



# INDEPENDENT EXPERT REPORT

## KOON HOLDINGS LIMITED

In relation to the ASL Deed of Settlement dated 17 June 2020

13 August 2020

## FINANCIAL SERVICES GUIDE

Dated: 13 August 2020

This Financial Services Guide ('FSG') helps you decide whether to use any of the financial services offered by BDO Corporate Finance (East Coast) Pty Ltd ('BDO Corporate Finance, we, us, our').

The FSG includes information about:

- Who we are and how we can be contacted;
- The services we are authorised to provide under our Australian Financial Services Licence, Licence No: 247420
- Remuneration that we and/or our staff and any associates receive in connection with the financial services
- Any relevant associations or relationships we have
- Our complaints handling procedures and how you may access them.

### FINANCIAL SERVICES WE ARE LICENSED TO PROVIDE

We hold an Australian Financial Services Licence which authorises us to provide financial product advice to retail and wholesale clients about securities and certain derivatives (limited to old law securities, options contracts and warrants). We can also arrange for customers to deal in securities, in some circumstances. Whilst we are authorised to provide personal and general advice to retail and wholesale clients, we only provide *general* advice to retail clients.

Any general advice we provide is provided on our own behalf, as a financial services licensee.

### GENERAL FINANCIAL PRODUCT ADVICE

Our general advice is typically included in written reports. In those reports, we provide general financial product advice that is prepared without taking into account your personal objectives, financial situation or needs. You should consider the appropriateness of the 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.

### FEES, COMMISSIONS AND OTHER BENEFITS THAT WE MAY RECEIVE

We charge fees for providing reports. These fees are negotiated and agreed to with the person who engages us to provide the report. Fees will be agreed on an hourly basis or as a fixed amount depending on the terms of the agreement. In this instance, the Company has agreed to pay us up to \$22,000 for preparing the Report.

Except for the fees referred to above, neither BDO Corporate Finance, 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 general advice.

All our employees receive a salary. Our employees are eligible for bonuses based on overall company performance 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 licensed to provide.

### ASSOCIATIONS AND RELATIONSHIPS

BDO Corporate Finance is a member firm of the BDO network in Australia, a national association of separate entities (each of which has appointed BDO (Australia) Limited ACN 050 110 275 to represent it in BDO International). The general financial product advice in our report is provided by BDO Corporate Finance and not by BDO or its related entities. BDO and its related entities provide services primarily in the areas of audit, tax, consulting and financial advisory services.

We do not have any formal associations or relationships with any entities that are issuers of financial products. However, you should note that we and BDO (and its related entities) might from time to time provide professional services to financial product issuers in the ordinary course of business.

### COMPLAINTS RESOLUTION

#### Internal Complaints Resolution Process

As the 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. Complaints can be in writing, addressed to the Complaints Officer, BDO Corporate Finance, Level 11, 1 Margaret St, Sydney NSW 2001 or by telephone or email, using the contact details at the top of this FSG.

When we receive a 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

If a complaint relating to general advice to a retail client is not satisfied with the outcome of the above process, or our determination, has the right to refer the matter to the Australian Financial Complaints Authority (AFCA). AFCA is an independent company that has been established to impartially resolve disputes between consumers and participating financial services providers.

BDO Corporate Finance is a member of AFCA (Member Number 11843).

Further details about AFCA are available at the AFCA website [www.afca.org.au](http://www.afca.org.au) or by contacting them directly via the details set out below.

Australian Financial Complaints Authority  
GPO Box 3  
MELBOURNE VIC 3001  
Toll free: 1800 931 678  
Email: [info@afca.org.au](mailto:info@afca.org.au)

### COMPENSATION ARRANGEMENTS

BDO Corporate Finance and its related entities hold Professional Indemnity insurance for the purpose of compensating retail clients for loss or damage suffered because of breaches of relevant obligations by BDO Corporate Finance or its representatives under Chapter 7 of the Corporations Act 2001. These arrangements and the level of cover held by BDO Corporate Finance satisfy the requirements of section 912B of the Corporations Act 2001.

### CONTACT DETAILS

You may provide us with instructions using the details set out at the top of this FSG or by emailing - [cf.ecp@bdo.com.au](mailto:cf.ecp@bdo.com.au)

## SUMMARY OF FINDINGS

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

13 August 2020

Dear Directors

## INDEPENDENT EXPERT REPORT IN RELATION TO THE ASL DEED OF SETTLEMENT DATED 17 JUNE 2020

### 1. INTRODUCTION AND PURPOSE

BDO Corporate Finance (East Coast) Pty Ltd (ABN 70 050 038 170) (BDOCF, **we**, **us** or **our**) has been engaged by the directors (**Directors**) of Koon Holdings Limited (**Koon** or the **Company**) to prepare an independent expert report (**Report** or **IER**) in relation to the Deed of Settlement established on 17 June 2020 with ASL Marine Holdings Ltd (**ASL**).

In 2012, Koon entered into a joint venture agreement with ASL to establish a precast production plant in Batam, Indonesia. In relation to this, ASX granted a waiver (**2012 ASX Waiver**) allowing Koon to trade with ASL and its associated entities.

With a notice dated 5 June 2020, Koon decided not to seek extension of the 2012 ASX Waiver.

On 17 June 2020, Koon and ASL entered into a deed of settlement for reaching the full and final settlement of mutual claims between the parties on the terms and subject to the conditions as set out below (**Deed of Settlement**).

The Deed of Settlement encompasses the basis of settling the claims between Koon and ASL by way of:

- ▶ Acquisition of certain Koon assets by ASL;
- ▶ Acquisition of certain ASL assets by Koon;
- ▶ Set off outstanding invoices and claims between Koon and ASL; and
- ▶ Payment of cash consideration.

Full details of the Deed of Settlement are set out in the Notice of Meeting and the Explanatory Memorandum (**Transaction Document**) required to be provided to the Non-Associated Shareholders of Koon (**Non-Associated Shareholders**) entitled to vote on the Deed of Settlement under ASX Listing Rule 10.1.

The Transaction Document has been prepared to assist the Non-Associated Shareholders in their considerations of whether or not to approve the Deed of Settlement.

This Report sets out our opinion as to whether the Deed of Settlement between Koon and ASL is fair and reasonable to the Non-Associated Shareholders.

### 2. APPROACH

In preparing our IER, we have considered the requirements of:

- ▶ ASIC Regulatory Guide 111 Content of expert reports (**RG 111**);
- ▶ ASIC Regulatory Guide 112 Independence of experts (**RG 112**); and
- ▶ ASIC Regulatory Guide 76 Related party transactions (**RG 76**).



RG 111 establishes guidelines in respect of independent expert reports under the Corporations Act 2001 (Act). This regulatory guide provides guidance as to what matters an independent expert should consider to assist shareholders to make informed decisions about transactions.

RG 111 states that there should be a separate assessment of fairness and reasonableness.

## 2.1. Fairness

RG 111.11 indicates that an offer is 'fair' if the value of the offer price or consideration is equal to or greater than the value of the securities the subject of the offer. The comparison must be made assuming:

- ▶ a knowledgeable and willing, but not anxious, buyer and a knowledgeable and willing, but not anxious, seller acting at arm's length; and
- ▶ 100% ownership of the target company, irrespective of the percentage holding of the bidder or its associates in the target company.

Based on our interpretation of RG111.11, we have compared:

- ▶ The fair market value (FMV) of the assets to be acquired by ASL from Koon per terms of the Deed of Settlement; and
- ▶ The value of the consideration for these assets.

## 2.2. Reasonableness

In accordance with paragraph 60 of RG111, an offer is 'reasonable' if it is 'fair'. It might also be 'reasonable' if, despite being 'not fair', the expert believes there are sufficient reasons to vote for the proposal.

When deciding whether a transaction is 'reasonable', factors an expert might consider include:

- ▶ the financial situation and solvency of the entity;
- ▶ the alternative options available to the entity;
- ▶ the entity's bargaining position;
- ▶ whether there is selective treatment of any shareholder; and
- ▶ any special value of the transaction to the purchaser.

## 3. SUMMARY OF OPINION

**We have concluded that the Deed of Settlement is fair and reasonable to the Non-Associated Shareholders.**

A summary of our analysis in forming the above opinion is provided below. This summary should be read in conjunction with our full IER that sets out in full the purpose, scope, basis of evaluation, limitations, information relied upon, analysis and our findings.

### 3.1. Fairness Assessment

In undertaking our assessment of fairness, we have had regard to the ASIC RG 111.

In accordance with RG 111, the Deed of Settlement will be deemed "fair" if the value of the consideration received by Koon is equal to or more than fair market value of the assets being acquired by ASL.

As such, to determine whether the Deed of Settlement is fair to the Non-Associated Shareholders, we have compared the value of the consideration with the fair market value of assets being acquired by ASL.

**Table 1: Fairness summary**

Particulars	Reference	Value as per Deed of Settlement	Value as per Independent valuation expert	
		(SG\$)	Low (SG\$)	High (SG\$)
<u>Assets to be acquired by ASL</u>				
Assets to be acquired from KCTC				
Hitachi Excavator Model EX1200 - HCM18E00P00002036	6.1.1	35,000	35,000	35,000
Hitachi Excavator Model EX1200 - HCM18E00P00002063	6.1.1	35,000	35,000	35,000
Hitachi Excavator Model EX1200 - HCM18E00P00002035	6.1.1	100,000	100,000	100,000
Total of assets to be acquired by ASL from KCTC - [A]		170,000	170,000	170,000
Assets to be acquired from EEPL				
QUY 50 ton crawler crane	6.1.2	20,000	20,000	20,000
Caterpillar 966F Wheel Loader	6.1.2	10,000	10,000	10,000
Long Reach barge	6.1.2	400,000	350,000	450,000
Eendracht barge	6.1.2	400,000	350,000	450,000
Type 3 Sheet Piles	6.1.2	98,000	84,000	84,000
Total of assets to be acquired by ASL from EEPL - [B]		928,000	814,000	1,014,000
Total DoS assets to be acquired by ASL - [A]+[B] = [C]		1,098,000	984,000	1,184,000
<u>Value of consideration to be received by Koon</u>				
Value of Modular Pontoon to be acquired by Koon	6.2	(870,000)	(700,000)	(800,000)
Set off the invoices owed by KCTC to ASPL	1.2	(70,878)	(70,878)	(70,878)
Set off the invoices owed by KCTC to ASL Offshore and Marine	1.2	(19,621)	(19,621)	(19,621)
Set off the invoices owed by EEPL to ASPL	1.2	(70,546)	(9,501)	(9,501)
Payment of cashier's order by ASPL to KCTC	1.2	(9,501)	(70,000)	(70,000)
Payment of cashier's order by ASPL to Hitachi Capital Asia Pacific Pte Ltd	1.2	(70,000)	(70,546)	(70,546)
Payment of cashier's order by EEPL to ASPL	1.2	12,546	12,546	12,546
Total value of consideration to be received by Koon - [D]		(1,098,000)	(928,000)	(1,028,000)
Variance = [C] + [D]		-	56,000	156,000

Source: BDOCF analysis

As set out above, the value of the assets to be acquired by ASL from Koon is materially the same as the value of consideration to be received by Koon, although we do note that the consideration is lower when factoring in the independent asset valuations.

Further, the Modular Pontoon RC 366 to be acquired by Koon is a sister vessel to one already owned by Koon and the two pontoons can be coupled to form a larger working platform, with additional commercial applications.

We understand from Koon that there is an ongoing major project in Singapore which would require the use of both modular pontoons. As such, we note that the value of Modular Pontoon RC 366 to Koon could be higher than the fair market value assessed by ALC.

Based on the above, we conclude that the Deed of Settlement is fair to the Non-Associated Shareholders of Koon.

### 3.2. Reasonableness Conclusion

Under RG 111, the Deed of Settlement will be reasonable if it is fair. On this basis, we also conclude that the Deed of Settlement, as documented, is reasonable.

Notwithstanding, we have also considered the advantages and disadvantages for Non-Associated Shareholders, of approving the Deed of Settlement.

#### 3.2.1. Advantages of approving the Deed of Settlement

The following may be considered advantages of approving the Deed of Settlement:

- **Ability to meet its financial obligations:** Consideration receivable by Koon under the Deed of Settlement includes set off of outstanding invoices and a small amount of cash which will assist cash flows of the Company and its ability to adhere to the KCTC Scheme, discussed in Section 4 of the Report.

- ▶ **Recoverability of Batam assets will be challenging/costly:** Assets to be acquired by ASL include plant and equipment located in Batam, Indonesia which are in poor condition. Koon would find it challenging to either take possession of or find an alternative buyer for these assets. Koon management's view is that the time and cost involved in recovering these assets would not be worthwhile.
- ▶ **Costly maintenance of the DoS Assets:** Assets to be acquired by ASL from Koon include the Long Reach and Eendracht barges which are old and in poor condition. The barges cost the Company more than SG\$1m a year in maintenance. In addition there is no foreseeable projects in the pipeline for these two barges. Selling these assets to ASL enables Koon to avoid these ongoing costs.

### 3.2.2. Disadvantages of approving the Deed of Settlement

We have not identified any significant disadvantages of approving the Deed of Settlement

## 4. OTHER MATTERS

### 4.1. Shareholders' individual circumstances

Our analysis has been undertaken, and our conclusions are expressed at an aggregate level. Accordingly, BDO has not considered the effect of the Deed of Settlement on the particular circumstances of individual Shareholders. Some individual shareholders may place a different emphasis on various aspects of the Deed of Settlement from that adopted in this IER. Accordingly, individual shareholders may reach different conclusions as to whether or not the Deed of Settlement is fair and reasonable in their individual circumstances.

The decision of an individual shareholder in relation to the Deed of Settlement may be influenced by their particular circumstances and accordingly, Shareholders are advised to seek their own independent advice.

Approval or rejection of the Deed of Settlement is a matter for individual shareholders based on their expectations as to the expected value and future prospects and market conditions together with their particular circumstances, including risk profile, liquidity preference, portfolio strategy and tax position. The shareholders should carefully consider the Transaction Document. Shareholders who are in doubt as to the action they should take in relation to the Deed of Settlement should consult their professional adviser.

### 4.2. General requirements in relation to the IER

In preparing the IER, ASIC requires the independent expert, when deciding on the form of analysis for a report, to bear in mind that the main purpose of the report is to adequately deal with the concerns that could reasonably be anticipated by those persons affected by the Deed of Settlement. In preparing the IER we considered ASIC regulatory guides and commercial practice.

The IER also includes the following information and disclosures:

- ▶ particulars of any relationship, pecuniary or otherwise, whether existing presently or at any time within the past, between BDO East Coast Partnership or BDOCF and any of the parties to the Deed of Settlement;
- ▶ the nature of any fee or pecuniary interest or benefit, whether direct or indirect, that we have received or will or may receive for or in connection with the preparation of the IER;
- ▶ that we have relied on information provided by the Directors and Management of Koon (**Management**) and that we have not carried out any form of audit or independent verification of the information; and
- ▶ that we have received representations from the Directors in relation to the completeness and accuracy of the information provided to us for the purpose of our IER.

### 4.3. Current market conditions

Our opinion is based on economic, market and other conditions prevailing at the date of this IER. Such conditions can change significantly over relatively short periods of time.

Changes in those conditions may result in any valuation or other opinion becoming quickly outdated and in need of revision. We reserve the right to revise any valuation or other opinion, in the light of material information existing at the valuation date that subsequently becomes known to us.

### 4.4. Glossary

Capitalised terms used in this IER have the meanings set out in the glossary. A glossary of terms used throughout this IER is set out in **Appendix 1**.

#### 4.5. Sources of information

Appendix 2 to the IER sets out details of information referred to and relied upon by us during the course of preparing this IER and forming our opinion.

As we are not the tangible asset valuation experts we have, in accordance with RG 111, utilised the services of Singaporean based valuation experts, Hilco Appraisal Singapore Pte Ltd (**Hilco**) and ALC Consulting Pte Ltd (**ALC**), for the purpose of valuing the assets that are the subject of the Deed of Settlement. Full copies of valuation reports by Hilco and ASL are attached to this Report as appendices.

The statements and opinions contained in this IER are given in good faith and are based upon our consideration and assessment of information provided by Koon.

Under the terms of our engagement, Koon has agreed to indemnify BDOCF and their partners, directors, employees, officers and agents (as applicable) against any claim, liability, loss or expense, costs or damage, arising out of reliance on any information or documentation provided, which is false or misleading or omits any material particulars, or arising from failure to supply relevant documentation or information.

#### 4.6. Limitations

This IER has been prepared at the request of the Directors for the sole benefit of the Non-Associated Shareholders to assist them in their decision to approve or reject resolutions in relation to the Deed of Settlement. This IER is to accompany the Transaction Document to be sent to the Shareholders to consider the Deed of Settlement and was not prepared for any other purpose.

Accordingly, this IER and the information contained herein may not be relied upon by anyone other than the Directors and the Shareholders without our written consent. We accept no responsibility to any person other than the Directors and the Shareholders in relation to this IER.

This IER should not be used for any other purpose and we do not accept any responsibility for its use outside this purpose. Except in accordance with the stated purpose, no extract, quote or copy of our IER, in whole or in part, should be reproduced without our written consent, as to the form and context in which it may appear.

We have consented to the inclusion of the IER within the Transaction Document. Apart from this IER, we are not responsible for the contents of the Transaction Document or any other document associated with the Deed of Settlement. We acknowledge that this IER may be lodged with regulatory authorities.

#### 4.7. Summary

This summary should be read in conjunction with our full IER that sets out in full the purpose, scope, basis of evaluation, limitations, information relied upon, analysis and our findings.

#### 4.8. Financial Service Guide

BDO holds an Australian Financial Services Licence which authorises us to provide reports for the purposes of acting for and on behalf of clients in relation to proposed or actual mergers, acquisitions, takeovers, corporate restructures or share issues. A financial services guide is attached to this IER.

Yours faithfully  
**BDO CORPORATE FINANCE (EAST COAST) PTY LTD**



**Daniel Coote**  
Director



# INDEPENDENT EXPERT REPORT

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## 1. DEED OF SETTLEMENT

### 1.1. Background

In 2012, as part of Koon's expansion strategy and in order to satisfy expected demand from Singaporean construction projects for precast concrete products, Koon entered a joint venture arrangement, through its subsidiary Econ Precast Pte Ltd (**Econ Precast**), with a subsidiary of ASL, Intan Overseas Investments Pte Ltd (**IOI**), to establish a precast concrete production plant in Batam, Indonesia (**Joint Venture or Batam JV**).

In relation to the Joint Venture, 2012 ASX Waiver was granted allowing Koon to trade with ASL and its associated entities.

Shareholders have twice previously approved Koon's participation in the Joint Venture, in line with the requirements of the 2012 ASX Waiver; in conjunction with Koon's April 2014 and April 2017 annual general meetings.

The structure and operations of the Joint Venture have been well documented in previous Independent Expert Reports and information provided to Shareholders on the topic by the Company.

On 14 July 2020, Koon commenced voluntary winding-up proceedings of the Batam JV due to its poor financial position and legal proceedings by its creditors. On 21 July 2020, the Board approved this and placed Batam JV under creditor's voluntary liquidation.

### 1.2. Overview of the Deed of Settlement

Pursuant to the liquidation proceedings, Koon decided not to seek extension of the 2012 ASX Waiver.

On 17 June 2020, Koon and ASL entered into a deed of settlement for reaching a full and final settlement of mutual claims between the parties on the terms and subject to the conditions as set out below.

Per the terms of the Deed of Settlement, ASL will acquire certain plant and equipment from Koon and Koon will settle certain amounts owing to ASL. Consideration for the assets to be acquired by ASL will take the form of plant and equipment that will become Koon's property.

#### 1.2.1. Assets to be acquired by ASL

Table 2 - Summary of assets to be acquired by ASL

Particulars	Reference	Amount (SG\$)
Assets to be acquired from Koon Construction & Transport Co. Pte Ltd	Table 3	170,000
Assets to be acquired from Entire Engineering Pte Ltd	Table 4	928,000
<b>Total value of assets to be acquired by ASL</b>		<b>1,098,000</b>

Source: Deed of settlement

- ▶ Koon, through its subsidiary Koon Construction & Transport Co. Pte Ltd (**KCTC**) will sell with full title guarantee and free from encumbrances, and ASL, through its subsidiary ASL Shipyard Pte Ltd (**ASPL**), will purchase the following equipment on an 'as is' and 'where is' basis:

Table 3 - Summary of assets to be acquired from KCTC

Description	Serial Number	Quantity	Location	Amount (SG\$)
Hitachi Excavator Model EX1200 c/w PVD accessories	HCM18E00P00002036	1	Batam	35,000
Hitachi Excavator Model EX1200 c/w PVD accessories	HCM18E00P00002063	1	Batam	35,000
Hitachi Excavator Model EX1200 c/w PVD accessories	HCM18E00P00002035	1	Batam	100,000
<b>Total purchase price</b>				<b>170,000</b>

Source: Deed of Settlement

- ▶ Koon, through its subsidiary Entire Engineering Pte Ltd (**EEPL**) will sell with full title guarantee and free from encumbrances, and ASL, through its subsidiary ASPL will purchase the following assets on an 'as is' and 'where is' basis.

Table 4 - Summary of assets to be acquired from EEPL

Description	Serial Number	Quantity	Location	Amount (SG\$)
QUY 50 ton crawler crane	2008133	1	Batam	20,000
Caterpillar 966F Wheel Loader	A6J00778	1	Batam	10,000
Loan Reach	N.A	1	Batam	400,000
Eendracht	N.A	1	Batam	400,000
Type 3 Sheet Piles	N.A	280 tons	Batam	98,000
<b>Total purchase price</b>				<b>928,000</b>

Source: Deed of Settlement



### 1.2.2. Consideration to be received by Koon

Table 5 - Summary of consideration to be received by Koon

Particulars	Reference	Amount (SG\$)
Value of Modular Pontoon to be acquired by Koon	Table 6	870,000
Set off the invoices owed by KCTC to ASPL	Table 7	70,878
Set off the invoices owed by KCTC to ASL Offshore and Marine	Table 8	19,621
Set off the invoices owed by EEPL to ASPL	Table 9	70,546
Payment of cashier's order by ASPL to KCTC		9,501
Payment of cashier's order by ASL to Hitachi Capital Asia Pacific Pte Ltd		70,000
Payment of cashier's order by EEPL to ASPL		(12,546)
<b>Total value of consideration (SG\$)</b>		<b>1,098,000</b>

Source: Deed of settlement

Consideration to be received by Koon includes a modular pontoon as summarised below:

Table 6 - Summary of asset to be acquired by EEPL

Description	Vessel Name	Quantity	Amount (SG\$)
Modular Pontoon	RC 366	1	870,000
<b>Total</b>			<b>870,000</b>

Source: Deed of Settlement

- ▶ Setting off the invoices amounting to SG\$70,878 owed by KCTC to ASPL as below:

Table 7 - Summary of invoices owed by KCTC to ASPL

Date	Invoice No. / Reference	Amount (SG\$)
18-Mar-20	SO/SI20-02130	5,432
20-Mar-20	SO/SI20-02133	12,840
20-Mar-20	SO/SI20-02132	12,840
8-Apr-20	SO/SI20-02131	12,840
8-Apr-20	SO/SDN20-00514	1,246
20-Apr-20	SO/SI20-02588	12,840
15-May-20	SO/SI20-02849	12,840
		<b>70,878</b>

Source: Deed of Settlement

- ▶ Setting off the invoices amounting to SG\$19,621 owed by KCTC to ASL Offshore & Marine Pte Ltd as below:

Table 8 - Summary of invoices between KCTC and ASL Offshore & Marine Pte Ltd

Date	Invoice No. / Reference	Amount (SG\$)
4-Feb-20	KCTC/ASLTMSG-3/PC8R	(9,342)
29-Feb-20	DN100454	(35,947)
3-Mar-20	KCTC/ASLTMSG-3/PC9	(26,152)
27-Mar-20	GT20-0421	189,523
31-Mar-20	DN100458	(2,709)
31-Mar-20	DN100459	(85,111)
31-Mar-20	DN100460	(33,673)
28-Apr-20	KCTC/ASLTMSG-3/PC11	(5,578)
29-Apr-20	GT20-0454	121,493
30-Apr-20	DN100465	(2,326)
30-Apr-20	DN100467	(1,320)
30-Apr-20	DN100466	(9,572)
29-Feb-20	KCTC/ASLTMSG-3/PC7	(49,380)
30-Apr-20	KCTC/ASLTMSG-3/PC10	(30,284)
		<b>19,621</b>

Source: Deed of Settlement

- ▶ Setting off the invoices amounting to SG\$70,546 owed by EEPL to ASPL as below:

**Table 9 – Summary of invoices owed by EEPL to ASPL**

Date	Invoice No. / Reference	Amount (SG\$)
3-Mar-20	SI20-01201	70,546
<b>Total</b>		<b>70,546</b>

*Source: Deed of Settlement*

- ▶ Payment by ASPL, cashier's orders amounting to SG\$9,501 to KCTC; and
- ▶ Payment by ASPL, cashier's orders amounting to SG\$70,000 to Hitachi Capital Asia Pacific Pte Ltd for the assets under hire purchase agreement.
- ▶ Payment by EEPL, cashier's orders amounting to SG\$12,546 to ASPL.

## 2. PURPOSE, SCOPE AND LIMITATIONS

### 2.1. Purpose

BDOCF has been engaged by the Directors of Koon to prepare this independent expert report (the **Report**). This Report sets out our opinion as to whether the approval of the Deed of Settlement is fair and reasonable to the Non-Associated Shareholders of Koon.

This IER is to accompany the Transaction Documents to be provided to the Shareholders. It has been prepared to assist and enable the Non-Associated Shareholders to assess the merits of the Deed of Settlement and to decide whether to or not vote in its favour.

An overview of the Deed of Settlement is set out in Section 1 of this Report.

### 2.2. Scope

The scope of the procedures we undertook in forming our opinion on whether the Deed of Settlement is fair and reasonable to Non-Associated Shareholders has been limited to those procedures we believe are required in order to form our opinion. Our procedures did not include verification work nor constitute an audit, review or assurance engagement in accordance with Australian Auditing and Assurance Standards.

The assessment of whether or not the terms of the Deed of settlement are fair and reasonable primarily relates to whether or not the terms of the Deed of settlement are on an arm's length basis and on normal commercial terms, consistent with Koon's usual dealings with unrelated third parties.

### 2.3. Summary of Regulatory Requirements

The Directors have engaged us to prepare an IER in relation to the Deed of Settlement to satisfy the requirements of ASX Listing Rule 10.1. The regulatory requirements relevant to this IER are summarised below.

#### 2.3.1. ASX Listing Rules

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 shareholder of an associate of them.

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 5% or more of the Company's equity interests as set out in the latest accounts lodged with ASX.

Koon lodged its Appendix 4E and full year financial statements for 31 December 2019 with ASX on 28 February 2020. Koon's equity interests as at 31 December 2019, excluding outside equity interests, were negative SG\$37.8 million. This financial position makes assessment of whether or not the Deed of Settlement is substantial difficult. For the purposes of the resolutions pertaining to the Deed of Settlement in the Transaction Documents, the Company has concluded that the Deed of Settlement is substantial.

Mr Ang Sin Liu was the Non-Executive Chairman of Koon till 17 June 2020, and is the father of Mr Ang Ah Nui, who is a Non-Executive Director of Koon. Mr Ang Sin Liu and Mr Ang Ah Nui have an aggregate interest of 53.7% (of which 24.1% is held by nominees) in the share capital of Koon and other immediate family members have an interest of approximately 0.11% of the share capital of Koon.

Mr Ang Sin Liu and Mr Ang Ah Nui are also shareholders of ASL, holding 10.8% (of which 1.5% is held by nominees) and 14.8% (of which 9.9% is held by nominees), respectively of the share capital of ASL. Mr Ang Sin Liu and Mr Ang Ah Nui hold an aggregate interest in ASL of 25.6%, which increases to 67.2% if other immediate family interests are also included in the aggregate interest.

Accordingly, Koon is seeking the approval of Non-Associated Shareholders for the Deed of Settlement under the requirements of ASX Listing Rule 10.1.

## 2.4. Basis of assessment

There is no legal definition of the expression ‘fair and reasonable’ in the Corporations Act 2001 Cth (**Act**). We have considered guidance provided by ASIC in its Regulatory Guides (**RGs**) in order to assess whether the Deed of Settlement is fair and reasonable to the Non-Associated Shareholders. We have had regard to:

- ▶ RG 111 ‘Content of expert reports’
- ▶ RG 112 ‘Independence of experts’; and
- ▶ RG 76 ‘Related party transactions’.

RG 111 indicates 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.

### 2.4.1. Fairness

RG 111.57 indicates that a proposed related party transaction is ‘fair’ if the value of the financial benefit to be provided by the entity to the related party is equal to or less than the value of the consideration being provided to the entity, taking into account all material terms of the Deed of Settlement (RG 111.59).

In forming our opinion as to whether or not the Deed of Settlement is fair to Non-Associated Shareholders, we have considered whether the terms of the Deed of Settlement are on normal commercial terms consistent with Koon’s usual business dealings.

### 2.4.2. Reasonableness

In forming our opinion as to whether or not the Deed of Settlement is reasonable, we have considered the following:

- ▶ the advantages and disadvantages to the Non-Associated Shareholders if the Deed of Settlement is approved; and
- ▶ the advantages and disadvantages to the Non-Associated Shareholders if the Deed of Settlement are not approved.

## 2.5. General requirements in relation to the IER

In preparing the IER ASIC requires the independent expert, when deciding on the form of analysis for a report, to bear in mind that the main purpose of the report is to adequately deal with the concerns that could reasonably be anticipated of those persons affected by the matters under consideration. In preparing the IER we considered the necessary legal requirements and guidance of the Act, ASIC regulatory guides and commercial practice.

The IER also includes the following information and disclosures:

- ▶ particulars of any relationship, pecuniary or otherwise, whether existing presently or at any time within the last two years, between BDO East Coast Partnership or BDOCF and any of the parties to the Deed of Settlement;
- ▶ the nature of any fee or pecuniary interest or benefit, whether direct or indirect, that we have received or will or may receive for or in connection with the preparation of the IER;
- ▶ that we have relied on information provided by the Directors and Management of Koon and that we have not carried out any form of audit or independent verification of the information provided; and
- ▶ that we have received representations from the Directors and Management of Koon in relation to the completeness and accuracy of the information provided to us for the purpose of our IER.

## 2.6. Reliance on information

This IER is based upon financial and other information provided by the Directors, Management and other representatives of Koon. Appendix 2 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 the tangible asset valuation experts we have, in accordance with RG 111, utilised the services of Singaporean based valuation experts, Hilco Appraisal Singapore Pte Ltd (**Hilco**) and ALC Consulting Pte Ltd (**ALC**), for the purpose of valuing the assets that are the subject of the Deed of Settlement. Full copies of valuation reports by Hilco and ASL are attached to this Report as appendices.

We have also been provided with information directly by representatives of Koon. We have considered and relied upon this information. Unless there are indications to the contrary, we have assumed that the information provided was reliable, complete and not misleading, and material facts were not withheld. The information provided was evaluated through analysis, inquiry and review for the purpose of forming an opinion as to whether the Deed of Settlement is 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.

It is understood that the accounting information provided to us was prepared in accordance with generally accepted accounting principles.

Where we relied on the views and judgement of management the information was evaluated through analysis, inquiry and review to the extent practical. However, such information is often not capable of direct external verification or validation.

Under the terms of our engagement, Koon has agreed to indemnify BDOCF and BDO East Coast Partnership, and their partners, directors, employees, officers and agents (as applicable) against any claim, liability, loss or expense, costs or damage, arising out of reliance on any information or documentation provided, which is false or misleading or omits any material particulars, or arising from failure to supply relevant documentation or information.

## 2.7. Limitations

We acknowledge that this IER may be lodged by the Directors with regulatory and statutory bodies and will be included in the Transaction Documents to be sent to Shareholders. The Directors acknowledge that our IER has been prepared solely for the purposes noted in the Transaction Document and accordingly we disclaim any responsibility from reliance on the IER in regard to its use for any other purpose. Except in accordance with the stated purposes, no extract, quote or copy of the IER, in whole or in part, should be reproduced without our prior written consent, as to the form and context in which it may appear.

It was not our role to undertake, and we have not undertaken any commercial, technical, financial, legal, taxation or other due diligence, other similar investigative activities in respect of Koon. We understand that the Directors have been advised by legal, accounting, tax and other appropriate advisors in relation to such matters as necessary. We provide no warranty or guarantee as to the existence, extent, adequacy, effectiveness and/or completeness of any due diligence or other similar investigative activities by the Directors or their advisors.

We note that the IER does not deal with the individual investment circumstances of Shareholders and no opinion has been provided in relation to same. Some individual Shareholders may place a different emphasis on various aspects of the Deed of Settlement from that adopted in our IER. Accordingly, individuals may reach different conclusions on whether or not these arrangements entered into by Koon are fair and reasonable. An individual Shareholder’s decision in relation to the resolutions pertaining to the Deed of Settlement may be influenced by their particular circumstances and, therefore, Shareholders are advised to seek their own independent advice.

Apart from the IER, we are not responsible for the contents of the Transaction Document or any other document. We have provided consent for inclusion of the IER in the Transaction Document. Our consent acknowledge that we have not been involved with the issue of the Transaction Document and that we accept no responsibility for the Transaction Document apart from the IER.

## 2.8. Assumptions

In forming our opinion, we have made certain assumptions and outline these in our IER including:

- ▶ that matters such as title to all relevant assets, compliance with laws and regulations and contracts in place are in good standing, and will remain so, and that there are no material legal proceedings, other than as publicly disclosed;
- ▶ information sent out in relation to the Deed of Settlement to the Shareholders or any regulatory or statutory body is complete, accurate and fairly presented in all material respects;
- ▶ publicly available information relied on by us is accurate, complete and not misleading;
- ▶ the Deed of Settlement will be executed in accordance with the stated terms;
- ▶ the legal mechanisms to implement the Deed of Settlement are correct and effective; and
- ▶ there are no undue changes to the terms and conditions of the Deed of Settlement or material issues unknown to us.

## 3. ECONOMIC AND INDUSTRY OVERVIEW

### 3.1. Economic overview for Singapore

The Singapore economy contracted by 0.7% on a year-on-year basis in the first quarter of year 2020 (Q1 2020), reversing the 1.0% growth in the previous quarter. On a quarter-on-quarter seasonally-adjusted annualised basis, the Singapore economy shrank by 4.7%, a pullback from the 0.6% expansion in the preceding quarter.

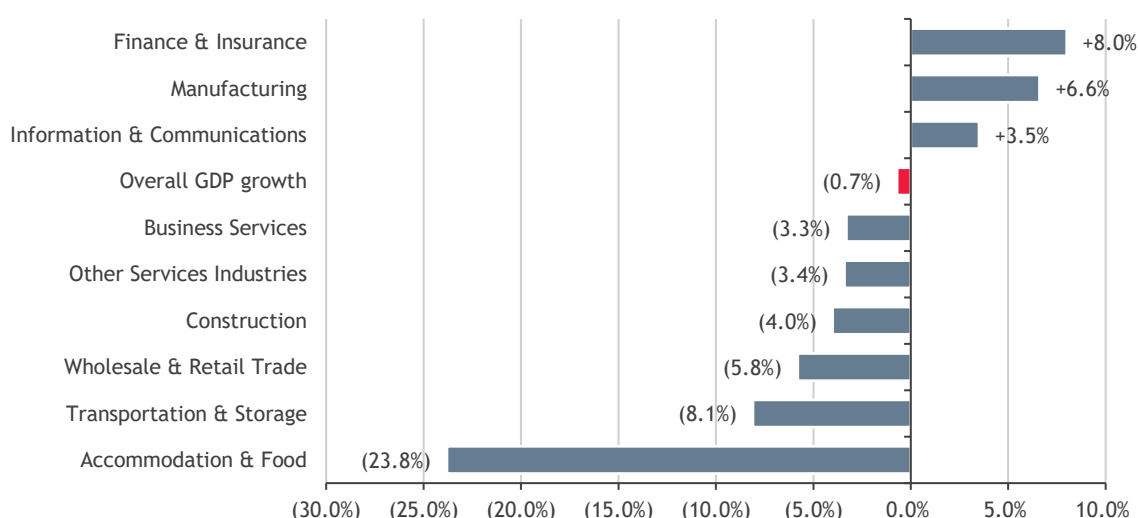
The manufacturing sector grew by 6.6% year-on-year, a reversal from the 2.3 percent contraction in the preceding quarter. Growth was on account of output expansions in the biomedical manufacturing, precision engineering and transport engineering clusters, which outweighed output declines in the electronics, general manufacturing and chemicals clusters.

The services producing industries shrank by 2.4% year-on-year, in contrast to the 1.5% expansion in the previous quarter. All services sectors contracted, except for the finance & insurance and information & communications sectors. The finance & insurance sector grew by 8.0%, while the information & communications sector expanded by 3.5%. Among the sectors that contracted, the accommodation & food services (-24%) and transportation & storage (-8.1%) sectors recorded the largest declines.

The construction sector contracted by 4.0% year-on-year, a turnaround from the 4.3% growth in the fourth quarter of last year. Construction output during the quarter was weighed down by a decline in private sector construction works.

The GDP decline during the first quarter was due to weaker performance of retail trade occurred in tandem with a cutback in consumer spending as a result of the COVID-19 outbreak and the safe distancing measures implemented to reduce the community spread of the virus.

Figure 1 - GDP metrics in Q1 2020, including analysis by economic sector



Source: Economic Survey of Singapore Q12020

### 3.2. Labour markets

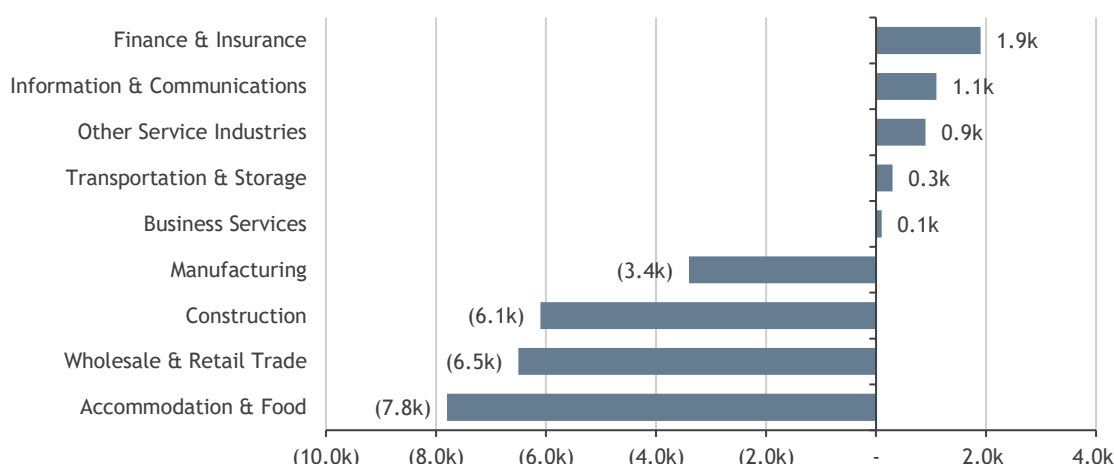
Compared to December 2019, the seasonally-adjusted unemployment rates edged up in March 2020 at the overall level (from 2.3% to 2.4%), as well as for residents (from 3.2% to 3.3%) and citizens (from 3.3% to 3.5%). Nonetheless, these remained lower than the highs observed during SARS2 and the GFC3.

In March 2020, an estimated 76,400 residents, including 67,100 Singapore citizens, were unemployed. These were higher than the number of unemployed residents (73,900) and citizens (63,500) in December 2019.

Total employment fell by 19,500 on a quarter-on-quarter basis in the first quarter, the sharpest quarterly contraction since the SARS crisis (-26,000 in the second quarter of 2003). Excluding FDWs, employment declined by 19,900. The fall in total employment was driven by a significant reduction in foreign employment, which outweighed a modest increase in local employment.

Employment declines were observed across all broad sectors in the first quarter. In the overall services sector, employment fell by 10,000 (-10,400 excluding FDWs), driven by contractions in the accommodation & food services (-7,800) and wholesale & retail trade (-6,500) sectors. At the same time, employment in the construction sector decreased by 6,100 after four consecutive quarters of growth. Similarly, employment in the manufacturing sector declined by 3,400, reversing two consecutive quarters of growth.

Figure 2 - Changes in employment by industry in the period January to March 2020



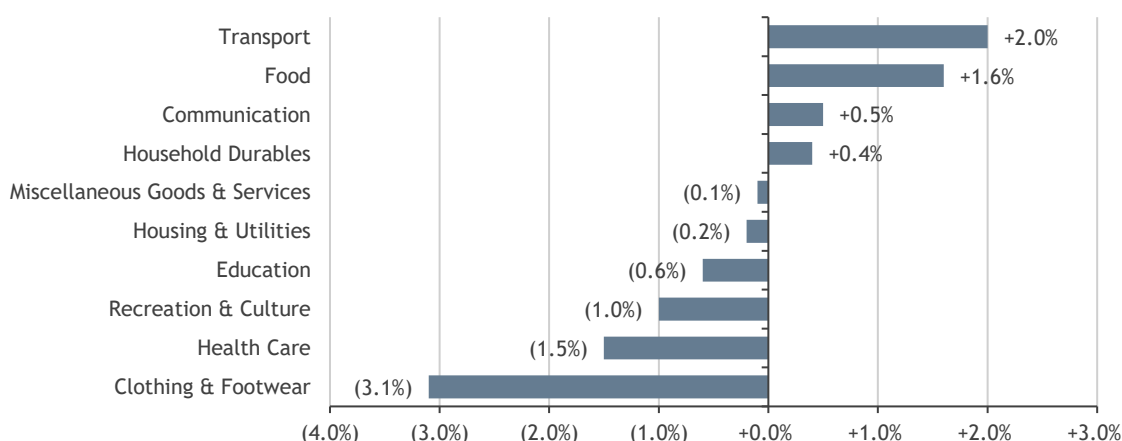
Source: Economic Survey of Singapore 2019

### 3.3. Consumer Price Index (CPI)

Singapore's Consumer Price Index (CPI), a measure of inflation, rose at a slower pace of 0.4% in the first quarter, compared to the 0.6% increase in the preceding quarter. On a quarter-on-quarter seasonally-adjusted basis, CPI-All Items fell by 0.1%, a reversal from the 0.2% increase in the fourth quarter of 2019.

Among the CPI categories, food was the largest positive contributor to CPI-All Items inflation in the first quarter, with prices rising by 1.6% on a year-on-year basis due to an increase in the prices of food servicing services like restaurant meals and hawker food, as well as non-cooked food items such as meat and vegetables. Transport costs went up by 2.0% as an increase in car prices, bus & train fares as well as petrol prices more than offset a fall in airfares. Prices of household durables & services rose by 0.4% as higher salaries and levy for FDWs outweighed a fall in the prices of household durables. Communication costs edged up by 0.5% due to an increase in the prices of telecommunication services and equipment.

Figure 3 - Changes in CPI by industry over Q1 2020



Source: Economic Survey of Singapore 2019

### 3.4. Economic outlook for Singapore

The composite leading index (CLI) is used to anticipate turning points of growth cycles and fluctuations in the economic growth rate and is compiled by the Singapore Department of Statistics. On a quarter-on-quarter basis, CLI fell by 2.9% in the first quarter, extending the 0.9% decline in the previous quarter. Of the nine components in the CLI, three components rose on a quarter-on-quarter basis, namely money supply, non-oil retained imports and the US Purchasing Managers' Index. By contrast, domestic liquidity, stock price, new companies formed, stocked of finished goods and wholesale trade declined compared to a quarter ago. There was no change in the remaining component, namely non-oil sea cargo handled.

The COVID-19 pandemic has severely disrupted global economic activity, and led to both demand- and supply-side shocks to the Singapore economy. Given the fast-evolving situation, it is important for policymakers to leverage high-frequency and real-time economic indicators to monitor the effects of COVID-19 on the Singapore economy.

The impact of COVID-19 on the Singapore economy has been significant. Sectors that have been the most severely affected are those that rely on international travel, including the air transport, accommodation and other tourism-related sectors. Consumer-facing sectors such as retail and food services have also been badly affected by the cutback in domestic consumption amidst progressively stricter safe distancing measures. At the same time, outward-oriented sectors like manufacturing and wholesale trade have been affected by the fall in external demand and supply chain disruptions, while domestically-oriented sectors like construction and real estate have been affected by negative spill overs arising from the downturn in the domestic economy. However, there are also bright spots in the economy, with the rise in demand for online sales and services.

Taking these factors into account, Ministry of Trade and Industry (MTI) has further downgraded the 2020 GDP growth forecast for the Singapore economy to -7.0% to -4.0%, from -4.0% to -1.0%.

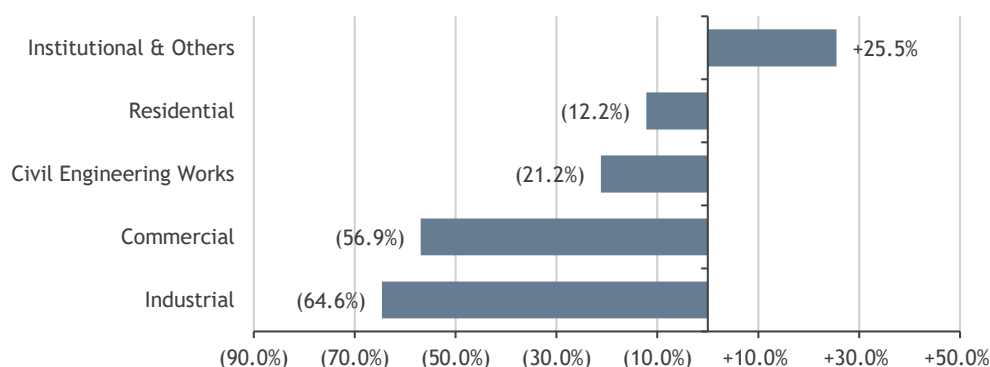
### 3.5. The Singaporean building and construction industry

The Singaporean building and construction industry contracted by 4.0% year-on-year in Q1 2020, reversing the 4.3% growth recorded in the previous quarter. This was due to a decline in private sector construction activities.

During Q1 2020, nominal certified progress payments (a proxy for construction output) fell by 2.3%, a reversal from the 10% increase in the previous quarter. The fall in construction output came on the back of a drop in private certified progress payments (-12%), which was in turn mainly driven by declines in private commercial building works (-23%) and private institutional & others building works (-20%). On the other hand, public certified progress payments expanded (5.1%), largely due to an increase in public industrial building works (65%).

Meanwhile, construction demand in terms of contracts awarded slumped by 31% in the first quarter, worsening from the 14% decline in the previous quarter. This was due to weaker demand for both private sector (-49%) and public sector (-4.8%) construction works. The decline in private sector construction demand was led by a fall in contracts awarded for private industrial building works (-84%). Meanwhile, the decline in public sector construction demand was largely due to public residential building works (-79%).

Figure 4 – Changes in contracts awarded in Q1 2020



At the overall economy level, MTI's own Singapore News Economic Sentiments Index (SNES), which analyses text data from daily local news, provides MTI with a real-time sensing of economic sentiments in Singapore. Not surprisingly, the COVID-19 outbreak has weighed heavily on economic sentiments. Specifically, the daily SNES (7-day moving average) declined from 0.42 on 23 January 2020 (when the first confirmed COVID-19 case in Singapore was announced) to 0.27 by end-January 2020, reaching levels similar to that seen in March 2003 during the SARS outbreak.

Domestically-oriented sectors such as construction, real estate and other business services sectors have experienced negative spillovers from the slowdown in domestic economic activity, as well as weaker sentiments. Reflecting this, certified progress payments, a proxy for nominal construction output, declined by 1.2% year-on-year in March, while residential property transactions plunged by 22% and 57% year-on-year in March and April respectively. In the near-term, the construction sector is also expected to be affected by manpower disruptions due to the additional measures implemented to curb the spread of COVID-19 at construction worksites and foreign worker dormitories (e.g., movement restrictions at the foreign worker dormitories).



## 4. PROFILE OF KOON HOLDINGS LIMITED

### 4.1. Company overview

Koon Holdings Limited (**Koon** or the **Company**) was incorporated on 9 April 2003 and has been listed on the ASX (ASX:KNH) and SGX (SGX:5DL) from 11 July 2003 and 21 July 2003, respectively. Since its inception, Koon has grown from a single-focus civil engineering company, to a diversified construction conglomerate with businesses in engineering and construction services, machinery and equipment rental, precast concrete work and electric power generation in both the Asian and Australian markets.

### 4.2. Business operations

Koon's operations are divided into three core business divisions; 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 variety of construction and civil engineering projects which include land reclamation, shore protection and terminal and port projects.

Koon has developed a strong portfolio servicing government-related bodies, and is registered with an A1 grade under the Building and Construction Authority (**BCA**) which allows it to tender for public civil engineering projects of unlimited value in Singapore.

Koon's focus on delivering quality projects and adherence to safety standards has allowed it to develop a diverse portfolio of public projects. In the past 20 years, Koon has worked on various land reclamation projects in Singapore which have ultimately increased the land area of the country by more than 20 percent. Koon is ISO 9001:2015, ISO 14001:2015, and OHSAS 18001:2007 certified in the areas of quality, environment and safety, respectively.

#### 4.2.2. Precast Concrete Work division

Koon entered the upstream precast industry through the acquisitions of Econ Precast and Contech Precast Pte Ltd (**Contech**) in 2010. Koon operates concrete casting facilities in Singapore and Batam, Indonesia and manufactures and markets a diverse catalogue of precast products.

Econ and Contech have a combined track record of over 30 years and develop products ranging from standard reinforced concrete piles to other more complex products. Koon's commitment to quality has earned it the highest grading from the BCA and established itself as a leader in precast concrete manufacturing in Singapore.

#### 4.2.3. Electric Power Generation division

In 2010, Koon acquired a stake in Tesla Holdings Pty Ltd (**Tesla Group**) as part of a business strategy to develop diversified recurring income streams. Tesla Group is an Australian energy infrastructure company which owns and operates a total of four diesel power generation plants of 9.9 megawatts (**MW**) each in Western Australia. Tesla Group's power generation plants are located on the South West Interconnected System (**SWIS**) electricity grid in Western Australia and provide peaking power to the SWIS under the Western Australia government capacity pricing mechanics.

On 30 June 2020, Koon divested its 74.1% interest in Tesla Group.



#### 4.3. Board of Directors

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

Table 10 - Koon's Board of Directors

Name	Position	Other Positions
Oh Koon Sun	Executive Director	Acting MD
Loo Woei Harng	Executive Director	Chief Operating Officer
Ko Chuan Aun	Independent Non-Executive Director	None
Glenda Mary Sorrell-Saunders	Independent Non-Executive Director	None
Yee Kit Hong	Non-Executive and Independent Director	None
Ang Ah Nui	Non-Executive Director	None
Tan Thiam Hee	Non-Executive Director	None

Source: CapitalIQ

#### 4.4. Capital structure

Koon's capital structure as at 31 December 2019 comprised 263,097,800 fully paid ordinary shares. The top 20 largest shareholders are listed in the table below.

Table 11 - Koon's 20 largest shareholders at 31 December 2019

Name	Koon Ownership	Number of Shares
Ang Ah Nui	29.48%	77,571,819
CGS-CIMB Securities (Singapore) Pte. Ltd	17.41%	45,809,010
United Overseas Bank Nominees (Private) Limited	7.11%	18,706,800
Samsu	4.56%	12,000,000
Oh Keng Lim	3.86%	10,159,996
Oh Lian Ling	2.75%	7,238,487
Oh Koon Sun	2.74%	7,205,378
Ang Jui Khoon	2.26%	5,944,900
Phillip Securities Pte Ltd	1.87%	4,927,810
Ong Soh Hoon	1.52%	4,000,000
Ong Lye Beng	1.27%	3,344,024
Yeo See Tee	1.14%	3,000,000
Harry Oh Tuay Kee	1.13%	2,966,000
Chua Leong Aik	0.97%	2,545,800
Maybank Kim Eng Securities Pte. Ltd.	0.93%	2,451,600
Aw Kim Beng	0.88%	2,323,000
Raffles Nominees (Pte.) Limited	0.69%	1,819,000
Citibank Nominees Singapore Pte Ltd	0.67%	1,775,000
Tee Swee Kheng	0.67%	1,758,196
Tan Tong Guan	0.53%	1,400,000
Others	17.66%	43,150,980
<b>Total</b>	<b>100.0%</b>	<b>263,097,800</b>

Source: Annual reports

#### 4.5. Corporate structure

Table 12 - Koon's corporate structure

Koon's Direct Investment		Investment through Subsidiary	
Ownership interest	Entity Name	Ownership interest	Entity Name
100%	Koon Construction & Transport Co Pte Ltd.	50%	Koon Zinkcon Pte Ltd
100%	Koon Construction & Transport Sdn Bhd	5%	Penta-Ocean/Koon/Hyundai/Van Oord Joint Venture - JV1
		20%	Penta-Ocean/Koon-Ham-Dredging International-Boskalis JV - JV2
		20%	Penta-Ocean/Koon/Dredging International/Boskalis/Ham JV - JV3
		67%	PT Koon Construction Indonesia
100%	Entire Construction Pte Ltd		
100%	Entire Engineering Pte Ltd		
100%	Reem Island Pte Ltd		
100%	Petra I Pte Ltd		
100%	Green LCT Pte Ltd		
100%	Koon Properties Pte Ltd (fka Gems Marine 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 (5% held by Econ Precast Pte Ltd, 90% by Sindo-Econ Pte Ltd)

Source: ASX announcements

#### 4.6. Financial performance

Details of Koon's financial position, based on its audited accounts for 31 December 2017, 31 December 2018 and 31 December 2019, are set out below.

Table 13 - Koon's income statement

S\$'000	Year ended 31 December		
	2017	2018	2019
Revenue	163,800	112,123	89,270
Cost of sales	(143,142)	(102,287)	(150,306)
<b>Gross (loss)/profit</b>	<b>20,658</b>	<b>9,836</b>	<b>(61,036)</b>
<i>Gross profit margin</i>	<i>12.6%</i>	<i>8.8%</i>	<i>-68.4%</i>
Other income	4,933	13,334	28,134
Distribution costs	(16)	(45)	(63)
Administrative and other expenses	(13,132)	(14,113)	(12,608)
Finance costs	(3,143)	(2,588)	(2,175)
Impairment losses on financial assets	(214)	(116)	(37,732)
Impairment losses on non-financial assets	-	-	(12,211)
Share of losses of joint ventures	(7,607)	(6,496)	-
<b>Profit/(loss) before tax from continuing operations</b>	<b>1,463</b>	<b>(188)</b>	<b>(97,691)</b>
Taxation	(1,362)	(190)	1,385
<b>Profit/(loss) from continuing operations, net of tax</b>	<b>101</b>	<b>(378)</b>	<b>(96,306)</b>
Profit from discontinued operation, net of tax	-	860	1,215
<b>Profit/(loss) for the year</b>	<b>101</b>	<b>482</b>	<b>(95,091)</b>

Source: Annual reports

Key aspects of Koon's historical financial performance are:

- ▶ FY19 revenue decreased by 14.6% to \$89.3m compared to FY18. The key driver of this fall in revenue was the construction division in which revenue decreased by 50.1% to \$41.1m in FY19, partially offset by increased demand for precast products (76.6% revenue growth in FY19 to \$54.5m).
- ▶ The FY19 fall in construction division revenue was due to the conclusion of a number of projects, including sand mining and rock works at Caisson Quay Wall and improvements to Sungei Pandan Kechil, as well as the termination of ongoing projects such as land preparation works for an airport development project under the POC-K joint venture entity.
- ▶ Other income increased by \$14.7m in FY19 to \$28.0m due to the reversal of a provision for the share of losses from the precast operation at Batam. This followed Koon's assessment that it has no obligations with respect to the losses of the joint venture operation.
- ▶ Administrative and other expenses decreased by \$1.7m in FY19 due to effective cost-cutting measures implemented by Koon.
- ▶ Impairment losses on financial assets increased significantly in FY19 due to:
  - Impairment of trade and receivables of \$23.9m primarily related to expected credit losses on receivables from Sindo-Econ Group
  - Impairment of contract assets in the construction division due to contract re-measurement and finalisation of projects during the period.
  - Impairment losses on non-financial assets of \$12.2m were recognised in FY19 due to the impairment of property, plant and equipment and impairment of assets held for sale.
- ▶ Koon did not record any losses from joint ventures in FY19 as the share of losses from the Sindo-Econ group was capped at the cost of Koon's investment.
- ▶ Due to the gross loss recorded in the construction division, and impairment losses on both financial and non-financial assets, Koon recorded a loss after tax of \$96.3m in FY19, significantly larger than the loss of \$0.4m in FY18.
- ▶ Profit from the Electric Power Generation division, classified as an asset held for sale in FY19, increased by 41.3% to \$1.2 million in FY19 due to higher revenues following an increase in the reserve capacity pricing set by Independent Market Operator of Western Australia.

#### 4.7. Financial position

Details of Koon's financial position, based on its audited accounts for 31 December 2017, 31 December 2018 and 31 December 2019, are set out below.

Table 14 - Koon's statement of financial position

SG\$'000	Year ended 31 December		
	2017	2018	2019
Cash and bank balances	7,495	2,921	795
Pledged fixed deposits	18	19	-
Trade receivables	34,914	29,725	10,944
Other receivables	27,699	39,203	27,794
Inventories	2,774	3,053	-
Contract assets	44,295	55,579	13,358
Investment securities (quoted)	-	18	20
Assets held for sale	26	-	18,167
Assets of disposal group classified as held for sale	1,761	-	24,060
<b>Total current assets</b>	<b>118,982</b>	<b>130,518</b>	<b>95,138</b>
Other receivables	117	95	-
Properties held for development	14,139	14,173	-
Joint ventures	163	174	-
Property, plant and equipment	93,599	81,672	15,069
<b>Total non-current assets</b>	<b>108,249</b>	<b>96,114</b>	<b>15,069</b>
<b>Total assets</b>	<b>227,231</b>	<b>226,632</b>	<b>110,207</b>
Trade payables	54,909	39,239	59,261
Other payables	14,004	33,843	11,595
Contract liabilities	11,212	7,704	-
Provisions	26	-	24,986
Loans and borrowings	24,175	33,246	27,622
Lease liabilities	15,278	-	7,736
Finance lease obligations	-	16,505	-
Provision for share of a joint venture's losses	-	10,430	-
Income tax payable	634	113	86
Liabilities directly associated with disposal group	-	-	9,543
<b>Total current liabilities</b>	<b>120,238</b>	<b>141,080</b>	<b>140,829</b>
Finance lease obligations	40,105	22,764	-
Lease liabilities	2,009	-	3,614
Other payables	97	177	-
Deferred tax liabilities	1,005	1,484	-
<b>Total non-current liabilities</b>	<b>43,216</b>	<b>24,425</b>	<b>3,614</b>
<b>Total liabilities</b>	<b>163,454</b>	<b>165,505</b>	<b>144,443</b>
<b>Net Assets</b>	<b>63,777</b>	<b>61,127</b>	<b>(34,236)</b>
Share capital	25,446	25,446	25,446
Capital reserve	8,802	8,802	8,380
Accumulated (losses)/profits	23,926	24,004	(71,404)
Translation reserve	-	(537)	325
Reserves of disposal group held for sale	-	-	(635)
Equity attributable to owners of the Company	58,174	57,715	(37,888)
Non-controlling interests	3,505	3,412	-
Non-controlling interests of disposal group held for sale	-	-	3,652
<b>Total equity</b>	<b>63,777</b>	<b>61,127</b>	<b>(34,236)</b>

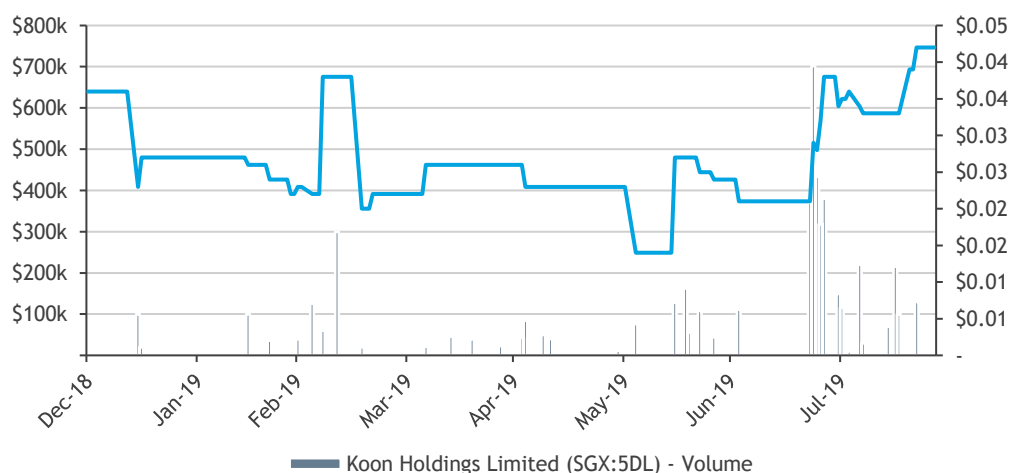
Source: Annual reports

Key aspects of Koon's financial position at 31 December 2019 are:

- ▶ Contract assets were \$13.2m, compared to a balance of \$55.6m at 31 December 2018, primarily due to impairment and billings to customers during the year
- ▶ No inventory balance was recorded at 31 December 2019 due to sales across the year and the impairment of inventory relating to the construction division.
- ▶ Assets held for sale of \$18.2m included one marine vessel from the construction division and properties from the property division which were previously classified as properties held for development. Additionally, non-current assets of the Electric Power Generation division were re-classified as assets of disposal group classified as held for sale.
- ▶ Property, plant and equipment at 31 December 2019 was \$66.5m lower than at 31 December 2018 due to:
  - Reclassification of Electric Power Generation division to assets of disposal group held for sale in FY19
  - Disposal of two marine vessels
  - Reclassification of one marine vessel as an asset held for sale
  - Depreciation and impairment of property, plant and equipment.
  - Reclassification of properties held for development (\$14.2m at December 2018) to assets held for sale.
- ▶ No contract liabilities were recorded at December 2019 due to delivery of precast products during the year for which consideration had been received in advance.
- ▶ A provision of \$21.3m was recorded at December 2019, reflecting provisions for liquidation damages arising from the early termination of a project for a bridge and other similar works.
- ▶ Lease liabilities were recorded at December 2019 due to adoption of the SFRS(I) 16 accounting standard in FY19.
- ▶ Finance lease obligations decreased by \$31.0m in FY19 due to the repayment of leases on two marine vessels which were disposed during the year.
- ▶ There was no provision for share of a joint ventures losses recorded at December 2019 as the group had capped its share of losses for the Sindo-Econ Group.

#### 4.8. Historical stock price

Figure 5 - Koon's stock price and trading volume from December 2018 through August 2019



Koon's shares were listed and quoted for trading on the ASX and SGX. We have reviewed the historical market trading in Koon's shares over the 9 months ended 26 August 2019. Koon's shares were suspended from trading as of 29 August 2019. The figure above details the daily share price and trading volume of Koon's shares. Based on our analysis we note that Koon's shares are infrequently traded and no active market exists for the shares.

#### 4.9. Price sensitive announcements

Table 15 - Koon's price sensitive announcements

Announcement	Date
Update on Schemes and Disposal of Interest in Tesla Holdings	14/07/2020
Update - Applications to sanction Schemes of Arrangement	26/06/2020
Appendix 4E and full year financial statements	28/02/2020
Appendix 4D - Half year 30 June 2019	02/09/2019
Suspension from Official Quotation	29/08/2019
Pause in Trading	29/08/2019
Trading Update	06/08/2019

Source: ASX Website

#### 4.10. Schemes of Arrangement overview

While Koon's Construction and Transport Company had historically been profitable, it suffered from a downturn in the local construction industry in 2018 and recorded a loss of approximately \$7.3m for the year. This loss resulted from a shortage of jobs in the market, aggressive bidding from competitors and lower revenue recognition of projects that have been completed or substantially completed.

On 6 August 2019, the Company released a "Profit Guidance" announcement which stated that based on the Company's latest unaudited financial results, Koon was expecting to report a net loss in the half year financial statements for the period ended 30 June 2019. Koon explained that this was attributable to intense competition in the construction and precast divisions and reduced profitability in the current year due to a reassessment of position in legacy and the effects of current contract settlements.

Koon suspended trading on the ASX and SGX on 29 August 2019 and after that date certain creditors have made demands for payments from the Company. As a result of these demands, the Company filed an application for a moratorium on 8 October 2019 which was granted on 7 November 2019 and gave the Company until 28 February to present the scheme to creditors.

Demand claims were made by creditors of both Koon and KCTC separately and explained below as the "KHL Scheme" and the "KCTC Scheme", respectively.

The Koon and KCTC scheme meetings were held on 25 February 2020 and were subject to the following conditions to be met for approval;

- ▶ Approval of the scheme by a majority in number and representing 75% in value of the scheme creditors present and voting at the meeting;
- ▶ Approval of the Scheme by a majority in number and representing 75% in value of the scheme creditors for Koon present and voting at the Koon meeting;
- ▶ The sanction of both schemes being lodged with the Registrar pursuant to Section 210(5) of the Act.

Prior to the Koon Scheme meeting, a major creditor requested the meeting be adjourned as it would like to be provided with more information before committing to its vote. The creditors present agreed to the adjournment and the vote was postponed to a later date to be determined. Although, at the KCTC Scheme meeting, the KCTC Scheme was approved by a majority in number and the value of the creditors present and voting.

On 27 March 2020, the adjourned KHL scheme meeting was held and the KHL Scheme was approved by more than 75% in value of the creditors.

On 18 April 2020, Koon and KCTC applied the KHL Scheme and KCTC Scheme in the Singapore High Court for approval and sanctions. The Court fixed the hearings for both the schemes on 13 May 2020 with extension of moratorium orders until 18 May 2020.

On 6 May 2020, the court adjourned the hearings for both the schemes due to COVID-19 situation to 23 June 2020 with extension of moratorium orders until 30 June 2020. The Singapore High Court on 23 June 2020, granted the applications and sanctioned the KHL scheme and KCTC scheme. The Court also appointed Mr Chee Yoh Chuang of RSM Corporate Advisory Pte Ltd as the Scheme Manager.

#### 4.11. Terms of the KHL Scheme

The creditors demanding payment from Koon include Yuen Kai Wing and Waterbrooks Consultants Pte. Ltd. The scheme is comprised of the following features:

- ▶ A cash distribution to all scheme creditors. The Company is in the process of selling its shares in Tesla Group and also divesting of several Malaysian properties through subsidiaries. Class A and Class B creditors are entitled to each receive 23.9% of these proceeds.
- ▶ A share distribution to certain scheme creditors. The Company shall issue approximately 123,452,382 new shares (based on the pre-suspension price of \$0.042 per share). The Class B creditors are entitled to receive 26.1% of the newly issued shares, the Class A creditors are not entitled to any share distributions.
- ▶ Full release and discharge of all Class A claims upon the completion of the cash distribution, and a full release and discharge of all Class B claims upon the completion of both the cash distribution and share distribution
- ▶ A moratorium against the enforcement of all rights, claims, demands, or proceedings against KNH by the scheme creditors from the date of the scheme meeting to the completion of the scheme.

#### 4.12. Terms of the KCTC Scheme

The primary terms of the KCTC Scheme are:

- ▶ Approved claims of the Company's secured creditors shall be paid in monthly instalment payments, each being equal to 5% of the approved claim. The Company expects the Secured Creditors will be paid in full via the instalment payments and the sale of the Tesla shares and Malaysian properties, as discussed in the KNH scheme terms above.
- ▶ The Company's unsecured creditors will receive payments and distributions of cash, as well as allotments of Koon shares. The Company expects the unsecured creditors will receive a 50% return of capital through cash payments from KHL, KHL share distribution, subsequent cash distributions from surpluses and direct share allotment of KHL shares.
- ▶ Full release and discharge by the scheme creditors of their scheme claims upon the completion of the Company's obligations under the scheme
- ▶ A moratorium against the enforcement of all rights, claims, demands or proceedings against the Company by the scheme creditors from the date of approval of the scheme by the scheme creditors to the completion of the scheme.

#### 4.13. Disposal of interest in Tesla Group

Tesla Group is an Australian energy infrastructure company which has attained capacity credit allocations from the Australian Energy Market Operator. These allocations provide Tesla Group an incentive by granting a recurring source of income for the initial capital investment of power generation plants. Tesla Group currently owns and operates a total of four diesel power generation plants of 9.9 megawatts each in Western Australia.

- ▶ Prior to disposal, Koon owned 8,974,683 shares, being 74.1% in Tesla Group. On 16 June 2020, the Board of Koon entered into a selective share buyback agreement with Tesla Group for the disposal of Koon's 74.1% equity interest in Tesla Group by way of a share buyback and cancellation.
- ▶ The Purchase price for the 74.06% interest was \$8.9m, comprising of \$7.2m as capital and unfranked dividends of \$1.7m (of which \$250k was withheld for ATO withholding tax)
- ▶ The disposal was completed on 30 June 2020. Pursuant to the terms of the KHL Scheme, Koon has to utilise the net proceeds from the disposal for cash distribution to participating creditors with Class A and Class B claims.

#### 4.14. Creditor's voluntary liquidation of Batam JV

On 14 July 2020, Koon commenced voluntary winding-up proceedings of the Batam JV due to its poor financial position and legal proceedings by its creditors. On 21 July 2020, the Board approved this and placed Batam JV under creditor's voluntary liquidation.

Pursuant to the liquidation proceedings, Koon and ASL entered into the Deed of Settlement for reaching the full and final settlement of mutual claims.

The Deed of Settlement encompasses the basis of settling the claims of Koon and ASL by way of:

- Purchasing certain assets located at Batam, BCA and PPB;
- Adjusting outstanding invoices;
- Settling existing claims; and
- Cash consideration (balancing).

Full details of the Deed of Settlement are set out in Section 1 of the Report and the Transaction Document required to be provided to the Non-Associated Shareholders entitled to vote on the approval or disapproval of the Deed of Settlement under ASX Listing Rule 10.1.

## 5. PROFILE OF ASL MARINE HOLDINGS LTD

### 5.1. Overview

ASL Marine Holdings Ltd. (ASL) is a vertically integrated marine services company providing shipbuilding, ship repair and conversion, ship chartering and engineering services globally since it was founded in 1972.

ASL is headquartered in Singapore and has been listed on SGX under the ticker 'A04' since March 2003.

### 5.2. Shipbuilding

ASL's shipbuilding group operates five shipyards in Singapore, Indonesia (Batam) and China (Guangdong). ASL is established in the market and has historically built offshore support vessels, dredgers, tugs, barges, and tankers for customers globally.

The group's Singapore yard acts as the headquarters for the ASL operations, and sources raw materials, equipment and parts for the operations of the Batam and Guangdong shipyards.

The group owns and operates three yards in Batam that are located in a free trade zone with industrial areas designated specifically for shipyards and developed infrastructure.

The group's Guangdong yard is owned by ASL's subsidiary Jiang Men Hongda Shipyard Ltd, in which ASL has a 60% interest. The shipyard at Guangdong primarily performs shipbuilding activities for smaller vessels.

Due to the low level of exploration, development, and production activities in the oil and gas industry over the past seven years, ASL has seen low demand for offshore support vessels. However, ASL remains competitive in its tugs and barges manufacturing due to its track record.

### 5.3. Ship repair and conversion

Primarily operating out of the Batam facility, the ship repair division provides a comprehensive range of repair and conversion services including retro-fittings, life-extensions and other repair services. The Batam facility benefits from being one of the only yards in the region that can dock very large ships and vessels

Weak market demand for the building and delivery of new vessels in recent years has led to increased repair and conversion services for older vessels and has ultimately led to an increase in revenue and profitability in recent years. The planned development of an additional floating dock at the Singapore yard will provide additional capacity to serve all types of vessels.

### 5.4. Ship chartering

ASL owns and operates a diverse fleet of vessels including tugs, barges, workboats, grab dredgers, landing crafts, tankers, and anchor handling towing/supply vessels. The diversified fleet allows flexibility to respond to various market trends and changing customer needs. ASL services industries including marine infrastructure contractors, construction, cargo and equipment transportation, offshore oil and gas, dredging and land reclamation in Singapore and across South Asia.

Approximately 28 percent of ASL's revenue in FY19 was related to long term contracts and at 30 June 2019 the group had a long term chartering order book of \$96 million. Due to the diversified stock of vessels, ASL has been able to withstand increased market competition and pressure on charter rates. ASL's future focus will be on increasing the utilisation of the fleet, cost savings and increasing charter rates.

### 5.5. Engineering

ASL's engineering group consists mainly of the business of Vosta LMG (Vosta), a market leader in dredging technology, product development and engineering and contracting. Vosta is specialized in designing and manufacturing complete dredgers. Vosta's advantage provides customers with innovative solutions in terms of wear, flow performance, efficiency, safety and environmental impact, and allows customers to improve the effectiveness of their dredging work.

Demand for the engineering group is driven by the amount of land and coastal reclamation projects, which are less affected by the dormant oil and gas industry.



## 5.6. Board of Directors

ASL's Board of Directors is shown below.

**Table 16 - ASL's Board of Directors**

Name	Position
Ang Kok Tian	Chairman, Managing Director & CEO
Ang Ah Nui	Deputy Managing Director
Ang Kok Leong	Executive Director
Andre Yeap Poh Leong	Independent Director
Tan Huay Lim	Independent Director
Tan Sek Khee	Independent Director

Source: Company website

## 5.7. Capital structure

ASL's capital structure as 31 March 2020 comprises of 629,266,941 fully paid ordinary shares. The top 20 shareholders are shown below.

**Table 17 - ASL's capital structure at 31 March 2020**

Name	ASL ownership	Number of shares
Ang Kok Tian	14.02%	88,212,800
Ang Kok Eng	11.73%	73,799,100
Ang Kok Leong	11.58%	72,841,500
Ang Sin Liu	9.32%	58,633,350
Raffles Nominees (Pte) Ltd	8.50%	53,465,413
CGS-CIMB Securities (S) Pte Ltd	8.37%	52,665,008
Ang Ah Nui	4.87%	30,660,000
Ang Swee Kuan	4.32%	27,195,000
Citibank Nominees Singapore Pte Ltd	2.24%	14,074,600
Maybank Kim Eng Securities Pte Ltd	2.17%	13,683,650
DBS Nominees Pte Ltd	1.87%	11,769,800
United Overseas Bank Nominees Pte Ltd	1.70%	10,683,961
TKB C-E Contractor Pte. Ltd.	0.56%	3,500,000
Ang Jui Khoon	0.52%	3,246,750
OCBC Nominees Singapore Pte Ltd	0.46%	2,907,222
Phillip Securities Pte Ltd	0.42%	2,652,626
Ong Bee Dee	0.37%	2,309,000
Goh Guan Siong (Wu Yuanxiang)	0.34%	2,135,600
Koo Choon Poi	0.33%	2,060,000
Eastern Navigation Pte Ltd	0.29%	1,847,200
Others	16.02%	100,924,360
<b>Total</b>	<b>100.0%</b>	<b>629,266,941</b>

Source: Company management

The top 20 shareholders hold an aggregate interest in ASL of 83.98%. The top four shareholders, Ang Kok Tian, Ang Kok Eng, Ang Kok Leong and Ang Sin Liu together own 46.6% of the outstanding equity. We understand that there has been no material change in the above details at the date of this Report.

## 5.8. Corporate structure

Table 18 - ASL's capital structure at 31 March 2020

Divisions	Ownership Interest	Company Name
Shipbuilding and Shiprepair	100%	ASL Shipyard Pte Ltd
	100%	PT. ASL Shipyard Indonesia
	60%	Hongda Investment Pte. Ltd.
	60%	Jiangmen Hongda Shipyard Ltd.
	100%	Intan Overseas Investment Pte Ltd.
	100%	PT Cemara Intan Shipyard
	100%	PT Sukses Shipyard Indonesia
Shipchartering	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 Transpotasi
	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%	ASL Triaka 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 and Salvage
	100%	Capitol Workboats Pte Ltd
Joint Ventures & Associates	44.50%	Fastcoat Industries Pte Ltd
	44.50%	PT. Fastcoat Industries
	36%	PT. Capitol Nusantara
	49%	PT. Hafar Capitol Nusantara
	50%	Sindo-Econ Pte. Ltd.
	92.50%	PT. Sindomac Precas
Engineering	100%	Singa Tenaga Investments Pte. Ltd.
	100%	Vosta LMG (Asia Pacific) Pte. Ltd
	100%	Vosta LMG (Zhuhai) Ltd.
	100%	Leo Dynamische Investerings 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 Netherlands B.V.
	100%	Vosta LMG Dredges B.V.
	100%	Vosta LMG Components & Services B.V.

## 5.9. Financial performance

Details of ASL's financial performance, based on audited accounts for the years ended 30 June 2017, 30 June 2018, 30 June 2019 and unaudited accounts for nine months ending 31 March 2020 are presented below.

Table 19 - ASL's financial performance

\$'000	Audited 12m ended 30-Jun-18	Audited 12m ended 30-Jun-19	Unaudited 9m ended 31-Mar-20
Revenue	252,988	312,882	199,418
Cost of sales	(237,338)	(298,523)	(183,711)
<b>Gross profit</b>	<b>15,650</b>	<b>14,359</b>	<b>15,707</b>
<i>Gross profit margin</i>	<i>6.2%</i>	<i>4.6%</i>	<i>7.9%</i>
Other operating income	15,556	4,413	13,804
Administrative expenses	(20,851)	(23,088)	(11,564)
Other operating expenses	(48,947)	(98,541)	(267)
Finance costs	(22,711)	(23,195)	(19,455)
Fair value adjustments	-	59,179	(99)
Impairment losses on financial assets	(4,456)	(75,663)	(2,999)
Share results of joint ventures and associates	(3,823)	857	(672)
<b>Profit/(loss) before tax</b>	<b>(69,582)</b>	<b>(141,679)</b>	<b>(5,545)</b>
Income tax expense	(3,204)	(4,200)	330
<b>Profit/(loss) for the year</b>	<b>(72,786)</b>	<b>(145,879)</b>	<b>(5,215)</b>

Source: ASL annual reports and Unaudited financial results for 9 months ended 31 March 2020

Key aspects of ASL's historical financial performance are:

- ▶ Revenue increased by 23.7% in FY19 to \$312.9m, reflecting increased revenue from the shipbuilding, ship repair and ship chartering divisions offsetting lower revenue from the engineering division. For the 9 months ended 31 March 2020 (9M20), the revenue was SG\$50.2m lower compared to the corresponding period ended 31 March 2019 (9M19). This was primarily attributable to Shipbuilding division (SG\$33m), where delivery of vessels of higher contractual values recognised based on Completion method in 9M19. Also, there was a reduction in revenue by \$18.1m in 9M20 mainly due to lesser shiprepair jobs with high value (>SG\$1m) being recognised during the period.
- ▶ Gross profit increased to 7.9% in 9M20 due to completed shipbuilding contracts and vessels during the current period. Reduced gross profits in FY19 was mainly attributed to cost overruns, exchange loss and liquidated damage arising from delay in delivery of a tanker.
- ▶ Other operating income increased as a result of net foreign exchange gain due to the appreciation of US\$ against SG\$ on SG\$ denominated liabilities for certain subsidiaries whose accounts are maintained in US\$ and the depreciation of IDR against SG\$ on IDR denominated liabilities.
- ▶ Administrative expenses decreased by SG\$6.3m(35.3%) to \$11.6m in 9M20 when compared to last corresponding periods mainly attributed to lower legal and professional fee and staff costs incurred. In FY19, the Company incurred an one-off transaction cost of SG\$2.7m which comprised consent fees, solicitation agent and legal and professional fees incurred in relation to the Consent Solicitation Exercise approved in January 2019.
- ▶ Other operating expense during FY19 includes;
  - higher impairment losses on non-financial assets and net foreign exchange loss and;
  - loss on disposal of property, plant and equipment recorded mainly pertained to sale of 2 tugs and 5 barges.

## 5.10. Financial position

Table 20 - ASL's financial position

S\$'000	Audited 30-Jun-18	Audited 30-Jun-19	Unaudited 31-Mar-20
Cash and bank balances	28,609	15,395	28,362
Inventories	171,457	99,484	96,973
Contract assets	60,418	23,617	31,594
Construction work-in-process	-	-	-
Trade and other receivables	165,907	80,546	88,668
Prepayments	5,790	4,811	4,815
Finance lease receivables	905	670	747
Derivative financial instruments	-	-	-
Assets held for sale	4,899	-	-
Assets of disposal group classified as held for sale	-	9,841	-
<b>Total current assets</b>	<b>437,985</b>	<b>234,364</b>	<b>251,159</b>
Property, plant and equipment	577,087	490,244	463,389
Lease prepayments	5,913	4,606	-
Investment in joint ventures and associates	4,845	5,450	5,033
Intangible assets	12,368	5,865	5,543
Finance lease receivables	7,841	5,536	5,257
Right-of-use assets	-	3,045	12,461
<b>Total non-current assets</b>	<b>608,054</b>	<b>511,701</b>	<b>491,683</b>
<b>Total assets</b>	<b>1,046,039</b>	<b>746,065</b>	<b>742,842</b>
Trade and other payables	181,908	177,961	169,085
Provision for warranty	35	42	-
Progress billings	-	-	-
Contract liabilities	30,586	22,149	9,292
Trust receipts	13,805	1,157	22,943
Interest-bearing loans and borrowings	99,589	45,107	41,184
Income tax payable	6,776	6,754	-
Liabilities associated with disposal group	-	2,015	-
Income tax payable	-	-	5,876
Lease Liabilities	-	-	2,477
<b>Total current liabilities</b>	<b>332,699</b>	<b>255,185</b>	<b>250,857</b>
Other liabilities	3,479	3,699	3,832
Amount due to joint ventures and associates	-	-	811
Lease Liabilities	-	-	5,547
Contract liabilities	2,158	507	89
Interest-bearing loans and borrowings	388,714	316,871	311,814
Deferred tax liabilities	15,319	16,011	16,217
<b>Total non-current liabilities</b>	<b>409,670</b>	<b>337,088</b>	<b>338,310</b>
<b>Total liabilities</b>	<b>742,369</b>	<b>592,273</b>	<b>589,167</b>
<b>Net Assets</b>	<b>303,670</b>	<b>153,792</b>	<b>153,675</b>
Share capital	108,056	108,056	108,056
Treasury shares	(923)	(923)	(923)
Reserves	194,871	49,630	39,769
Reserve of disposal group	-	193	-
Non-controlling interests	1,666	(3,164)	6,773
<b>Total equity</b>	<b>303,670</b>	<b>153,792</b>	<b>153,675</b>

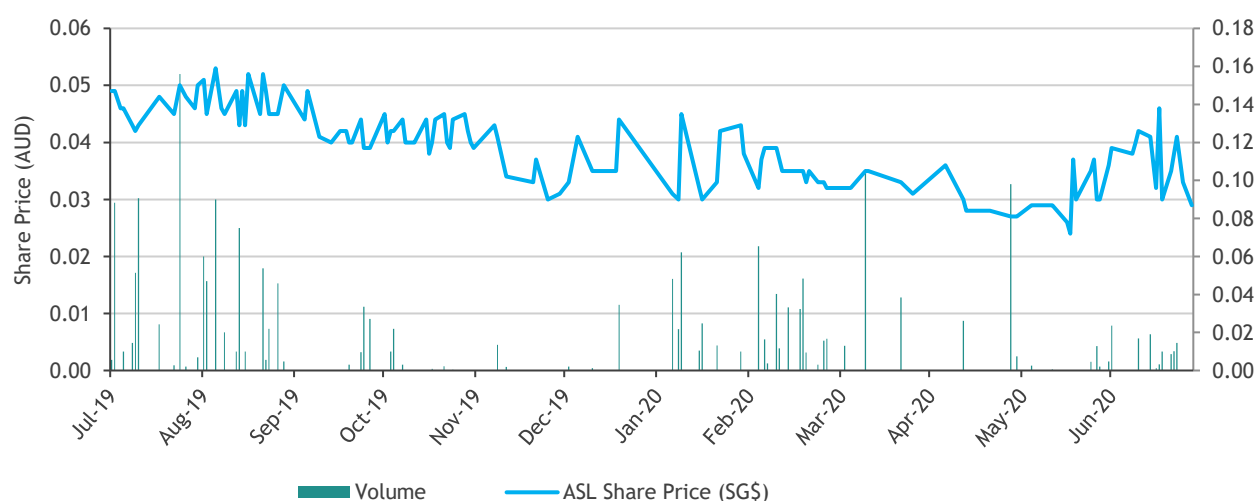
Source: ASL annual reports

Key aspects of ASL's financial position at 31 March 2020 are:

- ▶ Current assets increased by SG\$16.8m from \$234.4m as at 30 June 2019 to SG\$251.2m as at 31 March 2020. The increase was mainly due to higher contract assets, trade and other receivables and cash and bank balances, partially offset by the decrease in assets of disposal group classified as held for sale, the China Subsidiary which was disposed in Q1FY20.
- ▶ Majority of the raw materials and consumables are inventories meant for ongoing shipbuilding and shiprepair projects. Finished goods comprised mainly three PSV and dredge component parts.
- ▶ The trade receivables increased mainly due to higher receivables from shiprepair for jobs completed and billed to third parties during the current period. Trade receivables of SG\$25.7m have been received subsequent to the period under review. Other receivables comprised mainly receivables from sale of vessels, advances to suppliers and subcontractors and recoverable from customers.
- ▶ Contract assets primarily comprise construction work-in-progress and accrued revenue from ship repair and ship building contracts. Contract liabilities relate to billings in excess of construction work-in-progress, deferred income and deposits received from customers.
- ▶ The decrease in Trade payables was mainly due to settlement of compensation claims for delay in fulfilling the terms of a charter contract during the period.
- ▶ The interest-bearing loans and borrowings and trust receipts increased by \$17.9m mainly resulted from activation of new project financing facilities for shipbuilding and shiprepair since August 2019, partially offset by conversion of a short term working capital loan to a long term loan.

### 5.11. Stock price

Figure 6 - ASL's stock price



ASL's shares are listed and quoted for trading on the SGX. We have reviewed the historical market trading in ASL's shares over the nine month period ended 28 July 2020. The figure above details the daily share price and trading volume of ASL's shares.

Based on our analysis we note that ASL's shares are infrequently traded and no active market exists for the shares.

## 6. VALUATION OF DEED OF SETTLEMENT ASSETS

As set out in section 2.6 of the report, we have utilised the services of valuation experts Hilco and ALC for arriving at the fair market value of the assets that are subject of the Deed of Settlement (DoS Assets).

Copy of the valuation reports prepared by Hilco dated 27 July 2020 and ALC dated 4 August 2020 and 5 August 2020, are attached to this Report as appendices.

### 6.1. Valuation of assets to be acquired by ASL

#### 6.1.1. Assets to be acquired from KCTC

Koon, through its subsidiary KCTC will sell with full title guarantee and free from encumbrances, and ASL, through its subsidiary ASPL to purchase following equipment on an 'as is' and 'where is' basis:

Table 21 - Summary of equipment to be acquired from KCTC

Description	Serial Number	Quantity	Location	Valuer	Fair Value (SG\$)
Hitachi Excavator Model EX1200 c/w PVD accessories	HCM18E00P00002036	1	Batam	Hilco	35,000
Hitachi Excavator Model EX1200 c/w PVD accessories	HCM18E00P00002063	1	Batam	Hilco	35,000
Hitachi Excavator Model EX1200 c/w PVD accessories	HCM18E00P00002035	1	Batam	Hilco	100,000
<b>Fair market value of assets</b>					<b>170,000</b>

Source: Hilco Appraisal Singapore Pte Ltd - Desktop Appraisal

#### Hilco Valuation considerations

Hilco has adopted the Sales Comparison approach as the primary basis to arrive at the fair values of the above assets were derived.

- ▶ **Hitachi Excavator Model EX1200- Serial number HCM18E00P00002036 and HCM18E00P00002063** (as informed by the client) were both cannibalised for parts and are no longer viable to make major repairs and parts replacement to bring the equipment back to operational condition. The gross weight of these excavators is approximately 120 ton each and the prevailing Singapore scrap metal price is SG\$300 per ton. Based on this, Hilco has arrived at fair market value of SG\$35,000 each for these excavators.
- ▶ **Hitachi Excavator Model EX1200- Serial number HCM18E00P00002035** is in operational condition has been valued by Hilco based on the prevailing selling price in Singapore market for the similar excavator. As per Hilco's report, the current asking price for the similar asset is approximately SG\$134,000. Further, necessary adjustments has been made relating to repairs & maintenance, make/model and the year of manufacturing. Based on this, Hilco has arrived at the fair market value of SG\$100,000 for the excavator.

#### 6.1.2. Assets to be acquired from EEPL

Koon, through its subsidiary EEPL will sell with full title guarantee and free from encumbrances, and ASL, through its subsidiary ASPL to purchase following assets on an 'as is' and 'where is' basis.

Table 22 - Summary of assets to be acquired from EEPL

Description	Serial Number	Quantity	Location	Valuer	Fair Value (SG\$)	
					Low	High
QUY 50 ton crawler crane	2008133	1	Batam	Hilco	20,000	20,000
Caterpillar 966F Wheel Loader	A6J00778	1	Batam	Hilco	10,000	10,000
Long Reach	N.A	1	Batam	ALC	350,000	450,000
Eendracht	N.A	1	Batam	ALC	350,000	450,000
Type 3 Sheet Piles	N.A	280 tons	Batam	Hilco	84,000	84,000
<b>Total</b>					<b>814,000</b>	<b>1,014,000</b>

Source: Hilco Appraisal Singapore Pte Ltd - Desktop Appraisal and ALC Consulting Pte Ltd Report of Valuation survey reports

#### Hilco Valuation considerations

Hilco has adopted the Sales Comparison approach as the primary basis to arrive at the fair values of QUY 50 ton crawler crane -2008133 and Caterpillar 966F Wheel Loader - A6J00778.

- ▶ **QUY 50 ton crawler crane -2008133** is in operational condition has been valued by Hilco based on the prevailing selling price in Singapore market and auction held two years ago for the similar excavator. As per the Hilco's report, the current asking price for the similar asset is between SG\$30k and SG\$40k. Further, necessary adjustments has been made relating to repairs & maintenance (10%), Dealer's profit (10%), make/model (Chinese make - 10%) and the year of manufacturing. Based on this, Hilco has arrived at the fair market value of SG\$20k for the QUY 50 ton crawler crane.

- ▶ **Caterpillar 966F Wheel Loader - A6J007782008133** is in operational condition has been valued by Hilco based on the prevailing selling price in Singapore market for the similar excavator. As per the Hilco's report, the current asking price for the similar asset is approximately SG\$18k. Further, necessary adjustments has been made relating to repairs & maintenance (10%), Dealer's profit (10%) make/model and the market sentiments (10%). Based on this, Hilco has arrived at the fair market value of SG\$10k for the wheel loader.
- ▶ **280 tons type 3 Sheet piles** - are loose metal sheets, which has been valued by Hilco based on the prevailing Singapore scrap metal price of SG\$300 per ton. Based on this, Hilco has arrived at fair market value of SG\$84k the sheet piles.

#### ALC Valuation considerations

- ▶ **Long Reach and Eendracht** - Based on the physical inspection, ALC has considered that both the barges are constructed apparently in accordance with satisfactory marine practice, structurally sound, serviceable and suitably equipped for its intended purposes. ALC has applied Economic Value methodology to derive the Long Reach's and Eendracht's estimated current fair valuation range of SG\$350,000 to SG\$450,000.
  - As per ALC, Economic value approach is generally used to value older vessels at the end of their lifespan but are sufficiently maintained for a considerable period of spot charter or time charter.
  - As a crane barge, the charter options for Long Reach and Eendracht are shorter in nature and cater generally for spot project work. When gainfully chartered, the estimated monthly charter as per ALC for these type of vessel is between SG\$60,000 and SG\$75,000. The client has provided a copy of their spot charter contract at SG\$75,000 for the month of April 2019 which ALC has sighted. Due to the vessel age, current operational condition and prospective short term charter contracts, ALC has considered 0.5 year of charter utilization as the economic value for Long Reach and Eendracht. Based on the foregoing, ALC is of the opinion that the estimated fair value of the Long Reach and Eendracht crane barge is in the range of SG\$350,000 and SG\$450,000 each.

#### 6.2. Valuation of assets to be acquired by Koon

Koon, through its subsidiary EEPL will acquire with full title guarantee and free from encumbrances, and ASL, through its subsidiary COPL will sell the following equipment on an 'as is' and 'where is' basis:

Table 23 - Summary of assets to be acquired by EEPL

Description	Vessel Name	Quantity	Valuer	Fair Value (SG\$)	
				Low	High
Modular Pontoon	RC 366	1	ALC	700,000	800,000
<b>Total</b>				<b>700,000</b>	<b>800,000</b>

Source: ALC Consulting Pte Ltd Report of Valuation survey

#### ALC Valuation considerations

- ▶ **Modular Pontoon - RC 366** - Based on the physical inspection, ASL has considered RC 366 modular barge to be reasonably well built in accordance with satisfactory marine practice, structurally sound, serviceable and suitably equipped for its intended purposes.
- ▶ ALC looked into two valuation methodologies for determining the fair value range of RC 366; Replacement cost method and Economic Value method.
  - **Replacement cost method:** As per ALC, the estimated new built cost to construct a similar vessel in this region is between SG\$850,000 to SG\$950,000. For the replacement cost approach, ALC considered the estimated newbuilding cost and adjusted it by the age of the RC 366 to derive at a valuation range. The valuation range by the replacement cost approach as per ALC is between SG\$720,000 to SG\$810,000.
  - **Economic Value Method:** As per ALC, the client has provided a copy of their spot charter contract at SG\$25,000 per month for period between July 2018 and June 2019, which ALC has sighted. ALC has considered 3 years of charter utilisation as its economic value and based on this arrived at a market value of SG\$900,000 based on economic value method.

As RC 366 is fairly new (year 2017), ALC considers the replacement cost method as relatively suitable methodology. Based on the foregoing, ALC is of the opinion that the estimated fair value of RC 366 modular barge is within the range of SG\$700,000 and SG\$800,000.

### 7. ASSESSMENT OF FAIRNESS

In accordance with RG 111, the Deed of Settlement will be deemed "fair" if the value of the consideration received by Koon is equal to or more than fair market value of the assets being acquired by ASL.

As such, to determine whether the Deed of Settlement is fair to the Non-Associated Shareholders, we have compared the value of the consideration with the fair market value of assets being acquired by ASL.



Table 24 – Fairness Assessment

Particulars	Reference	Value as per Deed of Settlement	Value as per Independent valuation expert	
		(SG\$)	Low (SG\$)	High (SG\$)
<u>Assets to be acquired by ASL</u>				
Assets to be acquired from KCTC				
Hitachi Excavator Model EX1200 - HCM18E00P00002036	6.1.1	35,000	35,000	35,000
Hitachi Excavator Model EX1200 - HCM18E00P00002063	6.1.1	35,000	35,000	35,000
Hitachi Excavator Model EX1200 - HCM18E00P00002035	6.1.1	100,000	100,000	100,000
Total of assets to be acquired by ASL from KCTC - [A]		170,000	170,000	170,000
Assets to be acquired from EEPL				
QUY 50 ton crawler crane	6.1.2	20,000	20,000	20,000
Caterpillar 966F Wheel Loader	6.1.2	10,000	10,000	10,000
Long Reach barge	6.1.2	400,000	350,000	450,000
Eendracht barge	6.1.2	400,000	350,000	450,000
Type 3 Sheet Piles	6.1.2	98,000	84,000	84,000
Total of assets to be acquired by ASL from EEPL - [B]		928,000	814,000	1,014,000
Total DoS assets to be acquired by ASL - [A]+[B] = [C]		1,098,000	984,000	1,184,000
<u>Value of consideration to be received by Koon</u>				
Value of Modular Pontoon to be acquired by Koon	6.2	(870,000)	(700,000)	(800,000)
Set off the invoices owed by KCTC to ASPL	1.2	(70,878)	(70,878)	(70,878)
Set off the invoices owed by KCTC to ASL Offshore and Marine	1.2	(19,621)	(19,621)	(19,621)
Set off the invoices owed by EEPL to ASPL	1.2	(70,546)	(9,501)	(9,501)
Payment of cashier's order by ASPL to KCTC	1.2	(9,501)	(70,000)	(70,000)
Payment of cashier's order by ASPL to Hitachi Capital Asia Pacific Pte Ltd	1.2	(70,000)	(70,546)	(70,546)
Payment of cashier's order by EEPL to ASPL	1.2	12,546	12,546	12,546
Total value of consideration to be received by Koon - [D]		(1,098,000)	(928,000)	(1,028,000)
Variance = [C] + [D]		-	56,000	156,000

Source: BDOCF analysis

As set out above, the value of the assets to be acquired by ASL from Koon is materially the same as the value of consideration to be received by Koon, although we do note that the consideration is lower when factoring in the independent asset valuations.

Further, the Modular Pontoon RC 366 to be acquired by Koon is a sister vessel to one already owned by Koon and the two pontoons can be coupled to form a larger working platform, with additional commercial applications.

We understand from Koon that there is an ongoing major project in Singapore which would require the use of both modular pontoons. As such, we note that the value of Modular Pontoon RC 366 to Koon could be higher than the fair market value assessed by ALC.

Based on the above, we conclude that the Deed of Settlement is fair to the Non-Associated Shareholders of Koon.

## 8. ASSESSMENT OF REASONABLENESS

Under RG 111, the Deed of Settlement will be reasonable if it is fair. On this basis, we also conclude that the Deed of Settlement, as documented, is reasonable.

Notwithstanding, we have also considered the advantages and disadvantages for Non-Associated Shareholders, of approving the Deed of Settlement.

### 8.1. Advantages of approving the Deed of Settlement

The following may be considered advantages of approving the Deed of Settlement:

- ▶ **Ability to meet its financial obligations:** Consideration receivable by Koon under the Deed of Settlement includes set off of outstanding invoices and a small amount of cash which will assist cash flows of the Company and its ability to adhere to the KCTC Scheme, discussed in Section 4 of the Report.
- ▶ **Recoverability of Batam assets will be challenging/costly:** Assets to be acquired by ASL include plant and equipment located in Batam, Indonesia which are in poor condition. Koon would find it challenging to either take possession of or find an alternative buyer for these assets. Koon management's view is that the time and cost involved in recovering these assets would not be worthwhile.



- **Costly maintenance of the DoS Assets:** Assets to be acquired by ASL from Koon include the Long Reach and Eendracht barges which are old and in poor condition. The barges cost the Company more than SG\$1m a year in maintenance. In addition there is no foreseeable projects in the pipeline for these two barges. Selling these assets to ASL enables Koon to avoid these ongoing costs.

## 8.2. Disadvantages of approving the Deed of Settlement

We have not identified any significant disadvantages of approving the Deed of Settlement.

## 8.3. Conclusion of the Deed of Settlement

In our opinion, based on a consideration of the above, the Deed of Settlement is considered reasonable from the perspective of the Non-Associated Shareholders of Koon.

On balance, the advantages of approving the Deed of Settlement outweigh any disadvantages of approving it to the Non-Associated Shareholders; and

## 9. OVERALL OPINION

We have considered the terms of the Deed of Settlement, as outlined in this Report, and have concluded that the Deed of Settlement is fair and reasonable to the Non-Associated Shareholders of Koon.

## 10. QUALIFICATIONS, DECLARATIONS AND CONSENTS

### 10.1. Qualifications

BDOCF is the licensed corporate finance arm of BDO East Coast Partnership, Chartered Accountants and Business Advisers. BDOCF provides advice in relation to all aspects of valuations and has extensive experience in the valuation of corporate entities and provision of expert's reports.

Mr Daniel Coote, B.Comm, CA, MAppFin is a director of BDOCF and a CA certified Business Valuations Specialist. Mr Coote is also a partner of BDO East Coast Partnership. Mr Coote has been responsible for the preparation of this IER.

Mr Coote has over 15 years of experience in a number of specialist corporate advisory activities including company valuations, financial modelling, preparation and review of business feasibility studies, accounting, advising on mergers and acquisitions and advising on independent expert reports. Accordingly, Mr Coote is considered to have the appropriate experience and professional qualifications to provide the advice offered.

### 10.2. Independence

BDOCF is not aware of any matter or circumstance that would preclude it from preparing this IER 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.

BDOCF considers itself to be independent in terms of RG 112 independence of experts, issued by ASIC.

BDOCF was not involved in advising on, negotiating, setting, or otherwise acting in any capacity for Koon in relation to the Deed of Settlement. Further, BDO has not held and, at the date of this IER, does not hold any shareholding in, or other relationship with Koon that could be regarded as capable of affecting its ability to provide an unbiased opinion in relation to the Deed of Settlement.

BDOCF will receive a fee of up to \$22,000 plus Goods and Services Tax for the preparation of this IER. BDOCF will not receive any fee contingent upon the outcome of the Deed of Settlement, 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 Deed of Settlement.

A draft of this IER was provided to the Directors and their advisors for review of factual accuracy. Certain changes were made to the IER as a result of the circulation of the draft IER. However, no changes were made to the methodology, conclusions, or recommendations made to the Koon Shareholders as a result of issuing the draft IER.

### 10.3. Disclaimer

This IER has been prepared at the request of the Directors and was not prepared for any purpose other than that stated in this IER. This IER has been prepared for the sole benefit of the Directors and the Shareholders. Accordingly, this IER and the information contained herein may not be relied upon by anyone other than the Directors and the Shareholders without the written consent of BDOCF. BDOCF accepts no responsibility to any person other than the Directors and the Shareholders in relation to this IER.

The statements and opinions contained in this IER are given in good faith and are based upon BDOCF's consideration and assessment of information provided by the Directors, executives and Management of the Company.

## APPENDIX 1: GLOSSARY

Term	Definition
2012 ASX Waiver	Waiver granted by ASX, allowing Koon to trade with ASL and its associated entities.
9M19	Nine months ended 31 March 2019
9M20	Nine months ended 31 March 2020
ALC	ALC Consulting Pte Ltd
APES 225	Accounting Professional & Ethical Standards Board Limited issued professional standard APES 225 on valuation services
ASL	ASL Marine Holdings Ltd
ASIC	Australian Securities & Investments Commission
ASPL	ASL Shipyard Pte Ltd
ASX	Australian Securities Exchange
ASX Listing Rules	Rules of ASX which are applicable to the Company
BCA	Building and Construction Authority
BDOCF, we, our or us	BDO Corporate Finance (East Coast) Pty Ltd (ABN 70 050 038 170)
CLI	Composite Lending Index
Contech	Contech Precast Pte Ltd
COPL	Capital Offshore Pte Ltd
Corporations Act, Act	Corporations Act 2001
CPI	Consumer Price Index
Deed of Settlement	Settlement deed dated 17 June 2020 between Koon and ASL for reaching a full and final settlement of mutual claims
Directors	The directors of Koon
DoS Assets	Assets that are subject of the Deed of Settlement
Econ Precast	Econ Precast Pte Ltd
EEPL	Entire Engineering Pte Ltd
FOS	Financial Ombudsman Service Limited
FSG	Financial Services Guide
FY18	Financial year ended/ending 30 June 2018
FY19	Financial year ended/ending 30 June 2019
Hilco	Hilco Appraisal Singapore Pte Ltd
IER or Report	Independent Expert's Report prepared by BDOCF
IOI	Intan Overseas Investments Pte Ltd
Joint Venture, Batam JV	Joint venture arrangement between Koon and ASL to establish a precast concrete production plant in Batam, Indonesia
KCTC	Koon Construction & Transport Co. Pte Ltd
Koon, the Company	Koon Holdings Limited
m	Millions
Management	Management of Koon
MTI	Ministry of Trade and Industry
MW	Megawatts
Non-associated shareholders	Those shareholders in Koon whose votes are not to be disregarded in voting on the resolution relating to the Deed of Settlement
Q1FY20	Three months ending 30 September 2019
RG 76	ASIC Regulatory Guide 76 Related party transactions
RG 111	ASIC Regulatory Guide 111 Content of expert reports
RG 112	ASIC Regulatory Guide 112 Independence of experts
SG\$	Singapore Dollars
Tesla Group	Tesla Holdings Pty Ltd
Transaction Document	Notice of Meeting and Explanatory Memorandum

Source: BDOCF

## APPENDIX 2: SOURCES OF INFORMATION

In preparing this IER, we had access to and relied upon the following principal sources of information:

- ▶ ASX announcements
- ▶ Discussions with the Directors and management of Koon
- ▶ Asset valuation reports prepared by Hilco Appraisal Pte Ltd and ASL Consulting Pte Ltd
- ▶ ASIC guidance notes and regulatory guides as applicable
- ▶ Other generally available public information

## APPENDIX 3: HILCO APPRAISAL PTE LTD - DESKTOP APPRAISAL

**OUR REF 2211/07/2020/HBK**

**DESKTOP APPRAISAL**

**BDO Corporate Finance (East Coast) Pty Ltd (Australia)**  
Level 11, 1 Margaret Street  
Sydney, NSW 2000

Attn: Mr. Daniel Coote

**Desktop Appraisal of Plant & Machinery**  
belonging to  
Koon Construction & Transport Co Pte Ltd “KCTC”  
and  
Entire Engineering Pte Ltd “EEPL”

**To be acquired by ASL Shipyard Pte Ltd “ASPL”**

**DESKTOP APPRAISAL SUMMARY**

**BDO Corporate Finance (East Coast) Pty Ltd (Australia)**

Level 11, 1 Margaret Street  
Sydney, NSW 2000

Plant & Machinery belonging to Koon Construction & Transport Co Pte Ltd "KCTC"  
And Entire Engineering Pte Ltd "EEPL"

	<u>Fair Market Value</u> <u>in S\$ as at</u> <u>July 27, 2020</u>
<u>Date of Valuation:</u> July 27, 2020	

---

Plant & Machinery belonging to Koon Construction & Transport Co  
Pte Ltd "KCTC" and Entire Engineering Pte Ltd "EEPL"

Assets to be acquired by ASL Shipyard Pte Ltd "ASPL"

Assets belonging to "KCTC"

- |  |            |
|--|------------|
| 1. 2 units HITACHI Excavator c/w PVD accessories<br>Model: EX1200-C (as informed by client, machine been<br>canabalised for parts) | 70,000.00  |
| 2. 1 units HITACHI Excavator<br>Model: EX1200-5C   | 100,000.00 |

Assets belonging to "EEPL"

- |   |           |
|---|-----------|
| 3. 1 unit 50t Crawler crane, Model: QUY50       | 20,000.00 |
| 4. 1 unit CATERPILLAR Wheel Loader, Model: 966F | 10,000.00 |
| 5. 280 tonnes Type 3 Sheet Piles                | 84,000.00 |

Last date of review July 27, 2020

Total	<u>S\$284,000.00</u>
-------	----------------------

July 27, 2020

**BDO Corporate Finance (East Coast) Pty Ltd (Australia)**

Level 11, 1 Margaret Street  
Sydney, NSW 2000

Attn: Mr. Daniel Coote | Partner, Advisory, Corporate Finance

Re: Desktop Appraisal of Plant & Machinery belonging to Koon Construction & Transport Co Pte Ltd "KCTC" and Entire Engineering Pte Ltd "EEPL" to be acquired by ASL Shipyard Pte Ltd "ASPL"

Dear Sirs,

Thank you for giving Hilco Appraisal Singapore Pte Ltd ("Hilco") the opportunity of submitting the following appraisal report.

The effective date of the appraisal is July 27, 2020. Subject to the assumption and limiting conditions set forth in an addendum to this report, it is our professional judgment that, as of the effective date as detailed in this report, the equipment has an estimated Fair Market Value of:

**Two Hundred Eighty-Four Thousand SGD  
S\$284,000.00**

The narrative appraisal report that follows sets forth the identification of the Construction equipment appraised, pertinent facts relative to the data considered, the reasoning leading to the conclusions, the results of the investigation and analysis, and the assumptions and limiting conditions.

It has been a pleasure being of service to you.

Very truly yours,



Enclosures

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### Addenda

#### Assumptions and Limiting Conditions



### **Identification of the Assets**

The 3 units HITACHI Excavator with PVD accessories, Model: EX1200, 1 unit 50t Crawler Crane, Model: QUY 50, 1 unit CATERPILLAR Wheel loader, Model: 966F and 280 tonnes of Type 3 Sheet Piles has been appraised on a “Desktop” basis. Therefore, physical inspection has not been made. Assumptions have been made that is in operational condition, maintained within industry’s standards at the time of this “Desktop” valuation. All information / supply scope was provided by client.

### **Purpose of the Appraisal and Definition(s) of Value**

The purpose of the appraisal is to gather data relevant to the assets and provide an evaluation that estimates the Fair Market Value of the assets. Hilco defines Fair Market Value as follows :

#### **Fair Market Value**

*“A professional opinion of the estimated most probable price expressed in terms of currency to be realized for the assets in an exchange between a willing buyer and a willing seller, with equity to both, neither being under compulsion to buy or sell, and both parties fully aware of all relevant facts, as of the effective date of this appraisal report. Both the buyer and the seller acknowledge that the assets must be dismantled and removed at the buyer’s expense.”*

### **Special Limiting Conditions**

A “Desktop” appraisal is an evaluation of limited scope used to address general questions relative to the value of the assets and to determine if a full scope, on-site inspection of the assets should be performed. Since “Desktop” appraisals are evaluations of limited scope, “Hilco” does not recommend these appraisals be the sole basis upon which business decisions are made, but during this period of “Covid 19” pandemic, only “Desktop” Appraisal can be conducted as borders between Singapore and Batam, Indonesia are closed.

### **Use of the Appraisal**

Hilco has been instructed to conduct the appraisal of the assets by Koon Holdings Limited, for the account of Koon Construction & Transport Co Pte Ltd “KCTC” & Entire Engineering Pte Ltd “EEPL” (assets belonging to “KCTC” & “EEPL” to be acquired by

ASL Shipyard Pte Ltd “ASPL” and to support Independent Expert Report “IER” to be prepared by BDO Corporate Finance (East Coast) Pty Ltd (Australia) (“Client”).

The intended use of the report is to provide the “Client” with the documentation necessary for supporting “IER” to be prepared by BDO Corporate Finance (East Coast) Pty Ltd (Australia) purpose only

### **Effective Date of the Appraisal**

The effective date of the appraisal is July 27, 2020

### **Methodology**

There are three basic valuation methods that are used to derive an indication of the value of the assets. These methods include the cost approach, sales comparison approach, and income approach to value.

#### **Cost Approach**

*“A set of procedures in which an appraiser derives a value indication by estimating the current cost to reproduce or replace the personal property, deducting for all accrued depreciation.”*

#### **Sales Comparison Approach**

*“A set of procedures in which an appraiser derives a value indication by comparing the personal property being appraised to similar assets that have been sold recently, applying appropriate units of comparison, and making adjustments based on the elements of comparison to the sale prices of the comparable.”*

#### **Income Capitalization Approach**

*“A set of procedures in which an appraiser derives a value indication for income-producing personal property by converting anticipated benefits into value. This conversion is accomplished either by: (1) capitalizing a single year’s income expectancy or an annual average of several years’ income expectancies at a market derived capitalization rate or capitalization rate that reflects a specified income pattern, return on investment, and change in value of the investment; or (2) discounting the annual cash flows for the holding period and the reversion at a specified yield rate.”*

The sale comparison was the primary basis upon which the assets were appraised. In these instances, the cost approach was given some consideration. Sale comparison information with the necessary adjustments made are reflected on page 7 of this report.

The income approach was not utilized. This approach gives consideration to income-generating criteria and is very limited in its application to the appraisal of machinery & equipment on a piecemeal basis. This is due to the difficulty in determining what portion of the total income and expense stream of a given plant would be attributable to a specific piece of equipment. This type of analysis is outside the scope of this appraisal.

### **Extent of the Data Collection Process**

The scope of a “desktop” appraisal involves the review of information provided to “Hilco” by the Client relative to the assets that is the subject of the evaluation. This information may include, but may not be limited to, complete factual information relative to the asset including their age; manufacturers’ name; model number; serial number; all relevant information pertaining to capacity and specifications; a statement of operating condition; maintenance; rebuild and/or retrofit history (when applicable); and any other information deemed to be important by “Hilco” or the Client to the extent that the Client is not able to furnish an accurate statement of the operating condition of the assets, “Hilco” will assume the assets to be in average working condition and maintained within industry standard.

The evaluation included consideration of transactions involving sales of similar assets, as well as their availability on the open market. The overall condition and quality of the assets were also considered. Research may have included but was not limited to “Hilco’s” database, conversations with original equipment manufacturers, manufacturers’ representatives, used equipment dealers, auctioneers and liquidators, and other knowledgeable industry sources. Supply and demand factors, the overall condition of the market, and the number of potential purchasers in the market for similar assets were discussed.

### **Statement of Ownership**

Hilco Appraisal Singapore Pte Ltd is providing an appraisal of only the owned asset. Asset that Management of The Company indicated are leased or not owned have been excluded from the appraisal

It is recommended that any parties considering a secured interest in the assets independently confirm the ownership interest and determine what potential impact any encumbrances may have on their marketability and ultimate value.

Hilco Appraisal Singapore Pte Ltd has assumed that BDO Corporate Finance (East Coast) Pty Ltd (Australia) has accurately represented Koon Holdings Limited, for the account of Koon Construction & Transport Co Pte Ltd "KCTC" & Entire Engineering Pte Ltd "EEPL" whereby the assets belonging to "KCTC" & "EEPL" will be acquired by ASL Shipyard Pte Ltd.

The interest in all the assets appraised, "Hilco" has not conducted any search to determine the ownership. A search of this type is outside the scope of this appraisal assignment.

### **Environmental Considerations**

No allowance has been made nor has any consideration been given to the impact, if any, of environmental or safety issues that would have an effect on the salability and/or use of the equipment. Furthermore, compliance or non-compliance with regulatory agencies that may have jurisdiction in these areas has not been considered.

It should be clearly understood that Hilco Appraisal Singapore Pte Ltd is not an environmental consulting firm and is not qualified to test for hazardous substances or conditions. Furthermore, Hilco Appraisal Singapore Pte Ltd is not qualified to identify or evaluate occupational safety hazards. It is recommended that any parties with an interest in the assets contract with a qualified consulting firm to conduct any studies deemed necessary to ensure that any issues are properly addressed.

### **Certification of Value**

It is hereby certified that:

- the statements of fact contained in this report are true and correct.
- the analyses, opinions, and conclusions set forth in this report are limited only by the assumptions and limiting conditions (imposed by the terms of the assignment or by the undersigned) set forth by this report, and are our personal, unbiased, professional analyses, opinions, and conclusions.
- Hilco has no present or contemplated future interest in the property nor any personal interest or bias in the subject matter or the parties involved.
- the engagement of Hilco in this assignment was not contingent upon developing or reporting predetermined results.
- neither the appraisal assignment nor the amount of the fee is contingent upon developing or reporting a predetermined value, requested minimum value, a direction in the value that favors the cause of the client, a specific valuation, the approval of a loan, the amount of the value estimates or attainment of a stipulated result, nor is our compensation contingent upon an action or event resulting from the analyses, opinions, or conclusions in, or the use of, this report, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
- the appraiser(s) disclaim knowledge as to the appraised asset(s) operability, historical performance, and/or the existence of any hidden, latent, or undisclosed defects.
- any statement(s) of condition are the result of visual inspection only and should not be construed as an opinion of operability or utility.
- no person or persons other than the valuers prepared the analysis, conclusions, and opinions, or provided significant professional assistance.
- unless otherwise stated, Hilco has made an inspection of the personal property that is the subject of this report.

Should you have any questions regarding the foregoing value estimates or require any further information, please contact the valuers.

Respectfully submitted,

Hilco Appraisal Singapore Pte Ltd

**DESKTOP APPRAISAL****BDO Corporate Finance (East Coast) Pty Ltd (Australia)**

Level 11, 1 Margaret Street Sydney, NSW 2000

For

**Koon Holdings Limited** for the account of Koon Construction & Transport Co Pte Ltd "KCTC" & Entire Engineering Pte Ltd "EEPL" (assets belonging to "KCTC" & "EEPL") to be acquired by ASL Shipyard Pte Ltd "ASPL"

<u>Item</u>	<u>Quantity</u>	<u>Descriptions</u>	<u>Fair Market Value</u> <u>(\$\$) as at</u> <u>July 27, 2020</u>
<b><u>Assets belonging to Koon Construction &amp; Transport Co Pte Ltd</u></b>			
1	1	HITACHI Excavator c/w PVD Accessories (as informed by client, machine have been cannibalised for parts) Model: EX1200 Year of Manufacture: 2004 Serial no: HCM18E00P00002036	35,000.00
2	1	HITACHI Excavator c/w PVD Accessories (as informed by client, machine have been cannibalised for parts) Model: EX1200-5C Year of Manufacture: 2004 Serial no: HCM18E00H00002063	35,000.00
3	1	HITACHI Excavator Model: EX1200-5C Year of Manufacture: 2006 Serial no: HCM18E00T00002035	100,000.00
A) Appraised Fair Market Value for "KCTC" Assets			<u>170,000.00</u>
<b><u>Assets belonging to Entire Engineering Pte Ltd ("EEPL")</u></b>			
4	1	XCMG (50t) Crawler Crane, with 31m Main Boom, Hook Block Model: QUY50 Year of Manufacture: 2008 Serial no: 2008133	20,000.00
5	1	CATERPILLAR Wheel Loader Model: 966F Year of Manufacture: 2007 Serial no: A6J0078	10,000.00
6	Lot	280 tonnes Type 3 Sheet Piles	84,000.00
B) Appraised Fair Market Value for "EEPL" Assets			<u>114,000.00</u>
<b>Grand Total Appraised Fair Market Value A)+B)</b>			<b><u>\$284,000.00</u></b>

### Sale Comparable Information

3<sup>rd</sup> Party web site screen shot



Variety	Price	Price Unit	Date
P & S	340 - 350	SGD/TON	03-08-2020
HMS1	320- 340	SGD/TON	03-08-2020
HMS2	280- 300	SGD/TON	03-08-2020
HMS3	-	SGD/TON	03-08-2020

#### Item 1 & 2

HITACHI Excavator which are reported by client that they are cannibalised for parts, we have made assumptions that these excavators are no longer viable to make major repairs and parts replacement to bring the equipment back to operational condition.

Based on information from manufacturer website, the gross weight of the excavator is around 120t

120t x \$300/t=SGD 36,000 (rounding SGD35,000)

#### Item 6

280 tonnes Type 3 Sheet Piles x S\$300/ton=SGD84,000

BUY WHAT YOU WANT WITH CURRENCY.

Check Buying Power


2007 HITACHI EX1200-5D For Sale In Fort McMurray, Alberta Canada

EMAIL THIS

FINANCIAL CALCULATOR

PRINT THIS

RETURN TO PREVIOUS PAGE



For Sale Price: SGD **\$133,893**  
(Price entered as: CAD \$130,000)

Purchase today for USD \$1,638.07/monthly\*

Make An Offer

Save

View My Watchlist

Contact Information

Progressive Auctions and Equipment Sales

Fort McMurray, Alberta, Canada  
T9H 3G6  
Phone: +1 403-589-6453  
Messenger: [Message](#)  
WhatsApp: [Message](#)  
Contact: Michael Pugh


[Email](#)  
[Progressive Auctions and Equipment Sales](#)


View Seller Information

See All Crawler Excavators By Progressive Auctions and Equipment Sales

MASCUS

HITACHI EX 1200 137,275 SGD





BASIC INFORMATION

Product group	Crawler excavators
Brand / model	Hitachi EX 1200
Year of manufacture	2008
Hours of use	38,000 h
Machine Location	Okhotsk
Country	<a href="#">Russia</a>

E-mail (required)

Phone (required)  

+65

My question or comment (required)  
Hello, I would like to receive more information about your Hitachi EX 1200. Could you please get in contact with me?

[Privacy policy](#)

Send

Contact Person

ALEKSEI BAKIN

+7 ...

SHOW

+7 (...)

SHOW

Languages: **English, Russian**

000000, Свердловская область, Екатеринбург, ул. Машиностроителей, д.19, НИИ ТЯЖМАШ, оф.311/1

### Item 3)

Median asking price from seller around SGD135,000, given current market sentiment and needing repair and maintenance, we have made necessary adjustment to the value SGD100,000

8



## 2008 XCMG QUY50 For Sale In Melbourne, Victoria Australia



Photos (12)



Finance

### Description

XCMG QUY 50 Crawler Crane

Year 2008

Capacity 50 tons

Boom 38mtr

NO JIB

DongFeng Engine

Hours 3050 appx

Good Working condition

Price : Aud 40,000 FOB Australia

### Item 4

FX 0.99 Aussie \$ For sale SGD39,400

Adjustment made for this unit comparable, this a dealer unit, we made a discount for Dealer's profit (10%), maintenance & repair needed (10%) and this unit does not come with a Jib (10%) and considering market sentiment and being a Chinese made crane (not popular) (15%)=SGD 24,400  
Rounding SGD20,000

Industrial
Vested in Your Success
Search

HOME
ALL ITEMS
AUCTIONS
PAST SALES
BUYERS
SELLERS

Home

We have been instructed to sell following machines

# QUY Crawler Cranes Singapore

## Online Auction

6 Used Crawler Cranes for Sale - 2007 and 2008

**Sale Date:**  
5 - 12 July 2018

[Add Event to Calendar](#)

**First Lot Closes:**

Featured Items
Lot Catalog
Removal
Map
Asset Details

Lot: 6
1 - QUY50 Crawler Crane

Model: QUY50

Type: Crawler Crane

S/N: 2008039

#### Item 4)

Adjustment made base on an auction conducted by us 2 years ago.

Liquidation value was at SGD40K in 2018 (no takers)

For this we have to adjust further to reflect year 2020 value (less 20%)=SGD32,000

Repair and maintenance (10%), auctioneer fee (10%) market sentiment & being a Chinese crane (15%)=SGD22,000

Rounding SGD20,000

MachineryZone
Place an ad
Search

All the ads
Professionals Directory
Price Observatory
Enter my account

### Caterpillar 966F

Favourite
Compare
Share
Print
Report

#### Details of the classified ad

Type of ad :	For sale / Offers
Reference :	Used CAT 966E Wheel loader
Make :	<a href="#">Caterpillar</a>
Model :	966F
Status :	Used - very good condition
Year :	2007
Hours :	3 100 h
Power :	215 Hp
First-hand :	Yes

13,000 \$ ex-VAT
[Observe prices](#)

#### Triangle Construction Machinery Co., Ltd

Vehicle/materials Wholesaler  
China  
Member since 4 years and 2 months

**Mr. JOHN LIU**  
English (usa)

Display the phone N°

Send a message

#### Let There Be Light.

Pre-order Now  
Offer ends 31 Jul.

**BALL**  
ORIGINAL SWISS MADE  
Date 18K, accuracy only above condition

#### Our partners

Get transport for this equipment

##### Best practices

To buy and sell with the greatest of ease, we have some recommendations for you to help ensure your transactions are secure when buying or selling used equipment.

[Read more](#)

#### Wheel Loaders Caterpillar the most popular

[Caterpillar 966H](#) - [Caterpillar 966K](#) - [Caterpillar 966G](#) - [Caterpillar 966M](#) - [Caterpillar 966E](#) - [Caterpillar 966C](#) - [Caterpillar 966L](#) - [Caterpillar 966F](#) - [Caterpillar 966GII](#)

### Item 5)

FX 13K USD x 1.4= 18K

Adjustment made for this unit comparable, this a dealer unit, we made a discount for Dealer's profit (10%), maintenance & repair needed (10%) considering market sentiment (10%)=SGD13,000  
Rounding SGD10,000

## **ADDENDA**

### **Assumptions and Limiting Conditions**

This appraisal report has been made with the following general assumptions and limiting conditions.

- The personal property is appraised free and clear of any or all liens or encumbrances unless otherwise stated. Title to the property is assumed to be good and marketable unless otherwise indicated.
- It is assumed that all of the personal property included in the appraisal is owned by the company appraised. Hilco has relied upon management to identify any equipment that is leased or owned by parties unrelated to the appraisal.
- The information furnished by others is believed to be reliable. However, no warranty is given for its accuracy. Every reasonable attempt has been made to verify such information.
- It is assumed that there is full compliance with all applicable federal, state, and local environmental regulations and laws unless noncompliance is stated, defined, and considered in the appraisal report.
- The value estimates submitted are based upon the definition of value stated in the body of the report.
- Possession of this report, or a copy thereof, does not carry with it the right of publication. It may not be used for any purpose by any person other than the party to whom it is addressed without the written consent of that party and, in any event, only with proper written qualification and only in its entirety.
- Hilco Appraisal Singapore Pte Ltd reserves the right to recall all copies of this report to correct any error or omission.
- The appraiser, by reason of this appraisal, is not required to give further consultation, testimony, or be in attendance in court with reference to the property in question unless arrangements have been made previously.
- Neither all nor any part of the contents of this report (especially any conclusions as to value, the identity of the appraiser, or the firm with which the appraiser is connected) shall be disseminated to the public through advertising, public relations, news, sales, or other media without the prior written consent and approval of the appraiser.
- The maximum liability of Hilco for the breach of any obligation in connection with this engagement or the Report, and for any and all damages of any type or nature (whether in contract or in tort, and whether compensatory, consequential or punitive in nature) sustained or claimed by The Company(ies) or any other person or entity in connection with this engagement or the Report, shall be limited to the fee actually received by Hilco under the engagement letter. In no event or circumstance shall Hilco have any liability to The Company(ies) or any other person or entity in excess of the fee actually paid to and received by Hilco under the engagement letter, except in the case of gross negligence on the part of Hilco

## APPENDIX 4: ALC CONSULTING SERVICES PTE LTD - RC366

**REPORT  
OF  
VALUATION SURVEY  
MODULAR BARGE “RC366”**

**THIS IS TO REPORT** that at the request of Entire Engineering Pte Ltd, Singapore and in the interests of BDO Corporate Finance (East Coast) Pty Ltd, Australia, we the undersigned Marine Surveyors & Appraisers

**ALC CONSULTING SERVICES PTE LTD**

did on 28 July 2020 attend on board the steel modular barge,

**“RC366”**

794 gross tons of Singapore Registry whilst she was moored alongside at the riverside near Sengkang Riverside Park, Singapore. The purpose of this survey report was to determine its general condition for valuation purpose and to be included as part of the Independent Expert Report prepared by BDO.

**DESCRIPTION OF VESSEL**

**“RC366”** is all welded steel constructed, non propelled modular barge built at PT. ASL Shipyard, Indonesia in 2017. The vessel is designed for operations in shallow coastal waters, rivers, lakes, reservoirs and inland marine environments.

The barge hull consists of six (6) individual steel pontoon modules, each weighing about 60 tons. These modules are usually coupled together by a series of bolts and nuts and a locking system. It can then operate as a complete barge. The advantage of the modular system is that the barge can be taken apart and the separate modules can be transported by ship, truck or train to her place of operation and then assembled locally at shore or while afloat.

Each module is divided into 3 void tanks segregated by 2 transverse watertight bulkheads which are accessed through manholes on deck.

## **PARTICULARS OF VESSEL**

Name	:	<b>"RC366"</b>
Type	:	Steel hull modular barge
Port of Registry	:	Singapore
Module dimensions	:	Six pontoons each of 18m x 4.9m x 3.0m
Overall Barge dimensions	:	36.00 m x 14.70m x 3.00m
Gross Tonnage	:	794
Net Tonnage	:	540
Total steel weight	:	320.361
Deck loading	:	10 tons / m <sup>2</sup>
Owners	:	Capitol Offshore Pte Ltd
Builder	:	PT. ASL Shipyard, Indonesia
Year Built	:	2017
Hull Number	:	1161

## **SURVEY**

At time of our attendance, the modular barge was observed to be fully assembled, afloat and moored at the riverside near Sengkang Riverside Park, Singapore at an even draft of 0.8 m on all sides.

Attending as above, we carried out an inspection of the vessel's hull (above waterline), deck, equipment and outfitting. The following were noted:

## **EXTERNAL HULL (ABOVE WATER LINE)**

Where visible and accessible, all side shell platings of the vessel were seen to be in apparent sound serviceable condition. The hull, above water line, was seen to be satisfactory coated and free of apparent damage. Four (4) spud leg holder brackets and two (2) in-built embarkation ladders were fitted on the hull. Ship markings such as vessel's name, load lines, draft and plimsoll markings were clear and visible.



## **MAINDECK**

A 2 tier railing was fitted at the perimeter all around the main deck of the modular barge. We noted all couplings between the modules were secured and locked in place. Where visible, the main deck plating was covered with light rust formation, however was seen to be in apparent sound serviceable condition without any significant buckling or other defects.

## **VOID TANKS**

Each modular unit was reportedly outfitted with 3 void tanks segregated by 2 transverse watertight bulkheads. Therefore the modular barge when fully assembled has a total of eighteen (18) void tanks. Entry into each void tank is through a manhole on deck. All entry points were well secured with full complement of manhole covers, gaskets, stainless steel studs and nuts.

## **DECK FITTINGS**

1. A total of eight (8) mooring chocks and four (4) single bitt bollards fitted at each quarter of the main deck were noted as satisfactorily coated and free of apparent damage.
2. The modular barge is provided with two (2) sets of tow brackets at the forward section of the main deck. These were noted to be in generally good condition.
3. Two (2) sets of embarkation / disembarkation ladders, with one outfitted on each side of the modular barge hull were noted as satisfactorily coated and free of apparent damage.
4. A total of four (4) spud leg holder brackets, with two outfitted on each side of the modular barge were satisfactorily coated and free of apparent damage.
5. A total of twenty four (24) lifting eye brackets, each of 25 tons SWL, with four (4) lifting brackets on each module
6. Two (2) cylindrical spud legs were stowed on another modular barge and noted in sound serviceable condition without any deformations.

## **MODULAR COUPLING SYSTEM**

The modular barge consists of six (6) individual precision-built, steel pontoon modules each measuring 18m x 4.9m x 3.0m and each weighing about 60 tons. The modular coupling system is designed to provide a stiff connection between the modules to provide rigidity to the overall barge structure when assembled together. The modules are usually assembled on land by lifting and placing them one by one beside each other on a set elephant leg platforms. The modules can also be assembled while afloat, however this will require diving operations to ensure the locking systems are in place at the bottom section of each module.

The pontoon modules are coupled together by Ravestein CP 4088 couplings which are made in Netherlands. This consists of 3 couplings on the inner longitudinal side (top and bottom) and 5 couplings on the inner transverse side (top and bottom) of each module. The bottom sections are coupled together by a set of T-hooks/pins and a system of levers/keys operated from the main deck. The top sections are coupled together by a series of bolts/nuts tightened manually from the deck. The coupling system is maintained by regularly levers pumping grease through grease points located on deck. The grease is carried down through hoses to all moving parts of the lever system.

Once the couplings are locked and secured, all parts are located below the main deck level and do not pose any obstructions to movement of cargo on deck.

## **CONCLUSION**

From our survey, we would consider the modular barge to be reasonably well built in accordance with good marine practice, and in apparent structurally sound serviceable condition, free of apparent damage and suitable for its intended purposes.

## **VALUATION**

In determining the estimated fair value of the vessel, we have considered the following:-

1. The type, size, equipment, outfitting on board and other specifications of the vessel.
2. The age of the vessel and her future life expectancy.
3. The condition of the vessel's hull and equipment/outfitting as found.
4. The current state of supply and demand of vessels of this type & size in the sales/purchase market.

In addition, 2 valuation methodologies were looked into to support our estimated current fair value range.

**Replacement Cost Method** – The estimated new built cost to construct a similar vessel in this region is between S\$850,000 to S\$950,000. For the replacement cost approach, we consider the estimated newbuilding cost and adjust it by the respective age of the “RC366” to derive at a valuation range. The valuation range by the replacement cost approach is between S\$720,000 to S\$810,000. As RC366 is fairly new, the replacement cost method is a more suitable methodology.

**Economic Value Method** – Economic value approach is generally used to value older vessels at the end of their lifespan but are sufficiently maintained for a considerable period of spot charter or time charter. The client has provided a copy of their charter contract invoice for “RC366” which we have sighted. The monthly charter fee was S\$25,000 for a period between July 2018 and June 2019. As “RC366” is fairly new, we will consider 3 years of charter utilization as her economic value. The economic value in this case is S\$900,000.

From the foregoing, we are of the considered opinion that the estimated current fair value of the steel modular barge “**RC366**” would be in the region of:

**S\$ 700,000.00 – S\$ 800,000.00**

**(SINGAPORE DOLLARS : SEVEN HUNDRED THOUSAND TO EIGHT HUNDRED THOUSAND ONLY)**

**REMARKS**

The above valuation is given on the understanding of the possible existence of different perspective values for the same vessel. Our valuation above is given after due consideration of transactions done on or about the prevailing time in the open market on the basis of willing buyer and willing seller of similar vessels in "average condition" and not under the condition of forced sale. While reasonable care has been taken to ensure accuracy of the value provided, ALC Consulting Services Pte Ltd do not guarantee that the stated value(s) could be achieved in future actual transactions.

The valuation is solely for the information of the party instructing us and whosoever intends to act upon this valuation should first satisfy himself by inspection of the vessel or otherwise as to the correctness of the particulars given.

A handwritten signature in blue ink, appearing to be "V. Chee Kee", written over a horizontal dotted line.

**VON CHEE KEE /  
JASON LEE  
ATTENDING APPRAISERS**

A handwritten signature in blue ink, appearing to be "f.i.z.", written over a horizontal dotted line.

**FOR & ON BEHALF OF  
ALC CONSULTING SERVICES  
PTE LTD**



Attachments:

Photographs taken at time of survey

## PHOTOGRAPHS



(1)

Modular Barge “RC366” at Sengkang Riverside, Singapore on 28.07.2020



(2)

General view



**PHOTOGRAPHS**



(3)  
Vessel name



(4)  
Aft shell plating

## PHOTOGRAPHS



(5)  
Port shell plating



(6)  
Port shell plating



## PHOTOGRAPHS



(7)

Spud housing bracket outfitted at port side



(8)

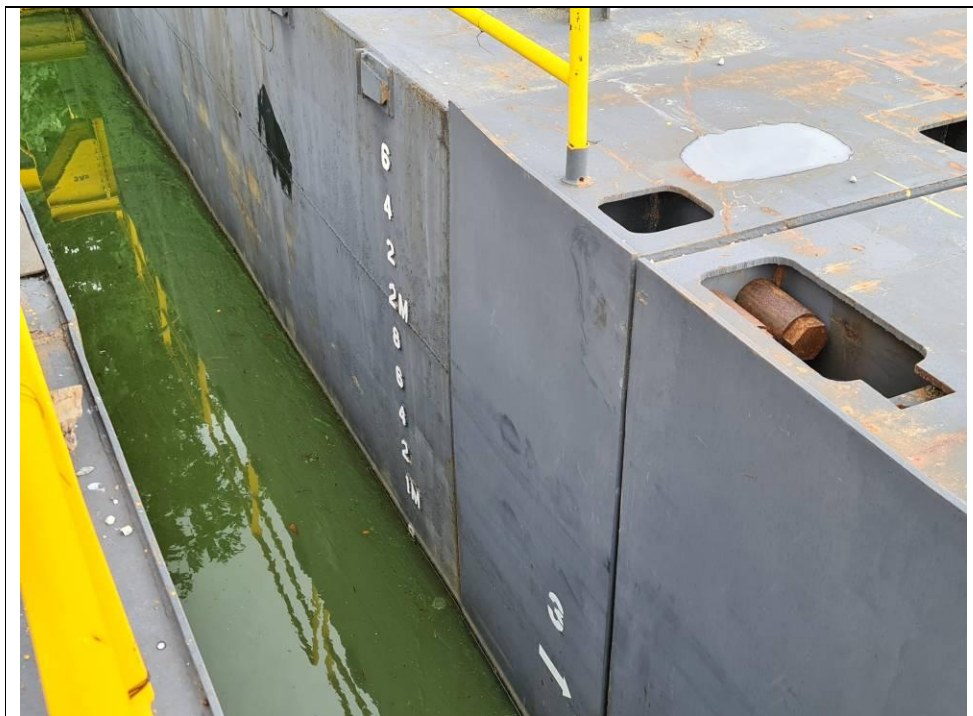
Spud housing bracket outfitted at port side

**PHOTOGRAPHS**



(9)

Embarkation / disembarkation ladder outfitted at port side



(10)

Starboard shell plating



## PHOTOGRAPHS



(11)  
Starboard shell plating



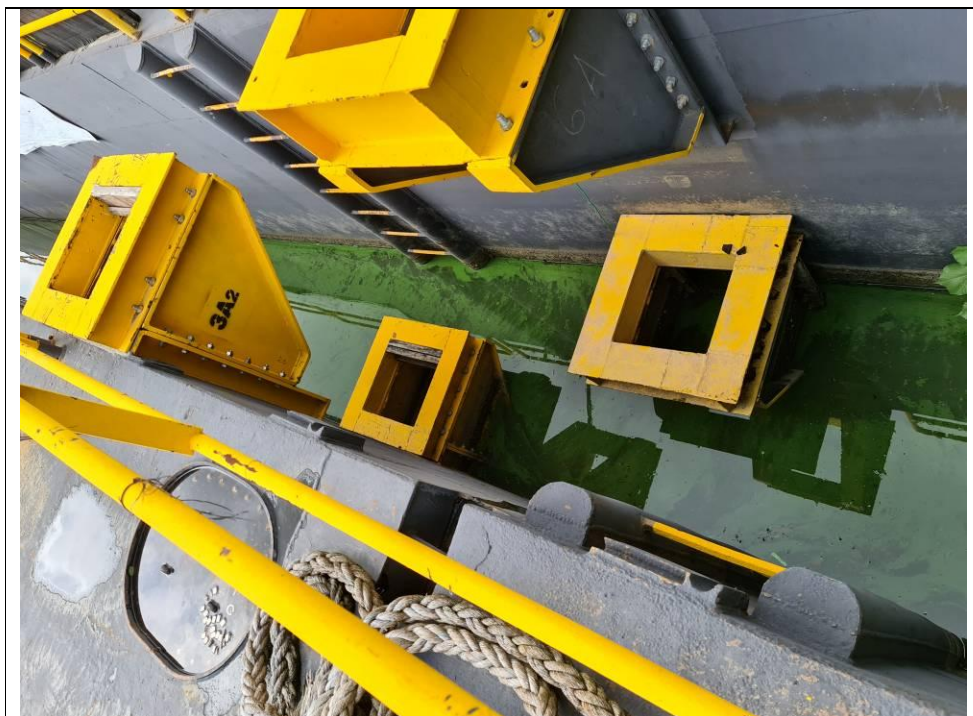
(12)  
Spud housing bracket outfitted at starboard side

## PHOTOGRAPHS



(13)

Spud housing bracket outfitted at starboard side



(14)

Embarkation / disembarkation ladder outfitted at starboard side



**PHOTOGRAPHS**



(15)  
Spud legs



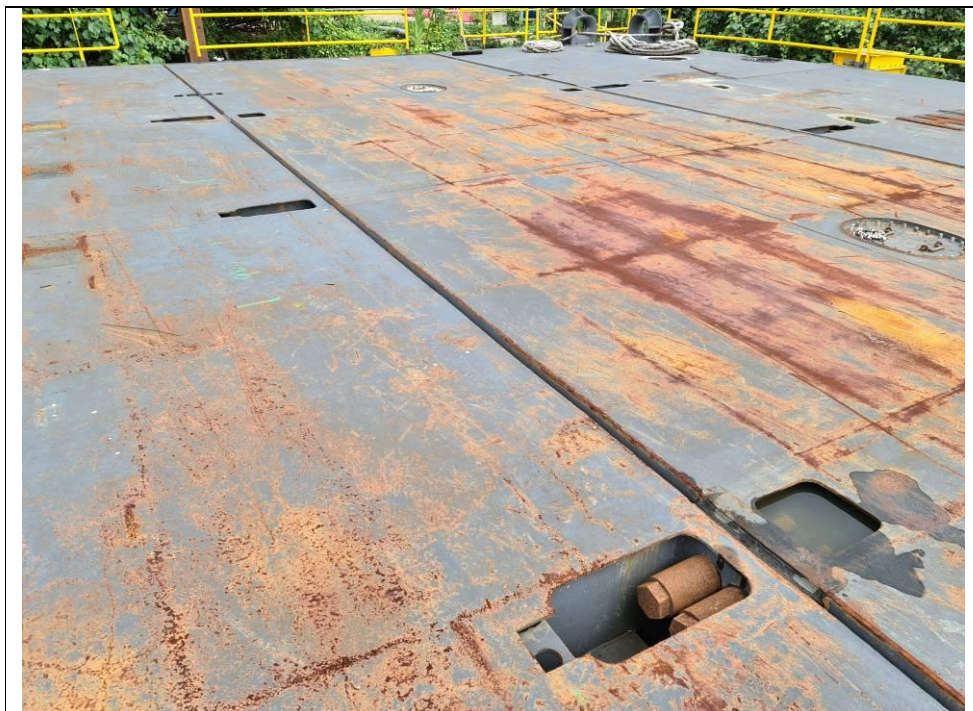
(16)  
Main deck



## PHOTOGRAPHS



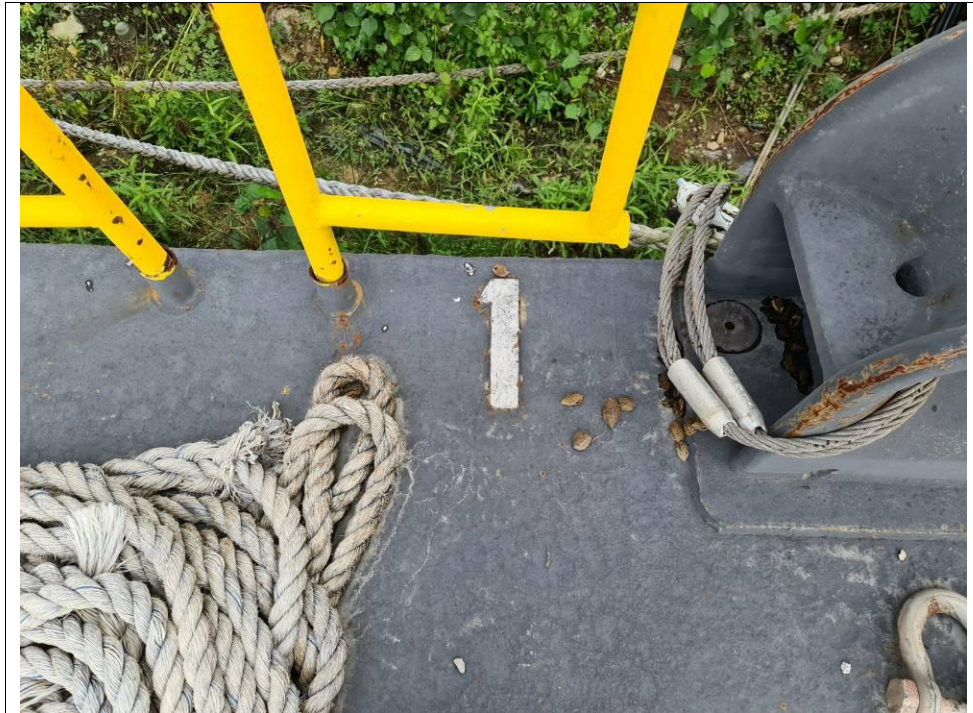
(17)  
Main deck



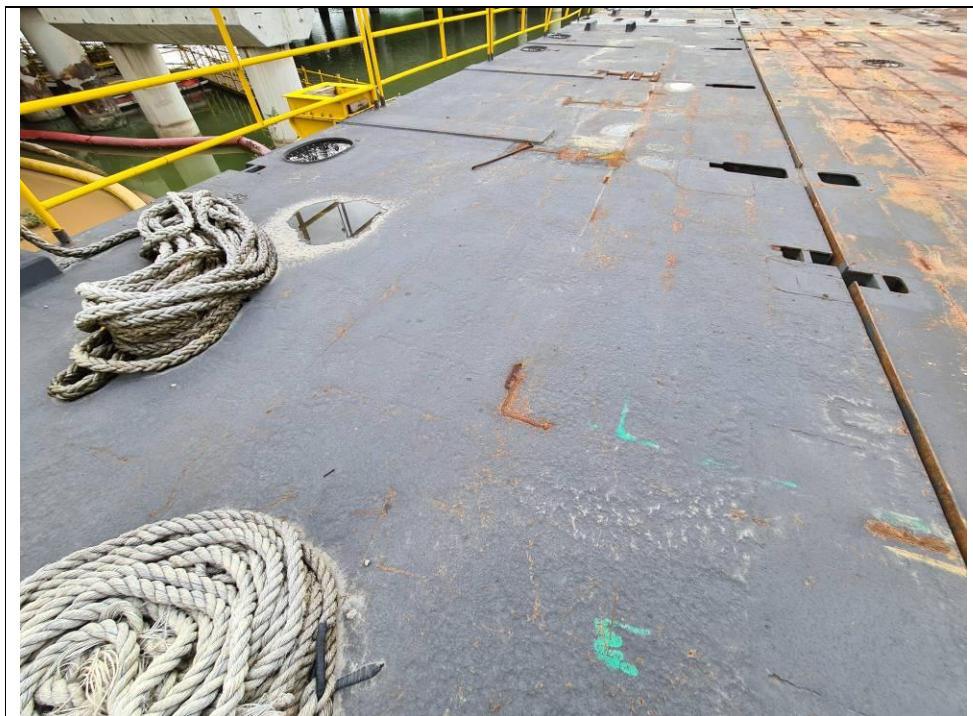
(18)  
Main deck



**PHOTOGRAPHS**



(19)  
No. 1 module



(20)  
Deck of no. 1 module



**PHOTOGRAPHS**



(21)  
No. 2 module



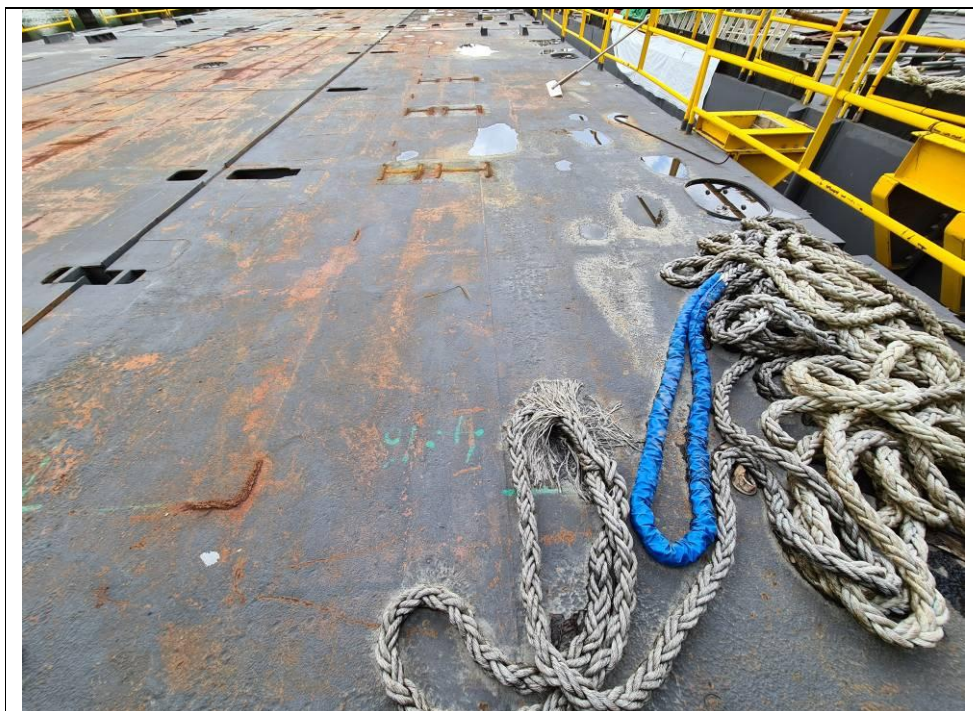
(22)  
Deck of no. 2 module



**PHOTOGRAPHS**



(23)  
No. 3 module



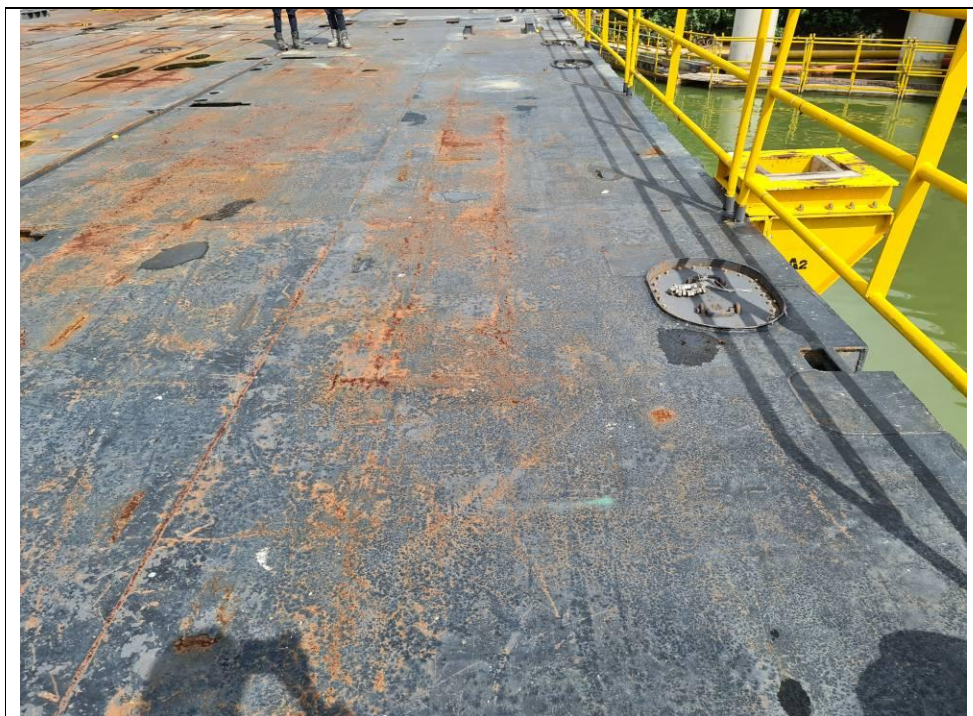
(24)  
Deck of no. 3 module



**PHOTOGRAPHS**



(25)  
No. 4 module



(26)  
Deck of no. 4 module



**PHOTOGRAPHS**



(27)  
No. 5 module



(28)  
Deck of no. 5 module



**PHOTOGRAPHS**



(29)  
No. 6 module



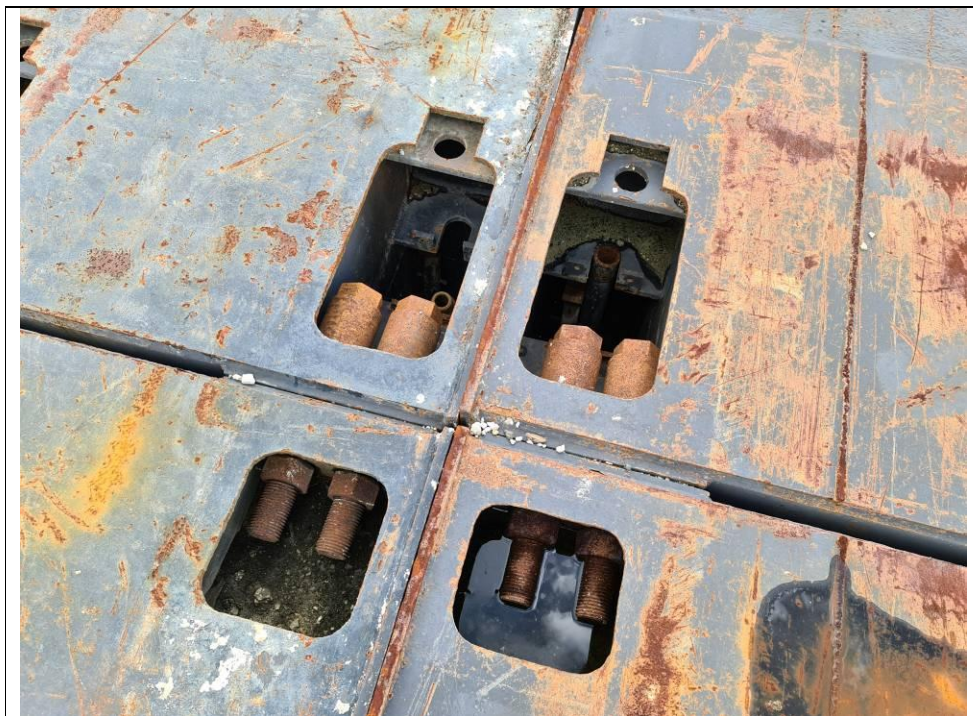
(30)  
Deck of no. 6 module



**PHOTOGRAPHS**



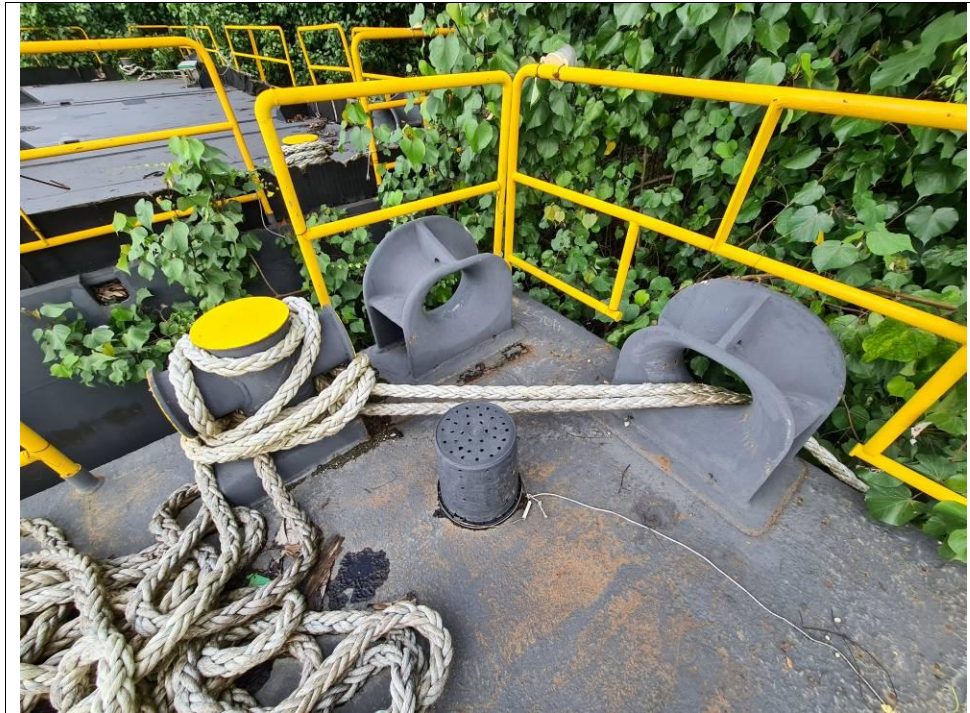
(31)  
Coupling system on deck



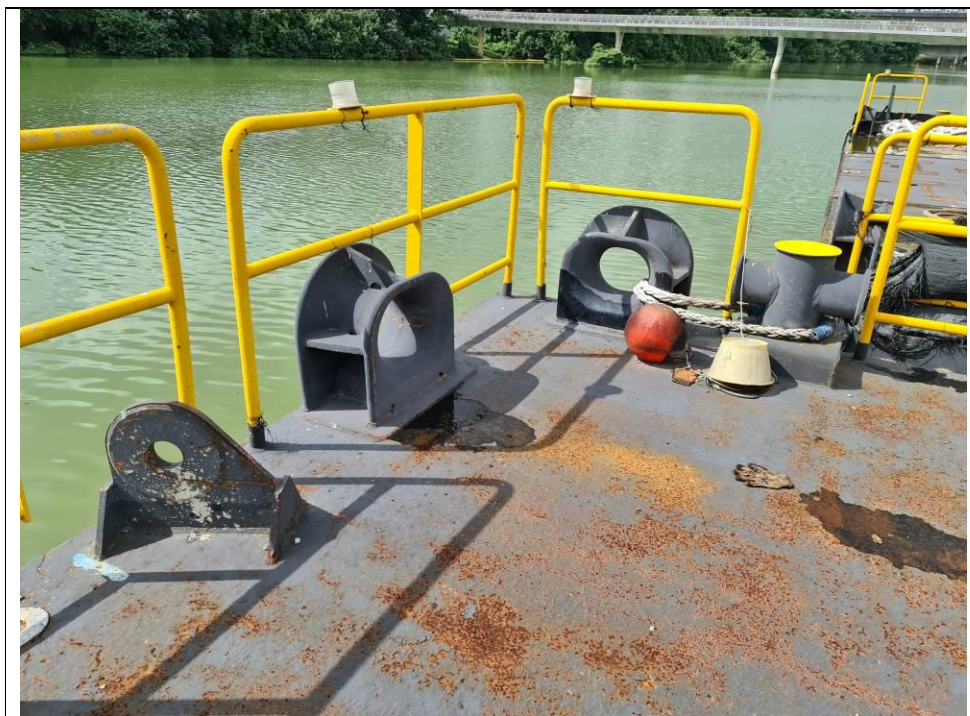
(32)  
Coupling system on deck



**PHOTOGRAPHS**



(33)  
Mooring chocks / bitt at aft quarter



(34)  
Mooring chocks / bitt / towing bracket at forward quarter



**PHOTOGRAPHS**



(35)  
Plimsoll marking / load line



(36)  
Draft mark

## APPENDIX 5: ALC CONSULTING SERVICES PTE LTD - EENDRACHT



**REPORT  
OF  
VALUATION SURVEY  
CRANE BARGE “EENDRACHT”**

**THIS IS TO REPORT** that at the request of Entire Engineering Pte Ltd, Singapore and in the interests of BDO Corporate Finance (East Coast) Pty Ltd, Australia, we the undersigned Marine Surveyors & Appraisers,

**ALC CONSULTING SERVICES PTE LTD**

did on 28 July 2020 attend onboard the Crane Barge,

**“EENDRACHT”**

of Belize Registry and 320 gross registered tonnage whilst she was berthed and moored at PT ASL Shipyard, Batam – Indonesia. The purpose of this survey report was to determine its general condition for valuation purpose and to be included as part of the Independent Expert Report prepared by BDO.

**DESCRIPTION OF VESSEL**

The vessel “EENDRACHT” is an all steel constructed non propelled crane barge built in Slob Shipyard, Holland, Netherlands in 1967. She has a raked bow, raked stern, straight sides and a flat bottom. The underdeck hull of the barge is comprised of void tanks, accommodation compartments, engine compartments and store rooms segregated by longitudinal and transverse bulkheads and accessed through manholes, watertight access doors and hatch covers on deck.

The Eendracht pedestal mounted deck crane of SWL 12 tons is equipped with a monitoring system which allows accurate placements of its load. The anchoring / mooring system comprises of two sets of double drum hydraulic winches connected to four (4) anchors.

The vessel is under the governing rules of Port of Belize.

**PARTICULARS OF BARGE**

Name	:	<b>"EENDRACHT"</b>
Type	:	Crane Barge
Port of Registry	:	Belize
Registration Number	:	069610271
Registered Length	:	33.62 m
Breadth	:	13.90 m
Depth	:	2.20 m
Gross Tonnage	:	320
Nett Tonnage	:	96
Deck Crane	:	Eendracht Pedestal mounted Deck Crane with SWL of 12 tons @ 14 m SWL 12 tons @ 22 m
Engine	:	One (1) Lister Blackstone ERS6MA marine engine (Not working)
Generators	:	One (1) Generator @700/800 KVA Two (2) Perkins Generators
Mooring system	:	Two (2) Double drum mooring winches connected to four (4) anchors
Classification	:	Unclassed
Owners	:	Entire Engineering Pte Ltd, Singapore
Place Built	:	Slob Shipyard, Netherlands
Year Built	:	1967

## **CERTIFICATES**

Copies of the certificates are attached with this report.

<u>Certificates</u>	<u>Issued</u>	<u>Expiry</u>
Certificate of Registry	08.07.2015	Permanent
International Tonnage Certificate	25.06.2015	Permanent
International Load Line Certificate	03.10.2018	16.05.2023
Non-Convention Safety Construction	03.10.2018	16.05.2021
Non-Convention Safety Equipment (expired)	03.10.2018	16.05.2020

The above mentioned certificates were sighted on 19 March 2020 before sales transaction was carried out.

## **SURVEY**

At time of our attendance, the crane barge "EENDRACHT" was berthed and moored at PT. ASL Shipyard, Batam – Indonesia. The barge drafts were noted to be as follows:

Forward draft : 1.50 m  
Aft draft : 1.50 m

Attending as above, we carried out an inspection of the barge hull (above waterline), decks, machinery, equipment and outfitting. The following were noted:-

## **EXTERNAL HULL (ABOVE WATERLINE)**

The barge was fitted with a raked bow, straight sides and raked stern.

Where accessible, the external hull above the waterline was noted to be in apparent sound condition. The hull was adequately coated and free of apparent damage except for scattered rust patches noted throughout. Load line markings and draft markings were not clearly visible. There were marine growth and barnacles noted at the hull along the waterline.

## **MAIN DECK**

Where visible, the main deck plating was seen to be in apparent sound condition except for rust patches noted at several locations. No structural waviness or major indentations were found.

The main deck of the barge is reinforced in way of the crane foundation. The main deck outer perimeter was fitted with two tier safety railings at the deck edge. It was noted in apparent sound serviceable condition.

## **DECK PEDESTAL CRANE**

The Eendracht pedestal mounted deck of 12 tons SWL was fitted at the midship section of the main deck. The crane pedestal column structure was noted in apparent sound condition with no dents or deformities found. The crane was reported to be in sound serviceable condition.

The crane chassis body was mounted on a revolving turntable that is connected to the crane pedestal. The crane housing comprises of the operator's cabin and control room. Where visible, the external chassis body of the crane from rear to front and from the undercarriage to the boom top including the crane counterweights and operator's cabin were noted to be well coated and free of apparent damages / defects.

The air conditioned operator's cabin was designed for a single crane operator and fitted with glass panels at the forward and side sections. Window wipers were fitted at the forward glass panels. Internally the cabin was equipped with an adjustable seat, display monitor, various control levers and control buttons. All were noted to in apparent sound and serviceable condition.

The prime mover engine is located in the control room at the rear below the operator's cabin and it drives the motor system for crane hoisting mechanism. Externally the prime mover engine and the motor drives were noted to be in apparent sound serviceable condition.

The crane turntable appeared to be well maintained and in good external condition. It is designed to provide 360 degree swinging action of the chassis/boom fitted at the top of it. Where visible, the crane turntable was noted in sound condition and free of significant damages / defects.

The Control room is located within the chassis body. Where visible, the hoisting motor, slewing motor, luffing motor, control panel, drum motor, brake pads, etc. were found to be in externally sound serviceable condition with no significant damages / defects were noted. The system would appear to be free of oil leakage. The main and auxiliary hoist wire ropes were greased and appeared to be in satisfactory condition.

Where visible, the crane boom structure was noted intact and free of apparent damages / defects.

## **DECK FITTINGS**

Two (2) sets of double drum hydraulic winches c/w their respective local control stands and wire ropes spooled to the drum were noted fitted on the main deck with one (1) set on the after portside and one (1) set on the after starboard side. These are used for mooring and anchoring purposes. The winches were reported to be in apparent working condition and noted to be well maintained.

Two (2) generator sets were stowed at the forward centre section and port midship section of the main deck. These are used to supply electrical power to the crane and accommodation. The generators were reported to be in apparent working condition and noted to be well maintained.

Eight (8) units of universal fairleads were fitted on deck with four (4) units at the forward section and four (4) units at the after section. These were noted in apparent serviceable condition.

Two (2) watertight access doors and one (1) container accommodation were located at the after section of the main deck. These were noted in apparent serviceable condition.

## **DECK EQUIPMENT / OUTFITTERS**

- One (1) unit Eendracht pedestal mounted Deck Crane of 12 tons SWL
- Two (2) sets of hydraulic winches of 50 tons c/w local control stand and steel wire ropes of 26mm  $\varnothing$  x 250m (L)
- Two (2) Generator sets
- Eight (8) units of Universal fairlead rollers
- 2-tier safety railings around the main deck perimeter
- Fifteen (15) sets of single bitt bollards
- Two (2) units of Vertical H beams
- Four (4) units of Anchors
- Four (4) units of Drum buoys
- One (1) unit of stone grab
- One (1) unit of sand/mud grab

## **ACCOMMODATION**

The external structure of the accommodation was noted to be in apparent sound condition, well coated and free of apparent damage. The weathertight doors where fitted were noted to be intact and free of apparent damage.

Internally in the accommodation, the galley, toilet/laundry room, store rooms, crew cabins and mess area were fitted with essential furniture / fittings and noted to be satisfactory condition.

The galley, toilet/laundry room and store rooms were located on the maindeck level. The crew cabins and mess room were located below the main deck.

The galley is equipped with a stainless steel table top, a single-bowl stainless steel wash basin, a refrigerator and wooden cabinets. The common toilet floor was laid with ceramic tiles and equipped with a water closet and washing machine.

We also noted there was one (1) container outfitted on the main deck used as crew cabin. Internally, the crew cabin is fitted with two (2) double decker beds. The crew cabin was noted furnished with wardrobes and bed frames.

## **ENGINE & MACHINERY COMPARTMENTS**

The engine room appeared to be in clean and well maintained condition. The internal shell structural members, where sighted, were noted in apparent sound serviceable condition; free of apparent damage.

- One (1) unit of Lister Blackstone marine diesel engine developing power of 495 hp at 750 rpm, driving a SMIT Slikerveer electric generator rated at 450 volt 250 kW at 750 rpm (not working)
- One (1) unit of Perkins Generator
- One (1) unit of Dirty Oil Sludge Pump
- One (1) unit of General Service/Fire Pump
- One (1) set of Fresh Water Pressure Set
- Working bench c/w tools

All the above equipment were noted in sound serviceable condition.

## **LIFE SAVING / FIRE FIGHTING APPLIANCES**

Approved type life saving appliances were fitted and stowed according to the LSA/FFA plan in accordance with International Convention for the Safety of Life at Sea (1974) :-

- One (1) Liferaft of 6-persons capacity
- Three (3) Lifebuoys with line
- Six (6) Lifejackets
- One (1) Fire pump
- Three (3) Safety plans
- Two (2) Muster list
- Two (2) Horn general/fire alarm
- One (1) Portable emergency fire pump
- Three (3) Fire main with fire valves
- One (1) International shore connection
- Five (5) Powder fire extinguishers
- Four (4) CO<sup>2</sup> fire extinguishers
- One (1) Wheeled CO<sup>2</sup> fire extinguisher
- One (1) Fire axe
- Two (2) x Fire hose boxes
- Various fire extinguishers

The above equipment was noted to be in sound serviceable condition.



## **CONCLUSION**

From our inspection, we would consider that the barge to be constructed apparently in accordance with satisfactory marine practice, structurally sound, serviceable and suitably equipped for her intended purposes.

## **VALUATION**

In determining the estimated fair value of the barge, we have considered the following:-

- 1) The type, size, main & auxiliary machinery fitted on board and other specifications of the barge.
- 2) The age of the barge and her future economic life expectancy.
- 3) The condition of the barge's hull, machinery and equipment as noted.
- 4) The supply and demand for barges of this type & size in the sales & purchase market.

For "EENDRACHT", we have applied the Economic Value methodology to derive at her estimated current fair valuation range.

Economic Value Method – Economic value approach is generally used to value older vessels at the end of their lifespan but are sufficiently maintained for a considerable period of spot charter or time charter.

As a crane barge, the charter options for "EENDRACHT" are shorter in nature and cater generally for spot project work. When gainfully chartered, the estimated monthly charter for this type of vessel is between S\$60,000 and S\$75,000. The client has provided a copy of their spot charter contract at S\$75,000 for the month of April 2019 which we have sighted. Due to the vessel age, current operational condition and prospective short term charter contracts, we will consider 0.5 year of charter utilization as her economic value. The economic value range in this case is in the range of S\$360,000 and S\$450,000.

Based on the foregoing, we are of the opinion that the estimated fair value of the floating crane barge "EENDRACHT" would be in the region of:

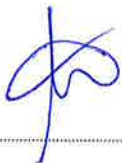
**S\$ 350,000.00 – S\$ 450,000.00**

**(SINGAPORE DOLLARS: THREE HUNDRED FIFTY THOUSAND TO FOUR  
HUNDRED FIFTY THOUSAND ONLY)**

**REMARKS**

The above valuation is given on the understanding of the possible existence of different perspective values for the same vessel. It is given after due consideration of transactions done on or about the prevailing time in the open market on the basis of willing buyer and willing seller of similar vessels in "average condition" and not under the condition of forced sale. While reasonable care has been taken to ensure accuracy of the value provided, ALC Consulting Services Pte Ltd do not guarantee that the stated value(s) could be achieved in future actual transactions.

The valuation is solely for the information of the party instructing us and whosoever intends to act upon this valuation should first satisfy himself by inspection of the vessel or otherwise as to the correctness of the particulars given.

A handwritten signature in blue ink, appearing to be "SALMAN AL FARIZI".

**SALMAN AL FARIZI /  
JASON LEE  
ATTENDING APPRAISERS**

A handwritten signature in blue ink, appearing to be "f. n.". Below the signature is a horizontal dotted line.

**FOR & ON BEHALF OF  
ALC CONSULTING SERVICES  
PTE LTD**



Attachments:

Copies of Vessel Certificates

Photographs taken at time of survey

**PHOTOGRAPHS**



(1)

Crane barge “EENDRACHT” at PT ASL Yard, Batam on 28.07.2020

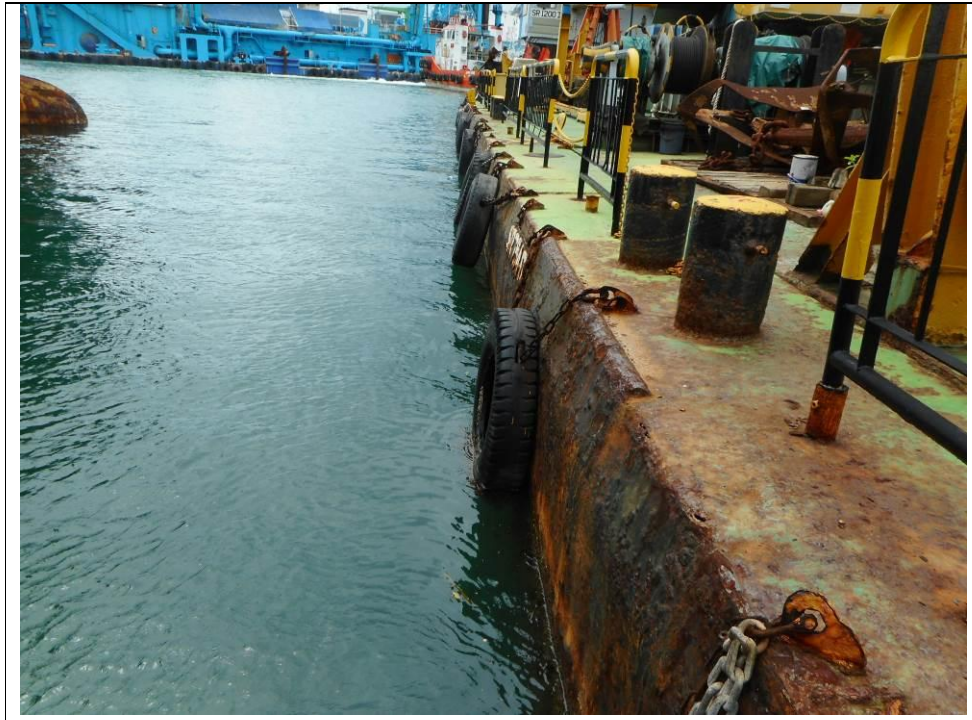


(2)

Vessel Name

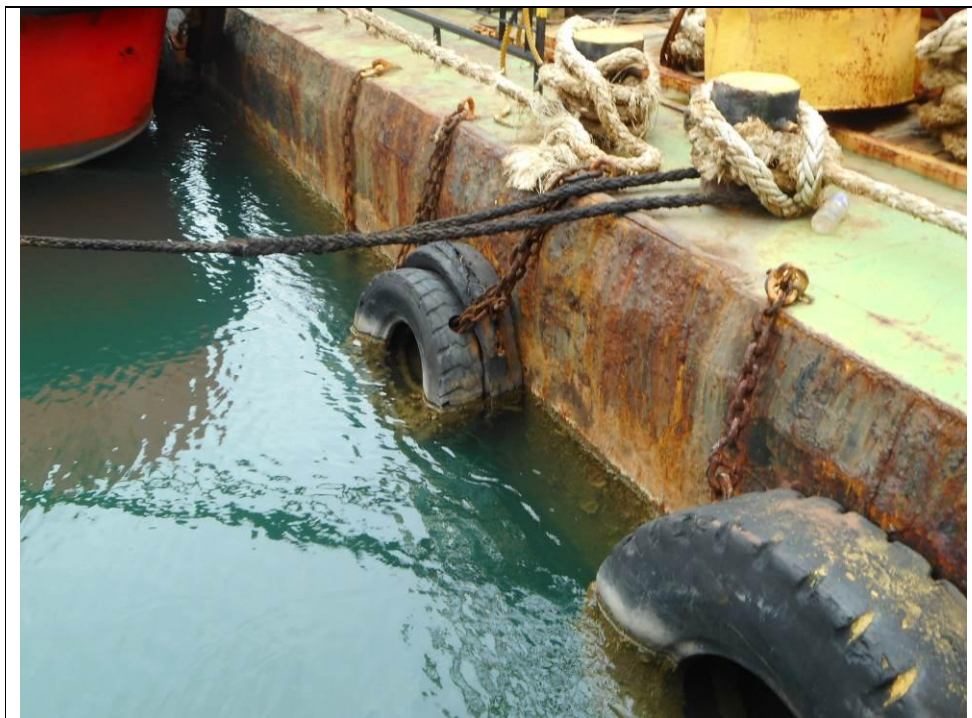


## PHOTOGRAPHS



(3)

Port side hull

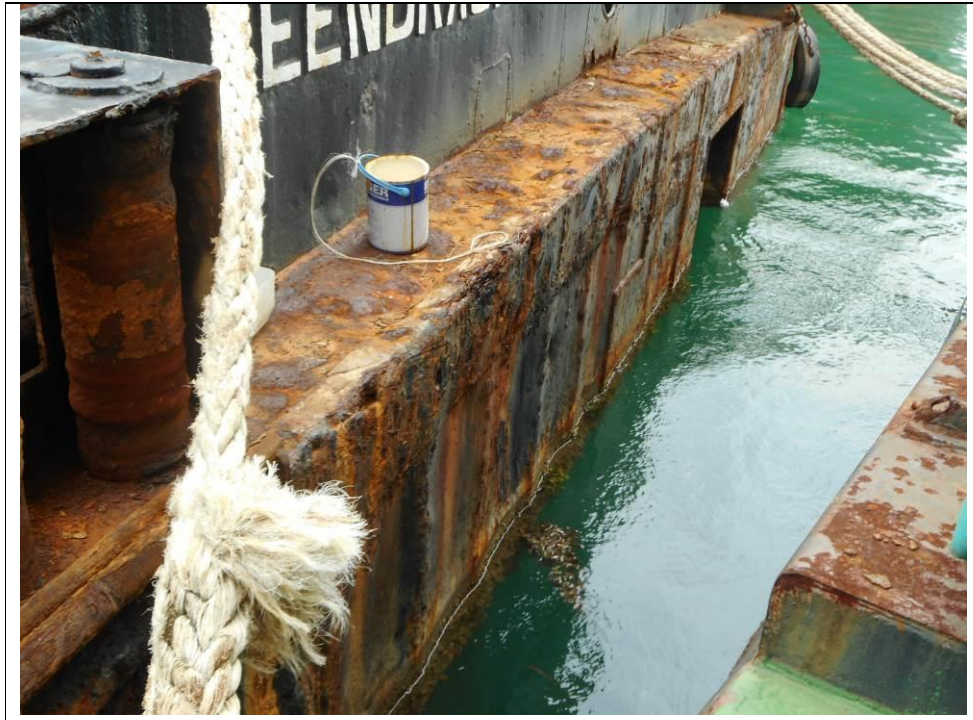


(4)

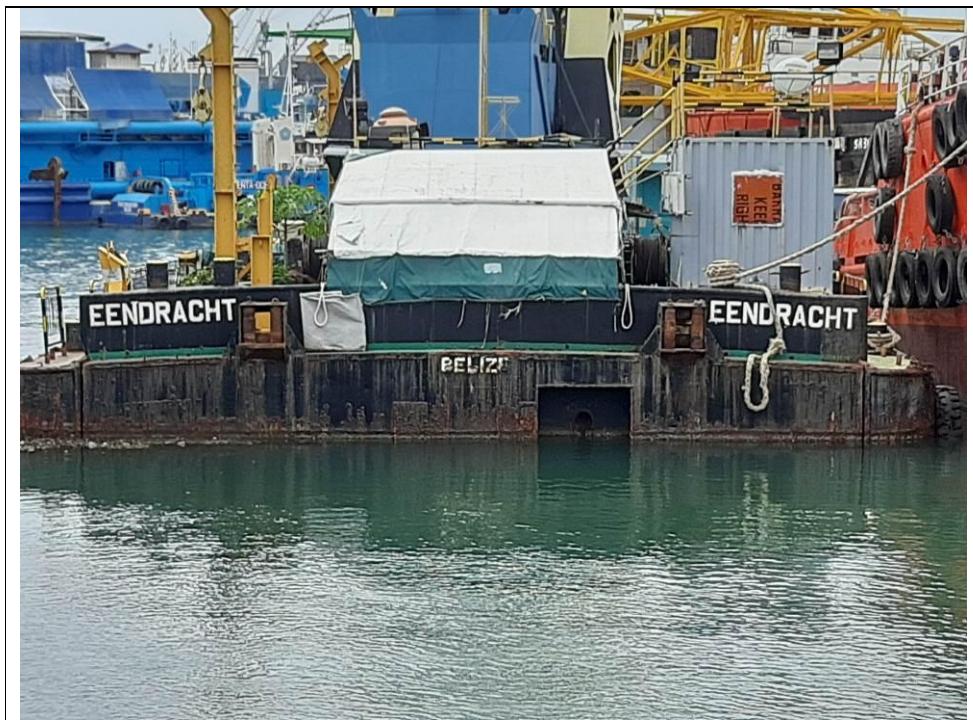
Starboard side hull



**PHOTOGRAPHS**

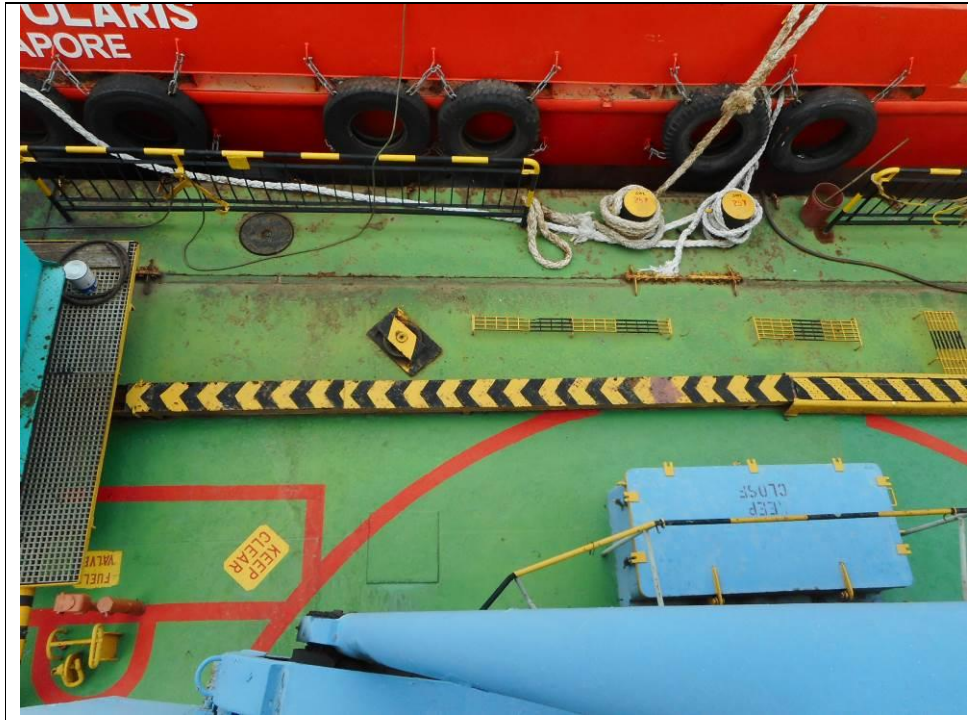


(5)  
Head log



(6)  
Stern log

## PHOTOGRAPHS



(7)  
Main deck



(8)  
Main deck



## PHOTOGRAPHS



(9)

Pedestal mounted deck crane



(10)

Pedestal mounted deck crane



## PHOTOGRAPHS



(11)

Crane turntable parts



(12)

Operator cabin

**PHOTOGRAPHS**



(13)

Operator cabin (internal)



(14)

Crane control room



## PHOTOGRAPHS



(15)  
Control panel

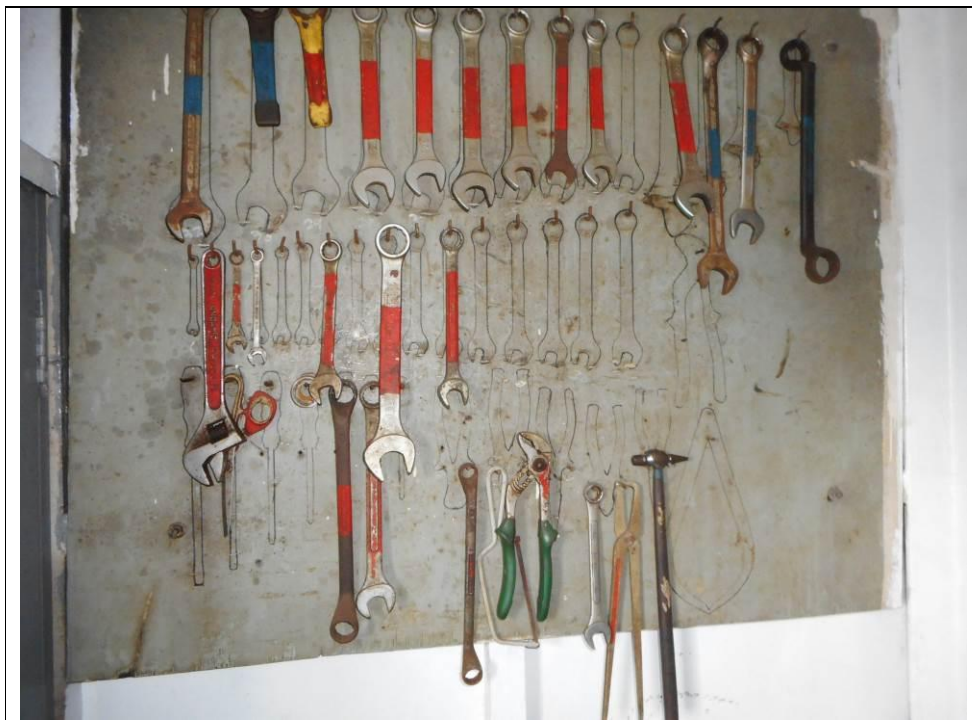


(16)  
Hoisting motor

## PHOTOGRAPHS



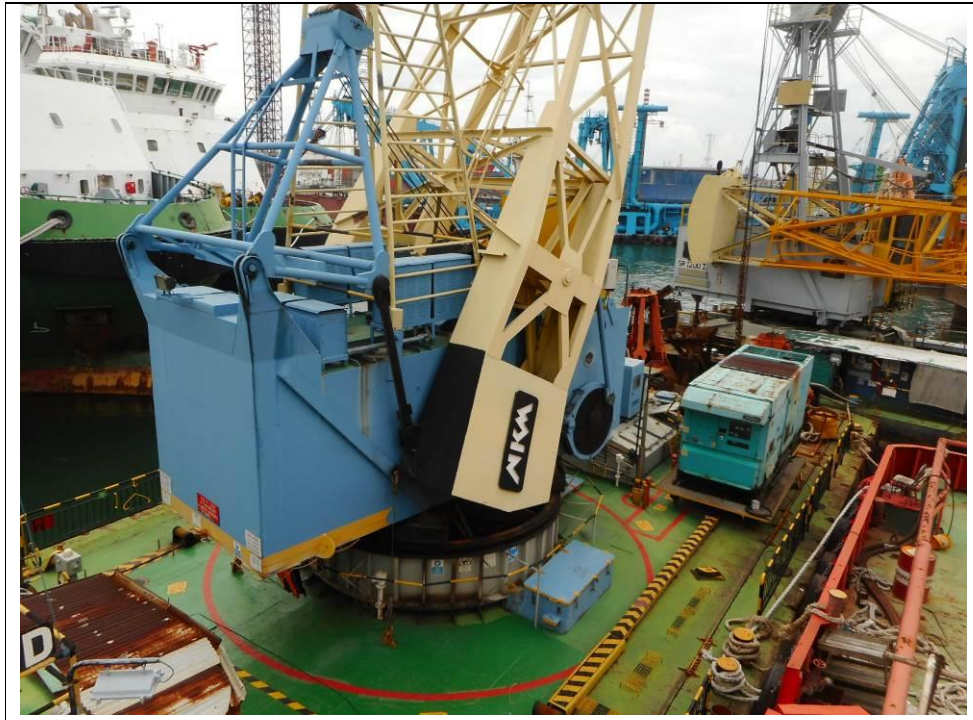
(17)  
Luffing motor



(18)  
Various tools

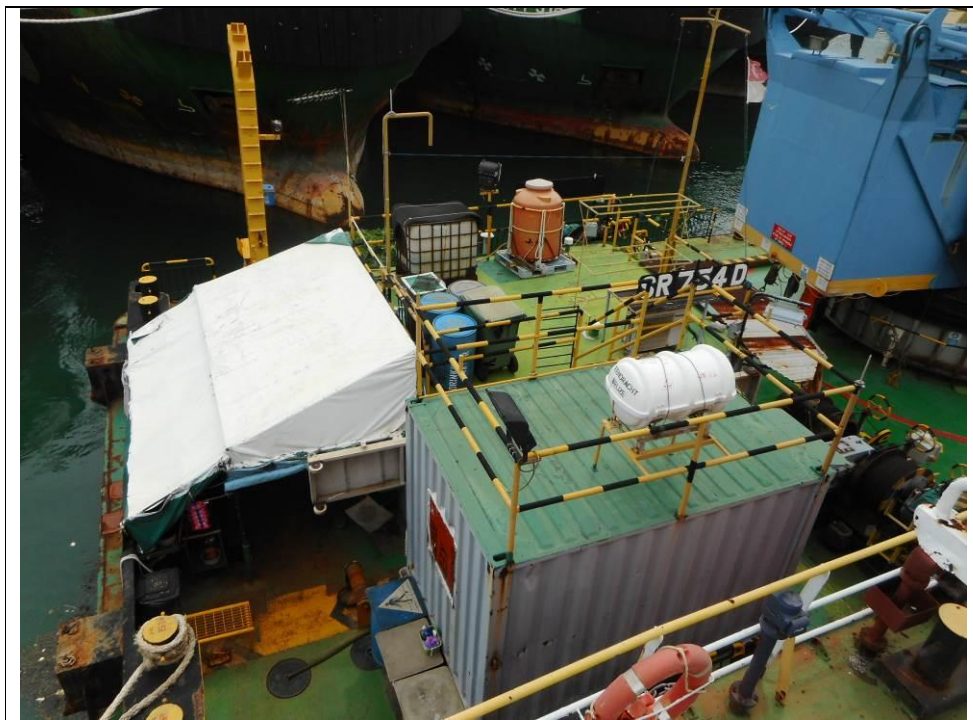


## PHOTOGRAPHS



(19)

General view of equipment on main deck



(20)

General view

## PHOTOGRAPHS



(21)

Generator set



(22)

Generator set



**PHOTOGRAPHS**



(23)

Port side Anchor and mooring winch



(24)

Starboard side Anchor and mooring winch

## PHOTOGRAPHS



(25)

Universal fairlead rollers



(26)

Drum buoys



## PHOTOGRAPHS



(27)

Sheltered space for crew on maindeck



(28)

Watertight door to Accommodation

**PHOTOGRAPHS**



(29)  
Mess Room



(30)  
Work room

## PHOTOGRAPHS



(31)

Toilet / laundry room



(32)

Stairway leading down to crew cabins



**PHOTOGRAPHS**



(33)  
Crew cabin



(34)  
Store

**PHOTOGRAPHS**



(35)

Container cabin



(36)

Crew cabin



## PHOTOGRAPHS



(37)

Watertight door to engine and store compartment



(38)

Stairway leading down to the compartments

**PHOTOGRAPHS**



(39)

Engine compartment



(40)

Engine compartment



## PHOTOGRAPHS



(41)

Lister Blackstone marine diesel engine



(42)

SMIT slikkerveer electric generator

**PHOTOGRAPHS**



(43)

Air reservoirs



(44)

Lub oil tank



## PHOTOGRAPHS



(45)

Work bench and tools



(46)

Fuel and bilge pump



**PHOTOGRAPHS**



(47)

Perkins Generator set



(48)

Store compartment

**PHOTOGRAPHS**



(49)

Store compartment



(50)

Anchor

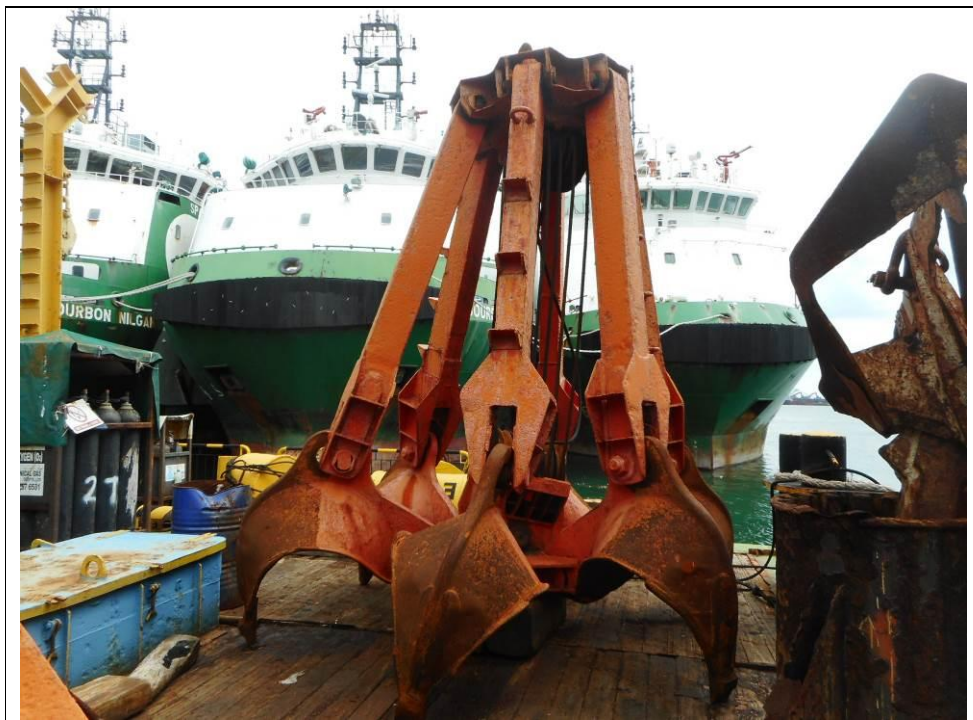


**PHOTOGRAPHS**



(51)

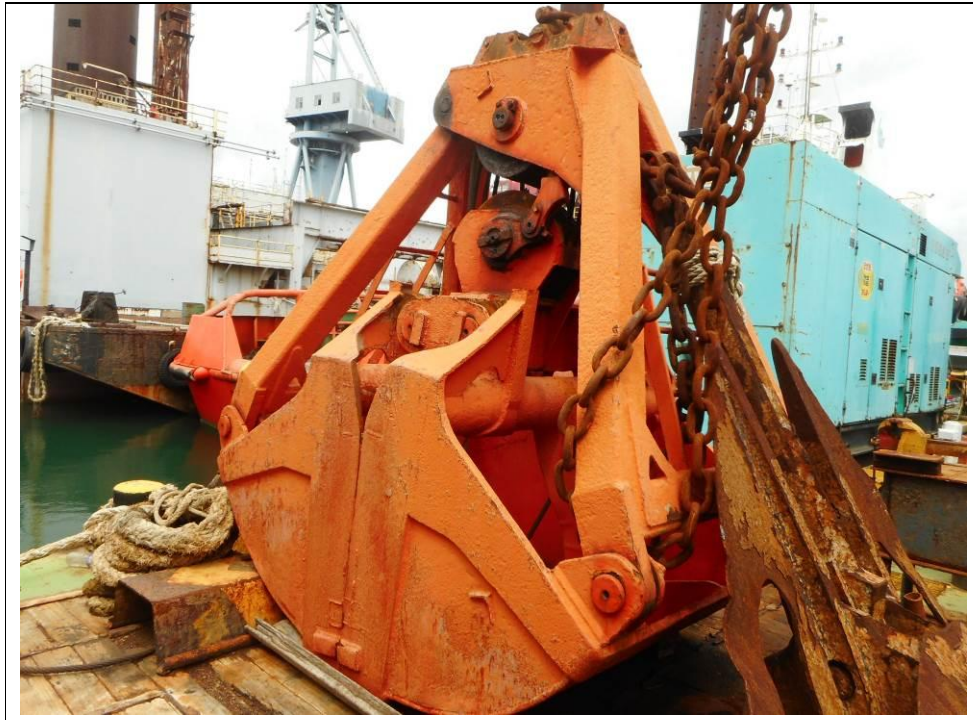
Anchor hanging at spud column



(52)

Stone grab

**PHOTOGRAPHS**



(53)  
Sand/mud grab



(54)  
Life raft



## PHOTOGRAPHS



(55)

Emergency fire pump



(56)

Fire extinguisher



## APPENDIX 6: ALC CONSULTING SERVICES PTE LTD - LONG REACH

**REPORT  
OF  
VALUATION SURVEY  
CRANE BARGE “LONG REACH”**

**THIS IS TO REPORT** that at the request of Entire Engineering Pte Ltd, Singapore and in the interests of BDO Corporate Finance (East Coast) Pty Ltd, Australia, we the undersigned Marine Surveyors & Appraisers,

**ALC CONSULTING SERVICES PTE LTD**

did on 28 July 2020 attend onboard the Crane Barge,

**“LONG REACH”**

of Belize Registry and 352 gross registered tonnage whilst she was berthed and moored at PT ASL Shipyard, Batam – Indonesia. The purpose of this survey report was to determine its general condition for valuation purpose and to be included as part of the Independent Expert Report prepared by BDO.

**DESCRIPTION OF VESSEL**

The vessel **“LONG REACH”** is an all steel constructed non propelled Floating Crane Barge built in Slob Shipyard, Netherlands in 1967. She has a raked bow, raked stern, straight sides and a flat bottom. The underdeck hull of the barge is comprised of void tanks, accommodation compartments, engine compartments and store room segregated by longitudinal and transverse bulkheads and accessed through manholes, watertight access doors and hatch covers on deck.

The track mounted Hensen R. Vermogen deck crane of 16tons SWL is able to move along the length of the barge. The mooring system comprises of two sets of double drum anchor winches at the forward and after sections.

The vessel is under the governing rules of Port of Belize.

**PARTICULARS OF BARGE**

Name	:	<b>"LONG REACH"</b>
Type	:	Crane Barge (Non-Propelled)
Port of Registry	:	Belize
Official Number	:	069410080
Registered Length	:	33.62 m
Breadth	:	13.90 m
Depth	:	2.50 m
Gross Tonnage	:	352
Nett Tonnage	:	105
Deck Crane	:	Hensen R. Vermogen track mounted Deck Crane with a SWL of 16 tons @ 13 m & SWL 10 tons @ 23 m
Engine	:	One (1) Lister Blackstone ERS6MA marine engine (Not working)
Generators	:	One (1) Generator @700/800 KVA One (1) Generator @45/37 KVA One (1) Generator
Mooring system	:	Two (2) Double drum mooring winches
Classification	:	Bureau Veritas (BV)
Owners	:	Entire Engineering Pte Ltd, Singapore
Place Built	:	Slob Shipyard, Netherlands
Delivered	:	1967

## **CERTIFICATES**

Copies of the following certificates are attached with this report.

<u>Certificates</u>	<u>Issued</u>	<u>Expiry</u>
Certificate of Registry	08.07.2015	Permanent
International Tonnage Certificate	16.07.1996	Permanent
Interim International Load Line Certificate [Expired]	06.05.2019	05.10.2019
Interim Cargo Ship Safety Construction [Expired]	06.05.2019	05.10.2019
Interim Cargo Ship Safety Equipment [Expired]	06.05.2019	05.10.2019

The above mentioned certificates were sighted in 19 March 2020 before sales transaction was carried out.

## **SURVEY**

At time of our attendance, the crane barge "LONG REACH" was berthed and moored at PT. ASL Shipyard, Batam – Indonesia. The barge drafts were noted to be as follows:

Forward draft : 1.20 m  
After draft : 2.00 m

Attending as above, we carried out an inspection of the barge hull (above waterline), decks, machinery, equipment and outfitting. The following were noted:-



## **EXTERNAL HULL (ABOVE WATERLINE)**

The barge was fitted with a raked bow, straight sides and raked stern.

Where accessible, the external hull above the water line was noted to be in apparent sound condition. The hull was free of apparent damage except for scattered rust patches noted throughout. Load line markings and draft markings were not clearly visible. There were marine growth and barnacles noted at the hull along the waterline.

## **MAIN DECK**

Where visible, the main deck plating was seen to be in apparent sound condition except for rust patches noted at several locations. No structural waviness or major indentations were found.

The main deck of the barge is reinforced in way of the crane foundation. The main deck outer perimeter was fitted with two tier safety railings at the edge. It was noted in apparent sound serviceable condition.

## **TRACK MOUNTED DECK CRANE**

The track mounted Hensen deck crane of 16 tons SWL was fitted at the centreline of the barge. It can travel along the length of the barge on a set of steel tracks to carry out various lifting operations. The crane boom was noted to be secured to the boom rest structure fitted at the forward centreline section of the barge. The boom rest was a vertical post of about 4.50 m in height.

The crane track column structure and boom rest were noted in apparent sound condition with no dents or deformities found. The crane was reported to be in sound serviceable condition.

The crane chassis body was mounted on a revolving turntable that is connected to the crane pedestal. During our attendance, we noted that the turntable was dismantled and the crane chassis was secured on H beam and pillars. The crane house comprises of the operator's cabin and control room. Where visible, the external chassis body of the crane from rear to front and from the undercarriage to the boom top including the crane counterweights and operator's cabin were noted to be well coated and free of apparent damages / defects.

The air conditioned operator's cabin was designed for single crane operator and fitted with glass panels at the forward and side sections. Window wipers were fitted at the forward glass panels. Internally the cabin was equipped with an adjustable seat, display monitor, various control levers and control buttons. All were reported to in apparent sound and serviceable condition.

The prime mover electric engine was located in the control room at the rear below the operator's cabin and it drives the motor system for crane hoisting mechanism. Externally the prime mover electric engine and the motor drives were noted to be in apparent sound serviceable condition.

The crane turntable is designed to provide 360 degrees swinging action of the chassis/boom fitted a top it. However, it was removed for repair works.

The control room is located at the top of the chassis body. Where visible, the hoisting motor, slewing motor, luffing motor, control panel, drum motor, brake pads, etc. were found to be in externally sound serviceable condition with no significant damages / defects were noted. The system would appear to be free of oil leakage. The main and auxiliary hoist wire ropes appeared to be in satisfactory condition.

Where visible, the crane boom structure was noted intact and free of apparent damages / defects.

## **DECK FITTINGS**

Two (2) sets of double drum hydraulic winches c/w local control stands respectively and wires spooled to the drum were fitted on the main deck with one (1) unit at the forward and one (1) unit at the after section of the main deck. These were used for mooring and anchoring purposes. The winches were reported to be in apparent working condition and noted to be well maintained.

Two (2) generator sets were stowed at the forward centre section and port midship section of the main deck. These were used to supply electrical power to the crane and accommodation. The generators were reported to be in apparent working condition and noted to be well maintained.

Eight (8) units of universal fairleads were fitted on deck with four (4) units at the forward section and four (4) units at the after section. These were noted in apparent serviceable condition.

There were two (2) watertight access doors leading to the accommodation space below deck and the galley on the main deck. These were noted in apparent serviceable condition

## **DECK EQUIPMENT / OUTFITTINGS**

- One (1) unit HENSEN Crane of 16 tons SWL
- Two (2) sets of double drum hydraulic winches of 50 tons SWL c/w local control stand and steel wire ropes of ø 26mm x 250m (L)
- Two (2) Generator sets
- Eight (8) units Universal fairleads rollers
- 2-tier Safety railings around the main deck perimeter
- Fifteen (15) units of Double bitt bollards
- One (1) Crane boom vertical post rest (temporary)
- Four (4) units of Anchor
- Four (4) units Drum buoys
- One (1) Stone grab

## **ACCOMMODATION COMPARTMENTS**

The accommodation compartment below the main deck was accessible from a watertight door and access hatch on the main deck. All watertight doors, access hatches where fitted were noted to be intact and free of apparent damage.

Internally in the accommodation compartments, it comprises of two (2) crew cabins, work room, mess area, toilet, store and pantry. The cabins were fitted with basic furniture such as wardrobes and double decker bed frames. The work room was fitted with a table, cabinets, and chair. The common mess area was fitted with a sofa set, wooden cabinets and a television set.

The floor of the pantry was laid with ceramic tiles. The pantry was equipped with a stainless steel table top, a single-bowl stainless steel wash basin, a refrigerator, and wooden cabinets. The common toilet floor was laid with ceramic tiles and equipped with a water closet and a washing machine.

## **ENGINE & MACHINERY COMPARTMENTS**

The engine room appeared to be in clean and well maintained condition. The internal shell structural members, where sighted were noted in apparent sound serviceable condition; free of apparent damage.

- One (1) unit of Lister Blackstone marine diesel engine developing a total power of 495 hp at 750 rpm. (Not working)
- One (1) unit of Perkins Generator
- One (1) unit of Dirty Oil Sludge Pump
- One (1) unit of General Service/Fire Pump
- One (1) unit of Freshwater Generator
- One (1) unit of Freshwater Pressure Set
- One (1) unit of Air Compressor
- One (1) set of Air Reservoirs
- Working bench c/w tools

All machineries appeared to be externally serviceable condition.



## **LIFE SAVING / FIRE FIGHTING APPLIANCES**

Approved type life-saving appliances and fire fighting appliances were fitted and stowed according to the LSA/FFA plan:-

- One (1) Liferaft of 6-persons capacity
- Three (3) Lifebuoys with line
- Two (2) Lifebuoys with light
- Six (6) Lifejackets
- One (1) Fire pump
- Three (3) Safety plans
- Two (2) Muster list
- Two (2) Horn general/fire alarm
- One (1) Portable emergency fire pump
- Three (3) Fire main with fire valves
- One (1) International shore connection
- Five (5) Powder fire extinguishers
- Four (4) CO<sup>2</sup> fire extinguishers
- One (1) Wheeled CO<sup>2</sup> fire extinguisher
- One (1) Fire axe
- Two (2) x Fire hose boxes
- Various fire extinguishers

The above equipments were noted to be in sound serviceable condition.

## **CONCLUSION**

From our inspection, we would consider that the barge to be constructed apparently in accordance with satisfactory marine practice, structurally sound, serviceable and suitably equipped for her intended purposes.

## **VALUATION**

In determining the estimated fair value of the barge, we have considered the following:-

- 1) The type, size, main & auxiliary machinery fitted on board and other specifications of the barge.
- 2) The age of the barge and her future economic life expectancy.
- 3) The condition of the barge's hull, machinery and equipment as noted.
- 4) The supply and demand for barges of this type & size in the sales & purchase market.

For "LONG REACH", we have applied the Economic Value methodology to derive at her estimated current fair valuation range.

Economic Value Method – Economic value approach is generally used to value older vessels at the end of their lifespan but are sufficiently maintained for a considerable period of spot charter or time charter.

As a crane barge, the charter options for "LONG REACH" are shorter in nature and cater generally for spot project work. When gainfully chartered, the estimated monthly charter for this type of vessel is between S\$60,000 and S\$75,000. The client has provided a copy of their spot charter contract at S\$75,000 for the month of April 2019 which we have sighted. Due to the vessel age, current operational condition and prospective short term charter contracts, we will consider 0.5 year of charter utilization as her economic value. The economic value range in this case is in the range of S\$360,000 and S\$450,000.

Based on the foregoing, we are of the opinion that the estimated fair value of the crane barge "LONG REACH" would be in the region of:

**S\$ 350,000.00 – S\$ 450,000.00**

**(SINGAPORE DOLLARS: THREE HUNDRED FIFTY THOUSAND TO FOUR  
HUNDRED FIFTY THOUSAND ONLY)**

**REMARKS**

The above valuation is given on the understanding of the possible existence of different perspective values for the same vessel. It is given after due consideration of transactions done on or about the prevailing time in the open market on the basis of willing buyer and willing seller of similar vessels in "average condition" and not under the condition of forced sale. While reasonable care has been taken to ensure accuracy of the value provided, ALC Consulting Services Pte Ltd do not guarantee that the stated value(s) could be achieved in future actual transactions.

The valuation is solely for the information of the party instructing us and whosoever intends to act upon this valuation should first satisfy himself by inspection of the vessel or otherwise as to the correctness of the particulars given.

A handwritten signature in blue ink, appearing to be "SALMAN AL FARIZI", written over a horizontal dotted line.

**SALMAN AL FARIZI /  
JASON LEE  
ATTENDING APPRAISERS**

A handwritten signature in blue ink, appearing to be "f. B.", written over a horizontal dotted line.

**FOR & ON BEHALF OF  
ALC CONSULTING SERVICES  
PTE LTD**



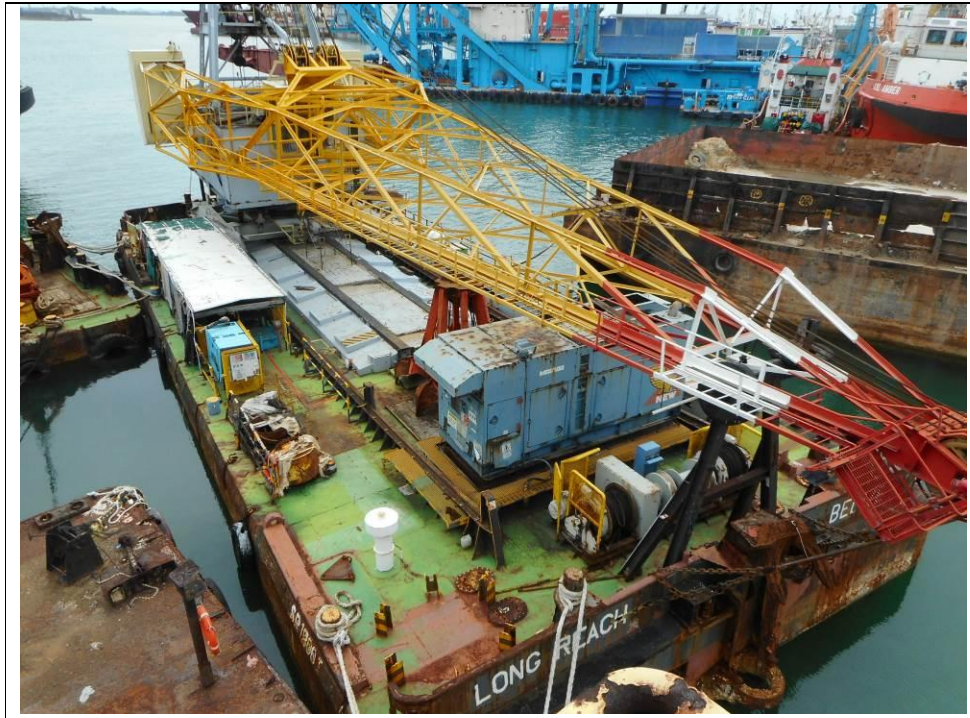
Attachments:

Copies of Vessel Certificates

Photographs taken at time of survey

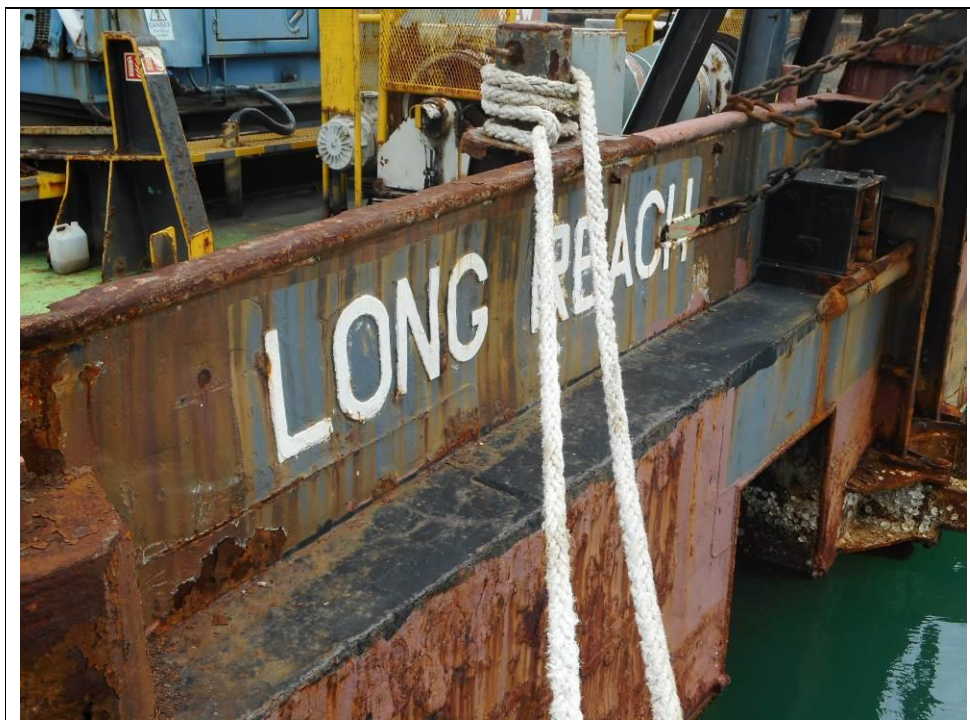


**PHOTOGRAPHS**



(1)

Crane barge “LONG REACH” at PT ASL Yard, Batam on 28.07.2020



(2)

Vessel Name

**PHOTOGRAPHS**



(3)

Port side hull condition

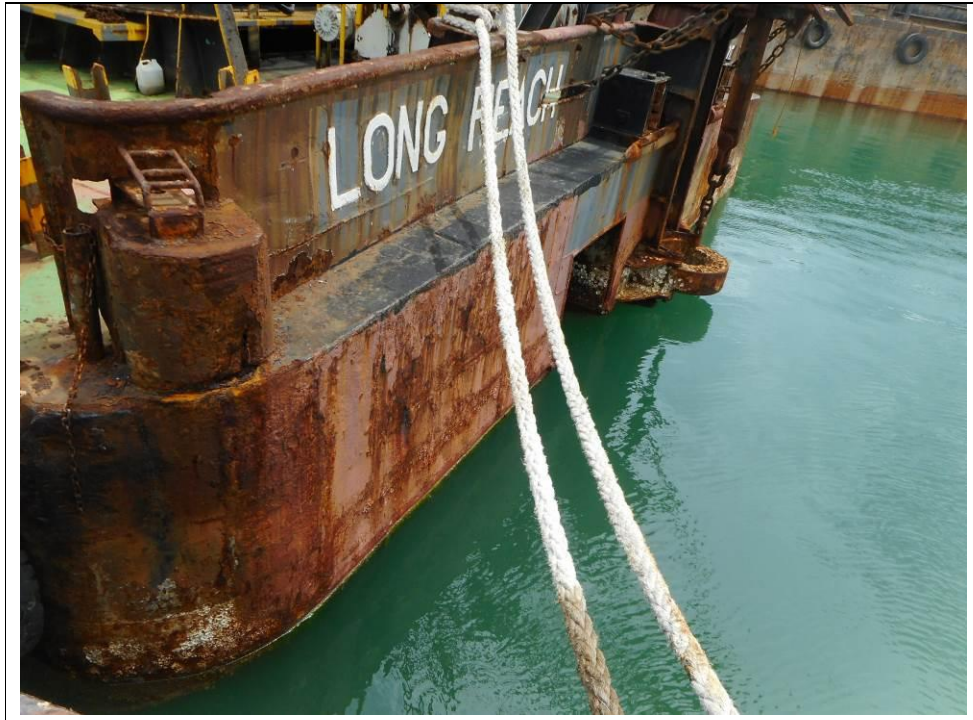


(4)

Starboard side hull condition



**PHOTOGRAPHS**



(5)  
Head log



(6)  
Stern log

## PHOTOGRAPHS



(7)  
Main deck



(8)  
Main deck



## PHOTOGRAPHS



(9)  
Deck crane



(10)  
Crane tracks

**PHOTOGRAPHS**



(11)

Crane turntable dismantled

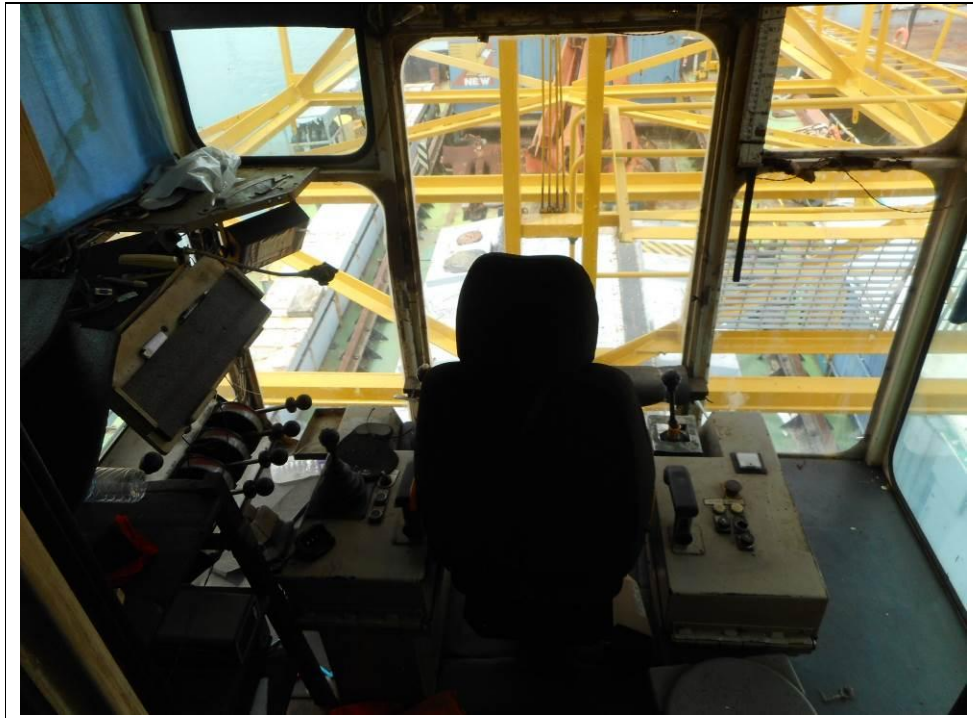


(12)

Stairs to Operator cabin



## PHOTOGRAPHS



(13)

Operator cabin



(14)

Crane control room

**PHOTOGRAPHS**



(15)

Hoist motor



(16)

Various motors



## PHOTOGRAPHS



(17)

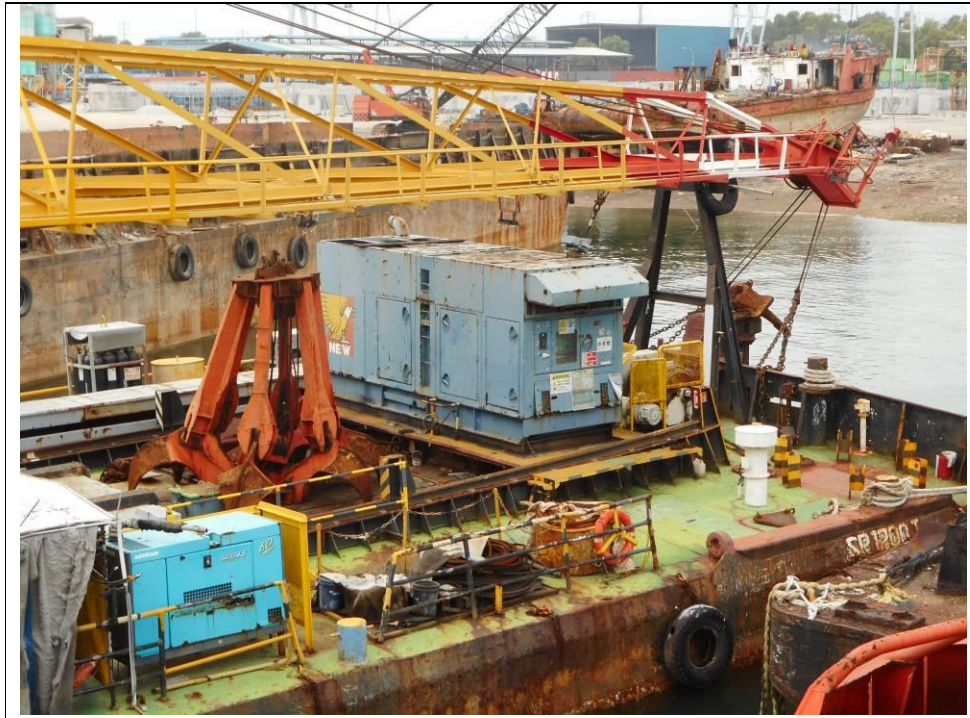
Various drums of wire



(18)

Control panel

## PHOTOGRAPHS



(19)

General view of equipments on main deck



(20)

Generator



**PHOTOGRAPHS**



(21)  
Generator



(22)  
Forward Hydraulic winch

## PHOTOGRAPHS



(23)

After Hydraulic winch



(24)

Universal fairlead rollers

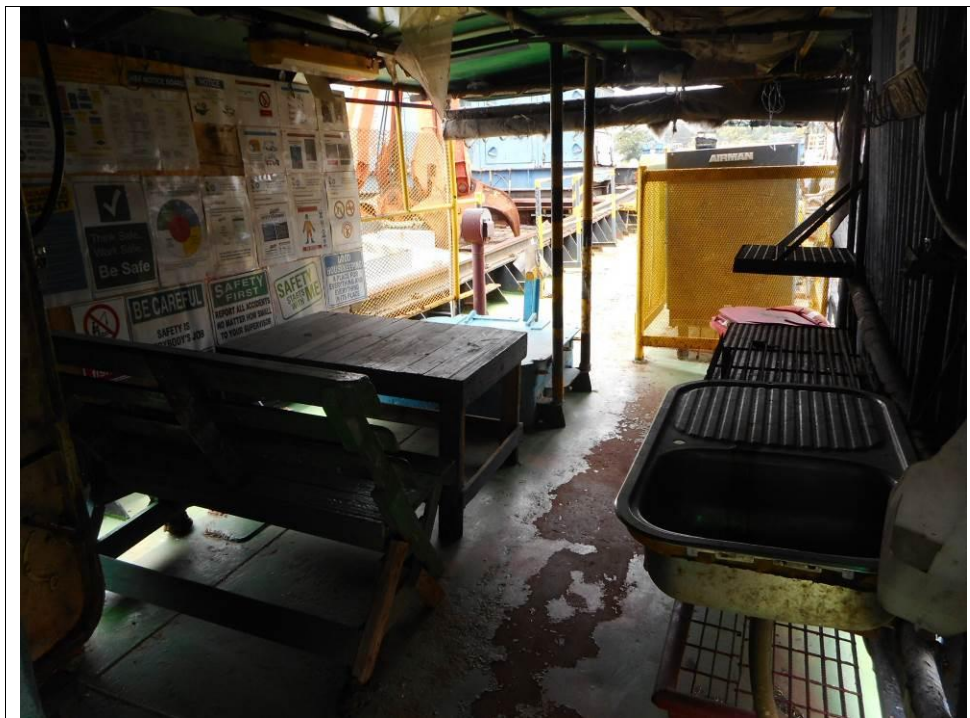


**PHOTOGRAPHS**



(25)

Drum buoys



(26)

Sheltered space for crew on main deck

**PHOTOGRAPHS**



(27)

Galley on main deck



(28)

Watertight access door to Accommodation compartment



**PHOTOGRAPHS**



(29)

Stairway leads down to Accommodation compartment



(30)

Alleyway

**PHOTOGRAPHS**



(31)  
Mess area



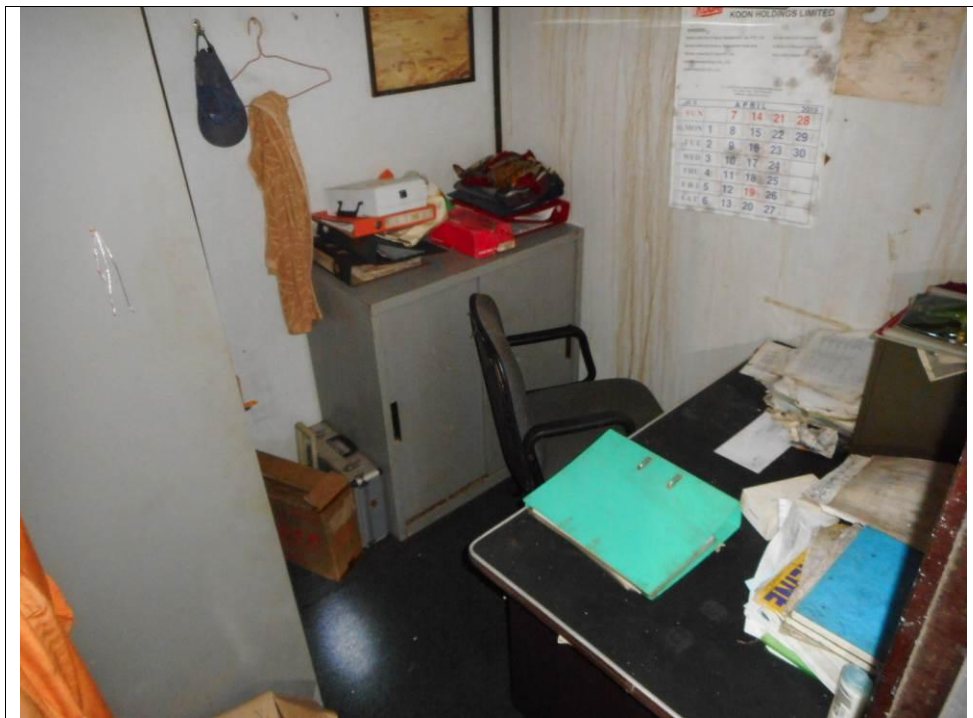
(32)  
Pantry below maindeck



**PHOTOGRAPHS**



(33)  
Crew cabin



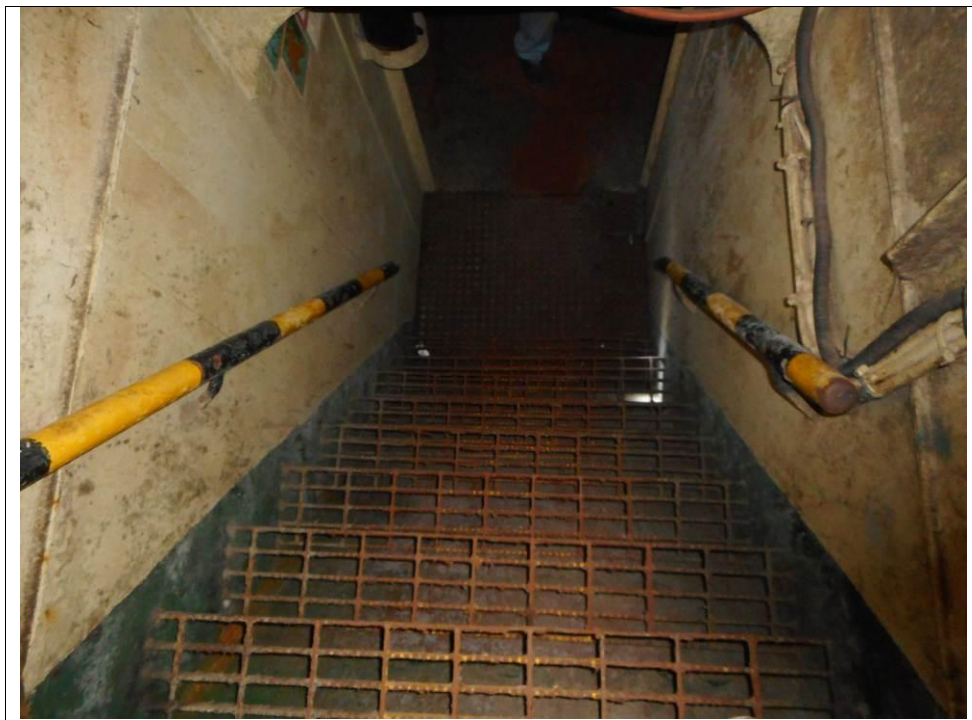
(34)  
Work room

## PHOTOGRAPHS



(35)

Watertight access door to engine and store compartment



(36)

Stairway down to the various compartment



## PHOTOGRAPHS



(37)

Engine compartment



(38)

Engine compartment

## PHOTOGRAPHS



(39)

Lister Blackstone marine diesel engine

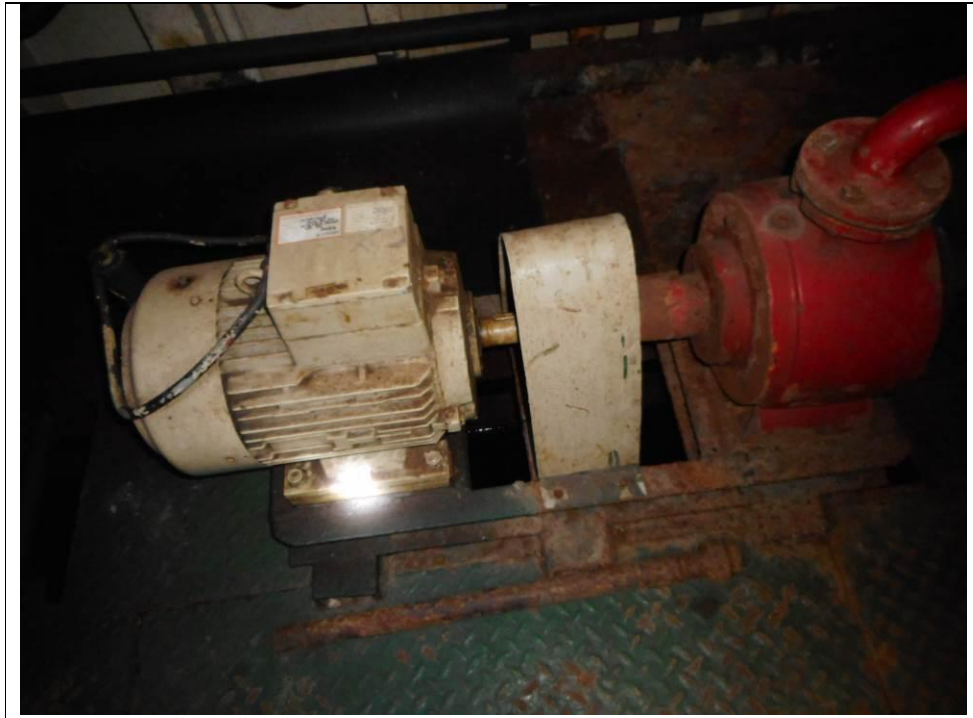


(40)

Generator



PHOTOGRAPHS



(41)

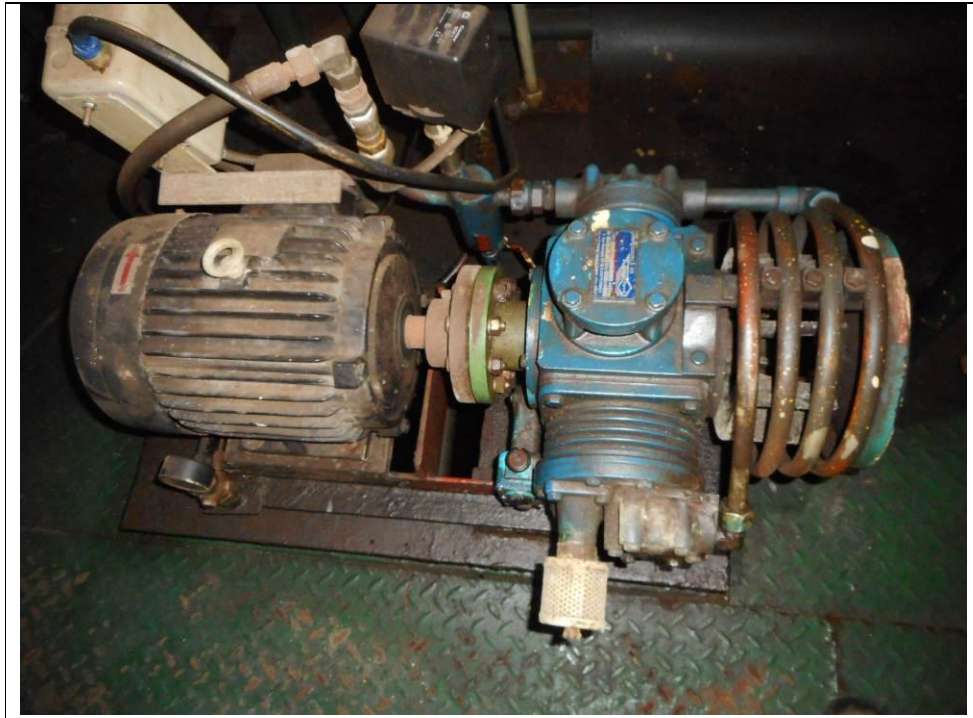
General Service/Fire pump



(42)

Freshwater generator

**PHOTOGRAPHS**



(43)

Fresh water pump



(44)

Air reservoirs



## PHOTOGRAPHS



(45)

Work bench and tools



(46)

Store compartment

**PHOTOGRAPHS**



(47)

Store compartment

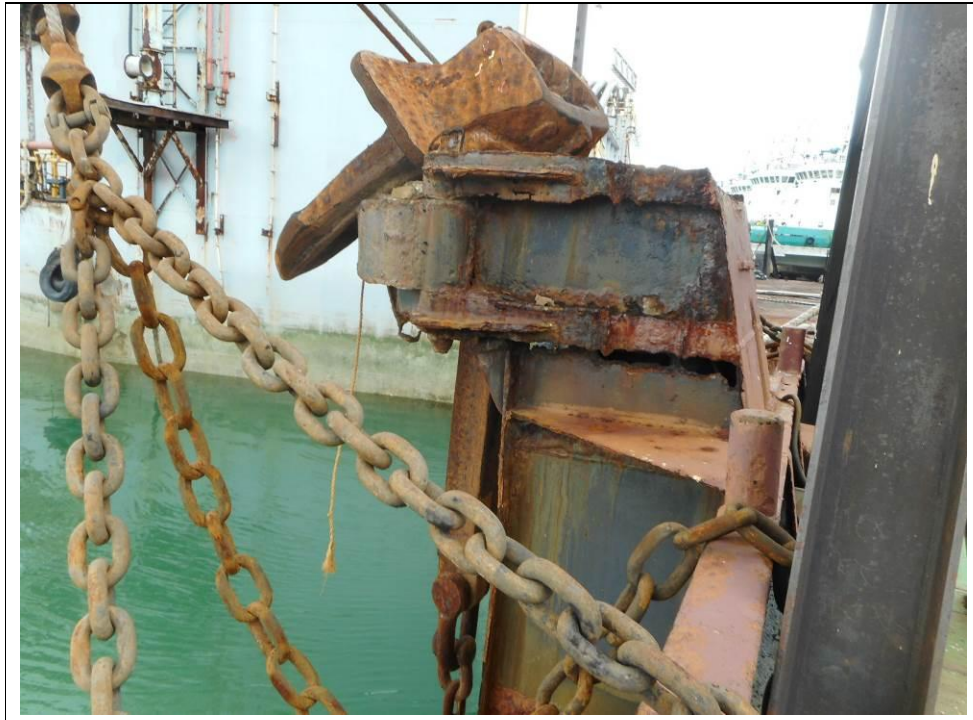


(48)

Anchor hanging at spud column



## PHOTOGRAPHS



(49)

Anchor hanging at spud column



(50)

Stone grab

## PHOTOGRAPHS



(51)  
Crane tracks



(52)  
H beam securing/holding the crane chassis



**PHOTOGRAPHS**



(53)

Pillar holding the crane chassis



(56)

Life raft



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