

CIRCULAR DATED 12 MARCH 2018

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

If you are in any doubt as to the action you should take, you should consult your stockbroker, bank manager, solicitor, accountant or other professional adviser immediately.

If you have sold or transferred all your ordinary shares in the capital of AEI Corporation Ltd. (the “**Company**”), you should immediately forward this Circular, the enclosed Notice of Extraordinary General Meeting and the accompanying proxy form to the purchaser or the transferee, or to the bank, stockbroker or agent through whom the sale or the transfer was effected for onward transmission to the purchaser or the transferee.

The Singapore Exchange Securities Trading Limited (the “**SGX-ST**”) assumes no responsibility for the accuracy of any of the statements made, reports contained or opinions expressed in this Circular. Approval in-principle by the SGX-ST, which is subject to the conditions as reproduced in full in Section 2 of this Circular, is not to be taken as an indication of the merits of the Proposed Transactions (as defined herein), the Company, and its subsidiaries and/or their securities.



AEI CORPORATION LTD.

(Incorporated in the Republic of Singapore)
(Company Registration Number: 198300506G)

CIRCULAR TO SHAREHOLDERS

in relation to

- (1) **THE PROPOSED SUBSCRIPTION, COMPRISING:**
 - (A) **THE PROPOSED ALLOTMENT AND ISSUE OF UP TO 38,125,000 SUBSCRIPTION SHARES BY THE COMPANY TO NEW IMPETUS STRATEGY FUND, BEING THE SUBSCRIBER, AT THE ISSUE PRICE OF S\$0.80 PER SUBSCRIPTION SHARE (“PROPOSED SUBSCRIPTION SHARES ISSUE”);**
 - (B) **THE PROPOSED ALLOTMENT AND ISSUE OF UP TO 24,375,000 OPTION SHARES BY THE COMPANY TO NEW IMPETUS STRATEGY FUND, BEING THE SUBSCRIBER, AT THE ISSUE PRICE OF S\$0.80 PER OPTION SHARE (“PROPOSED OPTION SHARES ISSUE”); AND**
 - (C) **THE PROPOSED ALLOTMENT AND ISSUE OF UP TO 1,875,000 INTRODUCER SHARES AT THE ISSUE PRICE OF S\$0.80 PER INTRODUCER SHARE BY THE COMPANY TO WELLMONT STRATEGIC PTE. LTD. IN LIEU OF PAYMENT FOR INTRODUCER FEE (“PROPOSED INTRODUCER SHARES ISSUE”);**
- (2) **THE PROPOSED BONUS WARRANTS ISSUE OF UP TO 27,119,659 FREE WARRANTS (THE “BONUS WARRANTS”), EACH BONUS WARRANT CARRYING THE RIGHT TO SUBSCRIBE FOR ONE (1) WARRANT SHARE AT AN EXERCISE PRICE OF S\$1.00 FOR EACH WARRANT SHARE AND ON THE BASIS OF ONE (1) FREE BONUS WARRANT FOR EVERY ONE (1) EXISTING SHARE HELD BY THE SHAREHOLDERS OF THE COMPANY AS AT THE BOOKS CLOSURE DATE (AS DEFINED HEREIN), FRACTIONAL ENTITLEMENTS TO BE DISREGARDED (“PROPOSED BONUS WARRANTS ISSUE”);**
- (3) **THE PROPOSED WHITEWASH RESOLUTION FOR THE WAIVER BY INDEPENDENT SHAREHOLDERS OF THEIR RIGHT TO RECEIVE A GENERAL OFFER FROM NEW IMPETUS STRATEGY FUND AND ITS CONCERT PARTIES IN CONNECTION WITH THE PROPOSED SUBSCRIPTION;**
- (4) **THE TRANSFER OF CONTROLLING INTEREST TO NEW IMPETUS STRATEGY FUND ARISING FROM TRANCHE 1 COMPLETION (AS DEFINED HEREIN);**
- (5) **THE PROPOSED DIVERSIFICATION OF THE CORE BUSINESS OF THE COMPANY INTO THE INFRASTRUCTURE BUSINESS (AS DEFINED HEREIN) (“PROPOSED DIVERSIFICATION”); AND**
- (6) **THE PROPOSED GENERAL SHARE ISSUE MANDATE TO ISSUE AND ALLOT NEW SHARES (AS DEFINED HEREIN) AND CONVERTIBLE SECURITIES IN THE COMPANY (“PROPOSED NEW SHARE ISSUE MANDATE”).**

Financial Adviser to the Company



CEL Impetus Corporate Finance Pte Ltd

CEL Impetus Corporate Finance Pte. Ltd.

(Company Registration Number: 201631484Z)

**Independent Financial Adviser
in respect of the Proposed Whitewash Resolution**

MS Corporate Finance Pte Ltd

MS Corporate Finance Pte. Ltd.

(Company Registration Number: 200305439E)

IMPORTANT DATES AND TIMES:

Last date and time for lodgment of Proxy Form	:	25 March 2018 at 10.00 a.m.
Date and time of Extraordinary General Meeting	:	27 March 2018 at 10.00 a.m.
Place of Extraordinary General Meeting	:	15 Tuas South Street 13 Singapore 636936

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DEFINITIONS

For the purposes of this Circular, the following definitions apply throughout unless otherwise defined or the context requires otherwise:

Companies, Organisations and Other Entities

“CDP”	:	The Central Depository (Pte) Limited
“CCIAM” or “Fund Manager”	:	China Capital Impetus Asset Management Pte. Ltd., being the fund manager of the Subscriber
“Company”	:	AEI Corporation Ltd.
“Existing Subsidiaries”	:	The subsidiaries of the Company, comprising AEI Engineering Pte. Ltd., AEI (China) Holdings Pte. Ltd., AEI Corporation (Singapore) Pte. Ltd., and Form Teknik Pte. Ltd. (in Liquidation)
“Financial Adviser”	:	CEL Impetus Corporate Finance Pte. Ltd.
“Group”	:	The Company and its subsidiaries (which shall include the Existing Subsidiaries), and a “Group Company” means each one of them
“IFA” or “Independent Financial Adviser”	:	MS Corporate Finance Pte. Ltd.
“Introducer”	:	Wellmont Strategic Pte. Ltd.
“MAS”	:	Monetary Authority of Singapore
“Parties”	:	Collectively, the Subscriber and the Company
“SIC”	:	Securities Industry Council
“Subscriber”	:	New Impetus Strategy Fund
“Undertaking Shareholder”	:	Tan Chu En Ian, the chief executive officer and executive director of the Company as at the Latest Practicable Date
“Valuer”	:	AVA Associates Limited

General

“AEI Guarantee Obligations”	:	The corporate guarantee obligations of the Company in respect of the loan obligations of its subsidiaries
“Board of Directors” or “Board”	:	The board of directors of the Company as at the Latest Practicable Date

DEFINITIONS

“Bonus Warrants”	:	Up to 27,119,659 free warrants in registered form to be allotted and issued by the Company pursuant to the Proposed Bonus Warrants Issue and the Bonus Warrants Deed Poll, and where the context so permits, such additional warrants as may be permitted to be issued by the Company in accordance with the terms and conditions of the Bonus Warrants Deed Poll, each such warrant entitling its holder to subscribe for one (1) Warrant Share at the Bonus Warrants Exercise Price, subject to the terms and conditions of the Bonus Warrants Deed Poll
“Bonus Warrants Deed Poll”	:	The deed poll to be executed by the Company, constituting the Bonus Warrants (as the same may be amended or supplemented from time to time) and containing, <i>inter alia</i> , provisions for the protection of the rights and interests of the Warrantholders
“Bonus Warrants Exercise Period”	:	Has the meaning ascribed to it in Section 1.2, and described more particularly in Section 9.3
“Bonus Warrants Exercise Price”	:	The sum payable in respect of each new Warrant Share to which a Warrantholder will be entitled to subscribe upon the exercise of a Bonus Warrant, being S\$1.00, subject to certain adjustments in accordance with the terms and conditions of the Bonus Warrants as set out in the Bonus Warrants Deed Poll
“Books Closure Date”	:	The time and date, to be determined by the Directors and announced by the Company at a later date, at and on which the Register of Members and share transfer books of the Company will be closed to determine the allotments of Bonus Warrants of Entitled Scripholders and, in the case of Entitled Depositors, at and on which date their allotment of Bonus Warrants are determined under the Proposed Bonus Warrants Issue
“Business Day(s)”	:	A day (excluding Saturdays, Sundays and public holidays) on which commercial banks are open for business in Singapore
“Circular”	:	This circular to Shareholders dated 12 March 2018
“Code”	:	The Singapore Code on Take-overs and Mergers, as amended, modified or supplemented from time to time
“Companies Act”	:	Companies Act (Chapter 50) of Singapore as amended, supplemented or modified from time to time

DEFINITIONS

“Conditions Precedent”	:	The conditions precedent to the allotment and issuance of the Tranche 1 Subscription Shares and Tranche 2 Subscription Shares as set out in the Subscription Agreement
“Conditions”	:	The terms and conditions of the issue of the Bonus Warrants as set out under the Bonus Warrants Deed Poll, and “Condition” means each one of them
“Constitution”	:	The constitution of the Company comprising the memorandum and articles of association of the Company, as amended, modified or supplemented from time to time
“Corporate Exercises”	:	Any Share splits, recapitalization, consolidations, rights, bonus, capitalization issues or such other action or activity undertaken by the Company which will result in change of share capital of the Company
“Designated Bank Account”	:	A Singapore Dollar denominated bank account to be opened in the name of the Company and maintained at a bank to be selected by the Subscriber for the purpose of receiving the Tranche 1 Subscription Amount, Tranche 2 Subscription Amount and Option Shares Subscription Amount
“Directors”	:	The directors of the Company as at the Latest Practicable Date
“EGM” or “Extraordinary General Meeting”	:	The extraordinary general meeting of the Company, notice of which is set out in the Section “Notice of Extraordinary General Meeting” of this Circular
“Enlarged Share Capital”	:	The enlarged share capital of the Company amounting to 91,494,659 Shares, assuming the allotment and issue of (i) 28,750,000 Tranche 1 Subscription Shares; (ii) the maximum 9,375,000 Tranche 2 Subscription Shares; (iii) the maximum 24,375,000 Option Shares; and (iii) the maximum 1,875,000 Introducer Shares pursuant to the Proposed Subscription
“Entitled Depositors”	:	Shareholders with Shares standing to the credit of their Securities Accounts as at the Books Closure Date and whose registered address with CDP are in Singapore as at the Books Closure Date or who have, at least three (3) Market Days prior to the Books Closure Date, provided CDP with addresses in Singapore for the service of notices and documents

DEFINITIONS

“Entitled Scripholders”	:	Shareholders whose share certificates have not been deposited with CDP and who have tendered to the Share Registrar valid transfers of their Shares and the certificates relating thereto for registration up to the Books Closure Date and whose registered addresses with the Company are in Singapore as at the Books Closure Date or who have, at least three (3) Market Days prior to the Books Closure Date, provided the Share Registrar with addresses in Singapore for the service of notices and documents
“Entitled Shareholders”	:	Entitled Depositors and Entitled Scripholders
“EPS”	:	Earnings per Share
“Existing Core Business”	:	The core business of the Group as at the Latest Practicable Date, being the manufacture, import, and export aluminum extrusion sections, metal materials, and other related products for customers in Singapore, Thailand, Greater China, Malaysia and internationally, further details of which are set out in Section 10.1
“Existing Share Capital”	:	The issued and paid-up share capital of the Company as of the Latest Practicable Date comprising 27,119,659 Shares (excluding 1,000,000 treasury shares)
“Existing Share Issue Mandate”	:	The general mandate granted to the Directors to issue and allot Shares and convertible securities in the share capital of the Company in accordance with Rule 806 of the Listing Manual and Section 161 of the Companies Act, pursuant to a resolution approved by the Shareholders at the Company’s annual general meeting on 27 April 2017
“FP2017”	:	The six-month period ended 30 June 2017
“FP2017 Management Account”	:	The unaudited consolidated financial statements of the Group for FP2017
“Full Bonus Warrants Exercise”	:	The assumption that the entire 27,119,659 Bonus Warrants are being fully exercised into 27,119,659 Warrants Shares in accordance with the Bonus Warrants Deed Poll
“FY”	:	The financial year ending or ended 31 December, as the case may be
“FY2017 Management Accounts”	:	The unaudited consolidated financial statements of the Group for the financial year ended 31 December 2017
“General Offer”	:	A mandatory general offer in accordance with Rule 14 of the Code and Section 139 of the SFA

DEFINITIONS

“Gross Proceeds”	:	The proceeds of up to S\$50,000,000 to be raised from the issue and allotment of (i) the Tranche 1 Subscription Shares; (ii) the maximum Tranche 2 Subscription Shares; and (iii) the maximum Proposed Option Shares Issue. Please see Section 5.9 for further details on the use of the Gross Proceeds
“IFA Letter”	:	The letter dated 12 March 2018 from the Independent Financial Adviser to the Directors in relation to the Proposed Whitewash Resolution as set out in Appendix 1A “Letter from the Independent Financial Adviser” of this Circular
“Independent Shareholders”	:	Shareholders who are deemed to be independent for the purposes of the Proposed Whitewash Resolution
“Infrastructure Business”	:	The infrastructure business, which the Company proposes to diversify and expand into pursuant to the Proposed Diversification, further details of which are set out in Section 10.1
“Introducer Fee”	:	Has the meaning ascribed to it in Section 1.1
“Introducer Shares”	:	Up to 1,875,000 Shares to be issued at the Issue Price, comprising Tranche 1 Introducer Shares, Tranche 2 Introducer Shares and Option Introducer Shares, collectively amounting to 3.0% of the Maximum Subscription Amount, credited as fully-paid up as consideration for the introductory services rendered to the Company by the Introducer pursuant to the Introductory Agreement, further details of which are set out in Section 5.5
“Introductory Agreement”	:	The agreement between the Company and the Introducer dated 19 July 2017 (as amended, supplemented or otherwise modified), pursuant to which the Introducer shall be entitled to the Introducer Shares as consideration for introductory services rendered to the Company, further details of which are set out in Section 5.5
“Issue Price”	:	S\$0.80 per Tranche 1 Subscription Share, Tranche 2 Subscription Share, Option Share or Introducer Share, as the case may be
“Last Dealt Price”	:	In relation to a Share on a relevant Market Day, the last dealt price per Share for one (1) or more board lots of Shares on that Market Day on which there is trading of the Shares on SGX-ST

DEFINITIONS

“Latest Practicable Date”	:	5 March 2018, being the latest practicable date prior to the printing of this Circular
“Listing Manual”	:	The listing manual of the SGX-ST, as amended, supplemented or modified from time to time
“Long-Stop Date”	:	15 April 2018, or such other date as may be agreed in writing by the Parties
“LPS”	:	Loss per Share
“Market Day”	:	A day on which SGX-ST is open for securities trading in Singapore
“Maximum Liability Threshold”	:	Has the meaning ascribed to it in Section 5.6.1(e)
“Maximum Subscription Amount”	:	An aggregate amount of up to S\$50,000,000 comprising the Tranche 1 Subscription Amount, the maximum Tranche 2 Subscription Amount, and the maximum Option Shares Subscription Amount
“Maximum Subscription Shares”	:	Collectively, the Tranche 1 Subscription Shares and maximum number of Tranche 2 Subscription Shares
“Minimum NTA Requirement”	:	Has the meaning ascribed to it in Section 5.6.1(d) of this Circular
“No Claim Requirement”	:	Has the meaning ascribed to it in Section 5.6.1(f) of this Circular
“Notice of EGM”	:	The notice of the EGM set out in the section “Notice of Extraordinary General Meeting” in this Circular
“NTA”	:	Net tangible assets
“Option”	:	The option granted by the Company to the Subscriber in respect of the right to subscribe for up to 24,375,000 Option Shares at the Issue Price in accordance with the terms and conditions of the Subscription Agreement
“Option Exercise Period”	:	A thirty-six (36) month period commencing from the Tranche 1 Completion Date

DEFINITIONS

“Option Introducer Shares”	:	Subject to a maximum aggregate of 731,250 new Shares, such number of Introducer Shares to be issued by the Company to the Introducer (and/or its nominees) at the Issue Price on each Option Shares Issue Date, credited as fully paid-up, equivalent to 3.0% of each and every tranche of Option Shares Subscription Amount, as partial satisfaction of the Introducer Fee
“Option Shares Issue”	:	The issue and allotment by the Company, and the subscription by the Subscriber, of the Option Shares, in accordance with the terms and conditions of the Subscription Agreement
“Option Shares Issue Date”	:	In respect of each tranche of Option Shares, the date of allotment and issue of the Option Shares, which shall be no later than seven (7) Business Days after the Company’s receipt of the respective duly completed Option Subscription Request(s), or such other date as may be mutually agreed in writing between the Company and Subscriber
“Option Shares”	:	Such number of new Shares, in aggregate not exceeding 24,375,000 Shares, to be issued by the Company to the Subscriber at the Issue Price, in the event any Option Subscription Request is issued by the Subscriber to the Company
“Option Shares Subscription Amount”	:	The aggregate subscription amount of up to S\$19,500,000 in respect of the Option Shares to be issued by the Company to the Subscriber at the Issue Price, as specified by the Subscriber in an Option Subscription Request, which shall be in tranches of S\$500,000 per such request
“Option Subscription Request”	:	The subscription request in the form substantially set out in the Subscription Agreement which the Subscriber may complete and issue to the Company at any time and from time to time during the Option Exercise Period, to require the Company to allot and issue such number of Option Shares as specified therein
“Prevailing Share Capital”	:	Such issued share capital of the Company comprising an aggregate of 66,388,409 Shares (excluding treasury Shares), being the Existing Share Capital and including adjustments to take into account the Tranche 1 Subscription Shares, Tranche 1 Introducer Shares, maximum Tranche 2 Subscription Shares and maximum Tranche 2 Introducer Shares, for the purposes of determining the aggregate number of Shares and convertible securities that may be issued pursuant to the Proposed New Share Issue Mandate

DEFINITIONS

“Proposed Board Composition”	:	The proposed new board of directors to be appointed upon Tranche 1 Completion, comprising six (6) Directors, among which (i) two (2) executive directors shall be nominated by the Subscriber; (ii) one (1) non-executive director shall be nominated by the Subscriber; and (iii) three (3) independent directors, further details of which are set out in Section 5.7 of this Circular
“Proposed Bonus Warrants Issue”	:	The proposed issue of the Bonus Warrants on the basis of one (1) free Bonus Warrant for each existing Share held by Shareholders as at the Books Closure Date in accordance with the terms set out in the Bonus Warrants Deed Poll, each carrying the right to subscribe for one (1) Warrant Share at the Bonus Warrants Exercise Price, fractional entitlements to be disregarded
“Proposed Diversification”	:	The proposed diversification and expansion by the Company from the Existing Core Business to the Infrastructure Business, further details of which are set out in Section 10
“Proposed Introducer Shares Issue”	:	The proposed allotment and issue of up to 1,875,000 Introducer Shares by the Company to the Introducer (and/or its nominees) credited as fully paid-up, in accordance with the terms and conditions of the Subscription Agreement and the Introductory Agreement
“Proposed New Share Issue Mandate”	:	The new share issue mandate proposed to be issued to the Board of Directors pursuant to Rule 806 of the Listing Manual, as a result of the anticipated changes to the capital structure of the Company pursuant to the Proposed Subscription and the Proposed Bonus Warrants Issue, further details of which are set out in Section 11.1
“Proposed Subscription Shares Issue”	:	The proposed allotment and issue of the Tranche 1 Subscription Shares and Tranche 2 Subscription Shares, pursuant to the Subscription Agreement
“Proposed Option Shares Issue”	:	The proposed allotment and issue of up to 24,375,000 Option Shares at the Issue Price by the Company to the Subscriber in accordance with the terms and conditions of the Subscription Agreement
“Proposed Subscription”	:	Collectively, the Proposed Subscription Shares Issue, the Proposed Option Shares Issue and the Proposed Introducer Shares Issue

DEFINITIONS

“Proposed Transactions”	:	Collectively, the Proposed Subscription, the Proposed Bonus Warrants Issue, the Proposed Whitewash Resolution, the Transfer of Controlling Interest, the Proposed Diversification and the Proposed New Share Issue Mandate
“Proposed Whitewash Resolution”	:	The resolution for the waiver of the rights of the Independent Shareholders from receiving a General Offer from the Subscriber and its concert parties for all the Shares not already owned or controlled by the Subscriber and its concert parties following the allotment and issue of the Tranche 1 Subscription Shares, Tranche 2 Subscription Shares and Option Shares, as set out in the Notice of EGM attached to this Circular
“Proxy Form”	:	The proxy form attached to this Circular
“Securities Account”	:	A securities account maintained by a Depositor with CDP but does not include a securities sub-account maintained with a Depository Agent
“SFA”	:	The Securities and Futures Act, Chapter 289 of Singapore, as amended, modified or supplemented from time to time
“SGX-ST”	:	The Singapore Exchange Securities Trading Limited
“SGXNET”	:	The corporate announcement system maintained by the SGX-ST for the submission of announcements by listed companies
“Shareholders”	:	Registered holders of the Shares in the register of members of the Company, except where the registered holder is CDP, the term “Shareholders” shall, where the context admits, mean the persons named as depositors in the depository register maintained by CDP and whose Securities Accounts those Shares are credited into
“Shares”	:	The ordinary shares in the capital of the Company
“Share Registrar”	:	Boardroom Corporate & Advisory Services Pte. Ltd.
“Subscription Agreement”	:	The conditional subscription agreement dated 8 August 2017 (as amended, supplemented or otherwise modified from time to time) between the Company and the Subscriber, in respect of the Proposed Subscription
“Subscription Shares”	:	Collectively, the Tranche 1 Subscription Shares and Tranche 2 Subscription Shares, and each a “Subscription Share”

DEFINITIONS

“Substantial Shareholder”	:	A person who has an interest (whether direct or indirect) in the Shares of which is not less than five per cent. (5%) of all the voting shares of the Company
“Tranche 1 Completion”	:	Completion of the Tranche 1 Subscription in accordance with the terms and conditions of the Subscription Agreement, pursuant to which the Tranche 1 Subscription Shares and Tranche 1 Introducer Shares are allotted and issued
“Tranche 1 Completion Date”	:	The date on which the Tranche 1 Subscription Shares and Tranche 1 Introducer Shares shall be issued, which shall be within fourteen (14) business days from the date on which the last Condition Precedent is satisfied, fulfilled or waived (as the case may be), or on such other date as the Parties may agree in writing
“Tranche 1 Introducer Shares”	:	862,500 Introducer Shares to be issued by the Company to the Introducer (and/or its nominees) at the Issue Price on the Tranche 1 Completion Date, credited as fully paid-up, equivalent to 3.0% of the Tranche 1 Subscription Amount, as partial satisfaction of the Introducer Fee
“Tranche 1 Subscription”	:	The allotment and issue by the Company, and the subscription by the Subscriber, of the Tranche 1 Subscription Shares, in accordance with the terms and conditions of the Subscription Agreement
“Tranche 1 Subscription Amount”	:	An aggregate subscription amount of S\$23,000,000 payable by the Subscriber to the Company in consideration for the Tranche 1 Subscription
“Tranche 1 Subscription Shares”	:	28,750,000 new Shares to be issued by the Company to the Subscriber at the Issue Price, in accordance with the Subscription Agreement
“Tranche 2 Completion Date”	:	The date of allotment and issue of the Tranche 2 Subscription Shares by the Company to the Subscriber, which shall be no later than seven (7) Business Days after the Company’s receipt of the duly completed Tranche 2 Subscription Request, or such other date as may be mutually agreed in writing between the Company and Subscriber
“Tranche 2 Exercise Period”	:	The period commencing from the date the Conditions Precedent are fulfilled (or waived), as relevant, until such date falling six (6) months after the Tranche 1 Completion Date

DEFINITIONS

“Tranche 2 Introducer Shares”	:	Subject to a maximum of 281,250 Introducer Shares, such number of Introducer Shares to be issued by the Company to the Introducer (and/or its nominees) at the Issue Price on the Tranche 2 Completion Date, credited as full paid-up, equivalent to 3.0% of the Tranche 2 Subscription Shares, as partial satisfaction of the Introducer Fee
“Tranche 2 Subscription”	:	The allotment and issue by the Company, and the subscription by the Subscriber, of the Tranche 2 Subscription Shares, in accordance with the terms and conditions of the Subscription Agreement
“Tranche 2 Subscription Amount”	:	Such subscription amount specified in the duly completed Tranche 2 Subscription Request, subject to a maximum of S\$7,500,000, payable by the Subscriber to the Company in consideration for the Tranche 2 Subscription
“Tranche 2 Subscription Request”	:	The subscription request in the form substantially set out in the Subscription Agreement which the Subscriber may complete and issue to the Company at any time during the Tranche 2 Exercise Period to require the Company to allot and issue to the Subscriber such number of Tranche 2 Subscription Shares as specified therein
“Tranche 2 Subscription Shares”	:	Such number of new Shares not exceeding 9,375,000 Shares, to be allotted and issued by the Company to the Subscriber pursuant to a duly completed Tranche 2 Subscription Request, in accordance with the Subscription Agreement
“Transfer of Controlling Interest”	:	The transfer of controlling interest in the Company to the Subscriber as a result of the Proposed Subscription, described in Section 7
“Undertaking Shareholder Indemnity”	:	Has the meaning ascribed to it in Section 5.6.4(k) of this Circular
“Valuation Report”	:	The valuation report dated 14 February 2018 of effective date 31 December 2017 prepared by AVA Associates Limited for the Company, in respect of the Company’s properties, 12 Penjuru Lane Singapore 609192 and 15 Tuas South Street 13 Singapore 636936, a summary of which is set out in Appendix 1B “Summary of the Valuation Report” of this Circular
“VWAP”	:	Volume weighted average price
“Warrant Agent”	:	Boardroom Corporate & Advisory Services Pte. Ltd., or such other warrant agent in respect of the Bonus Warrants which may be appointed by the Company from time to time

DEFINITIONS

“Warrant Shares”	:	Up to 27,119,659 new Shares which may be allotted and issued by the Company from time to time pursuant to the exercise of the Bonus Warrants by the Warrantheolders in accordance with the terms and conditions of the Bonus Warrants Deed Poll, and “Warrant Share” means each of them
“Warrantheolders”	:	Registered holders of the Bonus Warrants except that where CDP is the registered holder, the term “Warrantheolders” shall, in relation to such Bonus Warrants and where the context so admits, means the Depositors whose Securities Accounts are credited with such Bonus Warrants

Currencies, Units and Others

“S\$” or “SGD” and “cents”	:	Singapore Dollars and Cents respectively, being the lawful currency of the Republic of Singapore
“%” or “per cent”	:	Per centum or percentage

The terms **“depositor”**, **“depository agent”**, **“depository register”** and **“direct account”** shall have the meanings ascribed to them respectively by Section 81SF of the SFA.

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

References to persons shall include corporations.

The term **“subsidiary”** shall have the meaning ascribed to it in Section 5 of the Companies Act.

Any reference in this Circular to any enactment is a reference to that enactment for the time being amended or re-enacted. Any word defined under the Companies Act, the Listing Manual or any modification thereof and used in this Circular shall have the same meaning assigned to it under the Companies Act, the Listing Manual or any modification thereof, as the case may be.

Any reference to a time of day in this Circular shall be a reference to Singapore time unless otherwise stated. The headings in this Circular are inserted for convenience only and shall be ignored in construing this Circular.

Any discrepancies in the tables in this Circular between the listed amounts and the totals thereof are due to rounding.

CAUTIONARY NOTE ON FORWARD LOOKING STATEMENTS

All statements contained in this Circular, statements made in press releases and oral statements that may be made by the Company, the Group, their directors, executive officers or employees acting on their behalf, that are not statements of historical fact, constitute “forward looking statements”. Some of these statements can be identified by words that have a bias towards, or are, forward-looking such as “anticipate”, “believe”, “could”, “estimate”, “expect”, “forecast”, “if”, “intend”, “may”, “plan”, “possible”, “probable”, “project”, “should”, “will” and “would” or similar words. However, the Shareholders should note that these words are not the exclusive means of identifying forward looking statements. All statements regarding the Company’s and the Group’s expected financial position, financial performance, business strategies, plans and prospects are forward looking statements.

These forward looking statements and other matters discussed in this Circular regarding matters that are not historical fact are only predictions. These forward looking statements involve known and unknown risks, uncertainties and other factors that may cause the Company’s and the Group’s actual future results, performance or achievements to be materially different from any future results, performance or achievements expected, expressed or implied by such forward looking statements. These risk factors and uncertainties are discussed in more detail in this Circular, in particular, but not limited to, discussions in Section 10.6 entitled “Risk Factors Associated with the Proposed Diversification” of this Circular.

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

The Company, the Group, their respective directors and executive officers are not representing or warranting to you that the actual future results, performance or achievements of the Company and the Group will be as those discussed in those statements. The respective actual future results may differ materially from those anticipated in these forward looking statements as a result of the risks faced by us. Further, the Company and the Group disclaim any responsibility for updating any of those forward looking statements or publicly announcing any revisions to those forward looking statements to reflect their future developments, events or circumstances.

LETTER TO SHAREHOLDERS

AEI CORPORATION LTD.

(Incorporated in the Republic of Singapore)
(Company Registration No. 198300506G)

Board of Directors:

Yeung Koon Sang alias David Yeung (Non-Executive Chairman and Independent Director)
Tan Chu En Ian (Executive Director and Chief Executive Officer)
Sinta Muchtar (Executive Director)
Dr. Vasoo Sushilan (Independent Director)
Teng Cheong Kwee (Independent Director)

Registered Office:

15 Tuas South Street 13
Singapore 636936

12 March 2018

To: The Shareholders of AEI Corporation Ltd.

Dear Sir/Madam

- (1) **THE PROPOSED SUBSCRIPTION, COMPRISING:**
- (A) **THE PROPOSED ALLOTMENT AND ISSUE OF UP TO 38,125,000 SUBSCRIPTION SHARES BY THE COMPANY TO NEW IMPETUS STRATEGY FUND, BEING THE SUBSCRIBER, AT THE ISSUE PRICE OF S\$0.80 PER SUBSCRIPTION SHARE (“PROPOSED SUBSCRIPTION SHARES ISSUE”);**
 - (B) **THE PROPOSED ALLOTMENT AND ISSUE OF UP TO 24,375,000 OPTION SHARES BY THE COMPANY TO NEW IMPETUS STRATEGY FUND, BEING THE SUBSCRIBER, AT THE ISSUE PRICE OF S\$0.80 PER OPTION SHARE (“PROPOSED OPTION SHARES ISSUE”); AND**
 - (C) **THE PROPOSED ALLOTMENT AND ISSUE OF UP TO 1,875,000 INTRODUCER SHARES AT THE ISSUE PRICE OF S\$0.80 PER INTRODUCER SHARE BY THE COMPANY TO WELLMONT STRATEGIC PTE. LTD. IN LIEU OF PAYMENT FOR INTRODUCER FEE (“PROPOSED INTRODUCER SHARES ISSUE”);**
- (2) **THE PROPOSED BONUS WARRANTS ISSUE OF UP TO 27,119,659 FREE WARRANTS (THE “BONUS WARRANTS”), EACH BONUS WARRANT CARRYING THE RIGHT TO SUBSCRIBE FOR ONE (1) WARRANT SHARE (AS DEFINED HEREIN) AT AN EXERCISE PRICE OF S\$1.00 FOR EACH WARRANT SHARE AND ON THE BASIS OF ONE (1) FREE BONUS WARRANT FOR EVERY ONE (1) EXISTING SHARE HELD BY THE SHAREHOLDERS OF THE COMPANY AS AT THE BOOKS CLOSURE DATE (AS DEFINED HEREIN), FRACTIONAL ENTITLEMENTS TO BE DISREGARDED (“PROPOSED BONUS WARRANTS ISSUE”);**
- (3) **THE PROPOSED WHITEWASH RESOLUTION FOR THE WAIVER BY INDEPENDENT SHAREHOLDERS OF THEIR RIGHT TO RECEIVE A GENERAL OFFER FROM NEW IMPETUS STRATEGY FUND AND ITS CONCERT PARTIES IN CONNECTION WITH THE PROPOSED SUBSCRIPTION;**

LETTER TO SHAREHOLDERS

- (4) THE TRANSFER OF CONTROLLING INTEREST TO NEW IMPETUS STRATEGY FUND ARISING FROM TRANCHE 1 COMPLETION;
- (5) THE PROPOSED DIVERSIFICATION OF THE CORE BUSINESS OF THE COMPANY INTO THE INFRASTRUCTURE BUSINESS (AS DEFINED HEREIN) (“PROPOSED DIVERSIFICATION”); AND
- (6) THE PROPOSED GENERAL SHARE ISSUE MANDATE TO ISSUE AND ALLOT NEW SHARES (AS DEFINED HEREIN) AND CONVERTIBLE SECURITIES IN THE COMPANY (“PROPOSED NEW SHARE ISSUE MANDATE”).

1. INTRODUCTION

1.1. Proposed Subscription

On 8 August 2017, the Company announced, *inter alia*, that it had entered into a Subscription Agreement dated 8 August 2017 with New Impetus Strategy Fund (the “**Subscriber**”), pursuant to which the Company had agreed to allot and issue to the Subscriber, and the Subscriber had agreed to subscribe for, up to 62,500,000 new Shares, comprising:

- (a) 28,750,000 Tranche 1 Subscription Shares and up to 9,375,000 Tranche 2 Subscription Shares (“**Proposed Subscription Shares Issue**”); and
- (b) up to 24,375,000 Option Shares (“**Proposed Option Shares Issue**”),

at S\$0.80 per Share (the “**Issue Price**”) for a maximum aggregate subscription amount of up to S\$50,000,000 (“**Maximum Subscription Amount**”). On 10 November 2017, the Company and the Subscriber entered into a supplemental agreement to the Subscription Agreement, pursuant to which the issue price and/or number of Option Shares and Option Introducer Shares to be issued shall be subject to adjustments under certain circumstances.

Due to the extended timeline, the Company and the Subscriber entered into a second supplemental agreement to the Subscription Agreement on 2 January 2018, to extend the Long-Stop Date to 31 March 2018 and also amend such other terms in the Subscription Agreement that are affected by the extended timeline for the Proposed Subscription. To accommodate the satisfaction of the Conditions Precedent, the Company entered into a third supplemental agreement dated 7 March 2018 to the Subscription Agreement with the Subscriber, *inter alia*, to extend the Long-Stop Date to 15 April 2018. Please refer to the Company’s announcements dated 2 January 2018 and 7 March 2018 for more information.

Pursuant to an agreement dated 19 July 2017 between the Company and Wellmont Strategic Pte. Ltd. (“**Introducer**”) (the “**Introductory Agreement**”) and the Subscription Agreement, the Introducer shall be entitled to an introducer fee (“**Introducer Fee**”), on a success basis, of 3.0% of the Subscriber’s aggregate subscription amount pursuant to the Proposed Subscription (which is up to the Maximum Subscription Amount), for the introductory services rendered by the Introducer to the Company, which shall be satisfied by way of allotment and issuance of such number of Shares (“**Introducer Shares**”), credited as fully-paid up, at the Issue Price (“**Proposed Introducer Shares Issue**”).

LETTER TO SHAREHOLDERS

Further details of the Proposed Subscription Shares Issue, Proposed Option Shares Issue and Proposed Introducer Shares Issue (collectively, the “**Proposed Subscription**”) are summarised below and in the relevant sections of this Circular.

1.2. Proposed Bonus Warrants Issue

On 8 August 2017, the Company also announced that it is proposing a bonus issue (“**Proposed Bonus Warrants Issue**”) of up to 27,119,659 free warrants (“**Bonus Warrants**”, and each a “**Bonus Warrant**”), with each Bonus Warrant carrying the right to subscribe for one (1) new Share (“**Warrant Share**”) during the period commencing on and including the date six (6) months from the date of listing of the Bonus Warrants on the SGX-ST, and will expire at 5.00 p.m. (Singapore time) on the date immediately preceding the third (3rd) anniversary of the date of issue of the Bonus Warrants (“**Bonus Warrants Exercise Period**”) at an exercise price of S\$1.00 for each Warrant Share (“**Bonus Warrants Exercise Price**”), to be credited and allotted to the Shareholders on the basis of one (1) free Bonus Warrant for every one (1) existing Share held by the Shareholders as at the books closure date to be determined by the Directors (“**Books Closure Date**”), fractional entitlements to be disregarded.

Further details of the Proposed Bonus Warrants Issue are summarised below and in the relevant sections of this Circular.

1.3. Purpose of Circular

The Directors of the Company propose to convene the EGM to seek Shareholders’ approval for the following proposals:–

- (a) The Proposed Subscription;
- (b) The Proposed Bonus Warrants Issue;
- (c) The Proposed Whitewash Resolution;
- (d) The Transfer of Controlling Interest;
- (e) The Proposed Diversification; and
- (f) The Proposed New Share Issue Mandate,

(collectively, the “**Proposed Transactions**”).

The purpose of this Circular is to explain the reasons for and to provide Shareholders with the relevant information relating to the Proposed Transactions and to seek Shareholders’ approval for the resolutions to be tabled at the EGM in connection with the Proposed Transactions. The resolutions are set out in the Notice of EGM to this Circular.

The SGX-ST assumes no responsibility for the contents of this Circular, including the accuracy of any of the statements or opinions made or reports or letters contained in this Circular.

LETTER TO SHAREHOLDERS

1.4. Conditionality of the Resolutions

With respect to the resolutions set out in the Notice of EGM, Shareholders should note that:

- (a) Ordinary resolutions 1, 3, 4 and 5 as stated in the Notice of EGM, in respect of the Proposed Subscription, Proposed Whitewash Resolution, Transfer of Controlling Interest and Proposed Diversification, are inter-conditional on each other (collectively, the “**Relevant Resolutions**”, and each, a “**Relevant Resolution**”).

This means that if any one of the Relevant Resolutions is not approved, the other Relevant Resolutions and ordinary resolutions 2 and 6 would not be duly approved. The Relevant Resolutions are inter-conditional for the following reasons:

- (i) as the Proposed Subscription results in the Subscriber holding more than 30% of the voting rights of the Company, approval of the ordinary resolutions in respect of the Transfer of Controlling Interest and Proposed Whitewash Resolution are required for the Proposed Subscription to proceed;
 - (ii) approval of the ordinary resolution in respect of the Proposed Diversification is required because the Subscriber’s investment objective in respect of the Company following the Proposed Subscription is to invest in the Infrastructure Business; and
 - (iii) if the Proposed Diversification is not approved, there is no immediate need for additional funds to justify the Proposed Subscription given that the Company has no immediate plans to expand its existing business.
- (b) Ordinary resolution 2 as stated in the Notice of EGM, in respect of the Proposed Bonus Warrants Issue, is conditional upon the approval of all the Relevant Resolutions.

This means that if any of the Relevant Resolutions is not approved, the said resolution relating to the Proposed Bonus Warrants Issue will not be approved. For the avoidance of doubt, if the Proposed Bonus Warrants Issue is not approved, this would not affect the approval of the Relevant Resolutions under Section 1.4(a) above.

- (c) Ordinary resolution 6 as stated in the Notice of EGM, in respect of the Proposed New Share Issue Mandate, is conditional upon the approval of all the Relevant Resolutions and ordinary resolution 2 in respect of the Proposed Bonus Warrants Issue.

This means that if any of the Relevant Resolutions and/or ordinary resolution 2 is not approved, the said resolution relating to the Proposed New Share Issue Mandate will not be approved. For the avoidance of doubt, if the Proposed New Share Issue Mandate is not approved, this would not affect the approval of the Relevant Resolutions under Section 1.4(a) above or the Proposed Bonus Warrants Issue.

LETTER TO SHAREHOLDERS

2. APPROVAL IN-PRINCIPLE FROM THE SGX-ST

On 10 November 2017, the Company announced its receipt of the approval-in-principle from the SGX-ST in respect of the listing of and quotation of (A) 28,750,000 Tranche 1 Subscription Shares, (B) up to 9,375,000 Tranche 2 Subscription Shares, (C) up to 24,375,000 Option Shares, (D) up to 1,875,000 Introducer Shares, (E) up to 27,119,659 Bonus Warrants and (F) up to 27,119,659 Warrant Shares, subject to, *inter alia*, the following conditions:

- (a) compliance with the SGX-ST's listing requirements;
- (b) Shareholders' approval for the Proposed Subscription, Proposed Bonus Warrants Issue and the Proposed Whitewash Resolution;
- (c) the Company shall not make any acquisition from the Subscriber's substantial investors or their associates within 12 months following Tranche 1 Completion unless the reverse takeover requirements under the Listing Rule 1015 are complied with;
- (d) the Company shall consult the SGX-ST on any acquisitions entered into the next 12 months following Tranche 1 Completion and the SGX-ST may require the Company to comply with one or more of the following conditions:
 - (i) target company to be profitable;
 - (ii) target company to be in healthy financial position;
 - (iii) an independent valuation to be commissioned on the target company;
 - (iv) moratorium of at least 6 months on the shareholdings of the controlling shareholders.
- (e) the Company and China Capital Impetus Asset Management Pte. Ltd. ("**CCIAM**" or "**Fund Manager**") undertaking to comply with the requirements in Chapter 9 of the Listing Manual for any transactions or agreements to be entered into by the Company or any entity at risk with the fund substantial investors or their associates, the subscriber and its associates and the Fund Manager will abstain from voting on the proposal;
- (f) the Company is required to seek specific Shareholders' approval for:
 - (i) its first acquisition of business or asset in a new business segment if any of the relative thresholds under Listing Rule 1006 exceeds 20%; or
 - (ii) acquisitions of businesses or assets in a new business segment which, on a cumulative basis, exceeds 20% of any of the thresholds under Listing Rule 1006.

LETTER TO SHAREHOLDERS

- (g) submission of the following documents in relation to the Proposed Subscription Shares Issue:–
- (i) a written undertaking from the Company that it will comply with Listing Rules 704(30) and 1207(20) in relation to the use of the proceeds from the Proposed Subscription and where proceeds are to be used for working capital purposes, the Company will disclose a breakdown with specific details on the use of proceeds for working capital in the Company's announcements on use of proceeds and in the annual report;
 - (ii) a written undertaking from the Company that it will comply with Listing Rule 803;
 - (iii) a written confirmation from the Company that it will not issue the Subscription Shares and Introducer Shares to persons prohibited under Rule 812(1) of the Listing Manual; and
 - (iv) a written undertaking from the Company that Listing Rules 803 and 812 will be complied with.
- (h) submission of the following documents in relation to the Proposed Option Shares Issue and Proposed Bonus Warrants Issue:–
- (i) announcement of the conditions under which the exercise price of the Option Shares and/or Bonus Warrants may be adjusted;
 - (ii) a written undertaking from the Company that it will comply with Listing Rule 803;
 - (iii) a written undertaking from the Company that it will comply with Listing Rule 704(30) and Listing Rule 1207(20) in relation to the use of proceeds from the Proposed Option Shares Issue and Proposed Bonus Warrants Issue and where proceeds are to be used for working capital purposes, the Company will disclose a breakdown with specific details on the use of proceeds for working capital in the Company's announcements on use of proceeds and in the annual report;
 - (iv) a written undertaking from the Company that there is a satisfactory spread of warrant holders to provide an orderly market for the Bonus Warrants in compliance with Listing Rule 826;
 - (v) a written confirmation from the Company that the terms of Bonus Warrants and Option comply with Listing Rule 829(1);
 - (vi) a written undertaking from the Company to announce any adjustments made to the terms of the Bonus Warrants or Option made pursuant to Listing Rule 829(1); and
 - (vii) a written undertaking from the Company that it will comply with Listing Rule 831 for the Option and Warrants.

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The approval in-principle granted by SGX-ST for the listing of and quotation for the Tranche 1 Subscription Shares, Tranche 2 Subscription Shares, Option Shares, Introducer Shares, Bonus Warrants and Warrant Shares is not an indication of the merits of any of the Proposed Transactions, the Tranche 1 Subscription Shares, the Tranche 2 Subscription Shares, the Option Shares, the Introducer Shares, the Bonus Warrants, the Warrant Shares, the Shares, the Group, the Company and/or its subsidiaries.

The Bonus Warrants will be traded on the Mainboard of the SGX-ST under the book-entry (scripless) settlement system upon the listing of and quotation for the Bonus Warrants on the Mainboard of the SGX-ST, subject to, *inter alia*, an adequate spread of holdings of the Bonus Warrants to provide for an orderly market in trading of the Bonus Warrants.

The Warrant Shares will be listed and traded on the Mainboard of the SGX-ST. Shareholders who hold odd lots of the Warrant Shares and who wish to trade in odd lots may do so on the Unit Share Market of the SGX-ST.

As at the Latest Practicable Date, there are more than 1,000 Shareholders based on the records of the Register of Members of the Company and the Depository Register. As such, the expected number of Warrantholders for the Bonus Warrants is at least 1,000.

3. INFORMATION ON THE SUBSCRIBER

The information in this Section 3 is based on information provided by and/or representations made by CCIAM as the Fund Manager. The Directors have not conducted an independent review or verification of the accuracy of the statements and information below.

3.1. Information on the Subscriber

The Subscriber, New Impetus Strategy Fund, is an exempted company incorporated on 20 July 2017 with limited liability in the Cayman Islands, and is structured as an open-ended fund. Its registered office is at 190 Elgin Avenue, George Town, Grand Cayman KY1-9007, Cayman Islands. New Impetus Strategy Fund is a regulated mutual fund registered with the Cayman Islands Monetary Authority.

The principal objective of the Subscriber is to seek superior medium to long-term capital appreciation in the value of its assets. The Subscriber will primarily invest in listed equities of companies whose principal assets or businesses are located in Asia and the United States. The Subscriber may also seek investment opportunities in other markets, such as emerging markets or in Europe. In addition, for the purpose of diversifying its portfolio, the Subscriber may, at its absolute discretion, have exposure in other asset classes, such as alternative investments, listed real estate investment trusts, collective investment schemes, bonds, convertible bonds, exchange traded funds, futures, options, warrants and other derivative instruments, and may hold debt securities for cash management and defensive purposes.

LETTER TO SHAREHOLDERS

The Subscriber's investors are accredited investors¹ mainly based in Asia. The Subscriber's directors are Mr. Sun Quan and Mr. Yap Wee Phin, whose details are set out below:

(a) **Mr. Sun Quan**

Mr. Sun Quan is a director of the Subscriber. He concurrently holds the position of executive director and chief executive officer of CCIAM, which is an asset management company incorporated in Singapore and regulated by the MAS as a registered fund management company. CCIAM's principal businesses include management of hedge funds, private equity funds, fund of funds, and other collective investment schemes. In October 2016, Mr. Sun was appointed as Non-Executive Director of Eucon Holding Limited (now known as The Place Holdings Limited), a company listed on the Mainboard of the SGX-ST. Since 2011, Mr. Sun is the non-executive director of RHB GC-Millennium Capital Pte. Ltd., an asset management company regulated by the MAS.

Mr. Sun has more than 20 years of experience in mergers and acquisitions, investments and management in the Greater China region, Singapore, Malaysia, Thailand and Indonesia, covering diverse businesses in high technology, pharmaceuticals, electronics, real estate, natural resources and chemicals industries. Mr. Sun has been instrumental in promoting collaboration in areas of economic, education, culture and relationship enhancement between China and numerous Southeast Asian countries. In 2010, with the support of the Securities Commission Malaysia and the Ministry of Finance (Malaysia), Mr. Sun successfully organised the Malaysia-China Capital Investment Forum in Kuala Lumpur. He also sponsored and contributed to the senior financial talent training program between Tsinghua University and Malaysia.

(b) **Mr. Yap Wee Phin**

Mr. Yap Wee Phin joined CCIAM in 2017 as General Manager. Mr. Yap is responsible for performing financial analysis on current and potential projects.

Prior to joining CCIAM, Mr. Yap was manager of the Actuarial Reporting team at Prudential Assurance Malaysia Berhad from October 2014 to July 2017. In that role, Mr. Yap specialised in capital management and the assessment of business plans or products, using asset & liability modelling supplemented with extensive stress testing, to ensure that the company continues to meet the regulatory requirements under Bank Negara Malaysia's Risk-Based Capital framework for insurers, as well as to operate within the company's internal risk appetite. His responsibilities also included continuous analysis of the sources of surplus, as well as the assessment on the distribution of surplus, ensuring the company's solvency remains resilient over the short and long term.

Having also worked at Phoenix Group in the United Kingdom from November 2012 to August 2014 as an Actuarial Technician under the Statutory Reporting team, Mr. Yap has had experience working in different regulatory environments and reporting standards. The Phoenix Group is a closed life assurance fund management specialist in the United Kingdom listed on the London Stock Exchange. His

¹ Refers to "accredited investors" as defined under Section 4A(1)(a) of the SFA.

LETTER TO SHAREHOLDERS

responsibilities were mainly in liability modelling and reporting, ensuring the integrity of the data used for modelling as well as the results produced. Mr. Yap was also involved in several system transformation projects including streamlining the modelling audit and controls across funds as well as setting up control cycles to identify, investigate, raise and fix issues on the data received from external sources.

Mr. Yap graduated from Heriot-Watt University with a Bachelor's Degree in Actuarial Science (First Class Honours) in 2011 and a Master's Degree in Actuarial Management in 2012. He is a member of the UK Institute and Faculty of Actuaries (IFOA).

In respect of the Subscriber's investment in the Company, the Subscriber's investment objective is to invest directly in infrastructure-related assets or businesses, or indirectly through companies with infrastructure-related assets or infrastructure-related portfolios or through underlying funds targeting investments in such asset classes. As the foray into the infrastructure business will constitute a change in business and risk profile of the Company, the Company is also seeking Shareholders' approval for the Proposed Diversification. On Tranche 1 Completion and subject to the resolution for the Proposed Diversification being approved by Shareholders, the Subscriber intends to diversify and expand the Group's core business to the Infrastructure Business. Please see Section 10 of the Circular for more information on the Proposed Diversification.

As at the Latest Practicable Date, none of the Subscriber or its concert parties hold any interest in any Shares.

3.2. Information of China Capital Impetus Asset Management Pte. Ltd. as the Fund Manager

The Subscriber is managed by China Capital Impetus Asset Management Pte. Ltd. ("**Fund Manager**"). The Fund Manager is a private company limited by shares incorporated under the laws of the Republic of Singapore on 27 March 2011, and having its registered office at 65 Chulia Street, #49-05 OCBC Centre, Singapore 049513. The principal businesses of the Fund Manager include management of hedge funds, private equity funds, fund of funds and other collective investment schemes. The Fund Manager is registered with the MAS as a registered fund management company with effect from 26 July 2013, and is regulated by the MAS in the conduct of its fund management business in Singapore.

The Fund Manager is wholly-owned by Capital Impetus Group Limited, an investment holding company incorporated in the Cayman Islands, which is in turn owned 90% by Dejoera Investment Limited and 10% by Mr. Peh Siew Wee. Dejoera Investment Limited is wholly-owned by Mr. Sun Quan. The directors of the Fund Manager are Messrs Sun Quan, Peh Siew Wee and Quah Soon Tong, whose details are set out below:

(a) Mr. Sun Quan

Please refer to Section 3.1(a) for the profile of Mr. Sun Quan.

LETTER TO SHAREHOLDERS

(b) **Mr. Peh Siew Wee**

Mr. Peh Siew Wee is a director of CCIAM. He has previously held senior positions in various financial institutions in Singapore prior to joining CCIAM, including as the Director of High Net Worth Client Sales in SBI E2-Capital Asia Securities Pte Ltd, and as Manager (Business Development) in HL Bank Singapore.

Mr. Peh graduated from the University of Michigan (Ann Arbor) with a Master's degree in Business Administration in 1994.

(c) **Mr. Quah Soon Tong**

Mr. Quah Soon Tong is the Chief Risk Officer of CCIAM. He has 20 years of experiences in all areas in financial services and banking industry, and more than 10 years of experience in real estate and construction industry. Experienced in strategic planning and risk management, he was previously the Head of Business Strategy for Global Financial Institutions Group in the United Overseas Bank, Director of Corporate Research and Risk Management for Surbana International Consultants, Director of Strategic Planning for Orchard Parade Holdings Ltd and Director Research and Analysis Unit for Citibank NA.

He holds an Engineering Tripos Bachelor degree (majoring in Civil Engineering) and a Masters of Arts from the University of Cambridge. He was also awarded the CFA certificate by CFA Institute.

3.3. Relationship between the investors of the Subscriber and the Fund Manager

As a discretionary open-ended fund, the Fund Manager has exercised the investment discretion accorded to it by procuring the Subscriber to enter into the Subscription Agreement with the Company for purposes of the Proposed Subscription. Upon Tranche 1 Completion, any further decisions with regards to the use of proceeds arising from the Proposed Subscription will be made by the board of directors of the Company, and subject to the approval of Shareholders and/or the SGX-ST, where required in accordance with applicable Listing Rules.

4. INFORMATION ON THE INTRODUCER

The information in this Section 4 relating to the Introducer is based on information provided by and/or representations made by the Introducer. The Directors have not conducted an independent review or verification of the accuracy of the statements and information below.

The Company was introduced to the Subscriber by an independent third party, Wellmont Strategic Pte. Ltd. ("**Introducer**"), a company incorporated in the Republic of Singapore with its principal business being investment holding. The legal and beneficial owner of the Introducer is Mr. Yeo Kan Yen. Mr. Yeo Kan Yen is not related to any Director or Substantial Shareholder of the Company.

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To the best knowledge of the Directors, save as disclosed in this Section 4 and in relation to the Proposed Subscription, the Introducer does not have any other connections (including business relationships) with the Company, its Directors and Substantial Shareholders. The Introducer does not fall within any of the prohibited categories as set out in Rule 812 of the Listing Manual to whom the Company is prohibited from issuing the Shares.

Information on Mr. Yeo Kan Yen

Mr. Yeo is currently the lead independent director and Chairman of the Audit Committee of Oceanus Group Limited.

Mr. Yeo established Primasiana Pte Ltd in November 2012 as part of Sitcomasia Group where he was designated as director and chief commercial officer. Sitcomasia Group operates customer service and repair centres in Singapore, Indonesia, Thailand, Philippines, Vietnam, Cambodia and Laos servicing global customers like Apple, Samsung, Microsoft, Blackberry Levono and Western Digital, etc.

Prior to that, Mr. Yeo was the chief operating officer and executive director of CarrierNet Global Ltd (now known as Polaris Ltd.) from February to September 2012 where he was responsible for the overall general management, operational and strategic planning, sales and marketing activities. He joined CarrierNet Corporation (Singapore) Pte Ltd as sales and marketing director in October 2006 and was promoted to managing director in November 2007.

From 2000 to 2002, Mr. Yeo was the Vice President-International in Prudential Capital Technologies (China) Limited and he was appointed as Chief Operating Officer at PT. Atlasat Solusindo from 2002 to 2003.

5. THE PROPOSED SUBSCRIPTION

5.1. Overview

Pursuant to the Subscription Agreement, the Company shall allot and issue (at the Issue Price):

(a) to the Subscriber:

- (i) on the Tranche 1 Completion Date, 28,750,000 Tranche 1 Subscription Shares, in consideration for the subscription amount of S\$23,000,000 ("**Tranche 1 Subscription Amount**");
- (ii) on the Tranche 2 Completion Date, up to 9,375,000 Tranche 2 Subscription Shares in the event the Tranche 2 Subscription Request is issued by the Subscriber to the Company, in consideration for the subscription amount of up to S\$7,500,000 ("**Tranche 2 Subscription Amount**"); and
- (iii) on the Option Shares Issue Date(s), an aggregate of up to 24,375,000 Option Shares in the event any Option Subscription Request is issued by the Subscriber to the Company during the Option Exercise Period, in consideration for the subscription amount of up to S\$19,500,000 ("**Option Shares Subscription Amount**"); and

LETTER TO SHAREHOLDERS

(b) to the Introducer:

(i) on the Tranche 1 Completion Date, 862,500 new Shares;

(ii) on the Tranche 2 Completion Date, up to 281,250 new Shares; and

(iii) on the Option Shares Issue Date(s), an aggregate of up to 731,250 new Shares,

credited as fully paid-up, in consideration for the introductory services rendered by the Introducer to the Company pursuant to the Introductory Agreement.

5.2. Tranche 1 Subscription Shares

The key terms and conditions of the allotment and issuance of the Tranche 1 Subscription Shares pursuant to the Subscription Agreement are set out below:

Tranche 1 Subscription Amount : S\$23,000,000

Number of Tranche 1 Subscription Shares : 28,750,000 Tranche 1 Subscription Shares

Issue Price : S\$0.80 per Tranche 1 Subscription Share.

The Issue Price of S\$0.80 represents a premium of approximately 35.59% to S\$0.59, being the volume weighted average price (“VWAP”) of the Shares based on the trades done on the SGX-ST on 4 August 2017 (which is the preceding full market day prior to the date of the Subscription Agreement)².

Tranche 1 Completion Date : Subject to the terms and conditions of the Subscription Agreement, the Tranche 1 Subscription Shares shall be issued within fourteen (14) business days from the date on which the last Condition Precedent is satisfied, fulfilled or waived (as the case may be), or on such other date as the Parties may agree in writing.

² Trading of the Shares of the Company was halted on 7 August 2017.

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5.3. Tranche 2 Subscription Shares

The key terms and conditions of the allotment and issuance of the Tranche 2 Subscription Shares pursuant to the Subscription Agreement are set out below:

Maximum Tranche 2 Subscription Amount	:	Up to S\$7,500,000
Number of Tranche 2 Subscription Shares	:	Up to 9,375,000 Tranche 2 Subscription Shares
Issue Price	:	S\$0.80 per Tranche 2 Subscription Share.

The Issue Price of S\$0.80 represents a premium of approximately 35.59% to S\$0.59, being the VWAP of the Shares based on the trades done on the SGX-ST on 4 August 2017 (which is the preceding full market day prior to the date of the Subscription Agreement)³.

Tranche 2 Subscription Request	:	Subject to Tranche 1 Completion and the terms of the Subscription Agreement, the Subscriber may require the Company to allot and issue such number of Tranche 2 Subscription Shares at the Issue Price by issuing to the Company a duly completed Tranche 2 Subscription Request at any time during the Tranche 2 Exercise Period.
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The Company shall only be obliged to allot and issue Tranche 2 Subscription Shares pursuant to the first duly completed Tranche 2 Subscription Request received by the Company. The Company shall not be obliged to issue any further Tranche 2 Subscription Shares thereafter.

For the avoidance of doubt:

- (a) the Subscriber shall not be entitled to subscribe for the Tranche 2 Subscription Shares and Option Shares unless Tranche 1 Completion occurs; and
- (b) in the event the Tranche 2 Subscription Request is issued by the Subscriber on or prior to Tranche 1 Completion, the Company may allot and issue the Tranche 2 Subscription Shares concurrently with the Tranche 1 Subscription Shares.

³ Trading of the Shares of the Company was halted on 7 August 2017.

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Tranche 2 Exercise Period : The period commencing from the date the conditions precedent to the allotment and issuance of Tranche 1 Subscription Shares and Tranche 2 Subscription Shares as set out in the Subscription Agreement (“**Conditions Precedent**”) are fulfilled (or waived) until such date falling six months after the Tranche 1 Completion Date.

Upon the expiry of the Tranche 2 Exercise Period, the Subscriber shall not be entitled to issue any Tranche 2 Subscription Request and the Company shall not be obliged to allot and issue any Tranche 2 Subscription Shares, PROVIDED that if any Tranche 2 Subscription Request is received by the Company before the expiry of the Tranche 2 Exercise Period, the Company shall be obliged to allot and issue the Tranche 2 Subscription Shares pursuant to that Tranche 2 Subscription Request.

Tranche 2 Completion Date : The Tranche 2 Subscription Shares shall be allotted and issued by the Company in accordance with the Subscription Agreement on:

- (a) such date no later than seven (7) business days after the Company’s receipt of the duly completed Tranche 2 Subscription Request; or
- (b) such other date as may be mutually agreed in writing between the Company and Subscriber,

PROVIDED that the Tranche 2 Completion Date shall be no earlier than the Tranche 1 Completion Date.

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5.4. Option Shares

The key terms and conditions of the allotment and issuance of the Option Shares pursuant to the Subscription Agreement are set out below:

Maximum Option Shares Subscription Amount : Up to S\$19,500,000, which shall be in tranches of S\$500,000.

Number of Option Shares : Up to 24,375,000 Option Shares

Issue Price : S\$0.80 per Option Share. The Issue Price of S\$0.80 represents a premium of approximately 35.59% to S\$0.59, being the weighted average price of the Shares based on the trades done on the SGX-ST on 4 August 2017 (which is the preceding full market day prior to the date of the Subscription Agreement)⁴.

Option Subscription Request : Subject to completion of the Tranche 1 Subscription and the terms and conditions of the Subscription Agreement, the Subscriber may require the Company to allot and issue such number of Option Shares at the Issue Price by issuing to the Company a duly completed Option Subscription Request at any time and from time to time during the Option Exercise Period.

The Subscriber shall be entitled (in its sole discretion) to issue an Option Subscription Request for Option Shares notwithstanding the closing of the allotment and issue of the Option Shares to the Subscriber in respect of the immediately preceding Option Subscription Request has yet to take place.

Option Exercise Period : A thirty-six (36) month period commencing from the Tranche 1 Completion Date.

Unless agreed in writing between the Company and the Subscriber, the option to subscribe to the Option Shares shall *ipso facto* lapse on the expiry of the Option Exercise Period, PROVIDED that if any Option Subscription Request is received by the Company before the expiry of the Option Exercise Period, the Company shall be obliged to allot and issue the Option Shares pursuant to that Option Subscription Request.

⁴ Trading of the Shares of the Company was halted on 7 August 2017.

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In the event the Company and the Subscriber agree to extend the Option Exercise Period following Tranche 1 Completion, the Company will seek Shareholders' approval for such extension as an interested person transaction between the Company and its controlling shareholder (being the Subscriber).

- Option Shares Issue Date : In respect of each tranche of Option Shares, no later than seven (7) business days after the Company's receipt of the respective duly completed Option Subscription Request(s), or such other date as may be mutually agreed in writing between the Company and Subscriber.
- Assignability : The Subscriber shall be permitted to assign, transfer or otherwise deal with all or any of its rights with respect to the Option (including but not limited to assigning the Option to one or more third parties), without the prior consent of the Company.
- Adjustments : Pursuant to the Subscription Agreement, the issue price and/or number of Option Shares to be issued is subject to adjustments in the event the Company undertakes the following:
- (a) capitalisation of profits or reserves;
 - (b) capital distribution;
 - (c) rights issue;
 - (d) an issue (other than pursuant to a rights issue in (c) above, and other than an issue of Shares to Shareholders who elect to receive Shares in lieu of cash or other dividend) by the Company of Shares if the total effective consideration (as defined below) for each Share is less than 90% of the last dealt price for each Share; or
 - (e) consolidation, subdivision or conversion of Shares.

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Notwithstanding the above, no adjustment to the issue price and/or number of Option Shares to be issued will be required in respect of:

- (i) any approved employment share schemes;
- (ii) issuance of shares in consideration for or in connection with the acquisition of any other securities, assets or business;
- (iii) exercise of any convertible securities previously issued by the Company (including the Bonus Warrants);
- (iv) any share purchase scheme approved by the Shareholders; and
- (v) the allotment and issue of new Shares pursuant to the Proposed Subscription (including allotment and issue of the Introducer Shares).

Please see Appendix 3 for the circumstances which may give rise to an adjustment to the issue price and/or number of Option Shares.

Where there are any adjustments to the issue price and/or the number of Option Shares, corresponding adjustments shall be made to the issue price and/or number of Option Introducer Shares such that: (a) the issue price of the Option Introducer Shares is identical to the adjusted issue price of the Option Shares; and (b) the number of Option Introducer Shares shall be adjusted such that it is equivalent to 3.0% of the adjusted number of Option Shares.

5.5. Introducer Shares

5.5.1. Allotment and Issuance

Pursuant to the Introductory Agreement, the Introducer shall be entitled to the Introducer Fee, on a success basis, amounting to up to S\$1,500,000, which shall be satisfied by way of allotment and issue of approximately such number of Shares ("**Introducer Shares**") at the Issue Price.

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Accordingly, pursuant to the Subscription Agreement, the Company shall allot and issue up to 1,875,000 Introducer Shares to the Introducer at the Issue Price, as follows:

- (a) 862,500 Introducer Shares, on the Tranche 1 Completion Date contemporaneously with the allotment and issuance of the Tranche 1 Subscription Shares (“**Tranche 1 Introducer Shares**”);
- (b) (in the event the Tranche 2 Subscription Request is issued by the Subscriber to the Company) subject to a maximum of 281,250 Introducer Shares, such number of Introducer Shares equivalent to 3.0% of the Tranche 2 Subscription Amount, on the Tranche 2 Completion Date contemporaneously with the allotment and issuance of the Tranche 2 Subscription Shares (“**Tranche 2 Introducer Shares**”); and
- (c) (in the event any Option Subscription Request is issued by the Subscriber to the Company) subject to the maximum aggregate of 731,250 Introducer Shares, such number of Introducer Shares equivalent to 3.0% of the Option Shares Subscription Amount, on the Option Shares Issue Date(s) contemporaneously with the allotment and issuance of the Option Shares (“**Option Introducer Shares**”),

credited as fully paid-up, in consideration for the introductory services rendered by the Introducer to the Company pursuant to the Introductory Agreement.

In the event there is any adjustment to the issue price and/or the number of Option Shares, corresponding adjustments shall be made to the issue price and/or the number of Option Introducer Shares such that: (i) the issue price of the Option Introducer Shares is identical to the adjusted issue price of the Option Shares; and (ii) the number of Option Introducer Shares shall be adjusted such that it is equivalent to 3.0% of the adjusted number of Option Shares. Please see Section 5.4 and Appendix 3 for more information.

5.5.2. Completion

In respect of each allotment and issuance of the Introducer Shares, the Company shall deliver or procure to be delivered:

- (a) to the Introducer, the duly issued share certificate(s) for the relevant Introducer Shares in the name of the Introducer (and/or its nominees); OR allot and issue the Introducer Shares to CDP for the account of the Introducer and/or its nominees (or the depository agents (as the case may be) as notified by the Introducer to the Company) and instruct CDP to credit the Direct Account of the Introducer and/or its nominees (or the securities account of the depository agents (as the case may be) as notified by the Introducer to the Company) with the relevant Introducer Shares; and
- (b) to the SGX-ST, such documents and confirmation as may be required by the SGX-ST for the purposes of listing and quotation of the relevant Introducer Shares.

For the avoidance of doubt, the Company will not be raising any cash proceeds from the Introducer pursuant to the Proposed Introducer Shares Issue, as the Introducer Shares issued at the Issue Price will be credited as fully paid-up, in consideration for services rendered by the Introducer under the Introductory Agreement.

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5.6. The Subscription Agreement

The key terms and conditions of the Subscription Agreement are summarised below:

5.6.1. Basis of Subscription

The Company and the Subscriber agree and acknowledge that the Proposed Subscription has been agreed on, *inter alia*, the following bases:

- (a) the Subscriber and Introducer shall not be entitled to participate in the Proposed Bonus Warrants Issue;
- (b) the issued and paid-up share capital of the Company immediately before Tranche 1 Completion comprises 28,119,659 Shares (including 1,000,000 Shares held as treasury shares) on a fully diluted basis, disregarding any Warrant Shares that are issued;
- (c) the Company shall continue to operate as a going concern as at Tranche 1 Completion Date;
- (d) the aggregate diminution of the net tangible assets (“**NTA**”) of the Company as at Tranche 1 Completion, if any, from the NTA of the Company based on the unaudited consolidated financial statements of the Group for the six-month period ended 30 June 2017 (“**FP2017 Management Account**”) shall not be more than 5% (“**Minimum NTA Requirement**”);
- (e) save for applicable transactional costs and the corporate guarantee obligations of the Company in respect of the loan obligations of its subsidiaries (“**AEI Guarantee Obligations**”), the existing liabilities of the Company as at Tranche 1 Completion shall not exceed S\$600,000 (“**Maximum Liability Threshold**”); and
- (f) no amounts in respect of any part of the AEI Guarantee Obligations shall be paid or payable by the Company (“**No Claim Requirement**”).

5.6.2. Status of the Subscription Shares, Option Shares and Introducer Shares

The Tranche 1 Subscription Shares, Tranche 2 Subscription Shares, Option Shares and Introducer Shares shall be issued by the Company to the Subscriber and the Introducer (as the case may be) free from all claims, charges, liens and other encumbrances whatsoever with all legal and beneficial rights, benefits and entitlements and the Tranche 1 Subscription Shares, Tranche 2 Subscription Shares, Option Shares and Introducer Shares shall be freely transferable and rank *pari passu* in all respects with and carry all rights similar to the then existing Shares, except that they will not rank for any dividend, right, allotment or other distributions, the record date for which falls on or before the Tranche 1 Completion Date, Tranche 2 Completion Date or Option Shares Issue Date (as relevant).

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5.6.3. Long-Stop Date

If any of the Conditions Precedent is not satisfied, fulfilled or waived (as the case may be) by the Long-Stop Date, the Subscription Agreement shall be terminated automatically with immediate effect, and no Party shall have any claim against the other Party for any costs or expenses, save for any antecedent breach of the terms of the Subscription Agreement and/or each Party's respective liability for the payment of costs and expenses expressly provided under the Subscription Agreement.

5.6.4. Conditions Precedent

The Company shall not be obliged to allot and issue and the Subscriber shall not be obliged to subscribe for the Tranche 1 Subscription Shares and Tranche 2 Subscription Shares unless the Conditions Precedent, including but not limited to the key conditions precedent as set out below, have been fulfilled or waived (as the case may be), as relevant on the Tranche 1 Completion Date.

(a) Due Diligence

The Subscriber being satisfied with its due diligence investigations into the financial, legal, tax and business of the Company, including being satisfied that the Minimum NTA Requirement and Maximum Liability Threshold are duly met.

(b) Regulatory Approvals

All necessary consents, approvals and waivers of all relevant government bodies, stock exchanges and other regulatory authorities having jurisdiction over the transactions contemplated in the Subscription Agreement and all other transactions in connection therewith and incidental thereto, having been obtained by the Company or the Subscriber (as relevant), including without limitation, the approval in-principle for the listing of and quotation for the Subscription Shares, Option Shares and Introducer Shares on the Mainboard of the SGX-ST and the waiver by the SIC being obtained by the Subscriber and its concert parties in respect of a waiver of their obligation to make a general offer under Rule 14 of the Code for Shares not owned or controlled by the Subscriber or its concert parties, and from having to comply with the requirements of Rule 14 of the Code.

(c) Representations and Warranties

All the representations and warranties of the Company and the Subscriber set out under the Subscription Agreement, as the case may be, being true and accurate in all material respects as of the date of the Subscription Agreement and as at the Tranche 1 Completion Date.

(d) Shareholders' Approval

The resolution of the Shareholders having been obtained for the transactions contemplated in the Subscription Agreement and all other transactions in connection therewith and incidental thereto, including but not limited to:

(i) Proposed Subscription;

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- (ii) Proposed Bonus Warrants Issue;
- (iii) Proposed Whitewash Resolution;
- (iv) Transfer of Controlling Interest;
- (v) Proposed Diversification;
- (vi) Proposed New Share Issue Mandate; and
- (vii) any additional items as may be agreed in writing between the Company and the Subscriber.

(e) Subscription Bases

The Subscriber having received from the Company a letter of confirmation together with such documentary evidence as it may deem satisfactory in its sole discretion (such discretion to be exercised reasonably), confirming that the following are satisfied:

- (i) the Minimum NTA Requirement; and
- (ii) the Maximum Liability Threshold.

(f) No changes in share capital

For the period between the date of the Subscription Agreement and the Tranche 1 Completion Date, save in respect of the Proposed Bonus Warrants Issue, the Company not having allotted or issued, or agreed to allot or issue, any Share, instrument convertible into Shares or loan capital, or rights to subscribe or purchase any Share, instrument convertible into Shares or loan capital, and there being no change to the Existing Share Capital.

(g) No Winding-Up

No order being made, petition presented or meeting convened for the purpose of considering a resolution for:

- (i) the winding up of the Company or any of its subsidiaries; or
- (ii) the appointment of any liquidator (provisional or otherwise), judicial manager, administrator, receiver, receiver and manager, custodian or similar official in respect of the Company, any of the Company's subsidiaries or any part of their respective property, assets and/or undertaking,

except, in respect of the Company's subsidiaries, pursuant to such internal restructuring undertaken by the Company in consultation with the Subscriber in accordance with the Subscription Agreement.

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(h) No Material Adverse Change

No material adverse change in the prospects, operations, conditions (financial or otherwise) of the Company having occurred between the date of the Subscription Agreement and the Tranche 1 Completion Date, both dates inclusive.

(i) No Illegality

No relevant authority taking, instituting, implementing or threatening to take, institute or implement any action, proceeding, suit, investigation, inquiry or reference, or having made, proposed or enacted any statute, regulation, decision, ruling, statement or order or taken any steps, and there not continuing to be in effect or outstanding any statute, regulation, decision, ruling, statement or order which would or might (A) make the transactions contemplated in the Subscription Agreement and all other transactions in connection therewith and incidental thereto, void, illegal and/or unenforceable or otherwise restrict, restrain, prohibit or otherwise frustrate or be adverse to the same; (B) render the Subscriber unable to subscribe for all or any of the Tranche 1 Subscription Shares, Tranche 2 Subscription Shares and Option Shares in the manner set out in the Subscription Agreement; and/or (C) render the Company unable to receive the Tranche 1 Subscription Amount, Tranche 2 Subscription Amount and the Option Shares Subscription Amount in the manner set out in the Subscription Agreement.

(j) AEI Disclosure Letter

The Company delivering to the Subscriber a letter from the Company to the Subscriber in relation to disclosures and qualifications to the representations and warranties of the Company as set out in the Subscription Agreement, no later than one (1) week prior to the Tranche 1 Completion Date.

(k) Undertaking Shareholder Indemnity

Tan Chu En Ian ("**Undertaking Shareholder**"), being an executive director and the chief executive officer of the Company, delivering a letter of indemnity (in the form agreed between the Undertaking Shareholder and the Subscriber) in relation to the Undertaking Shareholder providing certain indemnities to the Subscriber (the "**Undertaking Shareholder Indemnity**").

(l) No Prescribed Occurrences

No Prescribed Occurrence having occurred in relation to the Company other than as required or contemplated by the Subscription Agreement between the date of the Subscription Agreement and the Tranche 1 Completion Date (both dates inclusive).

"**Prescribed Occurrence**" shall mean, save as contemplated in the Subscription Agreement, any of the following:

(i) Contracts, Agreements or Commitments

Other than in the ordinary and usual course of business and/or in connection with the Proposed Bonus Warrants Issue, the Company (A) entering or agreeing to enter into any contract, agreement or commitment to which the Company is

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a party; or (B) entering or agreeing to enter into any variation of any existing contract, agreement or commitment to which the Company is a party; or (C) releasing or waiving any material rights under any contract, agreement or commitment to which the Company is a party.

(ii) Distribution Policy

The Company declaring, paying, making or agreeing to make any dividend or other distribution (cash or non-cash).

(iii) Alteration of Share Capital

Other than in respect of the Proposed Bonus Warrants Issue, the Company (A) entering into a share buy-back agreement or resolving to approve the terms of a share buy-back agreement or reduce its share capital in any way; (B) undertaking any share consolidation, recapitalisation, combination, share splits, rights, bonus or capitalisation issue; or (C) making an allotment of, or granting an option to subscribe for, any Shares or securities convertible into Shares or agreeing to make such an allotment or to grant such an option or convertible security.

(iv) Issuance of Debt Securities

The Company issuing, or agreeing to issue, convertible notes or other debt securities, or incur or agree to incur any debts, liabilities or third party borrowings, or provide any guarantee, security or indemnity (including creating any encumbrance over any of its assets, properties or undertakings).

(v) Insolvency Event

The occurrence of any event or circumstance described as follows:

- (A) the Company being unable to pay its debts as they fall due or suspends payment due to its creditors (including any class of creditors) or all its liabilities (whether actual or contingent) exceeds all its assets and the Company fails to rectify the same within three (3) months of the occurrence of such event; or
- (B) any order being made, petition presented or meeting convened for the purpose of considering a resolution for the winding up of the Company or for the appointment of any provisional liquidator in the Company; or
- (C) any petition being presented for the appointment of a judicial manager, assignee, administrator, receiver, liquidator, custodian or similar official, and such official has been so appointed, in respect of the whole or any part of any of the property, assets and/or undertaking of the Company; or
- (D) any composition in satisfaction of the debts of the Company, or scheme of arrangement of its affairs, or compromise or arrangement between it and its creditors and/or members or any class of its creditors or members, having been proposed, sanctioned or approved; or

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- (E) any distress, distraint, charging order, garnishee order, execution or other process having been levied or applied for in respect of the whole or any part of any of the property, assets and/or undertaking of the Company; or
- (F) any of the events in paragraphs (v)(A) to (v)(E) above in respect of any Existing Subsidiary, as if all references to “the Company” in paragraphs (v)(A) to (v)(E) above shall also be *mutatis mutandis*, references to any Existing Subsidiary.

(vi) Delisting or Suspension of Trading

The SGX-ST removing the Company from the Mainboard of the SGX-ST, or suspending the trading of Shares on the Mainboard of the SGX-ST for a period longer than three (3) business days or such other period of extension which the SGX-ST may determine (which for the avoidance of doubt, shall not include any trading halts or suspensions of trading of the Shares on the Mainboard of the SGX-ST made at the request of the Company or pursuant to any trading suspension imposed by the SGX-ST pursuant to Rule 1018 of the Listing Manual).

(vii) Change in Accounting Policy

The Company changing its auditor or any accounting procedure or policy other than as required by law.

(viii) Changes to Articles

The Company amending its constitution or any organisational documents.

(ix) Breaches of Representations and Warranties

The Company doing or allowing to be done any act or omission that would constitute a breach of any representations or warranties by the Company in the Subscription Agreement.

5.6.5. Representations, Warranties and Undertakings

The subscription by the Subscriber of the Tranche 1 Subscription Shares, Tranche 2 Subscription Shares and Option Shares is subject to certain representations, warranties, and undertakings as are customary for transactions of this nature or other similar transactions, and (a) in respect of the Company, the representations and warranties include the Minimum NTA Requirement, Maximum Liability Threshold and No Claim Requirement; and (b) in respect of the Subscriber, the representations and warranties include the representation that the Subscriber, its director(s) and substantial shareholder(s) are not persons set out in Rule 812(1) of the Listing Manual.

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5.6.6. Tranche 1 Completion

On the Tranche 1 Completion Date, all of the following shall take place at a time and place as the Parties may agree:

- (a) Subscriber's Obligations: The Subscriber shall pay or procure to be paid to the Company the Tranche 1 Subscription Amount in Singapore Dollars in immediately available funds to the Designated Bank Account as notified by the Company to the Subscriber;
- (b) Company's Obligations: Immediately after (in any event being within the same day of) the satisfaction of Section 5.6.6(a), the Company shall:
 - (i) allot and issue the Tranche 1 Subscription Shares at the Issue Price to the Subscriber (and/or its nominees);
 - (ii) deliver or procure to be delivered, *inter alia*:
 - (A) to the Subscriber, the duly issued share certificate(s) for the Tranche 1 Subscription Shares in the name of the Subscriber (and/or its nominees); OR allot and issue the Tranche 1 Subscription Shares to CDP for the account of the Subscriber (and/or its nominees) (or the depository agents (as the case may be) as notified by the Subscriber to the Company) and instruct CDP to credit the Direct Account of the Subscriber (and/or its nominees) (or the securities account of the depository agents (as the case may be) as notified by the Subscriber to the Company) with the Tranche 1 Subscription Shares;
 - (B) to the SGX-ST, such documents and confirmation as may be required by the SGX-ST for the purposes of listing and quotation of the Tranche 1 Subscription Shares;
 - (C) such documents and deliverables in respect of the Tranche 1 Introducer Shares set out in Section 5.5.2;
 - (D) to the Subscriber, all necessary documents to vary and/or replace the signing and operating mandates of the Designated Bank Account given to the receiving bank by the Company in such form as may be reasonably acceptable to the Subscriber;
 - (E) to the Subscriber, the letters of resignation by each director of the Company (other than such directors of the Company as may be notified by the Subscriber to the Company), tendering his/her resignation as director and such executive position (as the case may be), to be effective immediately after the respective appointments of replacement directors as may be nominated by the Subscriber, and all documents and corporate approvals necessary to effect the aforesaid resignations duly completed and executed. Please see Section 5.7 below for further information on the composition of the board of directors of the Company on Tranche 1 Completion;

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- (F) to the Subscriber, a certificate of confirmation by the Company that all representations, undertakings and warranties of the Company under the Subscription Agreement are complied with, and being true, accurate and not misleading in all material respects as at the date of the Subscription Agreement and as at the Tranche 1 Completion Date (other than for such representations and warranties which are given in respect of other specified dates, in which case, such confirmation shall be in relation to compliance as at such other specified dates), in relation to the Company as a whole, subject only to any matter or thing done pursuant to the Subscription Agreement or otherwise at the request in writing or with the approval in writing of the Subscriber; and
- (G) to the Subscriber, the certificates of incorporation, common seal, company seals, register of members and share certificate book (with any unissued share certificates, if applicable), all minute books and other statutory books (which shall be updated as at Tranche 1 Completion Date) of the Company.

5.6.7. Completion of Tranche 2 Subscription

Subject to completion of the Tranche 1 Subscription and the Company having received a duly completed Tranche 2 Subscription Request from the Subscriber, on the Tranche 2 Completion Date, all of the following shall take place at a time and place as the Parties may agree:

- (a) Subscriber's Obligations: The Subscriber shall pay or procure to be paid to the Company the Tranche 2 Subscription Amount in Singapore Dollars in immediately available funds to the Designated Bank Account as notified by the Company to the Subscriber;
- (b) Company's Obligations: Immediately after (in any event being within the same day of) the satisfaction of Section 5.6.7(a), the Company shall:
 - (i) allot and issue such number of Tranche 2 Subscription Shares (as specified in the Tranche 2 Subscription Request) at the Issue Price per Tranche 2 Subscription Share to the Subscriber, provided that the aggregate number of Tranche 2 Subscription Shares to be allotted shall not exceed 9,375,000;
 - (ii) deliver or procure to be delivered:
 - (A) to the Subscriber, the duly issued share certificate(s) for the Tranche 2 Subscription Shares in the name of the Subscriber and/or its nominee(s); OR allot and issue the Tranche 2 Subscription Shares to CDP for the account of the Subscriber and/or its nominees (or the depository agents (as the case may be) as notified by the Subscriber to the Company) and instruct CDP to credit the Direct Account of the Subscriber and/or its nominees (or the securities account of the depository agents (as the case may be) as notified by the Subscriber to the Company) with the Tranche 2 Subscription Shares;

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- (B) to the SGX-ST, such documents and confirmation as may be required by the SGX-ST for the purposes of listing and quotation of the Tranche 2 Subscription Shares; and
- (C) such documents and deliverables in respect of the Tranche 2 Introducer Shares set out in Section 5.5.2.

5.6.8. Completion of Option Shares Issue

Subject to completion of the Tranche 1 Subscription and the Company having received the duly completed Option Subscription Request(s) from the Subscriber, on each Option Shares Issue Date, all of the following shall take place at a time and place as the Parties may agree:

- (a) Subscriber's Obligations: The Subscriber shall pay or procure to be paid to the Company the Option Shares Subscription Amount in Singapore Dollars in immediately available funds to the Designated Bank Account as notified by the Company to the Subscriber;
- (b) Company's Obligations: Immediately after (in any event being within the same day of) the satisfaction of Section 5.6.8(a), the Company shall:
 - (i) allot and issue such number of Option Shares (as specified in the Option Subscription Request) at the Issue Price per Option Share to the Subscriber, provided that the aggregate number of Option Shares to be allotted under the Option shall not exceed 24,375,000;
 - (ii) deliver or procure to be delivered:
 - (A) to the Subscriber, the duly issued share certificate(s) for the Option Shares in the name of the Subscriber and/or its nominee(s); OR allot and issue the Option Shares to CDP for the account of the Subscriber and/or its nominees (or the depository agents (as the case may be) as notified by the Subscriber to the Company) and instruct CDP to credit the Direct Account of the Subscriber and/or its nominees (or the securities account of the depository agents (as the case may be) as notified by the Subscriber to the Company) with the Option Shares;
 - (B) to the SGX-ST, such documents and confirmation as may be required by the SGX-ST for the purposes of listing and quotation of the Option Shares; and
 - (C) such documents and deliverables in respect of the Option Introducer Shares set out in Section 5.5.2.

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5.6.9. Indemnity

The Company has undertaken to fully indemnify the Subscriber against all liabilities which may be suffered or incurred by the Subscriber, their respective officers, directors, employees or agents as a result of or in connection with, *inter alia*, any breach of representations, warranties and undertakings (including the Minimum NTA Requirement, Maximum Liability Threshold and No Claim Requirement) by the Company contained in the Subscription Agreement.

5.7. Board Composition and Senior Management

Upon Tranche 1 Completion, the Subscriber intends to form a new board of directors (“**Proposed Board Composition**”) comprising six (6) directors, among which (i) two (2) executive directors shall be nominated by the Subscriber; (ii) one (1) non-executive director shall be nominated by the Subscriber; and (iii) three (3) independent directors. With the implementation of the Proposed Board Composition, it is pertinent to highlight that there will be a strong independent element in the new board of directors, with independent directors making up 50% of the new board of directors, consistent with the requirement set out under the Code of Corporate Governance.

Meanwhile, the day-to-day operations of the Company will be led by a senior management team who will provide the Group with strategic direction and set the policy in respect of the Company’s proposed new business in the Infrastructure Business. The senior management shall comprise qualified professionals with varied qualification and experience, the majority of whom to be recruited by the Subscriber. Whilst the Subscriber will be entitled to nominate members of the senior management team, the Subscriber envisages that members of the senior management team nominated by the Subscriber will not form more than one-third of the eventual senior management team.

Please refer to Section 10 for more information on the Proposed Diversification into the Infrastructure Business.

5.8. Rationale for the Proposed Subscription

The main business of the Group, which is its Electronics and Precision Engineering segment, has been adversely affected by the general poor sentiment in the global economy, more specifically the hard disk drive (HDD) sector which forms the core business of the Group. The Group has faced weaker customer orders as well as intensifying competition, which resulted in escalating price pressure and lower profitability. In view of the changing demands by customers of the Group’s core business, the Company believes that it is important to review other business opportunities and strategies to enhance shareholders’ value. The Company believes that it is essential to explore diversification opportunities to generate additional revenue streams and reduce reliance on its existing business. Accordingly, the Proposed Subscription is intended to raise funds for purposes of the Proposed Diversification.

Please see Section 10 for more details on the Proposed Diversification.

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5.9. Use of Proceeds

It is contemplated between the Company and the Subscriber that the proceeds of the Proposed Subscription shall be used to fund future investment opportunities or acquisitions of other businesses, in particular those arising from the Proposed Diversification, and for the working capital of the Company. Please refer to Section 10 of this Circular for further information relating to the Proposed Diversification.

Assuming the Subscriber subscribes for 28,750,000 Tranche 1 Subscription Shares, the maximum 9,375,000 Tranche 2 Subscription Shares and the maximum 24,375,000 Option Shares, the Company expects to receive estimated gross proceeds of approximately S\$50,000,000 from the Proposed Subscription ("**Gross Proceeds**").

The Board intends to apply such Gross Proceeds for the following purposes:

Proposed use of Gross Proceeds	% of Gross Proceeds from the issue of the Tranche 1 Subscription Shares, maximum Tranche 2 Subscription Shares and maximum Option Shares
(a) Proposed acquisitions to be undertaken by the Company	80
(b) Working capital and general corporate purposes	20

Shareholders should note that the proposed distribution set out above only serves as a general guideline. In the event that the Gross Proceeds initially allocated for the purposes set out in (a) above are not fully applied towards such uses for any reasons, the Company shall use the remaining proceeds for working capital of the Company and its subsidiaries and/or for such other purposes as the Company in its discretion may deem fit.

Pending the deployment of the proceeds from the Proposed Subscription, such proceeds may be placed as deposits with banks and/or financial institutions, invested in short term money markets or debt instruments or for any other purpose on a short term basis as the Directors may, in their absolute discretion, deem fit from time to time.

Pursuant to Rule 704(30) of the Listing Manual, the Company will make periodic announcements as and when the proceeds from the Proposed Subscription are materially disbursed and whether the use is in accordance with the stated use and the percentage allocated in this Section. The Company will also provide a status report on the use of such Gross Proceeds in its annual report.

5.10. Shareholders' Approval

Under Rule 805 of the Listing Manual, any issue of shares or convertible securities not covered under a general mandate must be specifically approved by Shareholders in a general meeting. Accordingly, the Proposed Subscription shall be made pursuant to the specific approval of the Shareholders.

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The issued and paid-up share capital of the Company as at the Latest Practicable Date comprises 27,119,659 Shares (excluding 1,000,000 Shares which are held as treasury shares) (“**Existing Share Capital**”).

Assuming there is no change to the issued share capital of the Company from the Existing Share Capital, the enlarged share capital of the Company (excluding treasury shares of 1,000,000 Shares) immediately following the issuance of 28,750,000 Tranche 1 Subscription Shares, maximum 9,375,000 Tranche 2 Subscription Shares, maximum 24,375,000 Option Shares and maximum 1,875,000 Introducer Shares, will comprise 91,494,659 Shares (“**Enlarged Share Capital**”). The aggregate of the Tranche 1 Subscription Shares, maximum number of Tranche 2 Subscription Shares and maximum number of Option Shares will represent approximately 230.46% of the Existing Share Capital and 68.31% of the Enlarged Share Capital.

To the best knowledge of the Directors, save in respect of the Undertaking Shareholder Indemnity, the Subscriber does not have any other connections (including business relationships) with the Company, its Directors and Substantial Shareholders.

Each of the Subscriber and the Introducer does not fall within any of the prohibited categories as set out in Rule 812 of the Listing Manual to whom the Company is prohibited from issuing the Shares.

6. THE PROPOSED WHITEWASH RESOLUTION

6.1. Rule 14 of the Code

Under Rule 14 of the Code and Section 139 of the SFA, where (a) any person acquires, whether by a series of transactions over a period of time or not, shares which (taken together with shares held or acquired by persons acting in concert with him) carry 30.0% or more of the voting rights of a company; or (b) any person who, together with persons acting in concert with him, holds not less than 30.0% but not more than 50.0% of the voting rights and such person, or any person acting in concert with him, acquires in any period of six (6) months additional shares carrying more than 1.0% of the voting rights, such person must extend offers immediately to the holders of any class of share capital of the company which carries votes and in which such person, or persons acting in concert with him, hold shares.

6.2. Dilution Effect

As at the Latest Practicable Date, none of the Subscriber or any of its concert parties hold any interest in any Shares. Save pursuant to the Proposed Subscription, the Subscriber and its concert parties do not hold any other rights to subscribe for and options in respect of Shares in the Company as at the Latest Practicable Date. Please see Section 3.1 for more information on the Subscriber.

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Set out below is a brief description of the dilution effects following the completion of each stage of the Proposed Subscription, taking into consideration the Proposed Bonus Warrants Issue on a fully-diluted basis:

(a) Post-Tranche 1 Subscription

Based on the issued and paid-up share capital of the Company comprising 27,119,659 Shares (excluding 1,000,000 treasury Shares), the allotment and issuance of 28,750,000 Tranche 1 Subscription Shares represents in aggregate approximately 106.01% of the total issued and paid up shares in the Company based on the Existing Share Capital and approximately 50.68% of the total issued and paid up shares in the enlarged share capital of the Company of 56,732,159 Shares (following issuance of 28,750,000 Tranche 1 Subscription Shares and 862,500 Introducer Shares) ("**Post-Tranche 1 Share Capital**").

Assuming all the Bonus Warrants are exercised resulting in the issuance of 27,119,659 Warrant Shares, the allotment and issuance of 28,750,000 Tranche 1 Subscription Shares represents approximately 34.29% of the enlarged share capital of the Company of 83,851,818 Shares (following issuance of 28,750,000 Tranche 1 Subscription Shares, 862,500 Tranche 1 Introducer Shares and maximum 27,119,659 Warrant Shares).

(b) Post-Tranche 1 and Tranche 2 Subscription

The allotment and issuance of 28,750,000 Tranche 1 Subscription Shares and maximum 9,375,000 Tranche 2 Subscription Shares to the Subscriber represents in aggregate approximately 140.58% of the total issued and paid up shares in the Company (excluding 1,000,000 treasury Shares) based on the Existing Share Capital, and approximately 57.43% of the total issued and paid up shares in the enlarged share capital of the Company of 66,388,409 Shares (following issuance of 28,750,000 Tranche 1 Subscription Shares, maximum 9,375,000 Tranche 2 Subscription Shares, 862,500 Tranche 1 Introducer Shares and maximum 281,250 Tranche 2 Introducer Shares).

Assuming all the Bonus Warrants are exercised resulting in the issuance of 27,119,659 Warrant Shares, the allotment and issuance of 28,750,000 Tranche 1 Subscription Shares and maximum 9,375,000 Tranche 2 Subscription Shares represents approximately 40.77% of the enlarged share capital of the Company of 93,508,068 Shares (following issuance of 28,750,000 Tranche 1 Subscription Shares, maximum 9,375,000 Tranche 2 Subscription Shares, 862,500 Tranche 1 Introducer Shares, maximum 281,250 Tranche 2 Introducer Shares and maximum 27,119,659 Warrant Shares).

(c) Post-Tranche 1, Tranche 2 and Option Shares Subscription

The allotment and issuance of 28,750,000 Tranche 1 Subscription Shares, maximum 9,375,000 Tranche 2 Subscription Shares and maximum 24,375,000 Option Shares to the Subscriber represents in aggregate approximately 230.46% of the total issued and paid up shares in the Company (excluding 1,000,000 treasury Shares) based on the Existing Share Capital, and approximately 68.31% of the total issued and paid up shares in the enlarged share capital of the Company of 91,494,659 Shares (following issuance of 28,750,000 Tranche 1 Subscription Shares, maximum 9,375,000 Tranche 2 Subscription Shares, maximum 24,375,000 Option Shares and maximum 1,875,000 Introducer Shares).

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Assuming all the Bonus Warrants are exercised resulting in the issuance of 27,119,659 Warrant Shares, the allotment and issuance of 28,750,000 Tranche 1 Subscription Shares, maximum 9,375,000 Tranche 2 Subscription Shares and maximum 24,375,000 Option Shares represents approximately 52.69% of the enlarged share capital of the Company of 118,614,318 Shares (following issuance of 28,750,000 Tranche 1 Subscription Shares, maximum 9,375,000 Tranche 2 Subscription Shares, maximum 24,375,000 Option Shares, maximum 1,875,000 Introducer Shares and maximum 27,119,659 Warrant Shares).

As the Subscriber will hold in excess of 49% of the voting rights of the Company following allotment and issuance of the Tranche 1 Subscription Shares, Tranche 2 Subscription Shares and Option Shares, the Subscriber and its concert parties (if any) will thereafter be free to acquire further Shares in the Company, without incurring any obligation under Rule 14 of the Code to make a General Offer for the Company.

Accordingly, the Company is seeking Independent Shareholders' approval for the Proposed Whitewash Resolution at the EGM. The Subscriber, parties acting in concert with it and parties not independent of them, shall abstain from voting on the Proposed Whitewash Resolution.

Shareholders should note that should the Proposed Whitewash Resolution be approved, the Subscriber and its concert parties may hold in excess of 49.0% of the voting rights of the Company (based on the enlarged issued share capital) immediately after the subscription of the Tranche 1 Subscription Shares, Tranche 2 Subscription Shares and Option Shares, and the Subscriber and its concert parties will thereafter be free to acquire further Shares in the Company without incurring any obligation under Rule 14 of the Code to make a General Offer for the Company.

6.3. Conditional Waiver by the SIC

The SIC had, on 23 October 2017 granted the Company a waiver of the obligation of the Subscriber to make a mandatory offer of the Shares under Rule 14 of the Code which may arise following the allotment and issue of the Tranche 1 Subscription Shares, Tranche 2 Subscription Shares and Option Shares either:

- (a) upon the acquisition by the Subscriber of shares carrying 30% or more of the voting rights of the Company; or
- (b) in the event that the Subscriber, together with its concert parties shall hold not less than 30% but not more than 50% of the voting rights, the acquisition by the Subscriber and/or its concert parties in any period of 6 months, of additional shares carrying more than 1% of the voting rights.

The waiver of the requirement of the Subscriber to make a General Offer for the Company under Rule 14 of the Code in the event that the Subscriber's aggregate holdings in the Company increase to 30% or more of the total voting rights in the Company following the subscription of the Tranche 1 Subscription Shares, Tranche 2 Subscription Shares and Option Shares, is subject to the following:

- (a) a majority of holders of voting rights of the Company present and voting at a general meeting, held before the Proposed Subscription, approve by way of a poll, the Proposed Whitewash Resolution to waive their rights to receive a general offer from the Subscriber and the Subscriber's concert parties;

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- (b) the Proposed Whitewash Resolution is separate from other resolutions;
- (c) the Subscriber, parties acting in concert with it and parties not independent of them, abstain from voting on the Proposed Whitewash Resolution;
- (d) the Subscriber and its concert parties did not acquire or are not to acquire any shares in the Company or instruments convertible into and options in respect of Shares (other than subscription for, rights to subscribe for, instruments convertible into or options in respect of new Shares which have been disclosed in the Circular);
 - (i) during the period between the date of the announcement of the Proposed Subscription and the date the shareholders' approval is obtained for the Proposed Whitewash Resolution; and
 - (ii) in the 6 months prior to the date of the first announcement of the Proposed Subscription, but subsequent to negotiations, discussions or the reaching of understandings or agreements with the directors of the Company in relation to the Proposed Subscription;
- (e) the Company appoints an independent financial adviser to advise the independent shareholders on the Proposed Whitewash Resolution;
- (f) the Company sets out clearly in its Circular to the Shareholders:
 - (i) details of the allotment and issue of (A) the Tranche 1 Subscription Shares, (B) the Tranche 2 Subscription Shares, and (C) Option Shares, pursuant to the Proposed Subscription;
 - (ii) the dilution effect to the existing holders of voting rights in the Company as a result of the issue of the (A) the Tranche 1 Subscription Shares, (B) the Tranche 2 Subscription Shares, and (C) Option Shares to the Subscriber;
 - (iii) the number and percentage of voting rights in the Company as well as the number of instruments convertible into, rights to subscribe for and options in respect of Shares held by the Subscriber and its concert parties as at the Latest Practicable Date;
 - (iv) the number and percentage of voting rights to be issued to the Subscriber as a result of the allotment and issue of (A) the Tranche 1 Subscription Shares, (B) the Tranche 2 Subscription Shares, and (C) the Option Shares;
 - (v) a specific and prominent statement that the allotment and issue of (A) the Tranche 1 Subscription Shares, (B) the Tranche 2 Subscription Shares, and (C) the Option Shares, could result in the Subscriber and its concert parties holding shares carrying over 49% of the voting rights of the Company based on its enlarged issued share capital, and the fact that the Subscriber and its concert parties would as a result be free to acquire further shares in the Company without incurring any obligation under Rule 14 to make a General Offer;

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- (vi) a specific and prominent statement that shareholders, by voting for the Proposed Whitewash Resolution, are waiving their rights to a general offer from the Subscriber at the highest price paid by the Subscriber and its concert parties for Shares in the past 6 months preceding the commencement of the offer;
- (vii) a specific and prominent reference to the fact that shareholders, by voting for the Proposed Whitewash Resolution, could be foregoing the opportunity to receive a general offer from another person who may be discouraged from making a general offer in view of the potential dilution effect of the Tranche 2 Subscription Shares and the Option Shares;
- (g) the Circular stating that the waiver granted by the SIC to the Subscriber and its concert parties from the requirement to make a General Offer under Rule 14 of the Code is subject to the conditions stated in paragraphs (a) to (f) above;
- (h) the Company obtains the SIC's approval in advance for those parts of the Circular that refer to the Proposed Whitewash Resolution;
- (i) to rely on the Proposed Whitewash Resolution, the acquisition by the Subscriber of the Tranche 1 Subscription Shares must be completed within three (3) months of the date of approval of the Proposed Whitewash Resolution, and the acquisition by the Subscriber of the Tranche 2 Subscription Shares and the Option Shares must be completed within 5 years of the completion of the Subscriber's acquisition of the Tranche 1 Subscription Shares; and
- (j) the Subscriber will comply or procure the relevant person(s) to comply with the disclosure requirements set out in Note 2 on Section 2 of Appendix 1 of the Code.

6.4. Implications of the Proposed Whitewash Resolution

Independent Shareholders should note that:

- (a) their approval of the Proposed Whitewash Resolution is a condition precedent to the allotment and issue of Tranche 1 Subscription Shares pursuant to the terms of the Subscription Agreement, and if Independent Shareholders do not vote in favour of the Proposed Whitewash Resolution, the Proposed Subscription will not take place;**
- (b) the allotment and issue of the Tranche 1 Subscription Shares, Tranche 2 Subscription Shares and Option Shares may result in the Subscriber holding Shares carrying over 49.0% of the voting rights of the Company (based on the enlarged issued share capital) immediately after the subscription of the Tranche 1 Subscription Shares, Tranche 2 Subscription Shares and Option Shares, and the Subscriber and its concert parties will be free to acquire further Shares without incurring any obligation under Rule 14 of the Code to make a General Offer for the Company;**
- (c) by voting in favour of the Proposed Whitewash Resolution, they will be waiving their rights to receive the General Offer from the Subscriber at the highest price paid by the Subscriber and its concert parties for Shares which the Subscriber would otherwise be obliged to make at the highest price paid or agreed to be paid by them for the Shares in the past six (6) months preceding the commencement of the offer; and**

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- (d) **by voting for the Proposed Whitewash Resolution, they could be foregoing the opportunity to receive a General Offer from another person who may be discouraged from making a General Offer in view of the potential dilution effect of the Tranche 2 Subscription Shares and the Option Shares.**

MS Corporate Finance Pte. Ltd. has been appointed as the Independent Financial Adviser to the Directors in relation to the Proposed Whitewash Resolution. Taking into consideration the factors and analysis set out in the IFA Letter, and based upon the industry, market, economic and other relevant conditions as at the Latest Practicable Date and subject to the assumptions and qualifications set out in the IFA Letter, the IFA is of the opinion that the terms of the Proposed Subscription are not fair but reasonable and accordingly has advised the Directors to recommend that Independent Shareholders **vote in favour** of the Proposed Whitewash Resolution to be proposed at the EGM, and to highlight to Independent Shareholders the matters as stated in the IFA Letter.

A copy of the IFA Letter is reproduced in Appendix 1A entitled “Letter from the Independent Financial Adviser” to this Circular.

7. TRANSFER OF CONTROLLING INTEREST

7.1. Rule 803

Rule 803 of the Listing Manual provides that any issue of securities to transfer a controlling interest must be approved by Shareholders in a general meeting. Under the Listing Manual, a “controlling shareholder” is a person who directly or indirectly holds 15% or more of the total number of all voting shares in the Company, or a person who in fact exercises control over the Company. The Proposed Subscription will result in the Subscriber holding more than 15% of the Enlarged Share Capital of the Company, therefore causing a transfer of controlling interest. Accordingly, the Company is seeking the approval of Shareholders for the Transfer of Controlling Interest.

As of the Latest Practicable Date, the Subscriber does not hold any Shares in the Company.

7.2. Completion of Tranche 1 Subscription

Based on the Existing Share Capital immediately prior to Tranche 1 Completion, the enlarged share capital of the Company (excluding treasury shares of 1,000,000 Shares) on Tranche 1 Completion Date following the issuance of 28,750,000 Tranche 1 Subscription Shares and 862,500 Introducer Shares, will comprise 56,732,159 Shares (being the Post-Tranche 1 Share Capital). The Tranche 1 Subscription Shares will represent approximately 106.01% of the Existing Share Capital and 50.68% of the Post-Tranche 1 Share Capital.

This would result in a transfer of controlling interest and is therefore subject to the approval of the Shareholders for the purposes of Rule 803 of the Listing Manual.

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7.3. Completion of Tranche 1 Subscription, maximum Tranche 2 Subscription and maximum Option Shares Issue

Based on the Existing Share Capital immediately prior to Tranche 1 Completion, the enlarged share capital of the Company (excluding treasury shares of 1,000,000 Shares) immediately following the issuance of 28,750,000 Tranche 1 Subscription Shares, maximum 9,375,000 Tranche 2 Subscription Shares, maximum 24,375,000 Option Shares and maximum 1,875,000 Introducer Shares, will comprise 91,494,659 Shares (being the Enlarged Share Capital). The aggregate of the Tranche 1 Subscription Shares, maximum number of Tranche 2 Subscription Shares and maximum number of Option Shares will represent approximately 230.46% of the Existing Share Capital and 68.31% of the Enlarged Share Capital.

Please refer to [Appendix 2](#) herein for a breakdown of the illustrative shareholding interests of the Subscriber, the Directors and the Substantial Shareholders of the Company as at the Latest Practicable Date, and upon the full allotment and issue of the Tranche 1 Subscription Shares, the Tranche 2 Subscription Shares, the Option Shares and the Introducer Shares.

Shareholders should note that the Proposed Subscription is conditional upon the approval of the other Relevant Resolutions set out in the Notice of EGM (namely the Proposed Whitewash Resolution, the Transfer of Controlling Interest and the Proposed Diversification) and hence the Proposed Subscription will not be completed in the event that any of the other Relevant Resolutions is not approved.

8. FINANCIAL EFFECTS OF THE PROPOSED SUBSCRIPTION

8.1. Bases and assumptions

The financial effects of the Proposed Subscription are prepared based on the latest unaudited consolidated financial statements of the Group for the financial year ended 31 December 2017 (“FY2017”) (“FY2017 Management Accounts”) and the following assumptions:

- (a) the allotment and issuance of 62,500,000 Shares to the Subscriber, comprising 38,125,000 Subscription Shares (being 28,750,000 Tranche 1 Subscription Shares and the maximum 9,375,000 Tranche 2 Subscription Shares) and the maximum 24,375,000 Option Shares;
- (b) the allotment and issuance of the maximum 1,875,000 Introducer Shares to the Introducer;
- (c) the Proposed Subscription had taken place on 31 December 2017 for the purposes of computing the financial effects on the Group’s NTA as at 31 December 2017;
- (d) the Proposed Subscription had taken place on 1 January 2017 for the purposes of computing the financial effects of the Group’s EPS/LPS for FY2017;

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- (e) expenses (including share issuance expenses) in connection with the Proposed Subscription are disregarded for the purposes of calculating the financial effects; and
- (f) the Proposed Bonus Warrants Issue is disregarded for the purposes of calculating the financial effects.

8.2. Proforma Financial Effects

The financial effects of the Proposed Subscription as set out below are strictly for illustrative purposes only and do not necessarily reflect the actual financial position and performance of the Group or its subsidiaries, prepared according to the relevant accounting standards, following the Proposed Subscription.

8.2.1. Effect on Share Capital

	As at 31 December 2017	Immediately following issue of the Tranche 1 Subscription Shares and Tranche 1 Introducer Shares	Immediately following issue of the Maximum Subscription Shares, Tranche 1 Introducer Shares and maximum Tranche 2 Introducer Shares	Immediately following issue of the Maximum Subscription Shares, the maximum Option Shares and the maximum Introducer Shares
Number of Shares including Treasury Shares	28,119,659	57,732,159	67,388,409	92,494,659
Number of Treasury Shares	1,000,000	1,000,000	1,000,000	1,000,000
Number of Shares excluding Treasury Shares	27,119,659	56,732,159	66,388,409	91,494,659
Share Capital (S\$)	49,007,498	72,007,498	79,507,498	99,007,498

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8.2.2. Effect on NTA

	As at 31 December 2017	Immediately following issue of the Tranche 1 Subscription Shares and Tranche 1 Introducer Shares	Immediately following issue of the Maximum Subscription Shares, Tranche 1 Introducer Shares and maximum Tranche 2 Introducer Shares	Immediately following issue of the Maximum Subscription Shares, the maximum Option Shares and the maximum Introducer Shares
NTA of the Group (S\$)	35,354,000	58,354,000	65,854,000	85,354,000
Number of Shares excluding Treasury Shares	27,119,659	56,732,159	66,388,409	91,494,659
NTA Per Share excluding Treasury Shares (S\$)	1.30	1.03	0.99	0.93

8.2.3. Effect on Loss per Share (“LPS”)

	FY2017	Immediately following issue of the Tranche 1 Subscription Shares and Tranche 1 Introducer Shares	Immediately following issue of the Maximum Subscription Shares, Tranche 1 Introducer Shares and maximum Tranche 2 Introducer Shares	Immediately following issue of the Maximum Subscription Shares, the maximum Option Shares and the maximum Introducer Shares
Net loss of the Company and its subsidiaries for FY2017 (S\$)	(9,539,000)	(9,539,000)	(9,539,000)	(9,539,000)
Weighted average number of Shares excluding Treasury Shares	27,119,659	56,732,159	66,388,409	91,494,659
Net loss per Share excluding Treasury Shares (S\$)				
– Basic and diluted	(0.35)	(0.17)	(0.14)	(0.10)

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9. PROPOSED BONUS WARRANTS ISSUE

9.1. The Proposed Bonus Warrants Issue

The Company is proposing a bonus issue of up to 27,119,659 Bonus Warrants, with each Bonus Warrant carrying the right to subscribe for one (1) Warrant Share during the Bonus Warrants Exercise Period at the Bonus Warrants Exercise Price of S\$1.00 for each Warrant Share, to be credited and allotted to the Shareholders on the basis of one (1) free Bonus Warrant for every one (1) existing Share held by the Shareholders as at the Books Closure Date, fractional entitlements to be disregarded (“**Proposed Bonus Warrants Issue**”).

The Bonus Warrants Exercise Price for each Bonus Warrant is S\$1.00, representing a premium of approximately 69.49% to the VWAP of S\$0.59 per Share traded on the Mainboard of the SGX-ST on 4 August 2017 (being the last Market Day preceding the date of the Company’s announcement dated 8 August 2017). The Bonus Warrants Exercise Price and the number of Bonus Warrants to be issued will be subject to adjustments under certain circumstances in accordance with the terms and conditions of the Bonus Warrants Deed Poll.

The Bonus Warrants are exercisable during the Bonus Warrants Exercise Period. An announcement on the expiry of the Bonus Warrants will be made through SGXNET and a notice will be sent to all Warrantholders at least one (1) month before the expiry of the Bonus Warrants Exercise Period.

In view of the exemption accorded under Regulation 24(1) of the Securities and Futures (Offer of Investments) (Shares and Debentures) Regulations 2005, there will not be any prospectus, profile statement or offer information statement in relation to, and for the purpose of, the issue of Bonus Warrants.

9.2. Approval In-principle from the SGX-ST

On 10 November 2017, the Company received the approval in-principle from the SGX-ST for the listing and quotation of, *inter alia*:

(a) up to 27,119,659 Bonus Warrants on the basis of one (1) free Bonus Warrant for every one (1) Share held by the Shareholders in the share capital of the Company as at the Books Closure Date, each exercisable into one (1) Warrant Share at the Bonus Warrants Exercise Price of S\$1.00 for each Warrant Share, fractional entitlements to be disregarded; and

(b) up to 27,119,659 Warrant Shares to be issued upon exercise of the Bonus Warrants, subject to certain conditions. Please refer to Section 2 for more details.

The approval in-principle granted by SGX-ST for the listing of and quotation for the Tranche 1 Subscription Shares, Tranche 2 Subscription Shares, Option Shares, Introducer Shares, Bonus Warrants and Warrant Shares is not an indication of the merits of any of the Proposed Transactions, the Tranche 1 Subscription Shares, the Tranche 2 Subscription Shares, the Option Shares, the Introducer Shares, the Bonus Warrants, the Warrants Shares, the Shares, the Group, the Company and/or its subsidiaries.

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9.3. Key Terms of the Proposed Bonus Warrants Issue

The key terms of the Proposed Bonus Warrants Issue is set out below:

- Basis of allotment : One (1) free Bonus Warrant for every one (1) Share held by Entitled Shareholders as at the Books Closure Date.
- Number of Warrants : Based on the Existing Share Capital, up to 27,119,659 Bonus Warrants will be issued.
- Bonus Warrants Exercise Price : Each Bonus Warrant will entitle the Warrantholder to subscribe for one (1) Warrant Share at the Bonus Warrants Exercise Price of S\$1.00, payable in full on exercise of the Bonus Warrant, subject to adjustments under certain circumstances in accordance with the terms and conditions of the Bonus Warrants to be set out in the Bonus Warrants Deed Poll.
- Bonus Warrants Exercise Period : The period during which the Bonus Warrants may be exercised commencing on and including the date six (6) months from the date of listing of the Bonus Warrants on the SGX-ST and expiring at 5.00 p.m. (Singapore time) on the date immediately preceding the third (3rd) anniversary of the date of issue of the Bonus Warrants unless such date is a date on which the Register of Members of the Company is closed or is not a Market Day, in which event the exercise period shall expire on the date prior to the closure of the Register of Members of the Company or the immediately preceding Market Day, but excluding such period(s) during which the register of Warrantholders of the Company may be closed pursuant to the terms and conditions of the Bonus Warrants set out in the Bonus Warrants Deed Poll.
- Listing and Trading of Bonus Warrants : Approval in-principle for the listing and quotation of the Bonus Warrants on the Mainboard of the SGX-ST has been granted on 10 November 2017 subject to certain conditions, details of which are set out in Section 2 of this Circular.

The approval in-principle granted by SGX-ST for the listing of and quotation for the Tranche 1 Subscription Shares, Tranche 2 Subscription Shares, Option Shares, Introducer Shares, Bonus Warrants and Warrant Shares is not an indication of the merits of any of the Proposed Transactions, the Tranche 1 Subscription Shares, the Tranche 2 Subscription Shares, the Option Shares, the Introducer Shares, the Bonus Warrants, the Warrants Shares, the Shares, the Group, the Company and/or its subsidiaries.

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The Bonus Warrants will be listed and traded on the Mainboard of the SGX-ST under the book-entry (scripless) settlement system. The listing of and quotation for the Bonus Warrants and Warrant Shares on the Mainboard, if approved, is expected to be subject to, *inter alia*, there being an adequate spread of holdings of the Bonus Warrants to provide for an orderly market in the trading of the Bonus Warrants.

Each board lot of Bonus Warrants will consist of 100 Bonus Warrants or such other number as may be notified by the Company.

- Form and Subscription Rights : The Bonus Warrants will be issued in registered form and will be constituted by the Bonus Warrants Deed Poll. Subject to the terms and conditions of the Bonus Warrants Deed Poll, each Bonus Warrant will entitle the Warrantholder, at any time during the Bonus Warrants Exercise Period, to subscribe for one (1) Warrant Share at the Bonus Warrants Exercise Price in force on the relevant exercise date.
- Mode and payment for exercise of the Bonus Warrants : Payment of the Bonus Warrants Exercise Price shall be made to the Warrant Agent at its specified office in the form of a remittance in Singapore currency by banker's draft or cashier's order drawn on a bank operating in Singapore in favour of the Company, for the full amount of the Bonus Warrants Exercise Price payable in respect of the Bonus Warrants exercised.
- Number of Warrant Shares : Based on the Existing Share Capital, up to 27,119,659 Bonus Warrants will be issued pursuant to the Proposed Bonus Warrants Issue and assuming the Bonus Warrants are fully exercised into Warrant Shares, up to 27,119,659 Warrant Shares will be issued pursuant to the exercise of the Bonus Warrants.
- Status of Warrant Shares : The Warrant Shares, upon their allotment and issue, shall be fully paid and shall rank for any dividends, rights, allocations or other distributions, the record date for which is on or after the relevant exercise date (subject as aforesaid), *pari passu* in all respects with the then existing Shares of the Company.
- Adjustments : The Bonus Warrants Exercise Price and/or the number of Bonus Warrants to be held by each Warrantholder will, after the issue of the Bonus Warrants, be subject to adjustments under certain circumstances to be set out in the Bonus Warrants Deed Poll. Any such adjustments will be made by the Directors in consultation with an Approved Bank in accordance with the Conditions and certified by the Auditors. The circumstances which may give rise to an adjustment to the Bonus Warrants Exercise Price and/or the number of Bonus Warrants to be held by each Warrantholder are set out in Appendix 4 of this Circular.

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Transfer and
Transmission

: A Bonus Warrant may only be transferred in the manner prescribed in the terms and conditions of the Bonus Warrants as set out in the Bonus Warrants Deed Poll, including, *inter alia*, the following:

(a) Lodgment of certificate(s) and transfer form

A Warrantholder whose Bonus Warrants are registered in his own name (the “**Transferor**”) shall lodge, during normal business hours on any Market Day so as to be received at the specified office of the Warrant Agent, the Transferor’s Bonus Warrant certificate(s) together with a transfer form as specified by the Company from time to time (the “**Transfer Form**”) duly completed and signed by, or on behalf of, the Transferor and the transferee and duly stamped in accordance with any law for the time being in force relating to stamp duty and accompanied by the fees and expenses set out in the Bonus Warrants Deed Poll, provided that the Warrant Agent may dispense with requiring CDP to sign as transferee any Transfer Form for the transfer of Bonus Warrants to it;

(b) Deceased Warrantholder

The executors and administrators of a deceased Warrantholder whose Bonus Warrants are registered otherwise than in the name of CDP (not being one of several joint holders), or if the registered holder of the Bonus Warrants is CDP, of a deceased Depositor and, in the case of one or more of several such joint Warrantholders, the survivor or survivors of such joint holders shall be the only persons recognised by the Company and the Warrant Agent as having title to Bonus Warrants registered in the name of the deceased Warrantholder. Such persons shall, on producing to the Company and the Warrant Agent such evidence as may be reasonably required by the Company and the Warrant Agent to prove their title, and on the completion of a Transfer Form and the payment of the fees and expenses required by the terms and conditions of the Bonus Warrants to be set out in the Bonus Warrants Deed Poll, be entitled to be registered as a holder of the Bonus Warrants or to make such transfer as the deceased holder could have made; and

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(c) Bonus Warrants registered in the name of CDP

With respect to Bonus Warrants registered in the name of CDP, any transfer of such Bonus Warrants shall be effected subject to and in accordance with the conditions of the Bonus Warrants Deed Poll, applicable law and the rules of CDP as amended from time to time and where the Warrants are to be transferred between Depositors, such Warrants must be transferred in the Depository Register by the CDP by way of book-entry.

Winding up of
the Company

: If a resolution is passed during the Bonus Warrants Exercise Period for a member's voluntary winding-up of the Company then:

- (a) if such winding-up is for the purpose of reconstruction or amalgamation pursuant to a scheme of arrangement to which the Warranholders, or some person designated by them, shall be a party and shall have approved or assented to by way of a resolution passed at a meeting of the Warranholders duly convened and held in accordance with the provisions of the Bonus Warrants Deed Poll by a majority consisting of not less than three-fourths of the votes cast thereon, the terms of such scheme of arrangement shall be binding on all the Warranholders and all persons having an interest in the Bonus Warrants; and
- (b) in any other case, if notice is given by the Company to its members to convene a general meeting for the purposes of considering a members' voluntary winding up of the Company, every Warranholder shall be entitled, at any time within six (6) weeks after the passing of the resolution for a members' voluntary winding-up of the Company, by irrevocable surrender of his Bonus Warrant certificate(s) to the Company with the Bonus Warrants Exercise Notice(s) duly completed, together with all relevant payments payable, to elect to be treated as if he had immediately prior to the commencement of such winding-up exercised the Bonus Warrants to the extent specified in the Bonus Warrants Exercise Notice(s) and had on such date been the holder of the Warrant Shares to which he would have become entitled pursuant to such exercise and the liquidator of the Company shall give effect to such election accordingly.

The Company shall give notice to the Warranholders in accordance with the terms of the Bonus Warrants Deed Poll of the passing of any such resolution within seven (7) days after the passing thereof. The Warrant Shares will be allotted to such Warranholder as soon as possible and in any event no later than the fifth (5th) Market Day from the date of the Bonus Warrants Exercise Notice.

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Subject to the foregoing, if the Company is wound up for any other reason, all Bonus Warrants which have not been exercised at the date of the passing of such resolution shall lapse and the Bonus Warrants shall cease to be valid for any purpose.

Further Issue and Share Buy-back : Subject to the Conditions, the Company shall be at liberty to issue Shares to Shareholders either for cash or as a bonus distribution and further subscription rights upon such terms and conditions as the Company sees fit but the Warranholders shall not have any participating rights in such issue unless otherwise resolved by the Company in general meeting or in the event of a takeover offer to acquire Shares.

Nothing shall prevent or restrict the buy-back of any classes of shares of the Company pursuant to applicable law and the requirements of SGX-ST. For the avoidance of doubt, no approval or consent of the Warranholders shall be required for such buyback of any classes of shares and there shall be no adjustments to the Bonus Warrants Exercise Price and number of Bonus Warrants by reason of such buyback of any classes of shares.

Warrant Agent : Boardroom Corporate & Advisory Services Pte. Ltd. or such other person, firm or company as for the time being maintains in Singapore the Warrant Register and as may from time to time be appointed by the Company under the Warrant Agency Agreement.

Governing Law : Laws of the Republic of Singapore.

9.4. Conditions for the Proposed Bonus Warrants Issue

Shareholders should note that the Proposed Bonus Warrants Issue is subject to, *inter alia*, the following:

- (a) Tranche 1 Completion;
- (b) the receipt of the approval in-principle from the SGX-ST for the listing of and quotation for up to 27,119,659 Bonus Warrants and up to 27,119,659 Warrant Shares on the Official List of the SGX-ST, and if such approval is granted subject to conditions, such conditions being acceptable to the Company;
- (c) the listing and quotation notice from the SGX-ST for the listing of and quotation for all the Bonus Warrants and Warrant Shares on the Mainboard; and
- (d) there being an adequate spread of holdings of the Bonus Warrants to provide for an orderly market in the trading of the Warrants.

As described in Section 2, the Company has received the approval in-principle from the SGX-ST referred to in Section 9.4(b) above.

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9.5. Eligibility of shareholders to participate in the Proposed Bonus Warrants Issue

9.5.1. Entitlement to Warrants

The Bonus Warrants to be issued pursuant to the Proposed Bonus Warrants Issue will be credited and allotted to Shareholders whose names appear in the records of the CDP or the Register of Members of the Company, as the case may be, as at the Books Closure Date, with registered addresses in Singapore or who have, at least three (3) consecutive Market Days prior to the Books Closure Date, provided to the CDP or the Company, as the case may be, addresses in Singapore for the service of notices and documents (“**Entitled Shareholders**”). The Proposed Bonus Warrants Issue will be made on the basis of one (1) Bonus Warrant for every one (1) Share held by the Entitled Shareholders as at the Books Closure Date, fractional entitlements to be disregarded. Entitled Shareholders will be issued Bonus Warrants on the basis of their shareholdings as at the Books Closure Date.

For the avoidance of doubt, in the event the Subscriber and Introducer hold Shares issued pursuant to the Proposed Subscription as at the Books Closure Date, they shall not be entitled to participate in the Proposed Bonus Warrants Issue.

Entitled Scripholders are encouraged to open Securities Accounts with CDP if they have not already done so and to deposit their share certificates with CDP prior to the Books Closure Date so as to enable CDP to credit their Securities Accounts with their Bonus Warrants. Entitled Scripholders should note that their Securities Accounts will only be credited with the Shares on the twelfth (12th) Market Day from the date of lodgment of the share certificates with CDP or such later date as CDP may determine.

Entitled Depositors should note that all correspondences and notices will be sent to their last registered addresses with CDP. Entitled Scripholders should note that all correspondences and notices will be sent to their last registered addresses in the Register of Members of the Company.

All fractional entitlements to the Bonus Warrants will be disregarded in arriving at the entitlements of the Entitled Shareholders and will, together with the entitlements not allotted or taken up for any reason, be dealt with in such manner as the Directors in their absolute discretion deem fit.

9.5.2. Foreign Shareholders

For practical reasons and in order to avoid any violation of the relevant legislation applicable in countries other than in Singapore, the Bonus Warrants will NOT be offered or credited or allotted (as the case may be) to Shareholders with registered addresses outside Singapore as at the Books Closure Date and who have not, at least three (3) Market Days prior thereto, provided to the Company (c/o the Share Registrar) or CDP, as the case may be, addresses in Singapore for the service of notices and documents (“**Foreign Shareholders**”).

The Bonus Warrants which would otherwise be allotted to Foreign Shareholders will, if practicable, be sold on the Mainboard and the net proceeds from all such sales, after deduction of all expenses therefrom, will be pooled and thereafter distributed to Foreign Shareholders in proportion to the respective shareholdings or, as the case may be, the number of Shares entered against their names in the Depository Register or the Register of Members (as the case may be) as at the Books Closure Date and sent to them at their

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own risk by ordinary post. If the amount of net proceeds distributable to any single Foreign Shareholder is less than S\$10.00, such amount will be retained for the sole benefit of the Company or otherwise dealt with as the Directors may, in their absolute discretion, deem fit and no Foreign Shareholders shall have any claim whatsoever against the Company or CDP or the Directors, the Share Registrar, the Warrant Agent or the SGX-ST and their respective officers in respect of such sales or the proceeds thereof, of such entitlements to the Bonus Warrants.

Where such Bonus Warrants are sold on the Mainboard, they will be sold at any such price or prices as the Company, may in its absolute discretion, decide and deem fit and no Foreign Shareholders shall have any claim whatsoever against the Company, CDP, the Directors, the Share Registrar, the Warrant Agent or the SGX-ST and their respective officers in respect of such sales or the proceeds thereof.

If such Bonus Warrants cannot be or are not sold on the Mainboard of the SGX-ST as aforesaid for any reason, the Bonus Warrants shall be dealt with in such manner as the Directors may, in their absolute discretion, deem fit in the interests of the Company, and no Foreign Shareholders shall have any claim whatsoever against the Company, the CDP, the Directors, the Warrant Agent or the SGX-ST in connection therewith.

Shareholders (not being Depositors) who do not presently have an address in Singapore for the service of notices and documents and who wish to be eligible to participate in the Proposed Bonus Warrants Issue should provide such an address in Singapore not later than three (3) Market Days before the Books Closure Date to be announced by notifying the Company (c/o the Share Registrar), Boardroom Corporate & Advisory Services Pte. Ltd., at 50 Raffles Place #32-01 Singapore Land Tower Singapore 048623.

Depositors whose registered addresses with CDP are not in Singapore and who wish to be eligible to participate in the Proposed Bonus Warrants Issue should provide an address in Singapore for the service of notices and documents not later than three (3) Market Days before the Books Closure Date by notifying CDP at 11 North Buona Vista Drive, #06-07 The Metropolis Tower 2, Singapore 138589.

9.5.3. Entitlements not taken up; Fractional entitlements

Any entitlements to the Bonus Warrants not taken up for any reason and fractional entitlements to the Bonus Warrants which are disregarded and not allotted to the Entitled Shareholders will be aggregated and sold on the Mainboard for the benefit of the Company or otherwise dealt with in such manner as the Directors may, in their absolute discretion, deem fit in the interests of the Company.

9.6. Rationale of the Proposed Bonus Warrants Issue

The Board believes that the Proposed Bonus Warrants Issue will reward Shareholders for their continued participation in and support for the Company by providing the Shareholders with an opportunity to increase their equity participation in the Company and participate in the future growth of the Company in view of the Proposed Subscription. In addition, the proceeds arising from the exercise of the Bonus Warrants will potentially increase the Company's capital base, strengthen its balance sheet and provide additional financial flexibility and liquidity to the Group.

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The Bonus Warrants Exercise Price of S\$1.00 is at a premium of 25% to the issue price of Subscription Shares of S\$0.80. The factors taken into consideration when determining the Bonus Warrants Exercise Price of S\$1.00 include:

- (a) the historical share price of the Company. In particular, the shares of the Company traded between \$0.36 and \$0.715 during the 1-year period prior to the date of the Subscription Agreement; and
- (b) the Issue Price of the Subscription Shares of \$0.80.

As the Bonus Warrants are only issued to existing shareholders (“**Existing Shareholders**”) for free and the Subscriber will not get to participate or benefit from it, the Bonus Warrants Exercise Price of S\$1.00 was agreed between the Company and Subscriber as a balance between the potential dilution to the Subscriber (i.e. a higher exercise price will represent a lower dilution to the Subscriber) and potential upside to Existing Shareholders (i.e. a lower exercise price means Existing Shareholders will enjoy higher potential upside). In addition, the Company has also taken into consideration that a higher exercise price, while reducing the potential upside of Existing Shareholders, will benefit the Company as more funds will be raised through the exercising of these Bonus Warrants.

9.7. Use of Proceeds

As the Bonus Warrants are issued free, there will be no proceeds raised directly from the Proposed Bonus Warrants Issue.

Assuming that all the 27,119,659 Bonus Warrants are issued and duly exercised within the Bonus Warrants Exercise Period, the Company will receive gross proceeds of approximately S\$27.12 million (“**Warrants Gross Proceeds**”). The Company intends to utilise the Warrants Gross Proceeds for the following purposes:

Proposed use of Warrants Gross Proceeds	% of Warrants Gross Proceeds
(a) Proposed acquisitions to be undertaken by the Company	50
(b) Repayment of loans or borrowings	30
(c) Working capital and general corporate purposes	20

As the amount of Warrants Gross Proceeds received by the Company from the exercise of the Bonus Warrants will depend on the time and the extent to which such Bonus Warrants are exercised, the Company may deviate from the percentage allocation for each intended use. Shareholders should note that the proposed distribution set out above only serves as a general guideline. In the event that the Warrants Gross Proceeds initially allocated for the purposes set out in (a) and (b) above are not fully applied towards such uses for any reasons, the Company shall use the remaining proceeds for working capital of the Company and its subsidiaries and/or for such other purposes as the Company in its discretion may deem fit.

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For the avoidance of doubt, the Warrants Gross Proceeds is raised only upon the exercise of the Bonus Warrants, which is optional, not at the point of issue of the Bonus Warrants but over the Bonus Warrants Exercise Period. Conversely, in the event that none of the Bonus Warrants is exercised, no proceeds will be raised by the Company at all. Pending the deployment of the Warrants Gross Proceeds for the uses identified above, the Warrants Gross Proceeds may be placed as deposits with financial institutions or invested in short-term money market or debt instruments or for any other purposes on a short-term basis as the Directors may deem fit.

Pursuant to Rule 704(30) of the Listing Manual, the Company will make periodic announcements as and when the proceeds from the Proposed Bonus Warrants Issue are materially disbursed and whether the use is in accordance with the stated use and the percentage allocated in this Section. The Company will also provide a status report on the use of such Warrants Gross Proceeds in its annual report.

9.8. Books Closure Date

The Books Closure Date for the purpose of determining Entitled Shareholders' entitlements under the Proposed Bonus Warrants Issue will be announced at a later date through SGXNET.

9.9. Adjustments to Awards

As at the date hereof, the Company has in force the AEI Performance Share Plan ("**AEI PSP**") and no shares have been granted under the AEI PSP.

Pursuant to the AEI PSP, (i) the class and/or number of shares which are subject of an award ("**Award**") to the extent not yet vested and the rights attached thereto; and/or (ii) the class and/or number of shares over which future Awards may be granted under the AEI PSP shall be subject to adjustments in view of the Proposed Bonus Warrants Issue.

The Company will make such further announcements on the adjustments for the Awards after such adjustments for Awards have been confirmed or reviewed (as the case may be) pursuant to the rules of the AEI PSP.

9.10. Shareholders' Approval

Under Rule 805 of the Listing Manual, any issue of shares or convertible securities not covered under a general mandate must be specifically approved by Shareholders in a general meeting. Accordingly, the Proposed Bonus Warrants Issue shall be made pursuant to the specific approval of the Shareholders.

9.11. Financial effects arising from the exercise of the Bonus Warrants

9.11.1. Bases and assumptions

The financial effects of the Proposed Bonus Warrants Issue are prepared based on the FY2017 Management Accounts and the following assumptions:

- (a) all of the 27,119,659 Bonus Warrants had been issued and the entire 27,119,659 Bonus Warrants are being fully exercised into 27,119,659 Warrants Shares in accordance with the Bonus Warrants Deed Poll ("**Full Bonus Warrants Exercise**") on 31 December 2017 for the purposes of computing the financial effects of the share capital, NTA per Share and gearing as at 31 December 2017;

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- (b) the Full Bonus Warrants Exercise had taken place on 1 January 2017 for the purposes of computing the financial effects of the EPS for FY2017;
- (c) in respect of financial effects as at 31 December 2017 and FY2017 (as relevant), any corporate actions announced and undertaken by the Group and any issuance of new Shares subsequent to 1 January 2017 are disregarded;
- (d) expenses (including share issuance expenses) in connection with the Proposed Bonus Warrants Issue are disregarded for the purposes of calculating the financial effects; and
- (e) save in respect of Tranche 1 Subscription Shares and Tranche 1 Introducer Shares to be issued on Tranche 1 Completion, the allotment and issue of Subscription Shares, Option Shares and/or Introducer Shares pursuant to the Proposed Subscription are disregarded for the purposes of calculating the financial effects.

9.11.2. Proforma Financial Effects

The financial effects of the Proposed Bonus Warrants Issue as set out below are purely for illustrative purposes only and do not take into account the effects of the use of the Warrants Gross Proceeds and are not projections of the actual future financial performance or financial position of the Group after the Proposed Bonus Warrants Issue or the exercise of Bonus Warrants.

(a) Effect on Share Capital

	Before issue of Bonus Warrants	After issue of Bonus Warrants, but before exercise of any Bonus Warrants	After Full Bonus Warrants Exercise	After Full Bonus Warrants Exercise and Tranche 1 Completion
No. of Shares ⁽¹⁾	27,119,659	27,119,659	54,239,318	83,851,818
Share Capital (S\$)	49,007,498	49,007,498	76,127,157	99,127,157

Note:

(1) Excluding 1,000,000 Shares held by the Company as treasury shares as at 31 December 2017.

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(b) NTA per Share

	Before issue of Bonus Warrants	After issue of Bonus Warrants, but before exercise of any Bonus Warrants	After Full Bonus Warrants Exercise	After Full Bonus Warrants Exercise and Tranche 1 Completion
NTA (S\$)	35,354,000	35,354,000	62,473,659	85,473,659
No. of Shares ⁽¹⁾	27,119,659	27,119,659	54,239,318	83,851,818
NTA per Share (S\$)	1.30	1.30	1.15	1.02

Note:

(1) Excluding 1,000,000 Shares held by the Company as treasury shares as at 31 December 2017.

(c) Gearing

	Before issue of Bonus Warrants	After issue of Bonus Warrants, but before exercise of any Bonus Warrants	After Full Bonus Warrants Exercise	After Full Bonus Warrants Exercise and Tranche 1 Completion
Gearing ⁽¹⁾ (times)	0.088	0.088	0.050	0.036
Debt ⁽²⁾ (S\$)	3,114,000	3,114,000	3,114,000	3,114,000
Equity (S\$)	35,354,000	35,354,000	62,473,659	85,473,659

Notes:

(1) Calculated based on the ratio of Debt to Equity.

(2) "Debt" only includes interest-bearing debt of the Group.

(d) Loss per Share

	Before issue of Bonus Warrants	After issue of Bonus Warrants, but before exercise of any Bonus Warrants	After Full Bonus Warrants Exercise	After Full Bonus Warrants Exercise and Tranche 1 Completion
Net Loss of the Group (S\$)	(9,539,000)	(9,539,000)	(9,539,000)	(9,539,000)
No. of Shares ⁽¹⁾	27,119,659	27,119,659	54,239,318	83,851,818
Net (loss) per Share (S\$)	(0.35)	(0.35)	(0.18)	(0.11)

Note:

(1) Excluding 1,000,000 Shares held by the Company as treasury shares as at 31 December 2017.

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9.12. Indicative Timeline

The following indicative timeline assumes the approval of the Relevant Resolutions and the resolution relating to the Proposed Bonus Warrants Issue are obtained.

Expected Books Closure Date for Proposed Bonus Warrants	:	T – 6 days
Tranche 1 Completion	:	T
Expected Issuance of Bonus Warrants	:	T*
Last date for Tranche 2 Completion	:	T + 6 months
Last date for issuance of Option Shares	:	T + 36 months

* The Proposed Bonus Warrants Issue is subject to, *inter alia*, Tranche 1 Completion.

Shareholders should note that the dates above which are stated to be “expected” are indicative only and may be subject to change. Please refer to future announcement(s) by the Company on the SGXNET for the exact dates and times of these events.

10. PROPOSED DIVERSIFICATION

10.1. Details of the Proposed Diversification

The Company was incorporated in Singapore on 2 February 1983 and has been listed on the Mainboard of the SGX-ST since 11 February 2004. The Company, an investment holding company, together with its subsidiaries, manufacture, import, and export aluminum extrusion sections, metal materials, and other related products for customers in Singapore, Thailand, Greater China, Malaysia and internationally (“**Existing Core Business**”). The Group’s operations are mainly divided into two segments, namely (i) Electronics and Precision Engineering; and (ii) Construction and Infrastructure Building segments. The Electronics and Precision Engineering segment offers precision aluminum extrusions that form components of products of the high-tech electronics and precision engineering industries. The Construction and Infrastructure Building segment offers a range of aluminum extruded products for public infrastructure, building construction, interior fixtures, signages, and advertising panels in the construction, civil engineering, and infrastructure building industries.

The Board understands from the Subscriber that on Tranche 1 Completion and subject to the resolution for the Proposed Diversification being approved by Shareholders, the Subscriber intends to diversify and expand the Group’s Existing Core Business to the infrastructure business (“**Infrastructure Business**”) with the Gross Proceeds raised from the Proposed Subscription, as and when appropriate opportunities arise.

The Board understands from the Subscriber that the Infrastructure Business includes, *inter alia*:

- (a) development and operation of infrastructure assets in the transportation sector, such as airports, rail, roads and ports;
- (b) development and operation of infrastructure assets in the utilities sector, such as power generation, electricity, gas and water;

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- (c) management of infrastructure assets, including maintenance of the property, lease of available retail stores and upgrading of the property; and
- (d) investing in, acquiring, disposing of global infrastructure assets, shares or interests in entities which are in the business of infrastructure assets development, which are for the purpose or ancillary to the Infrastructure Business.

The Board understands from the Subscriber that it does not plan to restrict the Proposed Diversification to any specific geographical markets, as investments would be evaluated and assessed by the then prevailing board of directors, nominated by the Subscriber, on their own merits. The Board understands that the Subscriber intends to, through the Group, explore joint ventures and/or strategic alliances with third parties who have the relevant expertise and resources to carry out the Infrastructure Business as and when the opportunity arises. The decision on whether a project will be undertaken by the Group on its own or in collaboration with third parties will be made by the then prevailing board of directors after taking into consideration various factors, such as the nature and scale of each project, amount of investment required and risks associated with such an investment, nature of expertise required, the period of time required to complete the project, the conditions affecting utilisation of the relevant infrastructure asset, and availability of other investment opportunities.

Please refer to the sections entitled “Rationale for the Proposed Diversification” and “Risks Factors Associated with the Proposed Diversification” as set out in Sections 10.4 and 10.6 respectively of this Circular for more details on the rationale for and risks associated with the Proposed Diversification.

10.2. Funding for the Proposed Diversification

The funding for the Proposed Diversification into the Infrastructure Business and any future projects in relation to the Infrastructure Business is intended to be funded by a combination of the internal resources of the Group, external banking facilities and/or fund raising, including, if approved by Shareholders at the EGM, Gross Proceeds raised from the Proposed Subscription Shares Issue and the Proposed Option Shares Issue.

10.3. Management Personnel for the Proposed Diversification

Concurrent with the Proposed Diversification, the Company will set up a new senior management team for the Infrastructure Business to oversee the Infrastructure Business. The Company is cognizant that the Infrastructure Business and the Existing Core Business are in different sectors. Notwithstanding this, the Board recognizes the relevant expertise required can be acquired and developed by the Group over time as it progresses into the Infrastructure Business. Following Tranche 1 Completion, the board of directors of the Company and the senior management of the Group will be supplemented with individuals nominated by the Subscriber, each with varied qualifications and experience who will provide the strategic direction and set the policy in respect of the Infrastructure Business. Please see Section 5.7 for further information on the manner in which members of the senior management team of the Group shall be appointed.

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10.4. Rationale for the Proposed Diversification

The Proposed Diversification is part of the corporate strategy of the Group to provide Shareholders with diversified revenue streams and long term growth. The Company believes that the Proposed Diversification will reduce the Group's reliance on its Existing Core Business, offer new business opportunities, provide the Group with new revenue streams and improve its prospects, so as to enhance Shareholders' value for the Company.

The Company believes that the Proposed Diversification into the Infrastructure Business can add value to the Company and benefit Shareholders in the long run. Due to the necessity for essential services and long-term contracts or concessions in respect of infrastructure assets, infrastructure assets have the potential to provide sustainable cash flow. The Company further believes the revenue derived from the Infrastructure Business which represents new revenue streams for the Company is anticipated to improve the financial condition of the Group and, as such, the Company is of the view that the Proposed Diversification into the Infrastructure Business, subject to the terms to be agreed in due course, offers a prospective investment platform to the Company.

10.5. Investment in Infrastructure Business(es)

The Board understands from the Subscriber that on Tranche 1 Completion and subject to the resolution for the Proposed Diversification being approved by Shareholders, the new board of directors and management of the Company will actively look for potential investment opportunities by way of acquisition or otherwise in the Infrastructure Business. Please see Section 5.7 for the Subscriber's intentions with respect to the board composition and senior management of the Company upon Tranche 1 Completion.

As and when the opportunities arise, upon satisfaction of the relevant due diligence investigation, the Company will enter into definitive documentation in order to implement its investment in the Infrastructure Business subsequent to Tranche 1 Completion. The Subscriber is in the midst of sourcing potential infrastructure assets that may be suitable for acquisition by the Company. As at the Latest Practicable Date, the Subscriber has informed the Company that it has identified a controlling stake in an operational and profitable airport which is available for sale. For the avoidance of doubt, the Subscriber has not committed to any concrete investment plans and as such, the proposed acquisition of the said airport may not necessarily materialise. In addition, the Subscriber will not rule out the possibilities to bring in other strategic partners/investors to participate in the future projects to be identified in relation to the Infrastructure Business that the Group intends to engage in.

Compliance with Listing Rules

The Company will comply with the requirements of the Listing Manual in particular Chapter 7 and Chapter 10, pursuant to which the Company will make necessary announcements and (where required by the Listing Manual) convene an extraordinary general meeting to seek Shareholders' approval for any acquisition undertaken by the Company.

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The SGX-ST reserves the right to determine the Company's subsequent acquisition (if any) as a reverse takeover under Chapter 10 of the Listing Manual taking into account the Proposed Subscription and Proposed Bonus Warrants Issue. In addition, the Company is required to seek Shareholders' approval for:

- (a) its first acquisition in a new business segment (such as the Infrastructure Business) if any of the relative threshold under Listing Rule 1006 exceeds 20%; or
- (b) acquisitions in a new business segment (such as the Infrastructure Business) which, on a cumulative basis, exceeds 20% of the thresholds under Listing Rule 1006.

10.6. Risk Factors Associated with the Proposed Diversification

The information in this Section 10.6 relating to the risk factors associated with the Proposed Diversification is based on information provided by the Fund Manager. The Board has not conducted an independent review or verification of the accuracy of the statements and information below. For the avoidance of doubt, the Proposed Diversification will be undertaken by the new board of directors and senior management nominated by the Fund Manager upon completion of the Proposed Transactions.

- (a) The infrastructure industry is often highly regulated and the operations and business of infrastructure assets may be affected by changes in government policies, laws or regulations.**

The Group's strategy is to invest in infrastructure businesses globally. Government policies, laws and regulations generally have a significant influence over infrastructure businesses or infrastructure sectors. The application of these policies, laws and regulations may affect investment opportunities in the infrastructure industry. For example, a government's decision to limit private sector participation in a particular sector will reduce the possible investments available to the Group in that country.

The government policies, laws or regulations of countries may affect the operations and business of the infrastructure assets located therein. The nature of many infrastructure businesses requires them to comply with laws and regulations in their jurisdictions of operations including but not limited to those relating to the environment, and also to obtain and maintain governmental permits necessary for their operations. If these businesses fail to comply with any applicable laws and regulations, they could be subject to civil or criminal liability and fines, which could be substantial. In addition, any failure or any claim that there has been a failure to comply with applicable laws or regulations may cause delays in operations or expansion activities as well as adversely affect the public perception of these businesses.

Changes in government policies, laws or regulations or their application affecting the business activities of the relevant infrastructure business may adversely affect its operating results, business and financial condition. For example, there may be a need to incur additional costs or limit business activities to comply with new laws or regulations, such as stricter environmental or safety controls. Compliance costs for operating infrastructure assets may also increase. In addition, any change in government policies, laws or regulations which result in increased competition in a particular sector in which the Group may have an investment could adversely impact that business or make it more difficult for it to pursue possible acquisitions in that country.

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- (b) Demand for infrastructure services depends on domestic, regional and global economic growth.**

Demand for infrastructure services, such as the power, road and airport businesses, are generally dependent on the level of domestic, regional and global economic growth, international trade and consumer spending. During periods of robust economic growth, demand for such services may grow at equal to, or even greater than, that of the gross domestic product (“GDP”). On the other hand, during periods of slow GDP growth, demand for infrastructure services may exhibit slow or even negative growth. For example, the civil aviation sectors of most Asian countries were negatively affected by the slowdown in economic growth during the Asian financial crisis in the late 1990s. This led to reduced load factors among airlines and significant decreases in passenger throughput and aircraft movements at airports. The performance of the infrastructure industry may be affected by fluctuations of the economic or business cycle, or other events that could influence GDP growth.

- (c) Infrastructure assets are generally illiquid assets that may not be sold for a price that equates the Group’s valuation of the assets.**

Infrastructure assets are generally illiquid and the assets that the Group invests in may not be listed on any stock exchange or for which there are only a limited number of potential buyers. As a result, the realisable value of an infrastructure asset may be less than its valuation based on its estimated future cash flows.

- (d) The development of infrastructure assets carries many risks, which, to the extent they materialise, may adversely affect the business of the Group.**

The development of infrastructure assets carries many risks, which, to the extent they materialise, could adversely affect the business, prospects, financial condition and results of operations of the Group. These risks include political, regulatory and legal actions that may adversely affect project viability, changes in government and regulatory policies, delays in construction and operation of projects, adverse changes in market demand or prices for the products or services that the project, when completed, is expected to provide, the willingness and ability of consumers to pay for infrastructure services, shortages of or adverse price movement for raw materials, environmental risk, including rehabilitation and resettlement costs, and adverse developments in the overall economic environment in the jurisdictions where the infrastructure assets are located.

- (e) The operation of infrastructure assets involves many risks and the Group may not have sufficient insurance coverage to cover the economic losses.**

The operation of infrastructure assets involves many risks and hazards which may affect the operations and profitability. These risks and hazards include, breakdown, failure or substandard performance of equipment, improper installation or operation of equipment, labour disturbances, natural disasters, environmental hazards, industrial accidents, and terrorist activity.

The Group endeavours to maintain insurance coverage, including business interruption insurance with respect to its infrastructure assets, as customary for the respective type of infrastructure asset. However, the insurance may not provide adequate coverage in certain circumstances and is subject to exclusions and limits

LETTER TO SHAREHOLDERS

on coverage. The Group cannot ensure that the operation of infrastructure assets will not be affected by any of the abovementioned risks and hazards, or that the insurance policies obtained will be adequate to cover any damage caused by such risks and hazards.

(f) The government of the jurisdictions in which the Group owns infrastructure assets may grant new concessions that compete with the Group's infrastructure assets.

The governments of the jurisdictions in which the Group owns infrastructure assets may grant additional concessions to operate existing government-managed infrastructure assets, or authorise the construction of new infrastructure assets, which could compete directly with the infrastructure assets the Group owns. Any competition from other such infrastructure assets may have a material adverse effect on the business and results of operations of the Group. In certain circumstances, the grant of a new concession must be made pursuant to an open tender process. In the event a competing concession is offered in an open tender process, the Group may not have the resources, whether financial or otherwise, to participate in such process and the Group may not be successful if it did participate.

(g) The concessions for the operations of the infrastructure assets may be terminated, acquired or fail to be renewed by the issuing governments under various circumstances, some of which are beyond the Group's control.

The concessions in respect of the infrastructure assets will generally be the principal assets and the Group will generally be unable to continue operations without them. A concession may be terminated by the issuing government for various reasons, which may include failure to comply with performance targets, master development programs, a temporary or permanent halt in operations, actions affecting the operations of other concession holders, failure to pay damages resulting from operations, exceeding maximum rates or failure to comply with any other material term of any concession. Violations of certain terms of a concession may even result in termination of a concession.

Violations of terms of a concession may also result in the immediate termination of the concession. Failure to meet conditions under the concessions and applicable laws may also result in fines, other sanctions and the termination of the concessions.

In certain circumstances, the issuing government may also (a) terminate a concession at any time through reversion, if it determines that it is in the public interest to do so, or (b) assume the operation of any infrastructure assets in the event of war, public disturbance or a threat to national security. In addition, in the case of a force majeure event, an issuing government may require the Group to implement certain changes in its operations. In the event of a reversion of the infrastructure assets that are the subject of the Group's concessions, the issuing government may be required to compensate the Group for the value of the concessions or added costs. In the event of a mandated change in the Group's operations, the issuing government may be required to compensate the Group for the cost of that change. However, there can be no assurance that the Group will receive compensation equivalent to the value of its investment in or any additional damages related to the Group's concessions and related assets in the event of such action.

LETTER TO SHAREHOLDERS

In the event that any one of the Group's concessions is terminated, whether through revocation or otherwise, its other concessions in that jurisdiction may also be terminated.

In some cases, the concessions are only valid for stipulated periods of time and require renewals for operations to continue. There can be no assurance that the Group will be able to obtain or renew such concessions successfully.

(h) The Group cannot predict how the regulations and concessions governing its infrastructure assets will be applied.

The operations of infrastructure assets, including the scope and extent thereof, are regulated and likely to be restricted by the relevant government and concession. The Group may also be required to obtain governmental and regulatory approvals with respect to a variety of matters affecting its operations, and its business will be subject to the prevailing laws and regulations. In addition, new laws or regulations could be implemented that could have a direct or indirect effect on the operations of the Group's infrastructure assets.

There can be no assurance that the regulators will formulate and implement policies which are favourable to the Group's infrastructure assets. New laws or regulations could be implemented that could have a direct or indirect effect on the Group's operations. The Group may encounter difficulties in complying with any present or future laws and regulations. There can be no assurance that the regulatory agencies overseeing the Group's infrastructure assets will rule favourably for the Group or that the laws and regulations currently governing the Group's infrastructure assets will not change in the future or be applied or interpreted in a way that could have a material adverse effect on the Group's business, results of operations and financial condition.

The operations of the infrastructure assets may require the Group to obtain and comply with the terms of various approvals, permits and registrations. While certain approvals, permits and registrations are usually one-time in nature, which remain valid unless or until cancelled, certain other approvals are only valid for stipulated periods of time and require periodic renewals. There can be no assurance that we will be able to obtain or renew such approvals and licenses in time or at all.

11. PROPOSED NEW SHARE ISSUE MANDATE

11.1. Proposed New Share Issue Mandate

The Company had at its annual general meeting on 27 April 2017, passed a resolution pursuant to Rule 806 of the Listing Manual granting the Directors a general mandate (the "**Existing Share Issue Mandate**") to issue and allot Shares and convertible securities in the share capital of the Company.

In light of the anticipated changes to the capital structure of the Company pursuant to the Proposed Subscription and the Proposed Bonus Warrants Issue, it is proposed that, subject to the approval of the Shareholders of the Relevant Resolutions and the Proposed Bonus Warrants Issue, the Existing Share Issue Mandate be revoked and a new share issue mandate be issued to the board of directors of the Company pursuant to Rule 806 of the Listing Manual (the "**Proposed New Share Issue Mandate**").

LETTER TO SHAREHOLDERS

Shareholders should note that the Proposed New Share Issue Mandate is conditional on the approval of the Relevant Resolutions and the Proposed Bonus Warrants Issue (please refer to Section 1.4 of the Circular for further details). In the event that any of the Relevant Resolutions or the Proposed Bonus Warrants Issue is not approved by the Shareholders, the Proposed New Share Issue Mandate will not be passed.

11.2. Rationale for the Proposed New Share Issue Mandate

Following the allotment and issuance of the entire Subscription Shares, Option Shares and Introducer Shares pursuant to the Proposed Subscription, the Subscriber's interest in the Company shall be approximately 68.31% of the Enlarged Share Capital, potentially resulting in illiquidity in the Shares held by the public.

With the Proposed New Share Issue Mandate, the Company can utilise it to increase public shareholding and thus enhance liquidity in the Shares in a meaningful manner, relative to reliance on the Existing Share Issue Mandate which only authorises the issuance of approximately 5,423,931 Shares (being 20% of the Existing Share Capital) other than on a pro-rata basis which translates to only (a) 5.93% of the Enlarged Share Capital after the Proposed Subscription; or (b) 4.57% of the share capital of the Company after the Proposed Subscription and the full exercise of the Bonus Warrants (assuming the Full Bonus Warrants Exercise scenario has taken place). The Proposed New Share Issue Mandate will also allow the Company greater flexibility in raising funds for the proposed new business segment pursuant to the Proposed Diversification.

11.3. Terms

The Proposed New Share Issue Mandate, if approved, will authorise the board of directors of the Company to issue new Shares or convertible securities in the capital of the Company (whether by way of bonus issue, rights issue or otherwise), subject to the following limitations, namely, that the aggregate number of Shares to be issued pursuant to such authority shall not exceed 50.00% of the Prevailing Share Capital (as defined below) (excluding treasury shares), of which the aggregate number of Shares to be issued other than on a pro-rata basis to Shareholders must not exceed 20.0% of the Prevailing Share Capital (as defined below) (excluding treasury shares).

For the purposes of the Proposed New Share Issue Mandate, the term "**Prevailing Share Capital**" shall mean an aggregate of 66,388,409 Shares (excluding treasury Shares), being the Existing Share Capital of the Company and including adjustments to take into account the Tranche 1 Subscription Shares, Tranche 1 Introducer Shares, maximum Tranche 2 Subscription Shares and maximum Tranche 2 Introducer Shares. For the avoidance of doubt, as the Option and Bonus Warrants are exercisable for periods exceeding one year from Tranche 1 Completion, the Option Shares, Warrant Shares and Option Introducer Shares shall be disregarded for the purposes of determining the Prevailing Share Capital.

The Proposed New Share Issue Mandate, once approved, will continue in force until the conclusion of the Company's next annual general meeting, or the date by which the next annual general meeting of the Company is required by law to be held, whichever is earlier, unless revoked or varied by the Company in a general meeting.

LETTER TO SHAREHOLDERS

12. INTERESTS OF THE DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

The interests of the Directors and Substantial Shareholders of the Company in the Shares of the Company based on information recorded in the Register of Directors' Shareholdings and the Register of Substantial Shareholders respectively, maintained pursuant to Section 164 and Section 88 of the Companies Act respectively as at the Latest Practicable Date are as follows:

	Direct Interest		Deemed Interest		Total Interest	
	No. of Shares	% ⁽¹⁾	No. of Shares	% ⁽¹⁾	No. of Shares	% ⁽¹⁾
<u>Directors</u>						
Tan Chu En Ian ⁽²⁾	320,000	1.18	3,709,207	13.68	4,029,207	14.86
Sinta Muchtar ⁽²⁾⁽³⁾	–	–	8,177,130	30.15	8,177,130	30.15
Yeung Koon Sang alias David Yeung	10,000	0.04	–	–	10,000	0.04
Dr Vasoo Sushilan	10,000	0.04	–	–	10,000	0.04
Teng Cheong Kwee	10,000	0.04	–	–	10,000	0.04
<u>Substantial Shareholders (other than Directors)</u>						
Lauw & Sons Holdings Pte. Ltd.	4,147,923	15.29	–	–	4,147,923	15.29
Treadstone Holdings Pte. Ltd. ⁽⁴⁾	2,809,207	10.36	900,000	3.32	3,709,207	13.68
Well Global Investments (Singapore) Pte. Ltd.	2,000,000	7.37	–	–	2,000,000	7.37

Notes:

- (1) Based on 27,119,659 Shares (excluding the 1,000,000 Shares held as treasury shares), being the Existing Share Capital.
- (2) Mr. Tan Chu En Ian and Ms. Sinta Muchtar are spouses. Each of them owns 50% of the issued and paid up share capital of Treadstone Holdings Pte. Ltd. They are therefore deemed interested in the 2,809,207 Shares held by Treadstone Holdings Pte. Ltd.
- (3) Ms. Sinta Muchtar owns 12.5% of the issued and paid up share capital of Lauw & Sons Holdings Pte. Ltd. She is deemed to have an interest in the 4,147,923 Shares held by Lauw & Sons Holdings Pte. Ltd. and the 320,000 shares owned by her spouse, Mr. Tan Chu En Ian.
- (4) 900,000 Shares owned by Treadstone Holdings Pte. Ltd. are held through a nominee.

As at the Latest Practicable Date, saved as disclosed in this Circular, none of the Directors or Substantial Shareholders of the Company has any interests, direct or indirect, in the Proposed Transactions, other than (i) with respect to each Director or Shareholder in his/her/its capacity as a Director or Shareholder of the Company; and (ii) in respect of Mr. Tan Chu En Ian, in his capacity as the Undertaking Shareholder.

LETTER TO SHAREHOLDERS

13. EXTRAORDINARY GENERAL MEETING

The EGM, notice of which is set out in the section “Notice of Extraordinary General Meeting” in this Circular, will be held at 15 Tuas South Street 13 Singapore 636936 on 27 March 2018 at 10.00 a.m., for the purpose of considering and, if thought fit, passing the resolutions set out in the notice of EGM.

14. ADVICE OF THE INDEPENDENT FINANCIAL ADVISER AND VALUATION

14.1. Advice of the Independent Financial Adviser

MS Corporate Finance Pte. Ltd. has been appointed as the Independent Financial Adviser to the Directors in relation to the Proposed Whitewash Resolution. A copy of the IFA Letter in relation to the above is reproduced in Appendix 1A to this Circular. Shareholders are advised to read the IFA Letter carefully and in its entirety, and consider carefully the recommendations of the Directors in respect of the Proposed Whitewash Resolution as set out in Section 16.3.

Information relating to the advice of the IFA to the Directors and the key factors it has taken into consideration have been extracted from the IFA Letter (and reproduced below in italics), and all terms and expressions used in the extract below shall bear the same meanings as attributed to them in the IFA Letter unless otherwise stated. Shareholders are advised to read the following extracts in conjunction with, and in the context of the full text of the IFA Letter:

“8. RECOMMENDATION

Having regard to the analysis set out in this IFA Letter and information available as at the Latest Practicable Date, we consider that the terms of the Proposed Subscription, which is the subject of the Proposed Whitewash Resolution, are not fair but reasonable.

In determining that the terms of the Proposed Subscription are not fair, we have considered the following factors:

- (a) the Issue Price is at a discount of 38.7% to the NAV per Share of the Group as at 31 December 2017, representing a P/NAV of 0.61 times which is (i) although within range but lower than the mean and median of the P/NAV ratios of the Aluminium Extrusion Companies, the HDD Component Companies and the Comparable Transactions; and*
- (b) the Issue Price is at a discount of 54.0% to the RNAV per Share of the Group as at 31 December 2017, representing a P/RNAV of 0.46 times which is (i) although within range but lower than the mean and median of the P/NAV ratios of the Comparable Transactions; and (ii) lower than the minimum of the P/NAV ratios of the Aluminium Extrusion Companies and of the P/NAV ratios of the HDD Component Companies.*

LETTER TO SHAREHOLDERS

However, we note that:

- (a) the Issue Price represents a premium over the historically traded prices of the Shares; and*
- (b) the premium represented by the Issue Price over the last transacted price of the Shares prior to the Announcement Date is higher than the mean and median of the Comparable Transactions.*

In determining that the terms of the Proposed Subscription are reasonable, we have considered the following factors:

- (a) the weak financial performance and the deteriorating financial position of the Group. The Group has recorded losses for the last three financial years and the NAV of the Group may decline further;*
- (b) the Proposed Subscription and the proceeds will provide the Group with the opportunity to diversify into the Infrastructure Business and reduce the Group's reliance on its Existing Core Business which has been loss-making and facing challenging market conditions; and*
- (c) as at the Latest Practicable Date, the Company has not received any other viable alternative proposals which they believe to be more attractive to the Shareholders.*

Based on our assessment of the terms of the Proposed Subscription as set out above, we advise the Directors to recommend that Independent Shareholders vote in favour of the Proposed Whitewash Resolution.

In rendering the above advice, we have not given regard to any general or specific investment objectives, financial situation, tax position, risk profiles or particular needs and constraints or other particular circumstances of any individual Shareholder. As each individual Shareholder would have different investment objectives and profiles, we would advise that any individual Shareholder who may require specific advice in relation to his investment objectives or portfolio should consult his stockbroker, bank manager, accountant, legal, financial, tax or other professional adviser immediately. The opinion and advice of MSCF should not be relied upon by any Shareholder as the sole basis for deciding whether or not to vote for or against the Proposed Whitewash Resolution, as the case may be."

LETTER TO SHAREHOLDERS

14.2. Valuation

In connection with the Proposed Subscription, the Company commissioned AVA Associates Limited (the “**Valuer**”) to perform a valuation on the open market value of the Company’s two (2) real properties, being 12 Penjuru Lane, Singapore 609192 (“**Penjuru Lane Property**”) and 15 Tuas South Street 13, Singapore 636936 (“**Tuas South Property**”), for the purposes of assisting the Company in their assessment of the revalued net asset value of the Company.

Based on the valuation report dated 14 February 2018 of effective date 31 December 2017 (“**Valuation Report**”), the open market value of the Penjuru Lane Property and Tuas South Property are S\$13,000,000 and S\$11,000,000 respectively, based on the direct comparison approach. The valuation was carried out in accordance with the Valuation Standards and Guidelines of the Singapore Institute of Surveyors and Valuers. For more details, please see the summary of the Valuation Report reproduced in Appendix 1B to this Circular.

15. CONSENT

15.1 Financial Adviser

CEL Impetus Corporate Finance Pte. Ltd., the Financial Adviser to the Company, has given and has not withdrawn its written consent to the issue of this Circular with the inclusion of its name and all references thereto in the form and context in which it appears in this Circular and to act in such capacity in relation to this Circular.

15.2. IFA

MS Corporate Finance Pte. Ltd., the Independent Financial Adviser in respect of the Proposed Whitewash Resolution, which prepared the IFA Letter for the purpose of inclusion in this Circular, has given and has not withdrawn its written consent to the issue of this Circular with the inclusion of Appendix 1A “Letter from the Independent Financial Adviser” and references to its name in the form and context in which it appears in this Circular and to act in such capacity in relation to this Circular.

15.3. Valuer

AVA Associates Limited, the Valuer which prepared the Valuation Report, has given and has not withdrawn its written consent to the issue of this Circular with the inclusion of Appendix 1B “Summary of the Valuation Report” and references to its name in the form and context in which it appears in this Circular.

16. DIRECTORS’ RECOMMENDATIONS

16.1. The Proposed Subscription

Having considered, *inter alia*, the rationale and the terms of the Proposed Subscription and all other relevant facts set out in this Circular (including the advice given by the IFA to the Board in respect of the Proposed Whitewash Resolution, which the Board notes is also relevant to the Proposed Subscription), the Directors are of the opinion that the Proposed Subscription (comprising the Proposed Subscription Shares Issue, the Proposed Option Shares Issue and the Proposed Introducer Shares Issue) is in the best

LETTER TO SHAREHOLDERS

interests of the Company and accordingly recommends that Shareholders vote in favour of Resolution 1 relating to the Proposed Subscription, to be proposed at the EGM as set out in the Notice of EGM.

16.2. The Proposed Bonus Warrants Issue

Having considered, *inter alia*, the rationale and the terms of the Proposed Bonus Warrants Issue and all other relevant facts set out in this Circular, the Directors are of the opinion that the Proposed Bonus Warrants Issue is in the best interests of the Company and accordingly recommends that Shareholders vote in favour of Resolution 2 relating to the Proposed Bonus Warrants Issue, to be proposed at the EGM as set out in the Notice of EGM.

16.3. The Proposed Whitewash Resolution

Having considered, *inter alia*, the rationale and the terms of the Proposed Whitewash Resolution, and taking into account the advice of the Independent Financial Adviser to the Directors in relation to the Proposed Whitewash Resolution (set out in the IFA Letter) and all other relevant facts set out in this Circular, the Directors are of the opinion that the Proposed Whitewash Resolution is in the best interests of the Independent Shareholders and accordingly recommends that Independent Shareholders vote in favour of Resolution 3 relating to the Proposed Whitewash Resolution, to be proposed at the EGM as set out in the Notice of EGM.

16.4. The Transfer of Controlling Interest to the Subscriber

Having considered, *inter alia*, the rationale and the terms of the Proposed Subscription and all other relevant facts set out in this Circular, the Directors are of the opinion that the Transfer of Controlling Interest is in the best interests of the Company and accordingly recommends that Shareholders vote in favour of Resolution 4 relating to the Transfer of Controlling Interest to the Subscriber, to be proposed at the EGM as set out in the Notice of EGM.

16.5. The Proposed Diversification

Having considered, *inter alia*, the rationale and the information relating to the Proposed Diversification and all other relevant facts set out in this Circular, the Directors are of the opinion that the Proposed Diversification is in the best interests of the Shareholders and accordingly recommends that Shareholders vote in favour of Resolution 5 relating to the Proposed Diversification, to be proposed at the EGM as set out in the Notice of EGM.

16.6. The Proposed New Share Issue Mandate

Having considered, *inter alia*, the rationale and the information relating to the Proposed New Share Issue Mandate and all other relevant facts set out in this Circular, the Directors are of the opinion that the Proposed New Share Issue Mandate is in the best interests of the Shareholders and accordingly recommends that Shareholders vote in favour of Resolution 6 relating to the Proposed New Share Issue Mandate, to be proposed at the EGM as set out in the Notice of EGM.

LETTER TO SHAREHOLDERS

17. ACTION TO BE TAKEN BY SHAREHOLDERS

If a Shareholder is unable to attend the EGM and wishes to appoint a proxy to attend and vote on his behalf, he should complete, sign and return the attached proxy form in accordance with the instructions printed thereon as soon as possible and, in any event, so as to reach the registered address of the Company at 15 Tuas South Street 13, Singapore 636936 by not less than 48 hours before the time fixed for the EGM.

The completion and return of the proxy form by a Shareholder will not prevent him from attending and voting at the EGM in person if he so wishes. A Depositor shall not be regarded as a Shareholder of the Company entitled to attend the EGM and to speak and vote thereat unless his name appears on the Depository Register at least 72 hours before the EGM.

18. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this Circular (other than Sections 3, 5.7 and 10.6 (“**Fund Manager Information**”)) and confirm after making all reasonable enquiries, that to the best of their knowledge and belief, this Circular constitutes full and true disclosure of all material facts about the Proposed Transactions, the Company and its subsidiaries, and the Directors are not aware of any facts the omission of which would make any statement in this Circular misleading.

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

19. FUND MANAGER'S RESPONSIBILITY STATEMENT

The Fund Manager accepts full responsibility for the accuracy of the Fund Manager Information as well as any other information relating to the Fund Manager and Subscriber in this Circular (“**Fund Manager Disclosure**”) and confirm after making all reasonable enquiries, that to the best of its knowledge and belief, the Fund Manager Disclosure constitutes full and true disclosure of all material facts about the Subscriber, the Fund Manager and the Proposed Diversification, and the Fund Manager is not aware of any facts the omission of which would make any statement in the Fund Manager Disclosure misleading.

20. FINANCIAL ADVISER'S RESPONSIBILITY STATEMENT

To the best of the Financial Adviser's knowledge and belief, this Circular constitutes full and true disclosures of all material facts about the Proposed Transactions, the Company and its subsidiaries and the Financial Adviser is not aware of any facts the omission of which would make any statement in the Circular misleading.

LETTER TO SHAREHOLDERS

21. DOCUMENTS FOR INSPECTION

Copies of the following documents are available for inspection at the registered office of the Company at 15 Tuas South Street 13 Singapore 636936, during normal business hours (Monday to Friday, from 8.00 a.m. to 4.30 p.m.) for three (3) months from the date of this Circular:

- (a) the Constitution of the Company;
- (b) the annual report of the Company for the financial year ended 31 December 2016;
- (c) a copy of the Subscription Agreement (including the supplemental agreements thereto dated 10 November 2017, 2 January 2018 and 7 March 2018);
- (d) a copy of the Financial Advisor's consent letter;
- (e) a copy of the Independent Financial Advisor's consent letter;
- (f) a copy of the Valuer's consent letter;
- (g) a copy of the Valuation Report; and
- (h) the draft Bonus Warrants Deed Poll.

Yours faithfully

For and on behalf of the Board of Directors of
AEI CORPORATION LTD.

Tan Chu En Ian
Executive Director and Chief Executive Officer

APPENDIX 1A: LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

MS Corporate Finance Pte Ltd

10 Anson Road
#29-01 International Plaza
Singapore 079903
Tel: 6220 2002
Fax: 6225 1667
Email: email@mscf.com.sg
Company Reg. No. 200305439E

LETTER FROM MS CORPORATE FINANCE PTE. LTD. TO THE DIRECTORS

MS Corporate Finance Pte. Ltd.
(Company Registration No. 200305439E)
10 Anson Road
#29-01 International Plaza
Singapore 079903

12 March 2018

To: The Directors
AEI Corporation Ltd.
15 Tuas South Street 13
Singapore 636936

Dear Sirs,

INDEPENDENT FINANCIAL ADVICE TO THE DIRECTORS IN RESPECT OF THE PROPOSED WHITEWASH RESOLUTION IN CONNECTION WITH THE PROPOSED SUBSCRIPTION

Unless otherwise defined or the context otherwise requires, all terms defined in the Circular shall have the same meanings herein.

1. INTRODUCTION

On 8 August 2017, AEI Corporation Ltd. (the "**Company**") announced, *inter alia*, that it has entered into a conditional subscription agreement dated 8 August 2017 (the "**Subscription Agreement**") with New Impetus Strategy Fund (the "**Subscriber**"), pursuant to which the Company has agreed to allot and issue to the Subscriber, and the Subscriber has agreed to subscribe for, up to 62,500,000 new ordinary shares in the capital of the Company (the "**Shares**"), comprising:

- (a) 28,750,000 Shares (the "**Tranche 1 Subscription Shares**") and up to 9,375,000 Shares (the "**Tranche 2 Subscription Shares**") (the "**Proposed Subscription Shares Issue**"); and
- (b) up to 24,375,000 Shares (the "**Option Shares**") (the "**Proposed Option Shares Issue**"),

at an issue price of S\$0.80 per Share (the "**Issue Price**") for a maximum aggregate subscription amount of up to S\$50,000,000 (the "**Maximum Subscription Amount**"). On 10 November 2017, the Company and the Subscriber entered into a supplemental agreement to the Subscription Agreement, pursuant to which the issue price and/or number of Option Shares and Option Introducer Shares to be issued shall be subject to adjustments under certain circumstances.

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*Associate
in principal
cities throughout
the world.*

APPENDIX 1A: LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

MS Corporate Finance Pte Ltd

Due to the extended timeline, the Company and the Subscriber entered into a second supplemental agreement to the Subscription Agreement on 2 January 2018, to extend the Long-Stop Date to 31 March 2018 and also amend such other terms in the Subscription Agreement that are affected by the extended timeline for the Proposed Subscription. To accommodate the satisfaction of the Conditions Precedent, the Company entered into a third supplemental agreement dated 7 March 2018 to the Subscription Agreement with the Subscriber, *inter alia*, to extend the Long-Stop Date to 15 April 2018.

Under Rule 14 of the Singapore Code on Take-overs and Mergers (the “**Code**”) and Section 139 of the Securities and Futures Act, Chapter 289 of Singapore (the “**SFA**”), where (a) any person acquires, whether by a series of transactions over a period of time or not, shares which (taken together with shares held or acquired by persons acting in concert with him) carry 30% or more of the voting rights of a company; or (b) any person who, together with persons acting in concert with him, holds not less than 30% but not more than 50% of the voting rights and such person, or any person acting in concert with him, acquires in any period of six (6) months additional shares carrying more than 1% of the voting rights, such person must extend offers immediately to the holders of any class of share capital of the company which carries votes and in which such person, or persons acting in concert with him, hold shares.

As at the Latest Practicable Date, none of the Subscriber or any of its concert parties hold any interest in the Company.

Pursuant to completion of subscription of the Tranche 1 Subscription Shares, the Subscriber will own more than 30% of the voting rights of the Company, thereby resulting in the Subscriber and its concert parties incurring an obligation to make a mandatory general offer for the remaining Shares not already owned or controlled by the Subscriber.

As it is not the intention of the Subscriber and its concert parties to make a general takeover for the Company, an application was made to seek the approval from the Securities Industry Council (the “**SIC**”) to grant a whitewash waiver to the Subscriber and its concert parties from making the general offer.

The SIC had on 23 October 2017 granted the Company a waiver of the obligation of the Subscriber to make a mandatory general offer of the Shares under Rule 14 of the Code (the “**Whitewash Waiver**”) following the allotment and issue of the Tranche 1 Subscription Shares, Tranche 2 Subscription Shares and Option Shares, subject to the terms and conditions as set out in Section 6.3 of the Circular including, *inter alia*, the approval of the whitewash resolution (the “**Proposed Whitewash Resolution**”) by the majority of Independent Shareholders voting by way of poll at the EGM.

MS Corporate Finance Pte. Ltd. (“**MSCF**”) has been appointed as the independent financial adviser (“**IFA**”) to advise the Directors in respect of the Proposed Whitewash Resolution. This letter sets out, *inter alia*, our views and evaluation of the Proposed Whitewash Resolution and our opinion thereon (“**IFA Letter**”), and will form part of the Circular issued by the Company providing, *inter alia*, details of the Proposed Subscription.

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2. TERMS OF REFERENCE

MSCF has been appointed to advise the Directors in respect of the Proposed Whitewash Resolution. Specifically, MSCF will advise on whether the Independent Shareholders should vote in favour of the Proposed Whitewash Resolution.

We have not been involved in any aspect of the negotiations concerning the Proposed Subscription. Our terms of reference is to form a view as to the fairness and reasonableness of the Proposed Subscription and our opinion thereon. It does not require us to evaluate or comment on the strategic, legal, commercial and financial risks and/or merits of the Proposed Subscription or the future prospects or value of the Company and its subsidiaries (the “**Group**”) and we have not made such evaluation or comment. Such evaluation or comment, if any, remains the responsibility of the Board and the management of the Company (“**Management**”), although we may draw upon their views or make such comments in respect thereof (to the extent deemed necessary or appropriate by us) in arriving at our opinion as set out in this IFA Letter. We do not, by this IFA Letter, warrant the merits of the Proposed Subscription, other than to express an opinion for the purposes as stated above.

The scope of our appointment does not require us to conduct a comprehensive independent review of the business, operations or financial condition of the Group or to express, and we do not express, a view on the future growth prospects, value and earnings potential of the Group. We have not obtained from the Company any projection of the future performance including financial performance of the Group, and further, we did not conduct discussions with the Management on, and did not have access to, any business plan and financial projections of the Group. We also do not express an opinion herein as to the future value, financial performance or condition of the Company or the Group after completion of the Proposed Subscription.

In the course of our evaluation, we have held discussion with the Board, the Management and/or their professional advisers and have examined and relied to a considerable extent on publicly available information collated by us as well as information and representations, whether written or verbal, provided to us by the Board, the Management and/or their professional advisers, including information in the Circular. Whilst care has been exercised in reviewing the information or representations we have relied upon, we have not independently verified such information or representations and accordingly cannot and do not warrant or accept responsibility for the accuracy, completeness or adequacy of these information or representations. We have, however made reasonable enquiries and exercised our judgement (as we deemed necessary) in assessing the information and representations provided to us, and have found no reason to doubt the accuracy of such information or representations which we have relied on.

We have been furnished with the valuation report dated 14 February 2018 (the “**Valuation Report**”) and prepared by AVA Associates Limited, the independent valuer appointed by the Company to assess the market value of the properties located at 15 Tuas South Street 13, Singapore 636936 and 12 Penjuru Lane, Jurong Town Industrial Estate, Singapore 609192 as at 31 December 2017. With respect to such a valuation report, we are not experts and do not hold ourselves to be experts and have relied upon the Valuation Report. The Valuation Summary Letter including the valuation certificates is set out in Appendix 1B of the Circular.

We have also relied upon the responsibility statement of the Board of Directors (including those who may have delegated detail supervision of the Circular) that they collectively and individually accept full responsibility for the accuracy of the information given in the Circular and that having made all reasonable enquiries and to the best of their knowledge and belief, to ensure that the facts stated and opinions expressed in the Circular are fair and accurate and that no material facts have been omitted which would make any statement in the Circular misleading.

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Our opinion, as set out in this letter, is based upon market, economic, industry, monetary and other conditions prevailing as at the Latest Practicable Date and may change significantly over a relatively short period of time. We assume no responsibility to update, revise or reaffirm our opinion, factors or assumptions in light of any subsequent development after the Latest Practicable Date that may affect our opinion or factors or assumptions contained herein.

In rendering our services, we have not had regard to the specific investment objectives, financial situation, tax position, tax status, risk profiles or particular needs and constraints or circumstances of any individual Shareholder. As each Shareholder would have different investment objectives and profiles, we would advise that any individual Shareholder who may require specific advice in the context of his specific investment objectives or portfolio should consult his stockbroker, bank manager, solicitor, accountant, tax adviser or other professional adviser immediately.

The Company has been separately advised by its own advisers in the preparation of the Circular other than this IFA Letter. We have had no role or involvement and have not provided any advice, financial or otherwise, whatsoever in the preparation, review and verification of the Circular other than this IFA Letter. Accordingly, we take no responsibility for and express no views, express or implied, on the contents of the Circular other than this IFA Letter.

We have prepared this IFA Letter for the use of the Directors in connection with their consideration of the Proposed Whitewash Resolution and their advice to the Independent Shareholders arising thereof. Our opinion in relation to the Proposed Whitewash Resolution, as set out in Section 8 of this IFA Letter, should be considered in the context of the entirety of this IFA Letter and the Circular.

3. INFORMATION ON THE SUBSCRIBER AND THE FUND MANAGER

The Subscriber is an exempted company incorporated on 20 July 2017 with limited liability in the Cayman Islands, and is structured as an open-ended fund. Its registered office is at 190 Elgin Avenue, George Town, Grand Cayman KY1-9007, Cayman Islands. The Subscriber is a regulated mutual fund registered with the Cayman Islands Monetary Authority. The Subscriber's investors are accredited investors mainly based in Asia. The Subscriber's directors are Mr. Sun Quan and Mr. Yap Wee Phin.

The principal objective of the Subscriber is to seek superior medium to long-term capital appreciation in the value of its assets. The Subscriber will primarily invest in listed equities of companies whose principal assets or businesses are located in Asia and the United States. The Subscriber may also seek investment opportunities in other markets, such as emerging markets or in Europe. In addition, for the purpose of diversifying its portfolio, the Subscriber may, at its absolute discretion, have exposure in other asset classes, such as alternative investments, listed real estate investment trusts, collective investment schemes, bonds, convertible bonds, exchange traded funds, futures, options, warrants and other derivative instruments, and may hold debt securities for cash management and defensive purposes.

The Subscriber is managed by China Capital Impetus Asset Management Pte. Ltd. (the "**Fund Manager**"), a private company limited by shares incorporated under the laws of the Republic of Singapore on 27 March 2011. The principal businesses of the Fund Manager include management of hedge funds, private equity funds, fund of funds and other collective investment schemes. The Fund Manager is registered with the MAS as a registered fund management company with effect from 26 July 2013, and is regulated by the MAS in the conduct of its fund management business in Singapore.

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The Fund Manager is wholly-owned by Capital Impetus Group Limited, an investment holding company incorporated in the Cayman Islands, which is in turn owned 90% by Dejoera Investment Limited and 10% by Mr. Peh Siew Wee. Dejoera Investment Limited is wholly-owned by Mr. Sun Quan. The directors of the Fund Manager are Messrs Sun Quan, Peh Siew Wee and Quah Soon Tong. Please refer to Section 3 of the Circular for more information on the Subscriber and the Fund Manager.

4. KEY TERMS OF THE PROPOSED SUBSCRIPTION

The detailed terms of the Proposed Subscription are set out in Section 5 of the Circular. Shareholders are advised to read the terms and conditions of the Proposed Subscription carefully. A summary of the key terms is set out below for your reference:

4.1 The Proposed Subscription

Pursuant to the Subscription Agreement, the Company shall allot and issue (at the Issue Price):

- (a) to the Subscriber:
 - (i) on the Tranche 1 Completion Date, 28,750,000 Tranche 1 Subscription Shares, in consideration for the subscription amount of S\$23,000,000 (the "**Tranche 1 Subscription Amount**");
 - (ii) on the Tranche 2 Completion Date, up to 9,375,000 Tranche 2 Subscription Shares in the event the Tranche 2 Subscription Request is issued by the Subscriber to the Company, in consideration for the subscription amount of up to S\$7,500,000 (the "**Tranche 2 Subscription Amount**"); and
 - (iii) on the Option Shares Issue Date(s), an aggregate of up to 24,375,000 Option Shares in the event any Option Subscription Request is issued by the Subscriber to the Company during the Option Exercise Period, in consideration for the subscription amount of up to S\$19,500,000 (the "**Option Shares Subscription Amount**"); and
- (b) to the Introducer the Introducer Shares.

4.2 Tranche 1 Subscription Shares

The key terms and conditions of the allotment and issuance of the Tranche 1 Subscription Shares pursuant to the Subscription Agreement are set out below:

Tranche 1 Subscription Amount : S\$23,000,000
Number of Tranche 1 Subscription Shares : 28,750,000 Tranche 1 Subscription Shares

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Issue Price : S\$0.80 per Tranche 1 Subscription Share.

The Issue Price of S\$0.80 represents a premium of approximately 35.59% to S\$0.59, being the volume weighted average price of the Shares based on the trades done on the SGX-ST on 4 August 2017 (which is the preceding full market day prior to the date of the Subscription Agreement).

Tranche 1 Completion Date : Subject to the terms and conditions of the Subscription Agreement, the Tranche 1 Subscription Shares shall be issued within fourteen (14) business days from the date on which the last Condition Precedent is satisfied, fulfilled or waived (as the case may be), or on such other date as the Parties may agree in writing.

4.3 Tranche 2 Subscription Shares

The key terms and conditions of the allotment and issuance of the Tranche 2 Subscription Shares pursuant to the Subscription Agreement are set out below:

Maximum Tranche 2 Subscription Amount : Up to S\$7,500,000

Number of Tranche 2 Subscription Shares : Up to 9,375,000 Tranche 2 Subscription Shares

Issue Price : S\$0.80 per Tranche 2 Subscription Share.

The Issue Price of S\$0.80 represents a premium of approximately 35.59% to S\$0.59, being the volume weighted average price of the Shares based on the trades done on the SGX-ST on 4 August 2017 (which is the preceding full market day prior to the date of the Subscription Agreement).

Tranche 2 Subscription Request : Subject to Tranche 1 Completion and the terms of the Subscription Agreement, the Subscriber may require the Company to allot and issue such number of Tranche 2 Subscription Shares at the Issue Price by issuing to the Company a duly completed subscription request (the "**Tranche 2 Subscription Request**") at any time during the Tranche 2 Exercise Period.

The Company shall only be obliged to allot and issue Tranche 2 Subscription Shares pursuant to the first duly completed Tranche 2 Subscription Request received by the Company. The Company shall not be obliged to issue any further Tranche 2 Subscription Shares thereafter.

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For the avoidance of doubt:

- (a) the Subscriber shall not be entitled to subscribe for the Tranche 2 Subscription Shares and Option Shares unless Tranche 1 Completion occurs; and
- (b) in the event the Tranche 2 Subscription Request is issued by the Subscriber on or prior to Tranche 1 Completion, the Company may allot and issue the Tranche 2 Subscription Shares concurrently with the Tranche 1 Subscription Shares.

Tranche 2 Exercise Period : The period commencing from the date the Conditions Precedent are fulfilled (or waived) until such date falling six months after the Tranche 1 Completion Date.

Upon expiry of the Tranche 2 Exercise Period, the Subscriber shall not be entitled to issue any Tranche 2 Subscription Request and the Company shall not be obliged to allot and issue any Tranche 2 Subscription Shares, PROVIDED that if any Tranche 2 Subscription Request is received by the Company before the expiry of the Tranche 2 Exercise Period, the Company shall be obliged to allot and issue the Tranche 2 Subscription Shares pursuant to that Tranche 2 Subscription Request.

Tranche 2 Completion Date : The Tranche 2 Subscription Shares shall be allotted and issued by the Company in accordance with the Subscription Agreement on:

- (a) such date no later than seven (7) business days after the Company's receipt of the duly completed Tranche 2 Subscription Request; or
- (b) such other date as may be mutually agreed in writing between the Company and Subscriber,

PROVIDED that the Tranche 2 Completion Date shall be no earlier than the Tranche 1 Completion Date.

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4.4 Option Shares

The key terms and conditions of the allotment and issuance of the Option Shares pursuant to the Subscription Agreement are set out below:

Maximum Option Shares : Up to S\$19,500,000, which shall be in tranches of
Subscription Amount : S\$500,000.

Number of Option Shares : Up to 24,375,000 Option Shares

Issue Price : S\$0.80 per Option Share.

The Issue Price of S\$0.80 represents a premium of approximately 35.59% to S\$0.59, being the volume weighted average price of the Shares based on the trades done on the SGX-ST on 4 August 2017 (which is the preceding full market day prior to the date of the Subscription Agreement).

Option Subscription Request : Subject to completion of the Tranche 1 Subscription and the terms and conditions of the Subscription Agreement, the Subscriber may require the Company to allot and issue such number of Option Shares at the Issue Price by issuing to the Company a duly completed subscription request (the "**Option Subscription Request**") at any time and from time to time during the Option Exercise Period.

The Subscriber shall be entitled (in its sole discretion) to issue an Option Subscription Request for Option Shares notwithstanding the closing of the allotment and issue of the Option Shares to the Subscriber in respect of the immediately preceding Option Subscription Request has yet to take place.

Option Exercise Period : A thirty-six (36) month period commencing from the Tranche 1 Completion Date.

Unless agreed in writing between the Company and the Subscriber, the option to subscribe to the Option Shares shall *ipso facto* lapse on the expiry of the Option Exercise Period, PROVIDED that if any Option Subscription Request is received by the Company before the expiry of the Option Exercise Period, the Company shall be obliged to allot and issue the Option Shares pursuant to that Option Subscription Request.

In the event the Company and the Subscriber agree to extend the Option Exercise Period following Tranche 1 Completion, the Company will seek Shareholders' approval for such extension as an interested person transaction between the Company and its controlling shareholder (being the Subscriber).

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- Option Shares Issue Date : In respect of each tranche of Option Shares, no later than seven (7) business days after the Company's receipt of the respective duly completed Option Subscription Request(s); or such other date as may be mutually agreed in writing between the Company and Subscriber.
- Assignability : The Subscriber shall be permitted to assign, transfer or otherwise deal with all or any of its rights with respect to the Option (including but not limited to assigning the Option to one or more third parties), without the prior consent of the Company.
- Adjustments : Pursuant to the Subscription Agreement, the issue price and/or number of Option Shares to be issued is subject to adjustments in the event the Company undertakes the following:
- (a) capitalisation of profits or reserves;
 - (b) capital distribution;
 - (c) rights issue;
 - (d) an issue (other than pursuant to a rights issue in (c) above, and other than an issue of Shares to Shareholders who elect to receive Shares in lieu of cash or other dividend) by the Company of Shares if the total effective consideration (as defined below) for each Share is less than 90% of the last dealt price for each Share; or
 - (e) consolidation, subdivision or conversion of Shares.
- Notwithstanding the above, no adjustment to the issue price and/or number of Option Shares to be issued will be required in respect of:
- (i) any approved employment share schemes;
 - (ii) issuance of shares in consideration for or in connection with the acquisition of any other securities, assets or business;
 - (iii) exercise of any convertible securities previously issued by the Company (including the Bonus Warrants);
 - (iv) any share purchase scheme approved by the Shareholders; and
 - (v) the allotment and issue of new Shares pursuant to the Proposed Subscription (including allotment and issue of the Introducer Shares).

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Where there are any adjustments to the issue price and/or the number of Option Shares, corresponding adjustments shall be made to the issue price and/or number of Option Introducer Shares such that: (a) the issue price of the Option Introducer Shares is identical to the adjusted issue price of the Option Shares; and (b) the number of Option Introducer Shares shall be adjusted such that it is equivalent to 3.0% of the adjusted number of Option Shares.

4.5 The Introducer Shares

Pursuant to an agreement dated 19 July 2017 between the Company and Wellmont Strategic Pte. Ltd. (the "**Introducer**") (the "**Introductory Agreement**"), the Introducer shall be entitled to an introducer fee, on a success basis, of 3% of the Subscriber's aggregate subscription amount pursuant to the Proposed Subscription (which is up to the Maximum Subscription Amount), amounting to up to S\$1,500,000, which shall be satisfied by way of allotment and issue of approximately 1,875,000 Introducer Shares to the Introducer at the Issue Price. Please refer to Section 5.5 of the Circular for more information on the Introducer Shares.

MSCF will not be commenting on the issuance of the Introducer Shares, as it does not form part of the Proposed Whitewash Resolution and it is outside the scope of our Terms of Reference.

4.6 Basis of Subscription

The Company and the Subscriber agree and acknowledge that the Proposed Subscription has been agreed on, *inter alia*, the following bases:

- (a) the Subscriber and Introducer shall not be entitled to participate in the Proposed Bonus Warrants Issue;
- (b) the issued and paid-up share capital of the Company immediately before Tranche 1 Completion comprises 28,119,659 Shares (including 1,000,000 Shares held as treasury shares) on a fully diluted basis, disregarding any Warrant Shares that are issued;
- (c) the Company shall continue to operate as a going concern as at Tranche 1 Completion Date;
- (d) the aggregate diminution of the net tangible assets ("**NTA**") of the Company as at Tranche 1 Completion, if any, from the NTA of the Company based on the unaudited consolidated financial statements of the Group for the six-month period ended 30 June 2017 (the "**FP2017 Management Accounts**") shall not be more than 5% ("**Minimum NTA Requirement**");
- (e) save for applicable transactional costs and the corporate guarantee obligations of the Company in respect of the loan obligations of its subsidiaries ("**AEI Guarantee Obligations**"), the existing liabilities of the Company as at Tranche 1 Completion shall not exceed S\$600,000 ("**Maximum Liability Threshold**"); and
- (f) no amounts in respect of any part of the AEI Guarantee Obligations shall be paid or payable by the Company ("**No Claim Requirement**").

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4.7 Status of the Subscription Shares, Option Shares and Introducer Shares

The Tranche 1 Subscription Shares, Tranche 2 Subscription Shares, Option Shares and Introducer Shares shall be issued by the Company to the Subscriber and the Introducer (as the case may be) free from all claims, charges, liens and other encumbrances whatsoever with all legal and beneficial rights, benefits and entitlements and the Tranche 1 Subscription Shares, Tranche 2 Subscription Shares, Option Shares and Introducer Shares shall be freely transferable and rank *pari passu* in all respects with and carry all rights similar to the then existing Shares, except that they will not rank for any dividend, right, allotment or other distributions, the record date for which falls on or before the Tranche 1 Completion Date, Tranche 2 Completion Date or Option Shares Issue Date (as relevant).

4.8 Conditions Precedent to the Proposed Subscription

The Proposed Subscription is subject to, *inter alia*, the following conditions precedent:

- (a) the approval in-principle from the SGX-ST for the listing of and quotation for the Subscription Shares, the Option Shares and the Introducer Shares on the Mainboard of the SGX-ST;
- (b) SIC approval for the Whitewash Waiver; and
- (c) Independent Shareholders' approval for, *inter alia*, the Proposed Subscription, the Proposed Whitewash Resolution, the transfer of controlling interest in the Company, and the Proposed Diversification.

The detailed conditions precedent of the Subscription Agreement are set out in Section 5.6.4 of the Circular.

5. THE PROPOSED WHITEWASH RESOLUTION

5.1. Rule 14 of the Code

Under Rule 14 of the Code and Section 139 of the SFA, where (a) any person acquires, whether by a series of transactions over a period of time or not, shares which (taken together with shares held or acquired by persons acting in concert with him) carry 30% or more of the voting rights of a company; or (b) any person who, together with persons acting in concert with him, holds not less than 30% but not more than 50% of the voting rights and such person, or any person acting in concert with him, acquires in any period of six (6) months additional shares carrying more than 1% of the voting rights, such person must extend offers immediately to the holders of any class of share capital of the company which carries votes and in which such person, or persons acting in concert with him, hold shares.

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5.2 Dilution Effect

The dilution effects following the completion of each stage of the Proposed Subscription, taking into consideration of the Proposed Bonus Warrants Issue on a fully-diluted basis is set out below:

(a) Post-Tranche 1 Subscription

Based on the issued and paid-up share capital of the Company comprising 27,119,659 Shares (excluding 1,000,000 treasury Shares), the allotment and issuance of 28,750,000 Tranche 1 Subscription Shares represents in aggregate approximately 106.01% of the total issued and paid-up shares in the Company based on the Existing Share Capital and approximately 50.68% of the total issued and paid-up shares in the enlarged share capital of the Company of 56,732,159 Shares (following issuance of 28,750,000 Tranche 1 Subscription Shares and 862,500 Tranche 1 Introducer Shares (the "**Post-Tranche 1 Share Capital**").

Assuming all the Bonus Warrants are exercised resulting in the issuance of 27,119,659 Warrant Shares, the allotment and issuance of 28,750,000 Tranche 1 Subscription Shares represents approximately 34.29% of the enlarged share capital of the Company of 83,851,818 Shares (following issuance of 28,750,000 Tranche 1 Subscription Shares, 862,500 Tranche 1 Introducer Shares and maximum 27,119,659 Warrant Shares).

(b) Post-Tranche 1 and Tranche 2 Subscription

The allotment and issuance of 28,750,000 Tranche 1 Subscription Shares and maximum 9,375,000 Tranche 2 Subscription Shares to the Subscriber represents in aggregate approximately 140.58% of the total issued and paid-up shares in the Company (excluding 1,000,000 treasury Shares) based on the Existing Share Capital, and approximately 57.43% of the total issued and paid-up shares in the enlarged share capital of the Company of 66,388,409 Shares (following issuance of 28,750,000 Tranche 1 Subscription Shares, maximum 9,375,000 Tranche 2 Subscription Shares, 862,500 Tranche 1 Introducer Shares and maximum 281,250 Tranche 2 Introducer Shares).

Assuming all the Bonus Warrants are exercised resulting in the issuance of 27,119,659 Warrant Shares, the allotment and issuance of 28,750,000 Tranche 1 Subscription Shares and maximum 9,375,000 Tranche 2 Subscription Shares represents approximately 40.77% of the enlarged share capital of the Company of 93,508,068 Shares (following issuance of 28,750,000 Tranche 1 Subscription Shares, maximum 9,375,000 Tranche 2 Subscription Shares, 862,500 Tranche 1 Introducer Shares, maximum 281,250 Tranche 2 Introducer Shares and maximum 27,119,659 Warrant Shares).

(c) Post-Tranche 1, Tranche 2 and Option Shares Subscription

The allotment and issuance of 28,750,000 Tranche 1 Subscription Shares, maximum 9,375,000 Tranche 2 Subscription Shares and maximum 24,375,000 Option Shares to the Subscriber represents in aggregate approximately 230.46% of the total issued and paid-up shares in the Company (excluding 1,000,000 treasury Shares) based on the Existing Share Capital, and approximately 68.31% of the total issued and paid-up shares in the enlarged share capital of the Company of 91,494,659 Shares (following issuance of 28,750,000 Tranche 1 Subscription Shares, maximum 9,375,000 Tranche 2 Subscription Shares, maximum 24,375,000 Option Shares and maximum 1,875,000 Introducer Shares).

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Assuming all the Bonus Warrants are exercised resulting in the issuance of 27,119,659 Warrant Shares, the allotment and issuance of 28,750,000 Tranche 1 Subscription Shares, maximum 9,375,000 Tranche 2 Subscription Shares and maximum 24,375,000 Option Shares represents approximately 52.69% of the enlarged share capital of the Company of 118,614,318 Shares (following issuance of 28,750,000 Tranche 1 Subscription Shares, maximum 9,375,000 Tranche 2 Subscription Shares, maximum 24,375,000 Option Shares, maximum 1,875,000 Introducer Shares and maximum 27,119,659 Warrant Shares).

5.3 Conditional waiver by the SIC

The SIC had, on 23 October 2017, granted the Company a waiver of the obligation of the Subscriber to make a mandatory offer of the Shares under Rule 14 of the Code following the allotment and issue of the Tranche 1 Subscription Shares, Tranche 2 Subscription Shares and Option Shares.

The waiver of the requirement of the Subscriber to make a general offer for the Company under Rule 14 of the Code in the event that the Subscriber's aggregate holdings in the Company increase to 30% or more of the total voting rights in the Company following the subscription of the Tranche 1 Subscription Shares, Tranche 2 Subscription Shares and Option Shares, is subject to the following:

- (a) a majority of holders of voting rights of the Company present and voting at a general meeting, held before the Proposed Subscription, approve by way of a poll, the Proposed Whitewash Resolution to waive their rights to receive a general offer from the Subscriber and the Subscriber's concert parties;
- (b) the Proposed Whitewash Resolution is separate from other resolutions;
- (c) the Subscriber, parties acting in concert with it and parties not independent of them, abstain from voting on the Proposed Whitewash Resolution;
- (d) the Subscriber and its concert parties did not acquire or are not to acquire any shares in the Company or instruments convertible into and options in respect of Shares (other than subscription for, rights to subscribe for, instruments convertible into or options in respect of new Shares which have been disclosed in the Circular):
 - (i) during the period between the date of the announcement of the Proposed Subscription and the date the Shareholders' approval is obtained for the Proposed Whitewash Resolution; and
 - (ii) in the 6 months prior to the date of the first announcement of the Proposed Subscription, but subsequent to negotiations, discussions or the reaching of understandings or agreements with the directors of the Company in relation to the Proposed Subscription;
- (e) the Company appoints an independent financial adviser to advise the independent Shareholders on the Proposed Whitewash Resolution;
- (f) the Company sets out clearly in its Circular to the Shareholders:
 - (i) details of the allotment and issue of (A) the Tranche 1 Subscription Shares, (B) the Tranche 2 Subscription Shares, and (C) the Option Shares, pursuant to the Proposed Subscription;

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- (ii) the dilution effect to the existing holders of voting rights in the Company as a result of the issue of (A) the Tranche 1 Subscription Shares, (B) the Tranche 2 Subscription Shares, and (C) the Option Shares to the Subscriber;
- (iii) the number and percentage of voting rights in the Company as well as the number of instruments convertible into, rights to subscribe for and options in respect of Shares held by the Subscriber and its concert parties as at the Latest Practicable Date;
- (iv) the number and percentage of voting rights to be issued to the Subscriber as a result of the allotment and issue of (A) the Tranche 1 Subscription Shares, (B) the Tranche 2 Subscription Shares, and (C) the Option Shares;
- (v) a specific and prominent statement that the allotment and issue of (A) the Tranche 1 Subscription Shares, (B) the Tranche 2 Subscription Shares, and (C) the Option Shares, could result in the Subscriber and its concert parties holding shares carrying over 49% of the voting rights of the Company based on its enlarged issued share capital, and the fact that the Subscriber and its concert parties would as a result be free to acquire further shares in the Company without incurring any obligation under Rule 14 to make a general offer;
- (vi) a specific and prominent statement that Shareholders, by voting for the Proposed Whitewash Resolution, are waiving their rights to a general offer from the Subscriber at the highest price paid by the Subscriber and its concert parties for Shares in the past 6 months preceding the commencement of the offer;
- (vii) a specific and prominent reference to the fact that Shareholders, by voting for the Proposed Whitewash Resolution, could be foregoing the opportunity to receive a general offer from another person who may be discouraged from making a general offer in view of the potential dilution effect of the Tranche 2 Subscription Shares and the Option Shares;
- (g) the Circular stating that the waiver granted by the SIC to the Subscriber and its concert parties from the requirement to make a general offer under Rule 14 of the Code is subject to the conditions stated in paragraphs (a) to (f) above;
- (h) the Company obtains the SIC's approval in advance for those parts of the Circular that refer to the Proposed Whitewash Resolution;
- (i) to rely on the Proposed Whitewash Resolution, the acquisition by the Subscriber of the Tranche 1 Subscription Shares must be completed within three (3) months of the date of approval of the Proposed Whitewash Resolution, and the acquisition by the Subscriber of the Tranche 2 Subscription Shares and the Option Shares must be completed within 5 years of the completion of the Subscriber's acquisition of the Tranche 1 Subscription Shares; and
- (j) the Subscriber will comply or procure the relevant person(s) to comply with the disclosure requirements set out in Note 2 on Section 2 of Appendix 1 of the Code.

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6. EVALUATION OF THE PROPOSED WHITEWASH RESOLUTION

In our assessment of Proposed Whitewash Resolution, we have taken into account the following factors which we consider to be pertinent and to have a significant bearing on our assessment of the Proposed Whitewash Resolution:

- 6.1 Rationale for the Proposed Subscription and use of proceeds;
- 6.2 The Proposed Diversification;
- 6.3 Historical financial performance and position of the Group;
- 6.4 Historical market price and trading activity of the Shares;
- 6.5 Asset-based valuation of the Group;
- 6.6 Valuation statistics of selected companies broadly comparable to the Group;
- 6.7 Comparable transactions analysis;
- 6.8 Financial effects of the Proposed Subscription; and
- 6.9 Other relevant considerations.

6.1 Rationale for the Proposed Subscription and use of proceeds

The full text of the rationale for the Proposed Subscription and use of proceeds has been extracted from Sections 5.8 and 5.9 of the Circular and is set out in italics below:

“5.8 Rationale for the Proposed Subscription

The main business of the Group, which is its Electronics and Precision Engineering segment, has been adversely affected by the general poor sentiment in the global economy, more specifically the hard disk drive (HDD) sector which forms the core business of the Group. The Group has faced weaker customer orders as well as intensifying competition, which resulted in escalating price pressure and lower profitability. In view of the changing demands by customers of the Group's core business, the Company believes that it is important to review other business opportunities and strategies to enhance shareholders' value. The Company believes that it is essential to explore diversification opportunities to generate additional revenue streams and reduce reliance on its existing business. Accordingly, the Proposed Subscription is intended to raise funds for purposes of the Proposed Diversification.

5.9 Use of Proceeds

It is contemplated between the Company and the Subscriber that the proceeds of the Proposed Subscription shall be used to fund future investment opportunities or acquisitions of other businesses, in particular those arising from the Proposed Diversification, and for the working capital of the Company.

*Assuming the Subscriber subscribes for 28,750,000 Tranche 1 Subscription Shares, the maximum 9,375,000 Tranche 2 Subscription Shares and the maximum 24,375,000 Option Shares, the Company expects to receive estimated gross proceeds of approximately S\$50,000,000 from the Proposed Subscription (“**Gross Proceeds**”).*

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The Board intends to apply such Gross Proceeds for the following purposes:

<i>Proposed use of Gross Proceeds</i>	<i>% of Gross Proceeds from the issue of the Tranche 1 Subscription Shares, maximum Tranche 2 Subscription Shares and maximum Option Shares</i>
<i>(a) Proposed acquisitions to be undertaken by the Company</i>	<i>80</i>
<i>(b) Working capital and general corporate purposes</i>	<i>20</i>

Shareholders should note that the proposed distribution set out above only serves as a general guideline. In the event that the Gross Proceeds initially allocated for the purposes set out in (a) above are not fully applied towards such uses for any reasons, the Company shall use the remaining proceeds for working capital of the Company and its subsidiaries and/or for such other purposes as the Company in its discretion may deem fit.

Pending the deployment of the proceeds from the Proposed Subscription, such proceeds may be placed as deposits with banks and/or financial institutions, invested in short term money markets or debt instruments or for any other purpose on a short term basis as the Directors may, in their absolute discretion, deem fit from time to time.

Pursuant to Rule 704(30) of the Listing Manual, the Company will make periodic announcements as and when the proceeds from the Proposed Subscription are materially disbursed and whether the use is in accordance with the stated use and the percentage allocated in this Section. The Company will also provide a status report on the use of such Gross Proceeds in its annual report."

6.2 The Proposed Diversification

As mentioned in Section 3.1 of the Circular, the Subscriber's investment objective (in the context of its investment in the Company) is to invest directly in infrastructure-related assets or businesses, or indirectly through companies with infrastructure-related assets or infrastructure-related portfolios or through underlying funds targeting investments in such asset classes. On Tranche 1 Completion and subject to the resolution for the Proposed Diversification being approved by the Independent Shareholders, the Subscriber intends to diversify and expand the Group's Existing Core Business to the Infrastructure Business with the Gross Proceeds raised from the Proposed Subscription, as and when appropriate opportunities arise.

We understand that the Infrastructure Business includes, *inter alia*:

- (a) development and operation of infrastructure assets in the transportation sector, such as airports, rail, roads and ports;
- (b) development and operation of infrastructure assets in the utilities sector, such as power generation, electricity, gas and water;
- (c) management of infrastructure assets, including maintenance of the property, lease of available retail stores and upgrading of the property; and

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- (d) investing in, acquiring, disposing of global infrastructure assets, shares or interests in entities which are in the business of infrastructure assets development, which are for the purpose or ancillary to the Infrastructure Business.

The rationale for the Proposed Diversification and information on the investment in Infrastructure Business have been extracted from Sections 10.4 and 10.5 of the Circular and is set out in italics below.

“10.4 Rationale for the Proposed Diversification

The Proposed Diversification is part of the corporate strategy of the Group to provide Shareholders with diversified revenue streams and long term growth. The Company believes that the Proposed Diversification will reduce the Group’s reliance on its Existing Core Business, offer new business opportunities, provide the Group with new revenue streams and improve its prospects, so as to enhance Shareholders’ value for the Company.

The Company believes that the Proposed Diversification into the Infrastructure Business can add value to the Company and benefit Shareholders in the long run. Due to the necessity for essential services and long-term contracts or concessions in respect of infrastructure assets, infrastructure assets have the potential to provide sustainable cash flow. The Company further believes the revenue derived from the Infrastructure Business which represents new revenue streams for the Company is anticipated to improve the financial condition of the Group and, as such, the Company is of the view that the Proposed Diversification into the Infrastructure Business, subject to the terms to be agreed in due course, offers a prospective investment platform to the Company.

10.5 Investment in Infrastructure Business(es)

The Board understands from the Subscriber that on Tranche 1 Completion and subject to the resolution for the Proposed Diversification being approved by Shareholders, the new board of directors and management of the Company will actively look for potential investment opportunities by way of acquisition or otherwise in the Infrastructure Business.

As and when the opportunities arise, upon satisfaction of the relevant due diligence investigation, the Company will enter into definitive documentation in order to implement its investment in the Infrastructure Business subsequent to Tranche 1 Completion. The Subscriber is in the midst of sourcing potential infrastructure assets that may be suitable for acquisition by the Company. As at the Latest Practicable Date, the Subscriber has informed the Company that it has identified a controlling stake in an operational and profitable airport which is available for sale. For the avoidance of doubt, the Subscriber has not committed to any concrete investment plans and as such, the proposed acquisition of the said airport may not necessarily materialise. In addition, the Subscriber will not rule out the possibilities to bring in other strategic partners/investors to participate in the future projects to be identified in relation to the Infrastructure Business that the Group intends to engage in.”

Please refer to Section 10 of the Circular for more information on the Proposed Diversification.

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6.3 Historical financial performance and position of the Group

We set out below the financial performance and position of the Group for FY2015, FY2016 and FY2017 based on the audited financial statements of the Group for FY2015 and FY2016 and the unaudited financial statements of the Group for FY2017.

	Audited FY2015 S\$'000	Audited FY2016 S\$'000	Unaudited FY2017 S\$'000
Statement of Comprehensive Income			
Continuing operations			
Revenue	19,199	12,188	8,187
Cost of sales	(19,152)	(11,977)	(9,176)
Gross Profit/(Loss)	47	211	(989)
Other operating income	5,111	3,455	1,383
Selling and distribution costs	(631)	(624)	(626)
General and administrative expenses	(3,716)	(3,896)	(5,755)
Other operating expenses	-	(1,612)	(4,362)
Profit/(Loss) from operating activities	811	(2,466)	(10,349)
Finance cost	(15)	-	(120)
Share of results of associate	(161)	(143)	(155)
Finance income	118	74	118
Profit/(Loss) before tax from continuing operations	753	(2,535)	(10,506)
Income tax benefit	278	132	967
Profit/(Loss) from continuing operations, net of tax	1,031	(2,403)	(9,539)
Discontinued operation			
Loss from discontinued operation, net of tax	(147)	(1,841)	-
Profit/(Loss) for the year	884	(4,244)	(9,539)

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Statement of Financial Position	Audited As at 31 December 2015 S\$'000	Audited As at 31 December 2016 S\$'000	Unaudited As at 31 December 2017 S\$'000
Current assets	36,200	33,391	24,306
Assets of disposed group classified as held for sale	1,675	-	-
Non-current assets	20,283	24,297	17,356
Total assets	58,158	57,688	41,662
Current liabilities	2,732	4,703	3,369
Liabilities directly associated with the disposal group classified as held for sale	998	-	-
Non-current liabilities	4,842	6,796	2,939
Total liabilities	8,572	11,499	6,308
Net current assets	34,145	28,688	20,937
Net assets	49,586	46,189	35,354

Statement of Cash Flows	Audited FY2015 S\$'000	Audited FY2016 S\$'000	Unaudited FY2017 S\$'000
Net cash from/(used in) operating activities	2,506	3,988	(3,512)
Net cash used in investing activities	(3,298)	(4,042)	(341)
Net cash from/(used in) financing activities	2,017	2,170	(3,184)
Cash and cash equivalents at end of year	23,904	26,017	18,980

Source: Annual reports for FY2015, FY2016 and unaudited financial statements for FY2017 of the Company.

We note the following:

- (a) The Group recorded a decrease in revenue from FY2015 to FY2017, where revenue decreased from S\$19.2 million for FY2015 to S\$12.2 million for FY2016 and to S\$8.2 million for FY2017. This represented a decrease of 36.5% from FY2015 to FY2016 and 32.8% from FY2016 to FY2017. The decrease was mainly due to the continued challenging and lackluster worldwide demand for hard disk drives ("HDD") and intensified pricing competition from overseas suppliers.
- (b) The Group recorded a gross profit of S\$0.2 million in FY2016 as compared to a gross profit of S\$0.1 million in FY2015 despite the lower sales recorded in FY2016 due to lower inventory cost as well as lower depreciation expenses after disposal of older extrusion machines.

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The Group recorded a gross loss of S\$1.0 million in FY2017 as compared to a gross profit of S\$0.2 million in FY2016 as a result of the reduction in revenue and fixed overheads including additional depreciation from the newly competed Tuas South factory.

- (c) The Group recorded a profit before tax of S\$0.8 million in FY2015 but recorded losses before tax of S\$2.5 million and S\$10.5 million in FY2016 and FY2017 respectively. We note that the profit before tax for FY2015 was due mainly to the write-back of accrual of S\$1.3 million for its China operation which was no longer needed. On a normalised basis, if we adjust this non-recurring write-back of accrual of S\$1.3 million, the Group would have made a loss before tax of S\$0.5 million for FY2015.

The increase in losses before tax for FY2017 was due mainly to the gross loss, decrease in other operating income and increase in administrative expenses and other operating expenses. Other operating income decreased by S\$2.1 million due to lower scrap available for sale as a result of lower production volume, and no exchange gain or sale of old extrusion machines being recognised in FY2017. Administrative expenses increased by S\$1.9 million due mainly to the exchange losses of S\$1.6 million. Other operating expenses increased by S\$2.8 million due to group restructuring expenses as well as fair value assessment loss of S\$5.6 million in relation to the Penjuru and Tuas South properties.

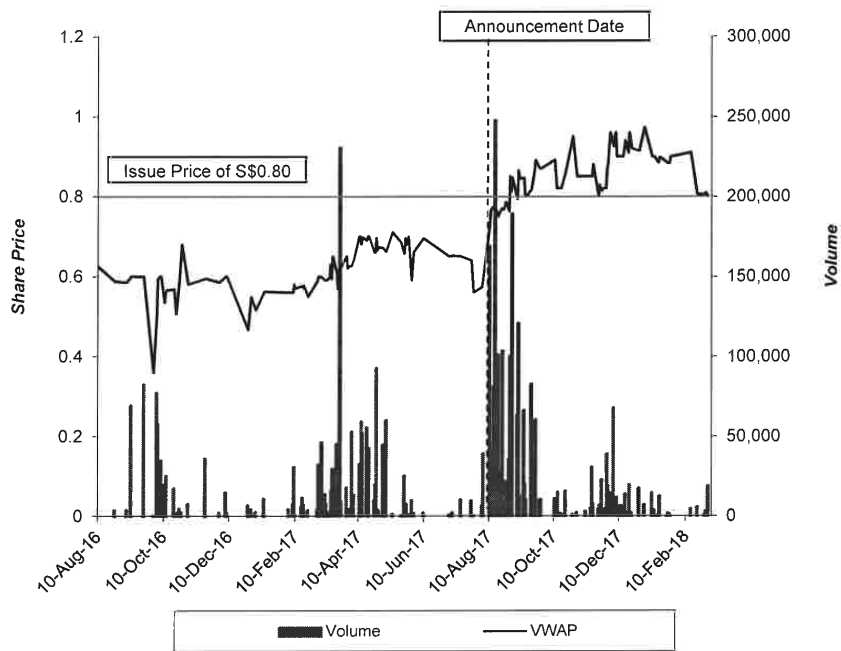
- (d) The Group's net asset position decreased from S\$49.6 million as at 31 December 2015 to S\$46.2 million as at 31 December 2016 and further decreased to S\$35.4 million as at 31 December 2017 due mainly to the losses incurred in FY2016 and FY2017.
- (e) In FY2017, the Group's net cash used in operating activities was S\$3.5 million. The negative operating cashflow was mainly due to operating loss, partially offset by lower inventory and trade receivable balances.

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6.4 Historical market price and trading activity of the Shares

We set out below the Company's share price and volume chart based on the daily volume weighted average price ("VWAP") of the Shares and daily volume traded for the 12-month period up to 8 August 2017, being the Announcement Date, and ending on the Latest Practicable Date.



Source: Bloomberg L.P.

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We have tabulated below selected statistical information on the share price performance and trading liquidity of the Shares from 10 August 2016, being 12-month period prior to the Announcement Date, up to the Latest Practicable Date:

Reference period	Average daily volume ⁽¹⁾	Daily trading volume as percentage of free float ⁽²⁾ (%)	Lowest transacted price (S\$)	Highest transacted price (S\$)	VWAP (S\$)	Premium/ (Discount) of Issue Price over/(to) VWAP (%)
<u>Prior to the Announcement Date</u>						
1 year before	6,976	0.04	0.360	0.715	0.624	28.15
6 months before	9,646	0.06	0.550	0.715	0.648	23.49
3 months before	1,917	0.01	0.560	0.715	0.626	27.79
1 month before	3,162	0.02	0.560	0.650	0.605	32.29
Last traded price on 4 August 2017	39,300	0.23	0.590	0.590	0.590	35.59
<u>After the Announcement Date and up to the Latest Practicable Date</u>						
Between the Announcement Date and up to the Latest Practicable Date	15,892	0.09	0.750	0.980	0.816	(1.92)
On the Latest Practicable Date	-	-	-	-	-	-

Source: Bloomberg L.P.

Notes

- (1) The average daily volume of the Shares is calculated based on the total volume of Shares traded during the period divided by the number of market days during that period.
- (2) Free float refers to the Shares other than those held by the Directors and the substantial shareholders of the Company, and amounts to 16,912,529 Shares, representing approximately 62.36% of the issued Shares as at the Latest Practicable Date.

Based on the above table, we note that:

- (i) the Issue Price represents a premium of approximately 28.15%, 23.49%, 27.79%, 32.29% over the VWAP of the Shares over the 1 year, 6-month period, 3-month period and 1-month period prior to the Announcement Date respectively;
- (ii) the Issue Price represents a premium of approximately 35.59% over the last traded price of the Shares of S\$0.59 on the last day prior to the Announcement Date;
- (iii) the Issue Price represents a discount of 1.92% to the VWAP of the Shares for the period from the Announcement Date to the Latest Practicable Date; and
- (iv) there were no trades being transacted on the Latest Practicable Date.

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Since 6 September 2017, the Shares have traded at or above the Issue Price and may have been supported by the Announcement. Shareholders should note that there is no assurance that the price of the Shares will remain at current levels if, *inter alia*, the Proposed Subscription and the Proposed Whitewash Resolution are not approved.

We observed the following with regard to the trading volume of the Shares:

- (i) trading liquidity of the Shares over all the reference periods prior to the Announcement Date has been low at an average daily trading volume of the Shares of between 1,917 and 39,300 representing between 0.01% and 0.23% of the free float of the Company and between 0.01% and 0.15% of the total number of Shares (excluding 1,000,000 Treasury Shares) of the Company;
- (ii) the average daily trading volume of the Shares was 15,892 for the period between the Announcement Date and up to the Latest Practicable Date, representing 0.09% of the free float of the Company; and
- (iii) there were no trades being transacted on the Latest Practicable Date.

Shareholders should note that the past trading performance of the Shares should not, in any way, be relied upon as an indication or assurance of its future trading performance.

6.5 Asset-based valuation of the Group

6.5.1 NAV analysis

Based on the Group's unaudited financial statements as at 31 December 2017, the net asset value ("NAV") attributable to Shareholders is approximately S\$35.4 million and its NAV per Share is S\$1.30. The Issue Price is at a discount of 38.7% to the NAV per Share, or a Price-to-NAV ("P/NAV") ratio of 0.61 times. The Group does not have any intangible assets.

6.5.2 RNAV analysis

In our evaluation of the Issue Price, we have also considered whether there are any assets which may be valued at an amount that is materially different from what was recorded in the unaudited balance sheet of the Group as at 31 December 2017. We understand that the Company has commissioned AVA Associates Limited (the "Valuer") to conduct an independent valuation of the properties as at 31 December 2017. For more details of the independent valuation conducted by the Valuer, please refer to the Valuation Summary Letter as set out in Appendix 1B of the Circular.

The Valuer defines market value as the estimated amount for which an asset should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. In arriving at the market value of the properties, the Valuer has adopted the Direct Comparison Approach. In this approach, sales and listings of similar properties in the vicinity and elsewhere are used as guides to value after relevant valuation adjustments are made for differences in location, land area, land shape, land tenure, floor area, condition of building, market conditions, age of property, improvements done, etc.

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Based on the Valuation Report, we set out below the adjustments to determine the revalued net asset value (the “RNAV”) of the Group:

	S\$'000
Unaudited NAV attributable to Shareholders as at 31 December 2017	35,354
Add: Revaluation surplus	11,778
Group's RNAV	<u>47,132</u>
RNAV per Share	S\$1.74
Discount of Issue Price to RNAV	54.0%
Issue Price/RNAV (times)	0.46

Source: Unaudited financial statements for FY2017 of the Company and extracts from valuation summary letter as set out in Appendix 1B of the Circular.

Based on the table above, we note the P/RNAV ratio of the Group as at 31 December 2017 was 0.46 times and the Issue Price represents a discount of 54.0% to the RNAV per Share.

We have not made any independent evaluation or appraisal of the properties and we have been furnished by the Company with the Valuation Report in respect of the market value of the properties. With respect to such valuation, we are not experts in the evaluation or appraisal of the properties and have relied on the Valuation Report for the market value of the properties.

The Directors have represented that they had reviewed the Valuation Report to understand the assumptions used by the Valuer and the information relied upon by the Valuer in arriving at the market value of the properties. The Directors have reviewed the information made available to them as a whole and are of the opinion that the assumptions used by the Valuer are reasonable and confirmed that the Valuer has been provided with information that to the best of their knowledge or belief is true, complete as per request and accurate in all respects and that there is no other information or fact, the omission of which would render the assumptions used by the Valuer to be untrue, inaccurate or incomplete in any respect or misleading.

The Management has confirmed to us that save as disclosed in this letter, to the best of their knowledge and belief, there are no other assets which may be valued at an amount that is materially different from what was recorded in the unaudited balance sheet of the Group as at 31 December 2017, which would result in a material impact on the NAV of the Group.

The Directors and Management have confirmed to us that as at the Latest Practicable Date, to the best of their knowledge and belief, save for what have been previously disclosed in the Circular, the annual reports and unaudited results announcements on the SGXNET:

- (a) there are no other off-balance sheet and contingent liabilities or material events which are likely to have a material impact on the NAV of the Group as at the Latest Practicable Date;
- (b) there are no litigation, claim or proceeding pending or threatened against the Company or any of its subsidiaries or of any fact likely to give rise to any proceeding which might materially and adversely affect the financial position of the Company and its subsidiaries taken as a whole;
- (c) there are no other intangible assets which ought to be disclosed in the statement of financial position of the Group in accordance with the Singapore Financial Reporting Standards and which have not been so disclosed and where such intangible assets would have had a material impact on the overall financial position of the Group; and

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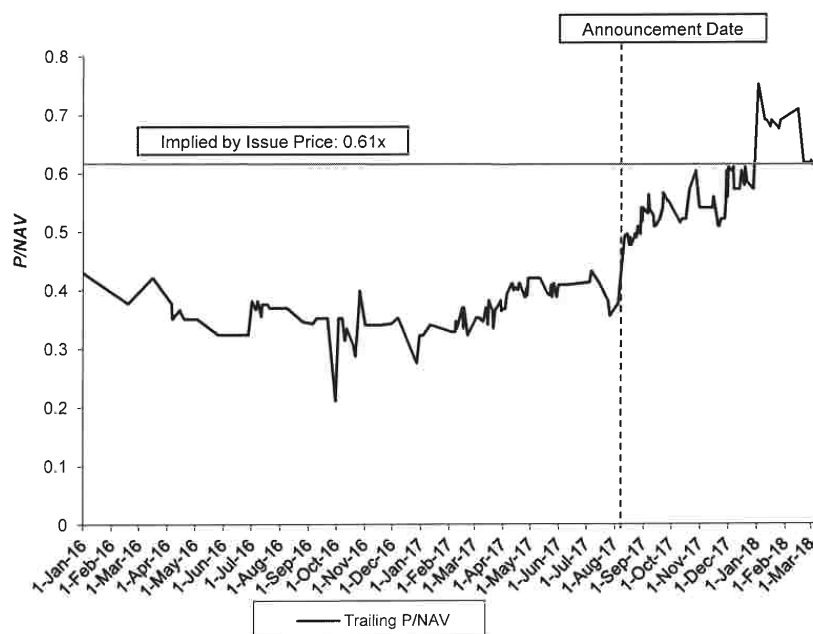
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- (d) there are no material acquisitions and disposals of assets by the Group between 1 January 2018 and the Latest Practicable Date, and the Group does not have any plans for any such impending material acquisition or disposal of assets, conversion of the use of its material assets or material change in the nature of the Group's business.

Independent Shareholders should note that the discount implied by the Issue Price from the Group's NAV and RNAV per Share as at 31 December 2017 should be assessed in the context of the Group's weak financial performance and deteriorating financial position. As discussed in Section 6.3 of this IFA Letter, the Group has been in a loss making position for the last 3 financial years (save for FY2015 where the Group recorded a net profit from continuing operations of S\$1.0 million due mainly to a write-back on accrual for its China operations of S\$1.3 million) with significant decline in its revenue.

6.5.3 Trailing P/NAV of the Shares

We have compared the P/NAV of the Shares implied by the Issue Price against the trailing P/NAV multiples of the Shares since 1 January 2016 to the Latest Practicable Date, as shown below:



Source: Bloomberg L.P. and interim results announcement of the Company

Note

- (1) NAV per Share for the relevant historical periods is based on the corresponding quarterly NAV per Share as reported by the Company.

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Based on the above, we note that at 0.61 times, the P/NAV multiples implied by the Issue Price is greater than the trailing P/NAV multiples of the Shares since 1 January 2016 to the Announcement Date.

6.6 Valuation statistics of selected companies broadly comparable to the Group

We understand from the Management that there are no directly comparable aluminium extrusion companies in the electronics and precision engineering sector. In the evaluation of the Issue Price, we have considered the valuation statistics of selected companies listed on the SGX-ST, the Stock Exchange of Hong Kong (the "HKSE"), the Bursa Malaysia and the Taiwan Stock Exchange Corporation (the "TWSE") with market capitalisation of less than S\$500 million, that are deemed broadly comparable to the Group, i.e., companies which are involved in aluminium extrusion in the construction and infrastructure sector (the "Aluminium Extrusion Companies") and companies serving the HDD industry (the "HDD Component Companies")(collectively, the "Comparable Companies").

We have had discussions with the management about the suitability and reasonableness of the Comparable Companies acting as a basis for comparison with the Company. Relevant information has been extracted from Bloomberg L.P., publicly available annual reports and/or public announcements of the Comparable Companies. We make no representations or warranties, expressed or implied, as to the accuracy or completeness of such information. The accounting policies of the Comparable Companies with respect to the values for which the assets, revenue or cost are recorded may differ from that of the Group.

Shareholders may wish to note that there may not be any company listed that is directly comparable to the Company in terms of, *inter alia*, market capitalisation, size, diversity of business activities, asset base, geographical spread, customer base, brand loyalty, track record, financial performance, future prospects, operating and financial leverage, liquidity, risk profile, quality of earnings and accounting and such other relevant criteria.

As such, any comparison made herein is necessarily limited and it may be difficult to place reliance on the comparison of valuation statistics for the Comparable Companies. Therefore, any comparison made serves only as an illustrative guide for the Shareholders. The list of Comparable Companies is by no means exhaustive.

In our assessment of the Proposed Whitewash Resolution, we will consider the Price-to-earnings ("P/E"), the Enterprise value-to-earnings before interest, tax, depreciation and amortisation ("EV/EBITDA") and Price-to-NAV ("P/NAV") ratios. However, since the Company has made losses for FY2017, the assessment using the P/E and EV/EBITDA ratios will not be meaningful. Hence, we have only considered the P/NAV ratio in our assessment. The P/NAV ratio illustrates the extent the value of each share is backed by its net assets.

6.6.1 Aluminium Extrusion Companies

Company	Business Description
LB Aluminium Berhad ("LB") <i>Listed on the Bursa Malaysia</i>	LB manufactures, markets, and trades aluminium extrusion and ceiling metal tee products. Through its subsidiaries, The company also has operation in property holding.
Midas Holdings Limited ("Midas") <i>Dual listed on the SGX-ST and the HKSE</i>	Midas manufactures aluminium alloy extrusion products for the passenger rail transport, power, and other industries. The company also designs, manufactures and installs polyethylene pipes.

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Xingfa Aluminium Holdings Ltd (“Xingfa”)

Listed on the HKSE

Xingfa manufactures architectural and industrial aluminium profiles. The company’s products include sliding windows, casement windows, sliding doors, and others. The company also offers equipment, such as fusion casting, extrusion, surface treatment, vertical coating, fluorocarbon coating and mould making center equipment.

Source: Bloomberg L.P.

The ratios of the Aluminium Extrusion Companies based on their latest transacted prices and their latest financials are set out below.

Aluminium Extrusion Companies	Market capitalisation as at the Latest Practicable Date (S\$’ million)	P/NAV ⁽¹⁾ (times)
LB	50.35	0.51
Midas ⁽²⁾	n.m. ⁽²⁾	n.m. ⁽²⁾
Xingfa	357.40	0.94
Maximum		0.94
Minimum		0.51
Mean		0.72
Median		0.72
Company (implied by the Issue Price)	21.70	0.61 (P/NAV)
		0.46 (P/RNAV)

Source: Bloomberg L.P. and annual reports and financial results announcements of the Aluminium Extrusion Companies

Notes

- (1) NAV figures are based on the latest available published financial statements as at the Latest Practicable Date.
- (2) On 8 February 2018, the board of Midas announced that during the course of audit and subsequent searches by Midas’s counsel, the company has uncovered several litigations, enforcement orders and court documents involving companies within the Midas group. As the company is still in the midst of fact findings, the board will continue to do assessment whether the group can continue as a going concern and has on 9 February 2018 suspended the trading of the shares. Given the current status of Midas, a comparison of the ratio will not be meaningful.

Based on the above analysis, we note the following:

- (i) the P/NAV ratio of the Company is within range but lower than the mean and median of the P/NAV ratios of the Aluminium Extrusion Companies; and
- (ii) the P/RNAV ratio of the Company is lower than the minimum of the P/NAV ratios of the Aluminium Extrusion Companies.

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6.6.2 HDD Component Companies

Company	Business Description
Broadway Industrial Group Limited (" Broadway ") <i>Listed on the SGX-ST</i>	Broadway manufactures and sells foam, pulps, thermo-formed packaging products. The company also manufactures and distributes precision machined components.
Cheung Woh Technologies Ltd (" Cheung Woh ") <i>Listed on the SGX-ST</i>	Cheung Woh manufactures voice coil motor plates and metal components of electronic products. The company also provides precision metal stamping services to communications and electronic industries. It also designs and manufactures precision tool and die.
Dufu Technology Corp. Berhad (" Dufu ") <i>Listed on the Bursa Malaysia</i>	Dufu designs, develops and manufactures precision machining components, steel molds and metal components as well as provides marketing and engineering support services.
IPE Group Limited (" IPE ") <i>Listed on the HKSE</i>	IPE, through its subsidiaries, manufactures and sells precision metal components. The products are mainly used in hard disk drives, hydraulic equipment, fiber optic connectors, electronic devices and other industrial products.
JCY International Berhad (" JCY ") <i>Listed on the Bursa Malaysia</i>	JCY manufactures hard disk drive mechanical components. The company produces base plates, top cover assemblies and antidisks.
Min Aik Precision Industrial Co., Ltd (" MAP ") <i>Listed on the TWSE</i>	MAP is a precision press plant. The company provides parts used in the assembly of hard disk drives and other non HDDs.
Miyoshi Limited (" Miyoshi ") <i>Listed on the SGX-ST</i>	Miyoshi designs and manufactures mould and precision pressed parts for data storage products. The company also trades its related products. The company's business includes metal stamping, fabrication of parts and components of machine tools, electroplating, and surface treatment.

Source: *Bloomberg L.P.*

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The ratios of the HDD Component Companies based on their latest transacted prices and their latest financials are set out below.

HDD Component Companies	Market capitalisation as at the Latest Practicable Date (S\$' million)	P/NAV ⁽¹⁾ (times)
Broadway	52.66	0.63
Cheung Woh	49.86	0.50
Dufu	65.24	1.39
IPE	260.34	0.97
JCY	274.94	0.77
MAP	120.23	1.51
Miyoshi	34.09	0.61
Maximum		1.51
Minimum		0.50
Mean		0.91
Median		0.77
Company (implied by the Issue Price)	21.70	0.61 (P/NAV)
		0.46 (P/RNAV)

Source: Bloomberg L.P. and annual reports and financial results announcements of the HDD Component Companies

Notes

(1) NAV figures are based on the latest available published financial statements as at the Latest Practicable Date.

Based on the above analysis, we note the following:

- (i) the P/NAV ratio of the Company is within range but lower than the mean and median of the P/NAV ratios of the HDD Component Companies; and
- (ii) the P/RNAV ratio of the Company is lower than the minimum of the P/NAV ratios of the HDD Component Companies.

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6.7 Comparable transactions analysis

In assessing the reasonableness of the terms of the Proposed Subscription, we have reviewed the share placements involving whitewash resolutions undertaken by selected companies listed on the SGX-ST announced from 1 January 2015 and up to the Latest Practicable Date (the “Comparable Transactions”) to provide, *inter alia*, a comparison of the premium/(discount) of the placement prices of the shares over/to the last transacted prices for the shares of these companies prior to the date of the relevant announcements and the NAV (or RNAV, if available) of the companies.

We would advise the Shareholders to note that the circumstances of each company are unique and that these companies may not be identical to the Group in terms of business activities, size of operations, market capitalisation, asset base, risk profile, track record, future prospects and other criteria. Further, the list of the Comparable Transactions is by no means exhaustive and information relating to the said companies was compiled from publicly available information. Therefore, any comparison serves as an illustrative guide only.

Company	Date of announcement	Resultant shareholding of incoming shareholder in the company	Premium over/(Discount to) last transacted price prior to the announcement (%)	Issue price to NAV (times)
Asiatravel.com Holdings Ltd	27-Nov-15	From 11.4% to 75.3%	(14.9)	2.86
Eucon Holding Limited	11-Dec-15	From 0% to 88.54%	(35.7)	n.a. ⁽¹⁾
Singapore eDevelopment Limited	29-Jan-16	From 28.3% to 48.4%	100.0	0.88
Swee Hong Limited	14-Mar-16 ⁽²⁾	From 0% to 56.84%	n.m. ⁽³⁾	n.a. ⁽¹⁾
OKH Global Ltd	5-Apr-16	From 0% to 44.3%	(19.4)	0.36 ⁽⁴⁾
Jason Holdings Limited	21-Dec-16	From 19.81% to 74.85%	n.m. ⁽⁵⁾	n.a. ⁽¹⁾
SunMoon Food Company Limited	3-Jan-17	From 0% to 61.1%	(53.1)	1.54
SIIC Environment Holdings Ltd	16-Jan-17	From 37.6% to 45.9%	11.5	1.15
Gaylin Holdings Limited	23-Oct-17	From 0% to 75.64%	(47.4)	0.19 ⁽⁶⁾
Maximum			100.0	2.86
Minimum			(53.1)	0.19
Mean			(8.4)	1.16
Median			(19.4)	1.02
Company	8-Aug-17	From 0% to 68.31%	35.6	0.61 (P/NAV)
				0.46 (P/RNAV)

Source: Circulars of the respective Comparable Transactions

Notes

(1) Not applicable as these companies were in net liabilities position.

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- (2) This was the date of the subscription agreement entered into between the company and the subscriber.
- (3) Not meaningful as the shares have been halted and suspended since 9 February 2015 and 11 February 2015 respectively.
- (4) Based on the revalued NAV per share of S\$0.274.
- (5) Not meaningful as the shares have been halted and suspended since 8 January 2016 and 13 January 2016 respectively.
- (6) Based on the revalued NAV per share of S\$0.263.

Based on the above analysis, we note the following:

- (i) the premium of 35.6% for the Group as implied by the Issue Price over the last transacted price for the Shares prior to the Announcement Date is within range and higher than the mean and median of the Comparable Transactions; and
- (ii) the P/NAV and P/RNAV ratios of the Company of 0.61 times and 0.46 times respectively are within range but lower than the mean and median of the P/NAV ratios of the Comparable Transactions.

6.8 Financial effects of the Proposed Subscription

The detailed assumptions and the financial effects of the Proposed Subscription are set out in Section 8 of the Circular. The financial effects are for illustrative purposes and do not necessarily reflect the actual financial performance and position of the Group. Highlights of the pertinent information are as follows:

Net Tangible Assets

	As at 31 December 2017	Immediately following issuance of the Tranche 1 Subscription Shares and Tranche 1 Introducer Shares	Immediately following issuance of the Maximum Subscription Shares, Tranche 1 Introducer Shares and maximum Tranche 2 Introducer Shares	Immediately following issuance of the Maximum Subscription Shares, maximum Option Shares and maximum Introducer Shares
NTA of the Group (S\$)	35,354,000	58,354,000	65,854,000	85,354,000
Number of Shares excluding Treasury Shares	27,119,659	56,732,159	66,388,409	91,494,659
NTA Per Share excluding Treasury Shares (S\$)	1.30	1.03	0.99	0.93

The NTA per Share as at 31 December 2017 will decrease from S\$1.30 to S\$0.93 following the issuance of the Maximum Subscription Shares, maximum Option Shares and maximum Introducer Shares as the Issue Price is lower than the existing NTA per Share.

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Loss per Share

	FY2017	Immediately following issuance of the Tranche 1 Subscription Shares and Tranche 1 Introducer Shares	Immediately following issuance of the Maximum Subscription Shares, Tranche 1 Introducer Shares and maximum Tranche 2 Introducer Shares	Immediately following issuance of the Maximum Subscription Shares, maximum Option Shares and maximum Introducer Shares
Net loss of the Group (S\$)	(9,539,000)	(9,539,000)	(9,539,000)	(9,539,000)
Weighted average number of Shares excluding Treasury Shares	27,119,659	56,732,159	66,388,409	91,494,659
Net loss per Share excluding Treasury Shares (S\$) - Basic and diluted	(0.35)	(0.17)	(0.14)	(0.10)

The issuance of the Maximum Subscription Shares, maximum Option Shares and maximum Introducer Shares will reduce the loss per Share for FY2017 from S\$0.35 to S\$0.10 due to the enlarged number of Shares.

6.9 Other relevant considerations

6.9.1 Approval of the Proposed Whitewash Resolution is a condition precedent of the Proposed Subscription

The Proposed Subscription is conditional on, *inter alia*, the approval of the Proposed Whitewash Resolution. Accordingly, if the Independent Shareholders do not vote in favour of the Proposed Whitewash Resolution, the Proposed Subscription will not take place.

6.9.2 Implications of the Proposed Whitewash Resolution

Shareholders should note that by voting in favour of the Proposed Whitewash Resolution, they will be waiving their rights to receive the general offer from the Subscriber at the highest price paid by the Subscriber and its concert parties for Shares which the Subscriber would otherwise be obliged to make at the highest price paid or agreed to be paid by them for the Shares in the past six (6) months preceding the commencement of the offer.

The allotment and issue of the Tranche 1 Subscription Shares, Tranche 2 Subscription Shares and Option Shares will result in the Subscriber holding Shares carrying more than 49% of the voting rights of the Company (based on the enlarged issued share capital) immediately after the subscription of the Tranche 1 Subscription Shares, Tranche 2 Subscription Shares and Option Shares, and the Subscriber and its concert parties will be free to acquire further Shares without incurring any obligation under Rule 14 of the Code to make a general offer for the Company.

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6.9.3 Dilution effect to the existing Shareholders

Assuming the issue and allotment of the Maximum Subscription Shares, Option Shares and Introducer Shares, the shareholding structure of the Company will change significantly and the collective shareholding interest of the existing Shareholders in the Company will be diluted significantly.

The potential dilution effect is illustrated as follows:

	As at the Latest Practicable Date		Immediately following issuance of the Tranche 1 Subscription Shares and Tranche 1 Introducer Shares		Immediately following issuance of the Maximum Subscription Shares, Tranche 1 Introducer Shares and maximum Tranche 2 Introducer Shares		Immediately following issuance of the Maximum Subscription Shares, maximum Option Shares and maximum Introducer Shares	
	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
<u>Directors</u>								
Tan Chu En Ian	320,000	1.18	320,000	0.56	320,000	0.48	320,000	0.35
Sinta Mughtar	-	-	-	-	-	-	-	-
Yeung Koon Sang alias David Yeung	10,000	0.04	10,000	0.02	10,000	0.02	10,000	0.01
Dr Vasoo Sushian	10,000	0.04	10,000	0.02	10,000	0.02	10,000	0.01
Teng Cheong Kwee	10,000	0.04	10,000	0.02	10,000	0.02	10,000	0.01
<u>Substantial Shareholders</u>								
Lauw & Sons Holdings Pte Ltd	4,147,923	15.29	4,147,923	7.31	4,147,923	6.25	4,147,923	4.53
Treadstone Holdings Pte Ltd ⁽¹⁾	3,709,207	13.68	3,709,207	6.54	3,709,207	5.59	3,709,207	4.05
Well Global Investments (Singapore) Pte Ltd	2,000,000	7.37	2,000,000	3.53	2,000,000	3.01	2,000,000	2.19
Subscriber	-	-	28,750,000	50.68	38,125,000	57.43	62,500,000	68.31
<u>Others</u>								
Other Shareholders	16,912,529	62.36	16,912,529	29.81	16,912,529	25.48	16,912,529	18.48
Introducer	-	-	862,500	1.52	1,143,750	1.72	1,875,000	2.05
Total	27,119,659	100.00	56,732,159	100.00	66,388,409	100.00	91,494,659	100.00

Note

- (1) 900,000 Shares owned by Threadstone Holdings Pte Ltd are held through a nominee.
- (2) The differences between the listed percentages and the totals thereof are due to rounding.

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6.9.4 Change in controlling shareholder

Pursuant to the subscription of the Tranche 1 Subscription Shares, the Subscriber will hold more than 50% of the Post-Tranche 1 Share Capital and become the major and single largest controlling Shareholder of the Company. As a major Shareholder, the Subscriber will be able to pass all ordinary resolutions (other than resolutions that the Subscriber has an interest in and accordingly has to abstain from voting) that are tabled for voting at general meetings.

Independent Shareholders should also note that the Company will be in a relatively less favourable position, in the context of interest from potential parties seeking control for the Company or who may have intentions to acquire a significant interest or control of the Company and thus, it may be less likely for a third party to make a takeover offer for the Company without the support of the Subscriber and its concert parties.

6.9.5 Previous placement of Shares completed in 2015

The Company had on 22 December 2014 entered into a placement agreement with Well Global Investments (Singapore) Pte Ltd, who had agreed to subscribe for 20,000,000 new Shares at a placement price of S\$0.13 per Share (before the 10 to 1 share consolidation) (the “**2015 Placement Price**”). The 2015 Placement Price represented a premium of 8.33% over the VWAP of S\$0.12 per Share on 22 December 2014, being the market day on which the placement agreement was executed. The 2015 Placement Price also represented a discount of 41.44% to the audited NAV per Share of S\$0.222 of the Company as at 31 December 2013 and a discount of 37.8% to the unaudited NAV per Share of S\$0.209 of the Company as at 30 June 2014. The new Shares were issued and allotted on 15 January 2015.

We note that the Issue Price is more favourable than the 2015 Placement Price in terms of comparison with the VWAP prior to the respective announcement.

6.9.6 No moratorium undertaking

We note that there is no moratorium undertaking from the Subscriber. As there is no moratorium undertaking, Shareholders should note that the Subscriber is able to and may dispose of their Subscription Shares and Option Shares subsequent to the allotment and issuance of such shares.

6.9.7 No assurance of future profitability

Although the Proposed Subscription are expected to improve the share capital base and potentially the market capitalisation of the Company, Shareholders should note that there is no assurance that the Company will be profitable after completion of the Proposed Subscription and/or steps to be taken for the Proposed Diversification.

6.9.8 No assurance of future liquidity and the market price for the Shares

We note that the trading liquidity of the Shares has been low for the 12-month period prior to the Announcement Date up to the Latest Practicable Date. Independent Shareholders should note that there is no assurance on the liquidity of the market for the Company's Shares and whether an active trading market for the Shares will develop after the completion of the Proposed Subscription.

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6.9.9 Shareholders will be issued free warrants

We also note that the Company will be undertaking the Proposed Bonus Warrants Issue to reward Shareholders for their continued participation in and support for the Company by providing the Shareholders with an opportunity to increase their equity participation in the Company and participate in the future growth of the Company in view of the Proposed Subscription. We further note that the Proposed Bonus Warrants Issue is conditional upon the approval of, *inter alia*, the Proposed Subscription, the Proposed Whitewash Resolution and the Proposed Diversification. Accordingly, if the Independent Shareholders do not vote in favour of, *inter alia*, the Proposed Subscription, the Proposed Whitewash Resolution and the Proposed Diversification, the Proposed Bonus Warrants Issue will not take place.

6.9.10 Alternative proposal

We have also considered whether there are any alternative proposals for the Company. Based on the discussions with the Board and the Management of the Company, we were given to understand that the Company has been open to consider other alternative proposals from third parties. However, as at the Latest Practicable Date and at the time of the consideration of the Proposed Subscription, the Board and the Management have confirmed to MSCF that the Company has not received any other viable alternative proposals which they believe to be more attractive to the Shareholders. MSCF has not independently verified whether there have been any alternative viable proposals.

7. SUMMARY OF ANALYSIS

In arriving at our opinion in respect of the Proposed Whitewash Resolution, we have taken into account, reviewed and examined all factors, which we consider to be pertinent and to have a significant bearing on our assessment of the Proposed Whitewash Resolution, including the following factors summarised below. Shareholders should be advised to read the following factors in conjunction with, and in the context of, the full text of this IFA Letter:

(a) Rationale for the Proposed Subscription and use of proceeds

In view of the challenging market conditions faced by the Existing Core Business, the Proposed Subscription is intended to raise funds for purposes of the Proposed Diversification. It is contemplated between the Company and the Subscriber that 80% of the proceeds of the Proposed Subscription shall be used to fund future investment opportunities or acquisitions of other businesses, in particular those arising from the Proposed Diversification.

(b) The Proposed Diversification

We note that the Subscriber's investment objective is to invest directly in infrastructure-related assets or businesses, or indirectly through companies with infrastructure-related assets or infrastructure-related portfolios or through underlying funds targeting investments in such asset classes.

The Proposed Diversification will reduce the Group's reliance on its Existing Core Business which has been loss-making and facing challenging market conditions, offer new business opportunities, provide the Group with new revenue streams and improve its prospect so as to enhance Shareholders' value.

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We further note that as at the Latest Practicable Date, the Subscriber has identified a controlling stake in an operational and profitable airport which is available for sale.

(c) Historical performance of the Group

The Group recorded declining revenue from FY2015 to FY2017 as a result of the weak worldwide demand for HDD and intensified pricing competition from overseas suppliers. The Group had been making losses for FY2016 and FY2017. For FY2015, the Group recorded a net profit from continuing operations due mainly to a write-back on accrual of China operations. We also wish to highlight that the Group had negative operating cashflow for FY2017.

(d) Historical market price and trading activity of the Shares

The Issue Price represents a premium of approximately 28.15%, 23.49%, 27.79%, 32.29% over the VWAP of the Shares over the 1 year, 6-month period, 3-month period and 1-month period prior to the Announcement Date respectively.

The Issue Price represents a premium of approximately 35.59% over the last traded price of the Shares on the last day prior to the Announcement Date. There were no trades being transacted on the Latest Practicable Date.

We note that the trading liquidity of the Shares has been low for the 12-month period prior to the Announcement Date and up to the Latest Practicable Date.

(e) Asset-based valuation of the Group

The Issue Price is at a discount to the NAV per Share or a P/NAV of 0.61 times. The Group's P/RNAV is approximately 0.46 times. We note that the P/NAV multiples implied by the Issue Price is greater than the trailing P/NAV multiples of the Shares since 1 January 2016 to the Announcement Date.

The discount implied by the Issue Price from the Group's NAV and RNAV per Share as at 31 December 2017 should be assessed in the context of the Group's weak financial performance and deteriorating financial position.

(f) Valuation statistics of selected companies broadly comparable to the Group

The P/NAV ratio of the Company is within range but lower than the mean and median of the P/NAV ratios of the Aluminium Extrusion Companies and of the P/NAV ratios of the HDD Component Companies.

The P/RNAV ratio of the Company is lower than the minimum of the P/NAV ratios of the Aluminium Extrusion Companies and of the P/NAV ratios of the HDD Component Companies.

(g) Comparable transactions analysis

The premium of the Issue Price of 35.6% over the last transacted price for the Shares prior to the Announcement Date is within range and higher than the mean and median of the Comparable Transactions.

The P/NAV and P/RNAV ratios of the Company are within range but lower than the mean and median of the P/NAV ratios of the Comparable Transactions.

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(h) Financial effects of the Proposed Subscription

The issuance of the Tranche 1 Subscription Shares, maximum Tranche 2 Subscription Shares, maximum Option Shares and maximum Introducer Shares will reduce the loss per Share for FY2017 from S\$0.35 to S\$0.10 and reduce the NTA per Share as at 31 December 2017 from S\$1.30 to S\$0.93.

(i) Other relevant considerations

We have also considered the other relevant considerations as set out in Section 6.9 of this IFA Letter.

8. RECOMMENDATION

Having regard to the analysis set out in this IFA Letter and information available as at the Latest Practicable Date, we consider that the terms of the Proposed Subscription, which is the subject of the Proposed Whitewash Resolution, are not fair but reasonable.

In determining that the terms of the Proposed Subscription are not fair, we have considered the following factors:

- (a) the Issue Price is at a discount of 38.7% to the NAV per Share of the Group as at 31 December 2017, representing a P/NAV of 0.61 times which is (i) although within range but lower than the mean and median of the P/NAV ratios of the Aluminium Extrusion Companies, the HDD Component Companies and the Comparable Transactions; and
- (b) the Issue Price is at a discount of 54.0% to the RNAV per Share of the Group as at 31 December 2017, representing a P/RNAV of 0.46 times which is (i) although within range but lower than the mean and median of the P/NAV ratios of the Comparable Transactions; and (ii) lower than the minimum of the P/NAV ratios of the Aluminium Extrusion Companies and of the P/NAV ratios of the HDD Component Companies.

However, we note that:

- (a) the Issue Price represents a premium over the historically traded prices of the Shares; and
- (b) the premium represented by the Issue Price over the last transacted price of the Shares prior to the Announcement Date is higher than the mean and median of the Comparable Transactions.

In determining that the terms of the Proposed Subscription are reasonable, we have considered the following factors:

- (a) the weak financial performance and the deteriorating financial position of the Group. The Group has recorded losses for the last three financial years and the NAV of the Group may decline further;
- (b) the Proposed Subscription and the proceeds will provide the Group with the opportunity to diversify into the Infrastructure Business and reduce the Group's reliance on its Existing Core Business which has been loss-making and facing challenging market conditions; and
- (c) as at the Latest Practicable Date, the Company has not received any other viable alternative proposals which they believe to be more attractive to the Shareholders.

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Based on our assessment of the terms of the Proposed Subscription as set out above, we advise the Directors to recommend that Independent Shareholders vote in favour of the Proposed Whitewash Resolution.

In rendering the above advice, we have not given regard to any general or specific investment objectives, financial situation, tax position, risk profiles or particular needs and constraints or other particular circumstances of any individual Shareholder. As each individual Shareholder would have different investment objectives and profiles, we would advise that any individual Shareholder who may require specific advice in relation to his investment objectives or portfolio should consult his stockbroker, bank manager, accountant, legal, financial, tax or other professional adviser immediately. The opinion and advice of MSCF should not be relied upon by any Shareholder as the sole basis for deciding whether or not to vote for or against the Proposed Whitewash Resolution, as the case may be.

This IFA Letter is addressed to the Directors for their reference and benefits in relation to and for the purpose of their consideration of the Proposed Whitewash Resolution. Any recommendation made by the Directors to the Independent Shareholders shall remain the sole responsibility of the Directors.

This IFA Letter is governed by, and construed in accordance with the laws of Singapore, and is strictly limited to the matters stated herein and does not give implication to any other matter.

Yours faithfully,
For and on behalf of
MS Corporate Finance Pte. Ltd.



Juay Sze Sin
Director



Lee Mun Keat
Senior Manager

APPENDIX 1B: SUMMARY OF THE VALUATION REPORT

AVA Associates Limited

806 Empress Plaza
17-19 Chatham Road South
Tsim Sha Tsui, Hong Kong

14 February 2018

To
Board of Directors
AEI CORPORATION LTD
15 Tuas South Street 13
Singapore 636936

Dear Sirs,

Pursuant to your instructions, AVA Associates Limited ("AVA") has performed a valuation, to assist the management of AEI Corporation Ltd ("AEI", the "Company" or the "Client"), **to estimate the value of real estate properties located at (1) 12 Penjuru Lane, Singapore 609192 and (2) 15 Tuas South Street 13, Singapore 636936 (the "Properties") with vacant possession and free from all encumbrances, as at 31 December 2017 ("Valuation Date")**, in relation a proposed allotment and issuance of up to 62,500,000 shares at an issue price of S\$0.80 per share (the "Share Subscription") as announced by the Company on 8 August 2017. The purpose of this engagement is to assist AEI in their assessment of the revalued net asset value ("RNAV") of the Company, and inclusion in a circular to the shareholders of the Company in relation to the Share Subscription. No other use of our valuation report is intended or should be inferred.

Definition of Value

In estimating the value of the assets, our efforts were based on the following premise of value:

Open Market Value - "the best price" at which an interest in a property might reasonably be expected to be sold at the date of valuation, assuming:-

- a. a willing seller, willing buyer;
- b. no account is to be taken of an additional bid by a purchaser with a "special interest";
- c. that prior to the date of valuation, there had been a reasonable period (having regard to the nature of the property and the state of the market) for the proper marketing of the interest, for the negotiation and agreement of price and terms for the completion of the sale;
- d. that the price reflects the state of the market and other circumstances at the date of valuation; and
- e. that both parties to the transaction had act knowledgeably, prudently and without compulsion.

Valuation Standards

This valuation has been carried out in accordance with the Valuation Standards and Guidelines of the Singapore Institute of Surveyors and Valuers.

APPENDIX 1B: SUMMARY OF THE VALUATION REPORT

Our valuation reports are prepared on the following principles and assumptions and they apply unless we have specifically mentioned otherwise in the valuation report:

Source of Information

All information has been supplied to us by AEI. The information is believed to be reliable but we accept no responsibility if this should prove not to be so.

Valuation and Report

The values assessed in this Report and any allocation of values thereof apply only in the terms of and for the purpose of this Report and may not be used for any other purpose.

Documentation

We do not normally read leases or documents of title. We assume, unless informed to the contrary, that all documentation is satisfactorily drawn and that there are no encumbrances, restrictions, easements, mortgages or other charges and out-goings of an onerous nature which would have an effect on the value of the interest under consideration. The valuation also excludes any costs, expenses, taxation or out-goings which may be involved in any transaction of the property.

Structural Surveys

Whilst any defects or items of disrepair which we note during the course of our inspection will be reflected in our valuations, no structural surveys or land surveys was carried out and we are not able to give any assurance that any property is free from defect.

Town Planning

Information on Town Planning is obtained from the set of Master Plan and Written Statement published by the competent authority. Unless otherwise instructed, we do not normally carry out requisitions with the various public authorities to confirm that the property is not adversely affected by any public schemes such as road improvements.

Statutory Regulations

Our valuations are prepared on the basis that the premises (and any works thereto) comply with all relevant statutory regulations. It is assumed that they have been, or will be issued with a Certificate of Fitness by the competent authority.

Site Conditions

We do not normally carry out investigations on site in order to determine the suitability of the ground conditions for any new development. Unless otherwise informed, our valuations are on the basis that these aspects are satisfactory and that, where development is proposed, no extraordinary expenses or delays will be incurred during the construction period.

APPENDIX 1B: SUMMARY OF THE VALUATION REPORT

Tenants

Enquiry as to the financial standing of actual or prospective tenants is not normally made unless specifically requested. Where properties are valued with the benefit of lettings, it is therefore assumed that the tenants are capable of meeting their obligations under the lease and that there are no arrears of rent or undisclosed breaches of covenant.

Valuation Methodology

In arriving at our opinion of value, the Direct Comparison Approach to value is adopted. In this approach, sales and listings of similar properties in the vicinity and elsewhere are used as guides to value after relevant valuation adjustments are made for differences in location, land area, land shape, land tenure, floor area, condition of building, market conditions, age of property, improvements done, etc.

This valuation summary and the accompanying Valuation Certificate have been prepared for the purpose of assisting AEI in their assessment of the RNAV of the Company, and inclusion in a circular to the shareholders of the Company in relation to the Share Subscription. No responsibility is accepted to any other party for the whole or any part of its contents. AVA disclaims liability to any person in the event of any omission from or false or misleading statement, other than in respect of the information provided within the valuation reports and summary.

AVA does not make any warranty or representation as to the accuracy of the information in any other part of the circular other than as expressly made or given in this valuation summary.

The reported analyses, opinions and conclusions are limited only by the reported assumptions and limiting conditions and are our personal, unbiased professional analyses, opinions and conclusions. We have no present nor prospective interest in the subject properties and are not a related corporation or nor do we have a relationship with the manager, adviser or other party(s) whom AEI is contracting with. The valuers' compensation is not contingent upon the reporting of a predetermined value or direction in value that favours the cause of the Client, the amount of the value estimate, the attainment of a stipulated result, or the occurrence of a subsequent event.

We hereby certify that the valuer undertaking the valuation, Mr. Teo Beng Hock, Licensed Appraiser AD041-2009516J, is authorised to practise as valuer and have the necessary expertise and experience in valuing similar types of properties.

We hereby enclosed our valuation certificates.

Respectfully submitted,

AVA Associates Limited

APPENDIX 1B: SUMMARY OF THE VALUATION REPORT

VALUATION CERTIFICATE

PROPERTY AT 15 TUAS SOUTH STREET 13 SINGAPORE 636936

Property Type :	A Part 1/ Part 3-Storey Detached Factory with Ancillary Office & Temporary Ancillary Staff Canteen
Tenure :	Leasehold 21 Years 5 Months 1 Day wef 11/07/2014
Land Area :	7,176.5 sq m (or 77,247sq ft) or thereabout
Floor Area :	6,021.92 sq m (or 64,819 sq ft), or thereabout
Legal Description :	MK 7 – 4747W
2014 Master Plan Zoning :	“Business 2”
Location :	The neighbourhood is predominantly industrial estates and developments. Close proximity to Tuas Crescent & Tuas West Road MRT stations. Accessibility to other parts of the island is convenient via major arterial roads and expressways such as via Ayer Rajah Expressway (AYE) and Pan-Island Expressway (PIE).
Condition :	As at the date of inspection, the subject property was in a brand new condition.

Description	Value (S\$)
Land	5,000,000
Building	6,000,000
Total	11,000,000

Open Market Value of the subject property as at Valuation Date is S\$11,000,000/- (Singapore Dollars Eleven Million Only).

APPENDIX 1B: SUMMARY OF THE VALUATION REPORT

VALUATION CERTIFICATE

PROPERTY AT 12 PENJURU LANE SINGAPORE 609192

Property Type :	A Single Storey JTC Industrial Development with Mezzanine Levels
Tenure :	Leasehold 30 Years wef 01/06/2013
Land Area :	18,646.5 sq m (or 200,709 sq ft) or thereabout
Floor Area :	12,735.035 sq m (or 137,079 sq ft) or thereabout
Legal Description :	MK7-7833W 2014
Master Plan Zoning :	“Business 2”
Location :	The neighbourhood is predominantly industrial estates and developments. Close proximity to Jurong East MRT station. Accessibility to other parts of the island is convenient via major arterial roads and expressways such as via Ayer Rajah Expressway (AYE) and Pan-Island Expressway (PIE).
Condition :	As at the date of inspection, the subject property was in an average state of external and internal repairs and maintenance.

Description	Value (S\$)
Land	11,000,000
Building	2,000,000
Total	13,000,000

Open Market Value of the subject property as at Valuation Date is S\$13,000,000/- (Singapore Dollars Thirteen Million Only).

APPENDIX 2: SHAREHOLDING STRUCTURE OF THE COMPANY

The shareholding interests of the Subscriber, the Directors and the Substantial Shareholders of the Company as at the Latest Practicable Date, and upon the full allotment and issue of the Subscription Shares (comprising the Tranche 1 Subscription Shares and Tranche 2 Subscription Shares), the Option Shares and the Introducer Shares at the Issue Price are set out as follows:

	As of the Latest Practicable Date				Immediately upon completion of the issue of the Tranche 1 Subscription Shares and the Tranche 1 Introducer Shares				Immediately upon completion of the issue of Maximum Subscription Shares, Tranche 1 Introducer Shares and Maximum Tranche 2 Introducer Shares				Immediately upon completion of the issue of Maximum Subscription Shares, maximum Option Shares and maximum Introducer Shares			
	Direct		Deemed		Direct		Deemed		Direct		Deemed		Direct		Deemed	
	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
Directors																
Tan Chu En Ian ⁽¹⁾	320,000	1.18%	3,709,207	13.68%	320,000	0.56%	3,709,207	6.54%	320,000	0.48%	3,709,207	5.59%	320,000	0.35%	3,709,207	4.05%
Sinta Muchtar ⁽¹⁾⁽²⁾	-	-	8,177,130	30.15%	-	-	8,177,130	14.41%	-	-	8,177,130	12.32%	-	-	8,177,130	8.94%
Yeung Koon Sang alias David Yeung	10,000	0.04%	-	-	10,000	0.02%	-	-	10,000	0.02%	-	-	10,000	0.01%	-	-
Dr Vasoo Sushilan	10,000	0.04%	-	-	10,000	0.02%	-	-	10,000	0.02%	-	-	10,000	0.01%	-	-
Teng Cheong Kwee	10,000	0.04%	-	-	10,000	0.02%	-	-	10,000	0.02%	-	-	10,000	0.01%	-	-
Substantial Shareholders (other than Directors)																
Lauw & Sons Holdings Pte. Ltd.	4,147,923	15.29%	-	-	4,147,923	7.31%	-	-	4,147,923	6.25%	-	-	4,147,923	4.53%	-	-
Treadstone Holdings Pte. Ltd. ⁽³⁾	2,809,207	10.36%	900,000	3.32%	2,809,207	4.95%	900,000	1.59%	2,809,207	4.23%	900,000	1.36%	2,809,207	3.07%	900,000	0.98%
Well Global Investments (Singapore) Pte. Ltd.	2,000,000	7.37%	-	-	2,000,000	3.53%	-	-	2,000,000	3.01%	-	-	2,000,000	2.19%	-	-
Subscriber	-	-	-	-	28,750,000	50.68%	-	-	38,125,000	57.43%	-	-	62,500,000	68.31%	-	-
Others																
Existing Shareholders ⁽⁴⁾	17,812,529	65.68%	-	-	17,812,529	31.40%	-	-	17,812,529	26.83%	-	-	17,812,529	19.47%	-	-
Introducer	-	-	-	-	862,500	1.52%	-	-	1,143,750	1.72%	-	-	1,875,000	2.05%	-	-
Total number of Shares⁽⁵⁾	27,119,659	100%			56,732,159	100%			66,388,409	100%			91,494,659	100%		

APPENDIX 2: SHAREHOLDING STRUCTURE OF THE COMPANY

Notes:

- (1) Mr. Tan Chu En Ian and Ms. Sinta Muchtar are spouses. Each of them owns 50% of the issued and paid up share capital of Treadstone Holdings Pte. Ltd. They are therefore deemed interested in the Shares held by Treadstone Holdings Pte. Ltd.
- (2) Ms. Sinta Muchtar owns 12.5% of the issued and paid up share capital of Lauw & Sons Holdings Pte. Ltd. and is also a director of the company. She is deemed to have an interest in the Shares held by Lauw & Sons Holdings Pte. Ltd. and the 320,000 Shares owned by her spouse, Mr. Tan Chu En Ian.
- (3) 900,000 Shares owned by Treadstone Holdings Pte. Ltd. are held through a nominee.
- (4) Excluding Directors, Substantial Shareholders, and the Introducer set out above.
- (5) Total number of Shares excludes 1,000,000 treasury shares.

APPENDIX 3: ADJUSTMENTS TO THE ISSUE PRICE AND/OR THE NUMBER OF OPTION SHARES AND OPTION INTRODUCER SHARES

The Issue Price and/or the number of Option Shares and Option Introducer Shares to be issued may be adjusted from time to time by the Company in accordance with the terms and conditions of the Subscription Agreement.

Schedule 7 of the Subscription Agreement sets out the circumstances in which the Issue Price and/or the number of Option Shares and Option Introducer Shares may be adjusted. An extract of Schedule 7 is set out below for Shareholders' reference:–

“1. Adjustment Events

The Issue Price and/or the number of Option Shares to be issued shall from time to time be adjusted by the Directors in consultation with an Approved Bank (as defined below) in accordance with the terms set out in paragraph 2 below, which adjustment shall be certified by the Auditors (as defined below). The Issue Price and the number of Option Shares to be issued shall, subject to the terms set out in paragraphs 3 and 4, from time to time be adjusted as provided in this Schedule 7 in all or any of the following cases:

- (a) **Capitalisation of Profits or Reserves.** An issue by the Company of Shares credited as fully paid by way of capitalisation of profits or reserves (whether of a capital or income nature or not and including any capital redemption reserve fund) to its Shareholders (other than an issue of Shares to Shareholders who elect to receive Shares in lieu of cash or other dividend);
- (b) **Capital Distribution.** A Capital Distribution (as defined below) made by the Company to its Shareholders whether on a reduction of capital or otherwise (but excluding any cancellation of capital which is lost or unrepresented by available assets);
- (c) **Rights Issue.** An offer or invitation made by the Company to its Shareholders under which they may acquire or subscribe for Shares by way of rights;
- (d) **Other Offers to Shareholders.** An issue (otherwise than pursuant to a rights issue available to all Shareholders, requiring an adjustment under paragraph 1(c) above, and other than an issue of Shares to Shareholders who elect to receive Shares in lieu of cash or other dividend) by the Company of Shares if the Total Effective Consideration (as defined below) for each Share is less than ninety per cent. (90%) of the Last Dealt Price for each Share (calculated as provided below); or
- (e) **Consolidation, Subdivision or Conversion.** Any consolidation, subdivision or conversion of Shares.

APPENDIX 3: ADJUSTMENTS TO THE ISSUE PRICE AND/OR THE NUMBER OF OPTION SHARES AND OPTION INTRODUCER SHARES

2. Adjustment Formulae

Subject to the terms of this Schedule 7 (and in particular paragraph 3 set out below), the Issue Price and the number of Option Shares to be issued shall from time to time be adjusted in accordance with the following provisions (but so that if the event giving rise to any such adjustment shall be capable of falling within any two or more of paragraphs 1(a) to 1(e) above or if such event is capable of giving rise to more than one adjustment, the adjustment shall be made in such manner as the Approved Bank (as defined below) shall determine):

- (a) **Capitalisation of Profits or Reserves.** If and whenever the Company shall make any issue of Shares to its Shareholders credited as fully paid, by way of capitalisation of profits or reserves (whether of a capital or income nature and including any capital redemption reserve fund, other than an issue of Shares to Shareholders who elect to receive Shares in lieu of cash or other dividend), the Issue Price and the number of Option Shares to be issued shall be adjusted in the following manner:

$$\text{New Issue Price} = \frac{A}{A + B} \times P$$

$$\text{Adjusted number of Option Shares} = \frac{A + B}{A} \times O$$

where:

A = the aggregate number of issued and fully paid-up Shares immediately before such capitalisation issue;

B = the aggregate number of Shares to be issued pursuant to any allotment to Shareholders credited as fully paid by way of capitalisation of profits or reserves (including any capital redemption reserve fund other than an issue of Shares to Shareholders who elect to receive Shares in lieu of cash or other dividend);

P = existing Issue Price; and

O = existing number of Option Shares to be issued.

Such adjustments will be effective (if appropriate, retroactively) from the commencement of the Market Day next following the record date for such issue.

- (b) **Capital Distribution or Rights Issue.** If and whenever:

- (i) the Company shall make a Capital Distribution (as defined below) to Shareholders whether on a reduction of capital or otherwise (but excluding any cancellation of capital which is lost or unrepresented by available assets); or
- (ii) the Company shall make any offer or invitation to its Shareholders under which they may acquire or subscribe for Shares by way of rights,

APPENDIX 3: ADJUSTMENTS TO THE ISSUE PRICE AND/OR THE NUMBER OF OPTION SHARES AND OPTION INTRODUCER SHARES

then the Issue Price shall be adjusted in the following manner:

$$\text{New Issue Price} = \frac{C - D}{C} \times P$$

and in respect of each case referred to in paragraph 2(b)(ii) above, the number of Option Shares to be issued shall be adjusted in the following manner:

$$\text{Adjusted number of Option Shares} = \frac{C}{C - D} \times O$$

where:

- C = the average of the Last Dealt Prices on the five (5) Market Days immediately before the date on which the Capital Distribution (as defined below), or any offer or invitation referred to in paragraph 2(b)(ii) above, as the case may be, is publicly announced or (failing any such announcement), immediately preceding the date of the Capital Distribution (as defined below) or, as the case may be, of the offer or invitation;
- D = (i) in the case of an offer or invitation to acquire or subscribe for Shares by way of rights under paragraph 2(b)(ii) above, the value of the rights attributable to one Share (as defined below); or (ii) in the case of any other transaction falling within paragraph 2(b) above, the fair market value, as determined by an Approved Bank (as defined below) (with the concurrence of the Auditors (as defined below)), of that portion of the Capital Distribution (as defined below) or of the nil paid rights attributable to one Share;
- P = as in P above; and
- O = as in O above.

For the purpose of definition (i) of “D” above, the “**value of the rights attributable to one share**” shall be calculated in accordance with the formula:

$$\frac{C - E}{F + 1}$$

where:

- C = as in C above;
- E = the subscription price for one additional Share under the offer or invitation to acquire or subscribe for Shares by way of rights; and
- F = the number of Shares which it is necessary to hold in order to be offered or invited to acquire or subscribe for one additional Share by way of rights.

APPENDIX 3: ADJUSTMENTS TO THE ISSUE PRICE AND/OR THE NUMBER OF OPTION SHARES AND OPTION INTRODUCER SHARES

For the purposes of paragraphs 1(b) and 2(b)(i) above, “**Capital Distribution**” shall (without prejudice to the generality of that expression) include distributions in cash or specie (other than dividends) or by way of issue of Shares (not falling under paragraph 2(a)) or other securities credited as fully or partly paid up by way of capitalisation of profits or reserves (including any capital redemption reserve fund other than an issue of Shares to Shareholders who elect to receive Shares in lieu of cash or other dividend).

Such adjustments will be effective (if appropriate, retroactively) from the commencement of the Market Day next following the record date for such issue pursuant to paragraph 2(b).

- (c) **Capitalisation of Profits or Reserves and Rights Issue.** If and whenever the Company makes any allotment to its Shareholders as provided in paragraph 2(a) above and also makes any offer or invitation to its Shareholders as provided in paragraph 2(b)(ii) above and the record date for the purpose of the allotment is also the record date for the purpose of the offer or invitation, the Issue Price and the number of Option Shares to be issued shall be adjusted in the following manner:

$$\text{New Issue Price} = \frac{(G \times C) + (H \times E)}{(G + H + B) \times C} \times P$$

$$\text{Adjusted number of Option Shares} = \frac{(G + H + B) \times C}{(G \times C) + (H \times E)} \times O$$

where:

B = as in B above;

C = as in C above;

E = as in E above;

G = the aggregate number of issued and fully paid-up Shares on the record date;

H = the aggregate number of new Shares to be issued under an offer or invitation to acquire or subscribe for Shares by way of rights;

P = as in P above; and

O = as in O above.

Such adjustments will be effective (if appropriate, retroactively) from the commencement of the Market Day next following the closing date for the above transactions.

APPENDIX 3: ADJUSTMENTS TO THE ISSUE PRICE AND/OR THE NUMBER OF OPTION SHARES AND OPTION INTRODUCER SHARES

- (d) **Other Offers to Shareholders.** If and whenever (otherwise than pursuant to a rights issue available to all Shareholders alike and requiring an adjustment under paragraphs 2(b)(ii) or 2(c) other than an issue of Shares to Shareholders who elect to receive Shares in lieu of cash or other dividend) the Company shall issue any Shares and the Total Effective Consideration for each Share (as defined below) is less than ninety per cent. (90%) of the average Last Dealt Price on SGX-ST on the five (5) Market Days before the date on which the issue price of such Shares is determined, or, if such price is determined either before the close of business on SGX-ST for that day or on a day which is not a Market Day, on the prior Market Day, the Issue Price shall be adjusted in the following manner:

$$\text{New Issue Price} = \frac{M + N}{M + O} \times P$$

where:

- M = the number of Shares in issue at the close of business on SGX-ST on the Market Day immediately preceding the date on which the relevant adjustment becomes effective;
- N = the number of Shares which the Total Effective Consideration (as defined below) would have purchased at such average Last Dealt Price for the five (5) Market Days immediately preceding the date on which the issue price of such Shares is determined (exclusive of expenses);
- O = the aggregate number of Shares so issued; and
- P = as in P above.

Each such adjustment will be effective (if appropriate, retroactively) from the close of business on SGX-ST on the Market Day before the date on which the issue is announced, or (failing any such announcement) before the date on which the Company determines the offering price of such Shares.

For the purpose of paragraphs 1(d) and 2(d) above, the “**Total Effective Consideration**” shall be determined by the Directors with the concurrence of an Approved Bank (as defined below) and shall be the aggregate consideration receivable by the Company on payment in full for such Shares, without any deduction of any commissions, discounts or expenses paid, allowed or incurred in connection with the issue thereof, and the “**Total Effective Consideration for each Share**” shall be the Total Effective Consideration divided by the number of Shares issued as aforesaid.

APPENDIX 3: ADJUSTMENTS TO THE ISSUE PRICE AND/OR THE NUMBER OF OPTION SHARES AND OPTION INTRODUCER SHARES

- (e) **Consolidation, Subdivision or Conversion.** If, and whenever, consolidation, subdivision or conversion of the shares occurs, the Issue Price shall be adjusted in the following manner:

$$\text{New Issue Price} = \frac{A}{B} \times P$$

and the number of Option Shares to be issued shall be adjusted in the following manner:

$$\text{Adjusted number of Option Shares} = \frac{B}{A} \times O$$

where:

- A = as in A above;
B = as in B above;
P = as in P above; and
O = as in O above.

Such adjustments will be effective from the close of the Market Day immediately preceding the date on which the consolidation, subdivision or conversion becomes effective.

3. Events requiring no adjustment

Notwithstanding any of the provisions hereinbefore contained, no adjustment to the Issue Price and the number of Option Shares to be issued will be required in respect of:

- (a) **Approved Employment Share Schemes.** An issue by the Company of Shares or other securities convertible into rights to acquire or subscribe for shares to officers, including directors, or employees of the Company or any of its Subsidiaries pursuant to any purchase or option scheme approved by the Shareholders in general meeting, including the AEI Performance Share Plan;
- (b) **Consideration Shares.** An issue by the Company of Shares in consideration or part consideration for or in connection with the acquisition of any other securities, assets or business;
- (c) **Exercise of Convertible Securities.** Any issue by the Company of Shares pursuant to the exercise of any of the Warrants or the conversion of any convertible securities previously issued by the Company;
- (d) **Issuance of Convertible Securities.** Any issue by the Company of securities convertible into Shares or rights to acquire or subscribe for Shares and the issue of Shares arising from the conversion or exercise of such securities or rights, issued subsequent to the issue of the Option Shares, whether by itself or together with any other issues;

APPENDIX 3: ADJUSTMENTS TO THE ISSUE PRICE AND/OR THE NUMBER OF OPTION SHARES AND OPTION INTRODUCER SHARES

- (e) **Approved Share Purchase Scheme.** Any purchase by the Company of Shares pursuant to any share purchase scheme approved by Shareholders in general meeting subsequent to the issue of the Option Shares, whether such Shares purchased pursuant to any such share purchase scheme are deemed cancelled or held in treasury; or
- (f) **Allotment and issue of new Shares pursuant to the Proposed Subscription.** Any allotment and issue of new Shares by the Company pursuant to the Proposed Subscription.

4. Third Party Offers

If any offer or invitation for Shares is made otherwise than by the Company to the Shareholders, then the Company shall so far as it is able to, procure that at the same time an offer or invitation is made to the Subscriber as if its rights to subscribe for New Shares had been exercised the day immediately preceding the date on which as at the close of business Shareholders must be registered in order to participate in such offer or invitation on the basis then applicable.

5. Definitions for Schedule 7

The following definitions shall apply for the purposes of this Schedule 7:

- (a) **“Approved Bank”** means any reputable bank, merchant bank, financial institution or holder of a capital markets services licence in Singapore that is regulated, licensed to and approved by the Monetary Authority of Singapore as may be selected by the directors of the Company;
- (b) **“Auditors”** means the auditors for the time being of the Company or, if there shall be joint auditors, any one or more of such auditors or, in the event of their being unable or unwilling to carry out any action requested of them pursuant to the provisions of this Schedule 7, such other auditors as may be nominated by the Company;
- (c) **“Last Dealt Price”** means in relation to a Share on a relevant Market Day, the last dealt price per Share for one (1) or more board lots of Shares on that Market Day on which there is trading of the Shares on SGX-ST;
- (d) **“Market Day”** means a day on which SGX-ST is open for securities trading in Singapore;
- (e) **“record date”** in relation to the relevant transaction means the date as at the close of business on which Shareholders must be registered as such to participate therein; and
- (f) **“closing date”** shall mean the date by which acceptance and payment for the Shares is to be made under the terms of such offer or invitation.

APPENDIX 3: ADJUSTMENTS TO THE ISSUE PRICE AND/OR THE NUMBER OF OPTION SHARES AND OPTION INTRODUCER SHARES

6. Adjustment to issue price and/or the number of Option Introducer Shares

Where there are any adjustments to the issue price and/or the number of Option Shares, the number of Option Introducer Share to be issued to the Introducer shall be adjusted in the following manner:

- (a) the issue price of the Option Introducer Shares shall be adjusted to be identical to the adjusted issue price of the Option Shares; and
- (b) the number of Option Introducer Shares shall be adjusted such that it is equivalent to 3.0% of the adjusted number of Option Shares.”

APPENDIX 4: ADJUSTMENTS TO THE EXERCISE PRICE AND/OR THE NUMBER OF BONUS WARRANTS

The Bonus Warrants Exercise Price and/or the number of Bonus Warrants may be adjusted from time to time by the Company in accordance with the terms and conditions of the Bonus Warrants Deed Poll to be executed by the Company.

The final terms and conditions of the Bonus Warrants will be set out in a Bonus Warrants Deed Poll to be executed by the Company, subject to, *amongst others*, the approval of the Shareholders for the Proposed Bonus Warrants Issue at the EGM. Condition 5 of the Bonus Warrants Deed Poll sets out the circumstances in which the Bonus Warrants Exercise Price and/or the number of Bonus Warrants held by a Warrantholder may be adjusted. An extract of Condition 5 is set out below for Shareholders' reference:–

“5. ADJUSTMENTS TO EXERCISE PRICE AND NUMBER OF WARRANTS

5.1. Adjustment Events

The Exercise Price and the number of Warrants held by each Warrantholder shall from time to time be adjusted by the Directors in consultation with an Approved Bank in accordance with Condition 5.2, which adjustment shall be certified by the Auditors. The Exercise Price and the number of Warrants held by each Warrantholder shall, subject to Conditions 5.3 and 5.4, from time to time be adjusted as provided in these Conditions and the Deed Poll in all or any of the following cases:

- (a) **Capitalisation of Profits or Reserves.** An issue by the Company of Shares credited as fully paid by way of capitalisation of profits or reserves (whether of a capital or income nature or not and including any capital redemption reserve fund) to its Shareholders (other than an issue of Shares to Shareholders who elect to receive Shares in lieu of cash or other dividend);
- (b) **Capital Distribution.** A Capital Distribution (as defined below) made by the Company to its Shareholders whether on a reduction of capital or otherwise (but excluding any cancellation of capital which is lost or unrepresented by available assets);
- (c) **Rights Issue.** An offer or invitation made by the Company to its Shareholders under which they may acquire or subscribe for Shares by way of rights;
- (d) **Other Offers to Shareholders.** An issue (otherwise than pursuant to a rights issue available to all Shareholders, requiring an adjustment under Condition 5.1(c) above, and other than an issue of Shares to Shareholders who elect to receive Shares in lieu of cash or other dividend) by the Company of Shares if the Total Effective Consideration (as defined below) for each Share is less than ninety per cent. (90%) of the Last Dealt Price for each Share (calculated as provided below); or
- (e) **Consolidation, Subdivision or Conversion.** Any consolidation, subdivision or conversion of Shares.

APPENDIX 4: ADJUSTMENTS TO THE EXERCISE PRICE AND/OR THE NUMBER OF BONUS WARRANTS

5.2. Adjustment Formulae

Subject to these Conditions (and in particular Condition 5.3) and the Deed Poll, the Exercise Price and the number of Warrants held by each Warrantholder shall from time to time be adjusted in accordance with the following provisions (but so that if the event giving rise to any such adjustment shall be capable of falling within any two or more of Conditions 5.1(a) to 5.1(e) or if such event is capable of giving rise to more than one adjustment, the adjustment shall be made in such manner as the Approved Bank shall determine):

- (a) **Capitalisation of Profits or Reserves.** If and whenever the Company shall make any issue of Shares to its Shareholders credited as fully paid, by way of capitalisation of profits or reserves (whether of a capital or income nature and including any capital redemption reserve fund, other than an issue of Shares to Shareholders who elect to receive Shares in lieu of cash or other dividend) the Exercise Price and the number of Warrants held by each Warrantholder shall be adjusted in the following manner:

$$\text{New Exercise Price} = \frac{A}{A + B} \times P$$

$$\text{Adjusted number of Warrants} = \frac{A + B}{A} \times W$$

where:

- A = the aggregate number of issued and fully paid-up Shares immediately before such capitalisation issue;
- B = the aggregate number of Shares to be issued pursuant to any allotment to Shareholders credited as fully paid by way of capitalisation of profits or reserves (including any capital redemption reserve fund other than an issue of Shares to Shareholders who elect to receive Shares in lieu of cash or other dividend);
- P = existing Exercise Price; and
- W = existing number of Warrants held.

Such adjustments will be effective (if appropriate, retroactively) from the commencement of the Market Day next following the record date for such issue.

- (b) **Capital Distribution or Rights Issue.** If and whenever:
- (i) the Company shall make a Capital Distribution (as defined below) to Shareholders whether on a reduction of capital or otherwise (but excluding any cancellation of capital which is lost or unrepresented by available assets); or
 - (ii) the Company shall make any offer or invitation to its Shareholders under which they may acquire or subscribe for Shares by way of rights,

APPENDIX 4: ADJUSTMENTS TO THE EXERCISE PRICE AND/OR THE NUMBER OF BONUS WARRANTS

then the Exercise Price shall be adjusted in the following manner:

$$\text{New Exercise Price} = \frac{C - D}{C} \times P$$

and in respect of each case referred to in Condition 5.2(b)(ii) above, the number of Warrants held by each Warrantholder shall be adjusted in the following manner:

$$\text{Adjusted number of Warrants} = \frac{C}{C - D} \times W$$

where:

- C = the average of the Last Dealt Prices on the five (5) Market Days immediately before the date on which the Capital Distribution (as defined below), or any offer or invitation referred to in Condition 5.2(b)(ii) above, as the case may be, is publicly announced or (failing any such announcement), immediately preceding the date of the Capital Distribution (as defined below) or, as the case may be, of the offer or invitation;
- D = (i) in the case of an offer or invitation to acquire or subscribe for Shares by way of rights under Condition 5.2(b)(ii) above, the value of the rights attributable to one Share (as defined below); or (ii) in the case of any other transaction falling within Condition 5.2(b) above, the fair market value, as determined by an Approved Bank (with the concurrence of the Auditors), of that portion of the Capital Distribution (as defined below) or of the nil paid rights attributable to one Share;
- P = as in P above; and
- W = as in W above.

For the purpose of definition (i) of “D” above the “**value of the rights attributable to one Share**” shall be calculated in accordance with the formula:

$$\frac{C - E}{F + 1}$$

where:

- C = as in C above;
- E = the subscription price for one additional Share under the offer or invitation to acquire or subscribe for Shares by way of rights; and
- F = the number of Shares which it is necessary to hold in order to be offered or invited to acquire or subscribe for one additional Share by way of rights.

APPENDIX 4: ADJUSTMENTS TO THE EXERCISE PRICE AND/OR THE NUMBER OF BONUS WARRANTS

For the purposes of Conditions 5.1(b) and 5.2(b)(i) above, “**Capital Distribution**” shall (without prejudice to the generality of that expression) include distributions in cash or specie (other than dividends) or by way of issue of Shares (not falling under Condition 5.2(a)) or other securities credited as fully or partly paid up by way of capitalisation of profits or reserves (including any capital redemption reserve fund other than an issue of Shares to Shareholders who elect to receive Shares in lieu of cash or other dividend).

Such adjustments will be effective (if appropriate, retroactively) from the commencement of the Market Day next following the record date for such issue pursuant to Condition 5.2(b).

- (c) **Capitalisation of Profits or Reserves and Rights Issue.** If and whenever the Company makes any allotment to its Shareholders as provided in Condition 5.2(a) above and also makes any offer or invitation to its Shareholders as provided in Condition 5.2(b)(ii) above and the record date for the purpose of the allotment is also the record date for the purpose of the offer or invitation, the Exercise Price and the number of Warrants held by each Warrantholder shall be adjusted in the following manner:

$$\text{New Exercise Price} = \frac{(G \times C) + (H \times E)}{(G + H + B) \times C} \times P$$

$$\text{Adjusted number of Warrants} = \frac{(G + H + B) \times C}{(G \times C) + (H \times E)} \times W$$

where:

B = as in B above;

C = as in C above;

E = as in E above;

G = the aggregate number of issued and fully paid-up Shares on the record date;

H = the aggregate number of new Shares to be issued under an offer or invitation to acquire or subscribe for Shares by way of rights;

P = as in P above; and

W = as in W above.

Such adjustments will be effective (if appropriate, retroactively) from the commencement of the Market Day next following the closing date for the above transactions.

APPENDIX 4: ADJUSTMENTS TO THE EXERCISE PRICE AND/OR THE NUMBER OF BONUS WARRANTS

- (d) **Other Offers to Shareholders.** If and whenever (otherwise than pursuant to a rights issue available to all Shareholders alike and requiring an adjustment under Conditions 5.2(b)(ii) or 5.2(c) other than an issue of Shares to Shareholders who elect to receive Shares in lieu of cash or other dividend) the Company shall issue any Shares and the Total Effective Consideration for each Share (as defined below) is less than ninety per cent. (90%) of the average Last Dealt Price on SGX-ST on the five (5) Market Days before the date on which the issue price of such Shares is determined, or, if such price is determined either before the close of business on SGX-ST for that day or on a day which is not a Market Day, on the prior Market Day, the Exercise Price shall be adjusted in the following manner:

$$\text{New Exercise Price} = \frac{M + N}{M + O} \times P$$

where:

- M = the number of Shares in issue at the close of business on SGX-ST on the Market Day immediately preceding the date on which the relevant adjustment becomes effective;
- N = the number of Shares which the Total Effective Consideration (as defined below) would have purchased at such average Last Dealt Price for the five (5) Market Days immediately preceding the date on which the issue price of such Shares is determined (exclusive of expenses);
- O = the aggregate number of Shares so issued; and
- P = as in P above.

Each such adjustment will be effective (if appropriate, retroactively) from the close of business on SGX-ST on the Market Day before the date on which the issue is announced, or (failing any such announcement) before the date on which the Company determines the offering price of such Shares.

For the purpose of Conditions 5.1(d) and 5.2(d), the “**Total Effective Consideration**” shall be determined by the Directors with the concurrence of an Approved Bank and shall be the aggregate consideration receivable by the Company on payment in full for such Shares, without any deduction of any commissions, discounts or expenses paid, allowed or incurred in connection with the issue thereof, and the “**Total Effective Consideration for each Share**” shall be the Total Effective Consideration divided by the number of Shares issued as aforesaid.

APPENDIX 4: ADJUSTMENTS TO THE EXERCISE PRICE AND/OR THE NUMBER OF BONUS WARRANTS

- (e) **Consolidation, Subdivision or Conversion.** If, and whenever, consolidation, subdivision or conversion of the shares occurs, the Exercise Price shall be adjusted in the following manner:

$$\text{New Exercise Price} = \frac{A}{B} \times P$$

and the number of Warrants shall be adjusted in the following manner:

$$\text{Adjusted number of Warrants} = \frac{B}{A} \times W$$

where:

A = as in A above;

B = as in B above;

P = as in P above; and

W = as in W above,

such adjustments will be effective from the close of the Market Day immediately preceding the date on which the consolidation, subdivision or conversion becomes effective.

5.3. Events requiring no adjustment

Notwithstanding any of the provisions hereinbefore contained, no adjustment to the Exercise Price and the number of Warrants held by each Warrantholder will be required in respect of:

- (a) **Approved Employment Share Schemes.** An issue by the Company of Shares or other securities convertible into rights to acquire or subscribe for shares to officers, including directors, or employees of the Company or any of its Subsidiaries pursuant to any purchase or option scheme approved by the Shareholders in general meeting, including the AEI Performance Share Plan;
- (b) **Consideration Shares.** An issue by the Company of Shares in consideration or part consideration for or in connection with the acquisition of any other securities, assets or business;
- (c) **Exercise of Convertible Securities.** Any issue by the Company of Shares pursuant to the exercise of any of the Warrants and any other warrants or the conversion of any convertible securities previously issued by the Company;

APPENDIX 4: ADJUSTMENTS TO THE EXERCISE PRICE AND/OR THE NUMBER OF BONUS WARRANTS

- (d) **Issuance of Convertible Securities.** Any issue by the Company of securities convertible into Shares or rights to acquire or subscribe for Shares and the issue of Shares arising from the conversion or exercise of such securities or rights, issued subsequent to the issue of Warrants, whether by itself or together with any other issues;
- (e) **Approved Share Purchase Scheme.** Any purchase by the Company of Shares pursuant to any share purchase scheme approved by Shareholders in general meeting subsequent to the issue of Warrants, whether such Shares purchased pursuant to any such share purchase scheme are deemed cancelled or held in treasury; or
- (f) **Allotment and issue of new Shares pursuant to the Relevant Transactions.** Any allotment and issue of new Shares by the Company pursuant to the Relevant Transactions.

5.4. Third Party Offers

If any offer or invitation for Shares is made otherwise than by the Company to the Shareholders, then the Company shall so far as it is able to, procure that at the same time an offer or invitation is made to the then Warrantholders as if their rights to subscribe for New Shares had been exercised the day immediately preceding the date on which as at the close of business Shareholders must be registered in order to participate in such offer or invitation on the basis then applicable.

5.5. Definitions for Condition 5

The following definitions shall apply for the purposes of Condition 5:

- (a) “**AEI Performance Share Plan**” means the performance share plan approved by shareholders of the Company at the extraordinary general meeting on 28 April 2014;
- (b) “**record date**” in relation to the relevant transaction means the date as at the close of business on which Shareholders must be registered as such to participate therein; and
- (c) “**closing date**” shall mean the date by which acceptance and payment for the Shares is to be made under the terms of such offer or invitation.”

NOTICE OF EXTRAORDINARY GENERAL MEETING

AEI CORPORATION LTD.

(Incorporated in the Republic of Singapore)
Company Registration No. 198300506G

NOTICE IS HEREBY GIVEN that an Extraordinary General Meeting of **AEI CORPORATION LTD.** (the “**Company**”) will be held at 15 Tuas South Street 13 Singapore 636936 on 27 March 2018 at 10.00 a.m. for the purpose of considering and, if thought fit, passing, the following resolutions:

Unless otherwise defined herein, defined terms used herein shall have the same meaning ascribed thereto in the Company’s Circular to Shareholders dated 12 March 2018 in respect of the resolutions herein.

Shareholders should note that:

- (I) **Ordinary Resolutions 1, 3, 4, and 5 as set out in this Notice (collectively, the “Relevant Resolutions”)** are inter-conditional on each other.

This means that if any one of the Relevant Resolutions is not approved, the other Relevant Resolutions and ordinary resolutions 2 and 6 would not be duly approved.

- (II) **Ordinary Resolution 2 is conditional upon the approval of all the Relevant Resolutions.**

This means that if any of the Relevant Resolutions is not approved, Ordinary Resolution 2 will not be approved. For the avoidance of doubt, if Ordinary Resolution 2 is not approved, this would not affect the approval of the Relevant Resolutions.

- (III) **Ordinary Resolution 6 is conditional upon the approval of all the Relevant Resolutions and Ordinary Resolution 2.**

This means that if any of the Relevant Resolutions and/or Ordinary Resolution 2 is not approved, Ordinary Resolution 6 will not be approved. For the avoidance of doubt, if Ordinary Resolution 6 is not approved, this would not affect the approval of the Relevant Resolutions or Ordinary Resolution 2.

AS ORDINARY RESOLUTION

RESOLUTION 1 – THE PROPOSED SUBSCRIPTION, COMPRISING THE PROPOSED ALLOTMENT AND ISSUE OF:

- (I) **UP TO 38,125,000 SHARES (COMPRISING 28,750,000 TRANCHE 1 SUBSCRIPTION SHARES AND UP TO 9,375,000 TRANCHE 2 SUBSCRIPTION SHARES) AT THE ISSUE PRICE OF S\$0.80 EACH, TO THE SUBSCRIBER (THE “PROPOSED SUBSCRIPTION SHARES ISSUE”);**
- (II) **UP TO 24,375,000 OPTION SHARES AT THE ISSUE PRICE OF S\$0.80 EACH, TO THE SUBSCRIBER (THE “PROPOSED OPTION SHARES ISSUE”); AND**
- (III) **UP TO 1,875,000 INTRODUCER SHARES AT THE ISSUE PRICE OF S\$0.80 EACH, TO THE INTRODUCER (THE “PROPOSED INTRODUCER SHARES ISSUE”).**

NOTICE OF EXTRAORDINARY GENERAL MEETING

That contingent upon the passing of Ordinary Resolutions 3, 4 and 5, the Proposed Subscription be and is hereby approved and confirmed, and that approval be and is hereby given to the Directors of the Company:

- (a) to allot and issue to the Subscriber an aggregate of:
 - (i) 28,750,000 Tranche 1 Subscription Shares and up to 9,375,000 Tranche 2 Subscription Shares, at the Issue Price of S\$0.80 each; and
 - (ii) up to 24,375,000 Option Shares at the Issue Price of S\$0.80 each,

pursuant to the Proposed Subscription, subject to and otherwise in accordance with the terms and conditions of the Subscription Agreement, whereby such Tranche 1 Subscription Shares, Tranche 2 Subscription Shares and/or Option Shares shall rank *pari passu* in all respects with the then existing Shares of the Company except for any dividend, rights, allotment and other distributions, the record date in respect of which falls on or before the relevant dates on which the Tranche 1 Subscription Shares, Tranche 2 Subscription Shares and/or the Option Shares are issued, be hereby approved and confirmed;

- (b) the allotment and issue to the Introducer of an aggregate of up to 1,875,000 Introducer Shares at the Issue Price of S\$0.80 per Introducer Share, credited as fully paid-up, subject to and otherwise in accordance with the terms and conditions of the Subscription Agreement, whereby such Introducer Shares shall rank *pari passu* in all respects with the then existing Shares of the Company except for any dividend, rights, allotment and other distributions, the record date in respect of which falls on or before the relevant dates on which the Introducer Shares are issued, be hereby approved and confirmed; and
- (c) to complete and do and/or procure to be done all such acts and things including, without limitation, executing all such documents and approving any amendments, alterations or modifications to any documents as each of them consider necessary, desirable or expedient to give full effect to the matters referred to in this Resolution 1 as they or each of them may in their absolute discretion deem fit in the interest of the Company.

AS ORDINARY RESOLUTION

RESOLUTION 2 – THE PROPOSED ALLOTMENT AND ISSUE OF UP TO 27,119,659 FREE BONUS WARRANTS, EACH BONUS WARRANT CARRYING THE RIGHT TO SUBSCRIBE FOR ONE (1) WARRANT SHARE AT AN EXERCISE PRICE OF S\$1.00 FOR EACH WARRANT SHARE, ON THE BASIS OF ONE (1) FREE BONUS WARRANT FOR EVERY ONE (1) EXISTING SHARE HELD BY SHAREHOLDERS AS AT THE BOOKS CLOSURE DATE, FRACTIONAL ENTITLEMENTS TO BE DISREGARDED (THE “PROPOSED BONUS WARRANTS ISSUE”).

That contingent upon the passing of Ordinary Resolutions 1, 3, 4 and 5, the Proposed Bonus Warrants Issue be and is hereby approved, and that approval be and is hereby given to the Directors of the Company:

- (a) to the creation and issue of:
 - (i) up to 27,119,659 Bonus Warrants in registered form to be issued free, each Bonus Warrant to entitle the holder thereof to subscribe for one (1) Warrant Share at an exercise price of S\$1.00 for each Warrant Share and which may be exercised commencing on and including the date six (6) months from the date of listing of the

NOTICE OF EXTRAORDINARY GENERAL MEETING

Bonus Warrants on the SGX-ST and expiring at 5.00 p.m. (Singapore time) on the date immediately preceding the third (3rd) anniversary of the date of issue of the Bonus Warrants unless such date is a date on which the Register of Members of the Company is closed or is not a Market Day, in which event the exercise period shall expire on the date prior to the closure of the Register of Members of the Company or the immediately preceding Market Day, but excluding such period(s) during which the register of Warrant holders of the Company may be closed pursuant to the terms and conditions of the Bonus Warrants set out in the Bonus Warrants Deed Poll and on such other terms and conditions as the Directors may think fit; and

- (ii) such further Bonus Warrants as may be required or permitted to be issued in accordance with the terms and conditions of the Bonus Warrants Deed Poll (any such further Bonus Warrants to rank *pari passu* with the Bonus Warrants and for all purposes to form part of the same respective series, save as may otherwise be provided in the terms and conditions of the Bonus Warrants Deed Poll);
- (b) to allot and issue (notwithstanding that the issue thereof may take place after the next or any ensuing annual or other general meeting of the Company):
- (i) up to 27,119,659 Warrant Shares upon the exercise of the Bonus Warrants, subject to and otherwise in accordance with the terms and conditions of the Bonus Warrants Deed Poll, such Warrant Shares (when issued and paid) to rank *pari passu* in all respects with the then existing Shares of the Company (save as may otherwise be provided in the terms and conditions of the Bonus Warrants Deed Poll) save for any dividends, rights, allotments or other distributions the record date for which falls before the relevant exercise date of the Bonus Warrants; and
 - (ii) on the same basis as paragraph (b)(i) above, such further Warrant Shares as may be required to be allotted and issued on the exercise of any of the Bonus Warrants issued in accordance with paragraph (a)(ii) above,

on the terms and conditions set out below and/or otherwise on such terms and conditions as the Directors may think fit:

- (A) the issue of the Bonus Warrants under the Proposed Bonus Warrants Issue shall be made to Shareholders whose names appear in the Register of Members of the Company or the records of The Central Depository (Pte) Limited (“**CDP**”) as at the Books Closure Date with registered addresses in Singapore or who have, at least three (3) Market Days prior to the Books Closure Date, provided to CDP or the Company, as the case may be, addresses in Singapore for the service of notices and documents;
- (B) no issue of the Bonus Warrants shall be made in favour of Shareholders with registered addresses outside Singapore as at the Books Closure Date or who have not, at least three (3) Market Days prior thereto, provided to CDP or the Company, as the case may be, addresses in Singapore for the service of notices and documents (the “**Foreign Shareholders**”);
- (C) the issue of Bonus Warrants which would otherwise accrue to Foreign Shareholders shall be disposed of by the Company in such manner and on such terms and conditions as the Directors shall deem fit and to pool and thereafter distribute the net proceeds thereof, if any (after deducting all expenses), proportionately among such Foreign Shareholders in accordance with their respective shareholdings as at the Books

NOTICE OF EXTRAORDINARY GENERAL MEETING

Closure Date provided that if the amount to be distributed to any single Foreign Shareholder is less than S\$10.00, such amount shall instead be retained or dealt with for the sole benefit of the Company; and

- (D) the issue of Bonus Warrants not allotted for any reason (other than allotments to Foreign Shareholders referred to above) shall be allotted or dealt with in such manner as the Directors may, in their absolute discretion, deem fit in the interests of the Company, and the Directors and each of them be and are hereby authorised to implement, effect and complete and do all acts and things (including executing all such documents as may be required) as the Directors or any of them may consider necessary, desirable or expedient to give effect to this Ordinary Resolution 2 as they may think fit.

AS ORDINARY RESOLUTION

RESOLUTION 3 – THE PROPOSED WHITEWASH RESOLUTION

That contingent upon the passing of Ordinary Resolutions 1, 4 and 5, the Independent Shareholders of the Company, hereby (on a poll taken) unconditionally and irrevocably waive their right under Rule 14 of the Code to receive a General Offer from the Subscriber and its concert parties following from the allotment and issue of the Tranche 1 Subscription Shares, Tranche 2 Subscription Shares and Option Shares pursuant to the Proposed Subscription.

AS ORDINARY RESOLUTION

RESOLUTION 4 – THE TRANSFER OF CONTROLLING INTEREST

That contingent upon the passing of Ordinary Resolutions 1, 3 and 5, the Transfer of Controlling Interest be and is hereby approved and that approval be and is hereby given to the Directors of the Company:

- (a) to allot and issue, to the Subscriber:
- (i) such number of Subscription Shares pursuant to the Proposed Subscription Shares Issue; and
 - (ii) such number of Option Shares as may be required or permitted to be allotted or issued pursuant to the Proposed Option Shares Issue,

subject to and otherwise in accordance with the terms and conditions of the Subscription Agreement, the issuance of such Shares constituting a transfer of controlling interest in the Company to the Subscriber; and

- (b) to complete and do and/or procure to be done all such acts and things including, without limitation, executing all such documents and approving any amendments, alterations or modifications to any documents as they may consider necessary, desirable or expedient to give full effect to this Resolution 4.

NOTICE OF EXTRAORDINARY GENERAL MEETING

AS ORDINARY RESOLUTION

RESOLUTION 5 – THE PROPOSED DIVERSIFICATION

THAT contingent upon the passing of Ordinary Resolutions 1, 3 and 4:

- (a) approval be and is hereby given for the diversification by the Company and its subsidiaries of its Existing Core Business to the Infrastructure Business which includes, *inter alia*, development, investment and acquisition of infrastructure assets, and any other activities related to the Infrastructure Business;
- (b) the Company be and is hereby authorised to invest in, purchase or otherwise acquire or dispose of, from time to time, any such real estate, properties, assets, investments and shares/interests in any entity that is in the Infrastructure Business on such terms and conditions as the Directors deem fit, and such Directors be and are hereby authorised to take such steps and exercise such discretion and do all such acts or things such as the entry by the Group into such contracts, agreements and undertakings as they deem desirable, necessary or expedient or give effect to the Proposed Diversification and diversify and expand the Existing Core Business of the Company to the Infrastructure Business; and
- (c) the Directors or any of them be and are hereby authorised to exercise such discretion to complete and do all such acts and things, including without limitation, to sign, seal, execute and deliver all such documents and deeds, and to approve any amendment, alteration or modification to any document, as they or he may consider necessary, desirable or expedient or in the interest of the Company to give effect to this Resolution 5.

AS ORDINARY RESOLUTION

RESOLUTION 6 – THE PROPOSED NEW SHARE ISSUE MANDATE

THAT contingent upon the passing of Ordinary Resolutions 1, 2, 3, 4 and 5, the Existing Share Issue Mandate be revoked and pursuant to Section 161 of the Companies Act and Rule 806 of the Listing Manual of the SGX-ST, authority be and is hereby given to the Directors of the Company to allot and issue whether by way of bonus or otherwise, (i) Shares; (ii) convertible securities; (iii) additional convertible securities (where an adjustment, to the number of convertible securities to which a holder is originally entitled to, is necessary as a result of any rights, bonus or other capitalization issues by the Company), notwithstanding that such authority may have ceased to be in force at the time such additional convertible securities are issued, provided that the adjustment does not give the holder of the convertible securities a benefit that a Shareholder does not receive; and/or (iv) Shares arising from the conversion of securities in (ii) and additional convertible securities in (iii) above, notwithstanding that such authority may have ceased to be in force at the time the Shares are to be issued, and any such issue may be made at any time and upon such terms and conditions and for such purposes and to such persons as the Directors of the Company may in their absolute discretion deem fit,

NOTICE OF EXTRAORDINARY GENERAL MEETING

PROVIDED THAT:

- (a) the aggregate number of shares and convertible securities to be issued pursuant to this Resolution shall not exceed 50% of the total number of the Prevailing Share Capital (excluding treasury shares, if any) of the Company, of which the aggregate number of Shares and convertible securities issued other than on a pro rata basis to existing Shareholders of the Company shall not exceed 20% of the total number of the Prevailing Share Capital (excluding treasury shares, if any) of the Company, after adjusting for any subsequent bonus issue, consolidation or subdivision of Shares, if any;
- (b) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Listing Manual of the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST) and the Constitution for the time being of the Company; and
- (c) unless revoked or varied by the Company in a general meeting, such authority shall continue in force until the conclusion of the next annual general meeting of the Company or the date by which the next annual general meeting of the Company is required by law to be held, whichever is the earlier.

BY ORDER OF THE BOARD
AEI CORPORATION LTD.

Tan Chu En Ian
Executive Director and Chief Executive Officer

12 March 2018

NOTICE OF EXTRAORDINARY GENERAL MEETING

Notes:–

1. A member of the Company (other than a Relevant Intermediary*) entitled to attend and vote at the Extraordinary General Meeting is entitled to appoint not more than two proxies to attend and vote in his stead. A member of the Company, which is a corporation, is entitled to appoint its authorised representative or proxy to vote on its behalf. A proxy need not be a member of the Company.
 2. A Relevant Intermediary may appoint more than two proxies to attend, vote and speak at the Extraordinary General Meeting, but each proxy must be appointed to exercise the rights attached to a difference share or shares held by such member (which number and class shares shall be specified).
 3. Where a member appoints two proxies, he shall specify the proportion of his shareholding to be represented by each proxy in the instrument appointing the proxies.
 4. The instrument appointing a proxy must be deposited at the registered office of the Company at 15 Tuas South Street 13, Singapore 636936, not less than 48 hours before the time of the Extraordinary General Meeting in order for the proxy to be entitled to attend and vote at the Extraordinary General Meeting.
 5. The instrument appointing a proxy or proxies must be signed by the appointor or his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its seal or under the hand of any officer or attorney duly authorised.
 6. A Depositor's name must appear on the Depository Register maintained by The Central Depository (Pte) Limited 72 hours before the time fixed for holding the Extraordinary General Meeting in order for the Depositor to be entitled to attend and vote at the Extraordinary General Meeting.
- * A Relevant Intermediary is:
- (a) a banking corporation licensed under the Banking Act (Chapter 19) of Singapore or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity; or
 - (b) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act (Chapter 289) of Singapore and who holds shares in that capacity; or
 - (c) the Central Provident Fund Board established by the Central Provident Fund Act (Chapter 36) of Singapore, in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the Central Provident Fund Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.

PERSONAL DATA PRIVACY:

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Extraordinary General Meeting and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents or service providers) for the purpose of the processing, administration and analysis by the Company (or its agents or service providers) of proxies and representatives appointed for the Extraordinary General Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the Extraordinary General Meeting (including any adjournment thereof), and in order for the Company (or its agents or service providers) to comply with any applicable laws, listing rules, take-over rules, regulations and/or guidelines (collectively, the "Purposes"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents or service providers), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents or service providers) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

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PROXY FORM

AEI CORPORATION LTD.

(Incorporated in the Republic of Singapore)
Company Registration No. 198300506G

Extraordinary General Meeting

(Please see notes overleaf before completing this Form)

IMPORTANT

1. Relevant intermediaries as defined in Section 181 of the Companies Act, Chapter 50 of Singapore, may appoint more than two proxies to attend, speak and vote at the Extraordinary General Meeting.
2. For CPF/SRS investors who have used their CPF/SRS moneys to buy AEI Corporation Ltd. shares, this form of proxy is not valid for use and shall be ineffective for all intents and purposes if used or purported to be used by them. CPF/SRS investors should contact their respective Agent Banks/SRS Operators if they have any queries regarding their appointment as proxies.
3. By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of the Extraordinary General Meeting.

*I/We, _____ (name)

of _____ (address)

being a *member/members of AEI Corporation Ltd. (the "Company"), hereby appoint:

Name	NRIC/Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address			

*and/or (delete as appropriate)

Name	NRIC/Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address			

or failing the *person/persons, the Chairman of the Extraordinary General Meeting ("**Meeting**"), as *my/our *proxy/proxies to vote for *me/us on *my/our behalf at the Meeting of the Company to be held on 27 March 2018 at 10.00 a.m. at 15 Tuas South Street 13 Singapore 636936 and at any adjournment thereof.

*I/We direct *my/our *proxy/proxies to vote for or against the Resolution to be proposed at the Meeting as indicated hereunder. If no specific direction as to voting is given or in the event of any other matter arising at the Meeting and at any adjournment thereof, the *proxy/proxies will vote or abstain from voting at *his/her/their discretion. The authority herein includes the right to demand or to join in demanding a poll and to vote on a poll.

(Please indicate your vote "For" or "Against" with a tick [✓] within the box provided.)

Ordinary Resolution	For	Against
1. The Proposed Subscription, comprising: (I) The Proposed Subscription Shares Issue; (II) The Proposed Option Shares Issue; and (III) The Proposed Introducer Shares Issue		
2. The Proposed Bonus Warrants Issue		
3. The Proposed Whitewash Resolution		
4. The Transfer of Controlling Interest		
5. The Proposed Diversification		
6. The Proposed New Share Issue Mandate		

Dated this _____ day of _____ 2018

Total number of Shares in:	No. of Shares
(a) CDP Register	
(b) Register of Members	

Signature of Shareholder(s)/Common Seal of Shareholder*

* Delete where inapplicable

IMPORTANT: PLEASE READ NOTES OVERLEAF

PROXY FORM

Notes:

1. A member of the Company who is entitled to attend and vote at the Extraordinary General Meeting and who is not a relevant intermediary is entitled to appoint not more than two (2) proxies to attend and vote in his/her stead. Where such member appoints two (2) proxies, he/she shall specify the proportion of his/her shareholding (expressed as a percentage of the whole) to be represented by each such proxy, failing which the nomination shall be deemed to be alternative.
2. A member of the Company who is entitled to attend and vote at the Extraordinary General Meeting and who is a relevant intermediary is entitled to appoint more than two (2) proxies to attend and vote in his/her stead, but each proxy must be appointed to exercise the rights attached to different share(s) held by such member. Where such member appoints more than one (1) proxy, the number of share(s) in relation to which each proxy has been appointed shall be specified in the form of proxy.

“Relevant intermediary” means:

- (a) a banking corporation licensed under the Banking Act (Chapter 19) of Singapore or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity;
 - (b) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act (Chapter 289) of Singapore and who holds shares in that capacity; or
 - (c) the Central Provident Fund Board established by the Central Provident Fund Act (Chapter 36) of Singapore, in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.
3. A proxy need not be a member of the Company.
 4. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his/her attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its seal or under the hand of an officer or attorney duly authorised. Where the instrument appointing a proxy or proxies is executed by an attorney on behalf of the appointor, the letter or power of attorney or a duly certified copy thereof must be lodged with the instrument.
 5. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Extraordinary General Meeting, in accordance with Section 179 of the Companies Act (Chapter 50) of Singapore.
 6. Please insert the total number of shares held by you. If you have shares entered against your name in the Depository Register (as defined in Section 130A of the Companies Act (Chapter 50) of Singapore), you should insert that number of shares. If you have shares registered in your name in the Register of Members, you should insert that number of shares. If you have shares entered against your name in the Depository Register and shares registered in your name in the Register of Members, you should insert the aggregate number of shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the shares held by you.
 7. The instrument appointing a proxy or proxies, together with the power of attorney, or other authority (if any) under which is signed, or notorially certified copy thereof, must be deposited at the registered office of the Company, at 15 Tuas South Street 13, Singapore 636936 not less than 48 hours before the time appointed for holding the Extraordinary General Meeting or any postponement or adjournment thereof. Completion and return of the proxy form by a member will not prevent him/her from attending and voting at the Extraordinary General Meeting if he/she so wishes. In such event, the relevant proxy form will be deemed to be revoked.

General:

The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of shares entered in the Depository Register, the Company may reject any instrument appointing proxy or proxies lodged if the member, being the appointor, is not shown to have shares entered against his/her name in the Depository Register as at 72 hours before the time appointed for holding the Extraordinary General Meeting, as certified by The Central Depository (Pte) Limited to the Company.

A Depositor shall not be regarded as a member of the Company entitled to attend the Extraordinary General Meeting and to speak and vote thereat unless his/her name appears on the Depository Register 72 hours before the time set for the Extraordinary General Meeting.

Personal data privacy:

By submitting a proxy form appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Extraordinary General Meeting and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the Extraordinary General Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the Extraordinary General Meeting (including any adjournment thereof), and in order for the Company (or its agents) to comply with any Extraordinary General Meeting laws, listing rules, regulations and/or guidelines (collectively, the **“Purposes”**), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

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