment. Should there be any indicator of impairment, the Company then estimates the recoverable amount.

The carrying value of mine properties within each area of interest are reviewed regularly during each of the relevant period, taking into consideration the available facts and circumstances, and to the extent to which the capitalised value exceeds its recoverable value, the excess is provided for or written off in the relevant period in which this is determined.

**APPENDIX H – AUDITED FINANCIAL STATEMENTS OF
GGT MANUFACTURING SDN. BHD. FOR THE FINANCIAL YEARS ENDED
31 DECEMBER 2014, 31 DECEMBER 2015 AND 31 DECEMBER 2016**

GGT MANUFACTURING SDN. BHD. (897620 – W)
(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2014, 2015 AND 2016**

5. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

5.3 Key sources of estimation uncertainty (Continued)

(b) Impairment of mine properties (Continued)

The recoverable amount of the mine properties has been determined based on value-in-use calculations. The calculations require the use of management's judgement and estimates. During each of the relevant year, the Company carries out a review of the recoverable amount of those assets and is satisfied that there are no indicators to suggest that those assets have suffered any impairment loss.

6. PROPERTY, PLANT AND EQUIPMENT

2015

	Balance as at 1.1.2015 RM	Additions RM	Depreciation charge for the financial year RM	Balance as at 31.12.2015 RM
Carrying amount				
Electrical installation works	–	9,483	(474)	9,009
Furniture and fittings	–	34,692	(3,311)	31,381
Tools and equipment	–	3,095	(103)	2,992
Renovation	–	3,498	(175)	3,323
	–	50,768	(4,063)	46,705

	← At 31.12.2015 →		
	Cost RM	Accumulated depreciation RM	Carrying amount RM
Electrical installation works	9,483	(474)	9,009
Furniture and fittings	34,692	(3,311)	31,381
Tools and equipment	3,095	(103)	2,992
Renovation	3,498	(175)	3,323
	50,768	(4,063)	46,705

**APPENDIX H – AUDITED FINANCIAL STATEMENTS OF
GGT MANUFACTURING SDN. BHD. FOR THE FINANCIAL YEARS ENDED
31 DECEMBER 2014, 31 DECEMBER 2015 AND 31 DECEMBER 2016**

GGT MANUFACTURING SDN. BHD. (897620 – W)
(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2014, 2015 AND 2016**

6. PROPERTY, PLANT AND EQUIPMENT (Continued)

2016

	Balance as at 1.1.2016 RM	Additions RM	Depreciation charge for the financial year RM	Balance as at 31.12.2016 RM
Carrying amount				
Electrical installation works	9,009	–	(1,896)	7,113
Furniture and fittings	31,381	3,116	(9,668)	24,829
Freehold land	–	460,000	–	460,000
Motor vehicles	–	106,938	(8,912)	98,026
Office equipment	–	28,967	(10,187)	18,780
Plant and equipment	–	2,130,077	(82,338)	2,047,739
Tools and equipment	2,992	1,717	(2,336)	2,373
Renovation	3,323	44,000	(5,833)	41,490
	46,705	2,774,815	(121,170)	2,700,350

	← At 31.12.2016 →		
	Cost RM	Accumulated depreciation RM	Carrying amount RM
Electrical installation works	9,483	(2,370)	7,113
Furniture and fittings	37,808	(12,979)	24,829
Freehold land	460,000	–	460,000
Motor vehicles	106,938	(8,912)	98,026
Office equipment	28,967	(10,187)	18,780
Plant and equipment	2,130,077	(82,338)	2,047,739
Tools and equipment	4,812	(2,439)	2,373
Renovation	47,498	(6,008)	41,490
	2,825,583	(125,233)	2,700,350

As at 31 December 2016, the Company's motor vehicle with carrying amount of RM98,026 (2015: RMNil) was acquired under finance lease arrangement.

**APPENDIX H – AUDITED FINANCIAL STATEMENTS OF
GGT MANUFACTURING SDN. BHD. FOR THE FINANCIAL YEARS ENDED
31 DECEMBER 2014, 31 DECEMBER 2015 AND 31 DECEMBER 2016**

GGT MANUFACTURING SDN. BHD. (897620 – W)
(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2014, 2015 AND 2016**

6. PROPERTY, PLANT AND EQUIPMENT (Continued)

During the financial year, the Company made the following cash payments to purchase property, plant and equipment:

	2014 RM	2015 RM	2016 RM
Purchase of property, plant and equipment	–	50,768	2,774,815
Acquired under finance lease arrangement	–	–	(103,000)
Cash payment to acquisition of property, plant and equipment	–	50,768	2,671,815

7. EXPLORATION AND EVALUATION ASSETS

	2014 RM	2015 RM	2016 RM
Exploration and evaluation phase:			
As at 1 January	–	–	600,920
Cost capitalised during the year	–	600,920	1,216,764
Transferred to mine properties	–	–	(1,817,684)
As at 31 December	–	600,920	–

Ultimate recoupment of exploration and evaluation expenditure carried forward is dependent on successful development and commercial exploitation or alternatively, sale of the respective areas.

8. MINE PROPERTIES

	2014 RM	2015 RM	2016 RM
Mine properties			
As at 1 January	–	–	–
Transfer from exploration and evaluation assets	–	–	1,817,684
Amortisation	–	–	(63,544)
As at 31 December	–	–	1,754,140

During the financial year, the Company reclassified the exploration and evaluation assets to mine properties upon commencement of production.

**APPENDIX H – AUDITED FINANCIAL STATEMENTS OF
GGT MANUFACTURING SDN. BHD. FOR THE FINANCIAL YEARS ENDED
31 DECEMBER 2014, 31 DECEMBER 2015 AND 31 DECEMBER 2016**

GGT MANUFACTURING SDN. BHD. (897620 – W)
(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2014, 2015 AND 2016**

9. INVENTORIES

	2014 RM	2015 RM	2016 RM
At cost			
Raw Materials	–	–	184,415
Consumables	–	–	19,546
	–	–	203,961

10. TRADE AND OTHER RECEIVABLES

	2014 RM	2015 RM	2016 RM
Trade receivables			
Third parties	–	–	2,079,071
Other receivables			
Third parties	–	–	57,669
A director	67,762	148,905	–
A shareholder	18,298	–	–
Deposits	–	101,060	155,460
	86,060	249,965	213,129
	86,060	249,965	2,292,200

- (a) Trade receivables, other receivables and deposits are denominated in Ringgit Malaysia ('RM').
- (b) Information on financial risks of other receivables and deposits are disclosed in Note 24 to the financial statements.
- (c) Trade receivables are unsecured, non-interest bearing and generally on 30 (2015: 30) days' credit term.
- (d) Amount due from a director and a shareholder are unsecured, non-interest bearing and repayable on demand.

**APPENDIX H – AUDITED FINANCIAL STATEMENTS OF
GGT MANUFACTURING SDN. BHD. FOR THE FINANCIAL YEARS ENDED
31 DECEMBER 2014, 31 DECEMBER 2015 AND 31 DECEMBER 2016**

GGT MANUFACTURING SDN. BHD. (897620 – W)
(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2014, 2015 AND 2016**

11. CASH AND CASH EQUIVALENTS

	2014 RM	2015 RM	2016 RM
Cash and bank balances	4,727	309,275	601,359
Deposits with a licensed bank	–	2,015,488	3,553,477
	<u>4,727</u>	<u>2,324,763</u>	<u>4,154,836</u>

- (a) Cash and bank balances are denominated in Ringgit Malaysia ('RM').
- (b) Information on financial risks of cash and cash equivalents are disclosed in Note 24 to the financial statements.

12. SHARE CAPITAL

	2014 RM	2015 RM	2016 RM
Ordinary shares of RM 1.00 each:–			
Authorised	1,000,000	1,000,000	1,000,000
Issued and fully paid			
Balance as at beginning of financial year	100,000	100,000	100,000
Issued during the year	–	–	150,000
Balance as at end of financial year	<u>100,000</u>	<u>100,000</u>	<u>250,000</u>

During the financial year, the issued and paid-up share capital of the Company was increased from RM100,000 to RM250,000 by way of issuance of 150,000 new ordinary shares of RM1.00 each at par for cash and for working purposes.

The owners of the Company are entitled to receive dividends as and when declared by the Company and are entitled to one (1) vote per ordinary share at meetings of the Company. All ordinary shares rank pari passu with regard to the Company's residual assets.

**APPENDIX H – AUDITED FINANCIAL STATEMENTS OF
GGT MANUFACTURING SDN. BHD. FOR THE FINANCIAL YEARS ENDED
31 DECEMBER 2014, 31 DECEMBER 2015 AND 31 DECEMBER 2016**

GGT MANUFACTURING SDN. BHD. (897620 – W)
(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2014, 2015 AND 2016**

13. REDEEMABLE CONVERTIBLE PREFERENCE SHARES (“RCPS”)

	2014	2015	2016
	RM	RM	RM
As at 1 January	–	–	4,229,055
Additions	–	5,000,100	5,999,700
Less: Transaction Costs	–	(1,455,995)	(30,000)
	–	3,544,105	10,198,755
Finance costs	–	684,950	3,426,787
As at 31 December	–	4,229,055	13,625,542

(a) The RCPS is denominated in Ringgit Malaysia (‘RM’).

(b) The salient features of the RCPS issued by the Company are as follow:

- (i) RCPS are redeemable at the option of RCPS holders at the Redemption Amount (as defined herein) upon the occurrence of an Event of Default or upon Maturity Date (the day immediately preceding the second (2nd) anniversary of the Issue Date), whichever is earlier;

The redemption amount payable by the Company upon the redemption of the RCPS shall be an amount equivalent to the Subscription Price received by the Company for the subscription of the RCPS together with any declared but unpaid dividends made prior to the date of full redemption, which shall be equivalent to thirty percent (30%) compounded internal rate of return (IRR) per annum calculated from the respective date of issue of the RCPS (“Redemption Amount”);

- (ii) RCPS shall rank at all times *pari passu* among themselves, in priority to the Ordinary Shares of the Company. Without limiting the generality of the foregoing, with respect to amounts payable upon liquidation or winding up of the Company, the holders of RCPS will rank in priority to the holders of Ordinary Shares in the Company;
- (iii) in the event that the Company fails or refuses or neglects to redeem such RCPS as required by the RCPS holders, then the RCPS holders has the right to sell such RCPS (“Option Shares”) to the Promoter and the Promoter shall be bound to acquire such Option Share at such Redemption Amount (“Put Option”) failing which the RCPS holder shall be at liberty to take such action in law as may be necessary to compel the Promoter by way of specific performance to complete the Put Option as contemplated by the agreement and/or to recover damages from the promoter.

**APPENDIX H – AUDITED FINANCIAL STATEMENTS OF
GGT MANUFACTURING SDN. BHD. FOR THE FINANCIAL YEARS ENDED
31 DECEMBER 2014, 31 DECEMBER 2015 AND 31 DECEMBER 2016**

GGT MANUFACTURING SDN. BHD. (897620 – W)
(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2014, 2015 AND 2016**

13. REDEEMABLE CONVERTIBLE PREFERENCE SHARES (“RCPS”) (Continued)

- (iv) In the event of a Trade Sale, the Company and the Promoter each agree to do all things necessary to procure that the proceeds from such Trade Sale shall be distributed and/or paid to the shareholders in the following order of priority;–

First, to the RCPS holders an amount per RCPS equal to the sum of the Issue Price plus any declared but unpaid dividends and any applicable interest; and

Second, after the RCPS Trade Sale Amount on all outstanding RCPS had been paid, any remaining proceeds from such Trade Sale or liquidation shall be distributed pro rata among the holders of the Ordinary Shares and the Subscriber on the RCPS holder on the basis that each RCPS is deemed as if it has been converted to such number of Ordinary Shares as the RCPS holders would have been entitled on conversion thereof.

- (v) All overdue amounts payable shall bear interest at the rate of ten percent (10%) per annum on such overdue amounts from the respective due date of payment until the full payment of all overdue amounts;
- (vi) Unless otherwise redeemed by the Company, the RCPS shall be convertible into Ordinary Shares of the Company at a conversion ratio of 1:2.5000117 (“Conversion Ratio”) at the option of the Subscriber at any time prior to:–
- (a) the Public Listing/Very Substantial Acquisition; or
 - (b) change of control of the Company; or
 - (c) the Maturity Date,

and the Ordinary Shares issued upon conversion of the RCPS shall rank at all times *pari passu* among themselves and the existing Ordinary Shares of the Company.

- (vii) all sums payable to the Subscriber are exclusive of tax and clear of any deduction or withholding if any which shall where applicable be paid by the Company in addition to the sums otherwise payable, at the rate in force at the due time for payment or such other time as is stipulated under relevant legislation.

**APPENDIX H – AUDITED FINANCIAL STATEMENTS OF
GGT MANUFACTURING SDN. BHD. FOR THE FINANCIAL YEARS ENDED
31 DECEMBER 2014, 31 DECEMBER 2015 AND 31 DECEMBER 2016**

GGT MANUFACTURING SDN. BHD. (897620 – W)
(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2014, 2015 AND 2016**

14. TRADE AND OTHER PAYABLES

	2014 RM	2015 RM	2016 RM
Trade payables			
Third parties	–	743	414,873
Other payables			
Third parties	3,861	52,280	1,412,130
A director	5,000	–	–
Accruals	–	5,204	90,894
	8,861	57,484	1,503,024
	8,861	58,227	1,917,897

- (a) Trade payables are non-interest bearing and the normal credit terms granted to the Company ranged from 30 to 60 days.
- (b) Amount due to a director is non-interest bearing and repayable on demand.
- (c) Information on financial risks of trade and other payables is disclosed in Note 24 to the financial statements.
- (d) The currency profile of trade and other payables is as follows:

	2014 RM	2015 RM	2016 RM
Singapore Dollar	–	–	102,039
US Dollar	–	–	175,851
Ringgit Malaysia	8,861	58,227	1,640,007
	8,861	58,227	1,917,897

**APPENDIX H – AUDITED FINANCIAL STATEMENTS OF
GGT MANUFACTURING SDN. BHD. FOR THE FINANCIAL YEARS ENDED
31 DECEMBER 2014, 31 DECEMBER 2015 AND 31 DECEMBER 2016**

GGT MANUFACTURING SDN. BHD. (897620 – W)
(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2014, 2015 AND 2016**

15. FINANCE LEASE PAYABLES

	2014 RM	2015 RM	2016 RM
Current liabilities:			
– not later than 1 year	–	–	9,133
Non-current liabilities:–			
– later than 1 year and not later than 5 years	–	–	55,074
– more than 5 years	–	–	35,888
			90,962
	–	–	100,095
	2014 RM	2015 RM	2016 RM
Minimum finance lease payments:			
– not later than one (1) year	–	–	14,328
– later than one (1) year and not later than five (5) years	–	–	71,640
– more than 5 years	–	–	38,119
	–	–	124,087
Less: Future interest charges	–	–	(23,992)
Present value of finance lease liabilities	–	–	100,095

Finance lease for the year 2016 is wholly denominated in RM (“Ringgit Malaysia”). Information on financial risk of borrowings and its remaining maturity is disclosed in Note 24 to the financial statements.

**APPENDIX H – AUDITED FINANCIAL STATEMENTS OF
GGT MANUFACTURING SDN. BHD. FOR THE FINANCIAL YEARS ENDED
31 DECEMBER 2014, 31 DECEMBER 2015 AND 31 DECEMBER 2016**

GGT MANUFACTURING SDN. BHD. (897620 – W)
(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2014, 2015 AND 2016**

16. AMOUNT DUE TO CUSTOMER FOR CONTRACT WORKS

	2014 RM	2015 RM	2016 RM
Contract costs incurred to date	–	–	3,387,490
Add: Attributable profits	–	–	696,194
	–	–	4,083,684
Less: Progress billings	–	–	(4,846,649)
	–	–	(762,965)
Amount due to customer for contract works	–	–	(762,965)

17. REVENUE

	2014 RM	2015 RM	2016 RM
Contract revenue	–	–	4,846,649
Sales of goods	–	52,653	76,550
	–	52,653	4,923,199

18. OTHER INCOME/FINANCE COST

	2014 RM	2015 RM	2016 RM
Other income:			
Interest income	–	15,494	110,384
Finance cost:			
Amortisation of transaction cost	–	152,152	808,355
Redeemable convertible preference shares	–	532,798	2,618,432
Finance lease interest	–	–	1,872
	–	684,950	3,428,659

**APPENDIX H – AUDITED FINANCIAL STATEMENTS OF
GGT MANUFACTURING SDN. BHD. FOR THE FINANCIAL YEARS ENDED
31 DECEMBER 2014, 31 DECEMBER 2015 AND 31 DECEMBER 2016**

GGT MANUFACTURING SDN. BHD. (897620 – W)
(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2014, 2015 AND 2016**

19. INCOME TAX EXPENSE

	2014 RM	2015 RM	2016 RM
Under-provision of income tax in prior years	–	977	–

Malaysian income tax is calculated at the statutory tax rate of 25% for fiscal years 2014 and 2015, and at 24% for the fiscal year of assessment 2016 onwards.

There is no tax expense for the financial year 2014, 2015 and 2016 as the Company is in tax loss position. The numerical reconciliation between the tax expense and the product of accounting loss multiplied by the applicable tax rate of the Company is as follows:

	2014 RM	2015 RM	2016 RM
Loss before income tax	(3,178)	(1,002,949)	(4,399,966)
Income tax calculated at Malaysia's statutory income tax rate	(795)	(250,737)	(1,055,992)
Tax effect of non-deductible expenses for income tax purposes	795	215,702	961,163
Deferred tax assets not recognised	–	35,035	94,829
Under-provision of income tax in prior years	–	977	–
	–	977	–

	2014 RM	2015 RM	2016 RM
Unutilised tax losses	–	136,078	357,053
Unabsorbed capital allowances	–	15,231	770,611
Property, plant and equipment and mine properties	–	(11,168)	(586,565)
	–	140,141	541,099

Deferred tax assets have not been recognised in respect of these items as it is not probable that sufficient taxable profit will be available against which the deductible temporary differences can be utilised.

The deductible temporary differences do not expire under the current tax legislation.

**APPENDIX H – AUDITED FINANCIAL STATEMENTS OF
GGT MANUFACTURING SDN. BHD. FOR THE FINANCIAL YEARS ENDED
31 DECEMBER 2014, 31 DECEMBER 2015 AND 31 DECEMBER 2016**

GGT MANUFACTURING SDN. BHD. (897620 – W)
(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2014, 2015 AND 2016**

20. EMPLOYEE BENEFITS EXPENSES

	2014 RM	2015 RM	2016 RM
Salaries and wages	–	41,793	608,758
Other employee benefits	–	7,556	50,224
Contributions to defined contribution plan	–	4,152	45,876
	–	53,501	704,858

21. SIGNIFICANT RELATED PARTY TRANSACTIONS

(a) Identities of related parties

Parties are considered to be related to the Company if the Company has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Company and the party are subject to common control or common significant influence. Related parties could be individuals or other parties.

The Company has related party relationship with its Directors and with a company in which a Director of the Company has financial interest.

(b) Significant related party transactions and balances

In addition to the transactions and balances detailed elsewhere in the financial statements, the Company had the following transactions with related parties during the financial year:

	2014 RM	2015 RM	2016 RM
With a company in which a Director of the Company has financial interest:			
Payment on behalf	–	–	140,000
Purchase of machinery	–	–	87,000
Office lease rental	–	–	32,400
Legal fees	–	–	63,512

**APPENDIX H – AUDITED FINANCIAL STATEMENTS OF
GGT MANUFACTURING SDN. BHD. FOR THE FINANCIAL YEARS ENDED
31 DECEMBER 2014, 31 DECEMBER 2015 AND 31 DECEMBER 2016**

GGT MANUFACTURING SDN. BHD. (897620 – W)
(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2014, 2015 AND 2016**

21. SIGNIFICANT RELATED PARTY TRANSACTIONS (Continued)

(c) Compensation of key management personnel

The compensation of key management personnel during the financial year are as follows:

	2014 RM	2015 RM	2016 RM
Directors' fees	–	–	120,000

22. COMMITMENTS

Operating lease commitments

The Company as lessee

The Company leases office premise and equipment under non-cancellable operating leases. The operating lease commitments are based on existing rental rates. The leases have terms ranging from 1 to 5 years and rentals are fixed during the lease term.

As at the end of the reporting period, the future minimum lease payable under non-cancellable operating leases contracted for but not recognised as liabilities were as follows:

	2014 RM	2015 RM	2016 RM
Future minimum lease payable			
Within 1 year	–	–	79,470
Between 2 to 5 years	–	–	27,540
	–	–	107,010

23. FINANCIAL INSTRUMENTS

(a) Capital management

The primary objective of the Company's capital management is to ensure that the Company would be able to continue as a going concern and to maintain an optimal capital structure so as to maximise shareholders value. The overall strategy of the Company remains unchanged during the financial years ended 31 December 2014, 2015 and 2016.

**APPENDIX H – AUDITED FINANCIAL STATEMENTS OF
GGT MANUFACTURING SDN. BHD. FOR THE FINANCIAL YEARS ENDED
31 DECEMBER 2014, 31 DECEMBER 2015 AND 31 DECEMBER 2016**

GGT MANUFACTURING SDN. BHD. (897620 – W)
(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2014, 2015 AND 2016**

23. FINANCIAL INSTRUMENTS (Continued)

(a) Capital management (Continued)

The Company monitors and reviews its capital structure based on its business and operating requirements. No changes were made in the objectives, policies or processes during the financial year.

(b) Financial instruments

	2014 RM	2015 RM	2016 RM
Financial assets			
Loans and receivables			
Trade and other receivables	86,060	249,965	2,292,200
Cash and cash equivalents	4,727	2,324,763	4,154,836
	<u>90,787</u>	<u>2,574,728</u>	<u>6,447,036</u>
Financial liabilities			
Other financial liabilities			
Trade and other payables	8,861	58,227	1,917,897
Finance lease payables	–	–	100,095
Fair value through profit or loss			
Redeemable convertible preference shares	–	4,229,055	13,625,542
	<u>8,861</u>	<u>4,287,282</u>	<u>15,643,534</u>

(c) Methods and assumptions used to estimate fair values

The fair values of financial assets and financial liabilities are determined as follows:–

- (i) Financial instruments that are not carried at fair values and whose carrying amounts are reasonable approximation of fair values

The carrying amounts of financial assets and financial liabilities, such as other receivables and deposits and other payables are reasonable approximation of their fair values, due to their short-term nature.

**APPENDIX H – AUDITED FINANCIAL STATEMENTS OF
GGT MANUFACTURING SDN. BHD. FOR THE FINANCIAL YEARS ENDED
31 DECEMBER 2014, 31 DECEMBER 2015 AND 31 DECEMBER 2016**

GGT MANUFACTURING SDN. BHD. (897620 – W)
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2014, 2015 AND 2016

23. FINANCIAL INSTRUMENTS (Continued)

(c) Methods and assumptions used to estimate fair values (Continued)

(ii) Redeemable convertible preference shares

The fair value of the redeemable convertible preference shares is estimated by discounting future contractual cash flows at the current market interest rate available to the Company for similar financial instruments.

24. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The operations of the Company are subject to a variety of financial risks, including credit risk and liquidity and cash flow risk. The Company's principal objective is to minimise the Company's exposure to risks and/or costs associated with the financing, investing and operating activities of the Company.

(a) Credit risk

Cash deposits and receivables may give rise to credit risk which requires the loss to be recognised if a counter party fails to perform as contracted. It is the Company's policy to monitor the financial standing of these counter parties on an ongoing basis to ensure that the Company is exposed to minimal credit risk.

In respect of cash and cash equivalents placed with major financial institutions in Malaysia, the Directors believe that the possibility of non-performance by the financial institutions is remote on the basis of their financial strength.

Exposure to credit risk

At the end of the reporting period, the Company's maximum exposure to credit risk is represented by the carrying amount of each class of financial assets recognised in the statement of financial position.

Credit concentration profile

As at the end of the reporting period, there is no significant concentration of credit risk. The Company does not anticipate the carrying amounts recorded at the end of the reporting period to be significantly different from the values that would eventually be received.

**APPENDIX H – AUDITED FINANCIAL STATEMENTS OF
GGT MANUFACTURING SDN. BHD. FOR THE FINANCIAL YEARS ENDED
31 DECEMBER 2014, 31 DECEMBER 2015 AND 31 DECEMBER 2016**

GGT MANUFACTURING SDN. BHD. (897620 – W)
(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2014, 2015 AND 2016**

24. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(b) Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument would fluctuate because of changes in foreign exchange rates.

Transactional currency exposures mainly arose from transactions that are denominated in currencies other than functional currency of the Company.

The carrying amounts of the Company's foreign currency denominated monetary assets and liabilities at the end of the reporting period are as follows:

	Liabilities		
	2014	2015	2016
	RM	RM	RM
Singapore Dollar ('SGD')	–	–	102,039
US Dollar ('USD')	–	–	175,851
	–	–	277,890

Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity analysis of the Company's loss after tax to a reasonably possible change in SGD and USD against the functional currency of the Company, with all other variables held constant.

	Loss after tax Increase/(Decrease)		
	2014	2015	2016
	RM	RM	RM
SGD/RM – strengthen by 10%	–	–	(1,020)
– weaken by 10%	–	–	1,020
USD/RM – strengthen by 10%	–	–	(1,759)
– weaken by 10%	–	–	1,759

**APPENDIX H – AUDITED FINANCIAL STATEMENTS OF
GGT MANUFACTURING SDN. BHD. FOR THE FINANCIAL YEARS ENDED
31 DECEMBER 2014, 31 DECEMBER 2015 AND 31 DECEMBER 2016**

GGT MANUFACTURING SDN. BHD. (897620 – W)
(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2014, 2015 AND 2016**

24. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(c) Liquidity and cash flow risk

The Company actively manages its debt maturity profile, operating cash flows and availability of funding so as to ensure that all operating and financing needs are met. It is the Company's policy to ensure its ability to service its cash obligations by maintaining a level of cash and cash equivalents deemed adequate to the Company's operations. The Company also maintains flexibility in funding by keeping committed credit lines available.

The table below summarises the maturity profile of the Company's liabilities at the end of each reporting period based on contractual undiscounted repayment obligations.

	On demand or within one year RM	One to five years RM	More than five years RM	Total RM
2014				
Financial liabilities				
Non-trade payables	8,861	–	–	8,861
2015				
Financial liabilities				
Trade and other payables	58,227	–	–	58,227
Redeemable convertible preference shares	–	8,450,169	–	8,450,169
	58,227	8,450,169	–	8,508,396
2016				
Financial liabilities				
Trade and other payables	1,917,897	–	–	1,917,897
Finance lease payables	14,328	71,640	38,119	124,087
Redeemable convertible preference shares	16,660,060	–	–	16,660,060
	18,592,285	71,640	38,119	18,702,044

**APPENDIX H – AUDITED FINANCIAL STATEMENTS OF
GGT MANUFACTURING SDN. BHD. FOR THE FINANCIAL YEARS ENDED
31 DECEMBER 2014, 31 DECEMBER 2015 AND 31 DECEMBER 2016**

GGT MANUFACTURING SDN. BHD. (897620 – W)
(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2014, 2015 AND 2016**

25. EVENTS AFTER THE REPORTING DATE

As part of the Company's fundraising, the Company entered into a subscription agreement dated 24 August 2015 ("Principle Subscription Agreement") with Luminor Pacific Fund 1 Ltd ("Luminor"), where Luminor agreed to subscribe for Forty Two Thousand Eight Hundred Fifty Seven (42,857) RCPS of par value RM 1.00 at the issue price of RM 700.00 per RCPS and in aggregate amount of RM 29,999,900 in total.

Luminor had on 24 August 2015 and 8 June 2016 subscribed for 15,714 units for an aggregate principal sum of RM10,999,800.

- (i) On 27 June 2016, Anchor Resources Limited ("ARL"), a company listed on the Catalist Board of the Singapore Exchange Securities Trading Limited ("SGX"), made an announcement to the SGX in regards to the proposed acquisition by ARL of all the issued and fully paid shares in the capital of the Company. In order to secure its participation in the proposed acquisition, Luminor will need to purchase shares in the Company. Therefore, both Luminor and the Company are desirous to amend the terms contained in the supplemental agreement dated 8 June 2016 ("First Supplemental Agreement") via a supplemental agreement dated 23 January 2017 ("Second Supplemental Agreement"). As per the Second Supplemental Agreement, Luminor and the Company have agreed that the remaining 27,143 RCPS with a subscription price of RM19,000,100 shall be fulfilled via a final subscription of 4,817 RCPS at RM3,371,900 and a purchase of 39,071 ordinary shares in the Company from Mr Lim Chiau Woei, a Director of the Company, for RM15,628,200. This would result in Luminor holding 20,531 RCPS and 39,071 ordinary shares in the Company.
- (ii) On 25th January 2017, the Company passed an ordinary resolution increasing the Paid-Up Share Capital of the Company from RM250,000 to RM270,531 to facilitate the conversion of 20,531 RCPS into ordinary shares.

**APPENDIX I – UNAUDITED PRO FORMA
FINANCIAL INFORMATION OF THE ENLARGED GROUP**

**ANCHOR RESOURCES LIMITED
and its subsidiaries**

Unaudited Pro Forma Financial Information

APPENDIX I – UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

30 June 2017

The Board of Directors
Anchor Resources Limited
80 Robinson Road
#17-02 Singapore 068898

Report on the compilation of unaudited pro forma financial information included in the Circular to shareholders of Anchor Resources Limited

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Anchor Resources Limited (the “Company”, and together with its subsidiaries, the “Anchor Resources Group”) and GGT Manufacturing Sdn. Bhd. (“GGTM”) (collectively, the “Enlarged Group”) in connection with the proposed acquisition of all the issued and fully paid up shares in the capital of GGTM being a Very Substantial Acquisition (the “VSA”) and interest person transaction under the Catalist rules (“Proposed Acquisition”). The unaudited pro forma financial information of the Enlarged Group consists of the unaudited pro forma statements of financial position as at 31 December 2016, the unaudited pro forma statements of comprehensive income of the Enlarged Group for the financial years ended 31 December 2014, 2015 and 2016, the unaudited pro forma statements of cash flow of the Enlarged Group for the financial year ended 31 December 2016, and related notes as set out on pages I-6 to I-20 of the circular issued by the Company. The applicable criteria on the basis of which the Directors of the Enlarged Group have compiled the unaudited pro forma financial information of the Enlarged Group are described in Note 2 to the unaudited pro forma financial information of the Enlarged Group.

The unaudited pro forma financial information has been compiled by the Directors of the Enlarged Group to illustrate the impact of the event and transaction set out in Note 2 on:

- (a) the unaudited pro forma financial position of the Enlarged Group as at 31 December 2016 as if the event or transaction had occurred as at 31 December 2016;
- (b) the unaudited pro forma financial performance of the Enlarged Group for the financial years ended 31 December 2014, 2015 and 2016 as if the event or transaction had occurred on 1 January 2014; and
- (c) the unaudited pro forma cash flows of the Enlarged Group for the financial year ended 31 December 2016 as if the event or transaction had occurred on 1 January 2016.

As part of the process, unaudited pro forma information in respect of the Enlarged Group’s financial position, financial performance and cash flows has been extracted by the Directors of the GGTM from the audited consolidated financial statements of the GGTM for the financial years ended 31 December 2014, 2015 and 2016 on which an independent auditors’ report has been published; and the audited financial statements of GGTM for the financial years ended 31 December 2014, 2015 and 2016 on which an independent auditors’ report has been issued.

APPENDIX I – UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

Report on the compilation of unaudited pro forma financial information included in the Circular to shareholders of Anchor Resources Limited (Continued)

Directors' responsibility for the unaudited pro forma financial information

The Directors of the Enlarged Group are responsible for compiling the unaudited pro forma financial information on the basis of the applicable criteria as described in Note 2 of the unaudited pro forma financial information.

Our independence and quality control

We have complied with the independence and other ethical requirement of the Accounting and Corporate Regulatory Authority Code of *Professional Conduct and Ethics for Public Accountants and Accounting Entities*, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

The firm applies *Singapore Standard on Quality Control 1* and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting accountant's responsibilities

Our responsibility is to express an opinion about whether the unaudited pro forma financial information has been compiled, in all material respects, by the Directors of the Enlarged Group on the basis of the applicable criteria.

We conducted our engagement in accordance with Singapore Standard on Assurance Engagements ("SSAE") 3420, *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus*, issued by the Institute of Singapore Chartered Accountants. This standard requires that the reporting accountant plan and perform procedures to obtain reasonable assurance about whether the Directors of the Enlarged Group has compiled, in all material respects, the unaudited pro forma financial information on the basis of the applicable criteria as described in Note 2 of the unaudited pro forma financial information.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the unaudited pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the unaudited pro forma financial information.

The purpose of unaudited pro forma financial information included in the Circular to the shareholders is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 31 December 2014, 2015 and 2016, would have been as presented.

APPENDIX I – UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

Report on the compilation of unaudited pro forma financial information included in the Circular to shareholders of Anchor Resources Limited (Continued)

Reporting accountant's responsibilities (Continued)

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been compiled, in all material respects, on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors of the Enlarged Group in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related unaudited pro forma adjustments give appropriate effect to those criteria; and
- The unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountant's judgement, having regard to the reporting accountant's understanding of the nature of the Anchor Resources Group and GGTM, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

- (a) The unaudited pro forma financial information has been compiled:
 - (i) in a manner consistent with the accounting policies adopted by the Enlarged Group in its latest audited financial statements, which are in accordance with Singapore Financial Reporting Standards;
 - (ii) on the basis of the applicable criteria stated in Note 2 of the unaudited pro forma financial information; and
- (b) each material adjustment made to the information used in the preparation of the unaudited pro forma financial information is appropriate for the purpose of preparing such unaudited financial information.

APPENDIX I – UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

Report on the compilation of unaudited pro forma financial information included in the Circular to shareholders of Anchor Resources Limited (Continued)

This report has been prepared for inclusion in the Circular of Anchor Resources Limited to be issued in connection with the Proposed Acquisition and should not be used for any other purpose.

BDO LLP

Public Accountants and
Chartered Accountants

Singapore

Leong Hon Mun Peter
Partner-in-charge

**APPENDIX I – UNAUDITED PRO FORMA
FINANCIAL INFORMATION OF THE ENLARGED GROUP**

**ANCHOR RESOURCES LIMITED
AND ITS SUBSIDIARIES**

**UNAUDITED PRO FORMA STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2016**

	RM'000
ASSETS	
Non-current assets	
Property, plant and equipment	18,474
Exploration and evaluation assets	50
Mine properties	15,441
Prepayments	83
	34,048
Current assets	
Inventories	493
Trade and other receivables	2,998
Prepayments	153
Cash and cash equivalents	15,863
	19,507
Total assets	53,555
EQUITY AND LIABILITIES	
Equity	
Share capital	426,275
Merger reserve	(284,342)
Share based payment reserve	694
Accumulated losses	(105,699)
Total equity	36,928
Non-current liabilities	
Finance lease payables	330
Current liabilities	
Trade and other payables	15,461
Amount due to a contract customer	763
Finance lease payables	73
Redeemable convertible preferences shares	–
Total current liabilities	16,297
Total liabilities	16,627
Total equity and liabilities	53,555

The accompanying notes form an integral part of these financial statements.

**APPENDIX I – UNAUDITED PRO FORMA
FINANCIAL INFORMATION OF THE ENLARGED GROUP**

**ANCHOR RESOURCES LIMITED
AND ITS SUBSIDIARIES**

**UNAUDITED PRO FORMA STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2014, 2015 AND 2016**

	2016	2015	2014
	RM'000	RM'000	RM'000
Revenue	7,098	731	–
Other income	104	22	9
Raw materials and consumables used	(958)	(897)	–
Changes in inventories	210	113	–
Contractor expenses	(4,215)	(274)	–
Royalty fee expenses	(825)	(34)	–
Depreciation and amortisation expense	(1,875)	(1,322)	(170)
Employee benefits expense	(6,636)	(2,895)	(1,432)
Operating lease expenses	(501)	(172)	(167)
Other expenses	(25,598)	(8,318)	(3,731)
Finance costs	(6,056)	(2,541)	(1,324)
Fair value loss on derivative financial instruments	–	(29,587)	–
Loss before income tax	(39,252)	(45,174)	(6,815)
Income tax expense	–	(1)	–
Loss for the financial year, representing total comprehensive income for the financial year	(39,252)	(45,175)	(6,815)
Loss attributable to owners of the parent	(39,252)	(45,175)	(6,815)
Total comprehensive income attributable to owners of the parent	(39,252)	(45,175)	(6,815)

The accompanying notes form an integral part of these financial statements.

APPENDIX I – UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

ANCHOR RESOURCES LIMITED AND ITS SUBSIDIARIES

UNAUDITED PRO FORMA STATEMENT OF CASH FLOWS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

	RM'000
Operating activities	
Loss before income tax	(39,252)
Adjustments for:	
Amortisation of mine properties	400
Depreciation of property, plant and equipment	1,475
Interest expenses	6,056
Interest income	(113)
Loss on disposal of property, plant and equipment	19
Write-down of inventories to net realisable value	255
Unrealised exchange difference	427
Share based payment expense	1,023
Operating cash flows before working capital changes	(29,710)
Working capital changes:	
Inventories	(274)
Trade and other receivables	(2,356)
Prepayments	4,632
Trade and other payables	15,107
Net cash used in operating activities	(12,601)
Investing activities	
Additions to exploration and evaluation assets	(1,217)
Additions to mine properties	(958)
Interest received	113
Proceeds from disposal of property, plant and equipment	53
Purchase of property, plant and equipment	(6,883)
Net cash used in investing activities	(8,892)
Financing activities	
Interest paid	(15)
Proceeds from issuance of new ordinary shares	31,259
Proceeds from issuance of redeemable convertible preference shares	9,342
Receipts from reversal of prior years' transaction costs	745
Share issue expenses	(7,451)
Repayment to finance lease payables	(34)
Net cash from financing activities	33,846
Net change in cash and cash equivalents	12,353
Exchange difference on cash and cash equivalents	(70)
Cash and cash equivalents at beginning of financial year	3,480
Cash and cash equivalents at end of financial year	15,763
Fixed deposits	5,514
Cash and bank balances	10,349
Cash and cash equivalents as per statement of financial position	15,863
Fixed deposits pledged	(100)
Cash and cash equivalents as per statement of cash flows	15,763

The accompanying notes from an integral part of these financial statements.

APPENDIX I – UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

ANCHOR RESOURCES LIMITED AND ITS SUBSIDIARIES

STATEMENT OF ADJUSTMENTS FOR THE UNAUDITED PRO FORMA STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2016

	ANCHOR RESOURCES GROUP RM'000	GGTM RM'000	Pro forma adjustments Note 3 RM'000		Unaudited financial information of Enlarged Group RM'000
ASSETS					
Non-current assets					
Property, plant and equipment	15,774	2,700			18,474
Exploration and evaluation assets	50	–			50
Investment in subsidiary	–	–	320,183 (320,183)	(iv) (v)	–
Mine properties	13,687	1,754			15,441
Prepayments	–	83			83
	29,511	4,537			34,048
Current assets					
Inventories	289	204			493
Trade and other receivables	706	2,292			2,998
Prepayments	107	46			153
Cash and cash equivalents	7,591	4,155	3,372 745	(i) (ix)	15,863
	8,693	6,697			19,507
Total assets	38,204	11,234			53,555
EQUITY AND LIABILITIES					
Equity					
Share capital	106,092	250	19,946 320,183 (20,196)	(iii) (iv) (v)	426,275
Merger reserve	15,645	–	(299,987)	(v)	(284,342)
Share based payment reserve	694				694
Accumulated losses	(93,937)	(5,422)	(2,527) (4,120) 307	(ii) (vi) (viii)	(105,699)
Total equity	28,494	(5,172)			36,928

The accompanying notes from an integral part of these financial statements.

**APPENDIX I – UNAUDITED PRO FORMA
FINANCIAL INFORMATION OF THE ENLARGED GROUP**

**ANCHOR RESOURCES LIMITED
AND ITS SUBSIDIARIES**

**STATEMENT OF ADJUSTMENTS FOR THE UNAUDITED PRO FORMA
STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2016**

	ANCHOR RESOURCES GROUP RM'000	GGTM RM'000	Pro forma adjustments Note 3 RM'000		Unaudited financial information of Enlarged Group RM'000
Non-current liabilities					
Finance lease payables	239	91			330
Current liabilities					
Trade and other payables	9,407	1,917	17 4,120	(i) (vi)	15,461
Amount due to a contract customer	–	763			763
Redeemable convertible preference shares	–	13,626	3,355 2,527 (19,946) (307) 745	(i) (ii) (iii) (viii) (ix)	–
Finance lease payables	64	9			73
Total current liabilities	9,471	16,315			16,297
Total liabilities	9,710	16,406			16,627
Total equity and liabilities	38,204	11,234			53,555

The accompanying notes form an integral part of these financial statements.

APPENDIX I – UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

ANCHOR RESOURCES LIMITED AND ITS SUBSIDIARIES

STATEMENT OF ADJUSTMENTS FOR THE UNAUDITED PRO FORMA STATEMENT OF COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

	ANCHOR RESOURCES GROUP RM'000	GGTM RM'000	Pro forma adjustments Note 3 RM'000		Unaudited financial information of Enlarged Group RM'000
Revenue	2,175	4,923			7,098
Other income	37	110	(43)	(vii)	104
Raw materials and consumables used	(917)	(41)			(958)
Changes in inventories	26	184			210
Contractor expenses	(565)	(3,650)			(4,215)
Royalty expenses	(790)	(35)			(825)
Depreciation and amortisation expense	(1,690)	(185)			(1,875)
Employee benefits expense	(5,931)	(705)			(6,636)
Operating lease expenses	(384)	(160)	43	(vii)	(501)
Other expenses	(20,065)	(1,413)	(4,120)	(vi)	(25,598)
Finance costs	(408)	(3,428)	(2,527)	(ii)	(6,056)
			307	(viii)	
Loss before income tax	(28,512)	(4,400)			(39,252)
Income tax expense	—	—			—
Loss for the financial year, representing total comprehensive income for the financial year	(28,512)	(4,400)			(39,252)
Loss attributable to owners of the parent	(28,512)	(4,400)			(39,252)
Total comprehensive income attributable to owners of the parent	(28,512)	(4,400)			(39,252)

The accompanying notes from an integral part of these financial statements.

APPENDIX I – UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

ANCHOR RESOURCES LIMITED AND ITS SUBSIDIARIES

STATEMENT OF ADJUSTMENTS FOR THE UNAUDITED PRO FORMA STATEMENT OF COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

	ANCHOR RESOURCES GROUP RM'000	GGTM RM'000	Pro forma adjustments Note 3 RM'000	Unaudited financial information of Enlarged Group RM'000
Revenue	678	53		731
Other income	7	15		22
Raw materials and consumables used	(883)	(14)		(897)
Changes in inventories	113	–		113
Contractor expenses	(274)	–		(274)
Royalty fee expenses	(34)	–		(34)
Depreciation and amortisation expense	(1,318)	(4)		(1,322)
Employee benefits expense	(2,841)	(54)		(2,895)
Operating lease expenses	(153)	(19)		(172)
Other expenses	(8,023)	(295)		(8,318)
Finance costs	(1,856)	(685)		(2,541)
Fair value loss on derivative financial instruments	(29,587)	–		(29,587)
Loss before income tax	(44,171)	(1,003)		(45,174)
Income tax expense	–	(1)		(1)
Loss for the financial year, representing total comprehensive income for the financial year	(44,171)	(1,004)		(45,175)
Loss attributable to owners of the parent	(44,171)	(1,004)		(45,175)
Total comprehensive income attributable to owners of the parent	(44,171)	(1,004)		(45,175)

The accompanying notes from an integral part of these financial statements.

APPENDIX I – UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

ANCHOR RESOURCES LIMITED AND ITS SUBSIDIARIES

STATEMENT OF ADJUSTMENTS FOR THE UNAUDITED PRO FORMA STATEMENT OF COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

	ANCHOR RESOURCES GROUP RM'000	GGTM RM'000	Pro forma adjustments Note 3 RM'000	Unaudited financial information of Enlarged Group RM'000
Other income	9	–		9
Depreciation and amortisation expense	(170)	–		(170)
Employee benefits expense	(1,432)	–		(1,432)
Operating lease expenses	(167)	–		(167)
Other expenses	(3,728)	(3)		(3,731)
Finance costs	(1,324)	–		(1,324)
Loss before income tax	(6,812)	(3)		(6,815)
Income tax expense	–	–		–
Loss for the financial year, representing total comprehensive income for the financial year	<u>(6,812)</u>	<u>(3)</u>		<u>(6,815)</u>
Loss attributable to owners of the parent	<u>(6,812)</u>	<u>(3)</u>		<u>(6,815)</u>
Total comprehensive income attributable to owners of the parent	<u>(6,812)</u>	<u>(3)</u>		<u>(6,815)</u>

The accompanying notes from an integral part of these financial statements.

APPENDIX I – UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

ANCHOR RESOURCES LIMITED AND ITS SUBSIDIARIES

STATEMENT OF ADJUSTMENTS FOR THE UNAUDITED PRO FORMA STATEMENT OF CASH FLOWS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

	ANCHOR RESOURCES GROUP RM'000	GGTM RM'000	Pro forma adjustments Note 3 RM'000		Unaudited financial information of Enlarged Group RM'000
Operating activities					
Loss before income tax	(28,512)	(4,400)	(2,527) (4,120) 307	(ii) (vi) (viii)	(39,252)
Adjustments for:					
Amortisation of mine properties	336	64			400
Depreciation of property, plant and equipment	1,354	121			1,475
Interest expenses	408	3,428	2,527 (307)	(ii) (viii)	6,056
Interest income	(3)	(110)			(113)
Loss on disposal of property, plant and equipment	19	–			19
Write-down of inventories to net realisable value	255	–			255
Unrealised exchange difference	407	20			427
Share based payments expenses	1,023	–			1,023
Operating cash flows before working capital changes	(24,713)	(877)			(29,710)
Working capital changes:					
Inventories	(70)	(204)			(274)
Trade and other receivables	(314)	(2,042)			(2,356)
Prepayments	4,618	14			4,632
Trade and other payables	8,384	2,603	4,120	(vi)	15,107
Net cash used in operating activities	(12,095)	(506)			(12,601)
Investing activities					
Additions to exploration and evaluation assets	–	(1,217)			(1,217)
Additions to mines properties	(958)	–			(958)
Interest received	3	110			113
Proceeds from disposal of property, plant and equipment	53	–			53
Purchase of property, plant and equipment	(4,211)	(2,672)			(6,883)
Net cash used in investing activities	(5,113)	(3,779)			(8,892)

The accompanying notes from an integral part of these financial statements.

APPENDIX I – UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

ANCHOR RESOURCES LIMITED AND ITS SUBSIDIARIES

STATEMENT OF ADJUSTMENTS FOR THE UNAUDITED PRO FORMA STATEMENT OF CASH FLOWS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

	ANCHOR RESOURCES GROUP RM'000	GGTM RM'000	Pro forma adjustments Note 3 RM'000		Unaudited financial information of Enlarged Group RM'000
Financing activities					
Interest paid	(13)	(2)			(15)
Proceeds from issuance of new ordinary shares	31,109	150			31,259
Proceeds from issuance of redeemable convertible preference shares	–	5,970	3,372	(i)	9,342
Receipts from reversal of prior years' transaction costs	–	–	745	(ix)	745
Share issue expenses	(7,451)	–			(7,451)
Repayment to finance lease payables	(31)	(3)			(34)
Net cash from financing activities	23,614	6,115			33,846
Net change in cash and cash equivalents	6,406	1,830			12,353
Exchange difference on cash and cash equivalents	(70)	–			(70)
Cash and cash equivalents at beginning of financial year	1,155	2,325			3,480
Cash and cash equivalents at end of financial year	7,491	4,155			15,763
Fixed deposits	1,960	3,554			5,514
Cash and bank balances	5,631	601	3,372 745	(i) (ix)	10,349
Cash and cash equivalents as per statement of financial position	7,591	4,155			15,863
Fixed deposits pledged	(100)	–			(100)
Cash and cash equivalents as per statement of cash flows	7,491	4,155			15,763

The accompanying notes form an integral part of these financial statements.

APPENDIX I – UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

ANCHOR RESOURCES LIMITED AND ITS SUBSIDIARIES

NOTES TO UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following selective notes form an integral part of and should be read in conjunction with the accompanying unaudited pro forma financial information.

The unaudited pro forma financial information of the Anchor Resources Limited (the “Company”, and together with its subsidiaries, the “Anchor Resources Group”) and GGT Manufacturing Sdn. Bhd. (“GGTM”) (collectively, the “Enlarged Group”) have been prepared solely for inclusion in the Circular to shareholders of the Company in connection with proposed acquisition of the entire issued and fully paid up share capital of GGTM (the “Proposed Acquisition”).

1. Corporate information

1.1 Domicile and activities

The Company is a public limited liability company incorporated and domiciled in Singapore and listed on the Catalist Board of the Singapore Exchange Securities Trading Limited. The registration number of the Company is 201531549N.

The Company’s registered office and principal place of business are 80 Robinson Road #17-02 Singapore 068898 and C-3A-9-10, 11 & 12, Block C, Pusat Komersial Southgate, No. 2, Jalan Dua, Off Jalan Chan Sow Lin, 55200, Kuala Lumpur Wilayah Persekutuan, Malaysia respectively.

The principal activities of the Company and its subsidiaries are those of an investment holding company, gold and related mineral mining, consulting and contractor of natural resources.

1.2 The Proposed Acquisition

On 27 June 2016, the Company announced the proposed acquisition of the entire issued and fully paid-up share capital of GGTM. On 21 June 2016, the Company entered into a sale and purchase agreement with Mr Lim Chiau Woei, Mdm Koh Ah Luan and Luminor Pacific Fund 1 Ltd. (collectively the “Vendors”) in relation to the Proposed Acquisition of entire issued and fully paid up share capital of GGTM.

Pursuant to the sales and purchase agreement, the Company will acquire the entire issued and fully paid up share capital of GGTM (“Sale Shares”) from the Vendors. The aggregate consideration for the Sale Shares will be approximately RM320,183,000 (equivalent to S\$103,265,000) (“Consideration”) of which adjusted from 95% of the market value of RM337,035,000 (equivalent to S\$108,700,000) of the equity interest in the GGTM based on the business valuation report.

The Consideration payable for each Sale Shares shall be equal to the Consideration divided by the aggregate number of Sale Shares held by the Vendors immediately prior to completion of proposed acquisition. The Company will satisfy the Consideration in full by way of the allotment and issue of the consideration shares to the Vendors.

APPENDIX I – UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

ANCHOR RESOURCES LIMITED AND ITS SUBSIDIARIES

NOTES TO UNAUDITED PRO FORMA FINANCIAL INFORMATION

1. Corporate information (Continued)

1.2 The Proposed Acquisition (Continued)

The issue price for each consideration shares is S\$0.145, which was calculated based on 115% of the volume weighted average price of the Company's shares traded on the Catalist for the six calendar months' period from the initial trading of the Company's shares on the Catalist to the expiry of 17 September 2016. The issue price is within the range of the minimum consideration issue price of S\$0.08 and maximum consideration issue price of S\$0.18 in accordance with the terms of the sale and purchase agreement.

Upon completion of the Proposed Acquisition, the Company will have the following subsidiaries:

Name of company (Principal place of business)	Proportion of ownership interest held %	Principal activities
<i>Held by the Company</i>		
Angka Alamjaya Sdn. Bhd. (Malaysia)	100	Gold and related mineral mining, consulting and contractor of natural resources
GGT Manufacturing Sdn. Bhd. (Malaysia)	100	Exploration, mining and production of dimension stone granites as well as architectural stone for sales and interior fit-out
<i>Held by Angka Alamjaya Sdn. Bhd.</i>		
Angka Mining Sdn. Bhd. (Malaysia)	100	Gold and related mineral mining consultancy

The Enlarged Group in this unaudited pro forma financial information relates to the companies referred to in the entities within Anchor Resources Limited and its subsidiaries subsequent to the Proposed Acquisition as referred to the Circular.

APPENDIX I – UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

ANCHOR RESOURCES LIMITED AND ITS SUBSIDIARIES

NOTES TO UNAUDITED PRO FORMA FINANCIAL INFORMATION

2. Basis of preparation of the unaudited pro forma financial information

The unaudited pro forma financial information, which are presented in Malaysia Ringgit and all values are recorded to the nearest thousand (RM'000) except where otherwise indicated.

The unaudited pro forma financial information for the financial years ended 31 December 2014, 2015 and 2016 is prepared for illustrative purposes only. These are prepared based on certain assumptions and after making certain adjustments to show what:

- (a) the unaudited pro forma financial position of the Enlarged Group as at 31 December 2016 would have been if the Proposed Acquisition had taken place on 31 December 2016;
- (b) the financial performance of the Enlarged Group for the financial years ended 31 December 2014, 2015 and 2016 as if the Proposed Acquisition had taken place on 1 January 2014;
- (c) the unaudited pro forma cash flows of the Enlarged Group for the financial year ended 31 December 2016 would have been if the Proposed Acquisition had occurred on 1 January 2016.

The objective is to show what is the historical financial information might have been had the Enlarged Group existed at an earlier date. However, the unaudited pro forma consolidated financial information, because of their nature, may not give a true picture of the actual financial position, financial results and cash flows of the Enlarged Group had it existed earlier.

The unaudited pro forma consolidated financial information of the Enlarged Group for the financial years ended 31 December 2014, 2015 and 2016 have been compiled based on the following:

- (a) The audited consolidated financial statements of the Anchor Resources Group for the financial years ended 31 December 2014, 2015 and 2016, which were prepared in accordance with Singapore Financial Reporting Standards ("FRS") and audited by BDO LLP, Singapore, in accordance with the Singapore Standards on Auditing; and
- (b) The audited financial statements of GGTM for the financial years ended 31 December 2014, 2015 and 2016 were prepared in accordance with International Financial Reporting Standards and were audited by BDO, Malaysia, in accordance with the approved standards on auditing in Malaysia.

APPENDIX I – UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

ANCHOR RESOURCES LIMITED AND ITS SUBSIDIARIES

NOTES TO UNAUDITED PRO FORMA FINANCIAL INFORMATION

2. Basis of preparation of the unaudited pro forma financial information (Continued)

The unaudited pro forma financial information is prepared using the same accounting policies as the audited financial statements of the Anchor Resources Group.

The auditors' reports on the consolidated financial statements of the Anchor Resources Group and the financial statements of GGTM did not contain any qualification.

Based on the assumptions discussed above, the material adjustments as set out in Note 3 have been made to the audited financial statements of the Enlarged Group in arriving at the unaudited pro forma financial information.

3. Pro forma adjustments

The following pro forma key adjustments and assumptions were made for the preparation of the unaudited pro forma financial information of the Enlarged Group:

- (i) Inclusion in pro forma financial information for the financial year ended 31 December 2016, where share capital of the GGTM and cash and cash equivalents increased by amount of approximately RM3,355,000 and RM3,372,000 respectively by way of issuance of 4,817 redeemable convertible preference shares ("RCPS") and non-trade payables increased by amount of approximately RM17,000 of transaction costs;
- (ii) Inclusion in pro forma financial information for the financial year ended 31 December 2016, where the GGTM accrued RCPS interests which resulted increase in finance costs and carrying amount of RCPS respectively by approximately RM2,527,000 for the financial year ended 31 December 2016;
- (iii) Inclusion in pro forma financial information for the financial year ended 31 December 2016, where RCPS lender of GGTM has exercised the conversion option of RCPS with carrying amount of approximately RM19,946,000 to the GGTM's ordinary share capital;
- (iv) Inclusion in pro forma financial information for the financial year ended 31 December 2016, where Anchor Resources Group entered into share swap agreement with shareholders of GGTM to acquire the entire issued and paid up ordinary share capital of GGTM, which resulted an increase in aggregated share capital of the Company and investment in subsidiary respectively of approximately RM320,183,000;
- (v) Inclusion in pro forma financial information for the financial year ended 31 December 2016, where the Company eliminate aggregated share capital of the GGTM of approximately RM20,196,000 which resulted an increase in merger reserve of approximately RM299,987,000 and a decrease investment in subsidiary of approximately RM320,183,000;

APPENDIX I – UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

ANCHOR RESOURCES LIMITED AND ITS SUBSIDIARIES

NOTES TO UNAUDITED PRO FORMA FINANCIAL INFORMATION

3. Pro forma adjustments (Continued)

- (vi) Inclusion in pro forma financial information for the financial year ended 31 December 2016, where the Enlarged Group accrued professional fees in respect of the Proposed Acquisition which resulted increase in other expenses and non-trade payables respectively by approximately RM4,120,000 for the financial year ended 31 December 2016;
- (vii) Inclusion in pro forma financial information for the financial year ended 31 December 2016, where the Company eliminates rental income from GGTM of approximately RM43,000 which resulted a decrease in other income of approximately RM43,000 and a decrease in operating lease expenses of approximately RM43,000;
- (viii) Inclusion in pro forma financial information for the financial year ended 31 December 2016, an adjusted finance costs was recognised after a reversal of transaction cost in relation to prior years' RCPS which resulted decrease in finance costs and carrying amount of RCPS respectively by approximately RM307,000 for the financial year ended 31 December 2016;
- (ix) Inclusion in pro forma financial information for the financial year ended 31 December 2016, where GGTM recognised of a reversal of transaction cost in relation to prior years' RCPS which resulted increase in cash and cash equivalents and carrying amount of RCPS by approximately RM745,000 for the financial year ended 31 December 2016;
- (x) The exchange rate of S\$1:RM3.1006 which has been applied for purposes of pro forma adjustments made for the financial year ended 31 December 2016;

APPENDIX J – TAXATION

1. SINGAPORE TAX

The following is a general summary of certain Singapore income tax, stamp duty and Goods and Services Tax (“GST”) consequences of purchasing, owning or disposing of the Shares. This summary is not intended to be and does not constitute legal or tax advice.

The summary is based on existing tax laws of Singapore in force as at the Latest Practicable Date and is subject to any changes in such laws, or in interpretation of such laws, occurring after such date, which changes could be made on a retrospective basis. These laws are also subject to various interpretations and no assurance can be given that the courts or fiscal authorities responsible for the administration of such laws will agree with this interpretation. The summary is limited to a general description of certain tax consequences in Singapore with respect to the purchase, ownership or disposition of the Shares by Singapore investors, and does not purport to be a comprehensive or exhaustive description of all of the tax considerations that may be relevant in a decision to purchase, own or dispose of the Shares. This summary does not take into account the effect of any applicable tax treaty.

Prospective investors should consult their own tax advisers regarding Singapore income tax and other tax consequences of purchasing, owning and disposing of the Shares. It is emphasised that neither the Company, the Group, the Directors, the Target nor any other persons involved in this Circular accept the responsibility for any tax effects or liabilities resulting from the subscription for, purchase, holding or disposal of the Shares.

Corporate Income Tax (General)

A corporate taxpayer is regarded as resident in Singapore for Singapore tax purposes if the control and management of its business is exercised in Singapore. The meaning of control and management is not defined in the Income Tax Act (Chapter 134) of Singapore. Generally, control and management of the company is vested in its board of directors and the place where the board of directors’ meetings are held is regarded to be the place where the management and control of the company is exercised.

Singapore tax resident corporate taxpayers are subject to Singapore income tax on: (i) income accruing in or derived from Singapore; and (ii) unless otherwise exempt, foreign-sourced income received in Singapore or deemed to have been received in Singapore by the operation of law.

Foreign-sourced income in the form of branch profits, dividends and service fee income received or deemed received in Singapore by a Singapore tax resident corporate taxpayer on or after 1 June 2003 are exempted from Singapore tax subject to meeting the following conditions:–

- (a) At the time the income is received in Singapore, the highest rate of tax of a similar character to income tax (by whatever name called) levied under the law of the territory from which the income is received on any gains or profits from any trade or business carried on by any company in that territory at that time is not less than 15%;
- (b) Such income is subject to tax of a similar character to income tax (by whatever name called) under the law of the territory from which the income is received; and
- (c) The Comptroller is satisfied that the tax exemption would be beneficial to the recipient of the foreign-sourced income.

APPENDIX J – TAXATION

Non-Singapore resident corporate taxpayers are subject to Singapore income tax only on (i) income accruing in or derived from Singapore; and (ii) unless otherwise exempt, foreign-sourced income received in Singapore or deemed to have been received in Singapore by operation of law.

The corporate tax rate in Singapore is currently 17% after allowing for tax exemption on three quarters of up to the first S\$10,000 and up to one-half of the next S\$290,000 of a company's chargeable income. The remaining chargeable income (after deducting the applicable tax exemption on the first S\$300,000 of chargeable income) is taxed at the prevailing corporate tax rate, currently 17%. For year of assessment 2016 and 2017, companies are given a 50% corporate tax rebate capped at S\$20,000 and S\$25,000 respectively for each year of assessment. For year of assessment 2018, companies are given a 20% corporate tax rebate capped at S\$10,000.

Individual Income Tax (General)

An individual is regarded as a tax resident in Singapore in a year of assessment if, in the preceding calendar year, the individual was physically present in Singapore or exercises an employment in Singapore (other than as a director of a company) for 183 days or more, or if the individual ordinarily resides (except for temporary absences) in Singapore.

Singapore tax resident individuals are subject to Singapore income tax on income accruing in or derived from Singapore. All foreign-sourced income received in Singapore by Singapore tax resident individuals (except for income received through a partnership in Singapore) is generally exempt from Singapore income tax. Singapore tax resident individuals are taxed at progressive rates ranging from 0% to 20%. The maximum rate will be increased to 22% effective from year of assessment 2017.

Non-Singapore resident individuals are generally subject to Singapore income tax only on income accruing in or derived from Singapore at the rate of 20% (22% effective from year of assessment 2017), except that Singapore employment income is taxed at a flat rate of 15% or at progressive resident rates with reliefs, whichever yields a higher tax.

Dividend Distributions

Singapore currently operates on a "one-tier" corporate tax system, under which the tax collected from corporate profits is final and Singapore dividends are exempt from Singapore income tax in the hands of the shareholder, regardless of whether the shareholder is a corporate or individual shareholder or whether the shareholder is a Singapore tax resident. Therefore, the dividends received from Shares are exempt from Singapore income tax on the basis that the Company is a tax resident of Singapore.

However, foreign Shareholders are advised to consult their own tax advisers to take into account the tax laws of their respective countries of residence and the existence of any double taxation agreement which their country of residence may have with Singapore.

APPENDIX J – TAXATION

Gains on Disposal of the Shares

Singapore does not currently impose tax on capital gains. Therefore, any gains derived from the disposal of the Shares will not be liable for Singapore income tax unless such gains are considered income derived from a trade or business carried on in Singapore. Such gains may also be liable for Singapore income tax if the Shares were acquired with the intent or purpose of making a profit from their subsequent sale and not for long-term investment purposes.

If a seller has held the Shares as investment assets, any gains arising from a subsequent sale should generally be considered capital gains not subject to Singapore income tax. However, if the Shares have been held as trading assets, the gains arising from a subsequent sale may be subject to Singapore income tax.

As the precise tax status of one seller will vary from another, sellers are advised to consult their own professional advisers on the Singapore tax consequences that may apply to their individual circumstances.

Notwithstanding the above, gains derived by a divesting company from the disposal of ordinary shares in an investee company are not taxable if immediately prior to the date of the share disposal, the divesting company had held at least 20% of the ordinary shares in the investee company for a continuous period of at least 24 months (“**Tax Certainty Scheme**”).

The Tax Certainty Scheme is applicable to disposals made during the period from 1 June 2012 to 31 May 2022 (both dates inclusive). The Tax Certainty Scheme does not apply to disposal of shares in an unlisted investee company that is in the business of trading or holding Singapore immovable properties (other than property development). Therefore, if the gains derived from the disposal of the Shares qualify for the Tax Certainty Scheme, they will not be subject to Singapore income tax.

In addition, Shareholders who adopt the tax treatment to be aligned with the Singapore Financial Reporting Standard 39 Financial Instruments-Recognition and Measurement may be taxed on gains (not being gains in the nature of capital) even though no sale or disposal of the Shares is made. Shareholders who may be subject to such tax treatment should consult their own accounting and tax advisers regarding the Singapore income tax consequences of their acquisition, holding and disposal of the Shares.

Stamp Duty

There is no stamp duty payable on the subscription of the Shares.

Stamp duty is payable on every contract or agreement for sale of the Shares at the rate of 0.2%, computed on the consideration or market value of the Shares, whichever is the higher. The purchaser is liable for stamp duty, unless there is an agreement to the contrary. No stamp duty is payable if no contract or agreement for sale is executed (such as in the case of scripless shares, the transfer of which does not require contract or agreement for sale to be executed) or the contract or agreement for sale is executed outside Singapore. However, stamp duty would be payable if the contract or agreement for sale which is executed outside Singapore is subsequently received in Singapore.

Stamp duty is not applicable to electronic transfers of the Shares through the scripless trading system operated by CDP.

APPENDIX J – TAXATION

GST

The sale of the Shares by a GST-registered investor belonging in Singapore to another person belonging in Singapore is an exempt supply for GST purposes.

Any GST (for example, GST on brokerage) incurred by a GST-registered investor in the making of this exempt supply will generally be an irrecoverable cost.

Where the Shares are sold by a GST-registered investor in the course of or furtherance of a business carried on by such investor to a person belonging outside Singapore (and who is outside Singapore at the time of sale), the sale is a taxable supply subject to GST at zero rate (i.e. 0%). Where the counter-party is not known, the location of the exchange will be used as a proxy to determine the GST treatment. If the Shares are traded on Singapore exchange, the sale will be an exempt supply. If the Shares are traded on an overseas exchange, the sale will be a zero rated supply. Consequently, any GST (for example, GST on brokerage) incurred by a GST-registered investor in the making of this zero-rated supply is recoverable from the Comptroller of GST.

Services such as brokerage and handling services rendered by a GST-registered person to an investor belonging in Singapore in connection with the investor's purchase or sale of the Shares will be subject to GST at the prevailing rate (currently seven percent (7.0%)). Similar services rendered contractually to an investor belonging outside Singapore are subject to GST at zero-rate, provided that the investor is not physically present in Singapore at the time the services are performed and the services provided do not directly benefit a person who belongs in Singapore.

Investors should seek their own tax advice on the recoverability of GST incurred on expenses in connection with the purchase and sale of the Shares.

Estate duty

Singapore estate duty has been abolished with respect to all deaths occurring on or after 15 February 2008.

2. MALAYSIAN TAX

The following is a summary of the principal Malaysian tax consequences relevant to the prospective investor based on Malaysia tax laws and their implementing regulations in force as of the date of this Circular. The summary does not address any laws other than the tax laws of Malaysia.

Corporate Income Tax

The Income Tax Act 1967 imposes corporate income tax on the income of companies accruing in or derived from Malaysia. Income derived from sources outside Malaysia and received in Malaysia is exempted from corporate income tax unless it is earned by a Malaysian resident company carrying on the business of banking, insurance or sea or air transport.

APPENDIX J – TAXATION

The applicable corporate income tax rate for Malaysian-incorporated and tax resident companies with paid-up ordinary share capital of RM2.5 million and below at the beginning of the basis period is 19% (18% with effect from the year of assessment 2017) on chargeable income of up to RM500,000 and 24% on the excess. This preferential tax rate on the first RM500,000 of chargeable income will not be available if the company is directly or indirectly related by more than 50% by way of ordinary shares to any other company with paid-up ordinary share capital exceeding RM2.5 million. Companies that are not incorporated and tax resident in Malaysia or with paid-up ordinary share capital exceeding RM2.5 million or which are related to other companies with paid-up ordinary share capital exceeding RM2.5 million are taxed at the rate of 24% on all chargeable income.

For the years of assessment 2017 and 2018 only, the 24% corporate income tax rate is reduced based on the percentage of increase in chargeable income as compared to the immediate preceding year of assessment. The reduction of the corporate income tax rate is as follows:

Percentage of increase in chargeable income as compared to the immediate preceding year of assessment	Percentage point reduction	Corporate income tax rate after reduction (%)
Less than 5.00%	0	24
5.00% – 9.99%	1	23
10.00% – 14.99%	2	22
15.00% – 19.99%	3	21
20.00% and above	4	20

The above reduction of the corporate income tax rate is given by way of a proportionate exemption of the increase in chargeable income and is subject to the following conditions:

- (a) The company is incorporated in Malaysia.
- (b) The company's business has been in operation for not less than 24 months.
- (c) The company has chargeable income from a business source in the basis period for a year of assessment and the year of assessment immediately preceding that year of assessment and has made up its account for a period of 12 months ending on the same date for each of those years of assessment.
- (d) The exemption is given only on the increase in chargeable income derived from the carrying on of a business.
- (e) For a company with paid-up ordinary share capital of RM2.5 million and below at the beginning of the basis period, the exemption is further restricted to the increase in chargeable income that is not part of the first RM500,000 of chargeable income.
- (f) In ascertaining the increase in chargeable income, any unabsorbed loss or unabsorbed allowance in the year of assessment and the year of assessment immediately preceding that year of assessment is disregarded.

APPENDIX J – TAXATION

- (g) The exemption is not available to a company who, in the basis period for the years of assessment 2017 or 2018, has made a claim for reinvestment allowance, has been granted any incentive under the Promotion of Investments Act 1986, has been granted an exemption under section 127 of the Income Tax Act 1967, has made a claim for group relief, is an investment holding company or has a debt that has been released.

Deductions on certain contributions are available under the Income Tax Act 1967. Such deductions include contributions made to the government, state government, local authorities, institutions, organisations or funds approved by the Director General of Inland Revenue Board Malaysia or sports activities approved by the Minister of Finance or projects of national interest approved by the Minister of Finance. The total amount of deduction for such contributions is restricted to 10% of the aggregate income of the company.

Investment incentives under the Promotion of Investments Act 1986

The Promotion of Investments Act 1986 provide a number of incentives for companies participating in a promoted activity. “**Promoted activity**” is defined as a manufacturing, agricultural, integrated agricultural, hotel, tourist or other industrial or commercial activity determined by the Minister of International Trade and Industry, and includes an activity which is of national and strategic importance to Malaysia. The various types of incentives given include, amongst others:

(a) Pioneer Status (“**PS**”)

A pioneer status company is given partial exemption from paying income tax for a period of 5 years. Generally, only 70% of the statutory income from the pioneer business for each of the 5 years will be exempt from tax. The balance of the statutory income will be taxable at the normal corporate income tax rate. A full tax exemption and/or a tax exemption period of 10 years are available in limited cases.

(b) Investment Tax Allowances (“**ITA**”)

A company receiving this incentive will be given allowances on capital expenditure incurred on industrial buildings, plant and machinery directly used for the purpose of the promoted activities. Generally, the allowance given is 60% of the qualifying capital expenditure. The amount of the allowance which can be claimed for each year of assessment is restricted to a maximum of 70% of the statutory income from the promoted business. Any excess can generally be carried forward indefinitely for future utilisation against income from the same promoted business. The allowance will only be given on capital expenditure incurred within 5 years from the date of approval of this incentive. 100% allowances and/or 100% set-off and/or a 10-year tax relief period are available in limited cases. Both the PS and ITA incentives are mutually exclusive.

Tax Incentives under Schedule 7A of the Income Tax Act 1967

(a) Reinvestment Allowance (“**RA**”)

RA is available to manufacturing companies that have been in operation for not less than 36 months and reinvest their capital to embark on a project for expansion, modernisation or automation of its existing business, or diversification of its business into any related product within the same industry.

APPENDIX J – TAXATION

The rate of RA is 60% on the qualifying capital expenditure (i.e. factory, plant and machinery) and is granted in addition to capital allowances. The RA can be utilised to reduce up to 70% of statutory income from the business embarking on the qualifying project. RA can be claimed against 100% of statutory income from that business if the company can demonstrate that the qualifying project has achieved the level of productivity as prescribed by the Minister of Finance. Any unused RA may be carried forward indefinitely.

The incentive period for RA is 15 years from the first year of claim by a company. Unlike PS or ITA, this incentive does not require prior approval from any of the authorities. RA cannot be claimed in the same basis period if a company is also enjoying PS or ITA incentives.

Tax incentive for Less Developed Areas

The Less Developed Area incentive was introduced under the Malaysian 2015 Budget to promote job creation and a more balanced and inclusive regional growth across the country. It is a customised incentive which will be evaluated by the Malaysian Investment Development Authority and the Ministry of Finance based on the merit of each case.

The following forms of tax incentives may be offered on a case to case basis:

- (a) Income tax exemption of 100% up to 15 years (5+5+5) commencing from the first year of assessment the company derives statutory income. The company must comply with the conditions and achieve the Key Performance Index (KPIs) for each additional 5 years;

or

Income tax exemption equivalent to 100% of qualifying capital expenditure (investment tax allowance) incurred within a period of 10 years. The allowance can be offset against 100% of statutory income for each assessment year. Unutilised allowances can be carried forward until fully absorbed. The company must comply with the conditions and achieve the KPIs for additional 5 years;

- (b) Stamp duty exemption on transfer or lease of land or building used for development in relation to manufacturing and services activities;
- (c) Withholding tax exemption on fees for technical advice, assistance or services or royalty in relation to manufacturing and services activities up to 31 December 2020;
- (d) Import duty exemption on raw materials and components that are not produced locally and used directly in the manufacture of finished products subject to the prevailing policy, guidelines and procedures; and
- (e) Import duty exemption on machinery and equipment that are not produced locally and used directly in the activity for selected services sector subject to the prevailing policy, guidelines and procedures.

APPENDIX J – TAXATION

The eligibility criteria are as follows:

- (a) A company incorporated under the Companies Act 1965.
- (b) Eligible applicants:
 - 1. Existing company expanding its operation into the less developed areas; or
 - 2. Newly established company.
- (c) The company is to undertake its manufacturing or services activities in the less developed areas that will lead to substantial creation of employment and rural development.
- (d) Complies with other conditions specified by the Minister of Finance including value added, local employment and managerial, technical and supervisory staff index (MTS Index).

Effective date of application:

Applications received by Malaysian Investment Development Authority from 1 January 2015 to 31 December 2020 are eligible to be considered for this incentive.

Please note that there may be other tax incentives that could be granted on a case by case basis, subject to conditions.

Dividend Distributions

Malaysia operates a single tier dividend system under which the corporate income tax paid by a company is a final tax and dividends paid by the company to its shareholders is exempted from income tax.

Capital Gains

Capital gains from the sale of investments such as the sale of shares or capital assets are generally not subject to income tax. Income tax may be applicable if the gains are treated as being revenue, as opposed to capital, in nature.

Disposal of land in Malaysia or any interest, option or other right in or over such land in Malaysia may be subject to real property gains tax ("**RPGT**"). RPGT is imposed at rates depending on the length of time such an asset is held.

APPENDIX J – TAXATION

The current rates of RPGT are as follows:

Date of disposal	Rates of RPGT (%)		
	Disposal by a company	Disposal by an individual who is a Malaysian citizen or permanent resident	Disposal by an individual who is not a Malaysian citizen or permanent resident
Disposal within 3 years	30	30	30
Disposal in the 4th year	20	20	30
Disposal in the 5th year	15	15	30
Disposal in the 6th year and thereafter	5	0	5

Gains from the sale of shares in a “real property company” are also subject to real property gains tax. Under the Real Property Gains Tax Act 1976, a real property company is a controlled company (one with not more than fifty members and controlled by no more than 5 persons) which acquires real property or real property company shares or both and, on the date of such acquisition, the defined value of the company’s holdings in real property and/or shares in other real property companies are 75% or more of the value of its total tangible assets. The laws in relation to real property company shares can be complex. Shareholders who have any doubts over their RPGT exposure are advised to seek professional advice.

Stamp Duty

Stamp duty is levied on the instrument of transfer of certain assets and shares on an ad valorem basis under the Stamp Act 1949. The stamp duty payable on transfers of unlisted shares is currently fixed at a rate of 0.3% of the consideration or the value of the shares, whichever is greater. The duty payable on a transfer of land is on a graduated scale of 1% to 3%. Stamp duty payable is calculated on the consideration or the market value of the land, whichever is higher.

Under section 52 of the Stamp Act 1949, no instrument chargeable with duty shall be admitted in evidence for any purpose by any person having by law or consent of parties authority to receive evidence, or shall be acted upon, registered, or authenticated by any such person or by any public officer, unless such instrument is duly stamped.

A bill to amend the Stamp Act 1949 has recently undergone its first reading in Parliament. It is not known when the bill would be passed. In our comments above, we have not considered the impact of the bill.

Withholding Tax

The Income Tax Act 1967 provides that where a person is liable to make certain types of payment which is derived from Malaysia to a non-resident person, he shall deduct withholding tax at the prescribed rate from such payment and (whether such tax has been deducted or not) pay that tax to the Director General of Inland Revenue within one month after such payment has been paid or credited to the non-resident.

APPENDIX J – TAXATION

Amounts paid or credited to non-residents in consideration for services are subject to withholding tax of either 10% or 13%, depending on the circumstances. With effect from 17 January 2017, payments to non-residents for services performed outside Malaysia may also be subject to withholding tax.

In respect of interest (other than interest that is exempted under Schedule 6) paid to non-residents, the withholding tax rate is 15%.

Royalties, rentals of moveable property and payments for income falling under Section 4(f) paid to non-residents are subject to a 10% withholding tax.

There is no withholding tax on dividends paid by Malaysian resident companies.

The above withholding tax rates may be reduced or eliminated in certain cases in the tax treaties signed by Malaysia.

Inheritance Tax

There is no inheritance tax in Malaysia.

Goods and Services Tax

GST at the rate of 6% shall be applicable on all taxable supply of goods or services effected in the course or furtherance of business in Malaysia, and also cover within its purview importation of goods or services into Malaysia.

Certain goods or services are subject to GST at 0%. For example, this applies to exports, international services (subject to conditions), and goods or services which are specifically prescribed as being zero-rated. Under the GST (Exempt Supply) Order 2014, certain goods and services such as sale of residential property and transfer of ownership of any securities or derivatives relating to securities are exempt from GST. Further, under the GST (Relief) Order 2014, certain persons are relieved from charging GST, subject to conditions.

The supply of services relating to financial services shall not be deemed to be an exempt supply to the extent that the consideration payable for the usage or provision of facilities, arranging, broking, underwriting or advising on any of the supplies specified therein, is any fee, commission, merchant's discount or other similar charge. Hence, for foreign and Malaysian investors buying Malaysian issued securities from brokers belonging in Malaysia, the fee or commission charged by such brokers shall be subject to GST.

Malaysian Tax Treatment of Incorporated and Unincorporated Joint Ventures

Incorporated Joint Ventures

An incorporated joint venture is subject to income tax as a legal entity separate from its shareholders and directors.

An incorporated joint venture that is established as a company under the CA 2016 is generally subject to corporate income tax at the rate of 24% on its income from the joint venture business that is accrued in or derived from Malaysia. With effect from the year of assessment 2017, it may enjoy a preferential tax rate of 18% on its first RM500,000 of chargeable income provided that it is also tax resident in Malaysia, has a paid-up ordinary

APPENDIX J – TAXATION

share capital of RM2.5 million and less at the beginning of the basis period for a year of assessment, and is not directly or indirectly related by more than 50% by way of ordinary shares to any other company with paid-up ordinary share capital exceeding RM2.5 million.

Under the Income Tax Act 1967, where there is any income tax due and payable by the incorporated joint venture, the directors of the incorporated joint venture are jointly and severally liable for such tax. For this purpose, “director” means any person who:

- (a) is occupying the position of director (by whatever name called), including any person who is concerned in the management of the incorporated joint venture’s business; and
- (b) is, either on his own or with one or more associates, the owner of, or able to directly or through the medium of other companies or by any other indirect means to control, not less than 20% of the ordinary share capital of the incorporated joint venture.

The income tax on the profits of an incorporated joint venture is a final tax and the dividends distributed out of such profits are exempted from income tax when received by its shareholders.

The incorporated joint venture is required to register for GST if its annual taxable turnover has exceeded or is expected to exceed the threshold of RM500,000. Alternatively, it may also choose to voluntarily register for GST even though its annual taxable turnover does not exceed the threshold.

The directors of an incorporated joint venture are jointly and severally liable for any tax, surcharge, penalty, fee or any other money payable by the incorporated joint venture under the Goods and Services Tax Act 2014. Unlike the Income Tax Act 1967, there is no specific meaning for “director” in the Goods and Services Tax Act 2014 when imposing this liability.

Unincorporated Joint Ventures

An unincorporated joint venture may or may not be a partnership. Whether a partnership exists is a question of law which must be determined by reference to the facts of the particular case.

- (a) Not a partnership

If the unincorporated joint venture is not a partnership, under the Income Tax Act 1967 the parties to the joint venture would each have to separately account for their own income and expenses arising from the joint venture and be responsible any income tax payable thereon. Where the joint venture party is a company, it would be subject to corporate income tax as described above for incorporated joint ventures.

Such an unincorporated joint venture generally cannot be registered for GST separately from the parties to the joint venture, except for joint ventures for upstream petroleum activities.

APPENDIX J – TAXATION

(b) A partnership

In the case of an unincorporated joint venture that is a partnership, the income and expenses of the partnership would first have to be accounted for separately from the parties to the joint venture. The partnership would have to file tax returns in which the divisible income of the partnership is calculated and declared. However, the partnership itself is not liable to income tax on such divisible income. The parties to the joint venture are responsible for declaring their share of the divisible income in their own tax returns and be liable to any income tax arising therefrom. Where the joint venture party is a company, it would be subject to corporate income tax as described above for incorporated joint ventures.

The partnership is required to be GST registered if its annual taxable turnover exceeds RM500,000. The partners are jointly and severally liable for any tax, surcharge, penalty, fee or any other money payable by the partnership under the Goods and Services Tax Act 2014.

Due to the complexity in the tax treatment, each unincorporated joint venture would need to be reviewed individually in order to ascertain its exact tax implications.

APPENDIX K – INFORMATION RELATING TO THE PROPOSED EXCHANGEABLE BONDS ISSUE

All capitalised terms and expressions hereinafter appearing shall, unless otherwise defined herein, bear the same meanings as ascribed to them in the EB Subscription Agreement and the EB Terms and Conditions.

Part 1. Adjustments to the Exchange Price

The following is an extract of the Adjustment Formula set out in Schedule 3 of the EB Subscription Agreement.

“1. In the event that the Company varies its share capital due to any of the events set forth in this **Schedule 3**, the Exchange Price shall be adjusted in accordance with this **Schedule 3**.

- (a) **Consolidation, Subdivision or Reclassification:** Any alteration to the number of issued Shares as a result of consolidation, subdivision or reclassification.

If and whenever there shall be an alteration to the number of issued Shares as a result of consolidation, subdivision or reclassification, the Exchange Price shall be adjusted by multiplying the Exchange Price in force immediately before such alteration by the following fraction:

$$\frac{A}{B}$$

where:

A is the aggregate number of issued Shares immediately before such alteration; and

B is the aggregate number of issued Shares immediately after such alteration.

Such adjustment shall become effective on the date the alteration takes effect.

- (b) **Capitalisation of Profits or Reserves:** The issue of Shares by the Company credited as fully paid to any persons in whose names Shares are registered (“**Shareholders**”), by way of capitalisation of profits or reserves, including a free distribution or bonus issue of Shares, other than an issue of Shares paid-up out of profits or reserves and issued in lieu of the whole or any part of a specifically declared Dividend in cash, being a Dividend which the Shareholders concerned or could otherwise have received (a “**Scrip Dividend**”) but only to the extent that the Fair Market Value of such Scrip Dividend does not exceed the amount of such Dividend in cash or the relevant part thereof.

In such an event, the Exchange Price shall be adjusted by multiplying the Exchange Price in force immediately before such issue by the following fraction:

$$\frac{A}{B}$$

where:

A is the aggregate number of issued Shares immediately before such issue; and

APPENDIX K – INFORMATION RELATING TO THE PROPOSED EXCHANGEABLE BONDS ISSUE

B is the aggregate number of issued Shares immediately after such issue.

Such adjustment shall become effective on the date of issue of such Shares or if a record date is fixed therefor, immediately after such record date.

- (c) **Dividends:** If and whenever the Company shall pay or make any Dividends to the Shareholders (except where the Exchange Price falls to be adjusted under subparagraph (b) above), the Exchange Price shall be adjusted by multiplying the Exchange Price in force immediately before such Dividend by the following fraction:

$$\frac{A-B}{A}$$

where:

A is the Current Market Price of one Share on the date on which the Dividend is first publicly announced; and

B is the Fair Market Value on the date of such announcement, as determined in good faith by an Independent Bank, of the portion of the Dividend attributable to one Share.

Such adjustment shall become effective on the date such Dividend is made or, where a record date is set, immediately after such record date.

- (d) **Rights Issues of Shares or Options over Shares:** The issue of Shares to all or substantially all Shareholders as a class by the Company by way of rights, or issue or grant to all or substantially all Shareholders as a class by way of rights, or issue or grant to all or substantially all Shareholders as a class, by way of rights of options, warrants or other rights to subscribe for or purchase any Shares, in each case at less than 95.0% of the Current Market Price per Share on the date on which the final terms of such issue or grant is first publicly announced.

In such an event, the Exchange Price shall be adjusted by multiplying the Exchange Price in force immediately before such issue or grant by the following fraction:

$$\frac{A+B}{A+C}$$

where:

A is the number of Shares in issue immediately before such announcement;

B is the number of Shares which the aggregate amount (if any) payable for the Shares issued by way of rights or for the options or warrants or other rights issued by way of rights and for the total number of Shares comprised therein would purchase at such Current Market Price per Share; and

C is the aggregate number of Shares issued or, as the case may be, comprised in the issue or grant.

APPENDIX K – INFORMATION RELATING TO THE PROPOSED EXCHANGEABLE BONDS ISSUE

Such adjustment shall become effective on the date of issue of such Shares or issue or grant of such options, warrants or other rights (as the case may be or, where a record date is set, the first date on which the Shares are traded ex-rights, ex-options or ex-warrants as the case may be).

- (e) **Rights Issues of Other Securities:** The issue of any securities (other than Shares or options, warrants or other rights to subscribe or purchase Shares) to all or substantially all Shareholders as a class by the Company by way of rights or the grant to all or substantially all Shareholders as a class by way of rights, options, warrants or other rights to subscribe for or purchase, any securities (other than Shares or options, warrants or other rights to subscribe or purchase Shares).

In such an event, the Exchange Price shall be adjusted by multiplying the Exchange Price in force immediately before such issue or grant by the following fraction:

$$\frac{A-B}{A}$$

where:

A is the Current Market Price of one Share on the date on which the final terms of such issue or grant is first publicly announced; and

B is the Fair Market Value on the date of such announcement of the portion of the rights attributable to one Share.

Such adjustment shall become effective on the date of issue of the securities or grant of such rights, options or warrants (as the case may be) or where a record date is set, the first date on which the Shares are traded ex-rights, ex-options or ex-warrants as the case may be.

- (f) **Issues at less than Current Market Price:** The issue (otherwise than as mentioned in sub-paragraph (d) above) by the Company wholly for cash of any Shares (other than Shares issued on the exercise of Exchange Rights or on the exercise of any other rights of conversion into, or exchange or subscription for, Shares) or the issue or grant of (otherwise than as mentioned in sub-paragraph (d) above) options, warrants or other rights to subscribe or purchase Shares, in each case at a price per Share which is less than 95.0% of the Current Market Price on the date on which the final terms of such issue is first publicly announced.

APPENDIX K – INFORMATION RELATING TO THE PROPOSED EXCHANGEABLE BONDS ISSUE

In such an event, the Exchange Price shall be adjusted by multiplying the Exchange Price in force immediately before such issue by the following fraction:

$$\frac{A+B}{C}$$

where:

- A** is the number of Shares in issue immediately before the issue of such additional Shares or the grant of such options, warrants or other rights to subscribe for, purchase or otherwise acquire any Shares;
- B** is the number of Shares which the aggregate consideration receivable for the issue of such additional Shares would purchase at such Current Market Price; and
- C** is the number of Shares in issue immediately after the issue of such additional Shares.

References to additional Shares in the above formula shall, in the case of an issue by the Company of options, warrants or other rights to subscribe or purchase Shares, mean such Shares to be issued assuming that such options, warrants or other rights are exercised in full at the initial exercise price on the date of issue of such options, warrants or other rights.

Such adjustment shall become effective on the date of issue of such additional Shares or, as the case may be, the grant of such options, warrants or other rights.

- (g) **Other Issues at less than Current Market Price:** Save in the case of an issue of securities arising from a conversion or exchange of other securities in accordance with the terms applicable to such securities themselves falling within this sub-paragraph (g), the issue wholly for cash by the Company or any Subsidiary (otherwise than as mentioned in sub-paragraphs (d), (e) or (f)), or (at the direction or request of or pursuant to any arrangements with the Company or any Subsidiary) any other company, person or entity of any securities which by their terms of issue carry rights of conversion into, or exchange or subscription for, Shares to be issued by the Company upon conversion, exchange or subscription at a consideration per Share which is less than 95.0% of the Current Market Price on the date on which the final terms of issue of such securities is first publicly announced.

In such an event, the Exchange Price shall be adjusted by multiplying the Exchange Price in force immediately before such issue by the following fraction:

$$\frac{A+B}{A+C}$$

where:

- A** is the number of Shares in issue immediately before such issue;

APPENDIX K – INFORMATION RELATING TO THE PROPOSED EXCHANGEABLE BONDS ISSUE

B is the number of Shares which the aggregate consideration receivable by the Company for the Shares to be issued on conversion or exchange or on exercise of the right of subscription attached to such securities would purchase at such Current Market Price per Share; and

C is the maximum number of Shares to be issued on conversion or exchange of such securities or on the exercise of such rights of subscription attached thereto at the initial conversion, exchange or subscription price or rate.

Such adjustment shall become effective on the date of issue of such securities.

- (h) **Modification of Rights of Conversion etc.:** Any modification of the rights of conversion, exchange or subscription attaching to any such securities (other than the Bonds as are mentioned in sub-paragraph (g) (other than in accordance with the terms of such securities) so that the consideration per Share (for the number of Shares available on conversion, exchange or subscription following the modification) is less than 95.0% of the Current Market Price on the date on which the final terms of the proposals for such modification is first publicly announced,

In such an event, the Exchange Price shall be adjusted by multiplying the Exchange Price in force immediately before such modification by the following fraction:

$$\frac{A+B}{A+C}$$

where:

A is the number of Shares in issue immediately before such modification;

B is the number of Shares which the aggregate consideration receivable by the Company for the Shares to be issued on conversion or exchange or on exercise of the right of subscription attached to the securities so modified would purchase at such Current Market Price per Share or, if lower, the existing conversion, exchange or subscription price of such securities; and

C is the maximum number of Shares to be issued on conversion or exchange of such securities or on the exercise of the right of subscription attached thereto at the modified conversion, exchange or subscription or purchase price or rate but giving credit in such manner as the Independent Bank considers appropriate (if at all) for any previous adjustment under this sub-paragraph (h) or sub-paragraph (g).

Such adjustment shall become effective on the date of modification of the rights of conversion, exchange or subscription attaching to such securities.

- (i) **Other Offers to Shareholders:** The issue, sale or distribution by or on behalf of the Company or any Subsidiary (at the direction or request of or pursuant to any arrangements with the Company or any Subsidiary) any other company, person or entity of any securities in connection with an offer by or on behalf of the Company or any Subsidiary or such other company, person or entity pursuant to which offer the Shareholders generally (meaning for these purposes the holders of at least 60.0% of

APPENDIX K – INFORMATION RELATING TO THE PROPOSED EXCHANGEABLE BONDS ISSUE

the Shares outstanding at the time such offer is made) are entitled to participate in arrangements whereby such securities may be acquired by them (except where the Exchange Price falls to be adjusted under sub-paragraphs (d), (e), (f) or (g)).

In such an event, the Exchange Price shall be adjusted by multiplying the Exchange Price in force immediately before such issue by the following fraction:

$$\frac{A-B}{A}$$

where:

A is the Current Market Price of one Share on the date on which the final terms of such issue is first publicly announced; and

B is the Fair Market Value on the date of such announcement, as determined in good faith by an Independent Bank, of the portion of the rights attributable to one Share.

Such adjustment shall become effective on the date of issue of the securities.

- (j) **Other Events:** If the Company determines that an adjustment should be made to the Exchange Price as a result of one or more events or circumstances not referred to in this **Schedule 3**, or the Company determines that an adjustment made pursuant to this **Schedule 3** is inappropriate or incorrect, the Company shall, at its own expense, request a leading independent investment bank of international repute (acting as expert), selected by the Company (an “**Independent Bank**”) to determine as soon as practicable what adjustment (if any) to the Exchange Price is fair and reasonable to take account thereof, if the adjustment would result in a reduction in the Exchange Price, and the date on which such adjustment should take effect and upon such determination such adjustment (if any) shall be made and shall take effect in accordance with such determination, provided that where the circumstances giving rise to any adjustment pursuant to this **Schedule 3** have already resulted or will result in an adjustment to the Exchange Price or where the circumstances giving rise to any adjustment arise by virtue of circumstances which have already given rise or will give rise to an adjustment to the Exchange Price, such modification (if any) shall be made to the operation of the provisions of this **Schedule 3** as may be advised by an Independent Bank to be in its opinion appropriate to give the intended result.

2. For the purposes of **Schedule 3**,

- (a) “**closing price**” for the Shares for any Trading Day shall be the closing market price quoted on the SGX-ST for such Trading Day.
- (b) “**Current Market Price**” means, in respect of a Share at a particular time on a particular date, the average of the closing prices quoted on the SGX-ST for one Share (being a Share carrying full entitlement to Dividend) for the 20 consecutive Trading Days ending on such particular date. If trading on the Shares is not available for a full Trading Day on such particular date, the Current Market Price shall be based on the weighted average price for trades done up to the time of the announcement (or, if applicable, the trading halt) on such particular date.

APPENDIX K – INFORMATION RELATING TO THE PROPOSED EXCHANGEABLE BONDS ISSUE

Provided that if at any time during the said 20 Trading Days period, the Shares shall have been quoted ex-Dividend (or ex-any other entitlement) and during some other part of that period, the Shares shall have been quoted cum-Dividend (or cum-any other entitlement) then:

- (i) if the Shares to be issued in such circumstances do not rank for the Dividend in question, the quotations on the dates on which the Shares shall have been quoted cum-Dividend (or cum-any other entitlement) shall for the purpose of this definition be deemed to be the amount thereof reduced by an amount equal to the Fair Market Value of that Dividend (or entitlement) per Share as at the date of first public announcement of such Dividend or entitlement; or
- (ii) if the Shares to be issued in such circumstances rank for the Dividend (or entitlement) in question, the quotations on the dates on which the Shares shall have been quoted ex-Dividend (or ex-any other entitlement) shall for the purpose of this definition be deemed to be the amount thereof increased by such amount equal to the Fair Market Value of that Dividend (or entitlement) per Share as at the date of first public announcement of such Dividend or entitlement;

and provided further that if the Shares on each of the said 20 Trading Days have been quoted cum-Dividend (or cum-any other entitlement) in respect of a Dividend (or entitlement) which has been declared or announced but the Shares to be issued do not rank for that Dividend (or entitlement), the quotations on each of such dates shall for the purpose of this definition be deemed to be the amount thereof reduced by an amount equal to the Fair Market Value of that Dividend (or entitlement) per Share as at the date of the first public announcement of such Dividend or entitlement, and provided further that, if the closing price of a Share is not available on one or more of the said 20 Trading Days, then the average of such closing prices which are available in that 20-Trading-Day period shall be used (subject to a minimum of two such prices) and if only one, or no, closing price is available in the relevant period the Current Market Price shall be determined in good faith by an Independent Bank.

- (c) **“Dividend”** means any dividend or distribution, whether of cash, assets or other property (including a distribution of assets in specie), and whenever paid or made and however described and whether payable out of share premium account, profits, retained earnings or any other capital or revenue reserve or account, and including a distribution or payment to holders or in connection with a reduction of capital (and for these purposes a distribution of assets includes, without limitation, an issue of Shares or other securities credited as fully or partly paid up by way of capitalisation of profits or reserves) provided that:
 - (i) where a cash Dividend is announced which is to be, or may at the election of a holder or holders of Shares be, satisfied by the issue or delivery of Shares or other property or assets, or where a capitalisation of profits or reserves is announced which is to be, or may at the election of a Shareholder or Shareholders be, satisfied by the payment of cash, the, the Dividend in question shall be treated as a cash Dividend of an amount equal to the greater of (A) the cash Dividend so announced or (B) the Current Market Price on the date of announcement of such Dividend or capitalisation, of such Shares or the Fair Market Value of other property or assets as at the date of the first public announcement of such Dividend

APPENDIX K – INFORMATION RELATING TO THE PROPOSED EXCHANGEABLE BONDS ISSUE

or capitalisation to be issued or delivered in satisfaction of such Dividend (or which would be issued if all holders of Shares elected therefor, regardless of whether any such election is made); and

- (ii) a purchase or redemption or buy back of capital of the Company by or on behalf of the Company (or a purchase or redemption or buy back of Shares by or on behalf of a Subsidiary of the Company) shall not constitute a Dividend unless, in the case of a purchase or redemption or buy back of Shares by or on behalf of the Company or any Subsidiary of the Company, the weighted average price (before expenses) for such purchase of one Share on any one day in respect of such purchase, exceeds the average of the closing prices of the Shares by more than 5.0% either (A) on the five Trading Days immediately preceding that date, or (B) where an announcement has been made of the intention to purchase, redeem or buyback Shares at some future date at a specified price, on the five Trading Days immediately preceding the date of such announcement, in which case such purchase, redemption or buy back shall be deemed to constitute a Dividend in the amount of the aggregate price paid (before expenses) in respect of such Shares purchased, redeemed or bought back by the Company or as the case may be, a Subsidiary of the Company exceeds the product of (aa) 105.0% of the average of the closing prices of the Shares determined as aforesaid and (bb) the number so purchased, redeemed or bought back.
- (d) **“Fair Market Value”** means, with respect to any assets, security, option, warrants or other right on any date, the fair market value of that asset, security, option, warrant or other right as determined by an Independent Bank, provided that (i) the Fair Market Value of a Cash Dividend paid or to be paid per Share shall be the amount of such Cash Dividend per Share determined as at the date of announcement of such Dividend; (ii) the Fair Market Value of any other cash amount shall be the amount of such cash; (iii) where options, warrants or other rights are publicly traded in a market of adequate liquidity (as determined by such investment bank) the Fair Market Value of such options, warrants or other rights shall equal the arithmetic mean of five Trading Days on the relevant market commencing on such date (or, if later, the first such Trading Day such options, warrants or other rights are publicly traded) or such shorter period as such options, warrants or other rights are publicly traded; and (iv) where options, warrants or other rights are not publicly traded (as aforesaid), the Fair Market Value of such option, warrants or other rights shall be determined in good faith by an Independent Bank, on the basis of a commonly accepted market valuation method and taking account of such factors as it considers appropriate, including the market price per Share, the dividend yield of an Share, the volatility of such market price, prevailing interest rates and the terms of such options, warrants or other rights, including as to the expiry date and exercise price (if any) thereof.
- (e) **“Relevant Stock Exchange”** means at any time, in respect of the Shares, the SGX-ST.
- (f) **“Trading Day”** means a day when the SGX-ST is open for dealing business, provided that if no closing price is reported in respect of the relevant Shares on the SGX-ST for one or more consecutive dealing days, such day or days will be disregarded in any relevant calculation and shall be deemed not to have existed when ascertaining any period of dealing days.

APPENDIX K – INFORMATION RELATING TO THE PROPOSED EXCHANGEABLE BONDS ISSUE

- (g) Where more than one event which gives or may give rise to an adjustment to the Exchange Price occurs within such a short period of time that in the opinion of an Independent Bank the foregoing provisions would need to be operated subject to some modification in order to give the intended result, such modification shall be made to the operation of the foregoing provisions as may be advised by an Independent Bank to be in its opinion appropriate in order to give such intended result.
- (h) Notwithstanding any provision in this Agreement, no adjustment will be made to the Exchange Price when Shares or other securities (including rights or options) are issued, offered or granted to employees (including directors) of the Company or any Subsidiary of the Company pursuant to any new options or awards granted and/or Shares issued pursuant to an exercise of options or awards granted, under any of the share schemes or any existing employees share scheme or performance share plan (and which share schemes or plan is in compliance with the Catalist Rules).
- (i) No adjustment involving an increase in the Exchange Price will be made, except in the case of a consolidation of the Shares as referred to in paragraph 1(a) of this **Schedule 3.**

Part II. Events of Default

The following is an extract of the Events of Default set out in Condition 8 of the EB Terms and Conditions.

- “(e) A Bondholder may give written notice to the SPV (“**Acceleration Date**”) that all (and not part of) the Bonds he holds are, and they shall accordingly forthwith become, immediately due and repayable at (1) their outstanding principal amount plus (2) a premium that would generate for the Bondholder a **20.0%** per annum cumulative return from the date of issue of the Bonds to the Acceleration Date, if any of the following events (each an “**Event of Default**”) occurs and to the extent such event is capable of being remedied by the SPV and/or the Company but the SPV and/or the Company fails to do so to the reasonable satisfaction of the Bondholder within 30 Business Days of being notified in writing by the Bondholder, and is continuing:
 - (i) a breach of (A) any representation and/or warranty given by the Company and/or the SPV under the Subscription Agreement or the Bonds; (B) any material term by the Company under the Subscription Agreement; or (C) any material condition under the Bonds, having a Material Adverse Effect is made or deemed repeated and if the event resulting in such breach is capable of remedy, such breach continues for the period of 30 Business Days next following the service by the Bondholder on the Issuer of notice requiring such breach to be remedied;
 - (ii) any other bonds, debentures, notes or other indebtedness for moneys borrowed (“**Indebtedness**”) of the Company or its Subsidiaries equal to or exceeding S\$10,000,000 shall become or is capable of becoming prematurely repayable following actual or potential default, or steps are taken to enforce any security therefor following actual or potential default, or the Company or any Subsidiary defaults in the repayment of any such Indebtedness at the maturity thereof or (in the case of Indebtedness due on demand) on demand or, in either case, at the

APPENDIX K – INFORMATION RELATING TO THE PROPOSED EXCHANGEABLE BONDS ISSUE

expiration of any applicable grace period therefor or any guarantee of or indemnity in respect of any Indebtedness of others given by the Company or any Subsidiary shall not be honoured when due and called upon;

- (iii) a resolution is passed or an order of a court of competent jurisdiction is made that the Company and/or the SPV be wound up or dissolved or placed under judicial management and for the appointment of a judicial manager, otherwise than for the purposes of or pursuant to and followed by a consolidation, amalgamation, merger or reconstruction the terms of which shall have previously been approved in writing by Bondholders;
- (iv) a resolution is passed or an order of a court of competent jurisdiction is made for the winding up or dissolution of any Subsidiary except (A) for the purposes of or pursuant to and followed by a consolidation or amalgamation with or merger into the Company or any other Subsidiary, (B) for the purposes of or pursuant to and followed by a consolidation, amalgamation, merger or reconstruction (other than as described in (A) above) the terms of which shall have previously been approved in writing by Bondholders or (C) by way of a voluntary winding up or dissolution where there are surplus assets in such Subsidiary and such surplus assets attributable to the Company and/or any other Subsidiary are distributed to the Company and/or any such other Subsidiary;
- (v) an encumbrancer takes possession or a receiver or other similar officer is appointed of, or an attachment order is issued in respect of, the whole or a material part of the property, reserves, assets or undertaking of the Group;
- (vi) a distress, execution or seizure before judgement is levied or enforced upon or sued out against the whole or a material part of the property, profits or reserves of the Group;
- (vii) if the Company or any Subsidiary (A) ceases or threatens to cease to carry on the whole or a substantial part of its business, save for the purposes of a consolidation, amalgamation, merger, reconstruction or voluntary solvent winding up or dissolution as is referred to in (iii) or (iv) above, or (B) stops payment of, or is unable to, or admits inability to, pay, its debts (or any class of its debts) generally as they fall due or is deemed unable to pay its debts pursuant to or for the purposes of any applicable law, or is adjudicated or found bankrupt or insolvent;
- (viii) proceedings shall have been initiated against the Company or any Subsidiary under any applicable bankruptcy, court composition, reorganisation or insolvency law save for those of a frivolous or vexatious nature and such proceeding has been contested in good faith by appropriate means/actions/proceedings by the Company or the relevant Subsidiary;
- (ix) the Company or any Subsidiary shall initiate or consent to proceedings relating to itself under any applicable bankruptcy, court composition, reorganisation or insolvency law or shall make an assignment for the benefit of, or enter into any composition with, its creditors;
- (x) a notice or proposal for compulsory acquisition of all or any material assets of the Company is made;

APPENDIX K – INFORMATION RELATING TO THE PROPOSED EXCHANGEABLE BONDS ISSUE

- (xi) any legal proceedings, suits or actions or any kind whatsoever (whether criminal or civil) shall be instituted against the Company or any Subsidiary which will materially and adversely affect the Company's ability to perform its obligations under the Bonds or the Subscription Agreement save for those of a frivolous or vexatious nature and such proceeding/suit/action has been contested in good faith by appropriate means/actions/proceedings by the Company or the relevant Subsidiary; or
 - (xii) save with the prior written consent of the Bondholder (such consent not to be unreasonably withheld), the suspension or halt in trading of the Shares on Catalist for more than five (5) consecutive Trading Days, other than a voluntary suspension in trading of the Shares on Catalist (A) for the purposes of clearing an announcement in respect of the issue of the Bonds pursuant to this Agreement; and (B) which in the reasonable opinion of the Purchaser is of a routine nature;
- (f) The SPV shall immediately, upon becoming aware of it, give notice of the actual or potential Event of Default to the Bondholders."

NOTICE OF EXTRAORDINARY GENERAL MEETING

ANCHOR RESOURCES LIMITED

(Company Registration No. 201531549N)
(Incorporated in the Republic of Singapore)
("Company")

NOTICE IS HEREBY GIVEN that an Extraordinary General Meeting of the Company will be held at Topaz Room, Level 2, Sheraton Towers, 39 Scotts Road, Singapore 228230 on 19 July 2017 at 11.00 a.m., for the purpose of considering and, if thought fit, passing with or without modifications, the following resolutions:

All capitalised terms used in this Notice which are not defined herein shall, unless the context otherwise requires, have the same meaning ascribed to them in the Circular to Shareholders dated 30 June 2017.

Shareholders should note that the Resolutions are inter-conditional on each other. In the event that any Resolution is not approved, the other Resolutions will not be duly passed.

ORDINARY RESOLUTIONS

RESOLUTION 1 – THE PROPOSED ACQUISITION OF THE ENTIRE ISSUED AND PAID-UP SHARE CAPITAL OF GGT MANUFACTURING SDN. BHD. WHICH CONSTITUTES AN INTERESTED PERSON TRANSACTION UNDER THE CATALIST RULES

That, subject to and contingent upon the passing of all other Resolutions set out herein, for the purposes of Chapter 9 of the Catalist Rules Section B: Rules of Catalist of the Singapore Exchange Securities Trading Limited ("**Catalist Rules**"):-

- (a) approval be and is hereby given for the acquisition by the Company of all the shares in the capital of GGT Manufacturing Sdn Bhd ("**GGTM**" or "**Target**") from Lim Chiau Woei, Koh Ah Luan and Luminor Pacific Fund 1 Ltd. ("**Luminor 1**") (collectively "**Vendors**"), upon the terms and conditions of the sale and purchase agreement dated 21 June 2016 entered into by the Company and the Vendors, as the same may be or has been amended from time to time ("**Sale and Purchase Agreement**") ("**Proposed Acquisition**"); and
- (b) the directors of the Company ("**Directors**") and each of them be and are hereby authorised to complete and to do all acts and things (including, without limitation, executing all such documents as may be required) as they or he may consider necessary, desirable or expedient for the purposes of or in connection with and to give effect to this resolution (including any amendment to the Sale and Purchase Agreement, execution of any other agreements or documents and procurement of third party consents).

RESOLUTION 2 – THE PROPOSED ALLOTMENT AND ISSUE OF THE CONSIDERATION SHARES TO THE VENDORS AT THE ISSUE PRICE OF S\$0.145 PURSUANT TO THE PROPOSED ACQUISITION

That, subject to and contingent upon the passing of all other Resolutions set out herein and pursuant to Section 161 of the Companies Act (Chapter 50 of Singapore):-

- (a) approval be and is hereby given for the proposed allotment and issue of 712,172,414 new ordinary shares in the capital of the Company ("**Shares**") at the issue price of S\$0.145 per share, upon the terms and conditions of the Sale and Purchase Agreement ("**Consideration Shares**"); and

NOTICE OF EXTRAORDINARY GENERAL MEETING

- (b) the Directors and each of them be and are hereby authorised to complete and to do all acts and things (including, without limitation, executing all such documents as may be required) as they or he may consider necessary or expedient for the purposes of or in connection with and to give effect to this resolution (including any execution of any agreements or documents and procurement of third party consents for the Shares).

RESOLUTION 3 – THE PROPOSED ALLOTMENT AND ISSUE OF THE CONSIDERATION SHARES TO LIM CHIAU WOEI (MANAGING DIRECTOR AND SUBSTANTIAL SHAREHOLDER OF THE COMPANY) AT THE ISSUE PRICE OF S\$0.145 PER CONSIDERATION SHARE PURSUANT TO THE PROPOSED ACQUISITION, BEING AN INTERESTED PERSON TRANSACTION UNDER THE CATALIST RULES

That, subject to and contingent upon the passing of all other Resolutions set out herein and pursuant to Section 161 of the Companies Act (Chapter 50 of Singapore) and Rule 804 of the Catalist Rules:–

- (a) approval be and is hereby given for the proposed allotment and issue of 427,303,448 Consideration Shares at the issue price of S\$0.145 per Consideration Share to Lim Chiau Woei (the Managing Director and substantial shareholder of the Company) upon the terms and conditions of the Sale and Purchase Agreement; and
- (b) the Directors and each of them be and are hereby authorised to complete and to do all acts and things (including, without limitation, executing all such documents as may be required) as they or he may consider necessary or expedient for the purposes of or in connection with and to give effect to this resolution (including any execution of any agreements or documents and procurement of third party consents for the Shares).

RESOLUTION 4 – THE PROPOSED WHITEWASH RESOLUTION BY THE INDEPENDENT SHAREHOLDERS FOR THE WAIVER OF THEIR RIGHTS TO RECEIVE A MANDATORY GENERAL OFFER FROM LIM CHIAU WOEI AND HIS CONCERT PARTIES

That, subject to and contingent upon the passing of all other Resolutions set out herein and the conditions in the letter from the Securities Industry Council dated 3 March 2017 being fulfilled:

- (a) the Shareholders (other than Lim Chiau Woei and parties acting in concert with him and the parties not independent of them or the Proposed Acquisition), do hereby, unconditionally and irrevocably waive their rights to receive a general offer from Lim Chiau Woei in accordance with Rule 14 of the Singapore Code on Take-overs and Mergers, for all the Shares not already owned by Lim Chiau Woei and his concert parties, as a result of the allotment and issuance of the Consideration Shares to Lim Chiau Woei pursuant to the Proposed Acquisition; and
- (b) the Directors of the Company and each of them be and are hereby authorised to complete and to do all acts and things (including, without limitation, executing all such documents as may be required) as they or he may consider necessary or expedient for the purposes of or in connection with and to give effect to this resolution.

NOTICE OF EXTRAORDINARY GENERAL MEETING

RESOLUTION 5 – PROPOSED TRANSFER OF CONTROLLING INTEREST IN THE COMPANY TO LUMINOR PACIFIC FUND 1 LTD. ARISING FROM THE PROPOSED ACQUISITION

That, subject to and contingent upon the passing of all other Resolutions set out herein:

- (a) approval be and is hereby given for the issue of the Consideration Shares pursuant to the terms and conditions of the Proposed Acquisition that will result in the transfer of controlling interest in the Company to Luminor 1 under Rule 803 of the Catalist Rules arising from the Proposed Acquisition; and
- (b) the Directors of the Company and each of them be and are hereby authorised to complete and to do all acts and things (including, without limitation, executing all such documents as may be required) as they or he may consider necessary or expedient for the purposes of or in connection with and to give effect to this resolution.

RESOLUTION 6 – PROPOSED DIVERSIFICATION

That, subject to and contingent upon the passing of all other Resolutions set out herein:–

- (a) approval be and is hereby given for the diversification of the Group's business into exploration, mining, quarry extraction, processing and sale of granite products and dimension stone granite as well as architectural stone and interior fit-out; and
- (b) the Directors of the Company and each of them be and are hereby authorised to complete and to do all acts and things (including, without limitation, executing all such documents as may be required) as they or he may consider necessary or expedient for the purposes of or in connection with and to give effect to this resolution.

RESOLUTION 7 – PROPOSED ISSUE OF EXCHANGEABLE BONDS DUE 2019 IN AN AGGREGATE PRINCIPAL AMOUNT OF S\$2.0 MILLION EXCHANGEABLE INTO FULLY PAID-UP NEW ORDINARY SHARES OF THE COMPANY TO LUMINOR PACIFIC FUND 2 LTD. (“PROPOSED EXCHANGEABLE BONDS ISSUE”)

That, subject to and contingent upon the passing of all other Resolutions set out herein:

- (a) approval be and is hereby given to the Directors or any of them to instruct the EB Subsidiary to create and issue exchangeable bonds due 2019 in an aggregate principal amount of S\$2.0 million (“**Bonds**”) to Luminor Pacific Fund 2 Ltd. (“**Luminor 2**”) in accordance with the terms and conditions of the Bonds (“**EB Terms and Conditions**”), such Bonds to be exchangeable into new ordinary shares of the Company (“**Exchange Shares**”) at an exchange price determined in accordance with the EB Terms and Conditions, and subject to such adjustments as the EB Terms and Conditions shall stipulate (“**Exchange Price**”); and
- (b) the Directors of the Company and each of them be and are hereby authorised to complete and to do all acts and things (including, without limitation, executing all such documents as may be required) as they or he may consider necessary or expedient for the purposes of or in connection with and to give effect to this resolution.

NOTICE OF EXTRAORDINARY GENERAL MEETING

RESOLUTION 8 – PROPOSED ISSUE OF EXCHANGE SHARES PURSUANT TO THE PROPOSED EXCHANGEABLE BONDS ISSUE

That, subject to and contingent upon the passing of all other Resolutions set out herein, and pursuant to Rule 811(3) of the Catalist Rules:

- (a) approval be and is hereby given to the Directors or any of them to allot and issue:
 - (i) such number of Exchange Shares pursuant to the Proposed Exchangeable Bonds Issue, at the Exchange Price as may be required or permitted to be allotted or issued on the exchange of the Bonds, to Luminor 2 on the date of exchange thereof, subject to and otherwise in accordance with the EB Terms and Conditions, whereby such Exchange Shares when issued shall rank *pari passu* in all respects with the then existing shares of the Company save as may be provided in the EB Terms and Conditions;
 - (ii) on the same basis as paragraph (a)(i) above, such further Exchange Shares as may be required to be allotted and issued on the exchange of the Bonds upon the adjustment of the Exchange Price in accordance with the EB Terms and Conditions; and
 - (iii) such number of Exchange Shares referred to in paragraphs (a)(i) and (a)(ii) above to Luminor 2; and
- (b) the Directors of the Company and each of them be and are hereby authorised to complete and to do all acts and things (including, without limitation, executing all such documents as may be required) as they or he may consider necessary or expedient for the purposes of or in connection with and to give effect to this resolution.

RESOLUTION 9 – PROPOSED IPT MANDATE

That, subject to and contingent upon the passing of all other Resolutions set out herein, and pursuant to Chapter 9 of the Catalist Rules:

- (a) approval be and is hereby given for the Company, its subsidiaries and associated companies that are considered to be “entities at risk” under Chapter 9 of the Catalist Rules, or any of them, to enter into the IPTs with the Interested Persons, provided that such transactions are (i) made on normal commercial terms and will not be prejudicial to the interests of the Company and its minority Shareholders; and (ii) in accordance with the review procedures for such IPTs (“**Proposed IPT Mandate**”);
- (b) the Proposed IPT Mandate shall, unless revoked or varied by the Company in general meeting, continue in force until the conclusion of the next annual general meeting of the Company; and

NOTICE OF EXTRAORDINARY GENERAL MEETING

- (c) the Directors of the Company and each of them be and are hereby authorised to complete and to do all acts and things (including, without limitation, executing all such documents as may be required) as they or he may consider necessary or expedient for the purposes of or in connection with and to give effect to this resolution.

BY ORDER OF THE BOARD

Dr Wilson Tay
Non-Executive Chairman and Lead Independent Director
30 June 2017

Notes:

1. (a) A member of the Company who is not a relevant intermediary is entitled to appoint not more than two proxies to attend, speak and vote at the extraordinary general meeting (the **"Meeting"**). Where such member's form of proxy appoints more than one proxy, the proportion of the shareholding concerned to be represented by each proxy shall be specified in the form of proxy.

(b) A member of the Company who is a relevant intermediary is entitled to appoint more than two proxies to attend, speak and vote at the Meeting, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such member's form of proxy appoints more than two proxies, the number and class of shares in relation to which each proxy has been appointed shall be specified in the form of proxy.

"Relevant intermediary" has the meaning ascribed to it in Section 181 of the Companies Act (Chapter 50 of Singapore).
2. A member of the Company which is a corporation is entitled to appoint its authorised representative or proxy to vote on its behalf.
3. A proxy need not be a member of the Company.
4. The instrument appointing a proxy or proxies must be deposited at office of the Company's Share Registrar, B.A.C.S. Private Limited at 8 Robinson Road, #03-00 ASO Building, Singapore 048544 at least 48 hours before the time for holding the Meeting.

Personal data privacy:

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Meeting and/or any adjournment thereof, a member of the Company:

- (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents or service providers) for the purpose of the processing, administration and analysis by the Company (or its agents or service providers) of proxies and representatives appointed for the Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the Meeting (including any adjournment thereof), and in order for the Company (or its agents or service providers) to comply with any applicable laws, listing rules, take-over rules, regulations and/or guidelines (collectively, the **"Purposes"**);
- (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents or service providers), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents or service providers) of the personal data of such proxy(ies) and/or representative(s) for the Purposes; and
- (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

This Notice has been prepared by the Company and its contents have been reviewed by the Company's Sponsor, UOB Kay Hian Private Limited. ("**Sponsor**"), for compliance with the relevant rules of the Singapore Exchange Securities Trading Limited ("**SGX-ST**"). The Sponsor has not independently verified the contents of this Notice. The contact persons for the Sponsor are Mr Alvin Soh, Head of Catalyst Operations, Senior Vice President and Mr Josh Tan, Vice President, who can be contacted at 8 Anthony Road, #01-01, Singapore 229957, telephone (65) 6590 6881.

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

PROXY FORM

ANCHOR RESOURCES LIMITED

(Company Registration No. 201531549N)

(Incorporated in Singapore)

PROXY FORM

(Please read notes overleaf before completing this Form)

I/We _____ (Name) _____ (NRIC/Passport* No.)
of _____ (Address)
being a *member/members of **Anchor Resources Limited** (the “Company”) hereby appoint:

Name	Address	*NRIC/ Passport No.	Proportion of Shareholdings	
			No. of Shares	(%)

*and/or

Name	Address	*NRIC/ Passport No.	Proportion of Shareholdings	
			No. of Shares	(%)

or failing *him/her/them, the Chairman of the Extraordinary General Meeting (“**Meeting**”) of the Company as *my/our *proxy/proxies to vote for *me/us on *my/our behalf, and if necessary, to demand a poll at the Meeting of the Company to be held at Topaz Room, Level 2, Sheraton Towers, 39 Scotts Road, Singapore 228230 on 19 July 2017 at 11.00 a.m. and at any adjournment thereof. *I/We direct *my/our *proxy/proxies to vote for or against the Ordinary Resolutions to be proposed at the Meeting as indicated hereunder with an “X” in the spaces provided hereunder. If no specific directions as to voting are given, the *proxy/proxies will vote or abstain from voting at *his/her/their discretion.

Please indicate your vote “For” or “Against” with an “X” within the box provided if you wish to exercise all your votes. Alternatively, please indicate the number of votes as appropriate.

No.	As Ordinary Resolutions	For	Against
1	The Proposed Acquisition of GGT Manufacturing Sdn. Bhd., being a very substantial acquisition and an interested person transaction under the Catalyst Rules		
2	The proposed allotment and issue of the Consideration Shares to the Vendors pursuant to the Proposed Acquisition		
3	The proposed allotment and issue of Consideration Shares to Lim Chiau Woei pursuant to the Proposed Acquisition, being an interested person transaction under the Catalyst Rules		
4	The Proposed Whitewash Resolution		
5	The Proposed Transfer of Controlling Interest		
6	The Proposed Diversification		
7	The Proposed Exchangeable Bonds Issue		
8	The proposed allotment and issue of Exchange Shares to Luminor Pacific Fund 2 Ltd. pursuant to the Proposed Exchangeable Bonds Issue		
9	The Proposed IPT Mandate		

Dated this _____ day of _____ 2017.

Total No. of Shares	No. of Shares
CDP Register	
Register of Members	

Signature of Shareholder(s) or,
Common Seal of Corporate Shareholder

* Please delete as appropriate.

All capitalised terms used in this Proxy Form which are not defined herein shall, unless the context otherwise requires, have the same meanings ascribed to them in the Company’s Circular to Shareholders dated 30 June 2017.

Notes:

1. Please insert the total number of ordinary shares ("**Ordinary Shares**") held by you. If you have Ordinary Shares entered against your name in the Depository Register (maintained by The Central Depository (Pte) Limited), you should insert that number of Ordinary Shares. If you have Ordinary Shares registered in your name in the Register of Members (maintained by or on behalf of the Company), you should insert that number of Ordinary Shares. If you have Ordinary Shares entered against your name in the Depository Register and Ordinary Shares registered in your name in the Register of Members, you should insert the aggregate number of Ordinary Shares.
2.
 - (a) A member of the Company ("**Member**") who is not a relevant intermediary is entitled to appoint not more than two proxies to attend, speak and vote at a Meeting of the Company. Where such Member's form of proxy appoints more than one proxy, the proportion of the shareholding concerned to be represented by each proxy shall be specified in the form of proxy.
 - (b) A Member who is a relevant intermediary is entitled to appoint more than two proxies to attend, speak and vote at a Meeting of the Company, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such Shareholder. Where such Member's form of proxy appoints more than two proxies, the number and class of shares in relation to which each proxy has been appointed shall be specified in the form of proxy.

"**Relevant intermediary**" has the meaning ascribed to it in Section 181 of the Companies Act (Chapter 50 of Singapore).

3. The Instrument appointing a proxy or proxies must be deposited at the office of the Company's Share Registrar, B.A.C.S. Private Limited at 8 Robinson Road, #03-00 ASO Building, Singapore 048544 at least 48 hours before the time for holding the Meeting.
4. The Instrument appointing the proxy or proxies must be under the hand of the appointer or of his attorney duly authorised in writing. Where the Instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its seal or under the hand of an officer or attorney duly authorised.
5. A corporation which is a Member may, in accordance with Section 179 of the Companies Act (Chapter 50 of Singapore), authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Meeting.
6. The Company shall be entitled to reject the Instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible or where the true intentions of the appointer are not ascertainable from the instructions of the appointer specified in the Instrument appointing a proxy or proxies. In addition, in the case of Members whose Ordinary Shares are entered against their names in the Depository Register, the Company may reject any Instrument appointing a proxy or proxies lodged if such Members are not shown to have Ordinary Shares entered against their names in the Depository Register 72 hours before the time appointed for holding the Meeting as certified by The Central Depository (Pte) Limited to the Company.

Personal Data Privacy:

By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of Extraordinary General Meeting dated 30 June 2017.