

Points of Meeting between ST Kinetics and Paramount Group on Project Marlin in SGP, dated 16th Dec 2016

In attendance:

Mr Ravinder Singh (Ravi) President, ST Kinetics
Mr Tung Yui Fai (TYF) Dy President DBG, ST Kinetics
Mr Gan Boon Jin (BJ) EVP Special Project DBG, ST Kinetics
Mr Mariappan Jeganathan (MJ) Snr Mgr, PM, KDM, ST Kinetics

Mr Ivor Ichikowitz (Ivor) Group Chairman, Paramount Group (Pty) Ltd

1. PCS material and financial status review and update

Ivor updated the following findings after PLC's review on material and financial status of Marlin Project at PCS.

a) Current Assets & Liabilities

Current Assets (including WIP & stocked items & trade creditors): R393M

Current Liabilities (including overdrafts & trade creditors): R180M.

Ivor viewed that the required fund was still at PCS, but held up in materials that were not required by immediate production.

b) Debtors status

Project Mbombe and Marauder (Direct PCS project) owed about a total of R40.6M.

Project Marlin (through PLC) owed about R22M.

Ivor gathered that effort must be expended equally to chase for the money owed by the 2 Project groups, rather than just from Marlin.

c) Supply chain & production management

Ivor shared that current Management at PCS was delaying implementation of ERP system. This ERP could enable PCS to better manage their Supply Chain, Production flow and cash flow.

d) Funding

Ivor updated that PLC had injected a total of EUR 19.5M cash injection into the Marlin project.

Ivor deduced that PCS had failed to use the available funds to purchase the required parts accordingly to the Marlin production requirement, and that seems to be the cause of the current shortcomings at PCS.

2. PCS Organisation structure

Ivor revealed his intention to replace Ben with John Craig as CEO of PCS, Morris Kotzen to oversee SCM functions, and another 2 senior staffs from PLC to manage Finance and HR functions.

Ravi pointed out that PLC management had to manage the internal issues within PCS, and ensure that the Project Marlin to complete successfully.

3. Outstanding Engineering issues

Ravi and Mario reminded that some Engineering issues have been long delayed and PCS must prioritise them over the production delivery where possible to complete them by Mar '17.

(After note: Mine Blast Tests, AGP Glass EQT & Qualification, MOR variant Canopy design and ballistics qualification are the critical outstanding Engineering issues)

4. Vehicles & hull deliveries status

Ivor presented the current status as follows:

- a) 10 vehicles were delivered, as compared to 25 Vehicles committed in Oct '16
- b) 23 Hulls were delivered, as compared to 13 Hulls committed in Oct '16

Ivor deduced that the vehicle delivery was affected by material shortfall due to supply chain issues and excess hulls delivered was an indication that the Hull production had matured.

5. Hull quality (Phase 3)

MJ informed that ST Kinetics had deployed Mr. Seah Ching Hian to assist in setting up the Hull fabrication and related processes. The hulls used for Phase 1& 2 were good quality but the hulls sent to ST Kinetics for Phase 3 had more quality issues. MJ reminded that PCS needed to put more effort to reinstate the quality that was originally set-up by Seah.

Ivor requested MJ to send him the hull issues. Ivor shall get PCS to review and correct the issues.

Ivor requested for ST Kinetics expert to help review quality with PCS personnel for a while. Ravi agreed.

6. Recovery plan for Project Marlin

Ivor presented the following actions plan:

- a) PCS shall arrange a Supplier forum in Jan '16 to negotiate for better payment term. Ivor and Eric (Ivor's brother) shall visit key Suppliers who might not be available for the Forum.
- b) PCS shall completely pay suppliers whom PCS owes less than R1M to resume their material supply. This accounts for about 60% of the suppliers.
- c) PLC shall inject EUR 2M in Jan '17 and another EUR 1M in Feb '17 to increase the working capital at PCS.
- d) Ivor requested ST Kinetics to pay the Invoices (amounting to EUR 3M) for the vehicles and Hull delivered within Jan '17 to help with the PCS cash flow.

(After note: ST Kinetics expected PCS to ensure the vehicles & hulls arriving in early Jan are handed over to ST Kinetics in SG without quality issues soonest possible. ST Kinetics will aim to pay within 2 weeks after taking over of the vehicle and hull in SG.)

7. Phase 2 vehicle assembly
Ivor proposed that ST Kinetics take up Phase 2 vehicle assembly while PCS could concentrate on Hull production. Ravi stressed that ST Kinetics is not willing to put in any additional funds into the project, but the proposal could be reviewed in about 3 months' time.
8. Visit to PCS
 - a) Ravi and Ivor agreed on a visit to PCS on the week of 23rd Jan '17 to understand the Project progress, Material status, and to gather the progress of the new Management at PCS.
 - b) Ivor proposed that ST Kinetics SCM lead (Mr. Terrence Wong) to visit PCS earlier to organize purchasing activities and explore ways to help reduce the PCS cash-flow issue, by paying PCS Suppliers directly
(After note: A meeting has been set-up at PCS between ST Kinetics and PG Senior Management on 20th Jan '17)
9. Export license issue
MJ requested Ivor to look into and resolve the current Export License issue faced by PCS with DCAC. Ivor informed that he has contacts within the relevant Ministry and shall resolve this issue soonest possible.
10. The meeting started at 10am and ended at 11.30 am.