6 July 2022

SEN YUE HOLDINGS LIMITED
(UNDER JUDICIAL MANAGEMENT)
3 Jalan Pesawat
Singapore 619361

Attention: The Judicial Managers

LETTER FROM XANDAR CAPITAL PTE. LTD. TO THE JUDICIAL MANAGERS OF SEN YUE HOLDINGS LIMITED (THE "COMPANY") IN RESPECT OF THE PROPOSED WHITEWASH RESOLUTION IN RELATION TO THE PROPOSED ALLOTMENT AND ISSUE OF 1,750,000,000 NEW ORDINARY SHARES BY THE COMPANY TO ELECTROLOY METAL PTE. LTD. ("ELECTROLOY") AT THE ISSUE PRICE OF S$0.004 FOR EACH NEW ORDINARY SHARES

*For the purpose of this letter, capitalised terms not otherwise defined shall have the meaning given to them in the circular to shareholders of the Company dated 6 July 2022 (the "**Circular**").*

1. INTRODUCTION

On 4 April 2022, the Company announced that it has entered into three (3) separate definitive subscription agreements dated 4 April 2022 (and together with the supplemental agreements announced by the Company on 27 June 2022, collectively, the "**Subscription Agreements**") with three subscribers (the "**Subscribers**", including Electroloy) pursuant to which the Company shall allot and issue an aggregate of 2,253,750,000 new ordinary shares in the capital of the Company (the "**Subscription Shares**") at an issue price of S$0.004 (the "**Issue Price**") for each Subscription Share, subject to and on the terms and conditions of the Subscription Agreements (the "**Proposed Subscriptions**").

Together with the Proposed Subscriptions, the Judicial Managers will propose a debt restructuring exercise to address the debts of the Company and its wholly-owned subsidiary, SMC Industrial Pte. Ltd. ("**SMCI**", which is also under judicial management) by way of separate scheme of arrangement ("**Schemes**") for the Company and SMCI to be approved by the creditors of the Company or SMCI, as the case may be, and to be sanctioned by order of the High Court of Singapore (the "**High Court**"), such settlement being contemplated to be satisfied by payment in cash.

The Company intends to undertake the Proposed Subscriptions and the Schemes to resolve the debts of SMCI and the Company and to create a viable trading resumption proposal for the Company and its subsidiaries (the "**Group**").

1.1 THE PROPOSED WHITEWASH RESOLUTION

Under Rule 14.1 of the Singapore Code on Take-overs and Mergers (the "**Code**"), except with the consent from Securities Industry Council of Singapore (the "**SIC**"), where: (a) any person acquires, whether by a series of transactions over a period of time or not, shares

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which (taken together with shares held or acquired by persons acting in concert with him) carry 30% or more of the voting rights in a public 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 of a public company 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 of a public company, such person is required to make a mandatory general offer for all the remaining shares in the public company which he does not already own or control.

The allotment and issue of the Subscription Shares will result in Electroloy (which will be allotted and issue 1,750,000,000 Subscription Shares) and persons who are presumed to be acting in concert with Electroloy under the Code collectively holding shares in the capital of the Company ("**Shares**") representing more than 30% of the enlarged share capital of the Company comprising 3,238,030,038 Shares following the successful completion of the Proposed Subscriptions ("**Enlarged Share Capital**"), assuming there are no changes to the number of Shares (excluding treasury shares and subsidiary holdings) of the Company before the completion of the Proposed Subscriptions.

Accordingly, Electroloy will be required under the Code to make a mandatory general offer for the Shares not already owned or controlled by Electroloy and its concert parties pursuant to Rule 14.1 of the Code, unless such obligation is waived by the SIC and the Proposed Whitewash Resolution (as defined herein) is approved by the Company's shareholders ("**Shareholders**") other than (i) Electroloy, (ii) parties acting in concert with Electroloy, and (iii) parties not independent of the Proposed Subscription by Electroloy (the "**Independent Shareholders**") at an extraordinary general meeting of the Company, to be convened and held on 21 July 2022 (the "**EGM**").

As there is no intention to trigger a mandatory take-over obligation under the Code arising from the Proposed Subscriptions, an application was made to the SIC for a waiver of the obligations of Electroloy and its concert parties to make a mandatory general offer for the Shares under Rule 14.1 of the Code as a result of the allotment and issue of the Subscription Shares to Electroloy pursuant to the Proposed Subscriptions (the "**Whitewash Waiver**").

The SIC had on 16 June 2022 granted the Whitewash Waiver subject to the satisfaction of certain conditions including, *inter alia*, a majority of holders of voting rights of the Company present and voting at the EGM, held not later than the Proposed Subscriptions, approve by way of a poll, the ordinary resolution to unconditionally and irrevocably waive their right under Rule 14 of the Code to receive a mandatory general offer from Electroloy following the allotment and issue of the Subscription Shares by the Company to Electroloy pursuant to the Proposed Subscriptions (the "**Proposed Whitewash Resolution**"); and the Company appoints an independent financial adviser ("**IFA**") to advise the independent Shareholders on the Proposed Whitewash Resolution.

1.2 THE IFA OPINION

Xandar Capital Pte. Ltd. ("**Xandar Capital**") has been appointed as the IFA to advise the Judicial Managers on whether the terms of the Proposed Subscriptions, being the subject of the Proposed Whitewash Resolution, are fair and reasonable, and the recommendation to

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be made by the Judicial Managers to the Independent Shareholders in relation to the Proposed Whitewash Resolution.

1.3 THIS LETTER

This letter, which is prepared pursuant to the Code, sets out our evaluation of, and our opinion to, the Proposed Subscriptions and the Proposed Whitewash Resolution (this "**IFA Letter**"), and forms part of the Circular issued by the Company in connection with the Proposed Subscriptions and the Proposed Whitewash Resolution.

2. TERMS OF REFERENCE

We are not and were not involved in any aspect of the negotiations pertaining to the Proposed Subscriptions, the Schemes and the Proposed Whitewash Resolution, nor were we involved in the deliberations leading up to the decisions on the part of the Company to undertake the Proposed Subscriptions, the Schemes and the Proposed Whitewash Resolution. Accordingly, we do not, by this IFA Letter, warrant the merits of the Proposed Subscriptions, the Schemes and the Proposed Whitewash Resolution.

Our terms of reference do not require us to express, evaluate or comment on the rationale for, strategic or commercial merits and/or risks of the Proposed Subscriptions, the Schemes and the Proposed Whitewash Resolution. We are also not addressing the relative merits of the Proposed Subscriptions and the Schemes, as compared to any alternative transaction of the Group or that otherwise may become available to the Group in the future. We are also not expressing any view herein as to the prices at which the Shares may trade after the completion of the Proposed Subscriptions ("**Completion**") and the resumption of trading of the Shares, if approved by the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") following Completion.

In the course of our evaluation and for the purpose of providing our opinion in respect of the Proposed Subscriptions and the Proposed Whitewash Resolution, we have had discussions with the Judicial Managers and have examined information provided by the Judicial Managers and other publicly available information collated by us, upon which our view is based. We have not independently verified such information, whether written or verbal, and accordingly cannot and do not make any representation or warranty in respect of, and do not accept any responsibility for, the accuracy, completeness or adequacy of such information. We have made reasonable enquiries and exercised our judgment on the reasonable use of such information and found no reason to doubt the accuracy or reliability of the information.

We have not made any independent evaluation and appraisal on the assets and liabilities of the Company and/or the Group, and we have not been furnished with any such evaluation and appraisal. We have also not been provided with any financial projections or forecasts in respect of the Company or the Group. We are not required to express and we do not express any view herein on the growth prospects, financial position. earnings potential and sufficiency of working capital of the Company or the Group, whether with or without the Proposed Subscriptions and the Schemes.

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We have relied upon the assurance of the Judicial Managers that the Judicial Managers accept full responsibility for the accuracy of the information given in the Circular, and confirm, after making all reasonable enquiries, that to the best of their knowledge and belief, the Circular constitutes full and true disclosure of all material facts about the Proposed Subscriptions and the Proposed Whitewash Resolution, the Company and its subsidiaries, and the Judicial Managers are not aware of any facts the omission of which would make any statement in the Circular misleading. Where information in the Circular relating to the Subscribers has been provided by the Subscribers or their advisers or agents, or extracted or reproduced from published or otherwise publicly available sources, the sole responsibility of the Judicial Managers has been to ensure, through reasonable enquiries, that such information has been accurately and correctly extracted from such sources or, as the case may be, accurately or correctly reflected or reproduced in the Circular in its proper form and context. The Judicial Managers have not independently verified the accuracy and correctness of such information and do not accept any responsibility for any information relating to or opinions expressed by or on behalf of the Subscribers. Where information in the Circular has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of the Judicial Managers 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. The Judicial Managers have not independently verified the accuracy and correctness of such information. In relation to this IFA Letter, the Judicial Managers have confirmed that the facts stated, with respect to the Group, the Proposed Subscriptions and the Proposed Whitewash Resolution, are to the best of their knowledge and belief, fair and accurate in all material aspects.

Our opinion is based upon prevailing market, economic, industry, monetary and other conditions (where applicable) and the information made available to us contained in the Circular as at 23 June 2022, being the Latest Practicable Date. We assume no responsibility to update, revise or reaffirm our view in light of any subsequent development after the Latest Practicable Date that may affect our opinion contained herein. Shareholders should take note of any announcements relevant to their consideration of the Proposed Subscriptions and the Proposed Whitewash Resolution, which may be released by the Company after the Latest Practicable Date.

In arriving at our opinion, we did not consider the specific investment objectives, financial situation, tax consequences, risk profile or unique needs and constraints of any Shareholder or any specific group of Shareholders. We recommend that any individual Shareholder or group of Shareholders who may require specific advice in relation to his or their investment objectives or portfolios should consult his or their legal, financial, tax or other professional advisors immediately.

Our opinion is for the use and benefit of the Judicial Managers in their deliberation of the Proposed Subscriptions and the Proposed Whitewash Resolution, and the recommendation made by the Judicial Managers shall remain the responsibility of the Judicial Managers.

The Company has been separately advised by its own advisors in the preparation of the Circular (other than this IFA Letter). We have no role or involvement and have not provided any advice, financial or otherwise, whatsoever in the preparation, review and

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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).

Our opinion, in relation to the Proposed Subscriptions and the Proposed Whitewash Resolution, should be considered in the context of the entirety of this IFA Letter and the Circular.

Whilst a copy of this IFA Letter may be reproduced in the Circular, neither the Company, the directors of the Company ("**Directors**"), the Judicial Managers nor the Shareholders may reproduce, disseminate or quote this IFA Letter (or any part thereof) for any other purposes other than the Proposed Subscriptions and the Proposed Whitewash Resolution at any time and in any manner without our prior written consent.

We recommend that the Judicial Managers advise the Independent Shareholders to read these pages carefully.

3. THE PROPOSED SUBSCRIPTIONS

The Proposed Subscriptions relates to the allotment and issue of 2,253,750,000 Subscription Shares to three (3) Subscribers to raise total proceeds of S$9,015,000 for the Company. Further details of the Subscribers are set out in Section 3.1 of the Circular and paragraph 3.2.1 of this IFA Letter.

3.1 BACKGROUND AND RATIONALE FOR THE PROPOSED SUBSCRIPTIONS

The background and rationale for the Proposed Subscriptions is set out in Section 2.1 of the Circular.

In summary:

(a) trading in the Shares on the Catalist board ("**SGX-ST Catalist**") of the SGX-ST has been voluntarily suspended since 4 May 2020;

(b) the Judicial Managers have been appointed as Interim Judicial Managers of the Company and SMCI on 1 April 2021 and thereafter as Judicial Managers of the Company and SMCI on 10 May 2021, to manage the affairs, business and property of the Company and SMCI in order to achieve, amongst others, the survival of the Company and SMCI;

(c) the Judicial Managers have also proposed the Schemes, the notices of which have been sent by electronic mail to creditors of the Company and SMCI respectively, and advertised in The Business Times on 21 May 2022. We note from the notices that the meetings in relation to the Schemes will be held on 15 July 2022;

(d) subject to Shareholders' approval being obtained for (i) the Proposed Subscriptions; (ii) the Proposed Whitewash Resolution; (iii) the proposed transfer of controlling

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interest to Electroloy (the "**Proposed Transfer of Controlling Interest**"); and (iv) reconstitution of the board of directors of the Company (including the nomination and appointment of three (3) (whether executive or non-executive) directors (one of whom will be the chairman of the board of directors of the Company) and such other change as may be proposed by Electroloy) (collectively, the "**Proposed Transactions**") at the EGM, the Company proposes to undertake the Proposed Subscriptions and the Schemes to resolve the debts of SMCI and the Company and to create a viable trading resumption proposal for the Group;

(e) the Proposed Subscriptions, if successfully completed, will allow for certainty of funding resulting in the Company and SMCI being able to address their debts by way of the Schemes and to enable the Company and SMCI to continue operating as a going concern, which is vital for the continuity of the Group, and the Company will also have further access to funds for working capital;

(f) as at the Latest Practicable Date, the Judicial Managers are of the opinion that after taking into consideration:

(i) the present bank facilities, the working capital available to the Group is not sufficient to meet its present requirements for the reasons set out in Section 2.1 of the Circular; and

(ii) the present bank facilities, the Proposed Subscriptions and the net proceeds therefrom and the Group's present internal resources and assuming the completion of the Schemes, the working capital available to the Group will be sufficient to meet its present requirements; and

(g) without the Proposed Subscriptions and the Schemes, the Company and SMCI will not be able to resolve their debts or to continue operating as going concerns, which are preconditions for a viable proposal for the resumption of trading.

3.2 THE SUBSCRIBERS AND THE SUBSCRIPTION SHARES

As set out in Section 3.2.2 of the Circular, pursuant to the terms of the Subscription Agreements, the Subscribers shall subscribe for the Subscription Shares in the proportions as set out in the table below:

Subscribers	Number of Subscription Shares	Aggregate consideration payable by the Subscribers
Electroloy	1,750,000,000	S$7,000,000
Jiangmenshi Changxin Technology Limited ("**Jiangmenshi**")	274,750,000	S$1,099,000
Mr. Di Lingbin ("**Mr. Di**")	229,000,000	S$916,000
TOTAL	**2,253,750,000**	**S$9,015,000**

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3.2.1 About the Subscribers

Information of the Subscribers is set out in Section 3.1 of the Circular. We highlight the following information disclosed in the Company's public documents:

(a) SMCI, Electroloy and Mr. Wang Chun Jian entered into a joint venture agreement ("**JVA**") dated 7 October 2019 for the establishment and operation of a smelting facility under SMCI Refinery Pte. Ltd, a wholly-owned subsidiary of SMCI.

Construction of the smelting facility has stopped since March 2021 and the terms of the JVA to be re-negotiated.

(b) Jiangmenshi became a substantial Shareholder of the Company following the subscription of 120,000,000 new ordinary shares in the capital of the Company at the placement price of S$0.05 for each new ordinary share on 23 December 2019.

(c) Mr. Di became a substantial Shareholder of the Company following the purchase of 100,000,000 Shares at S$0.065 for each Share in July/August 2014.

3.2.2 About the Subscription Shares

The Subscription Shares represent in aggregate (a) approximately 228.97% of the existing share capital of the Company comprising 984,280,038 Shares as at the Latest Practicable Date (the "**Existing Share Capital**") and (b) approximately 69.60% of the Enlarged Share Capital of the Company, assuming there are no changes to the number of Shares (excluding treasury shares and subsidiary holdings) of the Company before the completion of the Proposed Subscriptions.

The Subscription Shares shall be issued free from any and all encumbrances whatsoever and shall rank *pari passu* with all the existing Shares with all rights and benefits attached thereto at Completion.

3.3 THE ISSUE PRICE

The Issue Price of S$0.004 per Subscription Share represents a discount of approximately 82.0% to the volume weighted average price of S$0.0222 per Share for trades done on the SGX-ST Catalist for the full market day on 27 April 2020, being the last full market day preceding the trading halt of the Company on 28 April 2020 till 3 May 2020, and the subsequent suspension of trading in the Shares on 4 May 2020.

In determining the discount as set out above, the Company had taken into consideration, *amongst others*, (a) the historical traded price of the Shares before the trading suspension is not reflective of the market value of the Company; (b) trading of the Shares have been voluntarily suspended since 4 May 2020 pursuant to Rules 1303(3)(a) and 1303(3)(c) of the SGX-ST Listing Manual (Section B: Rules of Catalist) ("**Catalist Rules**"); (c) SMCI and the Company have been in interim judicial management since 1 April 2021 and judicial management since 10 May 2021; and (d) the Proposed Subscriptions, if successfully

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completed, will allow for certainty of funding resulting in the Company and SMCI being able to address their debts by way of the Schemes and to enable SMCI to continue operating as a going concern.

3.4 OTHER SALIENT TERMS OF THE SUBSCRIPTION AGREEMENTS

3.4.1 Potential sale of up to 323,800,000 Subscription Shares by Electroloy

The Subscription Agreement with Electroloy provides that Electroloy may sell up to 323,800,000 Subscription Shares, representing approximately 10.0% of the Enlarged Share Capital of the Company ("**Electroloy Sale of Subscription Shares**").

As at the Latest Practicable Date, no share sale agreement has been formalized or entered into by Electroloy with any party.

3.4.2 Condition precedent

As stated in Section 3.2.4 of the Circular and pursuant to the terms of the Subscription Agreements, Completion is conditional upon the satisfaction or waiver of certain conditions. We extract in italics the following:

(d) the Subscribers being satisfied that the aggregate unsecured liabilities of the Company and SMCI (excluding related parties' claims) prior to the Schemes coming into effect not exceeding S$35.3 million;

*(e) approvals being obtained from the Shareholders for (i) the issuance of Subscription Shares, (ii) the transfer of controlling interest in the Company to Electroloy; and (iii) the reconstitution of the board of directors of the Company (including the nomination and appointment of three (3) (whether executive or non-executive) directors (one of whom will be the chairman of the board of directors of the Company) and such other change as may be proposed by Electroloy) ("**Proposed Board Reconstitution**") subject to approval being obtained from the SGX-ST for the Proposed Board Reconstitution;*

(f) prior approval being obtained from the SGX-ST for the Proposed Board Reconstitution and the Company's compliance with the directives of the SGX-ST as set out in paragraph 4.2 of the Notice of Compliance issued by the SGX Regco to the Company dated 18 June 2020 which requires that the Company's board composition shall remain unchanged until completion of the independent review by Foo Kon Tan Advisory Services Pte Ltd and satisfactory resolution of the findings by Foo Kon Tan Advisory Services Pte Ltd;

(i) (in the case of Electroloy) the appointment of an observer by Electroloy to the Company's, SMCI's and SYH's board with rights to attend and speak at board and other board committee, as well as management meetings of the Company, SMCI and SYH as well as (to the extent within the control of the Judicial Managers using their reasonable endeavours) other companies within the Group and right to observe the day-to-day business operations of the Company, SMCI and SYH without voting rights;

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(l) *(in the case of Electroloy) an undertaking being given by the Judicial Managers to Electroloy that the total professional fees (including the Judicial Managers, scheme managers, and legal counsel and IFA appointed or required to be appointed by the Company and/or SMCI) incurred by the Company and SMCI in connection with or arising from the Schemes, the Subscription Agreements and the judicial management on the Company and SMCI should not exceed in aggregate S$2.56 million (before tax and disbursements), on the basis that the judicial management orders on the Company and SMCI are discharged within two weeks from the date of Completion;*

(n) *there being no delisting of the existing Shares from the SGX-ST on or prior to the Completion, and there being no order or threat (other than the risk that the Company may face delisting if the SGX-ST does not approve the trading resumption proposal) of such delisting post-Completion;*

3.4.3 Long-stop date

The long-stop date for the Proposed Subscriptions is 31 July 2022 or such other date as the parties may agree in writing.

3.5 INTENDED USE OF PROCEEDS

The use of proceeds is set out in Section 3.3 of the Circular. We note that 77.7% of the proceeds (equivalent to approximately S$7 million) will be applied for the repayment of debts pursuant to the Schemes and the remaining 22.3% (equivalent to approximately S$2 million) will be for working capital purpose.

4. THE PROPOSED WHITEWASH RESOLUTION

4.1 SHAREHOLDING OF ELECTROLOY AND ITS CONCERT PARTIES BEFORE AND AFTER THE PROPOSED SUBSCRIPTIONS

As set out in Section 4 of the Circular and paragraph 1 of this IFA Letter, the allotment and issue of the Subscription Shares will result in Electroloy and its concert parties holding more than 30% of the Enlarged Share Capital of the Company thereby requiring Electroloy to make a mandatory general offer for the Shares not already owned or controlled by Electroloy and its concert parties pursuant to Rule 14.1 of the Code, unless such obligation is waived by the SIC and the Proposed Whitewash Resolution is approved by the Independent Shareholders at the EGM.

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We calculate the shareholding of Electroloy and its concert parties in the Company as follows:

	As at the Latest Practicable Date		After completion of the Proposed Subscriptions but before the Electroloy Sale of Subscription Shares		After completion of the Proposed Subscriptions and the Electroloy Sale of Subscription Shares	
	Number of Shares	**% of Existing Share Capital**	**Number of Shares**	**% of Enlarged Share Capital**	**Number of Shares**	**% of Enlarged Share Capital**
Electroloy	-	-	1,750,000,000	54.05	1,426,200,000	44.05
Concert parties of Electroloy						
Mr. Yap Meng Sing ("**Mr. Yap**", a director and a shareholder (holding approximately 44.06%) of Electroloy)	5,950,000	0.60	5,950,000	0.18	5,950,000	0.18
Ms. Yap Sock Eng (sister of Mr. Yap)	800,000	0.08	800,000	0.02	800,000	0.02
Ms. Yap Yoke Lang (sister of Mr. Yap)	300,000	0.03	300,000	0.01	300,000	0.01
Mr. Yap Yao Hui (son of Mr. Yap)	377,000	0.04	377,000	0.01	377,000	0.01
Total	7,427,000	0.75	1,757,427,000	54.27	1,433,627,000	44.27

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4.2 SHAREHOLDING OF SHAREHOLDERS (INCLUDING PUBLIC SHAREHOLDERS) OTHER THAN ELECTROLOY AND ITS CONCERT PARTIES, BEFORE AND AFTER THE PROPOSED SUBSCRIPTIONS

We calculate the shareholding of Shareholders (other than Electroloy and its concert parties) in the Company as follows:

	As at the Latest Practicable Date		After completion of the Proposed Subscriptions but before the Electroloy Sale of Subscription Shares	
	Number of Shares	% of Existing Share Capital	Number of Shares	% of Enlarged Share Capital
Shares held by Directors	437,659,046	44.46	437,659,046	13.52
Shares held by existing substantial Shareholders (1)	220,000,000	22.35	723,750,000	22.35
Shares held by chief executive officer of the Company	4,150,000	0.42	4,150,000	0.13
Shares held by public shareholders	315,043,992	32.01	315,043,992	9.73
Total	976,853,038	99.25	1,480,603,038	45.73

Notes:

(1) The two existing substantial Shareholders are Jiangmenshi and Mr. Di who are also subscribing for the Subscription Shares.

(2) Subject to Shareholders' approval at the EGM, the Company intends to appoint Mr. Yap as the executive chairman and chief executive officer of the Company. In such event, the existing chief executive officer of the Company will step down and be deemed as a public Shareholder after the EGM.

4.3 CONDITIONS OF THE WHITEWASH WAIVER

The SIC had on 16 June 2022 granted the Whitewash Waiver subject to the satisfaction certain conditions including, *inter alia*, a majority of holders of voting rights of the Company present and voting at the EGM, held not later than the Proposed Subscriptions, approve by way of a poll, the Proposed Whitewash Resolution; and the Company appoints an IFA to advise the independent Shareholders on the Proposed Whitewash Resolution.

4.4 ABSTENTION OF VOTING ON THE PROPOSED WHITEWASH RESOLUTION

The Proposed Whitewash Resolution is separate from other resolutions to be tabled at the EGM. Electroloy, parties acting in concert with it and parties not independent of the Proposed Subscription by Electroloy shall abstain from voting on the Proposed Whitewash Resolution.

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Independent Shareholders should note that:

(a) by voting in favour of the Proposed Whitewash Resolution, they will be waiving their rights to receive a mandatory general offer from Electroloy under Rule 14 of the Code at the highest price paid by Electroloy and parties acting in concert with it for the Shares in the 6 months preceding the commencement of the offer;

(b) by voting in favour of 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 Proposed Subscriptions;

(c) approval of the Proposed Whitewash Resolution is a condition precedent to completion of the Proposed Subscriptions. Accordingly, in the event that the Proposed Whitewash Resolution is not passed by the Independent Shareholders, the Proposed Subscriptions will not take place; and

(d) the Proposed Subscriptions will result in Electroloy and its concert parties holding in aggregate Shares carrying over 49.0% of the voting rights of the Company, and that either of them will be free to acquire further Shares without incurring any obligation under Rule 14 of the Code to make a mandatory general offer for the Company.

In respect of paragraph (d) above, we note from Section 3.2.3 of the Circular that Electroloy may sell up to 323,800,000 Subscription Shares, representing approximately 10.0% of the Enlarged Share Capital of the Company. As at the Latest Practicable Date, no share sale agreement has been formalized or entered into by Electroloy with any party. The transfer of up to 323,800,000 Subscription Shares will take place either after or subject to the receipt of SGX-ST's approval for such transfer during the suspension of trading of Shares in the Company, before the resumption of trading of the Company. Electroloy and its concert parties may hold less than 49.0% of the voting rights of the Company after such share sale.

5. EVALUATION OF THE PROPOSED SUBSCRIPTIONS

The following are factors which we consider to be pertinent and to have a significant bearing on our evaluation of the Proposed Subscriptions:

(a) the rationale for the Proposed Subscriptions;

(b) the Issue Price as compared to the net asset value ("**NAV**") per Share;

(c) the historical financial performance of the Group;

(d) the terms of the Proposed Subscriptions as compared to similar transactions undertaken by other suspended companies listed on the SGX-ST;

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(e) the pro forma financial effects of the Proposed Subscriptions;

(f) dilution impact of the Proposed Subscriptions; and

(g) other considerations.

These factors are discussed in greater detail in the ensuing paragraphs.

5.1 THE RATIONALE FOR THE PROPOSED SUBSCRIPTIONS

While it is not within our terms of reference to comment or express an opinion on the merits of the Proposed Subscriptions or the future prospects of the Group after the Proposed Subscriptions, we note that the trading in the Shares on the SGX-ST Catalist has been voluntarily suspended for more than two (2) years. The Company and SMCI will not be able to resolve their debts or to continue operating as going concerns without the Proposed Subscriptions and the Schemes, which are preconditions for a viable proposal for the resumption of trading of the Shares on the SGX-ST Catalist.

5.2 THE ISSUE PRICE AS COMPARED TO THE NAV PER SHARE

Given that:

(a) the trading of the Shares has been voluntarily suspended for more than two (2) years and there is no recent market price for the Shares; and

(b) based on the latest publicly available financial statements of the Group were for the financial year ended 30 September ("**FY**") 2020, the Group had net losses and negative earnings before interest, taxes, depreciation, and amortisation ("**EBITDA**") for FY2020 and earnings-related ratios (such as price-earnings ratio and enterprise value to EBITDA ratio) will not be meaningful,

the NAV of the Group is important in our evaluation of the Issue Price.

The NAV of a group refers to the aggregate value of all the assets in their existing condition net of all liabilities of the group. The NAV approach may provide an estimate of the value of the Group assuming the hypothetical sale of all their assets over a reasonable period of time, the proceeds of which would be first used to settle all liabilities of the Group, and the balance proceeds, if any, be distributed to all shareholders. Therefore, the NAV is perceived as providing support for the value of the Shares.

As mentioned above, the latest publicly available financial statements of the Group relate to the FY2020. As at the Latest Practicable Date, the Company has not announced its unaudited results for (i) the six months ended 31 March 2021, (ii) FY2021; and the six months ended 31 March 2022. We set out the following events which may have a bearing to the NAV of the Group since 30 September 2020:

(i) The Company's auditors for FY2020 (namely Deloitte & Touche LLP) do not express an opinion on the consolidated financial statements of the Group, the statement of

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financial position and the statement of changes in equity of the Company for FY2020. The auditors set out five (5) key basis for the disclaimer of opinion. We summarise as follows:

(1) The Group had appointed an external professional firm to conduct an independent review ("**IR**") to ascertain whether certain sale and purchase transactions of SMCI were arm's length transactions. Based on the IR, there is a high risk that some of the transactions between SMCI and seven (7) of its customers/suppliers are not at arm's length and/or may not be bona fide, and may be fraudulent and/or fictitious transactions. There are also evidence that criminal offences may have been committed.

(2) The Group's accounting policies require revenue to be recognised at the point in time when it transfers control of goods to a customer. The auditors are unable to obtain sufficient appropriate audit evidence or carry out alternative procedures to satisfy themselves regarding the existence, bona fides, nature, business rationale and commercial substance of the certain sales transactions of SMCI.

(3) The Company has filed a report with the Commercial Affairs Department ("**CAD**") on January 5, 2021 in relation to the findings from the IR. As at the date of the annual report, the CAD investigation was still in progress and the auditors were unable to determine if adjustments to and/or additional disclosures in the accompanying financial statements might be necessary arising from the outcome of the CAD investigation.

(4) During the course of audit, the auditors noted that the former Executive Chairman and rest of Directors have inconsistent understanding as well as disagreement on the cash outlay and expenses incurred in relation to the construction of the smelting facility under the JVA. As mentioned in earlier paragraph of this IFA Letter, construction of the smelting facility has stopped since March 2021 and the terms of the JVA to be re-negotiated. As a result, the auditors are unable to obtain sufficient appropriate audit evidence regarding the joint venture arrangement and the appropriate accounting treatment to account for the transactions recorded in FY2020. Consequently, the auditors are unable to determine whether adjustments to the accompanying financial statements might be necessary in respect of this matter.

(5) As at September 30, 2020, the Group's current liabilities exceeded the current assets by S$22,752,000 and the Company's current liabilities exceeded its current assets by S$5,838,000. In addition, as at September 30, 2020, the Group has outstanding bank loans and trade bills of S$27,390,000 that were classified as "current liabilities". The Company has issued corporate guarantees on the outstanding bank loans provided to its subsidiaries. Subsequent to end of the reporting period, the Company and SMCI were served with an originating summons by one of its bank creditors, in the High Court, to be placed under judicial management. As mentioned in earlier

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paragraphs of this IFA Letter, the Company and SMCI have been in interim judicial management since 1 April 2021 and judicial management since 10 May 2021. Arising from the placement of the Company and SMCI under judicial management, the auditors are not provided with sufficient information to assess the future plans and whether the Company and/or SMCI may have to liquidate or cease trading in the next 12 months from the date of the auditors' report. Consequently, the auditors are unable to obtain sufficient appropriate audit evidence to conclude on the appropriateness of the use of the going concern basis of accounting in the preparation of the Group financial statements for FY2020.

(ii) The Company announced a series of letters of demand (or equivalent) from the creditors of SMCI and the Company. We summarised demands received after 30 September 2020 as follows:

Creditors	Description	Potential outstanding amounts payable
SP PowerAssets Ltd	Sale of scrap cable to SMCI	S$7,487,161.77 and any accrued interest for late payment of such amount
DBS Bank Ltd	Banking facilities	S$5,860,316.91 and US$9,013,590.21 respectively plus all accrued interest and legal costs on an indemnity basis
Hong Kong and Shanghai Banking Corporation Limited	Loan facilities	US$2,081,081.59 and S$1,309,937.24;
Sembcorp Marine Integrated Yard Pte Ltd	Supply of offcut electrical copper cables and scrap electrical copper to SMCI	S$186,176.85
PT. Garuda Surya Anugerah	Indonesian supplier of copper to SMCI	US$196,724.36
Meiden Singapore Pte. Ltd.	scrap sales of bare copper strips and paper covered wires to SMCI	S$50,634.44
Land Transport Authority	Sale of decommissioned equipment and scrap cables to SMCI.	S$464,866.02
Kase Logistics (S) Pte Ltd	Logistics service provider to SMCI	S$118,065.12 and US$44,180.00
Sing Tatt Construction Pte Ltd	Construction works rendered to SMCI Refinery relating to the Group's smelting facility	S$116,084.78

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Creditors	Description	Potential outstanding amounts payable
CIMB Bank Berhad, Singapore Branch	Revolving credit facilities extended to the Company	S$574,586 (secured mortgage over an industrial property owned by CED System Sdn. Bhd., a wholly-owned subsidiary of the Company)

Based on the closing exchange rate of US$1 to S$1.349 as at 31 December 2021, the aggregate outstanding amounts of claims with letters of demand (or equivalent) on the Company and SMCI is approximately S$31.5 million.

As set out in Section 3.2.4 of the Circular, one of the conditions precedent to the Completion is that the Subscribers being satisfied that the aggregate unsecured liabilities of the Company and SMCI (excluding related parties' claims) prior to the Schemes coming into effect not exceeding S$35.3 million.

(iii) In announcements made in March, April and July 2021, it was disclosed that the Group's operations in Malaysia were affected by measures implemented by the Malaysian government to curb the spread of COVID-19, including (i) the shut down of its premises in Johor Bahru for 11 to 13 days in March 2021; (ii) the suspension of its operations in Kuala Lumpur for 12 days in April 2021; and (iii) the Group's operations in Malaysia were running at partial capacity during the implementation of Malaysia's Full Movement Control Order. We note that Malaysia's Full Movement Control Order commenced on 1 June 2021 and was gradually lifted after the Malaysian government introduced a four-phase National Recovery Plan which commenced from July 2021. Despite the shut-down in March 2021, we note that from the Company's announcement dated 15 April 2021 that the Group's operating entities (save for PNE Micron Engineering Sdn. Bhd.) are profitable for the month of March 2021 based on the Group's unaudited management accounts.

(iv) In an announcement dated 10 September 2021, it was disclosed that:

(i) the supplies relating to e-waste and non-ferrous to SMCI have stopped since June 2021 and August 2021 respectively; and

(ii) based on the statement of affairs of SMCI as at 1 April 2021, the amount of accounts receivable that was estimated by the director to be realisable was approximately S$6.3 million in aggregate and the Judicial Managers had as at the date of the announcement, recovered approximately S$4.8 million in aggregate.

(v) On 10 January 2022, it was announced that SMCI has since received the importation permit and necessary approvals for the purchase of contract waste under the tripartite agreement entered into 25 November 2021 with SYH Resources Pte Ltd ("**SYHR**") and a key supplier of SMCI and the first shipment was made to SMCI on 30 December 2021.

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(vi) In an announcement dated 11 April 2022, it was stated that, in the course of the sale of SMCI's existing stocks, the Judicial Manager noted a discrepancy in the quantity of inventory (a shortfall with a current market value of approximately S$200,000). It was subsequently announced that Foo Kon Tan Advisory Services Pte. Ltd. has been shortlisted as the independent professional to review the matter and ascertain if the discrepancy arose from clerical error or theft.

Accordingly, the NAV of the Group as at 30 September 2020 may not be representative of its current NAV.

We have inquired and the Company confirms that, to the best of their knowledge and based on information made available to them, as at the Latest Practicable Date:

(1) save for the judicial management orders on the Company and SMCI, letters of demand as announced by the Company and suspension in the Group's Malaysia operations due to measures implemented by the Malaysian government to curb the spread of COVID-19, there is no event subsequent to 30 September 2020 which would materially affect the NAV of the Group;

(2) as at 30 September 2020, the carrying value of the Group's freehold land, freehold buildings and leasehold land and buildings amounted to S$5.5 million, S$2.9 million and S$16.8 million respectively, of which freehold land and buildings and leasehold land and building of the Group with an aggregate carrying amount of S$18.7 million have been pledged as security to secure bank loans;

(3) there are no material contingent liabilities, unrecorded earnings or expenses or assets or liabilities that may have a material impact on the NAV of the Group as at 30 September 2020; and

(4) there is no material change to the accounting policies and methods of computation which may materially affect the NAV of the Group as at 30 September 2020.

As at the Latest Practicable Date, arising from the judicial management orders on the Company and SMCI, letters of demand as announced by the Company and suspension in the Group's Malaysia operations due to measures implemented by the Malaysian government to curb the spread of COVID-19, the Judicial Managers have commissioned a valuation of the leasehold property owned by SMCI and assessed that impairment loss of approximately S$4.7 million will be recognised by the Group. After taking into account this impairment loss and professional fees of approximately S$2.8 million (including disbursements) incurred in connection with the judicial management, the Schemes and undertaking the Proposed Transactions, the Group would have adjusted NAV of approximately S$418,000.

Accordingly:

(A) based on the Group's audited NAV of S$7,918,000 as at 30 September 2020 (which has auditors' disclaimer of opinion), the NAV per Share is approximately S$0.008.

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The Issue Price represents a discount of 50.3% to the latest audited NAV per Share; and

(B) based on the adjusted NAV of the Group as set out above, the adjusted NAV per Share is approximately S$0.0004. The Issue Price represents a significant premium of 841.9% to the adjusted NAV per Share.

5.2.1 THE SEGMENTAL NAV

Based on the Company's annual report for FY2020, the Group has four reportable segments. We set out the segmental assets and liabilities of the four reportable segments as at 30 September 2020 as follows:

S$'000	Segment assets	Segment liabilities	NAV
Metal components and tool and die	7,848	(1,332)	6,516
Electro deposition ("**ED**") coating	18,758	(6,452)	12,306
Commodities	39,693	(55,596)	(15,903)
Other (Corporate)	18,694	(16,922)	1,772
Inter-segment elimination	(23,884)	(27,111)	3,227
Total	61,109	(53,191)	7,918

We note that the only the Company and SMCI are under judicial management. The principal activity of the Company is that of investment holding while the principal activities of SMCI and its subsidiaries (SMCI Group) are trading of commodities and waste management.

If the assets of the Group's operating subsidiaries (other than SMCI Group) are ringfenced against the legal actions taken by the creditors of the Company and SMCI, the Group's NAV relating to the remaining operating subsidiaries may be relevant to the evaluation of the NAV per Share. However, we understand that an industrial property under the ED coating segment is mortgaged as a security to CIMB Bank Berhad, Singapore Branch. The Judicial Manager is seeking an arrangement with CIMB Bank Berhad, Singapore Branch on the withholding of any legal or other enforcement proceedings against such security.

The segmental NAV above has not taken into account the impairment loss and professional fees incurred in connection with the judicial management, the Schemes and undertaking the Proposed Transactions as set out in Section 8 of the Circular.

5.2.2 RESIDUAL VALUE OF THE GROUP IN THE EVENT OF WINDING-UP OR LIQUIDATION

The Company and SMCI are under judicial management. The objectives of judicial management are to fulfil one or more of purposes under Section 89 of the Insolvency, Restructuring and Dissolution Act 2018:

(i) the survival of the company, or the whole or part of its undertaking, as a going concern;

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(ii) the approval of a compromise or an arrangement between the company and its creditors and/or shareholders; and

(iii) a more advantageous realisation of the company's assets or property than on a winding up.

As mentioned in previous paragraphs, after taking into account an impairment loss of approximately S$4.7 million and professional fees of approximately S$2.8 million, the Group would have adjusted NAV of approximately S$418,000. If the Company is liquidated, based on the adjusted NAV per Share of approximately S$0.0004, there will be no meaningful return to Shareholders.

5.3 THE FINANCIAL PERFORMANCE OF THE GROUP

We set out the segmental profit performance of the Group for FY2018, FY2019 and FY2020 as follows:

S$'000	FY2018	FY2019	FY2020
Metal components and tool and die	1,352	1,002	296
ED coating	4,834	5,670	4,026
Commodities	7,500	6,572	1,545
Other (corporate)	883	1,052	607
Inter-segment elimination	(536)	(529)	(395)
Group's gross profit	14,033	13,767	6,079
Group's profit before tax	2,644	1,202	(43,782)

The Group's loss before tax in FY2020 arose mainly from the impairment loss recognised on financial assets due to loss allowance of S$36.6 million on trade receivables. Nevertheless, after excluding impairment loss recognised on financial assets, the Group will still register a loss before tax of S$7.3 million for FY2020 as its operating expenses for FY2020 were higher than its gross profit for FY2020. Shareholders should also note that the revenue of the Group may be over-stated given some of the transactions between SMCI and seven (7) of its customers/suppliers are not at arm's length and/or may not be bona fide, and may be fraudulent and/or fictitious transactions as highlighted in paragraph 5.2(a)(1) of this IFA Letter.

As at the Latest Practicable Date, the Company has not announced its unaudited results for (i) the six months ended 31 March 2021, (ii) FY2021; and (iii) the six months ended 31 March 2022. There is no public information regarding the latest full year financial performance of the Group and we set out the following disclosure which may help in the evaluation of the recent financial performance of the Group:

(a) as disclosed in the Company's announcement dated 15 April 2021, the Group's operating entities (save for PNE Micron Engineering Sdn. Bhd.) are profitable for the month of March 2021 based on the Group's unaudited management accounts;

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(b) the Group's Malaysia operations was affected by the measures implemented by the Malaysian government to curb the spread of COVID-19 in March 2021, April 2021 and June 2021; and

(c) the SMCI Group's operations was affected by the cessation of supplies from June 2021 to December 2021.

In addition, Shareholders may wish to know that potential investors (including the Subscribers) have executed non-disclosure agreements with the Company and have received information which are not publicly available for their due diligence purposes.

5.4 THE TERMS OF THE PROPOSED SUBSCRIPTIONS AS COMPARED TO SIMILAR TRANSACTIONS UNDERTAKEN BY OTHER SUSPENDED COMPANIES LISTED ON THE SGX-ST

In assessing the Issue Price, we have also considered similar transactions undertaken by other companies listed on the SGX-ST (the "**Precedent Comparable Transactions**") which had their shares suspended from trading and had sought whitewash resolutions in relation to allotment and issue of new ordinary shares for cash as part of their resumption of trading proposals.

We wish to highlight that the Precedent Comparable Transactions are not exhaustive. Further, Shareholders should note that circumstances leading to the Precedent Comparable Transactions are unlikely to be identical to the Company's. As such, any comparisons made with respect to the Precedent Comparable Transactions merely serve an illustrative purpose only.

The information presented herein relating to the Precedent Comparable Transactions has been compiled from publicly available information. We make no representations or warranties, expressed or implied, as to the accuracy or completeness of such information.

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We set out the key information of the Precedent Comparable Transactions as follows:

Name of listed company	Date of circular	Circumstances	Basis of issue price	Implied value of the listed company on enlarged basis
Jason Holdings Limited	16 May 2017	Trading in its shares on the SGX-ST Catalist had been halted on 8 January 2016 and subsequently suspended, since 13 January 2016. Based on the latest available draft management accounts of the Company as at 31 May 2016, the company's current liabilities were in the aggregate sum of approximately S$1.25 million, which far exceeded its current assets of approximately S$0.41 million	A discount of approximately 99.2% to the volume weighted average price of the shares of S$0.062 based on trades done on 5 January 2016, being the last market day on which the shares were traded	S$1.36 million (based on the gross proceeds of S$1 million and the investor's shareholding of 73.28% post investment)
Serrano Limited	9 May 2018	Trading in its shares on the SGX-ST Catalist had been halted on 13 June 2017 and subsequently suspended, since 16 June 2017. As at 31 December 2017, the company had unaudited consolidated net liabilities of S$117,524,498.	Equivalent to the approximate volume-weighted average price of the Shares based on trades done from 26 January 2017 up to 31 January 2021, being the date of the investment agreement	S$11.60 million (based on the gross proceeds of S$8 million and the investors' shareholding of 68.94% post investment)
TT International Limited	20 October 2020	Trading in its shares on the SGX-ST Mainboard had been voluntary suspended on 4 August 2017 As at 31 December 2019, the company had unaudited consolidated net liabilities of S$259.70 million.	A discount of approximately 28.6% to the last transacted price per share prior to the trading suspension	S$60.71 million (based on the gross proceeds of S$48 million and the investor's shareholding of 79.1% post investment)
Hoe Leong Corporation Limited	1 June 2021	Trading in its shares on the SGX-ST Mainboard had been suspended on 2 September 2019 As at 30 June 2020, the company's adjusted NAV amounted to S$9.2 million.	A discount of approximately 12.5% to the VWAP for trades done on the last full market day when the shares were traded prior to the trading suspension	S$16.39 million (based on the gross proceeds of S$12 million and the investor's shareholding of 54.92% post investment)

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Name of listed company	Date of circular	Circumstances	Basis of issue price	Implied value of the listed company on enlarged basis
The Company	6 July 2022	Trading in its shares on the SGX-ST Catalist had been halted on 28 April 2020 and subsequently suspended, since 4 May 2020. As at 30 September 2020, the Company had audited consolidated NAV of S$7,918,000. After taking into account impairment loss of approximately S$4.7 million and professional fees of approximately S$2.8 million set out in paragraph 5.2 of this IFA Letter, the Company's adjusted consolidated NAV amounted to approximately S$418,000.	A discount of 82.0% to the VWAP of S$0.022 per Share for trades done on the SGX-ST for the full market day on 27 April 2020	S$12.95 million (based on the gross proceeds of S$9.02 million and the Subscribers' shareholding of 69.6% post investment)

Source: The circulars published by the companies.

As set out in the table above:

(a) the implied value of the Company is within the range of the implied values of the Precedent Comparable Transactions of between S$1.36 million and S$60.71 million; and

(a) the implied value of the Company is higher than the range of the implied values of the Precedent Comparable Transactions which are listed on the SGX-ST Catalist.

5.5 THE FINANCIAL EFFECTS OF THE PROPOSED TRANSACTIONS

The financial effects of the Proposed Transactions on the Group can be found in Section 8 of the Circular.

We note that:

(a) the NAV per Share will decrease from 0.80 Singapore cents before the Proposed Transactions to 0.56 Singapore cents after the Proposed Transactions. Had the effects of the impairment loss of approximately S$4.7 million and the professional fees of approximately S$2.8 million (including disbursements) were taken into account for the calculations of the NAV per Share **before** the Proposed Transactions, the NAV per Share would have improved from 0.04 Singapore cents before the Proposed Transactions to 0.56 Singapore cents after the Proposed Transactions;

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(b) the loss per Share will improve from 4.48 Singapore cents before the Proposed Transactions to 1.17 Singapore cents after the Proposed Transactions. This is due mainly to the dilutive effects of the Subscription Shares; and

(c) the net gearing ratio of the Group will improve from 2.58 times before the Proposed Transactions to 0.20 times after the Proposed Transactions.

The above financial effects mainly arose from the gains to be recorded by the Group from the waiver of liabilities under the Schemes as the Group will be settling liabilities of up to S$35.3 million with up to S$7.0 million proceeds from the Proposed Subscriptions under the Schemes.

5.6 OTHER CONSIDERATIONS

In determining whether the terms of the Proposed Subscriptions are fair and reasonable, we have also considered the following:

5.6.1 No trading of Shares since 4 May 2020

The trading in the Shares on the SGX-ST Catalist has been voluntarily suspended for more than two (2) years.

It is not meaningful to compare the Issue Price against the pre-suspension historical market price of the Shares.

5.6.2 Resumption of trading

The trading in the Shares on the SGX-ST Catalist has been voluntarily suspended for more than two (2) years.

As set out in Section 2.1 of the Circular and paragraph 5.1 of this IFA Letter, without the Proposed Subscriptions and the Schemes, the Company and SMCI will not be able to resolve their debts or to continue operating as going concerns, which are preconditions for a viable proposal for the resumption of trading.

A majority portion of the proceeds from the Proposed Subscriptions will be applied to resolve the debts under the Scheme so that the Company and SMCI can continue to operate as going concerns and have a viable proposal for the resumption of trading of the Shares.

Shareholders should note that there is no assurance that the Proposed Transactions will be successful or will achieve the objective to resume the trading of the Shares.

5.6.3 Abstention from voting

Pursuant to Rule 812(2) of the Catalist Rules, each of Jiangmenshi and Mr. Di and their respective associates will abstain from voting on the relevant resolution approving the allotment and issue of the Subscription Shares to Jiangmenshi or Mr Di (as the case may be).

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Pursuant to the Whitewash Waiver, Electroloy and its concert parties, as well as parties not independent of the Proposed Subscription by Electroloy will abstain from voting at the EGM on the resolution relating to the Proposed Whitewash Resolution.

5.6.4 Dilution to existing public Shareholders and risk of suspension

We calculate that an aggregate of 319,193,992 Shares representing 32.43% interest in the capital of the Company held by the existing public Shareholders (including the existing chief executive officer of the Company whose appointment will cease after the EGM in the event that the Shareholders' approved the appointment of Mr. Yap as the executive chairman and chief executive officer of the Company) as at the Latest Practicable Date, will be diluted to 9.86% upon Completion.

As the percentage of Shares held by existing public Shareholders falls below 10% upon Completion, the SGX-ST may not allow the trading of the Shares to resume until at least 10% of the total number of issued Shares is held by public Shareholders.

We note from Section 3.4 of the Circular that, in the event that the public float of the Company falls below 10% after the Proposed Subscriptions, the Company will undertake a compliance placement to restore the public float to ensure that the public float requirements continue to be met immediately after completion of the Proposed Subscriptions.

5.6.5 No alternate fundings

The Judicial Managers have worked closely with the Group to source for potential investors. The Judicial Managers have evaluated two term sheets from potential investors and have selected the proposal from Electroloy as the most viable option. Save for the Proposed Subscriptions, no definitive agreement has been entered into by the Company.

Accordingly, the Proposed Subscriptions represent the only viable option available to the Company.

The Company will not be able to carry out the Schemes without the proceeds from the Proposed Subscriptions.

5.6.6 Inter-conditionality of resolutions

Shareholders should note that the resolutions relating to the Proposed Subscriptions by Electroloy, the Proposed Whitewash Resolution and the Proposed Transfer of Controlling Interest are inter-conditional on one another. If any of the aforementioned resolutions is not approved, the other aforementioned resolutions will not be passed.

5.6.7 Implications of the approval of the Proposed Whitewash Resolution

The allotment and issue of the Subscription Shares will allow Electroloy and its concert parties to collectively hold more than 50% of the Enlarged Share Capital of the Company.

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In the event that the Electroloy Sale of Subscription Shares does not take place, Electroloy and its concert parties will have statutory control over the Company which allows Electroloy and its concert parties to significantly influence any corporate actions such as mergers and takeover attempts in a manner which may not be in line with the interests of the remaining Shareholders. Electroloy and its concert parties will also have veto power in relation to any Shareholder's action or approval requiring a majority vote except in situations where Electroloy and its concert parties are required by rules or authorities to abstain from voting.

In the event that the Electroloy Sale of Subscription Shares does take place, Electroloy and its concert parties will still be the single largest group of Shareholders of the Company holding in aggregate, approximately 44.27% interest in the Enlarged Share Capital of the Company. Electroloy and its concert parties may still be able to significantly influence any corporate actions of the Company with such shareholding. Electroloy and its concert parties will also likely to have veto power in relation to any Shareholder's action or approval requiring a majority vote except in situations where Electroloy and its concert parties are required by rules or authorities to abstain from voting.

Such concentration of ownership may also have the effect of delaying, preventing or deterring a change of control of the Company which may not benefit the Shareholders.

6 OUR OPINION

Having regard to our terms of reference, in arriving at our opinion, we have taken into account a range of factors which we consider to be pertinent and have a significant bearing on our assessment of the Proposed Subscriptions. We have carefully considered as many factors as we deem essential and balanced them before reaching our opinion. Accordingly, it is important that our IFA Letter, in particular, all the considerations and information we have taken into account, be read in its entirety.

We set out below a summary of the key factors we have taken into our consideration in respect of the "fairness" of the Proposed Subscriptions:

Factors which support the "fairness" of the Proposed Subscriptions

(a) the Issue Price represents a significant premium of 841.9% to the adjusted NAV per Share, after taking into account the impairment loss and professional fees incurred by the Company in connection with the judicial management, the Schemes and undertaking the Proposed Transactions;

(b) if the Company is liquidated, based on the adjusted NAV per Share of approximately S$0.0004, there will be no meaningful return to Shareholders; and

(c) the implied value of the Company is within the range of the implied values of the Precedent Comparable Transactions and is also higher than the range of the implied values of the Precedent Comparable Transactions which are listed on the SGX-ST Catalist.

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We set out below a summary of the key factors we have taken into our consideration in respect of the "reasonableness" of the Proposed Subscriptions:

Factors which support the "reasonableness" of the Proposed Subscriptions

(i) the Company and SMCI will not be able to resolve their debts or to continue operating as going concerns without the Proposed Subscriptions and the Schemes, which are preconditions for a viable proposal for the resumption of trading of the Shares on the SGX-ST Catalist;

(ii) the Group's latest audited financial statements as at 30 September 2020 has auditors' disclaimer of opinion;

(iii) the Group's Malaysia operations was affected by the measures implemented by the Malaysian government to curb the spread of COVID-19 in March 2021, April 2021 and June 2021 and the SMCI Group's operations was affected by the cessation of supplies from June 2021 to December 2021;

(iv) the positive financial effects of the Proposed Transactions; and

(v) other considerations set out in paragraph 5.6 of this IFA Letter.

Accordingly, after taking into account the above factors, we are of the opinion that, as of the date hereof, the Proposed Subscriptions which is the subject of the Proposed Whitewash Resolution, when considered in the context of the Proposed Subscriptions, is fair and reasonable and not prejudicial to the interests of the Independent Shareholders. We therefore advise the Judicial Managers to recommend that Independent Shareholders vote in favour of the Proposed Whitewash Resolution at the EGM.

This IFA Letter, which is prepared pursuant to the Code, is addressed to the Judicial Managers for their benefit, in connection with and for the purpose of their consideration of the Proposed Subscriptions and the Proposed Whitewash Resolution and the recommendation made by them to the Independent Shareholders, shall remain the responsibility of the Judicial Managers. Neither the Company, the Directors, the Judicial Managers nor the Shareholders may reproduce, disseminate or quote this IFA Letter (or any part thereof) for any other purpose, except for the Proposed Subscriptions and the Proposed Whitewash Resolution, at any time and in any manner without the prior written consent of Xandar Capital in each specific case.

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

Yours faithfully
For and on behalf of
XANDAR CAPITAL PTE. LTD.

LOO CHIN KEONG EXECUTIVE DIRECTOR	PAULINE SIM POI LIN HEAD OF CORPORATE FINANCE

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