

## Queries Raised by Securities Investors Association (Singapore)

- Q1. *As stated in the Letter to Shareholders (pages 1-2 of the annual report), the group has embarked on “an asset light strategy in executing our marine transportation and project management business” and has secured ship management and corporate advisory contracts with existing clients.*
- a) *Since the management and the board of director are charting a new direction for the company, could the company provide shareholders with a holistic overview of the group’s new strategies? This will be a good opportunity to update shareholders on the group’s new strategic direction after the restructuring of the group.*

### Response:

The management of the Company (“Management”) has been exploring opportunities to diversify from the lacklustre marine and offshore industry and, through its contacts and business connections, has in the past year been introduced to a number of opportunities to get involved in infrastructural projects in the North Asian region. Please refer to the Company’s announcement made on 5 September 2016 (“*Proposed New Assignments as Project Manager for Infrastructural Projects*” – Announcement Reference SG160905OTHR9ORU) as well as the Company’s announcements made on 1 December 2016 (“*Hong Kong-Zhuhai-Macau Bridge Project – Appointed as Project Manager*” – Announcement Reference SG161210THRIRBC), 11 December 2016 (“*Participation in Feasibility Studies and Site Survey – New Hainan International Airport Project*” – Announcement Reference SG161211OTHRM9N1), 4 February 2017 (“*Hong Kong Int’l Airport – Third Runway System Logistics n Marine Transportation of Aggregates*” – Announcement Reference SG170204OTHRA0LQ), 23 June 2017 (“*Zhuhai-Macau SAR Project – Project Manager for Marine Transportation of Aggregates*” – Announcement Reference SG170622OTHRNJQI) and 24 July 2017 (“*Update – Hong Kong Int’l Airport Third Runway System Project – Contract to Transport Quarry Dust*” – Announcement Reference SG170724OTHRZ6RO)(collectively, the “Announcements”).

The Company views positively the opportunities that are available as a result of the expected long-term infrastructure build-ups by China in the next decade or so. With the existing contacts and business connections that the management has (in particular, with Guangdong Zhuhai City LuYuan Construction Engineering Co (广东珠海市路源建筑工程有限公司) (“LuYuan”) and barring any unforeseen circumstances, the Management is optimistic that the Company’s involvement and participation in infrastructural projects (especially in the marine transportation and project management aspects) would increase. There are also other aspects of the infrastructural projects that the Company may consider taking on (for example, taking on sub-contracts involving the construction and engineering works of the airport projects), subject to studies into the risks involved and further subject to seeking the requisite approval from Shareholders where such sub-contracts changes the risk profile of

the Company materially. For now, and while the Management is observing more closely the development of the above-mentioned infrastructural projects, the Management has recommended to the Board that the Company should limit its role to that of project manager so as to minimize risks to the Company. A project management approach will minimize capital used while we maximize outsourcing of human talent which is calibrated to the workload of the Company. There is currently no intention to acquire and own significant amount of fixed assets; this approach will avoid any risk of impairment and the taking on of significant liabilities (be it bank loans or other forms of debts). This would also enable the Company to be exposed to a scalable labour cost directly tied to the amount of work we secured.

The Management's present goal is to embark on medium to long term infrastructure projects so as to enable the Company to accrue long term stable cash flows with less volatile earnings.

- b) *Also, can management update shareholders on the progress made by the group, including important contracts, partners/collaborators, significant milestones and financial targets achieved?*

Response:

As previously announced, we currently have 4 contracts signed with LuYuan, the contract principal ("Contract Principal"), in connection with the Hainan International Airport project ("HIA Project"), the Hong Kong-Zhuhai-Macau Bridge project ("HKZM Bridge Project") and the Hong Kong International Airport - 3<sup>rd</sup> Runway System project ("HKIA-3RS Project").

The deliverables of the HIA Project are undergoing changes and the Contract Principal has not been instructed to commence work. The scope of the work is complex and involves quarrying that requires land and sea logistics that impacts on the environment, the Contract Principal has informed us that the project owner requires more time to complete the environmental review. The Management is following up closely with the Contract Principal on this project.

We have put in place (through collaboration agreement) vessels to commence work on the HKZM Bridge Project. However, we have been informed that commencement of the HKZM Bridge Project would be deferred. In the meantime, the Company has been assigned to work on another reclamation site in the Macau region. Currently, we have one vessel deployed in nearby Zhuhai to start work on the assignment.

As announced on 4 February 2017 ("*Hong Kong Int'l Airport – Third Runway System Logistics n Marine Transportation of Aggregates*" – Announcement Reference SG170204OTHRA0LQ), we have been in discussions with the Contract Principal on the Company's roles and deliverables with respect to the HKIA-3RS Project. As the HKIA-3RS Project involves certain complexities, the Contract Principal continues to be in discussions with the consortium main contractor of the HKIA-3RS Project and, accordingly, our roles and deliverables would only be finalised when the Contract Principal has sufficient clarity on the technical aspects of the project. In the meantime and as announced on 24 July 2017 ("*Update – Hong Kong Int'l Airport Third Runway System Project – Contract to Transport Quarry Dust*" – Announcement

Reference SG170724OTHRZ6RO), the Company has entered into a formal contract with the Contract Principal to be the project manager for logistics and transportation of quarry dust in connection with the reclamation and engineering works for which the Contract Principal has been contracted to execute under the supervision of the consortium main contractor of the HKIA-3RS Project.

Due to confidentiality obligations which we have undertaken with the Contract Principal, we are not in a position to disclose the financial details of the contracts, suffice to say that thus far, the margins that we have contracted for the various projects are in the range of 0.5% to 7% of the contract value, the lower rates are for outsize contracts and the higher rates for smaller contracts.

As we are only project managers, we collaborate with business partners, both local and overseas, to organize and work on the projects. This also helps us to avoid having to acquire and own capital-intensive fixed assets for the projects.

- c) *What is the current manpower strength of the group? Does the group have sufficient talent and management depth to achieve its targets?*

Response:

Owing to the current nature of the business activities of the Company, we have maintained a lean team comprising two employees based in Singapore and a contracted project manager on call for site visits and supervision of overseas work. As most of the contracts have been signed with the Contract Principal, we have also been assured of support from the Contract Principal who has expressed the willingness to make available manpower from its large pool of project managers and engineers based in China for the Company's hire and use as and when required on terms to be agreed. This eliminates the need for the Company to station permanent staff in China where most of the contracts are to be performed. The Management is also ready to hire as and when the Company scales up its work.

- Q2. *The group has total equity of US\$68,000 (page 28 – Financial position) and total assets of US\$1.034 million. In the Independent Auditor's Report (page 24), the company's going concern assumption is highlighted as a key audit matter which was of the most significance in the audit of the financial statements of the current period.*

- a) *Given that the group's total equity is US\$68,000, how does the board intend to raise further capital to provide stability and to support the group's growth?*

Response:

For FY2018 and barring any unforeseen circumstances, the Management has determined that there is sufficient cash flow (taking into account the existing contracts and cost structure) to meet the Company's needs. Please refer to our 2017 Annual Report for information on our bank balances.

b) *What are the options currently being considered by the board?*

Response:

As and when there is a requirement for additional capital or funding, our preferred option is to first tap on our controlling shareholder or financial institutions for funding, failing which, to consider rights issue or placement of securities to strategic investors.

Q3. *In Note 21 (page 58 - Other information required by the Singapore Exchange Securities Trading Limited), it was disclosed that:*

*“Subsequent to the financial year, on 2 April 2017, the Company announced that Polaris Nine Private Limited (“shareholder”) has agreed in writing to the capitalisation of the outstanding amount payable under the shareholder’s loan (including any interest accrued thereon and remaining payable) on and subject to the approval from the shareholders of the Company to be obtained at the forthcoming Annual General Meeting”.*

*Can the board clarify if there is such a resolution to approve the capitalisation of outstanding amount payable under the shareholder’s loan at the forthcoming Annual General Meeting? In the Notice of Annual General Meeting dated 11 July 2017, there appears to be no such resolution (other than the share issue mandate).*

Response:

The commitment by Polaris Nine Private Limited to capitalise the outstanding amount payable under the shareholder’s loan remains unchanged. However, we have been advised that as the conversion of the said loan to equity is an interested person transaction, an opinion of an independent financial adviser (“IFA”) has to be obtained and a circular setting out, among others, the details of the proposed conversion have to be issued to Shareholders. As the Company requires more time to obtain the requisite opinion from the IFA as well as to prepare and issue the circular, the Company has to defer the same to a later part of this financial year. In the meantime, Polaris Nine Private Limited has given its further commitment that it will not require a repayment of the shareholder’s loan or any part thereof pending the capitalisation.

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