Koon Holdings Limited

Independent Expert Report and Financial Services Guide

19 June 2017

SUMMARY OF OPINION

We have considered the terms of the acquisition of the customised stone dumping barge from ASL Shipyard Pte Ltd (the "**Vessel Acquisition**") and conclude that in our opinion, the Vessel Acquisition is both fair and reasonable to the Non-Associated Shareholders of Koon.

We have considered the terms of the general framework of the standard form of agreement for the rental of machinery, equipment, tugs and barges from ASL Marine Holdings Ltd and its subsidiaries as documented in the master lease agreement (the "**ASL Equipment Rentals**"), and conclude that in our opinion, those terms are both fair and reasonable to the Non-Associated Shareholders of Koon.

Our full report in relation to these transactions is contained on pages 1 to 64 following.

19 June 2017

The Directors
Koon Holdings Limited
11 Sixth Lok Yang Road
Singapore 628109

Dear Sirs,

Koon Holdings Limited

Independent Expert's Report: Vessel Acquisition and ASL Equipment Rentals

Introduction

The Directors of Koon Holdings Limited ("**Directors**" and "**Koon**" or the "**Company**" respectively) have engaged William Buck Corporate Advisory Services (NSW) Pty Limited ("**William Buck**" or "**we**" or "**us**" or "**our**" as appropriate) to prepare an Independent Expert's Report ("**Report**") in relation to:

— the proposed acquisition of a custom designed stone dumping barge ("**Stone Dumping Barge**") by Koon or its subsidiary Koon Construction & Transport Co. Pte Ltd ("**KCTC**") from ASL Shipyard Pte Ltd ("**ASL Shipyard**"), a subsidiary of ASL Marine Holdings Ltd ("**ASL**") (the "**Vessel Acquisition**"); and

— the proposed rental of machinery, equipment, tugs and barges by Koon and/or its subsidiaries from ASL and/or its subsidiaries (the "**ASL Equipment Rentals**")

(together the "**Proposed Transactions**").

On 3 November 2016, Koon obtained a waiver from the Australian Securities Exchange ("**ASX**") from the operation of ASX Listing Rule 10.1 to the extent necessary to permit Koon and its subsidiaries to rent machinery, equipment tugs and barges from ASL and its subsidiaries for a period of three years from the date shareholder approval is obtained under ASX Listing Rule 10.1 on the following conditions:

— the Company obtains shareholder approval for the general framework of the standard form of agreement under which the Company will rent the machinery and equipment;

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- the Notice, in the opinion of ASX, contains details of the general framework and includes a report from an Independent Expert in accordance with Listing Rule 10.10.2;
- each annual report for the Company sets out clearly the terms and conditions of the rental arrangements entered into between the Company and ASL (and/or any of its subsidiaries) for the period since the last annual report; and
- the terms of the rental arrangements entered into between the Company and ASL (and/or its subsidiaries) do not differ in any material respect from arrangements entered into with the Company's non-related parties and a statement to that effect is included in each annual report ("**2016 ASX Waiver**").

Koon will seek shareholder approval under ASX Listing Rule 10.1 for the Vessel Acquisition and also for the purposes of the 2016 ASX Waiver in respect of the ASL Equipment Rentals, at an Extraordinary General Meeting of the Company.

Further details are set out in Section 1.1 of this Report.

Purpose of Report

ASX Listing Rule 10.1

ASX Listing Rule 10.1 provides that an entity must ensure neither it, nor any of its child entities, acquires a substantial asset from, or disposes of a substantial asset to, inter alia, a related party of a substantial holder (if the person and the person's associates have a relevant interest, or had a relevant interest at any time in the six months before the transaction, in at least 10% of the total votes attached to the voting securities) or an associate of them. The purpose of ASX Listing Rule 10.1 is to ensure that a person of influence cannot benefit from a significant acquisition or disposal involving the listed entity.

Mr Ang Sin Liu is the Non-Executive Chairman of Koon and is the founder of ASL. Mr Ang Ah Nui is a Non-Executive Director of Koon and is also an executive director of ASL. Mr Ang Sin Liu is the father of Mr Ang Ah Nui. Together they hold an aggregate interest of 53.68% (of which 24.08% is held under nominees) of Koon's shares and, if the interests of other immediate family members are included, the total aggregate interest is increased to 53.79% (of which 24.08% is held under nominees).

Mr Ang Sin Liu and Mr Ang Ah Nui are also shareholders of ASL holding 10.79% (of which 1.47% is held under nominee) and 14.79% (of which 12.31% is held under nominee) respectively, and together they hold an aggregate interest of 25.58% (of which 13.78% is held under nominees) in ASL, which is increased to 67.22% if other immediate family members are included in the total aggregate interest as well. Accordingly, for the purposes of ASX Listing Rule 10.1, ASL and its subsidiaries are associates of substantial holders, Mr Ang Sin Liu and Mr Ang Ah Nui.

Accordingly, Koon is seeking shareholder approval of the Proposed Transactions for the purposes of ASX Listing Rule 10.1. This Report is to accompany the Notice of Extraordinary General Meeting ("**NOM**") being provided to the shareholders of Koon ("**Shareholders**") and has been prepared to assist the Directors in fulfilling their obligation to provide Shareholders with full and proper disclosure so as to enable them to assess the merits of the Proposed Transactions, and to assist the Shareholders in their consideration of whether or not to approve resolutions relating to the Proposed Transactions.

The purpose of our Report is to an express an opinion as to whether or not the Vessel Acquisition, and whether or not the terms of the general framework of the standard form of agreement for the ASL Equipment Rentals as documented in a master lease agreement, are separately, fair and reasonable to the non-associated shareholders of Koon. The non-associated shareholders are those shareholders in Koon whose votes are not to be disregarded in voting on the resolutions relating to the Proposed Transactions ("**Non-Associated Shareholders**").

Our Report has been prepared solely for use of the Directors of Koon, and for the purpose set out herein. William Buck does not accept any responsibility for the use of our Report outside this purpose. Except in accordance with the stated purpose, no extract, quote, or copy of our Report, in whole or in part, should be reproduced without the written consent of William Buck, as to the form and context in which it may appear.

Scope of Report

The scope of our procedures undertaken have been limited to those procedures we believed are required in order to form our opinion. Our procedures, in the preparation of this Report, may have involved an analysis of financial information and accounting records. However, the procedures did not include verification work nor did they constitute an audit in accordance with Australian Accounting Standards ("**AUS**");

— an assurance engagement in accordance with Australian Standards on Assurance Engagements ("**ASAE**"); or
— a review in accordance with Australian Standards on Review Engagements ("**ASRE**").

The assessment of whether or not the Vessel Acquisition is fair and reasonable primarily relates to whether or not the value of the consideration for the Stone Dumping Barge is equal to or less than the fair market value of Stone Dumping Barge.

The assessment of whether or not the terms of the general framework of the standard form of agreement for the ASL Equipment Rentals are fair and reasonable primarily relates to whether or not the general framework and principal terms contained in the master lease agreement are sufficient to ensure that the ASL Equipment Rentals are entered into on an arm's length basis and on normal commercial terms consistent with Koon's usual business practices with unrelated third party suppliers.

As there is no legal definition of the expression "fair and reasonable" in the Corporations Act 2001 Cth (the "**Act**"), we have therefore considered guidance provided by ASIC in its Regulatory Guides ("**RG**") in assessing whether the Vessel Acquisition and ASL Equipment Rentals are fair and reasonable from the perspective of the Non-Associated Shareholders. Specifically, we will have regard to the provisions of the following:

— RG 111: Content of Expert Reports;
— RG 112: Independence of Experts; and
— RG 76: Related party transactions.

RG 111 suggests that, where an expert assesses whether a related party transaction is "fair and reasonable" for the purposes of ASX Listing Rule 10.1, this should not be applied as a composite test. That is, there should be a separate assessment of whether the transaction is "fair" and "reasonable", as in a control transaction. An expert should not assess whether the transaction is "fair and reasonable" based simply on a consideration of the advantages and disadvantages of the proposal.

We do not consider the Proposed Transactions to be control transactions. As such, we have used RG 111 as a guide for our analysis but have considered the Proposed Transactions as if they were not control transactions.

RG 111 provides that a proposed related party transaction is "reasonable" if it is "fair". It might also be "reasonable" if, despite being "not fair", the expert believes there are sufficient reasons for the shareholdrs to vote for the proposal.

In forming our opinion as to whether or not the Proposed Transactions are fair to the Non-Associated Shareholders, we have considered the following:

— in the context of the Vessel Acquisition, the fair market value of the Stone Dumping Barge compared to the value of the consideration for the Stone Dumping Barge; and

— in the context of the ASL Equipment Rentals, whether adherence with the general framework of the master lease agreement and the terms and conditions of same, will ensure that the ASL Equipment Rentals will be on normal commercial terms consistent with Koon's usual business practices with unrelated third party suppliers.

In forming our opinion as to whether or not the Proposed Transactions are fair to the Non-Associated Shareholders, we have also given consideration to RG 76: Related party transactions.

RG 76 sets out ASIC's guidance regarding disclosure and governance of related party transactions for public companies and other disclosing entities.

RG 76 provides guidance for companies to consider whether or not transactions with related parties reflect 'arm's length' terms. RG 76 requires consideration of the following factors:

— how the terms of the transaction compare with comparable arm's length transactions;

— the nature and content of the bargaining process;

— the impact of the transaction on the company;

— other options available to the company; and

— expert advice received by the entity.

In forming our opinion as to whether or not the Proposed Transactions are reasonable to the Non-Associated Shareholders, we have considered the following:

— the advantages and disadvantages to the Non-Associated Shareholders if the Proposed Transactions are approved; and

— the advantages and disadvantages to the Non-Associated Shareholders if the Proposed Transactions are not approved.

In our opinion, the Proposed Transactions are to be judged in terms of their overall effect. It is not meaningful to assess the individual elements of the Proposed Transactions separately.

Information

This Report is based upon financial and other information provided by Koon and ASL, together with an Independent Valuation-Condition Survey prepared by C C Chay & Associates Pte Ltd, a Singaporean specialist ship valuation expert. A list of specific documents referred to and relied upon in the preparation of our Report has been included at Appendix A. A listing of defined terms and abbreviations used in this Report is set out in Appendix B.

We have considered and relied upon this information. We believe the information provided to be reliable, complete and not misleading, and have no reason to believe that any material facts have been withheld. The information provided was evaluated through analysis, inquiry and review for the purpose of forming an opinion as to whether the Proposed Transactions are fair and reasonable.

We do not warrant that our inquiries have identified or verified all of the matters which an audit, extensive examination or "due diligence" investigation might disclose. In any event, an opinion as to whether a corporate transaction is fair and reasonable is in the nature of an overall opinion rather than an audit or detailed investigation.

We reserve the right to review and amend all calculations and opinions included or referred to in our Report and, if we consider it necessary, to revise our Report in light of any information which becomes known to us after the date of the Report or if additional information not referred to in Appendix A is provided to us.

We note that an important part of the information base used in forming an opinion of the kind set out in this Report, consists of opinions and judgements of management. This type of information has been evaluated through analysis, enquiry and review to the extent practical. Often it is not possible, however, to externally verify or validate such information.

The statements and opinions expressed in this Report are made in good faith and have been based on information available as at the date of this Report. On completion of our review, we believe the information to be reliable, accurate, and prepared on a reasonable basis.

The opinions of William Buck are based on prevailing market, economic and other conditions at the date of this Report. Conditions can change over relatively short periods of time. Any subsequent changes in these conditions could impact upon our opinion.

Qualifications and Independence

Details of the experience and qualifications of the William Buck staff responsible for the preparation of this Report and independence of William Buck in connection with Koon, ASL and the Proposed Transactions which are the subject of this Report are set out in Section 11 of this Report.

Summary of Opinion – Vessel Acquisition

We have considered the terms of the Vessel Acquisition and conclude that the Vessel Acquisition is both fair and reasonable to the Non-Associated Shareholders of Koon.

Assessment of Fairness of the Vessel Acquisition

In accordance with RG 111, the Vessel Acquisition will be deemed “fair” if the fair market value of the consideration paid by Koon is equal to or less than the fair market value of the assets being acquired by Koon.

Our assessment of the fairness of the Vessel Acquisition is set out in the table below:

Table 1 – Vessel Acquisition Fairness Assessment

	Report Reference	Amount (S$)
Consideration **(A)**	Section 7	9,000,000
Fair Market Value of Assets Being Acquired **(B)**	Section 8	9,405,519
Variance (A - B)		**(405,519)**

Source: William Buck analysis.

As the value of the consideration is less than the fair market value of the assets being acquired, in our opinion, the Vessel Acquisition is fair to the Non-Associated Shareholders of Koon.

Assessment of Reasonableness of the Vessel Acquisition

Under RG 111, the Vessel Acquisition will be reasonable if it is fair. On this basis, we also conclude that the Vessel Acquisition is reasonable. Notwithstanding, we have also considered the advantages and disadvantages of approving the Vessel Acquisition in assessing the reasonableness of the Vessel Acquisition.

Advantages of approving the Vessel Acquisition

The following may be considered advantages of approving the Vessel Acquisition:

— Ability to carry out a contract which we understand to be worth S$18.6 million for the construction of rock mound, rock filter and scour protection for a reclamation project in Singapore for new port construction, without having to rely on rental / hire of the Stone Dumping Barge from ASL;

— It enables KCTC to take full title and ownership of the Stone Dumping Barge on which it has already installed and owns equipment at a cost of approximately S$4.0 million; and

— Ability to pursue and possibly secure future marine construction project opportunities.

Disadvantages of approving the Vessel Acquisition

We have not identified any disadvantages of approving the vessel acquisition.

Advantages and disadvantages of not approving the Vessel Acquisition

In our view, the disadvantages of rejecting the Vessel Acquisition include the reverse of the matters noted under advantages of approving the Vessel Acquisition. As we have not identified any disadvantages of approving the Vessel Acquisition, we have therefore not identified any advantages of rejecting the Vessel Acquisition.

Overall conclusion on advantages and disadvantages of the Vessel Acquisition

In our opinion, based on a consideration of the above, the Vessel Acquisition is considered reasonable from the perspective of the Non-Associated Shareholders of Koon as:

- on balance, the advantages of approving the Vessel Acquisition outweigh the disadvantages of approving it to the Non-Associated Shareholders; and
- on balance, the disadvantages of rejecting the Vessel Acquisition outweigh the advantages of rejecting it to the Non-Associated Shareholders.

Summary of Opinion – ASL Equipment Rentals

We have considered the terms of the general framework of the standard form of agreement for the ASL Equipment Rentals as documented in the master lease agreement, and conclude that those terms are both fair and reasonable to the Non-Associated Shareholders of Koon.

Assessment of Fairness of General Framework of ASL Equipment Rentals

In forming our opinion as to whether or not the terms of the general framework of the standard form of agreement for the ASL Equipment Rentals as documented in the master lease agreement are fair to the Non-Associated Shareholders, we have considered whether adherence with the general framework of the master lease agreement and the terms and conditions of same, will ensure that the ASL Equipment Rentals will be on normal commercial terms consistent with Koon's usual business practices with unrelated third party suppliers. We have also considered ASIC's guidance provided in RG 76: Related party transactions.

The master lease agreement is comprised of two parts:

- Conditions precedent to the entering into of a lease agreement between Koon and/or its subsidiaries and ASL and/or its subsidiaries; and
- Rental Terms and Conditions which are detailed in Schedules 1 and 2 for land equipment and vessels, respectively.

In summary, it is our view that:

- The conditions precedent detailed in the master lease agreement are, if adhered to, sufficient to ensure that the ASL Equipment Rentals will be entered into on normal commercial terms that are consistent with Koon's usual business practices with unrelated third party suppliers;
- The terms and conditions detailed in Schedule 1 of the master lease agreement in respect of land equipment are comparable with and not materially inferior to the terms and conditions imposed by unrelated third party suppliers that Koon has used in the past for the supply of land equipment; and
- The terms and conditions detailed in Schedule 2 of the master lease agreement in respect of vessels do not contain anything which is considered onerous or unusual, and would be comparable with terms and conditions offered by unrelated third party suppliers of vessels given that Schedule 2 is pegged to the BIMCO time charter contract for vessels.

Accordingly, on the basis of the above, in our opinion the terms of the general framework of the standard form of agreement for the ASL Equipment Rentals as documented in the Master Lease Agreement, are fair to the Non-Associated Shareholders of Koon.

Assessment of Reasonable of General Framework of ASL Equipment Rentals

Under RG 111, the general framework of the standard form of agreement for the ASL Equipment Rentals as documented in the master lease agreement will be reasonable if it is fair. On this basis, we also conclude that the general framework of the standard form of agreement for the ASL Equipment Rentals as documented in the master lease agreement is reasonable.

Notwithstanding, we have also considered the advantages and disadvantages of approving the general framework of the standard form of agreement for the ASL Equipment Rentals in assessing its reasonableness.

Advantages of approving the general framework

The following may be considered advantages of approving the general framework of the standard form of agreement for the ASL Equipment Rentals:

- Ability to pursue time-sensitive business opportunities available to Koon's construction business, by enabling Koon and/or its subsidiaries to lease equipment from ASL and/or its subsidiaries in a timely fashion, without needing to convene separate general meetings of shareholders in order to seek shareholder approval for the entering into of each leasing or rental transaction in which the individual or aggregated value exceeds at least 5% of the Company's equity interests, i.e. S$2,908,700 ("**5% Threshold**"); and
- Reduced expenses as a result of not having to convene shareholder meetings in order to obtain approval for the entering into of each leasing or rental transaction with ASL and/or its subsidiaries in which the individual or aggregated value exceeds the 5% Threshold.

Disadvantages of approving the general framework

We have not identified any disadvantages of approving the general framework of the standard form of agreement for the ASL Equipment Rentals.

Advantages and disadvantages of not approving the general framework

In our view, the disadvantages of rejecting the general framework of the standard form of agreement for the ASL Equipment Rentals include the reverse of the matters noted under advantages of approving the general framework of the standard form of agreement for the ASL Equipment Rentals.

As we have not identified any disadvantages of approving the general framework of the standard form of agreement for the ASL Equipment Rentals, we have therefore not identified any advantages of rejecting the general framework of the standard form of agreement for the ASL Equipment Rentals.

Overall conclusion on advantages and disadvantages of the general framework

In our opinion, based on a consideration of the above, the general framework of the standard form of agreement for the ASL Equipment Rentals is considered reasonable from the perspective of the Non-Associated Shareholders of Koon as:

- on balance, the advantages of approving the general framework of the standard form of agreement for the ASL Equipment Rentals outweigh the disadvantages of approving it to the Non-Associated Shareholders; and
- on balance, the disadvantages of rejecting the general framework of the standard form of agreement for the ASL Equipment Rentals outweigh the advantages of rejecting it to the Non-Associated Shareholders.

General Advice and Other

General advice

In forming our opinion, we have considered the interests of the Non-Associated Shareholders as a whole. This advice therefore does not consider the financial situation, objectives or needs of the individual Non-Associated Shareholders. It is neither practical nor possible to assess the implications of the Proposed Transactions on individual Non-Associated Shareholders as their individual financial circumstances are not known.

Some Non-Associated Shareholders may place a different emphasis on various aspects of the Proposed Transactions from that adopted in our Report. Accordingly, individual Non-Associated Shareholders may reach different conclusions on whether or not the Proposed Transactions are fair and reasonable to them and each individual Shareholder must take into account his or her own circumstances when deciding whether or not to vote in favour or against the resolutions relating to the Vessel Acquisition and the ASL Equipment Rentals. Shareholders should seek their own independent professional advice to assist them in their decision, taking into account their preferences and expectations.

Other

William Buck is an Authorised Representative under an appropriate Australian Financial Services Licence. Accordingly, we are required to provide a Financial Services Guide in situations where we may be taken as providing financial product advice. A copy of William Buck's Financial Services Guide is set out in the annexure hereto.

The above opinion should be considered in conjunction with, and not independently of, the information set out in the remainder of this Report including the appendices.

Yours faithfully,

William Buck Corporate Advisory Services (NSW) Pty Limited
ABN 50 133 845 637
Authorised Representative No. 333393
AFSL 240769

Mark Calvetti
Director

Financial Services Guide

Dated: 19 June 2017

William Buck Corporate Advisory Services (NSW) Pty Ltd ABN 50 133 845 637 ("**William Buck**" or "**we**" or "**us**" or "**our**" as appropriate) has been engaged to issue general financial product advice in the form of a report to be provided to you.

Financial Services Guide

In the above circumstances we are required to issue to you, as a retail client, a Financial Services Guide ("**FSG**"). This FSG is designed to help retail clients make a decision as to their use of general financial product advice and to ensure that we comply with our obligations as an authorised representative of a financial services licensee.

The FSG includes information about:

- who we are and how we can be contacted;
- the services we are authorised to provide as an Authorised Representative of William Buck Wealth Advisors (NSW) Pty Ltd (Licence No: 240769);
- remuneration that we and/or our staff and any associates receive in connection with the general financial product advice;
- any relevant associations or relationships we have; and
- our complaints handling procedures and how you may access them.

Financial Services we are Licensed to Provide

We are an authorised representative of William Buck Wealth Advisors (NSW) Pty Ltd who holds an Australian Financial Services Licence. We are authorised to provide financial product advice in relation to various financial products such as securities, derivatives, interests in managed fund investment schemes, stocks or bonds to retail and wholesale clients.

We provide financial product advice by virtue of an engagement to issue a report in connection with a financial product of another person. Our report will include a description of the circumstances of our engagement and identify the person who has engaged us. You will not have engaged us directly but will be provided with a copy of the report as a retail client because of your connection to the matters in respect of which we have been engaged to report.

Any report we provide is provided on our own behalf as an authorised representative of a financial services licensee authorised to provide the financial product advice contained in the report.

General Financial Product Advice

In our report we provide general financial product advice, not personal financial advice, because it has been prepared without taking into account your personal objectives, financial situation or needs.

You should consider the appropriateness of this general advice having regard to your own objectives, financial situation and needs before you act on the advice. Where the advice relates to the acquisition or possible acquisition of a financial product, you should also obtain a product disclosure statement relating to the product and consider that statement before making any decision about whether to acquire the product.

Benefits that we may Receive

We are entitled to receive a fee of $25,000, excluding GST, for preparation of this Report. These fees were agreed with, and paid by, the person who engaged us to provide the Report. Fees will be agreed on either a fixed fee or time cost basis.

Except for the fees referred to above, neither William Buck, nor any of its directors, employees or related entities, receive any pecuniary benefit or other benefit, directly or indirectly, for or in connection with the provision of the report.

Remuneration or other Benefits Received by our Employees

All our employees receive a salary. Our employees are eligible for bonuses based on overall productivity but not directly in connection with any engagement for the provision of a report.

Referrals

We do not pay commissions or provide any other benefits to any person for referring customers to us in connection with the reports that we are authorised to provide.

Associations and Relationships

William Buck Corporate Advisory Services (NSW) Pty Ltd is a wholly owned subsidiary of William Buck (NSW) Pty Ltd.

Complaints Resolution

Internal Complaints Resolution Process

As an authorised representative of a holder of an Australian Financial Services Licence, we are required to have a system for handling complaints from persons to whom we provide financial product advice. All complaints must be in writing, addressed to The Compliance Manager, William Buck, Level 29, 66 Goulburn Street, Sydney NSW 2000.

When we receive a written complaint we will record the complaint, acknowledge receipt of the complaint within 15 days and investigate the issues raised. As soon as practical, and not more than 45 days after receiving the written complaint, we will advise the complainant in writing of our determination.

Referral to External Dispute Resolution Scheme

A complainant not satisfied with the outcome of the above process, or our determination, has the right to refer the matter to the Financial Ombudsman Service. The Financial Ombudsman Service is an independent company that has been established to provide free advice and assistance to consumers to help in resolving complaints relating to the financial service industry.

Further details about the Financial Ombudsman Service are available at the website www.fos.org.au or by contacting them directly at: The Financial Ombudsman Service, GPO Box 3, Melbourne VIC 3001, or by telephone on 1300 780 808.

Professional Indemnity Insurance

William Buck has professional indemnity insurance in place which covers any work done by us, as an authorised representative of William Buck Wealth Advisors (NSW) Pty Ltd and by representatives/employees after they cease to work for us. The compensation arrangements we have in place comply with sec.912B of the Corporations Act.

Contact Details

You may contact us at William Buck, Level 29, 66 Goulburn Street, Sydney, NSW 2000 or by telephone on (02) 8263 4000

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1. The Vessel Acquisition

1.1 Background to the Vessel Acquisition

Koon's subsidiary, KCTC has in 2016 secured a contract worth approximately S$18.6 million from a third party contractor pursuant to which KCTC would undertake the construction of rock mound, rock filter and scour protection for a reclamation project in Singapore for new port construction ("**Rock Project**").

In order for KCTC to carry out the Rock Project, KCTC has engaged ASL to build a custom designed Stone Dumping Barge. The building of the Stone Dumping Barge by ASL involved engineering design, outfitting works and equipment installation to convert one of its crane barges to construct the Stone Dumping Barge for KCTC. In addition, KCTC has also directly purchased certain equipment worth approximately S$4.0 million ("**Equipment**") for installation on the Stone Dumping Barge to customise the vessel for the purposes of carrying out the Rock Project.

In consideration of the Rock Project and to further develop the Koon Group's marine construction business going forward, subject to shareholders' approval, it is proposed that KCTC or its assignee acquire the Stone Dumping Barge from ASL at a purchase consideration of S$9.0 million ("**Consideration**"), after excluding the value of the Equipment installed and owned by KCTC of approximately S$4.0 million. The purchase price has been determined taking into account two independent market valuations carried out on the Stone Dumping Barge after deducting the value of the Equipment owned and installed by KCTC on the Stone Dumping Barge of approximately S$4.0 million.

1.2 Overview of the Vessel Acquisition

On 30 May 2017 Koon's subsidiary, KCTC ("**Purchaser**") and ASL's subsidiary, ASL Shipyard ("**Seller**") entered into a sale and purchase agreement ("**Sale & Purchase Agreement**") for KCTC or its assignee to acquire from ASL Shipyard, a custom designed Stone Dumping Barge named "Petra 1".

The key terms of the Sale & Purchase Agreement are summarised as follows:

— **Consideration:** S$9,000,000, payable upon closing of the sale and purchase. The parties have agreed that the Consideration of S$9,000,000 is pegged to the overall value of S$13,000,000 for the Stone Dumping Barge, less the Equipment owned by the Purchaser and installed on the vessel amounting to approximately S$4,000,000;

— **Place & Date of Delivery:** The Stone Dumping Barge shall be delivered to the Purchaser and taken over safely afloat at a safe and accessible berth or anchor in Singapore at the Purchaser's option. The expected date of delivery of the Stone Dumping Barge to the Purchaser shall be on or around 30 June 2017 or such other date as advised by the Purchaser;

— **Emcumbrances:** The Seller has warranted that the Stone Dumping Barge will be at the date of delivery, free from any and all claims, liens, mortgages, charges, actions, suits, taxes and / or encumbrances of whatsovery nature;

- **Condition & Inspection:** The Stone Dumping Barge is sold on an "as is where is" basis as at the date of inspection by the Purchaser, and the Purchaser shall take delivery in the same condition as the vessel was in at the time of inspection, fair wear and tear excepted;
- **Closing:** Documentary closing of the sale and purchase shall take place simultaneously with the delivery of the vessel;
- **Title & Risk:** The Stone Dumping Barge is at the Seller's risk and expense until it is delivered to the Purchaser in accordance with the terms of the Sale & Purchase Agreement. Title and risk shall pass to the Purchaser only upon payment of the Purchase Price to the Seller and delivery of the vessel to the Purchaser;
- **Representations & Warranties:** The Seller has represented and warranted to the Purchaser that the Seller lawfully owns and is entitled to all shares in the Stone Dumping Barge free of any security interest, lien, charge, mortgage or other encumbrance;
- **Purchaser's Right of Termination:** The parties have acknowledged that:
  - the Purchaser and its parent company Koon are subject to the Listing Rules of the ASX, which require Koon to obtain shareholders' approval for the purchase of the Stone Dumping Barge;
  - the Purchaser intends to seek shareholders' approval for the purchase of the Stone Dumping Barge at an Extraordinary General Meeting of the Company;
  - The Purchaser may, at any time after the date of that Extraordinary General Meeting, terminate the Sale & Purchase Agreement if shareholders' approval is not obtained at the Extraordinary General Meeting; and
  - If the Sale & Purchase Agreement is terminated by the Purchaser in this manner, the Purchaser is not liable to pay compensation for termination and the Seller is not entitled to seek compensation for loss of prospective profits for termination; and
- **Assignment:** Subject to receiving the Seller's prior consent, the Purchaser can assign its rights under the Sale & Purchase Agreement to a subsidiary or other nominee company held under Koon.

1.3 Equipment installed and owned by KCTC

Koon has provided us with a listing of the costs incurred by KCTC in relation to the Equipment installed and owned on the Stone Dumping Barge totalling S$4,094,481.26, together with various supporting invoices in respect of those costs. A listing of the costs is also attached to the Sale & Purchase Agreement in respect of the Stone Dumping Barge.

Table 2 below sets out a summary of the costs incurred by KCTC in respect of the Equipment installed and owned on the Stone Dumping Barge, together with comments regarding our review of the supporting documentation provided for those costs:

Table 2 – Costs incurred by KCTC for Equipment installed and owned on the Stone Dumping Barge

Supplier	Amount (S$)	Relates to	Invoices Sighted	Amount Agrees to Invoices
Aggregates Engineering Pte Ltd	55,080.00	Installation of conveyor belt system	✓	✓
Asia Pacific Conveyors Pte Ltd	81,271.72	Supply and installation of belt feeder	✓	✓
Associate Professor Tan Siew Ann	30,000.00	Review of proposed Plate Load test procedure / calibration and interpretation of field plate load & PMT tests	✓	✓
Bonar NV	37,270.80	Supply of Bontec NW 25 XXUV Non-Woven Geofrabric	✓	✓
Dong-A Consultants Asia Pte Ltd	71,420.00	Rock mound trial pressuremeter test	✓	✓
Geometra International (Private) Limited	14,230.77	Mulitbeam Bathymetric Survey	✓	✓
Tiancheng Electrical Marine Equipment Pte Ltd	1,581,487.10	Modification of 50 tonne Hydraulic Mooring Winches to electrical system	✓	✓
Vosta LMG Dredges BV*	2,223,720.87	Supply and engineering for software pontoon control system, and supply of other equipment including vibratory hammer, clamping system, hydraulic creed system and cylinder.	✓	✓
Total	**4,094,481.26**			
** Vosta LMG Dredges BV is a subsidiary of ASL.*				

Source: Information provided by Management and William Buck analysis

As summarised above, we have sighted supporting invoices for all of the costs incurred by KCTC in respect of Equipment installed and owned on the Stone Dumping Barge, and agreed those costs to the invoices, noting that in a small amount of instances the invoice was denominated in Euros and has been converted to Singapore Dollars. In these cases the conversion rates appear reasonable.

Accordingly, based on the information made available to us and our analysis of same, it appears that KCTC has incurred costs totalling S$4,094,481.26 in respect of improvements made to the Stone Dumping Barge.

2. ASL Equipment Rentals

2.1 Background to the ASL Equipment Rentals

Koon's subsidiary, KCTC rents crawler cranes, excavators, dump trucks, tug boats and barges from subsidiaries of ASL depending on the project requirements for Koon's construction business.

For the last financial year ended 31 December 2016, KCTC has procured approximately S$1,179,100 equipment rental from subsidiaries of ASL in respect of the hire of crawler cranes, excavators, dump trucks, tug boats and barges.

Going forward, Koon and its subsidiaries propose to continue to hire machinery, equipment, tugs and barges from subsidiaries of ASL depending on the project requirements of Koon and its subsidiaries from time to time and the estimated value for the hire of the machinery, equipment, tugs and barges cannot be ascertained at this stage.

2.2 Overview of the ASL Equipment Rentals

In accordance with 2016 ASX Waiver, Koon and its subsidiaries have entered into a master lease agreement with ASL and its subsidiaries ("**Master Lease Agreement**") to establish the standard form of agreement under which Koon and its subsidiaries will rent the machinery, equipment and vessels from ASL and its subsidiaries.

The Master Lease Agreement sets out the terms and conditions upon which Koon and its subsidiaries may from time to time rent equipment, machinery and vessels from ASL and its subsidiaries. The parties agree that each lease agreement effected in accordance with the terms of the master lease agreement will be on and subject to the terms of the master lease agreement and any ancillary documentation.

2.3 Master Lease Agreement

On 30 May 2017, Koon and its subsidiaries KCTC, Entire Engineering Pte Ltd, Entire Construction Pte Ltd and Econ Precast Pte Ltd, together with EPPL's subsidiary Contech Precast Pte Ltd entered into the Master Lease Agreement with ASL and its subsidiaries, ASL Shipyard, ASL Offshore & Marine Pte. Ltd., ASL Marine Contractors Pte. Ltd. and PT. Cemara Intan Shipyard.

Clause 2.1 of the Master Lease Agreement acknowledges that the parties agree to enter into the Master Lease Agreement *"to set out the general framework and principal terms of the leasing and rental arrangement procured by Koon and/or its subsdiairies with respect to equipment, machinery, vessels and capital goods hired from ASL and its subsidiaries"*.

The general framework and principal terms of the Master Lease Agreement are contained under two sub-headings, being Conditions Precedent and Rental Terms and Conditions. We discuss each of these items separarely below:

2.3.1 Conditions Precedent

This section of the Master Lease Agreement notes that:

"the following procedures will be adopted by Koon and/or its subsidiaries to ensure that the leasing and rental arrangements with respect to equipment, machinery, vessels and capital goods hired from ASL and/or its subsidiaries are on arm's length basis, on normal commercial terms consistent with its usual business practices with unrelated third party suppliers:

- *comparison of rental rates obtained from ASL and/or its subsidiaries shall be made with reference to at least two (2) quotations to be obtained from unrelated third parties, for the same of substantially similar type of equipment, machinery, vessels and other capital goods available from ASL and/or its subsidiaries, so as to assess whether the price and terms offered by ASL and/or its subsidiaries are fair and reasonable and in accordance with industry norms;*
- *where it is impractical or the prevailing market rental rates are not available, the senior management staff of the relevant company under Koon (who has no interest, direct or indirect, in the transaction) will determine the rental rate with ASL and/or its subsidiaries in accordance with the Koon's usual business practices, taking into consideration factors such as, but not limited to, the project requirement of Koon and/or its subsidiaries, the availability, quality, conditions, specifications of the equipment, machinery, vessels and other capital goods available from ASL and/or its subsidiaries; and*
- *where the value of the monthly rental rate or the aggregate yearly rental amount exceeds or* (is) *expected to exceed 5% of the equity interest of Koon, such rental transaction shall be subject to review by the Audit Committee of Koon."*

2.3.2 Rental Terms and Conditions

This section of the Master Lease Agreement acknowledges that, subject to the fulfillent of the Conditions Precedent (as noted above), each lease or rental agreement effected in the future shall be subject to the principal terms and conditions set out in two schedules which are annexed to the Master Lease Agreement:

- **Schedule 1 for land equipment** (e.g. crawler cranes, excavators, dump trucks; and
- **Schedule 2 for vessels** (e.g. tug boat, barges).

Schedule 1 contains principal terms and conditions under headings including rental period, rental rate, working hours, normal working days, transportation cost, payment terms, supervision, insurance, repair and upkeep, hirer's other responsibilities, property rights and governing law. Table 2 below sets out the key terms and conditions detailed in Schedule 1:

Table 3 – Summary of Key Terms and Conditions of Schedule 1 of the Master Lease Agreement

Category	Summary of Terms and Conditions
Rental Period	— The rental period is left blank and is to be filled in in each instance of a lease or rental agreement being effected between the parties to the Master Lease Agreement.

Category	Summary of Terms and Conditions
Rental Rate	— The rental rate will either be a bare month rental rate (which excludes an operator) or a monthly rental rate (which includes an operator from the owner but not diesel); — The rental rate is left blank and is to be filled in in each instance of a lease or rental agreement being effected between the parties to the Master Lease Agreement; and — In the instance of a monthly rental rate, the rental rate shall apply to a period of at least 1 month, with any additional days to be charged according to an overtime rate and no refund to be given in the event of an early return.
Working Hours (of operator)	— These are left blank and are to be completed. Any work performed by the operator outside of the specified working hours for Monday to Saturday, or work performed by the operator on a Sunday or Public Holiday, is to be charged at an overtime rate.
Transportation Cost	— Transportation charges to and from the site shall be borne by the hirer (i.e. Koon and/or its subsidiaries); or — Transportation charges to and from the site shall be borne by the owner (i.e. ASL and/or its subsidiaries) provided the rental period exceeds a minimum of _____ months.
Payment Terms	— 30 days from date of invoice; and — Any late payment will incur an additional 1% interest charge per month from the due date until paid in full;
Supervision	— If the rental includes an operator of the equipment from the owner, the operator/driver provided is deemed to be working under the supervision and control of the hirer and all works are carried out at the hirer's risk.
Insurance	— The owner shall procure and ensure that the necessary insurance is in-place for the equipment; — Hirer shall be fully liable for any loss or damage to the equipment (saved for the amount recovered under the equipment insurance procured by the owner) and any third party claims; and — When necessary, the hirer shall ensure that other insurance such as Public Liability, Workmen Compensation, and Contractors' All-Risk are procured and in effect prior to the commencement of usage of the equipment.
Repair and Upkeep	— Hirer shall be responsible and bear the costs for the regular preventive maintenance, servicing, repair of breakdowns and replacement consumables required for the proper and safe operation of the equipment; and — Hirer shall indemnify the owner against any loss, expense, damages, liability or claim arising from or in connection with the hirer's failure to repair or keep proper maintenance and upkeep of the equipment.

Category	Summary of Terms and Conditions
Hirer's Other Responsibilities	— During the hired period, the hirer shall ensure the following: — No un-authorised removal, alteration, or modification is carried out on the equipment or any part thereof; — Hirer shall obtain all necessary licenses permits and permissions for the use of the equipment. All fines or court summons arising from the hirer's use of the equipment shall be borne and paid by the hirer to the relevant authorities; — The usage of the equipment does not contravene any statute, ordnance or in any manner become liable for seizure, confiscation or forfeiture whereby owner may be liable for any penalty or legal proceedings. In the event of such an occurrence, the hirer shall indemnify owner against all fines, penalties or expenses incurred as a result of contravention such penalty or legal proceedings; and — Hirer shall permit owner and its appointed agents at any time to inspect or test the equipment.

Source: Schedule 1 of the Master Lease Agreement

Schedule 2 notes that the charter contract for vessels shall be pegged to the Bimco (Baltic and International Maritime Council) time charter contract for offshore service vessels, which has been prepared by ASL in accordance with maritime clauses and contracts covering ship-related operation and activity. The Bimco time charter contract is annexed to Schedule 2 and has three parts:

— **Part 1** which contains various blank fields which are to be filled in by the parties in each instance of a vessel rental or lease, including place and date of contract, vessel name, period of hire, charges, payment terms, interest rate for late payment etc.;

— **Part 2** which contains definitions, and detailed terms and conditions for the supply of the vessel; and

— **Annex B** which contains a summary of insurance policies to be procured and maintained by the owner of the vessel.

As Part 1 is blank we are unable to provide a summary of those terms. The terms and conditions contained in Part 2 are extensive and accordingly, we have not summarised them in this Report. In respect of Annex B, it notes that the owner is required to procure and maintain the following insurance policies:

— Hull and Machinery Insurance with limits equal to those normally carried by owners for the vessel; and

— Protection and Indemnity (P&I) or Marine Liability Insurance with coverage equivalent to the cover provided by members of the International Group Protection and Indemnity Associations with a limit of cover no less than USD 5 million for any one event, with the cover to include liability for collision and damage to fixed and floating objects to the extent not covered by the Hull and Machinery Insurance.

3. Scope and Limitations

3.1 Regulatory Background

ASX Listing Rules

ASX Listing Rule 10.1 provides that an entity must ensure that neither it, nor any of its child entities, acquires a substantial asset from, or disposes of a substantial asset to, inter alia, a related party or a substantial holder (if the person and the person's associates have a relevant interest, or had a relevant interest at any time in the six months before the transaction, in at least 10% of the total votes attached to the voting securities) or an associate of them. The purpose of ASX Listing Rule 10.1 is to ensure that a person of influence cannot benefit from a significant acquisition or disposal involving the listed entity.

Under ASX Listing Rule 10.2, an asset is substantial if the value of the asset, or the value of the consideration being paid for it is, or in ASX's opinion it is, 5% or more of the Company's equity interests as set out in the latest accounts lodged with ASX.

Based on the most recent accounts lodged with the ASX, Koon's equity interests (sum of paid up capital, reserves and accumulated profits or losses, disregarding redeemable preference share capital and outside equity interests as shown in the consolidated financial statements of the Company as at 31 December 2016) is S$58,174,000. Accordingly, an asset will be considered substantial if the value of the asset is at least 5% of the Company's equity interests, i.e. S$2,908,700 ("**5% Threshold**").

The purchase price of S$9.0 million payable by KCTC to acquire the Stone Dumping Barge will therefore exceed the 5% Threshold.

While the rental value of individual items of equipment, machinery and vessels rented or leased from ASL from time to time may or may not exceed the 5% Threshold, the aggregated rental value per annum may exceed the 5% Threshold.

On 3 November 2016, Koon obtained a waiver from the ASX from the operation of ASX Listing Rule 10.1 to the extent necessary to permit Koon and its subsidiaries to rent machinery, equipment tugs and barges from ASL and its subsidiaries for a period of three years from the date shareholder approval is obtained under ASX Listing Rule 10.1 on the following conditions:

— the Company obtains shareholder approval for the general framework of the standard form of agreement under which the Company will rent the machinery and equipment;

— the Notice, in the opinion of ASX, contains details of the general framework and includes a report from an Independent Expert in accordance with Listing Rule 10.10.2;

— each annual report for the Company sets out clearly the terms and conditions of the rental arrangements entered into between the Company and ASL (and/or any of its subsidiaries) for the period since the last annual report; and

— the terms of the rental arrangements entered into between the Company and ASL (and/or its subsidiaries) do not differ in any material respect from arrangements entered into with the Company's non-related parties and a statement to that effect is included in each annual report.

Mr Ang Sin Liu is the Non-Executive Chairman of Koon and is the founder of ASL. Mr Ang Ah Nui is a Non-Executive Director of Koon and is also an executive director of ASL. Mr Ang Sin Liu is the father of Mr Ang Ah Nui. Together they hold an aggregate interest of 53.68% (of which 24.08% is held under nominees) of Koon's shares and, if the interests of other immediate family members are included, the total aggregate interest is increased to 53.79% (of which 24.08% is held under nominees).

Mr Ang Sin Liu and Mr Ang Ah Nui are also shareholders of ASL holding 10.79% (of which 1.47% is held under nominee) and 14.79% (of which 12.31% is held under nominee) respectively, and together they hold an aggregate interest of 25.58% (of which 13.78% is held under nominees) in ASL, which is increased to 67.22% if other immediate family members are included in the total aggregate interest as well. Accordingly, for the purposes of ASX Listing Rule 10.1, ASL and its subsidiaries are associates of substantial holders, Mr Ang Sin Liu and Mr Ang Ah Nui.

Accordingly, Koon is seeking shareholder approval of the Vessel Acquisition and the ASL Equipment Rentals for the purposes of ASX Listing Rule 10.1.

3.2 Purpose and Scope

Purpose

William Buck has been appointed by the Directors of Koon to prepare an independent expert's report expressing our opinion as to whether or not:

— the Vessel Acquisition is fair and reasonable to non-associated shareholders of Koon; and

— the general framework of the standard form of agreement for the ASL Equipment Rentals as documented in the Master Lease Agreement is fair and reasonable to non-associated shareholders of Koon.

The non-associated shareholders are those shareholders in Koon whose votes are not to be disregarded in voting on the resolutions relating to the Proposed Transactions ("**Non-Associated Shareholders**").

Our Report has been prepared solely for use of the Directors of Koon, and for the purpose set out herein. William Buck does not accept any responsibility for the use of our Report outside this purpose. Except in accordance with the stated purpose, no extract, quote, or copy of our Report, in whole or in part, should be reproduced without the written consent of William Buck, as to the form and context in which it may appear.

This Report is to accompany the Notice of Extraordinary General Meeting ("**NOM**") being provided to the shareholders of Koon ("**Shareholders**") and has been prepared to assist the Directors in fulfilling their obligation to provide Shareholders with full and proper disclosure so as to enable them to assess the merits of the Proposed Transactions, and to assist the Shareholders in their consideration of whether or not to approve resolutions relating to the Proposed Transactions.

Scope

The scope of our procedures undertaken have been limited to those procedures we believed are required in order to form our opinion. Our procedures, in the preparation of this Report, may have involved an analysis of financial information and accounting records. However, the procedures did not include verification work nor did they constitute:

— an audit in accordance with AUS;

— an assurance engagement in accordance with ASAE; or

— a review in accordance with ASRE.

The assessment of whether or not the Vessel Acquisition is fair and reasonable primarily relates to whether or not the value of the Consideration is equal to or less than the fair market value of the Stone Dumping Barge.

The assessment of whether or not the terms of the general framework of the standard form of agreement for the ASL Equipment Rentals as documented in the Master Lease Agreement are fair and reasonable, primarily relates to whether or not the general framework and principal terms contained in the Master Lease Agreement are considered sufficient to ensure that the ASL Equipment Rentals are entered into on an arm's length basis and on normal commercial terms consistent with Koon's usual business practices with unrelated third party suppliers.

We have not considered the effect of the Proposed Transactions on the particular circumstances of individual shareholders. Some individual shareholders may place a different emphasis on various aspects of the Proposed Transactions from the one adopted in this Report. Accordingly, individuals may reach different conclusions on whether or not the Proposed Transactions are fair and reasonable to them.

An individual shareholder's decision voting on resolutions relating to the Proposed Transactions may be influenced by their particular circumstances and, therefore, shareholders should seek independent advice.

3.3 Basis of Evaluation

As there is no legal definition of the expression fair and reasonable in the *Corporations Act 2001 Cth* (the "**Act**"), we have therefore considered guidance provided by ASIC in its RGs in assessing whether the Proposed Transaction is fair and reasonable from the perspective of the Non-Associated Shareholders. Specifically, we will have regard to the provisions of the following:

— RG 111: Content of Expert Reports;

— RG 112: Independence of Experts; and

— RG 76: Related party transactions.

RG 111 suggests that, where an expert assesses whether a related party transaction is "fair and reasonable" for the purposes of ASX Listing Rule 10.1, this should not be applied as a composite test. That is, there should be a separate assessment of whether the transaction is "fair" and "reasonable", as in a control transaction. An expert should not assess whether the transaction is "fair and reasonable" based simply on a consideration of the advantages and disadvantages of the proposal.

We do not consider the Proposed Transactions to be control transactions. As such, we have used RG 111 as a guide for our analysis but have considered the Proposed Transactions as if they were not control transactions.

RG 111 provides that a proposed related party transaction is “reasonable” if it is “fair”. It might also be “reasonable” if, despite being “not fair”, the expert believes there are sufficient reasons for Shareholders to vote for the proposal.

In forming our opinion as to whether or not the Proposed Transactions are fair to the Non-Associated Shareholders, we have considered the following:

— in the context of the Vessel Acquisition, the fair market value of the Stone Dumping Barge compared to the value of the Consideration for the Stone Dumping Barge, taking into account the adjustment for Equipment installed and owned by KCTC;

— in the context of the ASL Equipment Rentals, whether adherence with the general framework of the Master Lease Agreement and the terms and conditions of same, will ensure that the ASL Equipment Rentals will be on normal commercial terms consistent with Koon’s usual business practices with unrelated third party suppliers.

In forming our opinion as to whether or not the Proposed Transactions are fair to the Non-Associated Shareholders, we have also given consideration to RG 76: Related party transactions.

RG 76 sets out ASIC’s guidance regarding disclosure and governance of related party transactions for public companies and other disclosing entities.

RG 76 provides guidance for companies to consider whether or not transactions with related parties reflect ‘arm’s length’ terms. RG 76 requires consideration of the following factors:

— how the terms of the transaction compare with comparable arm’s length transactions;

— the nature and content of the bargaining process;

— the impact of the transaction on the company;

— other options available to the company; and

— expert advice received by the entity.

In forming our opinion as to whether or not the Proposed Transactions are reasonable to the Non-Associated Shareholders, we have considered the following:

— the advantages and disadvantages to the Non-Associated Shareholders if the Proposed Transactions are approved; and

— the advantages and disadvantages to the Non-Associated Shareholders if the Proposed Transactions are not approved.

In our opinion, the Proposed Transactions are to be judged in terms of their overall effect. It is not meaningful to assess the individual elements of the Proposed Transactions separately.

3.4 Sources and Reliance on Information

Appendix A to this report sets out details of information referred to and relied upon by us during the course of preparing this Report and forming our opinion.

As we are not ship valuers we have, in accordance with RG 111, utilised the services of a Singaporean specialist ship valuation expert, C C Chay & Associates Pte Ltd ("**C C Chay & Associates**"), for the purpose of valuing the Stone Dumping Barge which is the subject of the Vessel Acquisition. A full copy of C C Chay & Associates' Valuation-Condition Survey is attached to this Report as Appendix C.

We have considered and relied upon the information made available to us. We believe the information provided to be reliable, complete and not misleading, and have no reason to believe that any material facts have been withheld. The information provided was evaluated through analysis, inquiry and review for the purpose of forming an opinion as to whether the Proposed Transactions are fair and reasonable.

We do not warrant that our inquiries have identified or verified all of the matters which an audit, extensive examination or "due diligence" investigation might disclose. In any event, an opinion as to whether a corporate transaction is fair and reasonable is in the nature of an overall opinion rather than an audit or detailed investigation.

Where we have relied on the views and judgement of management the information was also evaluated through analysis, inquiry and review to the extent practical. However, such information is often not capable of direct external verification or validation. In the context of this Report, the views not capable of direct external verification or validation related principally to matters such as the likely future actions of management and/or the likely future behaviour of competitors.

Koon has agreed to indemnify William Buck, and its owner practice, their partners, directors, employees, officers and agents (as applicable) against any claim arising out of misstatements or omissions in any material supplied by the Company, its subsidiaries, directors or employees, on which we have relied.

3.5 Current Market Conditions

Our opinion is based on economic, market and other conditions prevailing at the date of this Report. Such conditions can change significantly over relatively short periods of time. Accordingly, changes in those conditions may result in our opinions becoming quickly outdated and in need of revision. We reserve the right to revise our opinions, in the light of material information existing at the date of this Report that subsequently becomes known to us.

3.6 Currency and Exchange Rates

All amounts are stated in Signaporean Dollars unless stated otherwise.

3.7 Assumptions

In forming our opinion, the following has been assumed:

- all relevant parties have complied, and will continue to comply, with all applicable laws and regulations and existing contracts and there are no alleged or actual material breaches of the same or disputes (including, but not limited to, legal proceedings), other than as publicly disclosed and that there has been no formal or informal indication that any relevant party wishes to terminate or materially renegotiate any aspect of any existing contract, agreement or material understanding, other than as publicly disclosed;
- that matters relating to title and ownership of assets (both tangible and intangible) are in good standing, and will remain so, and that there are no material legal proceedings, or disputes, other than as publicly disclosed;
- information in relation to the Vessel Acquisition provided to Koon Shareholders or any statutory authority by the parties is complete, accurate and fairly presented in all material respects; and
- information in relation to the ASL Equipment Rentals provided to Koon Shareholders or any statutory authority by the parties is complete, accurate and fairly presented in all material respects.

4. Profile of Koon Holdings Limited

4.1 Background and Activities

Koon Holdings Limited ("**Koon**" or the "**Company**") was incorporated on 9 April 2003 and was listed on the ASX (ASX: KNH) and SGX (SGX: 5DL) on 11 July 2003 and 21 July 2003 respectively. Koon's principal business activities comprise of providing engineering and construction services, machinery and equipment rental and precast concrete work in Asia together with the supply of energy within the Australian market.

The Company is one of the leading infrastructure and civil engineering service providers in Singapore and has accumulated more than four decades of experience and expertise in providing comprehensive solutions to its customers in infrastructure, construction and offshore industries.

4.2 Business Operations

Koon's operations are divided into three core business divisions, being Infrastructure Construction and Civil Engineering, Precast Concrete Work, and Electric Power Generation.

4.2.1 Infrastructure Construction and Civil Engineering division

Koon is engaged in a wide range of infrastructure and civil engineering services, from infrastructure works such as terminal projects, to reclamation works such as shore protection.

The Company is registered under the A1 category in civil engineering with the BCA which allows tendering for civil engineering projects of unlimited value in Singapore. This status is testament to Koon's niche expertise and capabilities in the infrastructure construction and civil engineering space and the Company has successful partnered with other well-known infrastructure and construction companies to secure projects domestically and regionally.

The Rock Project undertaken with the Stone Dumping Barge the subject of the Vessel Acquisition, falls under this division of Koon's business operations.

4.2.2 Precast Concrete Work division

The Company manufactures and markets a comprehensive range of precast products ranging from standard reinforced concrete piles to other more complex products such as prefabricated toilets, space adding items, staircase flights integrated with wall and mid landing, facades with cast-in window frames and planter boxes. Koon has the highest grading (L6) from the BCA, enabling it to tender for precast works of unlimited value.

4.2.3 Electric Power Generation division

A 74.1% ownership interest in Tesla Holdings Pty Ltd, an energy infrastructure company, provides the Group a direct channel into the growing energy market in Australia.

Koon is also certified under ISO standards which covers quality (ISO9001:2008), Environmental (ISO 14001:2004) and occupational health and safety (OHSAS 18001:2007).

4.3 Board of Directors

Koon's Board of Directors is shown in the table below:

Table 4 – Koon Board of Directors

Name	Position	Secondary position
Ang Sin Liu*	Non-Executive Chairman	None
Yuen Kai Wing	Managing Director	None
Oh Keng Lim	Executive Director	None
Oh Koon Sun	Executive Director	None
Ang Ah Nui*	Non-Executive Director	Member of the Remuneration Committee
Glenda Mary Sorrell-Saunders	Non-Executive and Independent Director	Chairman of the Nominating Committee and a member of the Audit & Risk and Remuneration Committees
Ko Chuan Aun	Non-Executive and Independent Director	Chairman of the Remuneration Committee and a member of the Audit & Risk and Nominating Committees
Heather Chong	Non-Executive and Independent Director	Chairman of the Audit & Risk Committee and a member of the Nominating Committee

Source: Koon Holding's website

**Ang Sin Liu and Ang Ah Nui together are controlling shareholders in ASL.*

4.4 Capital Structure

Koon's capital structure as at 15 March 2017 comprises of 263,097,800 fully paid ordinary shares. The top 20 largest shareholders are listed in the table below:

Table 5 – Shareholders of Koon

Security holder	Shares	% Interest
Ang, Ah Nui	77,571,819	29.48%
CMB Securities (Singapore) Pte. Ltd.	45,809,010	17.41%
United Overseas Bank Nominees (Private) Limited	18,746,800	7.13%
SAMSU	12,000,000	4.56%
Oh, Keng Lim	10,159,996	3.86%
Oh, Lian Ling	7,238,487	2.75%
Oh, Koon Sun	7,205,378	2.74%
Ang, Jui Khoon	4,276,700	1.63%
Ong, Soh Hoon	4,000,000	1.52%
Ong, Lye Beng	3,344,024	1.27%
Phillip Securities Pte Ltd	3,098,010	1.18%
Yeo, See Tee	3,000,000	1.14%
Harry Oh Tuay Kee	2,966,000	1.13%
Maybank Kim Eng Securities Pte. Ltd., Brokerage and Securities Investments	2,514,800	0.96%
Aw Kim Beng	2,323,000	0.88%
Lim, Pang Hern	1,894,000	0.72%
Tee, Swee Kheng	1,758,196	0.67%
Lau, Koi Fong	1,580,800	0.60%
Tan, Tong Guan	1,400,000	0.53%
Kim Hock Bee Marine Pte Ltd	1,280,000	0.49%
Others	50,930,780	19.36%
Total	**263,097,800**	**100.00%**

Source: Koon Annual Report 31 December 2016

Note: Ang Ah Nui and Ang Sin Liu hold an aggregate interest of 46.58% and 7.09% respectively in Koon (both direct and deemed)

We note that the top 20 shareholders hold an aggregate interest of nearly 80.64% (direct and deemed) of issued fully paid ordinary shares in Koon and that Ang Ah Nui holds 46.58% (both direct and deemed). We understand that there has been no material change in the above details at the date of this Report.

4.5 Corporate Structure

The corporate structure of Koon is shown below:

Table 6 – Koon's corporate structure

Koon's Direct Investment		Investment through Subsidiary	
Ownership interest	**Company name**	**Ownership interest**	**Company name**
100%	**Koon Construction & Transport Co Pte Ltd**	50%	Koon Zinkcon Pte Ltd
		37.5%	Jurong & Tuas Rock Contractors JV (75% owned by Koon Zinkon Pte Ltd)
		50%	Mesco (B) Sdn Bhd
		5%	Penta-Ocean/Koon/Hyundai/ Van Oord Joint Venture - JV 1
		20%	Penta-Ocean/Koon-Ham-Dredging International-Boskalis Joint Venture - JV 2
		20%	Penta-Ocean/Koon/Dredging International/Boskalis/Ham Joint Venture - JV 3
		20%	Penta-Ocean/Hyundai/Koon Joint Venture - JV 4
		20%	Penta-Ocean/Koon Joint Venture - JV 5
		50%	POC - K Joint Venture - JV 6
		100%	Koon Construction & Transport Sdn Bhd
		67%	PT.Koon Construction Indonesia
100%	**Entire Construction Pte Ltd**	NA	NA
100%	**Entire Engineering Pte Ltd**	NA	NA
100%	**Reem Island Pte Ltd**	NA	NA
100%	**Koon Properties Pte Ltd**	100%	Metro Coast Sdn Bhd
		100%	Seven Star Development Sdn Bhd
		100%	Triumph Heights Sdn Bhd
		100%	Unison Progress Sdn Bhd
100%	**Econ Precast Pte Ltd**	100%	Econ Precast Sdn Bhd
		100%	Contech Precast Pte Ltd
		100%	Bukit Intan Pte Ltd
		50%	Sindo-Econ Pte Ltd (50% owned by ASL)
		50%	PT Sindomas Precast - (90% held by Sindo-Econ Pte Ltd, 5% by Econ Precast Pte Ltd, 5% by ASL Marine Holdings Group)
74.1%	**Tesla Holdings Pty Ltd**	100%	Tesla Corporation Management Pty Ltd
		100%	Tesla Corporation Pty Ltd
		100%	Tesla Geraldton Pty Ltd
		100%	Tesla Kemerton Pty Ltd
		100%	Tesla Northam Pty Ltd

Source: Information provided by Management

4.6 Financial Performance

Details of Koon's financial performance based on its audited accounts for the year ended 31 December 2014, 2015 and 2016 are set out below. Amounts are denominated in Singaporean dollars:

Table 7 – Koon's Financial Performance

	Year ended 31 December		
	2014 S$'000	2015 S$'000	2016 S$'000
Revenue	163,917	236,342	202,726
Cost of sales	(137,271)	(200,415)	(182,303)
Gross profit	**26,646**	**35,927**	**20,423**
Gross profit margin	***16.26%***	***15.20%***	***10.07%***
Other income	3,796	1,542	2,515
Distribution expenses	(5,308)	(8,596)	(1,642)
Administrative expenses	(17,472)	(21,114)	(15,422)
Finance costs	(1,888)	(2,615)	(2,836)
Share of profit/(loss) of joint venture and associates	882	3,492	(1,527)
Profit/(loss) before income tax	**6,656**	**8,636**	**1,511**
Net proft margin before tax	***4.06%***	***3.65%***	***0.75%***
Income tax expense	(348)	(889)	165
Profit/(loss) for the year	**6,308**	**7,747**	**1,676**
Profit for the year from discontinued operations	**-**	**-**	**-**
Other comprehensive income/(loss)			
Fair value gain/ (loss) on available for sale investments	193	212	-
Exchange rate difference on translation of foreign operations	(1,541)	(2,875)	(114)
Total comprehensive inome/(loss) for the year	**4,960**	**5,084**	**1,562**

Source: Koon Annual Report 31 December 2015 and full year financial statements for 31 December 2016

We note the following in relation to Koon's historical financial performance:

— FY16 revenue decreased by $33.6m (14.2%) mainly due to to the poor performance of its Construction and Precast divisions. Construction revenue fell by $16.2m (9.4%) in FY16 due to fewer projects completed during the year. Precast division revenues declined significantly by $49.7m (50.8%) due to lower volume of precast product sales in 2016.

— The Precast division had major orders delivered in FY15 for certain projects including supply to the land preparation works for airport development and construction of a container stacking yard at PSA Pasir Panjang Terminal. FY15 revenue from this division as a result had increased by $25.3m (34.9%). Since the projects were substantially completed in FY15, there was significant decline in FY16 sales volume.

— Koon's gross profit margin declined from 16.26% in FY14 to 15.2% in FY15. This decline was attributable mainly to the lower gross profit from Electric Power Generation division due to lower revenue and additional costs. The gross profit margin for FY16 further declined to 10.07% as a result of lower gross profit recorded by its Precast division, owing to the division's sales volume below the breakeven level.

— Net profit margin before tax declined from 4.06% in FY14 to 0.75% in FY16. The decline in FY16 was mainly due to significant decline in gross margin as mentioned above. The other factors impacting change in net profit margin before tax are as follows:

- Distribution expenses increased by $3.2m (62%) in FY15 due to higher delivery and handling costs incurred by Precast division. However this decreased by $6.9m in FY16 as a result of above mentioned lower revenue of the Precast division in FY16 and also partly due to transportation costs being recorded under Sindo-Econ Pte. Ltd., effective from the last quarter of FY16 due to a change in the terms of the Batam precast concrete plant joint venture between Koon and ASL in the last quarter of FY16;
- The decline of $5.7m in administrative expenses in FY16 is attributable mainly to goodwill impairment of $3.5m provided in FY15 for the Electric Power Generation division and other expenses being lower in FY16;
- The finance cost increased by $727k (38.5%) in FY15 due to increase in borrowings for purchase of property, plant and equipment for the Construction division; and
- Koon reported a share of loss of $1.5m in FY16 from investment in joint ventures and associates as against profit share of $3.5m in FY15. This loss in FY16 is attributable to 50% share of loss from the precast operation at Batam Indonesia under Sindo-Econ Pte. Ltd. and its Indonesia subsidiary PT Sindomas Precas due to lower sales of precast products. The loss also included 67% share of start-up loss of $0.1m from PT Koon Construction Indonesia, a joint venture newly incorporated in Indonesia under the Construction division.

4.7 Financial Position

Set out below is a summary of Koon's financial position based on its audited accounts for the years ended 31 December 2014, 2015 and 2016. Balances are denominated in Singaporean dollars:

Table 8 – Koon's Financial Position

	As at 31 December		
	2014 S$'000	2015 S$'000	2016 S$'000
Cash and cash equivalents	17,094	26,702	14,997
Pledged fixed deposits	800	194	197
Trade and other receivables	53,343	53,307	63,089
Inventories	6,873	8,591	3,403
Contract Work in progress	10,334	23,744	21,695
Held for trading investments	36	30	26
Total current assets	**88,480**	**112,568**	**103,407**
Other receivables	239	116	117
Development properties	16,388	14,188	13,885
Joint Ventures	1,332	4,971	3,772
Property, plant and equipment	61,152	99,015	103,632
Available for sale investments	731	-	-
Goodwill on consolidation	3,536	-	-
Deferred income tax	-	-	320
Total non-current assets	**83,378**	**118,290**	**121,726**
Bank loans	21,660	31,211	24,175
Trade and other payables	57,040	69,014	68,913
Contract Work in progress	1,910	8,747	11,238
Finance leases	15,016	12,107	15,278
Income tax payable	528	1,033	634
Total current liabilities	**96,154**	**122,112**	**120,238**
Bank loans	8,920	5,595	2,009
Finance leases	8,681	40,710	40,105
Other payables	89	90	97
Deferred income tax	1,261	919	1,005
Total non-current liabilities	**18,951**	**47,314**	**43,216**
Net assets	**56,753**	**61,432**	**61,679**
Equity			
Share capital	25,446	25,446	25,446
Retained profits	21,470	29,461	30,009
Reserves	5,167	2,879	2,719
Non-controlling interests	4,670	3,646	3,505
Total equity	**56,753**	**61,432**	**61,679**

Source: Koon Annual Report 31 December 2015 and full year financial statements for the year ended 31 December 2016

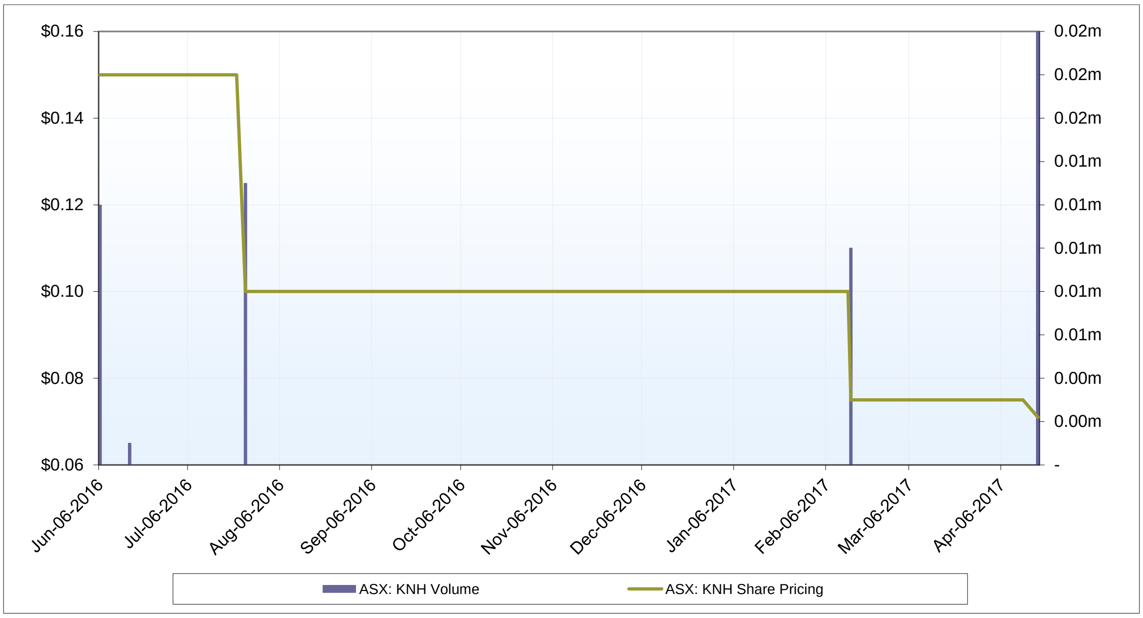
We note the following in relation to Koon's historical financial position:

- Cash and cash equivalents decreased by $11.7m in FY16 primarily due to increase in trade and other receivables by $9.8m and increase in property, plant and equipment by $4.6m;
- Trade and other receivables increased by $9.8m in FY16 as a result of increases in receivables from Sindo-Econ, Koon's 50% joint venture;
- Inventories in FY16 decreased by $5.2m in relation to decrease in Precast Division and partly attributable to the inventories at Batam Indonesia being recorded under the Sindo-Econ, arising from a change in the terms of the Batam precast concrete plant joint venture between Koon and ASL;
- PP&E increased significantly in FY15 and FY16 mainly due to purchase of plant and equipment in order to support the new project requirements under the Construction division. The increase in FY16 was partially offset by depreciation charges of $21m during the year;
- Non-current portion of finance lease in FY15 increased by $32m mainly to fund the financing of capital expenditure under the Construction division. This reduced slightly by $600k in FY16; and
- Current and non-current portion of bank loans decreased by a total of $10.6m during FY16.

4.8 Share Price Trading Performance

As noted at section 4.1 of this Report, Koon Holding's shares are listed and quoted for trading on the ASX. We have reviewed the historical market trading in Koon's shares over the 12 months ended 18 April 2017. The figure below sets out the daily share price and trading volume of Koon's shares for the 12 months to 18 April 2017:

Figure 1 – Koon Daily Volume and Share Price History



Source: Capital IQ, William Buck Analysis

Based on our analysis we note that Koon's shares are infrequently traded and no active liquid market exists for its shares. We have reviewed Koon's price sensitive announcements released on the ASX over the 12 months ended 18 April 2017 as set out below:

Table 9 – Koon's Price Sensitive Announcements

Date	Announcement
28-February-2017	Appendix 4E and Full-Year Financial Statements
30-August-2016	Appendix 4D - Half-year ended 30 June 2016

Source: ASX

5. Profile of ASL Marine Holdings Ltd

5.1 Background

ASL is a Singaporean marine services group principally engaged in shipping, marine logistics and other related services for customers in Asia Pacific, South Asia, Europe, Australia and the Middle East. ASL is headquartered in Singapore and was listed on SGX on 17 March 2003.

5.2 Business operations

ASL's operations are divided into five segments, being ship building, ship repair and conversion, ship chartering and rental, engineering and investment holding.

5.2.1 Ship building

Ship building is ASL's largest service by revenue and operating profit. ASL has an established track record for building specialised niche vessels such as:

— Offshore support vessels: heavy-lift pipelay, subsea operations, anchor handling towing supply, platform supply, maintenance, accommodation, rescue and standby;

— Dredgers: cutter suction and water injection;

— Barges: accommodation, pipe laying and work; and

— Commercial vessels: chemical tanker, bunkering tanker, product tanker.

ASL performs its ship building activities through four shipyards, with two in Batam Indonesia, one in Singapore and another in Guangdong, China.

ASL experienced difficult trading conditions in FY14 and FY15 due to deterioration in Singapore's oil and gas industry. During FY14 and FY15, ASL had major shipbuilding contracts for three offshore support vessels ("**OSV**") cancelled by the oil and gas exploration companies. One of the vessels cancelled was scheduled for delivery in last quarter of FY14 and the remaining two in the first and third quarter of FY15, respectively. These cancellations resulted in reversal of ship building revenue in both FY14 and FY15 however, FY15 revenues were most affected.

Consistent with market practise, ASL was not protected by guarantees for the cancelled vessel orders, allowing customers to cancel orders with few significant penalties.

5.2.2 Ship repair and conversion

ASL provides a range of repair and conversion services including retrofitting, life-extension and repair of various types of vessels.

5.2.3 Ship chartering

ASL owns a fleet of 229 vessels consisting mainly barges, towing tugs, anchor handling tugs, anchor handling towing, supply vessels and other vessels.

ASL's customers are from industries such as offshore oil and gas, marine infrastructure, dredging, land reclamation and marine transportation and are deployed in locations such as Singapore, Indonesia, Australia and other South East Asian countries.

5.2.4 Engineering

ASL provides engineering services ranging from the supply of dredging equipment to the project management of dredge construction.

5.3 Board of Directors

ASL's Board of Directors is shown below:

Table 10 – ASL Board of Directors

Name	Position
Ang Kok Tian	Chairman and Managing Director
Ang Ah Nui*	Deputy Managing Director
Ang Kok Eng	Executive Director
Ang Kok Leong	Executive Director
Andre Yeap Poh Leong	Independent Director
Christopher Chong Meng Tak	Independent Director
Tan Sek Khee	Independent Director

Source: ASL Marine Holding's website
**Ang Ah Nui is on the Board of Directors of Koon Holdings Limited.*

5.4 Capital Structure

ASL's capital structure as at 8 March 2017 comprises of 629,266,941 fully paid ordinary shares. The top 6 shareholders are listed below:

Table 11 – Shareholders of ASL

Security holder	Shares	% Interest
Ang, Kok Tian	88,162,800	14.01%
Ang, Kok Eng	73,799,100	11.73%
Ang, Kok Leong	72,841,500	11.58%
Ang, Sin Liu	58,633,350	9.32%
Ang, Sw ee Kuan	27,195,000	4.32%
Ang, Ah Nui	15,660,000	2.49%
Others	292,975,191	46.56%
Total	**629,266,941**	**100.00%**

Source: Information provided by Management on 8 March 2017

Note: Ang Sin Liu and Ang Ah Nui together hold an aggregate interest of 25.58% (both direct and deemed) in ASL

We note that the top 6 shareholders currently hold an aggregate interest of 67.2% (direct and deemed) of issued fully paid ordinary shares in ASL and Ang Ah Nui holds the largest share. Furthermore Ang Ah Nui is also the largest shareholder in Koon and ASL's top six shareholders are relatives and are deemed to have an interest in the shares held by the other. We understand that there has been no material change in the above details to the date of this Report.

5.5 Corporate Structure

The corporate structure of ASL is shown below:

Table 12 – ASL's corporate structure

Divisions	Ownership interest	Company name
Ship building and ship repair	100%	ASL Shipyard Pte Ltd
	100%	PT. ASL Shipyard Indonesia
	60%	Hongda Investments Pte Ltd
	60%	Jiang Men Hongda Shipyard Ltd
	100%	Intan Overseas Investments Pte Ltd
	100%	PT Cemara Intan Shipyard
	100%	PT Sukses Shipyard Indonesia
Ship chartering	100%	ASL Offshore & Marine Pte Ltd
	100%	Capitol Marine Pte Ltd
	75%	PT. Cipta Nusantara Abadi
	100%	PT Bina Kontinental Lestari
	100%	PT. Awak Samudera Transportasi
	100%	Capitol Offshore Pte Ltd
	100%	Capitol Shipping Pte Ltd
	100%	Capitol Tug & Barge Pte Ltd
	100%	Lightmode Pte Ltd
	100%	Capitol Logistics Pte Ltd
	100%	Capitol Navigation Pte Ltd
	100%	Capitol Aquaria Pte Ltd
	100%	Capitol Oceans Pte Ltd
	100%	ASL Maritime Services Pte Ltd
	100%	Intan Maritime Investments Pte Ltd
	100%	Intan Synergy Pte Ltd
	100%	Intan Offshore Pte Ltd
	100%	Intan Oceans Pte Ltd
	100%	Intan Scorpio Pte Ltd
	100%	Intan OSV Pte Ltd
	60%	Offshore Pte Ltd
	100%	Harmony PSV-Pte Ltd
	100%	ASL Leo Pte Ltd
	100%	ASL Marine Contractor Pte Ltd
	100%	ASL Project Logistics Pte Ltd
	100%	ASL Towage & Sajvage Pte Ltd
Jointly controlled entities/associates	50%	HKR-ASL Joint Venture Limited
	45%	Fastcoat Industries Pte Ltd
	45%	PT. Fastcoat Industries
	36%	PT. Capitol Nusantara Indonesia
	49%	PT. Hafar Capitol Nusantara
	50%	Sindo-Econ Pte Ltd
Engineering	100%	Singa Tenaga Investments Pte Ltd
	100%	Leo Dynamische Investering B.V.
	100%	Vosta LMG IP & Software B.V.
	100%	Vosta LMG International B.V.
	100%	Vosta LMG Design GmbH
	100%	Vosta LMG B.V.
	100%	Vosta Inc
	100%	CFT Nertherlands
	100%	Vosta LMG Dredges B.V.
	100%	Vosta LMG Components & Services B.V.
	100%	Vosta LMG India Pvt Ltd
	100%	Vosta LMG (Zhuhai) Ltd
	100%	Vosta LMG (Asia Pacific) Pte Ltd

Source: Information provided by Management on 8 March 2017

5.6 Financial Performance

Details of ASL's financial performance based on its audited accounts for the year ended 30 June 2014, 2015, 2016 and the six months ending 31 December 2016 are set out below. Amounts are denominated in Singaporean dollars:

Table 13 – ASL Financial Performance

	Year ended 30 June			Six months ended 31 December 2016 S$'000
	2014 S$'000	2015 S$'000	2016 S$'000	
Revenue	509,797	184,156	364,439	180,356
Cost of sales	(450,969)	(146,059)	(313,977)	(157,209)
Gross profit	**58,828**	**38,097**	**50,462**	**23,147**
Gross profit margin	*11.54%*	*20.69%*	*13.85%*	*12.83%*
Other income	11,072	10,664	5,532	2,641
Administrative expenses	(32,538)	(25,609)	(23,368)	(11,005)
Other operating costs	(1,319)	(2,799)	(9,727)	(1,646)
Finance costs	(13,764)	(15,624)	(19,126)	(9,175)
Share of profit/(loss) from joint ventures and associates	3,860	3,882	(3,253)	(1,456)
Profit/(loss) before income tax	**26,139**	**8,611**	**520**	**2,506**
Net proft margin before tax	*5.13%*	*4.68%*	*0.14%*	*1.39%*
Income tax expense	(5,376)	(1,150)	423	(1,697)
Profit/(loss) for the year	**20,763**	**7,461**	**943**	**809**

Source: ASL Annual Report for 30 June 2015 and 2016 and ASL's Interim Financial Report for the half year ended 31 December 2016

We note the following in relation to ASL's historical financial performance:

— ASL's revenue declined by $325m (64%) in FY15 mainly due to a $308m decline in shipbuilding revenue following the cancellation of orders for vessels noted in Section 5.2.1. The ship building divisional revenue was negative $30m in FY15 due to reversals of revenue necessitated by cancelled orders.

— The significant increase in FY16 revenue is attributable to the following divisional results:

  — Ship building revenue increased significantly to $189m (from a negative $30.2m in FY15) as a result of progressive recognition of tugs, barges and tankers and absence of the reversal of revenue experienced in FY15 in relation to cancelled OSV contracts. ASL is now focused on delivering more tugs and barges in preference to non-OSV shipbuilding contracts;

  — Ship repair and Conversion revenues fell by $34.6m (35.9%) mainly due to the absence of large rig repair work;

  — ASL also reported a decrease in revenue by $18.6m (40.3%) from its engineering segment due to absence of orders for new shipbuilding projects and also lower orders for spare parts and cutting/ coupling products; and

  — Ship chartering revenue increased by $14m (19.7%) mainly due to increased demand for tug boats, grab dredgers and hopper barges from domestic marine infrastructure project customers.

- In relation to ASL's historical gross profit:
  - Gross profit margin increased from 11.54% in FY14 to 20.69% in FY15 due to strong margin contribution from business segments not affected by the cancellation of OSV orders; and
  - FY16 gross profit increased as a result of increase in shipbuilding revenue offset by lower margin contributions from shiprepair, shipchartering and engineering segments. FY16 gross profit margin fell to 13.85% due primarily to ASL's shipchartering segment for which gross profit margin fell from 14.5% in FY15 to 3.3% in FY16 due to lower demand and drop in charter rates from OSVs together with lower utilisation rate of it's fleet.
- ASL's net profit margin before tax decreased from 5.1% in FY14 to 0.1% in FY16 due to the following reasons:
  - Other income reduced from a high of $11m in FY14 to $5.5m in FY16 due to lower gain realised on disposal of vessels;
  - Other operating costs increased by $1.5m in FY15 and then by $6.9m in FY16. The increase in FY16 was a result of higher allowance for impairment of doubtful receivables over FY15 and impairment loss on vessels held as inventories and property or property and equipment;
  - Finance costs also increased from $13.7m in FY14 to $19.1m in FY16 mainly due to increase in borrowings for vessels and yard financing as well as rising interest rates; and
  - ASL reported a profit of $3.8m in each of the FY14 and FY15 years from its investment in joint ventures and associates. However in FY16, it reported a share of loss of $3.2m primarily in relation to ASL's share of losses of the Batam precast concrete plant joint venture between Koon and ASL.
- Revenue for the six months ended 31 December 2016 increased by $4.7m (2.7%) in comparison to the corresponding period ended 31 December 2015 primarily due to higher revenue from ASL's shipchartering segment as a result of the commencement of large marine infrastructure projects in Singapore and South Asia in the last quarter of FY16.
- Gross profit for the six months ended 31 December 2016 decreased by $4.8m (32.5%) over the corresponding six month period primarily due to higher costs for ASL's shipbuilding segment in relation to overruns in subcontractors cost for the construction of certain OSVs and barges.

5.7 Financial Position

Set out below is a summary of ASL's financial position based on its audited accounts for the year ended 30 June 2014, 2015 and 2016 and unaudited accounts for the half year ended 31 December 2016. Balances are denominated in Singaporean dollars:

Table 14 – ASL Financial Position

	As at 30 June			As at 31 December 2016 S$'000
	2014 S$'000	2015 S$'000	2016 S$'000	
Cash and cash equivalents	73,155	77,919	24,710	40,930
Trade and other receivables	287,658	238,907	248,767	218,876
Inventories	72,655	216,876	238,481	242,964
Construction Work in Progress	199,318	48,542	108,958	111,583
Financial assets	-	542	963	724
Assets classified as held-for-sale	-	-	3,708	3,128
Total current assets	**632,786**	**582,786**	**625,587**	**618,205**
Property, plant & equipment	542,777	582,872	603,114	604,860
Interest in joint ventures and associates	13,375	18,108	14,726	13,840
Other assets	5,817	6,032	14,406	14,922
Intangible assets	22,190	18,674	17,840	17,649
Total non-current assets	**584,159**	**625,686**	**650,086**	**651,271**
Trust receipts	100,204	68,847	72,196	38,711
Trade and other payables	193,916	180,461	223,371	224,664
Progress billings in excess of construction work-in-progress	35,012	34,625	6,862	9,900
Other liabilities	5,384	3,319	2,864	5,074
Financial liabilities	168,570	152,434	291,621	300,878
Total current liabilities	**503,086**	**439,686**	**596,914**	**579,227**
Other liabilities	3,746	3,327	9,272	13,905
Financial liabilities	277,035	323,075	229,266	204,783
Deferred income tax	16,570	17,075	15,816	15,663
Total non-current liabilities	**297,351**	**343,477**	**254,354**	**234,351**
Net assets	**416,508**	**425,309**	**424,405**	**455,898**
Equity				
Share capital	83,092	83,092	83,092	108,056
Treasury shares	(923)	(923)	(923)	(923)
Retained earnings and reserves	328,433	337,354	337,465	345,396
Non-controlling interests	5,906	5,786	4,771	3,369
Total equity	**416,508**	**425,309**	**424,405**	**455,898**

Source: ASL Annual Report for 30 June 2015 and 2016 and ASL's Interim Financial Report for the half year ended 31 December 2016

We note the following in relation to significant movement in ASL's financial position in FY15 and FY16:

— Cash and bank balances have decreased significantly in FY16 due to reduced cash flow from operating activities in relation to the increased inventories and construction work-in-progress (net of progressive billings);

— Trade and other receivables decreased in FY15 as a result of lower progress billings for shipbuilding projects;

— Inventories increased significantly in FY15 as a result of construction costs of the three offshore support vessels, the contracts for which were cancelled by buyers in FY14 and FY15.

The further increase in FY16 was due to costs incurred for progressive building of certain vessels;

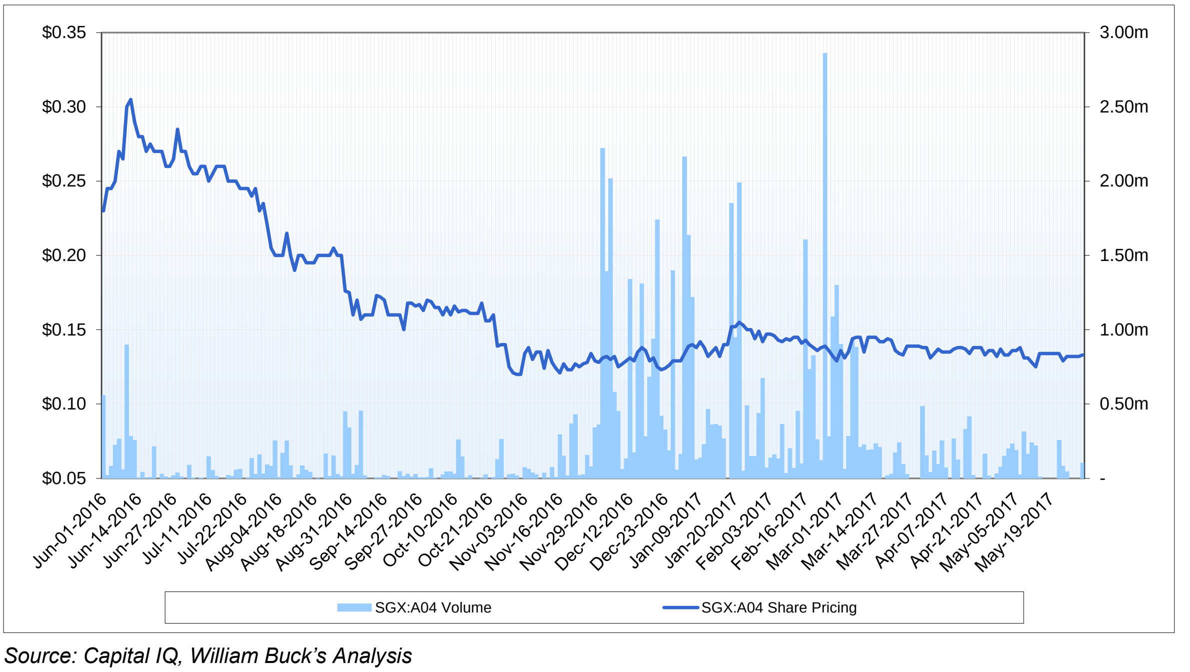
- Construction work-in-progress (net of progress billings) decreased significantly in FY15 mainly due to completion and delivery of vessels and cancellation of the two shipbuilding contracts. This increased in FY16 as a result of higher project contractual payment terms (ranging from 70-90% on delivery) for certain shipbuilding projects requiring higher work-in-progress build up;
- Assets held for sale in FY16 relates to six pontoons and a crane bridge, which ASL is in discussions for sale;
- PP&E has increased over the years as a result of purchase of vessels in the normal course of business;
- Increases in trade and other payables in FY16 relate to higher construction work-in-progress for ship building and ship repair projects; and
- Other liabilities decreased from $3.3m to $2.8m in 2016 due to advance payment received for a ship chartering project.

5.8 Share Price Trading Performance

As noted at section 5.1, ASL Marine Holding's shares are listed and quoted for trading on the SGX.

We have reviewed the historical market trading in ASL's shares over the 12 months ended 31 May 2017. The figure below sets out the daily share price and trading volume of ASL's shares for the 12 months to 31 May 2017:

Figure 2 – ASL Daily Volume and Share Price History



Source: Capital IQ, William Buck's Analysis

Based on our analysis we note that ASL's shares are frequently traded in low volumes and an active liquid market exists for its shares.

We have reviewed ASL's price sensitive announcements released on the SGX over the 12 months ended 31 May 2017 as set out in the table below:

Table 15 – ASL's Price Sensitive Announcements

Date	Announcement
15-May-2017	Announcement of third quarter results
08-May-2017	Profit guidance
14-February-2017	Announcement of second quarter or half yearly results
28-November-2016	ASL announces FY2017 first quarter results
28-October-2016	ASL announces incorporation of a wholly owned subsidiary, ASL Towage & Salvage Pte. Ltd.
29-August-2016	ASL announces full year results for FY2016

Source: SGX and William Buck analysis

6. Economic and Industry Overview

6.1 Introduction

The Vessel Acquisition and the ASL Equipment Rentals transactions both relate to the operation of Koon's Infrastructure Construction and Civil Engineering division.

Accordingly, we have undertaken a limited review of general Singaporean economic conditions and the Singaporean Builing and Construction Industry.

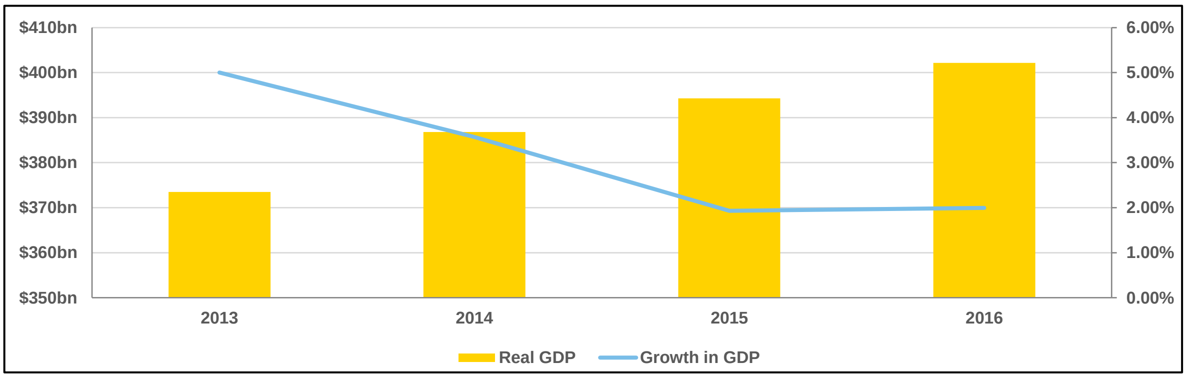
6.2 Overview of General Singaporean Economic Conditions

In preparing this Report, we have considered Singapore's general economic conditions and the performance of its building and construction industry. Our observations are based on William Buck's review of generally available economic analysis reports published by the Ministry of Trade and Industry of the Republic of Singapore, Singapore's Building and Construction Authority ("**BCA**"), Singapore's Ministry of National Developments and relevant economic readings performed during March 2017.

6.2.1 Singaporean Economic Conditions

During 2016 Singapore's GDP grew by 2.0%, in line with 2015 growth of 1.9%. 2016 GDP growth was predominantly driven by strong manufacturing, transportation & storage and other services industries in the economy. Overall all sectors grew in 2016 with the exception of business services.

Figure 3 – Annual nominal growth in GDP



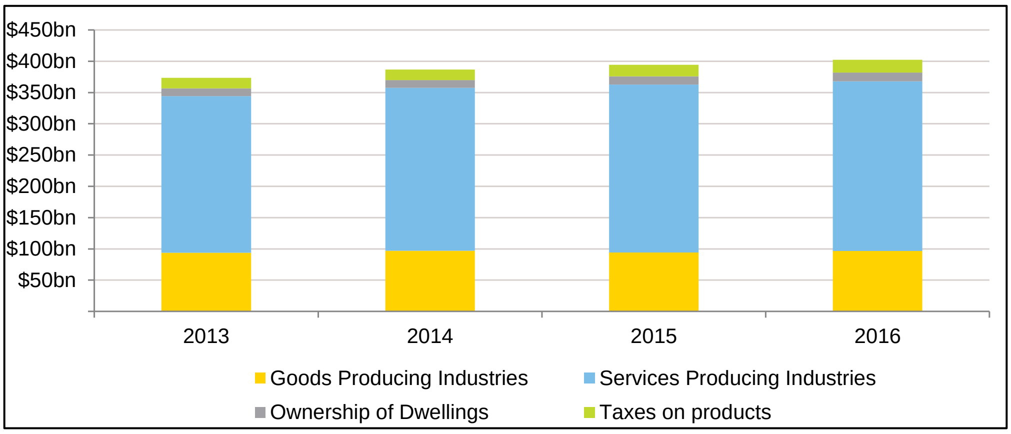
Source: Ministry of Trade and Industry of the Republic of Singapore

Industries which recorded the highest growth in 2016 included Manufacturing (3.6%), Other Services Industries (3.1%), Transportation & Storage (2.3%) and Information and Communication (2.3%). The construction sector expanded only marginally by 0.2% only, due to weakening private sector construction demand.

Manufacturing growth was driven by the electronics and biometrical manufacturing clusters. Other Services Industries growth was driven largely by the education, health & social services segment. Transportation & Storage sector growth was attributable mainly to the water transport segment.

Information and Communication growth was driven by increased broadband as well as a more profitable 4G subscriptions.

Figure 4 – Contribution to GDP by sector



Source: Ministry of Trade and Industry of the Republic of Singapore

Labour market conditions remained sluggish with overall employment increasing moderately by 0.4% (16,400) in 2016 as a result of slower economic growth and the continued slowdown in foreign manpower growth. The overall unemployment rate increased from 1.9% in 2015 to 2.1% in 2016. The largest contributor of the employment growth in 2016 was from the Other Services Industries (20,700), followed by Business Services (8,500) and Accommodation & Food Services (5,500). In contrast the manufacturing and construction sectors experienced job losses at 15,700 and 11,300 respectively.

Consumer Price Index ("**CPI**" or inflation) in 2016 decreased by 0.5%, similar to the 0.5% decrease in 2015. The main component for the 0.5% inflation decrease was housing & utilities with prices declining by 4.1%, attributable to a fall in accommodation costs and electricity tariffs which more than offset the effects of higher housing maintenance charges. Another major contributor to the inflation decrease was transport costs falling by 2.4% as a result of lower petrol and car prices which outweighed the effect of higher vehicle repair and maintenance fees. These declines outweighed the positive contribution from food (price increasing by 2.1%) driven by more expensive hawker food and restaurant meals. Education costs also increased 3.1% as a result of higher fees at commercial institutions, universities, polytechnics, kindergartens and childcare centres.

In Finance, the Singapore benchmark interest rate being the three month SIBOR rate saw declining trend during the first three quarters of 2016 before improving to end at 0.97% in the last quarter of 2016. The interest rate increased to 1.19% in 2015 from a low of 0.46% in 2014, before declining slightly in 2016. SIBOR is highly correlated to US Federal rates and has increased in the wake of US presidential elections. The recent increase in US Federal rate might further impact Singapore's slowing economy. The higher interest rates could further dampen spending and also companies' investment plans.

Singapore's Ministry of Trade and Industry expects the global economic outlook to improve modestly in 2017, supported by faster pace growth in US and modest key ASEAN economies growth, even as China's growth continues to moderate. China's economy can slow down if its monetary conditions further tightens.

In light of the continued sustainable domestic demand and developments in the global economies, Singapore's Ministry of Trade and Industry expects its economy to grow modestly by 1.0% to 3.0% in 2017. Externally-oriented sectors such as manufacturing and transportation & storage are likely to continue to recover and provide support to growth, in tandem with the recovery in global demand for semiconductors and semiconductor equipment as well as the expected improvement in global trade flows. However, the outlook for the construction sector is still weak due to the drop in contracts awarded in the last two years, mainly due to sluggish private sector demand.

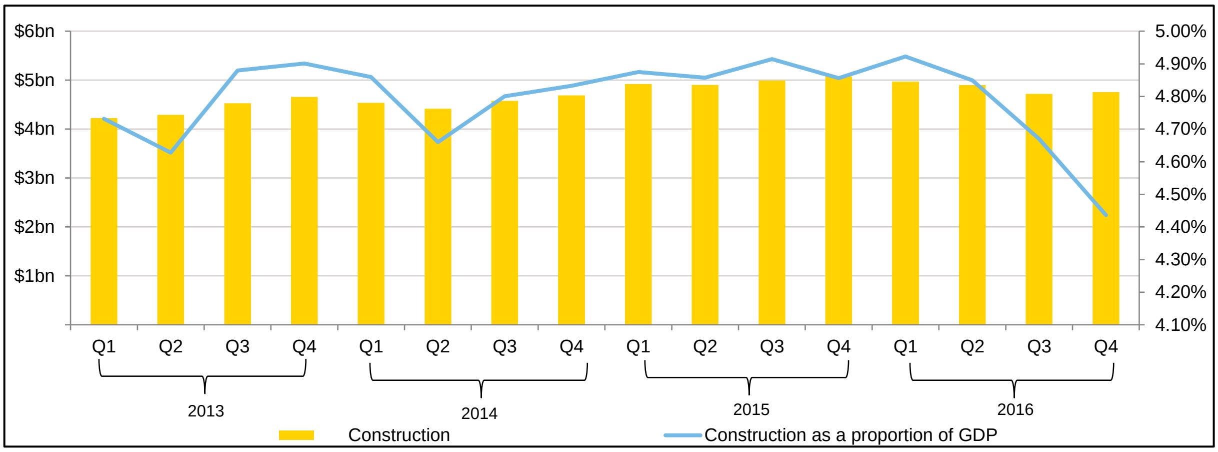
6.3 Singaporean Building and Construction Industry

6.3.1 Overview of Singaporean Building and Construction Industry

The building and construction sector in Singapore plays a critical role in the development of the Singaporean economy. The country's densely built urban environment with limited space and natural resources has been a catalyst for the government to continually roll out initiatives to address the issues of efficient raw material usage and innovative production processes. The BCA is responsible for the development, innovation and sustainability of this industry and offers a range of incentives to encourage businesses.

From 2013 to 2016 annual growth in the construction sector has seen a declining trend shrinking to 0.2% growth rate in 2016 after growing at 6.6% in 2014. 2016 was the second consecutive year of decline in annual growth rate, after a reduced 3.9% growth in 2015. This has been mainly due to weakness in private sector construction demand and activity which shrank as a result of decline in private residential and private industrial works. However as a percentage of overall GDP, the construction sector has maintained an average of 4.7% annually during the 2013 to 2016 period. The graph below shows the relative size of the construction sector and the proportion of GDP from 2013 to 2016.

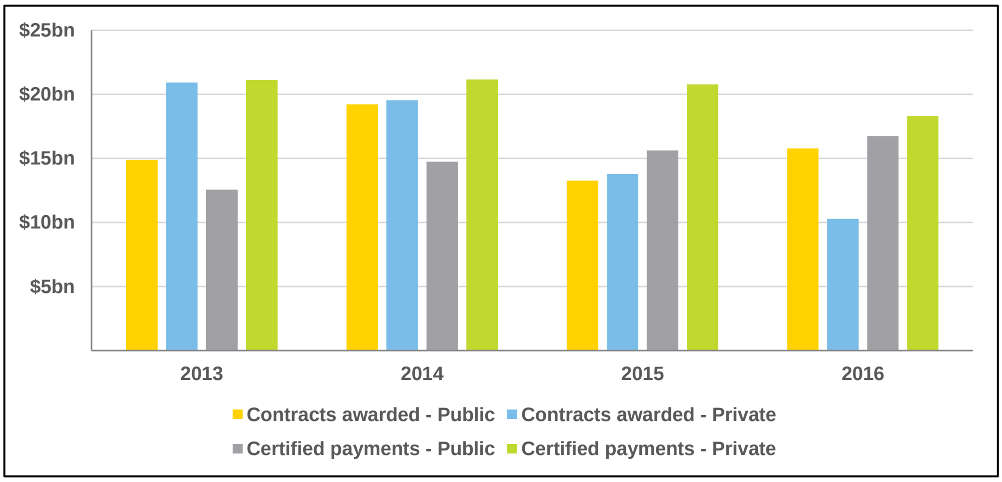
Figure 5 – Construction performance



Source: Ministry of Trade and Industry of the Republic of Singapore

Growth of the construction industry is measured by the performance of the two key construction indicators: the level of construction demand and the level of construction activity. The level of construction demand measures the value of contracts awarded by both the public and private sectors and the level of construction activity measures the value of output using the value of payments made as a proxy. The levels of contracts awarded and payments for the construction industry are shown in the figure below.

Figure 6 – Building and construction activity by sector



Source: Ministry of Trade and Industry of the Republic of Singapore

Construction demand contracted by 3.6% to S$26 billion in 2016 due to weakness in private sector construction demand. The private sector construction demand shrank by 25% ($4 billion) in 2016 largely due to declining demand for residential, industrial, institutional and other building works. In contrast the contracts awarded for commercial developments (such as Woods Square) provided some support.

This was offset by public sector demand which increased by 19% to reach $16 billion in 2016, driven by a surge in demand for civil engineering works such as the Thomson-east Coast Line (TEL), among others. In contrast the demand for public building works declined mainly in residential, industrial and institutional and other segments, similar to decline witnessed in private sector.

Construction activity (measured by output value or payments) contracted by 3.7% to $35 billion, primarily due to a decline in overall residential building works. The public sector construction output increased by 7.3%, largely supported by strong onsite construction activities for industrial, institutional and civil engineering activities. Major public sector projects under construction included the expansion of the Liquefied Natural Gas (LNG) Terminal (Phase 3), Sengkang General and Community Hospital, TEL, and land preparation works for Changi Airport. In contrast the private sector construction output fell by 12% in 2016 due to lower output from residential and industrial building works.

BCA forecasts total construction demand in 2017 to be between $28 billion and $35 billion. Demand from the public sector is expected to strengthen to between $20 billion and $24 billion, contributing to approximately 70% of projected total construction demand. The boost to overall demand is likely to come from anticipated increase in demand for building construction works and civil engineering works. On the other hand, private sector demand is projected to soften to between $8 billion and $11 billion due to the weakness in the property market and continued economic uncertainties. Total construction output in 2017 is projected to moderate to between $30 billion and $32 billion, due to slowdown in construction demand since 2015.

7. The Vessel Acquisition – Valuation of Consideration

7.1 Overview of Consideration for the Stone Dumping Barge

As detailed at 1.2 of this Report, the Consideration that has been agreed for the Vessel Acquisition is a cash payment of S$9,000,000, calculated as follows:

Table 16 – Calculation of Consideration

	Amount (S$)
Overall value of Stone Dumping Barge	13,000,000
Less: Cost of Equipment installed and owned by KCTC	(4,000,000)
Equals: Consideration	**9,000,000**

Source: Sale & Purchase Agreement

7.2 Valuation of Cash Consideration

We have taken the fair market value of the cash consideration to be its nominal value, being S$9,000,000.

8. The Vessel Acquisition – Valuation of Assets Acquired

8.1 Valuation Summary

In our opinion, the fair market value of the assets being acquired by Koon under the Vessel Acquisition, being the Stone Dumping Barge less the Equipment installed and owned by KCTC on the Stone Dumping Barge, is approximately S$9,405,519 as follows:

Table 17 – Fair Market Value of Assets

	Report Reference	Amount (S$)
Fair Market Value of Stone Dumping Barge as assessed by expert - C C Chay & Associates	Section 8.2	13,500,000
Less: Cost of Equipment installed and owned by KCTC	Section 8.3	(4,094,481)
Fair Market Value of Assets Being Acquired		**9,405,519**

Source: C C Chay & Associates Valuation-Condition Survey and William Buck analysis

The valuation of the Stone Dumping Barge and the Equipment installed and owned by KCTC is discussed in the following sections.

8.2 Valuation of the Stone Dumping Barge

As set out at section 3.4 of this Report, we have utilised the services of a Singaporean specialist ship valuers, C C Chay & Associates as an expert to perform a valuation of the Stone Dumping Barge which is the subject of the Vessel Acquisition.

A copy of the Valuation-Condition Survey prepared by C C Chay & Associates and dated 5 June 2017, is attached to this Report as Appendix C.

In summary, C C Chay & Associates has inspected the Stone Dumping Barge and assessed the fair market value of the Stone Dumping Barge to be in the region of S$13,500,000 as of May 2017. <u>We note that this assessed fair market value is inclusive of all equipment installed on the vessel, except for</u> a Kobelco crawler crane, a Volvo EC480 DL excavator and a Caterpillar 320D excavator, which were understood by the valuer to be rented equipment and not part of the Stone Dumping Barge.

Key comments made by the Independent Valuer in the Valuation-Condition Survey include:

— The Valuation-Condition Survey was carried out on the vessel whilst lying safely afloat in the private premises of ASL Shipyard on the island of Batam in Riau Province, Indonesia;

— The Stone Dumping Barge named Petra 1 was found to be the ex. “Lion Toll FC 2”, an all steel welded flat top dub material barge cum floating crane with swim ends fore and aft and a twin towing skeg weld fitted with reinforcement at the stern, built in Indonesia at Karimun Sembawang Shipyard in 2007 for Toll Logistics Limited;

— After having changed hands at Merak, Indonesia, the Ex Lion Toll FC 2 was subsequently towed to Batam, Indonesia where it was rebuilt and converted by ASL Shipyard, from 24 November 2016 to 12 October 2016, to a Singapore registered, Registro Italiano Navale classed Stone Dumping Barge;

- The Stone Dumping Barge has Classification and Statutory Certificates issued by the Registro Italiano Navale on behalf of the Government of the Republic of Singapore for International Tonnage, International Load Line, Cargo Ship Safety Construction, Cargo Ship Safety Equipment and Certificate of Class;
- The Stone Dumping Barge has the capability to carry various sizes of rocks and stones, and to dump them into deep waters as a function of supporting offshore operaitons; and
- The assessed fair market valuation has been determined:

  "based on the good physical condition of the vessel found at the time of survey at this time and the available information and documents available for our information and discussed in the foregoing, and taking into consideration a combination of factors including current new building cost or replacement cost, depreciation over a useful working life span, classification and survey status being maintained, demand for this type and size of vessel employed in the trade; and subject to it being maintained in good working order henceforth without significant damage being sustained in the interim which could affect its structutral intregrity…..".

Based on our limited review of C C Chay & Associates' Valuation-Condition Survey in relation to the Stone Dumping Barge, we are satisfied that all material information has been taken into account in the preparation of the valuation and that the valuation has been prepared on a reasonable basis.

8.3 Valuation of Equipment installed and owned by KCTC

As detailed at section 1.3 of this Report, Koon has advised and the Sale & Purchase Agreement acknowledges that KCTC has already incurred costs totalling S$4,094,481.26 in respect of Equipment installed and owned on the Stone Dumping Barge. We have reviewed each of the invoices in respect of these costs and are satisfied that the costs have been incurred by KCTC.

Based on the invoices reviewed, the costs of S$4,094,481.26 were incurred by KCTC between January 2016 and December 2016. As summarised at section 1.3 above, the costs incurred related to the supply of goods and the installation / engineering in relation to same.

We consider the costs already incurred by KCTC in respect of the Stone Dumping Barge to be improvements to the vessel, which contribute to the determination of the overall fair market value.

As a result, in our opinion we believe it is reasonable to deduct the costs of the Equipment installed and owned by KCTC from the fair value market value of the Stone Dumping Barge, in order to determine the fair market value of the assets being acquired by Koon in the Vessel Acquisition.

9. The Vessel Acquisition – Evaluation

9.1 Assessment of Fairness

In accordance with RG 111, the Vessel Acquisition will be deemed “fair” if the fair market value of the Consideration paid by Koon is equal to or less than the fair market value of the assets being acquired by Koon.

As such, to determine whether the Vessel Acquisition is fair to the Non-Associated Shareholders, we have compared the fair market value of the Consideration with the fair market value of the assets being acquired.

Our assessment of the fairness of the Vessel Acquisition is set out in the table below:

Table 18 – Vessel Acquisition Fairness Assessment

	Report Reference	Amount (S$)
Consideration **(A)**	Section 7	9,000,000
Fair Market Value of Assets Being Acquired **(B)**	Section 8	9,405,519
Variance (A - B)		**(405,519)**

Source: William Buck analysis.

As the value of the Consideration is less than the fair market value of the assets being acquired, we conclude that the Vessel Acquisition is fair to the Non-Associated Shareholders of Koon.

9.2 Assessment of Reasonableness

Under RG 111, the Vessel Acquisition will be reasonable if it is fair. On this basis, we also conclude that the Vessel Acquisition is reasonable.

Notwithstanding, we have also considered the advantages and disadvantages of approving the Vessel Acquisition in assessing the reasonableness of the Vessel Acquisition.

9.2.1 Advantages of approving the Vessel Acquisition

The following may be considered advantages of approving the Vessel Acquisition:

— **Ability to carry out the Rock Project:** KCTC engaged ASL to convert one of ASL’s crane barges into a custom designed Stone Dumping Barge, for the purposes of enabling KCTC to carry out the Rock Project, which we understand to be worth approximately S$18.6 million. The Vessel Acquisition ensures that KCTC will be able to service the Rock Project without having to rely on rental / hire of the Stone Dumping Barge from ASL;

— **Costs already incurred in customising the vessel:** KCTC has already incurred costs of approximately S$4.0 million in customising the Stone Dumping Barge for the Rock Project; however, it does not have title to the vessel on which that equipment has been installed. The

Vessel Acquisition enables KCTC to take full title and ownership of the vessel on which it has already installed and owns equipment of considerable value; and

- **Ability to pursue future marine construction project opportunities:** we understand from Management that the Vessel Acquisition will enable the Koon Group to pursue and possibly secure further marine construction project opportunities. We have not been advised of the value of these potential opportunities.

9.2.2 Disadvantages of approving the Vessel Acquisition

We have not identified any disadvantages of approving the vessel acquisition.

9.2.3 Advantages and disadvantages of not approving the Vessel Acquisition

In our view, the disadvantages of rejecting the Vessel Acquisition include the reverse of the matters noted under advantages of approving the Vessel Acquisition.

As we have not identified any disadvantages of approving the Vessel Acquisition, we have therefore not identified any advantages of rejecting the Vessel Acquisition.

9.2.4 Overall conclusion on advantages and disadvantages of the Vessel Acquisition

In our opinion, based on a consideration of the above, the Vessel Acquisition is considered reasonable from the perspective of the Non-Associated Shareholders of Koon as:

- on balance, the advantages of approving the Vessel Acquisition outweigh the disadvantages of approving it to the Non-Associated Shareholders; and
- on balance, the disadvantages of rejecting the Vessel Acquisition outweigh the advantages of rejecting it to the Non-Associated Shareholders.

9.3 Conclusion on the Vessel Acquisition

In our opinion the Vessel Acquisition is, on balance, fair and reasonable to the Non-Associated Shareholders of Koon.

10. ASL Equipment Rentals – Evaluation of General Framework

10.1 Assessment of Fairness

In forming our opinion as to whether or not the terms of the general framework of the standard form of agreement for the ASL Equipment Rentals as documented in the Master Lease Agreement are fair to the Non-Associated Shareholders, we have considered whether adherence with the general framework of the Master Lease Agreement and the terms and conditions of same, will ensure that the ASL Equipment Rentals will be on normal commercial terms consistent with Koon's usual business practices with unrelated third party suppliers. We have also considered ASIC's guidance provided in RG 76: Related party transactions.

Our assessment has involved consideration of the following items of the Master Lease Agreement individually:

- The Conditions Precedent;
- The terms and conditions set out in Schedule 1 for land equipment; and
- The terms and conditions set out in Schedule 2 for vessels.

10.1.1 Assessment of the Conditions Precedent

The Conditions Precedent included in the Master Lease Agreement were outlined at Section 2.3.1 of this Report. Below is a summary of our comments in relation to the Conditions Precedent:

Table 19 – Assessment of Conditions Precedent

Condition Precedent (summarised)	William Buck Comments
1. Comparison of rental rates and terms obtained from ASL and/or its subsidiaries with reference to at least two (2) quotations from unrelated third parties.	— In our view, this condition precedent is sufficient to ensure that the rental rate and other terms agreed between Koon and/or its subsidiaries and ASL and/or its subsidiaries is reflective of the market rental rate / industry norm, save as for instances where the item being leased / hired does not have a market rental rate. — In our experience, it is common for businesses to obtain 2 to 3 quotations in order to assess the pricing and other terms offered by suppliers.
2. Where it is impractical to obtain quotes or prevailing market rental rates are not available, determination of rental rate by Senior Management of the relevant subsidiary of Koon, taking into consideration factors such as but not limited to, the project requirement of Koon and/or	— There may well be instances where Koon and/or its subsidiaries are unable to obtain unrelated third party quotations for particular

Condition Precedent (summarised)	William Buck Comments
its subsidiaries, the availability, quality, conditions and specifications of the items under consideration.	items that they intend to rent / hire from ASL and/or its subsidiaries. — In our view, this condition precedent provides a mechanism to ensure that the rental paid by Koon and/or its subsidiaries is appropriate in the absence of third party market rate comparables.
3. Where the value of the monthly rental rate or the aggregate yearly rental amount exceeds or is expected to exceed 5% of the equity interest of Koon, the rental transaction shall be subject to review by the Audit Committee of Koon.	— In our view, this condition precedent provides an extra level of governance to ensure that the rental rates on the ASL Equipment Rentals are reflective of the market rate / industry norm.

Source: Master Lease Agreement and William Buck analysis.

10.1.2 Assessment of the Terms and Conditions of Schedule 1

The terms and conditions contained in Schedule 1 to the Master Lease Agreement were summarised at section 2.3.2 of this Report.

In order to assess the fairness of those terms and conditions, we have reviewed examples of the standard terms and conditions of unrelated third party equipment suppliers of Koon and its subsidiaries, and compared those the terms and conditions contained in Schedule 1 of the Master Lease Agreement. Table 20 below contains a summary of this assessment:

Table 20 – Assessment of Standard Terms and Conditions of 3rd Party Equipment Suppliers

Category	Example 1	Example 2	Commercial Terms Materially Superior to Master Lease Agreement (Y/N)
Owner (supplier) of Equipment	— Catermans Engineering Pte Ltd	— Hock Eek Seng Machinery Pte Ltd	N/A
Equipment	— Crawler Crane	— Forklift	N/A
Rental Period	— Must be a minimum of 3 continuous months. — Hirer must give 2 weeks' written notice prior to termination or rental or an extra 2 weeks' rental fees will be charged.	— Not detailed.	No
Working Hours (of operator)	— Overtime rate payable for crane operator outside of the specified working hours	— Overtime charges payable for use of equipment in excess of the specified	No

Category	Example 1	Example 2	Commercial Terms Materially Superior to Master Lease Agreement (Y/N)
	for Monday to Saturday, or work performed on Sunday or a Public Holiday.	duration of standard working hours (being 240 meter hours per month).	
Transportation Cost	— Costs to and from the site shall be borne by the hirer.	— Costs to and from the site shall be borne by the hirer.	No
Payment Terms	— 30 days from date of invoice. — Interest of 2% per month will be charged on all overdue payments.	— 30 days from date of invoice. — Interest payable on overdue payments but % not specified. — Hirer deemed to have repudiated agreement if amounts unaid for more than 7 days after becoming due and payable.	No
Supervision	— Operator of equipment works under the full supervision, command and control of the hirer.	— Not detailed.	No
Insurance and Liability	— Hirer to have full public liability and third party insurance, legal liability an all other insurance deemed necessary based on the nature of the hirer's work. — Hirer shall indemnify the owner against all claims, losses, damages and consequences arising out of the use of the equipment.	— All risk insurance for the forklift, cargo and drivers is to be borne by the hirer. — At all times the hirer is responsible for all costs, replacements, destruction, repairs and damages to the goods whatsoever and/or injury or death to any person whatsoever arising from or resulting from abuse, mishandling, neglect, recklessness or deliberate acts / omissions of the hirer.	No
Repair and Upkeep	— Any excess mud/soil shall be washed by the hirer prior to demobilisation or a cleaning cost will be charged. — If there is any damage to the equipment due to the hirer's negligence, the hirer	— At all times maintain the goods in the condition as when hired (fair wear and tear excepted). — Daily checks are to be carried out for radiator water, engine oil, hydraulic	No

Category	Example 1	Example 2	Commercial Terms Materially Superior to Master Lease Agreement (Y/N)
	will be fully liable for all repair and replacement costs and there will be no rental rate or fee deduction.	oil, tyre pressure etc. by the hirer's trained drivers.	

Source: Example Third Party Supplier Terms and Conditions provided by Koon, and William Buck analysis.

10.1.3 Assessment of the Terms and Conditions of Schedule 2

As noted at section 2.3.2 of this Report, Schedule 2 of the Master Lease Agreement is pegged to the BIMCO time charter contract for vessels.

In order to assess the fairness of the terms and conditions set out in Schedule 2, we have reviewed the BIMCO time charter contract annexed to Schedule 2, including the insurance provisions detailed in Annex "B" of the BIMCO time charter contract.

From our assessment, there are no terms and conditions in the BIMCO time charter contract annexed to Schedule 2, nor the insurance provisions in Annex "B", which in our view could be considered onerous or unusual.

As the Schedule 2 terms and conditions are pegged to the BIMCO time charter contract, and we understand that contract to be the accepted standard contract for the supply of vessels, we have not deemed it necessary for the purposes of our assessment to compare the terms outlined in the BIMCO time charter contract in Schedule 2 to the terms and conditions applicable to instances in which Koon has hired vessels from unrelated third party suppliers.

10.1.4 Conclusion on Fairness

In summary, it is our view that:

- The Conditions Precedent detailed in the Master Lease Agreement are, if adhered to, sufficient to ensure that the ASL Equipment Rentals will be entered into on normal commercial terms that are consistent with Koon's usual business practices with unrelated third party suppliers;
- The terms and conditions detailed in Schedule 1 of the Master Lease Agreement in respect of land equipment are comparable with and not materially inferior to the terms and conditions imposed by unrelated third party suppliers that Koon has used in the past for the supply of land equipment; and
- The terms and conditions detailed in Schedule 2 of the Master Lease Agreement in respect of vessels do not contain anything which is considered onerous or unusual, and would be comparable with terms and conditions offered by unrelated third party suppliers of vessels given that Schedule 2 is pegged to the BIMCO time charter contract for vessels.

Accordingly, on the basis of the above, in our opinion the terms of the general framework of the standard form of agreement for the ASL Equipment Rentals as documented in the Master Lease Agreement, are fair to the Non-Associated Shareholders of Koon.

10.2 Assessment of Reasonableness

Under RG 111, the general framework of the standard form of agreement for the ASL Equipment Rentals as documented in the Master Lease Agreement will be reasonable if it is fair. On this basis, we also conclude that the general framework of the standard form of agreement for the ASL Equipment Rentals as documented in the Master Lease Agreement is reasonable.

Notwithstanding, we have also considered the advantages and disadvantages of approving the general framework of the standard form of agreement for the ASL Equipment Rentals in assessing its reasonableness.

10.2.1 Advantages of approving the general framework

The following may be considered advantages of approving the general framework of the standard form of agreement for the ASL Equipment Rentals:

— **Ability to pursue time-sensitive business opportunities:** Koon expects that Shareholder approval of the general framework of the standard form of agreement as documented in the Master Lease Agreement, will enhance the ability of Koon and its subsidiaries to pursue business opportunities available to its construction business which are time-sensitive in nature, as Koon and/or its subsidiaries would be able to hire / lease equipment from ASL and/or its subsidiaries in a timely fashion, without needing to convene separate general meetings of shareholders in order to seek shareholder approval for the entering into of each leasing or rental transaction in which the individual or aggregated value exceeds the 5% Threshold; and

— **Reduced expenses associated with convening shareholder meetings:** If the general framework of the standard form of agreement is approved by Shareholders, Koon would avoid the expenses associated with having to convene general meetings of shareholders in order to obtain approval for the entering into of each leasing or rental transaction with ASL and/or its subsidiaries in which the individual or aggregated value exceeds the 5% Threshold.

10.2.2 Disadvantages of approving the general framework

We have not identified any disadvantages of approving the general framework of the standard form of agreement for the ASL Equipment Rentals.

10.2.3 Advantages and disadvantages of not approving the general framework

In our view, the disadvantages of rejecting the general framework of the standard form of agreement for the ASL Equipment Rentals include the reverse of the matters noted under advantages of approving the general framework of the standard form of agreement for the ASL Equipment Rentals.

As we have not identified any disadvantages of approving the general framework of the standard form of agreement for the ASL Equipment Rentals, we have therefore not identified any advantages of rejecting the general framework of the standard form of agreement for the ASL Equipment Rentals.

10.2.4 Overall conclusion on advantages and disadvantages of the general framework

In our opinion, based on a consideration of the above, the general framework of the standard form of agreement for the ASL Equipment Rentals is considered reasonable from the perspective of the Non-Associated Shareholders of Koon as:

- on balance, the advantages of approving the general framework of the standard form of agreement for the ASL Equipment Rentals outweigh the disadvantages of approving it to the Non-Associated Shareholders; and
- on balance, the disadvantages of rejecting the general framework of the standard form of agreement for the ASL Equipment Rentals outweigh the advantages of rejecting it to the Non-Associated Shareholders.

10.3 Conclusion on the General Framework

In our opinion the general framework of the standard form of agreement for the ASL Equipment Rentals as documented in the Master Lease Agreement is, on balance, fair and reasonable to the Non-Associated Shareholders of Koon.

11. Qualifications

11.1 Qualifications

William Buck is an authorised representative of William Buck Wealth Advisors (NSW) Pty Ltd which holds an Australian Financial Services Licence issued by ASIC for giving expert reports pursuant to the Listing Rules of the ASX and NSX and the Act.

The William Buck staff member responsible for the preparation of this Report is Mr Mark Calvetti.

Mr Mark Calvetti is a Director of William Buck. He holds a Bachelor of Business (Accounting and Finance) degree from the University of Technology, Sydney. Mr Calvetti has over 28 years' experience in Corporate Finance and has had extensive experience in the areas of mergers and acquisitions, litigation support, preparation and review of business feasibility studies, financial investigations, business valuations, independent expert's reports and due diligence reviews. His experience covers a wide range of industries for both public and private companies. Accordingly, Mr Calvetti has the appropriate experience and professional qualifications to provide the advice offered.

11.2 Independence and Declarations

William Buck is not aware of any matter or circumstance that would preclude it from preparing this report on the grounds of independence either under regulatory or professional requirements. In particular, we have had regard to the provisions of applicable pronouncements and other guidance statements relating to professional independence issued by Australian professional accounting bodies and ASIC.

William Buck considers itself to be independent in terms of RG 112: Independence of Experts, issued by ASIC.

William Buck has acted in a similar capacity for Koon in the past but has had no direct prior dealings with ASL. We are not aware of any matters or relationships that could be regarded as capable of affecting our ability to provide an unbiased opinion in relation to the Vessel Acquisition or the ASL Equipment Rentals.

William Buck is entitled to receive a fee for the preparation of this Report of approximately $25,000 plus GST and disbursements. This fee is not contingent on the outcome of the Report. Except for this fee William Buck has not received and will not receive any pecuniary or other benefit, whether direct or indirect, for or in connection, with the preparation of this Report and accordingly, does not have any pecuniary or other interests that could reasonably be regarded as being capable of affecting its ability to give an unbiased opinion in relation to the Vessel Acquisition or the ASL Equipment Rentals.

One draft of this Report was provided to the Directors of Koon for review of factual accuracy, as opposed to opinions, which are the responsibility of William Buck alone. Certain changes were made to the report as a result of the circulation of the draft report. However, no changes were made to the methodology, conclusions or recommendations made to the Non- Associated Shareholders as a result of issuing the draft report.

The statements contained in this Report are given in good faith and have been derived from information believed to be reliable and accurate. We have examined this information and have no reason to believe that any material factors have been withheld from us.

12. Appendices

12.1 Appendix A – Sources of Information

a) Draft Notice of Extraordinary General Meeting and Explanatory Memorandum to be issued in relation to the Proposed Transactions;

b) Copy of Koon and ASL share registers;

c) Koon and ASL annual reports;

d) Historical share trading data for Koon and ASL obtained from Capital IQ;

e) Koon and ASL announcements obtained from the ASX and SGX;

f) Copy of a fully executed Sale & Purchase Agreement dated 30 May 2017 in relation to the acquisition of the Stone Dumping Barge (i.e. the Vessel Acquisition);

g) Documentation regarding the Equipment installed on the Stone Dumping Barge and owned by KCTC;

h) Copy of a fully executed Master Lease Agreement dated 30 May 2017 in relation to the ASL Equipment Rentals;

i) Examples of rental agreement terms and conditions for equipment rental arrangements entered into by Koon or its subsidiaries with independent 3rd parties;

j) Publicly available economic analysis reports published by Singapore's Ministry of Trade and Industry;

k) Publicly available industry analysis reports published by industry research companies; and

l) Discussions and correspondence with management of Koon.

12.2 Appendix B – Abbreviations and Definitions

Term	Definition
2016 ASX Waiver	Waiver obtained by Koon on 3 November 2016 in relation to the ASL Equipment Rentals
5% Threshold	5% of the Company's equity interests i.e. S$2,908,700
Act	Corporations Act 2001
APES	Accounting Professional and Ethical Standard
ASAE	Australian Standards on Assurance Assignments
ASIC	Australian Investments and Securities Commission
ASL	ASL Marine Holdings Ltd
ASL Equipment Rentals	The proposed rental of machinery, equipment, tugs and barges by Koon and/or its subsidiaries from ASL and/or its subsidiaries
ASL Shipyard	ASL Shipyard Pte Ltd
ASRE	Australian Standards on Review Assignments
ASX	ASX Limited ACN 008 624 691
ASX Listing Rules	Rules of ASX which are applicable while the Company
ASX Listing Rule 10	The provisions set out in Chapter 10 of the ASX Listing Rules
AUS	Australian Auditing Standards
C C Chay & Associates	Singaporean ship valuation expert, C C Chay & Associates Pte Ltd
Consideration	Purchase consideration for the Stone Dumping Barge
CPI	Consumer Price Index
Directors	The directors of Koon
Equipment	Certain equipment directly purchased by KCTC for installation on the Stone Dumping Barge
FSG	Financial Services Guide
KCTC	Koon Construction & Transport Co. Pte. Ltd.
Koon or the Company	Koon Holdings Limited
Master Lease Agreement	Agreement dated 30 May 2017 entered into between Koon and its subsidiaries and ASL and its subsidiaries, to establish the standard form of agreement under which Koon and its subsidiaries will rent machinery, equipment and vessels from ASL and its subsidiaries.
NOM	Notice of Extraordinary General Meeting
Non-Associated Shareholders	Those shareholders in Koon whose votes are not to be disregarded in voting on the resolutions relating to the Vessel Acquisition and the ASL Equipment Rentals
OSV	Offshore support vessels

Proposed Transactions	The Vessel Acquisition and the ASL Equipment Rentals
Purchaser	KCTC
Report	This report prepared by William Buck dated [16] June 2017
RG	Regulatory Guides issued by ASIC
RG 111	Regulatory Guide 111: Content of Expert Reports
RG 112	Regulatory Guide 112: Independence of Experts
RG 76	Regulatory Guide 76: Related Party Transactions
Rock Project	Contract for the construction of rock mound, rock filter and scour protection for a reclamation project in Singapore for new port construction
Sale & Purchase Agreement	Agreement dated 30 May 2017 for the acquisition of the Stone Dumping Barge by KCTC from ASL Shipyard
Seller	ASL Shipyard
Shareholders	The holders of fully paid ordinary shares in Koon
Stone Dumping Barge	A custom designed stone dumping barge known as Petra 1
Vessel Acquisition	The proposed acquisition of the Stone Dumping Barge by KCTC from ASL Shipyard
William Buck, we, us, our	William Buck Corporate Advisory Services (NSW) Pty Ltd ACN 133 845 637

12.3 Appendix C – Independent Valuation-Condition Survey on the Stone Dumping Barge

C C CHAY
& ASSOCIATES PTE LTD
Marine Surveyors & Consultants

Report No. CA 25/4/17

Instructions 21 April 2017

Date 5 June 2017

15 Enggor Street #09-04
Realty Centre
Singapore 079716
Tel: (65) 62252938
Fax: (65) 62253136

THIS IS TO CERTIFY that at the request of William Buck Corporate Advisory Services (NSW) Pty Limited, Level 29, 66 Goulbum Street, Sydney NSW 2000, Australia and on behalf of parties interested in the steel built flat top dumb crane cum stone dumping barge

"PETRA I"

2532 GROSS REGISTERED TONS OF SINGAPORE

a valuation-condition survey has been held on the vessel whilst lying safely afloat in the private premises of P.T. ASL Shipyard Indonesia on the island of Batam in Riau Province, Indonesia in order to be able to advise as to what may be considered as its current reasonable fair market value.

This valuation is intended to form part of an Independent Expert's Report being compiled by William Buck Corporate Advisory Services (NSW) Pty Limited, to assist non-associated shareholders of Koon Holdings Limited ("Koon") to vote in relation to the proposed acquisition of PETRA I by Koon or its subsidiary Koon Construction & Transport Co. Pte Ltd from ASL Shipyard Pte Ltd, a subsidiary of ASL Marine Holdings Ltd.

21 April 2017

Proceeded to the vessel on the above and subsequent dates and together with the Owners Representative and other interested parties found and was informed as follows:-

The vessel "PETRA I" was found to be the ex. "LION TOLL FC 2" – an all steel welded flat top dumb material barge cum floating crane with swim ends fore and aft and a twin towing skeg weld fitted with reinforcement at the stern, built in Indonesia at Karimun Sembawang Shipyard in 2007 to American Bureau of Shipping (ABS) Class Rules and subdivided into 28 watertight void tanks by three longitudinal and 7 transverse bulkheads with open deck cargo space fenced in like a rectangular box with 3.60 metre high perimeter steel built sideboard supported by "I" beam stanchions with back stays running all the way from the stern end port side to forward and then across forward end headlog and afterwards down the starboard side all the way to the aft end and aft of which is an accommodation housing and a permanently mounted pedestal crane (at the aft quarter open space).

Briefly, from information made available for our information, the General Particulars of the ex "LION TOLL FC 2" were then as follows:-

Ex. "LION TOLL FC 2" – General Particulars

Port of Registry	Jakarta, Indonesia
Gross tonnage	2465
Net tonnage	737
Length (overall)	71.20 metres
Length (between perpendiculars)	68.35 metres
Moulded breadth	24.00
Moulded depth	4.80 metres
Summer freeboard	1283 mm
Displacement at summer load line	5700 tonnes
Designed draught	2.40 metres
Deadweight	4261 tonnes
Deack loading	10 tonnes per square metre
Keel Lay Date	2 June 2007

Launch Date	25 January 20018
Delivery Date	25 March 2008
Generator	Two (2) Main Generators
	Cummins KTA3 (DMI) - 850 kw
	Two (2) Harbour Generators
	Cummins 4BT.9G2 - 50 kw
Deck Equipment	Macgregor Type K3035-4HD Pedestal Crane
	30 tonne SWL
	One anchor winch at forward end
Classification	Dual Class –
	American Bureau of Shipping (ABS)
	Biro Klasifikasi Indonesia (BKI)

The ex **"LION TOLL FC 2"** after having changed hands at Merak, Indonesia was subsequently towed to Batam, Indonesia where it was rebuilt and converted by PT ASL Shipyard Indonesia, Batam – Indonesia from 24 November 2015 to 12 October, 2016 – to a Singapore registered, Registro Italiano Navale (RINA) classed Stone Dumping Barge.

The difference in the general particulars of the vessel after the conversion as noted under more or less suggest the amount of enhancement and value added work that had been put in over a period of about a calendar year to customise it into a stone dumping barge.

GENERAL PARTICULARS OF "PETRA" after the conversion.

Port of Registry	Singapore

Official Number	400831
Port Number	01344-H/16
Gross Tonnage	2532
Net Tonnage	760
Length (overall)	71.20 metres
Length (between perpendiculars)	68.35 metres
Moulded breadth	24.00
Moulded depth	4.80 metres
Summer freeboard	1283 mm
Displacement at Summer Loadline	5720 tonnes
Deadweight	4261 tonnes
Type of vessel	Dumb Stone Dumping Barge
Generator	Three (3) Main Generators
	Cummins KTA3 (DMI) - 850 kw
	Two (2) Harbour Generators
	Cummins 4BT.9G2 - 50 kw
Deck Equipment	Macgregor Type K3035-4HD Pedestal Crane
	30 tonne SWL
Grab	One (1) clamshell bucket
Classification	Registro Italiano Navale (RINA)
Dimensions	68.35 x 24.00 x 4.80 metres

Accommodation	22 person accommodation (4 single bed for the Officers and 9 double bunks for the ratings)
Fall pipe	One (1) vertical fall pipe complete with staging platform. Approx. 37.83 metres x 1.50 metres diameter
Fall pipe winch	One - 18 tonne winch
Deck Crane	One Pedestal mounted of 30 tonne SWL
Clamshell Bucket	One
Mooring winch	Eight (8) - each with a 700 metres x 52 mm dia x wire rope
Anchors	Eight (8) mooring anchors

STATUTORY AND CLASSIFICATION CERTIFICATES

Singapore Registry Certificate

Issued by Registry of Singapore Ships of Maritime Port Authority of Singapore on 14 December 2016.

The following Classification and Statutory Certificates issued by Registro Italiano Navale (RINA) on behalf of the Government of The Republic of Singapore were sighted as follows:

International Tonnage

Issued	Batam, 10 October 2016
Valid until	NA

International Load Line

Issued	Jakarta, 9 November 2016

Valid until	12 October 2021

Cargo Ship Safety Construction

Issued	Jakarta, 9 November 2016
Valid until	12 October 2020

Cargo Ship Safety Equipment

Issued	Jakarta, 9 November 2016
Valid until	12 October 2018

Certificate of Class (RINA Class)

Issued	Jakarta, 9 November 2016
Valid until	12 October 2021
Class Notation(s):	C ✠ Pontoon ; Coastal Area

Navigation - Coastal area

Trading Limits

Within twenty (20) nautical miles from the shore with a maximum sailing time of six (6) hours from a port of refuge or safe sheltered anchorage.

Brief History of the Vessel

The vessel was first built in 2008 by P.T. Karimun Sembawang Shipyard Indonesia in 2008 for Toll Logistics Limited to be used as a floating grab bucket platform transfer barge with a pedestal crane for loading of export coal cargo from barges to ocean going bulk cargo ship in remote deep water anchorages in Indonesia.

It was originally fitted with a 30 tonne SWL MacGregor pedestal crane installed on the main deck along the centreline of the barge forward of the aft accommodation superstructure, an anchor windlass at the bow, a mooring winch at the stern and two (2) x 850 kw Caterpillar main diesel generators and two (2) x 50 kw Cummins harbour diesel generators in the engine room on aft side of main deck accommodation superstructure.

We note from documents made available for our information and inspection of the vessel on this present occasion, that the bulk of conversion work carried out by PT ASL Shipyard Indonesia involved cropping and disposal of the perimeter steel sideboard together with the "I" beam supporting stanchions and afterwards installation of a stone dumping system on on the open main deck, consisting of a hopper on port side at amidships with a conveyor belt running underneath across the vessel to a 37.83 metres x 1.50 metres diameter fall pipe (on starboard side) which can be raised and lowered in water to required depth by means of an 18 tonne hydraulic winch via a system of sheaves and wire ropes with maintaining of work location being dealt with by a GPS controlled 8-point mooring system.

Also installed and place on the main deck were two (2) excavators (1 Volvo EC 480DL and 1 Caterpillar 320 D), a 70 tonne SWL Kobelco 7250-2F crawler crane, a tamping tool comprising a vibratory hammer fitted with tamping fixture driven by a portable diesel engine driven hydraulic unit via a long hydraulic hoses with a lifter pipe for raising and lowering it into water off the hook of crawler crane boom with a lifter pipe attached to the end coupled with an anti-heeling ballast system.

Modification work carried out on deck involved extension of the existing control room and main deck housing superstructure to accommodate the newly installed equipment including an additional 850 KW diesel alternator, a new electrical switchboard and controls panels.

The Stone Dumping Barge has the capability to carry various sizes of rocks and stones and dumping them into deep waters as a function of supporting offshore operations.

The primary dumping equipment comprises of one unit construction fall pipe of about ~~60~~ 37.83 meters high complete with its platform, a conveyor system, a fall pipe winch of 18 tons capacity and a hopper tank.

To support her dumping operations, it was also equipped with a heavy duty pedestal mounted deck crane of 30 tons SWL for grab.

There is an anchoring system consisting of an eight (8) unit electro hydraulic mooring winches of 50 tons capacity each, eight (8) x load pins and eight (8) x anchors.

The accommodation structure fitted at aft quarter of main deck is equipped with a control room, master cabin, chief engineer cabin, owner room, meeting room, mess room, galley, shower rooms, toilets, laundry room and crew cabins to house total 18 crew members.

General Condition of the Vessel

Hull – Externally

The vessel was drydocked twice whilst it was undergoing conversion – namely from 20 and 30 January, 2016 and from 22 February to 7 April, 2016 for underwater hull work including grit blasting and painting as original.

The external hull had reportedly been hard scraped to remove barnacles on underwater hull, high pressure fresh water washed, spot blasted to SA 2.0 to remove rust scale and grit sweep to remove all paint coating before being recoated as original.

The vessel was at time of survey floating on draughts of 2.00 metres forward and 1.90 metres aft and external hull paint coating above waterline found in well painted and maintained condition free of mechanical damage with all draught marks, "Plimsoll" marks and other letterings, all clearly stencilled and painted.

TANKS AND UNDERDECK COMPARTMENTS

The underdeck spaces of the vessel are partitioned into twelve (12) fresh water (non-potable) ballast tanks, four (4) potable fresh water tanks, four (4) fuel oil tanks, six (6) void tanks, a warehouse and a pump room.

Tabulated below for easy reference are the tanks numbered from forward to aft as per the arrangement plan.

Location	**Name of Tank or Compartment**					
Fr 42 ~ 38	No. 1 Port Void Tank			No. 1 Starboard Void Tank		
Fr 38 ~ 32	No. 1 Port FW Tank	No. 2 Centre Void Tank				No. 1 Starboard FW Tank
Fr 32 ~ 26	No. 2 Port FW Tank	No. 3 Centre Void Tank				No. 2 Starboard FW Tank
Fr 26 ~ 21	No. 3 Port FW Tank	No. 2 Port FO Tank	No. 1 Port FO Tank	No. 1 Starboard FO Tank	No. 2 Starboard FO Tank	No. 3 Starboard FW Tank
Fr 21 ~ 16	No. 4 Port FW Tank	No. 4 Port Void Tank		Pump Room		No. 4 Starboard FW Tank
Fr 16 ~ 10	No. 5 Port FW Tank	No. 5 Centre Void Tank				No. 5 Starboard FW Tank
Fr 10 ~ 7	No. 6 Port FW Tank	No. 2 Port Potable FW Tank	No. 2 Port Potable FW Tank	No. 1 Starboard Potable FW Tank	No. 2 Starboard Potable FW Tank	No. 6 Starboard FW Tank
Fr 7 ~ 4		Warehouse				
Fr 4 ~ 1	No. 6 Port Void Tank			No. 6 Starboard Void Tank		

Total capacity of the tanks noted as under:-

a) Non potable fresh water ballast tanks 2731.26 M^3

b) Potable fresh water tanks 228.58 M^3

c) Fuel oil tank (diesel oil) 384.29 M^3

Manhole covers of No. 1 port and starboard void tanks and all five (5) non portable water ballast tanks on both port and starboard wings were at this time opened and the tanks ventilated till confirmed gas free for entry to check on the internal condition as follow:-

Manhole covers of No. 1 port and starboard void tanks and all five (5) non portable water ballast tanks on both port and starboard wings were at this time opened and the tanks ventilated till confirmed gas free for entry to check on the internal condition as follow:-

Tank	**Observation**	**Tank**	**Observation**
No. 1 P Void	Dry and primer coated. Corrosion mainly on bottom	No. 1 S Void	Dry and coated only with primer paint. Corrosion mainly on bottom
No. 1 P FW	Primer coated and half filled with water. Primer coated. Heavy corrosion up to deck head. Recent part renewal of deck longitudinal	No. 1 S FW	Primer coated and half filled with water. Heavy corrosion up to deck head. Recent part renewal of deck plating and transverse web.
No. 2 P FW	Primer coated and water on bottom up to bottom web. Corrosion on bottom half in way of submerged area.	No. 2 S FW	Primer coated and small pool of water on bottom. Corrosion up to deckhead.
No. 3 P FW	Primer coated and water on bottom up to bottom web. Corrosion up to deckhead.	No. 3 S FW	Primer coated and dry. Rusting up to deckhead. Recent part renewal of deck transverse webs and girders.

No. 4 P FW	Full paint coating intact on upper half of tank and appeared to have been recoated recently. Water up to one third height. Tank used for anti-heeling and cooling for hydraulic oil system.	No. 4 S FW	Primer coated and half filled with water. Corrosion up to deckhead. Tank used for anti-heeling and cooling for hydraulic oil system.
No. 5 P FW	Water filled to top rung of vertical ladder.	No. 5 S FW	Primer coated and water at bottom up to bottom web. Corrosion mainly on bottom half of tank
No. 6 P FW	Dry and primer coated. Corrosion up to deckhead.	No. 6 S FW	Dry and primer coated. Corrosion up to deckhead. Recent part renewal of deck girder.

MAIN DECK

Paint coating on main deck generally intact with minor rusty spots.

The main deck had been de-rusted and original paint coating removed to bare steel by spot blasting to SA 2.0 and grit sweeping before being recoated as original.

POSITION MOORING SYSTEM

A new eight (8) points GPS controlled position mooring system comprising eight (8) x 50 tons electric hydraulic winches connected to four (4) x 7,000 kg delta anchor and four (4) x 5,000 kg delta anchors for moving the vessel during stone dumping was installed during the conversion.

Two (2) GPS transponders mounted on antenna pole on port and starboard bow feed the vessel coordinates to the position mooring system on the control console in the control room to provide precise positioning of the vessel.

After the eight (8) mooring anchors had been laid, coordinates of waypoints along the stone dumping path are then keyed in the control panels by operator to allow the barge to move between two (2) waypoints either on automatic mode or manually to control operation of the eight (8) winches from console in the control room.

Each mooring anchor is led into the water by wire rope passing through an inverted sheave arrangement on anchor post weld fitted at four (4) corners of the barge – at port and starboard bow and stern.

Two (2) set of inverted sheave arrangements (for two anchors) are fitted on each anchor post.

The pin on upper sheave of each of the inverted sheave arrangement is fitted with a load cell to measure the tension of the wire rope.

The tension data is used for auto control of the winch.

Each of the eight (8) winches location is fitted with two (2) CCTV cameras with monitors mounted in front of the control console in control room for the operator to keep watch of the winches during operations.

The winch drum is operated by inverter controlled electric motor but brake band and engagement of jaw clutch are hydraulically operated.

Specification of the Mooring Winch

Drum capacity	52.00 mm wire rope x 1000 m (14 layers)
Rated pull	50 tons x 0~5 m/min (low speed @ 1 first layer)
	12 tons x 0~9 m/min (high speed @ 1 first layer)
Drum brake	Spring loaded, hydraulic released, manual override

Clutch	Hydraulic operated jaw clutch
Brake holding	80 ton @ first layer
Constant tension	10 ~ 30 tons
Drive	Inverter controlled electrical motor via spur gear and reduction gearbox
Motor	90 KW, 415 V, 3 phase, 50Hz

Anchoring and Mooring Arrangements

The hydraulic anchor windlass (originally fitted to the barge comprising triple wire drum and warping drum at both ends with a 1,950 kg "Bower" stockless anchor mounted on the anchor billboard at the bow centreline to anchor the barge when not working) was checked and found in good working order.

Other changes to the original mooring arrangements noted as follows:

	Originally Fitted	**Added/Removed** (at time of conversion)
1) Bollard, double bitt	16	No change
2) Panama chock 350 x 250 mm	12	4 removed
8 remained		
3) Multi angle fairlead	4	No change
4) Pedestal roller fairlead, 250 mm dia.	12	8 removed
4 remained		
5) Hydraulic capstan	4 x 5 tonne	Replaced with 4 x 20 tonne

6) Aft mooring winch	1	Removed

The above mooring fittings are used for mooring of loaded material barges coming alongside to deliver stones for the dumping.

Stone Dumping System

The stone dumping system installed (during the conversion period) consisted of a hopper to channel stones transferred by an excavator from barge moored alongside on port side onto a conveyor belt, which would then carry the stones across main deck to starboard side and dropping them to the sea bottom through an opening on top of the 37.83 metres x 1.50 metres diameter fall pipe which can be lowered or raised by an 18 tons hydraulic operated winch remotely controlled from control room on third level of accommodation superstructure via wire rope and a series of sheaves.

A 5.0 x 5.0 x 5.4 metres steel fabricated hopper is fitted near deck edge on port side amidship position (at frame 21) for dropping of stones onto the 1.20 metre wide conveyor belt (running 0.8 metres below the hopper bottom opening from port to starboard edge of the barge) which would then convey the stones to the opening on the upper side of the fall pipe.

The 37.83 metres x 1.50 metres diameter fall pipe supported by a frame fitted with three (3) levels platform over starboard deck edge which could move up and down on guide rail and slot arrangements on forward and aft side of the support frame in way of upper level platform by an 18 tonne hydraulic winch located on port side.

The wire rope for raising and lowering the fall pipe via a series of sheave arrangements is enclosed inside a steel cage running alongside the conveyor belt for safety reason.

The fall pipe after having been adjusted to the required depth would then be locked in to the support frame by two (2) locating pins on the upper platform.

A scrade foot fitted at the bottom of the fall pipe is able to extend another 1.5 metres lower down – mainly for adjustment to tide changes by of two (2) hydraulic cylinders.

Hydraulic hoses are connected to the scrade foot hydraulic cylinders from top of the fall pipe.

Movement of the scrade foot is control from a console in the control room.

A GPS transponder is also fitted at the top of fall pipe to give the exact position of where the stones are dumped.

During stone dumping operation, the starboard side in way of the fall pipe is "fenced off" by two (2) rectangle shape pontoon on forward and aft side connected by two (2) H-beams and lined with tyre fenders to protect against damage by passing vessels.

TAMPING TOOL

A tamping tool for compacting the stone laid on sea bottom is sighted lying on forward main deck.

The tamping tool comprises of

A Vibratory hammer PVE 38M

A Clamping system PVE 150T

A Power pack PVE 500 and

A Lifter pipe – 35 metres x 18 inch diameter, schedule 40 pipe

The vibratory hammer fitted with a flat bottom fitting (tamping tool) and attached to the lifter pipe is suspended from the hook of the crawler crane to lower into water to compact the layer of dumped stones (B stone) before laying the next layer (C stone).

The vibratory hammer is connected to the diesel engine driven hydraulic power pack by long hydraulic hoses.

A support pipe frame is fabricated and fitted over the starboard deck edge between frames 27 and 31 for guiding the lifter pipe when the vibratory hammer is lowered into water and to keep it in position whilst carrying out tamping work.

The support pipe frame has a 7.2 x 2.815 metres grating platform connected to deck edge by five (5) hinges and is fitted with two (2) pipe guides each 1.2 x 1.0 metres with a 20 inch half pipe at end (to guide the 18 inch lifter pipe) weld fitted on outer edge of the platform.

CRAWLER CRANE

A 70 tonne SWL Kobelco crawler crane 7250-2F (year manufactured 2010) with a 45.70 metres boom and sea fastened by eight (8) H-beam stoppers on starboard main deck on forward side of conveyor belt has a boom rest weld fitted on starboard exposed deck outside the control room for towage of the boom when not in use.

The crawler crane is used for hoisting the tamping tool and for transferring one (1) of the two (2) excavators onboard across to the material barge coming alongside to moor on port side for trimming the stone cargo whilst the dumping is in progress.

We were given to understand the Kobelco crawler crane was a rented equipment and not part of the barge.

EXCAVATOR

Two (2) excavators were noted onboard on this occasion.

Particulars of the two (2) excavators noted as follows:

A Volvo EC480 DL

A Caterpillar 320D

The Volvo excavator EC480 DL is tied down to eight (8) padeyes on top of a raised platform on port side on forward side of the hopper using turnbuckles so the bucket arm have a better reach to scoop up the stone on the material barge and drop into the hopper.

The Caterpillar 320D excavator is used for cargo trimming on the material barge during the stone dumping operation.

We were also given to understand that both the excavators were rented equipment – not part of the barge.

PEDESTAL CRANE

The originally fitted 30 tons SWL Macgregor K3035-4HD luffing pedestal crane mounted along the centreline in front of the accommodation superstructure frame 16 and is reportedly used only occasionally.

The boom rest originally located along centreline on forward deck between frame 33 and 34 had been cropped, modified and relocated to port aft deck between frame 4 and 5.

GRAB

A six (6) tonne orange peel grab was noted lying on starboard aft deck.

The original grab that came together with the vessel was a clamshell grab and we were given to understand that it had been removed ashore and replaced with the orange peel grab now found onboard.

PUMP ROOM

The pump room is accessible through a watertight door and staircase on starboard main deck in front of superstructure forward transverse bulk frame 16.

Pumps and equipment in the pump room noted as follows:-

Fire Pump	60 m^3/hr x 38 m head	
Bilge / Ballast Pump	60 m^3/hr x 38 m head	
Hydraulic FW Cooling pump	7.2 m^3/hr	Newly installed
Hydraulic SW Cooling Pump	7.2 m^3/hr	Newly installed
Heeling Pump	150 m^3/hr	Newly installed
FW Transfer Pump	20 m^3/hr x 25 m head	

Fuel Oil Transfer Pump	60 m^3/hr x 38 m head
Fuel Oil Transfer Pump	3 m^3/hr x 15 m head
FW Hydrophor Pump (2 units)	3.2 m^3/hr @ 20/40 psi
FW Hydrophor Tank	
SW Hydrophor Pump	3.2 m^3/hr @ 20/40 psi
SW Hydrophor Tank	
Sewage Transfer Pump	5 m^3/hr x 20 m head
Sewage Tank	1.5 m^3 capacity
Dirty Oil Tank	1 M^3 capacity
Alarm Panel for	1) FO Day Tank Low Level
	2) FO Tank High Level
	3) Dirty Oil Tank High Level
	4) Sewage Tank High Level

ACCOMMODATION SUPERSTRUCTURE

The three (3) tier accommodation superstructure located on aft quarter of main deck noted as follows:-

Main Deck Level

Crew living quarters for 18 persons on forward section between frame 10½ and 16 and generator room to the aft between frames 2 and 10 separated by a common alleyway.

There has been no modification to partitioning of the original living quarter as follows;-

Workshop cum store on port forward end with door access from main deck.

Mess room, galley and provision store on port side.

Shower room with three (3) cubicles and accessible from alleyway (port side)

Cabin for 18 persons on starboard side.

Toilet with three (3) cubicles and accessible from alleyway (starboard side)

Changing room accessible from alleyway (starboard side)

Dirty laundry room inside changing room (starboard side)

Toilet accessible from starboard main deck.

Generator Room between frames 1 and 10 on aft side of alleyway separating from crew living quarter.

The generator room had been extended during the conversion to house another 850 KW generator and a new hydraulic power pack for new equipment fitted on deck by adding a new deckhouse between frame 2 and aft transverse bulkhead frame 6½.

Equipment and machinery housed in the generator room include the following:-

Three (3) 850 kw main generators

Two (2) 50 kw harbour generators

Eight (8) Main Switchboard Panels consisting of

No.1 Generator Panel (850 KW)

No.2 Generator Panel (850 KW)

No.3 Generator Panel (50 KW)

No.4 Generator Panel (50 KW)

No.5 Generator Panel (850 KW)

Synchronising panel

Shore supply panel

Group Distribution Panel

Three (3) x 415/215 V step down transformers.

A Hydraulic Power Pack

An air compressor c/w air tanks and on wheel.

The generator room has a CO 2 fire protection system and smoke detectors.

Six (6) x 45 kg CO 2 cylinders for the CO2 system are kept inside a storage locker located on starboard main deck side outside the new generator room extended deckhouse.

Second Level

The original deckhouse on forward side of second level has been partitioned into four (4) cabins to house the Chief Engineer on port forward, the Barge Master on starboard forward and two (2) Owners room on aft side, a locker room and a toilet /shower room.

A new second deckhouse has been added between frame 6 ½ and 9 ½ during the conversion to house the new electrical starter panels for the mooring winch motors, the conveyor belt motors and the hydraulic power pack motors.

There are total three (3) rows of panels – eight (8) panels on forward, six (6) panels aft and four (4) panels on port side.

The bulkheads are insulated with rockwool aluminium laminated foil and the room is cooled by three (3) air condition units.

Third Level

The deckhouse on level three level has been extended during the conversion to increase the space to accommodate the control consoles and monitoring equipment of the position mooring system, fall pipe and scrade foot, conveyor system and communication equipment.

The control room deck house had been cropped off on main deck and reinstalled with a new two (2) metres section fabricated and inserted in between.

The control console consists of nine CCTV monitors on the top, a row of eleven (11) upright touch screen monitors and a desk top mounted with panels fitted with control knobs and light push buttons.

Eight of the touch screen monitors for the eight (8) mooring winches provide indications for cable tension, cable length, winch speed, hydraulic pressure, inverter speed etc.

Two (2) duplicate touch screens (on port and starboard side of control console) are for control of conveyor belt and fall pipe.

In the centre of the control console is a console for the operation of scrade foot.

Other equipment inside the control room noted as follows:

Two (2) x Sailor 6210 VHF Radio

Simrad V 5035 AIS

A public Address System

A Fire Detection Alarm Panel covering for the following spaces

Control Room

Generator Room

Pump Room

Starter Panel Room

Navigation light panel.

Maintenance including Docking

The Owners on this present occasion advise that running maintenance of the vessel has been carried out in accordance with the "planned maintenance programme" by the crew and in-house contractors.

Also, the vessel is and will be, as per advice of the Managers, manned by qualified Officers and Ratings.

Valuation

Based on the good physical condition of the vessel found at time of survey at this time and the available information and documents available for our information and discussed in the foregoing, and taking into consideration a combination of factors including current new building cost or replacement cost, depreciation over a useful working life span, classification and survey status being maintained, demand for this type and size of vessel employed in the trade; and subject to it being maintained in good working order henceforth without significant damage being sustained in the interim which could affect its structural integrity, we are of the opinion that the dumb stone dumping barge "PETRA 1" has a fair market value in the region of Singapore Dollars (S$) 13,500,000.00 as of May 2017 at Singapore.

Han Hwee Juan
Attending Surveyor

Chay Choon Chong

Changing Lives.

williambuck.com
CHARTERED ACCOUNTANTS & ADVISORS

Praxity
GLOBAL ALLIANCE OF INDEPENDENT FIRMS