

MANDATORY UNCONDITIONAL CASH OFFER

by



STIRLING COLEMAN

施霖高诚

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STIRLING COLEMAN CAPITAL LIMITED

(Company Registration Number: 200105040N)

(Incorporated in the Republic of Singapore)

for and on behalf of

THB AUTO ELECTRONICS LIMITED

(Company Registration Number: 1909352)

(Incorporated in the British Virgin Islands)

to acquire all the issued and paid-up ordinary shares in the capital of

CHINA AUTO ELECTRONICS GROUP LIMITED

(Company Registration Number: 34300)

(Incorporated in Bermuda)

other than those already owned, controlled or agreed to be acquired by
THB Auto Electronics Limited

1. INTRODUCTION

Stirling Coleman Capital Limited ("**Stirling Coleman**") wishes to announce, for and on behalf of THB Auto Electronics Limited (the "**Offeror**"), that the Offeror intends to make a mandatory unconditional cash offer (the "**Offer**") for all the issued and paid-up ordinary shares (the "**Shares**") in the capital of China Auto Electronics Group Limited (the "**Company**") other than those already owned, controlled or agreed to be acquired by the Offeror (the "**Offer Shares**").

As a result of the conversion of Bonds (as defined in paragraph 4.1 of this Announcement) issued by the Company by persons acting in concert with the Offeror for the purposes of the Offer, the Offeror and its concert parties have incurred an obligation to extend the Offer pursuant to Rule 14 of The Singapore Code on Take-overs and Mergers (the "**Code**"). Please refer to paragraphs 4 and 5 of this Announcement for more details on the Bonds, the conversion and the mandatory takeover obligation.

Pursuant to the Irrevocable Undertakings (as defined in paragraph 6.3 of this Announcement), the Offeror has received irrevocable undertakings to accept the Offer in respect of an aggregate of 1,003,666,667 Shares, representing approximately 74.4% of the total number of issued Shares (after the issue of the Conversion Shares (as defined in paragraph 4.4 of this Announcement)). Accordingly, the Offer is unconditional in all respects.

2. OFFER

2.1 In accordance with Rule 14 of the Code, and subject to the terms and conditions set out in the formal offer document to be issued by Stirling Coleman, for and on behalf of the Offeror (the

"Offer Document"), the Offeror will make the Offer for all the Offer Shares on the following basis:

For each Offer Share: S\$0.16 in cash (the "Offer Price").

The Offeror does not intend to revise the Offer Price.

2.2 The Offer Shares are to be acquired:

- (a) fully paid;
- (b) free from all claims, charges, liens, mortgages, encumbrances, hypothecation, retention of title, power of sale, equity, options, rights of pre-emption, rights of first refusal or other third party rights or interests of any nature whatsoever; and
- (c) together with all rights, benefits and entitlements attached thereto as at the date of this Announcement ("**Offer Announcement Date**") and hereafter attaching thereto, including the right to receive and retain all dividends, rights, other distributions and return of capital (collectively, the "**Distributions**") (if any) which may be announced, declared, paid or made by the Company on or after the Offer Announcement Date.

Without prejudice to the foregoing, the Offer Price has been determined on the basis that the Offer Shares will be acquired with the right to receive any Distribution that may be declared, paid or made by the Company on or after the Offer Announcement Date.

In the event any Distribution is or has been declared, paid or made by the Company on or after the Offer Announcement Date to a shareholder of the Company ("**Shareholder**") who validly accepts or has validly accepted the Offer, the Offer Price payable to such accepting Shareholder shall be reduced by an amount which is equal to the amount of such Distribution depending on when the settlement date in respect of the Offer Shares tendered in acceptance by Shareholders pursuant to the Offer falls, as follows:

- (a) if such settlement date falls on or before the books closure date for the determination of entitlements to the Distribution (the "**Books Closure Date**"), the Offeror shall pay the relevant accepting Shareholders the unadjusted Offer Price for each Offer Share, as the Offeror will receive the Distribution in respect of such Offer Shares from the Company; or
- (b) if such settlement date falls after the Books Closure Date, the Offer Price shall be reduced by an amount which is equal to the amount of the Distribution in respect of each Offer Share, as the Offeror will not receive the Distribution in respect of such Offer Shares from the Company.

3. INFORMATION ON THE COMPANY

3.1 Based on publicly available information, the Company is a company limited by shares incorporated in Bermuda as an exempted company and its Shares are listed on the Mainboard of the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") since 9 July 2007. The Company is one of the leading automotive electrical and electronics distribution system manufacturers in the People's Republic of China ("**PRC**") and the largest PRC domestic manufacturer of automotive wire harnesses and connectors. It supplies to automotive manufacturers in both the PRC and the United States of America ("**USA**"). It has 16 production facilities across the PRC with its headquarters located in Hebi City, Henan Province, the PRC, and has a subsidiary in the USA.

3.2 As at the Offer Announcement Date, based on publicly available information:

- (a) the board of directors of the Company comprises:
 - (i) Zhang Jingtang (Executive Chairman);
 - (ii) Wang Laisheng (Executive Director);
 - (iii) Yang Yong Jun (Non-Executive Director);
 - (iv) Shen Zhifu (Non-Executive Director);
 - (v) Sim Hong Boon (Lead Independent Director);
 - (vi) Zhang Shulin (Independent Director); and
 - (vii) Chua Meng Hing (Independent Director);
- (b) the issued and paid-up share capital of the Company is RMB623,026,000 (being equivalent to approximately S\$125.9 million) comprising 681,600,000 ordinary shares of par value S\$0.10 each (excluding the Conversion Shares (as defined in paragraph 4.4 of this Announcement)). The Company does not hold any treasury shares; and
- (c) the Company does not have in place any employee share option scheme or performance share plan.

4. CONVERTIBLE BONDS

4.1 The Bonds

The Company had on 9 November 2015 completed the issue of S\$60 million in aggregate principal amount of unsecured convertible bonds due 2018 ("**Bonds**") to Brain International Investment Ltd. ("**Brain**") and Oriental Success International Investment Ltd. ("**Oriental Success**") (collectively, the "**Bondholders**"). The Bonds were issued pursuant to the terms of a conditional purchase agreement dated 14 August 2015 entered into between the Company and the Bondholders ("**Bond Purchase Agreement**"). Pursuant to the Bond Purchase Agreement, Brain and Oriental Success subscribed for an aggregate principal amount of S\$32 million and S\$28 million of Bonds, respectively.

4.2 Brain

Brain is an investment holding company incorporated in the British Virgin Islands ("**BVI**"). It is 99% indirectly owned by Shanghai Zheng Tong Venture Investment Co., Ltd. (上海正同创业投资有限公司) ("**Shanghai Zheng Tong**"), a private equity fund principally based in Shanghai, the PRC, with investments in a number of companies listed on the Shenzhen Stock Exchange. The ultimate substantial beneficial owners of Brain are PRC nationals who are private investors and/or senior management of affiliates of Shanghai Zheng Tong.

4.3 Oriental Success

Oriental Success is an investment holding company incorporated in the BVI. It is 99% indirectly owned by Shanghai Crystal Bridge Investment Management L.P. (上海晶桥投资管理合伙企业), a limited partnership registered in Shanghai, the PRC, whose registered business activities comprise industrial investments holding, advisory and management. The ultimate beneficial

owners of Oriental Success are Qin Chuan (秦川) and Liu Li Li (刘莉莉), both of whom are principally in the business of investments and investments management.

4.4 **Conversion of the Bonds**

Pursuant to the Bond Purchase Agreement, the Bonds are convertible, at the option of the holder, into Shares at a conversion price of S\$0.09 per Share ("**Conversion Price**"), subject to adjustments in the manner provided in the conditions of the Bonds.

Pursuant to an irrevocable undertaking given by each of the Bondholders to the Offeror, each Bondholder has undertaken, *inter alia*, to convert all the Bonds held by it into new Shares pursuant to the terms and conditions of the Bond Purchase Agreement, prior to the close of the Offer. Assuming that no adjustments are made to the Conversion Price, upon the conversion of the Bonds, 666,666,667 new Shares ("**Conversion Shares**"), credited as fully paid-up, will be issued, representing approximately 97.8% of the existing issued Shares of the Company as at the Offer Announcement Date and 49.4% of the issued share capital of the Company on a fully-diluted basis.

The Bondholders have, on 21 October 2016, exercised their right to convert their respective Bonds into Shares by serving a notice of conversion ("**Conversion Notice**") on the Company's share registrar in Singapore in accordance with the terms of the Bond Purchase Agreement. Pursuant to the Bond Purchase Agreement, the conversion date in respect of a Bond ("**Conversion Date**") will be deemed to be the trading day immediately following the date of delivery of the Conversion Notice. Accordingly, the relevant Conversion Date of the Bonds is 24 October 2016.

The volume weighted average traded price of the Shares on 18 October 2016, being the last market day prior to the Conversion Date on which transactions in the Shares were recorded, was S\$0.120.

Pursuant to the terms of the Bond Purchase Agreement, as soon as practicable and in any event not later than 10 trading days after the Conversion Date, the Company will take all necessary action to procure that, for so long as the Shares are listed on the SGX-ST, the relevant number of Shares are allotted to and registered in the name of the Depository (as defined in the Companies Act (Chapter 50) of Singapore) for credit to the securities account with The Central Depository (Pte) Limited designated in the Conversion Notice, and the person or persons specified for that purpose will become the holder of record of the number of Shares issuable upon conversion with effect from the date he is or they are registered as such in the Company's register of members (the "**Registration Date**"). The Conversion Shares will in all respects rank *pari passu* with the Shares in issue on the relevant Registration Date.

Further information on the Registration Date shall be set out in the Offer Document to be issued.

4.5 **Mandatory takeover obligation under Rule 14 of the Code**

Upon conversion of the Bonds, the Conversion Shares will be issued to the Bondholders and the Offeror, together with Zoro (as defined in paragraph 5.2 of this Announcement) and the Offeror, which are acting in concert for the purposes of the Offer, will collectively hold 63.76% of the resultant issued share capital of the Company.

Accordingly, pursuant to the Conversion Date and the new Conversion Shares issued to the Bondholders, as at the Offer Announcement Date, the Offeror and its concert parties have incurred an obligation to extend the Offer pursuant to Rule 14 of the Code.

4.6 No separate offer to Bondholders

The Securities Industry Council (the "**SIC**") has confirmed that the Offeror does not have to make an offer to the Bondholders in accordance with Rule 19 of the Code, provided that such ruling shall lapse if the Bondholders fail, or become unable, to perform their obligations under the Bondholders' Undertakings (as defined below) prior to the close of the Offer. The Bondholders have served their respective Conversion Notice and the Conversion Date for the Bonds is 24 October 2016. Accordingly, no separate offer will be made to the Bondholders.

4.7 Bonds Interest Payments

Pursuant to the terms of the Bond Purchase Agreement, the Bonds shall bear interest on their principal amount from and including the date of issue (the "**Issue Date**") at the rate of one per cent. (1%) per annum. Interest is payable annually in arrears, on the anniversary of the Issue Date in each year, commencing on the first anniversary of the Issue Date. Each Bond will cease to bear interest from and including the day immediately preceding its Conversion Date.

Accordingly, pursuant to the conversion of the Bonds by the Bondholders on the Conversion Date, the Bondholders will be entitled to payments of interest on the principal amount of the Bonds in accordance with the terms and conditions of the Bond Purchase Agreement ("**Bonds Interest Payments**"). The Bonds Interest Payments will be made to the Bondholders in cash.

The SIC has confirmed that the Bonds Interest Payments do not contravene General Principle 3 and Rule 10 of the Code.

5. INFORMATION ON THE OFFEROR AND THE CONSORTIUM

5.1 **The Offeror.** The Offeror is a BVI business company incorporated in the BVI on 21 March 2016. As at the Offer Announcement Date, the Offeror has an issued and paid-up share capital of US\$10,000 comprising 1,000,000 ordinary shares, all of which are held by THB Holding Limited ("**THB Holding**"). The Offeror is principally an investment holding company for the purpose of the Offer. The directors of the Offeror are Wang Laisheng, a director of the Company, Zhang Jintang, Yang Yong Jun, Dong Jianmin and Qin Chuan. Please refer to paragraph 5.7 for more details on the right of Zoro (as defined in paragraph 5.2 of this Announcement) and the Bondholders to appoint directors on the board of directors of the Offeror.

5.2 **THB Holding.** THB Holding is a BVI business company incorporated in the BVI on 16 March 2016. As at the Offer Announcement Date, THB Holding has an issued and paid-up share capital of US\$12,698.41 comprising 1,269,841 ordinary shares and RMB 420.0 million, comprising 420,000 preference shares, which are held by the shareholders as follows:

| Shareholders of THB Holding | Number of shares held | Shareholding Percentage |
|---|---------------------------|-------------------------|
| Zoro Express International Ltd. (" Zoro ") | 1,269,841 ordinary shares | 75.15% |
| Sailing M&A Henghuai Investment Fund Partnership (Limited Partnership) (上海赛领恒槐股权投资基金合伙企业(有限合伙)) (" Henghuai ") | 420,000 preference shares | 24.85% |
| Total | | 100.00% |

The sole director of THB Holding is Wang Laisheng, a director of the Company.

- 5.3 **Zoro.** Zoro is a BVI business company incorporated in the BVI on 27 April 2006. The sole shareholder and sole director of Zoro is Wang Laisheng, who has a beneficial interest in 35.22% in Zoro and holds the remaining beneficial interests for and on behalf of certain senior managers of the former Henan Tianhai Electric (Group) Corporation, a collective enterprise which has been restructured as a limited liability company and was indirectly acquired by the Company pursuant to the reverse takeover completed in September 2007.

Other than Wang Laisheng, the following directors and/or senior management of the Company also have beneficial interests in Zoro:

| Name of Directors and/or Senior Management | Beneficial Interest in Zoro |
|---|------------------------------------|
| Zhang Jingtang (Executive Chairman) | 10.9% |
| Shen Zhifu (Non-Executive Director) | 19.0% |
| Yang Yong Jun (Non-Executive Director) | 4.1% |
| Zhou Ping (Deputy Chief Executive Officer) | 1.9% |
| Qin Hong (Deputy Chief Executive Officer) | 6.6% |

The remaining 22.3% of the beneficial interests in Zoro are held by other senior managers and retired directors of the Company.

Under an investment agency agreement entered into between the holders of the beneficial interests of Zoro, Wang Laisheng will attend and vote in shareholders' meetings and exercise all other rights as shareholder of the Company, for and on behalf of the holders of the beneficial interests of Zoro.

- 5.4 **Henghuai.** Henghuai is a limited partnership constituted in the PRC engaged in investment holding, investment management and investment consultancy. Its general partner is Qide (Shanghai) Investment Management Centre (Limited Partnership) (旗德 (上海) 投资管理中心 (有限合伙)) ("**Qide**"). It has three (3) limited partners, namely, Shanghai Sailing M&A Investment Fund Limited Partnership (Limited Partnership) (上海赛领并购投资基金合伙企业 (有限合伙)) ("**Sailing M&A**"), Shanghai Sailing Zhuohui Equities Investment Fund Limited Partnership (Limited Partnership) (上海赛领卓卉股权投资基金合伙企业) ("**Zhuohui**") and Shanghai Aocheng Investment Limited Partnership ("**Aocheng**"). All the partners of Henghuai are constituted in the PRC. The interests in Henghuai are held by its limited partners as follows:

| Name of Partner | Interest in Henghuai |
|-------------------------------|-----------------------------|
| Qide (General Partner) | 0.1% |
| Sailing M&A (Limited Partner) | 49.9% |
| Zhuohui (Limited Partner) | 25.0% |
| Aocheng (Limited Partner) | 25.0% |
| Total | 100.0% |

The legal representative of Henghuai is Fu Tao, who is the managing director of Sailing Capital.

- 5.5 **Consortium Agreement.** Zoro, THB Holding, Henghuai and the Bondholders have agreed to form a consortium through the Offeror to undertake the Offer and have, on the Offer Announcement Date, entered into a consortium agreement with the Offeror (the "**Consortium Agreement**") to govern the relationship of Zoro, THB Holding, Henghuai and the Bondholders with respect to the Offer. Pursuant to the Consortium Agreement, each of the Offeror, Zoro, THB Holding, Henghuai and the Bondholders have agreed, amongst others, as follows:

- (a) pursuant to an irrevocable undertaking given by Zoro (the "**Zoro Undertaking**") and

the subscription agreement entered into between Zoro and the Offeror, Zoro has agreed to:

- (i) tender all its 193,114,000 Shares in acceptance of the Offer ("**Zoro Acceptance**");
 - (ii) waive the right to receive consideration in cash for the Zoro Acceptance ("**Zoro Consideration**"); and
 - (iii) subscribe for new ordinary shares in the Offeror ("**Offeror Shares**" and each, an "**Offeror Share**"), and pay for the subscription amount in respect of such Offeror Shares ("**Zoro Set-Off Amount**") by setting off in full the Zoro Set-Off Amount against the proceeds that would otherwise be payable by the Offeror as consideration pursuant to the acceptance of the Offer by Zoro ("**Zoro Capitalisation**");
- (b) pursuant to the irrevocable undertaking given by each Bondholder (collectively, the "**Bondholders' Undertakings**") and a subscription agreement entered into between each Bondholder with the Offeror, each Bondholder has agreed to:
- (i) convert all the Bonds held by it into Conversion Shares pursuant to the terms and conditions of the Bond Purchase Agreement;
 - (ii) tender all the Conversion Shares held by it in acceptance of the Offer ("**Bondholder Acceptance**");
 - (iii) waive the right to receive consideration in cash for the Bondholder Acceptance ("**Bondholders' Consideration**"); and
 - (iv) subscribe for new Offeror Shares, and pay for the subscription amount in respect of such Offeror Shares ("**Bondholders Set-Off Amount**") by setting off in full the Bondholders Set-Off Amount against the proceeds that would otherwise be payable by the Offeror as consideration pursuant to the acceptance of the Offer by each Bondholder ("**Bondholders Capitalisation**").

Further details on the Consortium Agreement will be disclosed in the Offer Document.

The SIC has confirmed that the Consortium Agreement and the Irrevocable Undertakings do not constitute a special deal in breach of Rule 10 of the Code.

- 5.6 **Resultant Shareholding in the Offeror.** Following the close of the Offer, the Zoro Capitalisation and the Bondholders Capitalisation, it is expected that the percentage of shareholding to be held by each Offeror shareholder in the Offeror will be as follows:

| No. | Name of Shareholder | Percentage of share capital in the Offeror |
|-------|---------------------|---|
| 1. | Zoro | 14.32% |
| 2. | Brain | 26.37% |
| 3. | Oriental Success | 23.07% |
| 4. | THB Holding | 36.23% |
| Total | | 100.00% |

- 5.7 **Appointment of directors.** Pursuant to the Consortium Agreement, Zoro shall have the right to appoint two (2) directors to the board of directors of the Offeror, in addition to Wang Laisheng. Each of Brain and Oriental have the right to nominate one (1) director to the board of directors of the Offeror. Zhang Jintang and Yang Yong Jun have been nominated by Zoro. Dong Jianmin

and Qin Chuan have been nominated by each of Brain and Oriental respectively.

6. IRREVOCABLE UNDERTAKINGS

- 6.1 **Shine Sound Investments Ltd. ("Shine").** Yang Yong Jun holds the entire issued share capital in Shine as bare trustee for and on behalf of certain representatives of the employees of the former Henan Tianhai Electric (Group) Corporation, a collective enterprise which has been restructured as a limited liability company and was indirectly acquired by the Company pursuant to the reverse takeover completed in September 2007. Yang Yong Jun was legally appointed as trustee for the entire issued share capital in Shine through a trust agreement executed under the laws of the PRC, and does not have any beneficial interests in Shine.
- 6.2 As at the Offer Announcement Date, besides Zoro and the Bondholders, Shine has provided an irrevocable undertaking (the "**Shine Undertaking**") to the Offeror to, *inter alia*, accept the Offer in respect of an aggregate of 143,886,000 Shares, representing approximately 10.7% of the total number of issued Shares (after the issue of the Conversion Shares).
- 6.3 Pursuant to the Zoro Undertaking, the Bondholders' Undertakings and the Shine Undertaking (collectively, the "**Irrevocable Undertakings**", and Zoro, the Bondholders and Shine being collectively, the "**Undertaking Shareholders**"), the Offeror has received irrevocable undertakings to accept the Offer in respect of an aggregate of 1,003,666,667 Shares, representing approximately 74.4% of the total number of issued Shares (after the issue of the Conversion Shares). Details of the shareholdings subject to the Irrevocable Undertakings are set out in **Schedule 1** to this Announcement.
- 6.4 Each Irrevocable Undertaking will terminate or lapse if the Offer lapses or is withdrawn for any reason without being declared unconditional in all respects in accordance with its terms.
- 6.5 Save for the Irrevocable Undertakings, as at the Offer Announcement Date, neither the Offeror nor any party acting in concert with the Offeror has received any irrevocable undertaking from any other party to accept or reject the Offer.

7. RATIONALE FOR THE OFFER

7.1 Low Trading Liquidity of Shares

The trading volume of the Shares has been low, with an average daily trading volume¹ of approximately 91,632 Shares, 140,252 Shares, 121,676 Shares and 155,767 Shares during the respective one (1)-month period, three (3)-month period, six (6)-month period and 12-month period up to and including 18 October 2016, being the last full Market Day² immediately prior to the Offer Announcement Date (the "**Last Trading Day**"). Each of these represents less than 0.03% of the total number of issued Shares for any of the aforementioned relevant periods.

The Offer therefore provides Shareholders who find it difficult to exit the Company as a result of the low trading volume in Shares with an opportunity to liquidate and realise their investment in the Shares at a premium to the prevailing market prices which would otherwise not be available given the low trading liquidity.

¹ Calculated by using the total volume of Shares traded divided by the number of Market Days with respect to the one (1)-month period, three (3)-month period, six (6)-month period and 12-month period respectively up to and including 18 October 2016.

² For the purposes of this Announcement, "**Market Day**" means a day on which the SGX-ST is open for the trading of securities.

7.2 Offer Price at a Premium to the Last Transacted Share Price

The Offer Price represents a premium of approximately 23.08% over the last transacted price per Share of S\$0.130 on 18 October 2016, being the last Market Day on which the Shares were transacted prior to the Offer Announcement Date.

When compared to the benchmark prices of the Shares up to and including the Last Trading Day, the Offer Price also represents a premium of approximately 56.86%, 64.95%, 64.95% and 86.05% over the volume weighted average price ("VWAP") per Share for the one (1)-month, three (3)-month, six (6)-month and 12-month periods, respectively.

The Offer presents Shareholders with a clean cash exit opportunity to realise their entire investment in the Shares at a premium over the prevailing trading prices of the Shares without incurring brokerage and other trading costs.

7.3 Greater Management Flexibility

The Offeror is making the Offer with a view to delisting the Company from the SGX-ST and exercising any rights of compulsory acquisition that may arise under the Companies Act 1981 of Bermuda. The Offeror believes that privatising the Company will give the Offeror and the management of the Company more flexibility to manage the business of the Company, optimise the use of its management and capital resources and facilitate the implementation of any operational change.

7.4 Compliance Costs of Maintaining Listing

In maintaining its listed status, the Company incurs compliance and associated costs. In the event that the Company is delisted from the SGX-ST, the Company will be able to save on expenses relating to the maintenance of a listed status and focus its resources on its business operations.

8. FINANCIAL EVALUATION OF THE OFFER

The Offer Price represents the following premium over the historical traded prices of the Shares:

| | Description | Share Price ⁽¹⁾⁽²⁾ (S\$) | Premium ⁽³⁾ to Share Price (%) ⁽⁴⁾ |
|-----|--|--|--|
| (a) | Last transacted price per Share on 18 October 2016 (being the Last Trading Day) | 0.130 | 23.08 |
| (b) | VWAP of the Shares traded on the SGX-ST for the one (1)-month period prior to and including the Last Trading Day | 0.102 | 56.86 |
| (c) | VWAP of the Shares traded on the SGX-ST for the three (3)-month period prior to and including the Last Trading Day | 0.097 | 64.95 |
| (d) | VWAP of the Shares traded on the | 0.097 | 64.95 |

| Description | Share Price ⁽¹⁾⁽²⁾ (S\$) | Premium ⁽³⁾ to Share Price (%) ⁽⁴⁾ |
|---|--|--|
| SGX-ST for the six (6)-month period prior to and including the Last Trading Day | | |
| (e) VWAP of the Shares traded on the SGX-ST for the 12-month period prior to and including the Last Trading Day | 0.086 | 86.05 |

Notes:

- (1) Source: Bloomberg L.P.
- (2) The VWAP is calculated based on the daily VWAP turnover divided by VWAP volume of the Shares as extracted from Bloomberg L.P.
- (3) Computed based on the Share prices which were rounded to the nearest three (3) decimal places.
- (4) Percentages rounded to the nearest two (2) decimal places.

The Offer Price is higher than the highest traded price of the Share in the past five years.

9. LISTING STATUS AND COMPULSORY ACQUISITION

9.1 Listing Status

Pursuant to Rule 1105 of the Listing Manual of the SGX-ST (the "**Listing Manual**"), upon an announcement by the Offeror that acceptances have been received pursuant to the Offer that bring the holdings owned by the Offeror and parties acting in concert with it to above 90% of the total number of issued Shares (excluding any Shares held in treasury), the SGX-ST may suspend the trading of the Shares on the SGX-ST until it is satisfied that at least 10% of the total number of issued Shares (excluding any Shares held in treasury) are held by at least 500 Shareholders who are members of the public. Rule 1303(1) of the Listing Manual provides that if the Offeror succeeds in garnering acceptances exceeding 90% of the total number of issued Shares (excluding any Shares held in treasury), thus causing the percentage of the total number of issued Shares (excluding any Shares held in treasury) held in public hands to fall below 10%, the SGX-ST will suspend trading of the Shares only at the close of the Offer.

Under Rule 724(1) of the Listing Manual, if the percentage of the Shares held in public hands falls below 10%, the Company must, as soon as practicable, announce that fact, and the SGX-ST may suspend trading of all the Shares. Rule 724(2) of the Listing Manual states that the SGX-ST may allow the Company a period of three (3) months, or such longer period as the SGX-ST may agree, to raise the percentage of the Shares held in public hands to at least 10%, failing which the Company may be delisted from the SGX-ST.

9.2 Compulsory Acquisition under the Bermuda Companies Act

Pursuant to Section 102 of the Companies Act 1981 of Bermuda ("**Bermuda Companies Act**"), where an offeror who has, within four (4) months after the making of an offer under a scheme or contract:

- (a) obtained acceptances from shareholders holding not less than 90.0% in value of the shares in a target Bermuda company whose transfer is involved (other than shares already held, at the date of the offer, by the offeror, the offeror's subsidiaries, and nominees of the offeror or its subsidiaries); and
- (b) where, at the date of the offer, shares in the target Bermuda company whose transfer is involved, are already held by the offeror, the offeror's subsidiaries, and nominees of the offeror or its subsidiaries to a value greater than 10.0% of the total issued shares of the target Bermuda company, such accepting shareholders also represent not less than 75.0% in number of the holders of shares in the target Bermuda company whose transfer is involved (other than shares already held, at the date of the offer, by the offeror, the offeror's subsidiaries, and nominees of the offeror or its subsidiaries), and further provided that the offeror must have made the offer on the same terms to all holders of the shares whose transfer is involved (other than those already held as aforesaid),

the offeror may at any time within two (2) months beginning from the date on which such threshold is achieved, give notice under Section 102(1) of the Bermuda Companies Act to any dissenting shareholder that the offeror wishes to acquire his shares (the "**Acquisition Notice**"). When such Acquisition Notice is given the offeror shall, unless an application is made by the dissenting shareholder(s) to the Supreme Court of Bermuda (the "**Court**") within one (1) month from the date on which the Acquisition Notice was given and the Court thinks fit to order otherwise, be entitled and bound to acquire those shares on the terms of the offer.

Once the offeror (together with its subsidiaries and nominees) holds 90.0% or more in value of the shares of the target Bermuda company including those held at the date of the transfer, the offeror has one (1) month in which it must notify the remaining shareholders of such 90.0% holding (the "**Ownership Notice**"). Once the Ownership Notice is given to the remaining shareholders, the dissenting shareholders have three (3) months within which they may give the offeror a notice (an "**Offeree Notice**") requiring the offeror to acquire the dissenting shareholders' shares and where a dissenting shareholder gives an Offeree Notice with respect to any shares in the target Bermuda company, the offeror shall be entitled and bound to acquire those shares on the same terms of the original offer (or on such other terms as may be agreed or as the Court, on the application of either the offeror or the dissenting shareholder, thinks fit to order), notwithstanding that the offeror may not have issued the Acquisition Notice.

Under Section 103 of the Bermuda Companies Act, holders of not less than 95.0% of the shares in the target Bermuda company may give notice to the remaining shareholders of their intention to acquire the remaining shareholders' shares on the terms set out in the notice. When such a notice is given, the purchasers shall be entitled and bound to acquire the shares of the remaining shareholders on the terms set out in the notice unless a remaining shareholder applies to the Court to have the Court appraise the value of such shares. The procedure in connection with the acquisition is set out in the said Section 103.

Shareholders who are in doubt of their position under the Bermuda Companies Act are advised to seek their own independent legal advice.

In the event that the Offeror is unable to exercise the right to compulsorily acquire all the Offer Shares not acquired under the Offer but receives such number of acceptances such that the public float of the Company falls to below 10.00%, resulting in the Company not being in compliance with the requirements relating to the minimum public float under Rules 723 and/or 724, the SGX-ST may exercise its discretion under Rule 1305 to remove the Company from the Official List of the SGX-ST. Under Rule 1307 of the Listing Manual, the Offeror may submit an application to the SGX-ST to obtain approval to delist the Company, subject to among others, Rules 1306 and 1309 of the Listing Manual.

9.3 Offeror's Intentions

The Offeror intends to make the Company its wholly-owned subsidiary and does not intend to preserve the listing status of the Company. Accordingly, the Offeror, if and when entitled, intends to exercise its rights of compulsory acquisition under the Bermuda Companies Act and does not intend to take any step for the public float to be restored and/or for any trading suspension of the Shares by the SGX-ST to be lifted in the event that, *inter alia*, less than 10% of the total number of issued Shares (excluding any Shares held in treasury) are held in public hands. In addition, the Offeror also reserves the right to seek a voluntary delisting of the Company from the SGX-ST pursuant to Rules 1307 and 1309 of the Listing Manual.

Subject to normal business conditions, the Offeror does not intend to (i) make major changes to the business of the Company or its management team, (ii) re-deploy the fixed assets of the Company or (iii) discontinue the employment of the employees of the Company and of its subsidiaries, other than in the normal course of business. Nonetheless, the Offeror retains the flexibility at any time to consider any options or opportunities which may present themselves and which the Offeror may regard to be in the interest of the Company.

10. DISCLOSURE OF HOLDINGS AND DEALINGS IN SECURITIES

10.1 As at the Offer Announcement Date, save as set out in **Schedule 2** to this Announcement, none of (A) the Offeror and its directors, (B) Zoro and its directors, (C) Shine and its directors, (D) Brain and its directors, (E) Oriental Success and its directors and (F) Stirling Coleman (as financial adviser to the Offeror in connection to the Offer) (collectively, the "**Relevant Persons**"):

- (a) owns, controls or has agreed to acquire any:
 - (i) Shares;
 - (ii) securities which carry voting rights in the Company; or
 - (iii) convertible securities, warrants, options or derivatives in respect of such Shares or securities,(collectively, the "**Relevant Securities**");
- (b) has dealt for value in any Relevant Securities in the six-month period prior to the Offer Announcement Date (the "**Reference Period**");
- (c) has received any irrevocable undertaking (other than the Irrevocable Undertakings) from any party to accept or reject the Offer; or
- (d) has:
 - (i) granted a security interest over any Relevant Securities to another person, whether through a charge, pledge or otherwise;
 - (ii) borrowed from another person any Relevant Securities (excluding borrowed Relevant Securities which have been on-lent or sold); or
 - (iii) lent any Relevant Securities to another person.

- 10.2 In the interest of confidentiality, the Offeror has not made enquiries in respect of certain other parties who are or may be deemed to be acting in concert with it in connection with the Offer. Further enquiries will be made of such persons by the Offeror and the relevant disclosures, if any, will be made in the Offer Document.
- 10.3 The SIC has confirmed that it has no objections to limit the disclosure in this Announcement of holdings and/or dealings in Shares to the Relevant Persons, provided that the Offeror promptly makes enquiries subsequent to the announcement of the Offer of all other persons acting or presumed to be acting in concert with it on the number of Shares owned, controlled or agreed to be acquired by them. If such number represents 0.5% or more in aggregate of the total issued shares of the Company, the Offeror must immediately announce such holdings.
- 10.4 In accordance with the Code, the associates (as defined under the Code, and which includes all substantial shareholders) of the Company and the Offeror are hereby reminded to disclose their dealings in any securities of the Company and the Offeror under Rule 12 of the Code.

11. OVERSEAS SHAREHOLDERS

This Announcement does not constitute an offer to sell or the solicitation of an offer to subscribe for or buy any security, nor is it a solicitation of any vote or approval in any jurisdiction, nor shall there be any sale, issuance or transfer of the securities referred to in this Announcement in any jurisdiction in contravention of applicable law. The Offer will be made solely by the Offer Document and the relevant form(s) of acceptance accompanying the Offer Document, which will contain the full terms and conditions of the Offer, including details of how the Offer may be accepted.

The release, publication or distribution of this Announcement in certain jurisdictions may be restricted by law and therefore persons in any such jurisdictions into which this Announcement is released, published or distributed should inform themselves about and observe such restrictions.

Copies of this Announcement and any formal documentation relating to the Offer are not being, and must not be, directly or indirectly, mailed or otherwise forwarded, distributed or sent in or into or from any jurisdiction where the making of or the acceptance of the Offer would violate the law of that jurisdiction (a "**Restricted Jurisdiction**") and will not be capable of acceptance by any such use, instrumentality or facility within any Restricted Jurisdiction and persons receiving such documents (including custodians, nominees and trustees) must not mail or otherwise forward, distribute or send them in or into or from any Restricted Jurisdiction.

The Offer (unless otherwise determined by the Offeror and permitted by applicable law and regulation) will not be made, directly or indirectly, in or into, or by the use of mails of, or by any means or instrumentality (including without limitation, telephonically or electronically) of interstate or foreign commerce of, or any facility of a national, state or other securities exchange of, any Restricted Jurisdiction and the Offer will not be capable of acceptance by any such use, means, instrumentality or facilities.

The ability of Shareholders who are not resident in Singapore to accept the Offer may be affected by the laws of the relevant jurisdictions in which they are located. Persons who are not resident in Singapore should inform themselves of, and observe, any applicable requirements. For the avoidance of doubt, the Offer will be open to all Shareholders holding Shares, including those to whom the Offer Document and the relevant form(s) of acceptance may not be sent. Further details relating to such Shareholders will be contained in the Offer Document.

The Offeror and Stirling Coleman each reserves the right to notify any matter, including the fact that the Offer has been made, to any or all Shareholders who are not resident in Singapore by announcement to the SGX-ST or notice and if necessary, by paid advertisement in a newspaper published and circulated in Singapore, in which case such notice shall be deemed to have been sufficiently given notwithstanding any failure by any Shareholder to receive or see such announcement, notice or advertisement.

12. CONFIRMATION OF FINANCIAL RESOURCES

The SIC has confirmed that the confirmation of financial resources that are available to the Offeror to satisfy full acceptance of the Offer may exclude the Zero Set-Off Amount and the Bondholders Set-Off Amount.

Stirling Coleman Capital Limited confirms that sufficient financial resources are available to the Offeror to satisfy full acceptance of the Offer by the holders of the Offer Shares on the basis of the Offer Price, excluding the Zero Consideration and the Bondholders Consideration.

13. OFFER DOCUMENT

The Offer Document setting out the terms and conditions of the Offer and enclosing the relevant form(s) of acceptance will be despatched to Shareholders not earlier than 14 days and not later than 21 days from the Offer Announcement Date. The Offer will remain open for acceptances by Shareholders for a period of at least 28 days from the date of posting of the Offer Document.

Shareholders of the Company should exercise caution and seek appropriate independent professional advice when dealing in the Shares.

14. RESPONSIBILITY STATEMENT

The directors of the Offeror (including those who may have delegated detailed supervision of this Announcement) have taken all reasonable care to ensure that the facts stated and opinions expressed in this Announcement are fair and accurate and that there are no other material facts not contained in this Announcement, the omission of which would make any statement in this Announcement misleading, and they jointly and severally accept full responsibility accordingly.

Where any information has been extracted or reproduced from published or otherwise publicly available sources or obtained from the Company, the sole responsibility of the directors of the Offeror has been to ensure, through reasonable enquiries, that such information is accurately extracted from such sources or, as the case may be, reflected or reproduced in this Announcement.

Issued by
Stirling Coleman Capital Limited
For and on behalf of
THB Auto Electronics Limited

24 October 2016

Any enquiries relating to this Announcement or the Offer should be directed during office hours to:

Stirling Coleman Capital Limited

Yap Yeong Keen

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Forward-Looking Statements

All statements other than statements of historical facts included in this Announcement are or may be forward-looking statements. Forward-looking statements include but are not limited to those using words such as "aim", "seek", "expect", "anticipate", "estimate", "believe", "intend", "project", "plan", "strategy", "forecast", "target" and similar expressions or future or conditional verbs such as "will", "would", "should", "could", "may" and "might". These statements reflect the Offeror's current expectations, beliefs, hopes, intentions or strategies regarding the future and assumptions in light of currently available information. Such forward-looking statements are not guarantees of future performance or events and involve known and unknown risks and uncertainties. Accordingly, actual results may differ materially from those described in such forward-looking statements. Shareholders and investors should not place undue reliance on such forward-looking statements, and neither the Offeror nor Stirling Coleman undertakes any obligation to update publicly or revise any forward-looking statements.

SCHEDULE 1

UNDERTAKING SHAREHOLDERS

Details of the Undertaking Shareholders and the number of Shares to be tendered in acceptance of the Offer by each Undertaking Shareholder pursuant to their respective Irrevocable Undertakings are as follows:

| Undertaking Shareholder | Number of Shares to be tendered in acceptance of the Offer | Percentage of the total number of issued Shares⁽¹⁾⁽²⁾ |
|--------------------------------|---|---|
| Zoro | 193,114,000 | 14.32% |
| Shine | 143,886,000 | 10.67% |
| Brain | 355,555,556 | 26.37% |
| Oriental Success | 311,111,111 | 23.07% |
| Total | 1,003,666,667 | 74.43% |

Notes:

- (1) Based on the maximum potential issued shares of the Company of 1,348,266,667 Shares as at the Offer Announcement Date, assuming that the Conversion Shares had been issued pursuant to the conversion of the Bonds.
- (2) In this Announcement, any discrepancies between the listed percentages and the totals shown thereof are due to rounding. Accordingly, figures shown as totals in this Announcement may not be an arithmetic aggregation of the figures that precede them.

SCHEDULE 2

DISCLOSURE OF HOLDINGS AND DEALINGS IN THE RELEVANT SECURITIES

1. HOLDINGS OF THE RELEVANT SECURITIES BY THE RELEVANT PERSONS AS AT THE OFFER ANNOUNCEMENT DATE

Save as disclosed below, as at the Offer Announcement Date, the Relevant Persons do not own or control any Relevant Securities:

| Name | No. of Shares | %⁽¹⁾ |
|---|------------------------|------------------------|
| Zoro | 193,114,000 | 14.32% |
| Shine | 143,886,000 | 10.67% |
| Brain | 355,555,556 | 26.37% |
| Oriental Success | 311,111,111 | 23.07% |
| Shareholder of Stirling Coleman | 284,000 ⁽²⁾ | 0.02% |
| Shareholder and director of Stirling Coleman | 50,000 ⁽²⁾ | n.m. ⁽³⁾ |

Notes:

- (1) Based on the maximum potential issued shares of the Company of 1,348,266,667 Shares as at the Offer Announcement Date, assuming that the Conversion Shares had been issued pursuant to the conversion of the Bonds.
- (2) Stirling Coleman does not own any Shares. 284,000 Shares are deemed to be held by a shareholder of Stirling Coleman and 50,000 Shares are held by a shareholder and director of Stirling Coleman. These respective Shares were all acquired before the Reference Period for personal investment purposes.
- (3) Not meaningful.

2. DEALINGS BY RELEVANT PERSONS IN THE RELEVANT SECURITIES DURING THE REFERENCE PERIOD

Save for the conversion of the Bonds, the Relevant Persons have not dealt for value in the Relevant Securities during the Reference Period.