

CIRCULAR DATED 8 JUNE 2018

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

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

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

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



HUAN HSIN HOLDINGS LTD
(Incorporated in the Republic of Singapore)
(Company Registration No.: 199509142R)

CIRCULAR TO SHAREHOLDERS

in relation to

(1) THE PROPOSED SUBSCRIPTION, COMPRISING:

- (A) THE PROPOSED ALLOTMENT AND ISSUE OF 3,636,363,636 SUBSCRIPTION SHARES (AS DEFINED HEREIN) BY THE COMPANY TO ORIENTAL STRAITS INVESTMENT LIMITED, BEING THE SUBSCRIBER, AT THE ISSUE PRICE OF S\$0.022 FOR EACH SUBSCRIPTION SHARE FOR AN AGGREGATE AMOUNT OF S\$80 MILLION, IN TWO TRanches – S\$20 MILLION AND S\$60 MILLION; AND**
- (B) THE PROPOSED GRANT OF OPTIONS TO EACH OF THE SUBSCRIBER AND CHINA CAPITAL IMPETUS ASSET MANAGEMENT PTE. LTD., EACH AN OPTION HOLDER, IN ACCORDANCE WITH THE SUBSCRIPTION AGREEMENT AND THE PROPOSED ALLOTMENT AND ISSUE OF UP TO 454,545,455 OPTION SHARES (AS DEFINED HEREIN) BY THE COMPANY TO EACH OPTION HOLDER FOLLOWING THE EXERCISE OF THE OPTIONS, AT THE ISSUE PRICE OF S\$0.022 FOR EACH OPTION SHARE FOR AN AGGREGATE AMOUNT OF UP TO S\$20 MILLION;**

(2) THE PROPOSED WHITEWASH RESOLUTION (AS DEFINED HEREIN); AND

(3) THE TRANSFER OF CONTROLLING INTEREST TO THE SUBSCRIBER ARISING FROM THE PROPOSED SUBSCRIPTION SHARES ISSUE (AS DEFINED HEREIN).

Financial Adviser to the Company



CEL IMPETUS CORPORATE FINANCE PTE. LTD.
(Incorporated in the Republic of Singapore)
(Company Registration No.: 201631484Z)

Independent Financial Adviser
in respect of the Proposed Whitewash Resolution

ASIAN CORPORATE ADVISORS PTE. LTD.
(Incorporated in the Republic of Singapore)
(Company Registration No.: 200310232R)

IMPORTANT DATES AND TIMES:

Last date and time for lodgement of Proxy Form	:	23 June 2018 at 10 a.m.
Date and time of Extraordinary General Meeting	:	25 June 2018 at 10 a.m.
Place of Extraordinary General Meeting	:	Reljoice 2, Hotel Re! @ Pearl's Hill, 175A Chin Swee Road, Singapore 169879

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DEFINITIONS

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

Companies, Organizations and Other Entities

“Associates of the Undertaking Shareholders”	: The associates of the Undertaking Shareholders who are required under the Subscription Agreement to execute an irrevocable undertaking in favour of the Subscriber, further details of which are set out in Section 3.5.4(f)
“Board of Directors” or “Board”	: The board of Directors of the Company
“CCIAM”	: China Capital Impetus Asset Management Pte. Ltd.
“CCIL”	: China Capital Impetus Investments Limited
“CDP”	: The Central Depository (Pte) Limited
“Company”	: Huan Hsin Holdings Ltd, a company incorporated in the Republic of Singapore with the company registration number 199509142R and its registered address at 77 Robinson Road, #13-00 Robinson 77, Singapore 068896
“Council”	: Security Industries Council
“Financial Adviser”	: CEL Impetus Corporate Finance Pte. Ltd.
“Group”	: The Company and its subsidiaries and the term “Group Company” shall be construed accordingly
“IFA” or “Independent Financial Adviser”	: Asian Corporate Advisors Pte. Ltd.
“MAS”	: Monetary Authority of Singapore
“NISF”	: New Impetus Strategy Fund
“Obligated Parties”	: The Subscriber and its concert parties
“Parties”	: The Company, the Subscriber and CCIAM
“SGX-ST”	: Singapore Exchange Securities Trading Limited
“Subscriber” or “Oriental Straits Investment Limited”	: Oriental Straits Investment Limited, a company incorporated in the Cayman Islands with the company registration number 278902 and its registered address at the office of Elian Fiduciary Services (Cayman) Limited, 190 Elgin Avenue, George Town, Grand Cayman, KY1-9007, Cayman Islands

DEFINITIONS

“Undertaking Shareholders” : Collectively, Mr. Hsu Cheng Chien and Mr. Hsu Hung Chun (each an **“Undertaking Shareholder”**) who are each required under the Subscription Agreement to execute the Indemnity Undertaking in favour of the Subscriber, further details of which are set out in Section 3.5.4(e)

General

“Business Day(s)” : A day (excluding Saturday, Sunday or a public holiday) on which commercial banks are open for business in Singapore

“Circular” : This circular to Shareholders dated 8 June 2018

“Code” : The Singapore Code on Take-overs and Mergers, as amended, modified or supplemented from time to time

“Companies Act” : Companies Act (Chapter 50) of Singapore as amended, supplemented or modified from time to time

“Constitution” : The constitution of the Company as amended, modified or supplemented from time to time;

“Deed of Novation” : The deed of novation dated 4 March 2018 entered into between the Company, the Subscriber, CCIIL and CCIAM in respect of the substitution of CCIIL as a party to the Subscription Agreement by CCIAM

“Designated Bank Account” : A bank account opened in the name of the Company and maintained at a bank to be selected by the Subscriber for the purpose of receiving the subscription amounts in respect of the Subscription Shares and the Option Shares, as applicable

“EGM” : The extraordinary general meeting of the Company, notice of which is set out on pages N-1 to N-3 of this Circular

“Enlarged Share Capital” : 4,945,454,546 Shares, comprising (i) the Existing Share Capital of 400,000,000 Shares, (ii) 3,636,363,636 Subscription Shares, and (iii) the maximum of 909,090,910 Option Shares, further details of which are set out in Section 3.5.2

“EPS” : Earnings per Share

“Exercise Notice” : The duly completed exercise notice to be issued by an Option Holder to the Company when exercising any part of its Option, further details of which are set out in Section 3.3

“Exercise Period” : Any time and from time to time during the 36 month period commencing from the date of the Tranche 1 Completion during which an Option Holder may exercise its Option by issuing to the Company an Exercise Notice, further details of which are set out in Section 3.3

DEFINITIONS

“Existing Core Business”	: The core business of the Group as of the Latest Practicable Date, being the manufacturing and distribution of telecommunications, information technology, electronics and other consumer product parts and components
“Existing Share Capital”	: The issued and paid-up share capital of the Company as at the Latest Practicable Date, comprising 400,000,000 Shares
“FY”	: The financial year ending or ended 31 December, as the case may be
“General Offer”	: A mandatory general offer in accordance with Rule 14 of the Code and Section 139 of the SFA
“Indemnity Undertaking”	: An irrevocable letter of undertaking in a form satisfactory to the Subscriber, to be executed by the Undertaking Shareholders in favour of the Subscriber in accordance with the terms of the Subscription Agreement, further details of which are set out in Section 3.5.4(e)
“IFA Letter”	: The letter dated 8 June 2018 from the Independent Financial Adviser to the Recommending Directors in relation to the Proposed Whitewash Resolution, as set out in Appendix 1 to this Circular
“Independent Shareholders”	: Shareholders, other than the Subscriber and its concert parties, as well as parties not independent of them, who are considered independent for the purpose of the Proposed Whitewash Resolution
“Issue Price”	: The issue price of S\$0.022 per Subscription Share or Option Share, as the case may be
“Latest Practicable Date”	: 25 May 2018, being the latest practicable date prior to the printing of this Circular
“Listing Manual”	: The listing manual of the SGX-ST, as amended, supplemented or modified from time to time
“Long-Stop Date”	: 30 June 2018 or such other date as may be agreed in writing by the Parties, further details of which are set out in Section 3.5.3
“Market Day”	: A day on which the SGX-ST is open for trading in securities
“Notice of EGM”	: The notice of the EGM which is set out on pages N-1 to N-3 of this Circular
“NTL”	: Net tangible liabilities
“Option”	: The right but not the obligation granted by the Company in favour of an Option Holder to each subscribe for a maximum of 454,545,455 Option Shares at the Issue Price in consideration for a maximum of S\$10 million during the Exercise Period, further details of which are set out in Section 3.3

DEFINITIONS

“Option Holders”	:	Means the Subscriber and CCIAM, and each an “Option Holder”
“Option Shares”	:	An aggregate of up to 909,090,910 new Shares to be issued and allotted to the Option Holders (or up to 454,545,455 new Shares to be issued and allotted to each Option Holder) upon an Option Holder’s exercise of its Option, further details of which are set out in Section 1.1
“PRC”	:	The People’s Republic of China
“Proposed Option Shares Issue”	:	The proposed allotment and issue of up to 909,090,910 Option Shares at the Issue Price by the Company to the Option Holders, in accordance with the terms and conditions of the Subscription Agreement
“Proposed RTO”	:	The proposed transaction announced by the Company on the SGXNET on 5 March 2018, pursuant to which the Company will become the legal and beneficial owner of a 99.99% equity interest of a company incorporated in the British Virgin Islands and wholly-owned by Jade Merit Developments Limited on the terms and conditions of a sale and purchase agreement dated 4 March 2018 entered into between the Company and Jade Merit Developments Limited, which will result in a reverse takeover pursuant to Chapter 10 of the Listing Manual
“Proposed Subscription”	:	Collectively, the Proposed Subscription Shares Issue and the Proposed Option Shares Issue, in accordance with the terms and conditions of the Subscription Agreement
“Proposed Subscription Shares Issue”	:	The proposed allotment and issue of 3,636,363,636 Subscription Shares at the Issue Price by the Company to the Subscriber in accordance with the terms and conditions of the Subscription Agreement
“Proposed Transactions”	:	Has the meaning ascribed to it in Section 1.1
“Proposed Whitewash Resolution”	:	The resolution by the Independent Shareholders of the Company (on a poll taken) to unconditionally and irrevocably waive their right under Rule 14 of the Code to receive a General Offer from the Subscriber following the allotment and issue of the Tranche 1 Subscription Shares pursuant to the Proposed Subscription Shares Issue
“Recommending Directors”	:	The Directors who are deemed to be non-interested for the purpose of making a recommendation to the Shareholders in respect of the Proposed Whitewash Resolution, namely, Messrs Hsu Hung Chun, Hsu Cheng Chien, Hsu Ming Hung, Lim Hock Beng, Lau Ping Sum, Pearce and Chew Heng Ching

DEFINITIONS

“Securities Account”	: A securities account maintained by a Depositor with CDP, but shall not include a securities sub-account maintained with a Depository Agent.
“SFA”	: The Securities and Futures Act, Chapter 289 of Singapore, as amended, modified or supplemented from time to time
“SGXNET”	: The corporate announcement system maintained by the SGX-ST for the submission of announcements by listed companies
“Shareholders”	: Registered holders of the Shares in the register of members of the Company, except where the registered holder is CDP, the term “Shareholders” shall, where the context admits, mean the persons named as Depositors in the Depository Register maintained by CDP and whose Securities Accounts those Shares are credited into
“Shares”	: The ordinary shares in the capital of the Company
“Subscription Agreement”	: The subscription agreement originally dated 24 February 2016 (as amended, supplemented and/or modified from time to time) entered into between the Company, the Subscriber and CCIAM For the avoidance of doubt, CCIL (which was originally a party to the said subscription agreement prior to the entry into the Deed of Novation) had been substituted by CCIAM as a party to the said subscription agreement pursuant to the Deed of Novation
“Subscription Shares”	: 3,636,363,636 new Shares to be issued and allotted by the Company to the Subscriber pursuant to the Proposed Subscription, further details of which are set out in Section 1.1
“Substantial Shareholder”	: A person who has an interest in the Shares of which is not less than five per cent (5%) of all the voting shares of the Company
“Supplemental Subscription Agreement”	: The supplemental agreement dated 4 March 2018 entered into between the Company, the Subscriber and CCIAM to amend, supplement and modify the terms of the Subscription Agreement
“Tranche 1 Completion”	: Completion of the Tranche 1 Subscription
“Tranche 1 Completion Date”	: The date falling within 90 days from the date on which the last condition precedent is satisfied, fulfilled or waived (as the case may be), or on such other date as the Parties may agree in writing, on which the Tranche 1 Subscription Shares will be issued and allotted to the Subscriber
“Tranche 1 Subscription”	: The issue and allotment by the Company, and the subscription by the Subscriber, of the Tranche 1 Subscription Shares amounting to 909,090,909 Subscription Shares, further details of which are set out in Section 3.2(a)

DEFINITIONS

“Tranche 1 Subscription Amount”	: S\$20 million payable by the Subscriber to the Company pursuant to the Tranche 1 Subscription, further details of which are set out in Section 3.2(a)
“Tranche 1 Subscription Shares”	: 909,090,909 Subscription Shares
“Tranche 2 Completion”	: Completion of the Tranche 2 Subscription, which shall be contingent upon the receipt by the Company of the approval in-principle of the Proposed RTO from the SGX-ST
“Tranche 2 Completion Date”	: The date of Tranche 2 Completion
“Tranche 2 Subscription”	: The issue and allotment by the Company, and the subscription by the Subscriber, of the Tranche 2 Subscription Shares amounting to 2,727,272,727 Subscription Shares, further details of which are set out in Section 3.2(b)
“Tranche 2 Subscription Amount”	: S\$60 million payable by the Subscriber to the Company pursuant to the Tranche 2 Subscription, further details of which are set out in Section 3.2(b)
“Tranche 2 Subscription Shares”	: 2,727,272,727 Subscription Shares
“Transfer of Controlling Interest”	: The transfer of controlling interest in the Company to the Subscriber and CCIAM under the circumstances described herein as a result of the Proposed Subscription Shares Issue and the Proposed Option Shares Issue
“Valuation Reports”	: The valuation report dated 21 May 2018 prepared by Cushman & Wakefield International Property Advisers (Shanghai) Co., Ltd. in connection with the valuation of the Company’s properties in the PRC, and the valuation report dated 22 May 2018 prepared by HENRY BUTCHER MALAYSIA (Kedah) Sdn. Bhd. in connection with the valuation of the Company’s industrial property in the State of Kedah
“VWAP”	: Volume weighted average price
“Zero Liability Requirement”	: Has the meaning ascribed to it in Section 3.5.1

Currencies, Units and Others

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

DEFINITIONS

The terms “**Depositor**”, “**Depository Agent**” and “**Depository Register**” shall have the meanings ascribed to them respectively by Section 81SF of the SFA.

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

References to persons shall include corporations.

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

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

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

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

LETTER TO SHAREHOLDERS

HUAN HSIN HOLDINGS LTD

(Incorporated in the Republic of Singapore)
(Company Registration No.: 199509142R)

Board of Directors:

Mr. Hsu Hung Chun (*Chairman*)
Mr. Hsu Cheng Chien (*Managing Director*)
Mr. Hsu Ming Hung (*Executive Director*)
Mr. Lim Hock Beng (*Independent Non-Executive Director*)
Mr. Lau Ping Sum, Pearce (*Independent Non-Executive Director*)
Mr. Chew Heng Ching (*Independent Non-Executive Director*)

Registered Office:

77 Robinson Road
#13-00 Robinson 77
Singapore 068896

8 June 2018

To: The Shareholders of Huan Hsin Holdings Ltd

Dear Sir / Madam

(1) THE PROPOSED SUBSCRIPTION, COMPRISING:

- (A) THE PROPOSED ALLOTMENT AND ISSUE OF 3,636,363,636 SUBSCRIPTION SHARES (AS DEFINED HEREIN) BY THE COMPANY TO ORIENTAL STRAITS INVESTMENT LIMITED, BEING THE SUBSCRIBER, AT THE ISSUE PRICE OF S\$0.022 FOR EACH SUBSCRIPTION SHARE FOR AN AGGREGATE AMOUNT OF S\$80 MILLION, IN TWO TRANCHES – S\$20 MILLION AND S\$60 MILLION; AND**
- (B) THE PROPOSED GRANT OF OPTIONS TO EACH OF THE SUBSCRIBER AND CAPITAL IMPETUS ASSET MANAGEMENT PTE. LTD., EACH AN OPTION HOLDER, IN ACCORDANCE WITH THE SUBSCRIPTION AGREEMENT AND THE PROPOSED ALLOTMENT AND ISSUE OF UP TO 454,545,455 OPTION SHARES (AS DEFINED HEREIN) BY THE COMPANY TO EACH OPTION HOLDER FOLLOWING THE EXERCISE OF THE OPTIONS, AT THE ISSUE PRICE OF S\$0.022 FOR EACH OPTION SHARE FOR AN AGGREGATE AMOUNT OF UP TO S\$20 MILLION;**

(2) THE PROPOSED WHITEWASH RESOLUTION (AS DEFINED HEREIN); AND

(3) THE TRANSFER OF CONTROLLING INTEREST TO THE SUBSCRIBER ARISING FROM THE PROPOSED SUBSCRIPTION SHARES ISSUE (AS DEFINED HEREIN).

1. INTRODUCTION

1.1 Purpose of Circular

On 24 February 2016, the Company announced, *inter alia*, that it had entered into the Subscription Agreement with the Subscriber and CCIL, pursuant to which the Company has agreed to allot and issue (i) up to 12,818,181,818 new Shares to the Subscriber in two (2)

LETTER TO SHAREHOLDERS

tranches and (ii) up to 3,204,545,455 new Shares to CCIL, at the Issue Price per Share, for an aggregate subscription amount of up to S\$352.5 million.

On 5 March 2018, the Company announced, *inter alia*, the Subscriber, CCIL and CCIAM had entered into (i) the Deed of Novation, pursuant to which CCIAM had substituted CCIL as a party to the Subscription Agreement; and (ii) the Company, the Subscriber and CCIAM had entered into the Supplemental Subscription Agreement to supplement, amend and modify the Subscription Agreement, pursuant to which the Company has agreed to allot and issue (i) 3,636,363,636 Subscription Shares at the Issue Price to the Subscriber in two (2) tranches for S\$80 million; and (ii) up to 909,090,910 Option Shares at the Issue Price to the Option Holders for up to S\$20 million.

In addition, certain clarifications in relation to the Proposed Subscription were further agreed among the Parties, *inter alia*:

- (a) The events which would require adjustments to the Issue Price and/or the number of Option Shares to be issued. Please refer to Appendix 2 of this Circular for more information; and
- (b) Zero Liability Requirement excludes the consideration payable as well as the transactional cost in connection with the Proposed RTO. For more information on Zero Liability Requirement, please refer to Section 3.5.1 of this Circular.

The Proposed Subscription is a fund-raising initiative by the Company to primarily (i) raise funds for the Proposed RTO; and (ii) facilitate the Company's effort and application to exit the watch-list. Please refer to Section 3.6 of the Circular for more information on the extension of time granted by SGX-ST for the Company to exit the watch-list, the conditions imposed by SGX-ST and the consequences if the conditions are not met.

Further details of the Subscription Agreement are summarised below and in the relevant sections of this Circular.

The Directors of the Company propose to convene an EGM to be held on 25 June 2018 at 10 a.m. at Re!joyce 2, Hotel Re! @ Pearl's Hill, 175A Chin Swee Road, Singapore 169879 to seek Shareholders' approval for the following proposals:

- (a) the Proposed Subscription;
- (b) the Proposed Whitewash Resolution; and
- (c) the Transfer of Controlling Interest,

(collectively, the "**Proposed Transactions**").

1.2 Purpose of Circular

The purpose of this Circular is to explain the reasons for and to provide Shareholders with the relevant information relating to the Proposed Transactions and to seek the Shareholders' approval for the resolutions to be tabled at the EGM to be held on 25 June 2018 at 10 a.m. at Re!joyce 2, Hotel Re! @ Pearl's Hill, 175A Chin Swee Road, Singapore 169879 in connection

LETTER TO SHAREHOLDERS

with the Proposed Transactions. The resolutions are set out in the Notice of EGM attached at pages N-1 to N-3 to this Circular.

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

1.3 Conditionality of the Resolutions

With respect to the resolutions set out in the Notice of EGM, Shareholders should note that each of the resolutions relating to the Proposed Subscription (Ordinary Resolution 1), Proposed Whitewash Resolution (Ordinary Resolution 2) and the Transfer of Controlling Interest (Ordinary Resolution 3), **are inter-conditional on each other. This means that if any one of the Ordinary Resolutions 1 to 3 is not approved, the other resolutions set out in the Notice of EGM will not be passed.**

2. APPROVAL IN-PRINCIPLE FROM THE SGX-ST

In connection with the Proposed Subscription, an application was made for the approval of the SGX-ST for the listing of and quotation for up to 4,545,454,546 new Shares (comprising 3,636,363,636 Subscription Shares and 909,090,910 Option Shares).

On 20 April 2018, the Company announced its receipt of the approval in-principle from the SGX-ST in which the SGX-ST has granted the approval for the listing of and quotation for up to 3,636,363,636 Subscription Shares and up to 909,090,910 Option Shares, subject to, *inter alia*, the following conditions:

- (a) Compliance with the SGX-ST's listing requirements;
- (b) Shareholders' approval for the Proposed Subscription and the Proposed Whitewash Resolution; and
- (c) Submission of the following documents:-
 - (i) A written undertaking from the Company that it will comply with Rule 704(30) and Rule 1207(20) of the Listing Manual in relation to the use of the proceeds from the Proposed Subscription of shares and where proceeds are to be used for working capital purposes, the Company will disclose a breakdown with specific details on the use of proceeds for working capital in the Company's announcements on use of proceeds and in the annual report;
 - (ii) A written undertaking from the Company that it will comply with Listing Rule 803; and
 - (iii) A written confirmation from the Company that it will not issue the Subscription Shares and Option Shares to persons prohibited under Rule 812(1) of the Listing Manual.

The above approval in-principle granted by SGX-ST is not to be taken as an indication of the merits of the Proposed Subscription, Subscription Shares, Option Shares, the Company and/or its subsidiaries.

LETTER TO SHAREHOLDERS

3. THE PROPOSED SUBSCRIPTION

3.1 Information relating to the Subscriber, NISF and CCIAM

Shareholders should note that information relating to the Subscriber, NISF and CCIAM in this Section 3.1 and elsewhere in this Circular was provided by CCIAM in its capacity as fund manager of NISF. The Company and the Directors have not independently verified their accuracy and correctness, but have made reasonable enquiries of such information herein.

3.1.1 Information on the Subscriber

The Subscriber is an investment holding company incorporated on 25 June 2013 with limited liability in the Cayman Islands. Its registered office is at the office of Elian Fiduciary Services (Cayman) Limited, 190 Elgin Avenue, George Town, Grand Cayman, KY1-9007, Cayman Islands.

NISF is the sole shareholder of the Subscriber. Please see Section 3.1.2 for more information on NISF.

The sole director of the Subscriber is Mr. Chio Hock Lai.

Mr. Chio provides consultancy services for businesses in the PRC and Singapore. He also facilitates exchanges between Singapore and PRC businesses and personnel since 2005 in his role as the Managing Director of Access Corp Pte. Ltd.

Mr. Chio was the chief representative of Capitaland Residential in Beijing, PRC from 1999 to 2005 when he assisted in the completion of Ascott Beijing, a strategic development planning of private housing and service apartments for Capitaland Residential in Beijing, as well as sourcing for joint venture partners for housing projects.

Prior to that, Mr. Chio was the Director of Chinese Computer Software House in Singapore from 1991 to 1997. Mr. Chio gained experiences in marketing products in both Singapore and Malaysia during this period. Mr. Chio was awarded the SAF Sword of Honour (Signal) in 1974 during his stint in the Singapore Armed Forces between 1971 and 1990.

3.1.2 Information on NISF (the Sole Shareholder of the Subscriber)

New Impetus Strategy Fund is an exempted open-ended investment company with limited liability incorporated under the Companies Law and having its registered office at Intertrust Corporate Services (Cayman) Limited, 190 Elgin Avenue, George Town, Grand Cayman KY1-9007, Cayman Islands. NISF is a regulated mutual fund under the Mutual Funds Law (Revised) of the Cayman Islands ("**Mutual Funds Law**"), and registered with the Cayman Islands Monetary Authority pursuant to section 4(3) of the Mutual Funds Law. NISF has been entered as a restricted foreign scheme by the MAS under the Sixth Schedule to the Securities and Futures (Offer of Investments) (Collective Investment Schemes) Regulations 2005 (as amended by the Securities and Futures (Offers of Investments) (Collective Investment Schemes) (Amendment) Regulations 2014). NISF is a discretionary fund and none of the investors of NISF are able to influence the manager of NISF in the manager's decisions with regard to NISF's investment in the Company. The directors of NISF are Mr. Sun Quan and Mr. Yap Wee Phin, whose details are set out below:-

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- (a) **Mr. Sun Quan** is currently an executive director and the chief executive officer of CCIAM. He has more than 20 years of experience in mergers and acquisitions, investments and management in the Greater China region, Singapore, Malaysia, Thailand and Indonesia, in diverse businesses covering high technology, pharmaceuticals, electronics, real estate, natural resources and chemicals industries. Mr. Sun has been instrumental in promoting collaboration in areas of economic, education, culture and relationship enhancement between China and numerous Southeast Asian countries.

Mr. Sun was the first session EMBA graduate of Tsinghua University in China. He received his Bachelor degree from Beijing University of Technology.

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

Prior to joining CCIAM, Mr. Yap was the manager of the Actuarial Reporting team at Prudential Assurance Malaysia Berhad. In that role, Mr. Yap specialised in capital management and the assessment of business plans or products, using asset & liability modelling supplemented with extensive stress testing. Having also worked at Phoenix Group in the United Kingdom, Mr. Yap has had experience working in different regulatory environments with different reporting standards.

Mr. Yap graduated from Heriot-Watt University in 2012 with a Bachelor's Degree in Actuarial Science (*First Class Honours*) and a Master's Degree in Actuarial Management.

3.1.3 Information on CCIAM (an Option Holder)

CCIAM is an asset management company incorporated in Singapore, and having its principal place of business at 9 Raffles Place #52-01 Republic Plaza, Singapore 048619. CCIAM is registered with the MAS as a Registered Fund Management Company and is regulated by the MAS in the conduct of its fund management business in Singapore. CCIAM's principal businesses include the management of hedge funds, private equity funds, fund of funds, and other collective investment schemes.

CCIAM is a wholly-owned subsidiary of Capital Impetus Group Limited, an investment holding company incorporated in the Cayman Islands. Mr. Sun Quan and Mr. Peh Siew Wee are the beneficial owners of Capital Impetus Group Limited, holding 90% and 10% of the issued and paid-up share capital of Capital Impetus Group Limited, respectively.

The directors of CCIAM are Mr. Sun Quan, Mr. Peh Siew Wee and Mr. Quah Soon Tong whose details are set out below:

- (a) **Mr. Sun Quan**

Please refer to Section 3.1.2(a) for the profile of Mr. Sun Quan.

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

Mr. Peh Siew Wee is a non-executive director of CCIAM. Mr. Peh previously held senior positions in various financial institutions in Singapore, including Director of High Net worth Client Sales in SBI E2-Capital Asia Securities Pte Ltd, and as the Business Development Manager of HL Bank Singapore. He was actively involved in the

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development, leasing and management of an office, retail cum serviced residence in Beijing and an office cum retail development in Quanzhou, Fujian Province, PRC. He graduated from the University of Oregon in 1989 with a Bachelor of Science Degree (Summa Cum Laude) and later obtained a Master's degree in Business Administration from the University of Michigan (Ann Arbor) in 1994.

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

Mr. Quah has 15 years of well-rounded experience in the financial services and banking industry and more than 10 years of experience in the real estate and construction industry. Experienced in strategic planning and risk management, he was previously the Head of Business Strategy for the Global Financial Institutions Group in United Overseas Bank, Director of Strategic Planning for Orchard Parade Holdings Ltd, and Director of the Research and Analysis Unit for Citibank NA. Soon Tong holds an Engineering Tripos Bachelor Degree (majoring in Civil Engineering) and a Masters of Arts from the University of Cambridge.

3.2 Subscription Shares

Subject to the terms and conditions of the Subscription Agreement:

- (a) with respect to the first tranche, the Company agrees to allot and issue and the Subscriber agrees to subscribe for 909,090,909 Subscription Shares (the "**Tranche 1 Subscription Shares**") at the Issue Price per Tranche 1 Subscription Share for an aggregate consideration of S\$20 million (the "**Tranche 1 Subscription Amount**"); and
- (b) with respect to the second tranche, the Company agrees to allot and issue and the Subscriber agrees to subscribe for 2,727,272,727 Subscription Shares (the "**Tranche 2 Subscription Shares**") at the Issue Price per Tranche 2 Subscription Share for an aggregate consideration of S\$60 million (the "**Tranche 2 Subscription Amount**").

As at the Latest Practicable Date, other than in respect of the Subscription Agreement, none of the Subscriber, CCIAM or any of their directors (i) has any connections (including business relationships) with the Company, any of its Directors or Substantial Shareholders; or (ii) hold any Shares or voting rights or any instruments convertible into, rights to subscribe for and options in respect of the Shares. The Subscriber and CCIAM do not fall within any of the prohibited categories as set out in Rule 812 of the Listing Manual.

3.3 Option Shares

The Company shall grant each Option Holder the right but not the obligation to each subscribe for up to 454,545,455 Shares at the Issue Price per Share for up to S\$10 million upon the terms and subject to the conditions of the Subscription Agreement (each an "**Option**"). Each Option Holder may, subject to the terms of the Subscription Agreement, exercise its Option at any time and from time to time during the 36-month period commencing from the Tranche 1 Completion Date by delivering to the Company a duly completed Exercise Notice. For the avoidance of doubt, assuming each Option Holder fully exercises its Option, the aggregate monies to be raised by the Company from both Option Holders is S\$20 million.

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Pursuant to the Subscription Agreement, the issue price and/or number of Option Shares to be issued is subject to adjustments in the event the Company undertakes the following:

- (a) capitalisation of profits or reserves;
- (b) capital distribution;
- (c) rights issue;
- (d) an issue (other than pursuant to a rights issue in (c) above, and other than an issue of Shares to Shareholders who elect to receive Shares in lieu of cash or other dividend) by the Company of Shares if the total effective consideration (as defined below) for each Share is less than 90% of the last dealt price for each Share; or
- (e) consolidation, subdivision or conversion of Shares.

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

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

Please see Appendix 2 for the circumstances which may give rise to an adjustment to the Issue Price and/or number of Option Shares.

Each Option Holder shall be permitted to assign, transfer or otherwise deal with all or any of its rights in connection with its Option (including but not limited to assigning its Option to one or more third parties), without the prior consent of the Company.

Unless agreed in writing between the Company and each Option Holder, the Option granted to each Option Holder shall *ipso facto* lapse on the expiry of the Exercise Period.

If the Company is wound up for any reason whatsoever, all Options which have not been exercised at the date of the passing of such resolution shall lapse and the Options will cease to be valid for any purpose.

3.4 Issue Price

The Issue Price of S\$0.022 represents a discount of approximately 6.0% over the VWAP of the Shares for trades done on the SGX-ST on 1 March 2018, being the last market day on which the Shares were traded prior to the signing of the Supplemental Subscription Agreement. No Shares were traded on 2 March 2018.

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3.5 The Subscription Agreement

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

3.5.1 Basis of Subscription

The Company and the Subscriber agree and acknowledge that the Proposed Subscription has been agreed on, *inter alia*, the basis that immediately prior to and as at the Tranche 1 Completion Date, save for the transactional costs in connection with the Proposed Subscription as well as the consideration payable and the transactional costs in connection with the Proposed RTO, the Company has no liabilities (including all forms of taxation imposed by any taxation authority on the Company in relation to transactions, undertakings or arrangements entered into or commencing on or before the date of the Subscription Agreement), whether actual, deferred or contingent, and there are no off-balance sheet liabilities in the Company (including all forms of financial guarantees provided by the Company in favour of its subsidiaries and/or any third parties) (the “**Zero Liability Requirement**”).

3.5.2 Status of the Subscription Shares and Option Shares

The Subscription Shares and Option Shares shall be issued by the Company to the Subscriber and the Option Holders respectively, free from all claims, charges, liens and other encumbrances whatsoever and the Subscription Shares and Option Shares shall rank *pari passu* in all respects with and carry all rights similar to existing Shares, except that they will not rank for any dividend, right, allotment or other distributions, the record date for which falls on or before the Tranche 1 Completion Date, the Tranche 2 Completion Date or the relevant date of issue of such Option Shares, as applicable.

The Enlarged Share Capital of the Company will be 4,945,454,546 Shares, comprising the Existing Share Capital of 400,000,000 Shares, as well as the allotment and issuance of 3,636,363,636 Subscription Shares and the maximum of 909,090,910 Option Shares. The 4,545,454,546 Subscription Shares and Option Shares in aggregate will represent approximately 1,136.4% of the Existing Share Capital, and approximately 91.9% of the Enlarged Share Capital.

3.5.3 Long-Stop Date

As announced by the Company on 5 March 2018, the long-stop date under the Subscription Agreement has been extended to 30 June 2018 (the “**Long-Stop Date**”). If any of the conditions precedent set out in the Subscription Agreement is not satisfied, fulfilled or waived (as the case may be) by the Long-Stop Date or such other date as may be agreed in writing by the Parties, the Parties shall consult in good faith with a view to determining whether the Proposed Subscription Shares Issue and such other transactions as contemplated in the Subscription Agreement may proceed by way of alternative means or methods or to extend the Long-Stop Date. If after such consultation, the Parties are unable to find a solution acceptable to both Parties and any of the conditions precedent is not fulfilled or if a condition precedent expressed to be capable of being waived is not waived (as the case may be), the Subscription Agreement shall terminate.

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3.5.4 Conditions Precedent

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

(a) *Due Diligence*

The Subscriber being satisfied with its due diligence investigations into the financial, legal, tax and business of the Company, including being satisfied that the Zero Liability Requirement has been satisfied.

For the avoidance of doubt, the satisfaction by the Company of the Zero Liability Requirement (which for the avoidance of doubt only applies to the Company and not its subsidiaries) immediately prior to Tranche 1 Completion will not impact the Group's ability to carry on the Existing Core Business as all the indebtedness of the Group for working capital are held by the Company's subsidiaries. The Company does not envisage taking on more indebtedness prior to Tranche 1 Completion for working capital of the Existing Core Business.

(b) *Regulatory Approvals*

All necessary consents, approvals and waivers of all relevant government bodies, stock exchange and other regulatory authority for or in connection with the Subscription Agreement and all other transactions in connection therewith and incidental thereto, having been obtained by the Company or the Subscriber, as relevant, including without limitation, the approval in-principle from the SGX-ST in respect of the listing of and quotation for the Subscription Shares and Option Shares on the Mainboard of the SGX-ST and the Council having granted the Subscriber and its concert parties a waiver of its obligation to make a General Offer under Rule 14 of the Code.

(c) *Representations and Warranties*

All the representations and warranties of the Company and the Subscriber set out under the Subscription Agreement, as the case may be, being true, accurate and not misleading in all material respects as of the date of the Subscription Agreement and as at the Tranche 1 Completion Date.

(d) *Shareholders' Approval*

The resolution of the Shareholders having been obtained for the Proposed Transactions.

(e) *Indemnity Undertakings*

The execution by Mr. Hsu Cheng Chien and Mr. Hsu Hung Chun (the "**Undertaking Shareholders**") of an irrevocable letter of undertaking in a form satisfactory to the Subscriber ("**Indemnity Undertaking**"), pursuant to which the Undertaking Shareholders shall (jointly and severally) undertake to guarantee and indemnify the Subscriber on the following:

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- (i) the due and punctual performance, observance and discharge by the Company of all the obligations and undertakings under the Subscription Agreement if and when they become performable or due under the Subscription Agreement;
- (ii) that as at the Tranche 1 Completion Date, the Company has satisfied the Zero Liability Requirement, and if the Company defaults in any payment or fails to perform any of the obligations under the Subscription Agreement, the Undertaking Shareholders shall (jointly and severally) pay on demand any such amount to the Subscriber and in the manner as prescribed by the Subscriber as if the Undertaking Shareholders were the named obligors in the Subscription Agreement; and
- (iii) any losses, costs, claims, liabilities, damages, demands and expenses suffered or incurred by the Subscriber arising out of or in connection with the Company's representations, warranties, obligations and undertakings under the Subscription Agreement, and in particular, the Company's failure to satisfy the Zero Liability Requirement as at the Tranche 1 Completion Date.

(f) Voting Undertakings

The execution by each of the Undertaking Shareholders and their respective associates (the "**Associates of the Undertaking Shareholders**") of an irrevocable undertaking pursuant to which each of the Undertaking Shareholders and the Associates of the Undertaking Shareholders shall undertake:

- (i) not to dispose any Shares that it holds or controls during the period commencing from the date of such undertaking until the earlier of, as the case may be (A) the termination of the Subscription Agreement; and (B) the approval-in-principle from the SGX-ST in respect of the removal of the Company from the watch-list having been obtained; and
- (ii) to exercise or procure the exercise at the EGM and such adjournments thereof, all voting rights attached to the Shares that it holds, in favour of the resolution(s) approving the Relevant Resolutions and such other transactions in connection therewith and incidental thereto, together with any related resolutions necessary or expedient for such purposes, unless prevented from doing so by applicable rules or regulations or by any relevant regulatory authority.

(g) No Changes in Share Capital

For the period between the date of the Subscription Agreement and the Tranche 1 Completion Date, the Company not having allotted or issued, or agreed to allot or issue, any Share or loan capital, and there being no change to the share capital as at the date of the Subscription Agreement.

(h) No Winding-Up

Other than provided for in the Subscription Agreement, no order being made, petition presented or meeting convened for the purpose of considering a resolution for the

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

(i) *No Material Adverse Change*

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

(j) *No Illegality*

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

(k) *No Prescribed Occurrences*

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

"Prescribed Occurrence" shall mean any of the following:

(i) Contracts, Agreements or Commitments

Other than as provided in the Subscription Agreement and in connection with the Proposed RTO, the Company entering into any contract, agreement or commitment, or agreeing to any variation of any existing contract, agreement or commitment to which the Company is a party.

(ii) Alteration of Share Capital

Other than pursuant to the grant of the Option as provided in the Subscription Agreement and in connection with the Proposed RTO, the Company entering into any share buy-back agreement or resolving to approve the terms of any share buy-back agreement or reduce its share capital in any way, or making any allotment of, or granting any option to subscribe for any Shares or

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securities convertible into Shares or agreeing to make any such allotment or to grant any such option or convertible security.

(iii) Issuance of Debt Securities

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

(iv) Insolvency Event

The occurrence of any event or circumstance described as follows:

- (A) any order being made, petition presented or meeting convened for the purpose of considering a resolution for the winding up of the Company or for the appointment of any provisional liquidator in the Company;
- (B) any petition being presented for the appointment of a judicial manager, assignee, administrator, receiver, liquidator, custodian or similar official, and such official has been so appointed, in respect of the whole or any part of any of the property, assets and/or undertaking of the Company;
- (C) any composition in satisfaction of the debts of the Company, or scheme of arrangement of its affairs, or compromise or arrangement between it and its creditors and/or members or any class of its creditors or members, having been proposed, sanctioned or approved; or
- (D) any distress, distraint, charging order, garnishee order, execution or other process having been levied or applied for in respect of the whole or any part of any of the property, assets and/or undertaking of the Company.

(v) Delisting or Suspension of Trading

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

(vi) Change in Accounting Policy

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

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(vii) Changes to Constitution

The Company amending its Constitution.

(viii) Breaches of Representations and Warranties

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

(ix) General

The Company taking any action in respect of any matter which is analogous to any of the matters in paragraphs (i) to (viii) above or which would be inconsistent with paragraphs (i) to (viii) above.

3.5.5 Completion

Tranche 1 Completion shall be subject to customary conditions precedent, a summary of which is set out in Section 3.5.4 above; whereas Tranche 2 Completion shall be contingent on Tranche 1 Completion and the Company's receipt of the approval in-principle from the SGX-ST of the Proposed RTO.

3.5.6 Representations, Warranties and Undertakings

The Proposed Subscription is subject to certain representations, warranties, and undertakings as are customary for transactions of this nature or other similar transactions, and in respect of the Company, the representations and warranties include the Zero Liability Requirement.

3.5.7 Indemnity

The Company has undertaken that it shall fully indemnify the Subscriber against all liabilities which may be suffered or incurred by the Subscriber, its officers, directors, employees or agents in connection with, *inter alia*, any breach by the Company of representations, warranties and undertakings contained in the Subscription Agreement.

3.6 **Rationale for the Proposed Subscription**

The Proposed Subscription is intended to raise funds for the Proposed RTO – the aggregate subscription amount of S\$80 million from the Proposed Subscription will be earmarked for the cash consideration payable by the Company in connection with the Proposed RTO. The completion of the Proposed RTO is anticipated to enable the Company to satisfy the exit criteria under Rule 1314(1) of the Listing Manual.

Rule 1314(1) of the Listing Manual states that an issuer on the watch-list may be removed from the watch-list if it records consolidated pre-tax profit for the most recently completed financial year (based on the latest full year consolidated audited accounts) and has an average daily market capitalisation of S\$40 million or more over the last 6 months.

As announced by the Board on 4 March 2014, the SGX-ST placed the Company on the watch-list with effect from 5 March 2014. The initial deadline preceding the Latest Practicable

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Date for the Company to fulfil the requirements under Rule 1314 of the Listing Manual for its removal from the watch-list was 4 March 2018.

As announced by the Board on 5 March 2018 and on 18 May 2018, the SGX-ST granted the Company an extension of time of **up to 12 months to 4 March 2019** to meet the requirements for removal from the watch-list (the “**Extension**”), subject to *inter alia* the Company achieving each of the milestones by the specified timelines indicated below:-

No.	Milestones	Timeline (on or before)
1.	Signing of the sale and purchase agreement for the proposed acquisition of vanadium mine in connection with the Proposed RTO	4 March 2018
2.	Signing of the Supplemental Subscription Agreement in connection with the Proposed Subscription	4 March 2018
3.	Submission of additional listing application and circular to the SGX-ST in relation to the Proposed Subscription	15 March 2018
4.	Submission of the Proposed RTO application and circular to the SGX-ST	28 September 2018

As at the Latest Practicable Date, the first three milestones set out in the table above have been achieved.

In relation to the fourth milestone, as announced by the Company on 18 May 2018, the SGX-ST had on 18 May 2018 granted the Company an extension of time of up to 28 September 2018 to submit the Proposed RTO application and circular to SGX-ST. For the avoidance of doubt, there is no change to the Extension and the Company has until 4 March 2019 to meet the requirements for removal from the watch-list. Please refer to Company’s announcement released via SGXNET on 18 May 2018 for more information.

We wish to highlight that there is no guarantee that the Company will obtain approval from the SGX-ST for a further extension of time to meet the requirements for removal from the watch-list should the Company fail to meet the specified timeline above and/or the requirements of Rule 1314(1) by the deadline of 4 March 2019. Should that be the case, the SGX-ST may either remove the Company from the Official List, or suspend trading of the listed securities of the Company (without the agreement of the Company) with a view to removing the Company from the Official List.

3.7 Board Composition

On Tranche 1 Completion, the Subscriber intends to form a new Board comprising 6 Directors, comprising (i) 2 executive Directors; (ii) 1 non-executive Director; and (iii) 3 independent Directors. With the implementation of the Board composition proposed above, it is pertinent to highlight that there will be a strong independent element in the new Board, with independent Directors making up 50% of the new Board, consistent with the requirement set out under the Code of Corporate Governance.

3.8 Use of Proceeds

The Company intends to use the proceeds from:

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- (a) the Proposed Subscription Shares Issue of S\$80 million in accordance with the terms and conditions of the definitive documentation entered into by the Company in connection with the Proposed RTO; and
- (b) the Proposed Option Shares issue of up to S\$20 million for working capital and general corporate purposes.

Shareholders should note that the proposed allocation set out above only serves as a general guideline. In the event that the proceeds initially allocated for the purposes set out in Section 3.8(a) above are not fully applied towards such uses for any reasons, the Company shall use the remaining proceeds for working capital of the Company and its subsidiaries and/or for such other purposes as the Company in its discretion may deem fit.

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

The Company will make an announcement on the use of the proceeds from the Proposed Subscription as and when such proceeds are materially disbursed, including whether the use is in accordance with the intended use as announced. Where there is any material deviation from the stated use of proceeds, the Company will announce the reasons for such deviation.

3.9 Shareholders' Approval

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

The issued and paid-up share capital of the Company immediately prior to Tranche 1 Completion comprises 400,000,000 Shares. Assuming that (i) 3,636,363,636 Subscription Shares are issued to the Subscriber; and (ii) the maximum of 909,090,910 Option Shares are issued to the Option Holders, the Subscriber and CCIAM may hold up to 82.7% and 9.2% of the Enlarged Share Capital respectively.

The aggregate of the Subscription Shares and the maximum number of Option Shares will represent approximately 1,136.4% of the Existing Share Capital, and approximately 91.9% of the Enlarged Share Capital.

The Company must ensure that at least 10% of the total number of issued shares (excluding treasury shares, preference shares and convertible equity securities) in a class that is listed is at all times held by the public. Pursuant to Rule 724 of the Listing Manual, if the percentage of securities held in public hands falls below 10%:

- (a) The Company must, as soon as practicable, announce the fact; and
- (b) The SGX-ST may suspend trading of the class, or all the securities of the Company.

Please refer to Section 6 of this Circular for the assumptions and illustrative calculations of the dilution effects pursuant to the Proposed Subscription.

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4. THE PROPOSED WHITEWASH RESOLUTION

4.1 Rule 14 of the Code

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

4.2 Issue of the Subscription Shares and the Option Shares

Based on the Existing Share Capital:

- (a) immediately following issuance of 909,090,909 Tranche 1 Subscription Shares, the Subscriber will hold approximately 69.4% of the enlarged share capital following such issuance;
- (b) immediately following issuance of 909,090,909 Tranche 1 Subscription Shares and 2,727,272,727 Tranche 2 Subscription Shares, the Subscriber will hold approximately 90.1% of the enlarged share capital following such issuance; and
- (c) immediately following issuance of 909,090,909 Tranche 1 Subscription Shares, 2,727,272,727 Tranche 2 Subscription Shares, and the maximum of 454,545,455 Option Shares to the Subscriber, the Subscriber will hold approximately 82.7% of the Enlarged Share Capital following such issuance.

This would in the ordinary course of things, trigger the obligation of the Subscriber and/or its concert parties to make a General Offer under Rule 14 of the Code.

Under the terms of the Subscription Agreement, it is a condition precedent to the allotment and issue of the Subscription Shares and the Option Shares that the Shareholders approve the Proposed Whitewash Resolution for the waiver of the rights of the Independent Shareholders from receiving a General Offer from the Obligated Parties for all the Shares not already owned or controlled by the Obligated Parties following allotment and issue of the Subscription Shares.

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

Shareholders should note that should the Proposed Whitewash Resolution be approved, the Obligated Parties will hold in excess of 49.0% of the enlarged share capital of the Company after the issue and allotment of the Tranche 1 Subscription Shares, and the Obligated Parties will thereafter be free to acquire further Shares in the Company, including the Tranche 2 Subscription Shares and Option Shares, without incurring any obligation under Rule 14 of the Code to make a General Offer for the Company.

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4.3 Shareholding of the Subscriber

Shareholders should note that the information relating to the Subscriber, NISF and CCIAM provided below was provided to the Company by the Subscriber. The Company and the Directors have not independently verified the accuracy and correctness of the information below.

As at the Latest Practicable Date, the Subscriber does not hold any interest in any Shares. Each of NISF and CCIAM are deemed to be acting in concert with the Subscriber in respect of the Proposed Subscription Shares Issue. As at the Latest Practicable Date, neither NISF nor CCIAM hold any interest in any Shares.

4.4 Conditional Waiver by the Council

Under the terms of the Subscription Agreement, it is a condition precedent to the allotment and issue of the Subscription Shares that a waiver from the Council is obtained by the Subscriber, in relation to the obligation of the Obligated Parties, to make a General Offer for all the Shares not owned or controlled by them, as the case may be, and from having to comply with the requirements of Rule 14 of the Code, subject to the passing of the Proposed Whitewash Resolution and such other conditions that the Council may impose which are reasonably acceptable to the Company and the Subscriber, and such waiver remaining valid, in full force and effect, and not having been revoked or expired prior to the Tranche 1 Completion Date.

The Council had, on 27 April 2018, waived the requirement for the Subscriber to make a General Offer in the event the Subscriber and its concert parties increase their aggregate shareholding in the Company to 30% or more based on the Company's enlarged issued share capital as a result of the Subscriber subscribing for 909,090,909 Tranche 1 Subscription Shares, subject to the following conditions:

- (a) a majority of holders of voting rights of the Company approve at a general meeting, before the issue of the Tranche 1 Subscription Shares, the Proposed Whitewash Resolution by way of a poll to waive their rights to receive a General Offer from the Subscriber;
- (b) the Proposed Whitewash Resolution is separate from other resolutions;
- (c) the Subscriber and its concert parties, as well as parties not independent of them abstain from voting on the Proposed Whitewash Resolution;
- (d) the Subscriber and its concert parties did not acquire or are not to acquire any shares or instruments convertible into and options in respect of shares of the Company (other than subscriptions for, rights to subscribe for, instruments convertible into or options in respect of new shares in the Company which have been disclosed in this Circular):
 - (i) during the period between the 24 February 2016 announcement of the Subscription Agreement and the date Shareholders' approval is obtained for the Proposed Whitewash Resolution; and
 - (ii) in the 6 months prior to the 24 February 2016 announcement of the Subscription Agreement, but subsequent to negotiations, discussions or the reaching of understandings or agreements with the directors of the Company in relation to the Proposed Subscription;

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- (e) the Company appoints an independent financial adviser to advise its Independent Shareholders on the Proposed Whitewash Resolution;
- (f) the Company sets out clearly in this Circular to Shareholders:
 - (i) details of the Subscription Agreement (as supplemented, amended or modified by the Supplemental Subscription Agreement), including the proposed issue of Tranche 1 Subscription Shares;
 - (ii) the dilution effect to existing holders of voting rights of the Company upon the issue of Tranche 1 Subscription Shares to the Subscriber;
 - (iii) the number and percentage of voting rights in the Company as well as the number of instruments convertible into, rights to subscribe for and options in respect of shares in the Company held by the Subscriber and its concert parties as at the Latest Practicable Date;
 - (iv) the number and percentage of voting rights to be issued to the Subscriber as a result of the Subscriber's subscription for the Tranche 1 Subscription Shares;
 - (v) specific and prominent reference to the fact that the issue of the Tranche 1 Subscription Shares will result in the Subscriber holding shares carrying over 49% of the voting rights of the Company and the fact that the Subscriber and its concert parties will be free to acquire further shares (including the Tranche 2 Subscription Shares and the Option Shares) without incurring any obligation under Rule 14 of the Code to make a general offer;
 - (vi) specific and prominent reference to the fact that Shareholders, by voting for the Proposed Whitewash Resolution, are waiving their rights to a General Offer from the Subscriber at the highest price paid by the Subscriber and its concert parties for the Company's Shares in the past 6 months preceding the commencement of the offer;
- (g) this Circular by the Company to its Shareholders states that the waiver granted by Council to the Subscriber from the requirement to make a general offer under Rule 14 is subject to the conditions stated in sub-paragraphs (a) to (f) above;
- (h) the Company obtains Council's approval in advance for those parts of this Circular that refer to the Proposed Whitewash Resolution; and
- (i) to rely on the Proposed Whitewash Resolution, the acquisition of the Tranche 1 Subscription Shares by the Subscriber must be completed within 3 months of the approval of the Proposed Whitewash Resolution.

4.5 Implications of the Proposed Whitewash Resolution

Independent Shareholders should note that:

- (a) **their approval of the Proposed Whitewash Resolution is a condition precedent to the allotment and issue of Subscription Shares pursuant to the terms of the Subscription Agreement, and if Independent Shareholders do not vote in favour**

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of the Proposed Whitewash Resolution, the Proposed Subscription will not take place;

- (b) the issue of the Tranche 1 Subscription Shares will result in the Subscriber holding Shares carrying over 49.0% of the voting rights of the Company based on its enlarged share capital, and the Subscriber and its concert parties will be free to acquire further Shares (including the Tranche 2 Subscription Shares and the Option Shares) without incurring any obligation under Rule 14 of the Code to make a General Offer for the Company; and
- (c) by voting in favour of the Proposed Whitewash Resolution, they will be waiving their rights to receive the General Offer from the Subscriber at the highest price paid by the Subscriber and its concert parties for Shares in the past six (6) months preceding the commencement of the offer.

Asian Corporate Advisors Pte. Ltd. has been appointed as the Independent Financial Adviser to the Recommending Directors in relation to the Proposed Whitewash Resolution. Please refer to Section 9 of this Circular for further details on the opinion and advice of the Independent Financial Adviser.

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

5. TRANSFER OF CONTROLLING INTEREST

Rule 803 of the Listing Manual provides that any issue of securities to transfer a controlling interest must be approved by Shareholders in a general meeting. Under the Listing Manual, a “controlling shareholder” is a person who directly or indirectly holds 15% or more of the total number of all voting shares in the Company, or a person who in fact exercises control over the Company. The allotment and issue of 3,636,363,636 Subscription Shares and the maximum of 454,545,455 Option Shares to the Subscriber will result in the Subscriber holding more than 15% of the Enlarged Share Capital of the Company, therefore causing a transfer of controlling interest. Accordingly, the Company is seeking the approval of Shareholders for the Transfer of Controlling Interest.

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The shareholding interests of the Subscriber, CCIAM, the Directors and the Substantial Shareholders of the Company as at the Latest Practicable Date, and upon the issuance of the Subscription Shares and the Option Shares are as follows:

	As at the Latest Practicable Date				Immediately following the issuance of Tranche 1 Subscription Shares				Immediately following the issuance of Tranche 2 Subscription Shares				Immediately following the issuance of Tranche 1 Subscription Shares, the Tranche 2 Subscription Shares and the maximum Option Shares			
	Direct Interest	No. of Shares	% ⁽¹⁾	Deemed Interest	No. of Shares	% ⁽¹⁾	No. of Shares	% ⁽²⁾	Deemed Interest	No. of Shares	% ⁽²⁾	No. of Shares	% ⁽³⁾	Deemed Interest	No. of Shares	% ⁽⁴⁾
Directors																
Hsu Hung Chun ⁽⁵⁾	-	-	-	18.93%	75,712,234	18.93%	-	5.78%	-	75,712,234	1.88%	-	-	-	75,712,234	1.53%
Hsu Cheng Chien ⁽⁶⁾	500,000	0.13%	75,712,233	18.93%	500,000	0.04%	75,712,233	5.78%	500,000	0.01%	75,712,233	1.88%	500,000	0.01%	75,712,233	1.53%
Hsu Ming Hung	750,000	0.19%	-	-	750,000	0.06%	-	-	750,000	0.02%	-	-	750,000	0.02%	-	-
Lim Hock Beng	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Lau Ping Sum, Pearce	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Chew Heng Ching	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Substantial Shareholders (Other than Directors)																
HungChun Holdings Limited ⁽⁵⁾	54,534,175	13.63%	-	-	54,534,175	4.17%	-	-	54,534,175	1.35%	-	-	54,534,175	1.10%	-	-
HungChun Assets Limited ⁽⁶⁾	18,178,059	4.54%	-	-	18,178,059	1.39%	-	-	18,178,059	0.45%	-	-	18,178,059	0.37%	-	-
Hsu Chang Yu-Mei ⁽⁵⁾	3,000,000	0.75%	72,712,234	18.18%	3,000,000	0.23%	72,712,234	5.55%	3,000,000	0.07%	72,712,234	1.80%	3,000,000	0.06%	72,712,234	1.47%
CCH Holdings Limited ⁽⁶⁾	54,534,175	13.63%	-	-	54,534,175	4.17%	-	-	54,534,175	1.35%	-	-	54,534,175	1.10%	-	-
CCH Assets Limited	18,178,058	4.54%	-	-	18,178,058	1.39%	-	-	18,178,058	0.45%	-	-	18,178,058	0.37%	-	-
Yang Yu Lin	3,000,000	0.75%	73,212,233	18.30%	3,000,000	0.23%	73,212,233	5.59%	3,000,000	0.07%	73,212,233	1.81%	3,000,000	0.06%	73,212,233	1.48%
USP Group Limited	64,809,400	16.20%	-	-	64,809,400	4.95%	-	-	64,809,400	1.61%	-	-	64,809,400	1.31%	-	-

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- (7) CCIAM is the fund manager of NISF, which is the sole shareholder of the Subscriber. By virtue of its capacity as fund manager, and for the purpose of Section 7(4) of the Companies Act and Section 4(4) of the SFA, CCIAM is deemed to be interested in shares of the Subscriber held by NISF, and accordingly, as NISF is the sole shareholder of the Subscriber, CCIAM is also deemed to be interested in the shares of the Company held by the Subscriber.

Shareholders should note that the Proposed Subscription is conditional upon the approval of Resolutions 2 and 3 set out in the Notice of EGM, and hence the Proposed Subscription will not be completed in the event that those resolutions are not approved.

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6. FINANCIAL EFFECTS OF THE PROPOSED SUBSCRIPTION

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

The financial effects of the issue of the Subscription Shares and the Option Shares are prepared based on the latest audited consolidated financial statements of the Group for FY2016 and audited consolidated financial statements of the Group for FY2017 and the following assumptions:

- (i) the allotment and issuance of the maximum of 3,636,363,636 Subscription Shares to the Subscriber;
- (ii) the allotment and issuance of the maximum of 909,090,910 Option Shares to the Option Holders;
- (iii) the Group's NTL per Share was computed assuming that the issue of the Subscription Shares and the Option Shares was completed on 31 December 2016 or 31 December 2017, as the case maybe;
- (iv) the Group's profit / (loss) per Share was computed assuming that the issue of the Subscription Shares and the Option Shares was completed on 1 January 2016 or 1 January 2017, as the case maybe; and
- (v) transaction costs are disregarded for the purposes of calculating the financial effects.

6.1 Share Capital

	As at the Latest Practicable Date	Immediately following issuance of the Subscription Shares and the maximum Option Shares
Number of Shares	400,000,000	4,945,454,546
Issued and paid-up Share Capital (S\$)	151,097,000	251,097,000

6.2 NTA / (NTL) per Share

	As at 31 December 2016	Immediately following issuance of the Subscription Shares and the maximum Option Shares	As at 31 December 2017	Immediately following issuance of the Subscription Shares and the maximum Option Shares
NTA / (NTL) of the Group (S\$)	(69,742,000)	30,258,000	(81,786,000)	18,214,000
Number of Shares	400,000,000	4,945,454,546	400,000,000	4,945,454,546
NTA / (NTL) per Share (Singapore cents)	(17.44)	0.61	(20.45)	0.37

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6.3 Profit / (Loss) per Share

	FY2016	Immediately following issuance of the Subscription Shares and the maximum Option Shares	FY2017	Immediately following issuance of the Subscription Shares and the maximum Option Shares
Consolidated profit / (loss) attributable to Shareholders (S\$)	9,784,000	9,784,000	(20,588,000)	(20,588,000)
Weighted average number of Shares	400,000,000	4,945,454,546	400,000,000	4,945,454,546
Profit / (loss) per Share (Singapore cents)	2.45	0.20	(5.15)	(0.42)

7. INTEREST OF THE DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

7.1 Shareholding Structure of the Company

As at the Latest Practicable Date, the interests of Directors and Substantial Shareholders in the Shares, as recorded in the Company's Register of Directors' Shareholdings and Register of Substantial Shareholders' Shareholdings respectively, are set out below:

	As at the Latest Practicable Date			
	Direct Interest		Deemed Interest	
	No. of Shares	% ⁽¹⁾	No. of Shares	% ⁽¹⁾
<u>Directors</u>				
Hsu Hung Chun ⁽²⁾	-	-	75,712,234	18.93%
Hsu Cheng Chien ⁽³⁾	500,000	0.13%	75,712,233	18.93%
Hsu Ming Hung	750,000	0.19%	-	-
Lim Hock Beng	-	-	-	-
Lau Ping Sum, Pearce	-	-	-	-
Chew Heng Ching	-	-	-	-
<u>Substantial Shareholders (Other than Directors)</u>				
HungChun Holdings Limited	54,534,175	13.63%	-	-
HungChun Assets Limited	18,178,059	4.54%	-	-
Hsu Chang Yu-Mei	3,000,000	0.75%	72,712,234	18.18%
CCH Holdings Limited	54,534,175	13.63%	-	-
CCH Assets Limited	18,178,058	4.54%	-	-
Yang Yu Lin	3,000,000	0.75%	73,212,233	18.30%
USP Group Limited	64,809,400	16.20%	-	-

Notes:

- (1) The percentage shareholding interest is computed based on 400,000,000 Shares (excluding treasury shares).

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- (2) Mr Hsu Hung Chun is, by virtue of (i) his interest in HungChun Holdings Limited which holds 54,534,175 shares; (ii) his interest in HungChun Assets Limited which holds 18,178,059 shares; and (iii) his wife Ms Hsu Chang Yu-Mei holding 3,000,000 shares, deemed to be a substantial shareholder of the Company. HungChun Holdings Limited and HungChun Assets Limited are companies incorporated in the British Virgin Islands and wholly-owned by Mr Hsu Hung Chun.
- (3) Mr Hsu Cheng Chien is, by virtue of (i) his direct interest of 500,000 shares; (ii) his interest in CCH Holdings Limited which holds 54,534,175 shares; (iii) his interest in CCH Assets Limited which holds 18,178,058 shares; and (iv) his wife Ms Yang Yu-Lin holding 3,000,000 shares, deemed to be a substantial shareholder of the Company. CCH Holdings Limited and CCH Assets Limited are companies incorporated in the British Virgin Islands and wholly-owned by Mr Hsu Cheng Chien.

7.2 Interests in Transactions

As at the Latest Practicable Date, save as disclosed in this Circular:

- (a) none of the Directors, controlling Shareholders or Substantial Shareholders of the Company (other than (i) with respect to Mr. Hsu Cheng Chien and Mr. Hsu Hung Chun, in their capacity as Undertaking Shareholders; (ii) with respect to HungChun Holdings Limited and CCH Holdings Limited, in connection with their provision of voting undertakings as described in Section 3.5.4(f); and (iii) with respect to each Director or Shareholder, in his/her/its capacity as a director or Shareholder of the Company) has any interest in any of the Proposed Transactions.

For the avoidance of doubt, each of Mr. Hsu Cheng Chien and Mr. Hsu Hung Chun are not, by virtue of their capacity as Undertaking Shareholders, excluded from assuming responsibility for making a recommendation on the Proposed Whitewash Resolution and accordingly, the Recommending Directors (in relation to the Proposed Whitewash Resolution) include Mr. Hsu Cheng Chien and Mr. Hsu Hung Chun; and

- (b) the Subscriber and CCIAM each do not hold any Shares in the Company, and the Subscriber has further confirmed and undertaken that none of their concert parties hold any Shares in the Company.

8. EXTRAORDINARY GENERAL MEETING

The EGM, notice of which is set out on pages N-1 to N-3 of this Circular, will be held at Reljoice 2, Hotel Re! @ Pearl's Hill, 175A Chin Swee Road, Singapore 169879 on 25 June 2018 at 10 a.m., for the purpose of considering and, if thought fit, passing the resolutions set out in the notice of EGM.

9. ADVICE OF THE INDEPENDENT FINANCIAL ADVISER

Asian Corporate Advisors Pte. Ltd. has been appointed as the Independent Financial Adviser to the Recommending Directors in relation to the Proposed Whitewash Resolution. A copy of the IFA Letter in relation to the above is reproduced in Appendix 1 to this Circular. Shareholders are advised to read the IFA Letter carefully and in its entirety, and consider carefully the recommendations of the Recommending Directors in respect of the Proposed Whitewash Resolution as set out in Section 4 of this Circular.

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

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IFA Letter:

*"In summary, having regard to our analysis and the consideration in this Letter (including its limitation and constraints) and after having considered carefully the information available to us and based on the market, economic and other relevant conditions prevailing as at the Latest Practicable Date, save for the prospect of the Proposed RTO, and subject to our terms of reference, we are of the view that the financial terms of the Proposed Subscription, being the subject of the Proposed Whitewash Resolution, are, on balance **FAIR, REASONABLE and NOT PREJUDICIAL** to the interest of the Company and the Independent Shareholders.*

For the purposes of evaluation of the Proposed Subscription, being the subject of the Proposed Whitewash Resolution, from a financial point of view, we have adopted the approach that the term "fair" and "reasonable" comprises two distinct concepts:

- (i) Whether issuance of subscription shares is "fair" relates to an opinion on the value of the issue price. This is based strictly on a fundamental analysis and evaluation of the issue price as set out in this Letter and based on information known to us and/or which is publicly available).*
- (ii) Whether issuance of subscription shares is "reasonable", relates to, after taking into consideration the actual and potential financial impact of other circumstances surrounding the issuance of subscription shares, which we consider relevant (being both quantitative and qualitative factors available and made known to us).*

*We consider the financial terms of the Proposed Subscription (which is the subject of the Proposed Whitewash Resolution) to be **FAIR**, from a financial point of view after factoring in, inter alia, the following:-*

- (i) The financial position and performance of the Group which is weak and appear to be less favourable than the Selected Comparable Companies which operate in the same industry that the Group operates in. The existing core business of the Group is moribund and its financial performance is weak with significant decline in its revenue and loss making since FY2011 (including for FY2016 in the event gain on the disposal of Ideal Project Consultant Limited, which is non-recurring and non-trade in nature, is excluded) and uncertain prospects, and whose financial position is weak with negative shareholders' equity and net liabilities position as at 31 March 2018, as well as the matters highlighted in the AR2017 pertaining to, inter alia, material uncertainty related to going concern.*

The Directors confirmed that as at the Latest Practicable Date and save for matters disclosed in the Circular, this Letter, the financial statements for the Group for FY2017 and 1Q2018, there has been no material changes to the Group's assets and liabilities, financial position, condition and performance.

As at the Latest Practicable Date, the Directors confirmed that they do not foresee any material positive developments for the Group in terms of its existing core business.

- (ii) The Group had Net Liabilities and/or NTL of approximately S\$84.3 million as at 31 March 2018. In addition, taking into consideration the revaluation surplus from the Appraised Assets, the Adjusted Net Liabilities and/or Adjusted NTL of the Group is approximately S\$22.1 million.*
- (iii) The Issue Price is fairly comparable (being in general at premiums) to the historical market prices for the Shares for the period 6 months prior to the Announcement Date. The Issue Price represents: (a) premiums of approximately 1.6%, 10.0%, and 10.0% over the VWCP for the Shares for the 6-month, 3-month and 1-month periods prior to and including the Announcement Date respectively; and (b) a premium of approximately 10.0% over the last transacted price of S\$0.02 per Share on the SGX-ST on 18 February 2016 (being the last Trading Day for the Shares prior to the Announcement Date) and this*

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is more favourable as compared to the simple average and the median for the Selected Comparable Transactions.

*We also consider the financial terms of the Proposed Subscription (which is the subject of the Proposed Whitewash Resolution) to be **REASONABLE and NOT PREJUDICIAL** to the interest of the Company and the Independent Shareholders, from a financial point of view after factoring, inter alia, the following:*

- (i) The potential favourable financial impact of the Proposed Subscription on the Group's NTA per Share and LPS, which we have viewed in the context that the approval of the Proposed Whitewash Resolution will allow the Company to raise gross proceeds of up to approximately S\$100 million (before deducting estimated expenses incurred in connection with the Proposed Subscription) as well as providing the Group with the required funding for the Proposed RTO, which is anticipated to enable the Company to satisfy the exit criteria under Rule 1314(1) of the Listing Manual.*
- (ii) The rationale of the Proposed Subscription as described in Section 3.6 of the Circular. The Proposed Subscription is intended to raise funds for the Proposed RTO, which is anticipated to enable the Company to satisfy the exit criteria under Rule 1314(1) of the Listing Manual. Independent Shareholders should note that there is no assurance that the Company will be able to meet the full requirements of Rule 1314(1) of the Listing Manual by the stipulated deadline of 4 March 2019. In such event, the SGX-ST may either remove the Company from the Official List, or suspend trading of the Shares (without the agreement of the Company) with a view to removing the Company from the Official List.*
- (iii) The Adjusted Net Liabilities and NTL include revaluation surplus on the Appraised Assets which the Group has not realised as at the Latest Practicable Date. There is no assurance that the revaluation surplus eventually recorded by the Group on the Appraised Assets in the event of disposal will be the same as that highlighted in Section 5.3 of this Letter. The Directors represented and confirmed that whilst significant effort has been made by the Directors and the Management to dispose of the leasehold land and buildings and the LUR to further reduce the Group's borrowings, there has been no offer or indication of interest obtained save for the fact that as disclosed in the audited financial statements for FY2017, the Company has entered into the Term Sheet (which is non-legal binding and subject to execution of definitive sales and purchase agreement) for the disposal of the buildings and LUR located in Shanghai.*

The Directors are of the view, based on the information available to them and the Term Sheet, that it is likely that the proceeds from intended disposal of the Group's Appraised Assets (including, inter alia, buildings and LUR located in Shanghai) will not be sufficient to repay the remaining borrowings of the Group of approximately S\$121.3 million as at 31 March 2018.

- (iv) The Directors' representation and confirmation that:-*
 - The sufficiency of the Group's working capital requirement for the next 12 month and the ability of the Group to continue as going concern will depend on, inter alia, the successful completion of the Proposed Subscription and the outcome of the new business pursuant to the Proposed RTO, the availability of the undrawn committed short-term borrowing facilities (subject to certain conditions) of approximately S\$6.0 million, as well as the ability to continue rolling forward the existing banking facilities.*
 - Whilst significant efforts have been made by the Directors and Management to source for alternative offer with better pricing, as at the Latest Practicable Date, they are not aware of any alternative offers, which is comparable in nature, size and scope to the Proposed Subscription.*

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Recommendation

*Based on our assessment of financial terms of the Proposed Subscription, being the subject of the Proposed Whitewash Resolution as set out above, from a financial point of view, we advise Recommending Directors to recommend that Independent Shareholders vote **in favour of** the Proposed Whitewash Resolution to be proposed at the EGM. We advise the Recommending Directors to highlight to Independent Shareholders the matters as stated in our Letter, including, inter alia, our limitation in evaluating the prospects and financial impacts of the Proposed RTO to the Group as this is not within our scope, and to exercise caution in their decision in voting in favour of or against the Proposed Whitewash Resolution.*

In performing our evaluation, we have not been provided with, and have not had access to, any financial projections or future plans or corporate actions (if any) of the Company or the Group or the Proposed RTO. The opinion set forth herein is based solely on publicly available information and information provided by the Directors and the Management and therefore does not reflect any projections or future financial performance of the Company after the completion of the Proposed Transactions and is based, inter alia, on the economic and market conditions prevailing as of the date of this opinion. Our advice is solely confined to our views on the Proposed Whitewash Resolution.

Matters to highlight

We would also wish to highlight the following matters which may affect the decisions or actions of Independent Shareholders:

- (1) Independent Shareholders should note that their approval of the Proposed Whitewash Resolution is a condition precedent to the allotment and issue of Subscription Shares pursuant to the terms of the Subscription Agreement, and if Independent Shareholders do not vote in favour of the Proposed Whitewash Resolution, the Proposed Subscription will not take place.*
- (2) Independent Shareholders should also note that the issue of the Tranche 1 Subscription Shares will result in the Subscriber holding Shares carrying over 49.0% of the voting rights of the Company based on its enlarged share capital, and the Subscriber and its concert parties will be free to acquire further Shares (including the Tranche 2 Subscription Shares and the Option Shares) without incurring any obligation under Rule 14 of the Code to make a General Offer for the Company.*
- (3) Independent Shareholders should note that by voting in favour of the Proposed Whitewash Resolution, they will be waiving their rights to receive the General Offer from the Subscriber at the highest price paid by the Subscriber and its concert parties for Shares in the past six (6) months preceding the commencement of the offer.*
- (4) Independent Shareholders should note that the passing of the resolutions relating to the Proposed Transactions set out in the Circular are inter-conditional. This means that if any of the resolutions is not approved, the other resolutions would not be carried. In particular, Independent Shareholders should note that the Proposed Subscription is conditional upon Independent Shareholders voting in favour of the Proposed Whitewash Resolution. Therefore, if Independent Shareholders do not vote in favour of the Proposed Whitewash Resolution, the Proposed Subscription will not take place.*
- (5) Our scope does not require us and we have not made any independent evaluation or appraisal of the assets and liabilities (including without limitation, PPE and LUR) or contracts entered or to be entered into by the Company or the Group and we have not been furnished with any such evaluation and appraisal in respect of assets and liabilities (if any) held or contracts entered into by the Group, save for Independent Valuation Reports issued by the Independent Valuers in respect of the market value of the Group's Appraised Assets. With respect to such valuation, we are not experts in the evaluation or*

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appraisal of assets and liabilities (including without limitation, PPE and LUR) including, inter alia, the contracts or agreements that the Group has embarked upon or are about to embark upon and have relied on the opinion of the Directors and the financial statements (audited and unaudited), where applicable for the assessment.

The Directors are of the opinion that the values of the assets and liabilities as well as the financial performance or condition of the Company and the Group as reflected in the unaudited financial statements for the Company and the Group as at 31 March 2018 are true and fair.

The Directors further confirmed that as at the Latest Practicable Date and save for matters disclosed in the Circular, this Letter, the financial statements for the Group for FY2017 and 1Q2018, there has been no material changes to the Group's assets and liabilities, financial position, condition and performance.

- (6) *Our scope does not require us to express and we do not express, a view on the future growth prospects of the Company or the Group before and after the transactions stipulated in the Circular or the Proposed Whitewash Resolution or the Proposed RTO or the sufficiency of the Group's working capital or the ability of the Group to continue as a going concern or the ability of the Company to meet the requirements under Rule 1314(1) of the Listing Manual (for removal from the watch-list) prior to the stipulated deadline of 4 March 2019.*

Specific Objectives

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

Taking into consideration the factors set out in the IFA Letter, the information available to the Independent Financial Adviser as at the Latest Practicable Date and subject to the assumptions and qualifications set out in the IFA Letter, **the IFA has advised the Recommending Directors to recommend that Independent Shareholders vote in favour of the Proposed Whitewash Resolution to be proposed at the EGM, and to highlight to Independent Shareholders the matters as stated in the IFA Letter.**

10. CONSENTS

10.1 Financial Adviser

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

10.2 Independent Financial Adviser

Asian Corporate Advisors Pte. Ltd., the Independent Financial Adviser in respect of the Proposed Whitewash Resolution, which prepared the IFA Letter for the purpose of inclusion in this Circular, has given and has not withdrawn its written consent to the issue of this Circular with the inclusion of Appendix 1 to this Circular, entitled "Letter from the Independent Financial

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Adviser”, and references to its name in the form and context in which it appears in this Circular and to act in such capacity in relation to this Circular.

10.3 Independent Valuers

Cushman & Wakefield International Property Advisers (Shanghai) Co., Ltd., the independent valuer in respect of the valuation of the Company’s properties in the PRC, has given and not withdrawn its written consent to the issue of this Circular with the inclusion of its name and all references thereto in the form and context on which it appears in this Circular and to act in such capacity in relation to this Circular.

HENRY BUTCHER MALAYSIA (Kedah) Sdn. Bhd., the independent valuer in respect of the valuation of the Company’s industrial property in the State of Kedah, has given and not withdrawn its written consent to the issue of this Circular with the inclusion of its name and all references thereto in the form and context on which it appears in this Circular and to act in such capacity in relation to this Circular.

11. DIRECTORS’ RECOMMENDATIONS

11.1 The Proposed Subscription

Having considered, *inter alia*, the rationale and the terms of the Proposed Subscription, the Directors are of the opinion that the Proposed Subscription (comprising the Proposed Subscription Shares Issue and the Proposed Option Shares Issue) is in the best interests of the Company and accordingly recommends that Shareholders vote in favour of Resolution 1 relating to the Proposed Subscription, to be proposed at the EGM as set out in the Notice of EGM.

11.2 The Proposed Whitewash Resolution

Having considered, *inter alia*, the rationale and the terms of the Proposed Whitewash Resolution, and taking into account the advice of the Independent Financial Adviser to the Recommending Directors in relation to the Proposed Whitewash Resolution (set out in the IFA Letter), the Recommending Directors are of the opinion that the Proposed Whitewash Resolution is in the best interests of the Independent Shareholders and accordingly recommends that Independent Shareholders vote in favour of Resolution 2 relating to the Proposed Whitewash Resolution, to be proposed at the EGM as set out in the Notice of EGM.

11.3 The Transfer of Controlling Interest to the Subscriber

Having considered, *inter alia*, the rationale and the terms of the Proposed Subscription Shares Issue, the Directors are of the opinion that the Transfer of Controlling Interest is in the best interests of the Company and accordingly recommends that Shareholders vote in favour of Resolution 3 relating to the Transfer of Controlling Interest to the Subscriber, to be proposed at the EGM as set out in the Notice of EGM.

12. ACTION TO BE TAKEN BY SHAREHOLDERS

If a Shareholder is unable to attend the EGM and wishes to appoint a proxy to attend and vote on his behalf, he should complete, sign and return the attached proxy form in accordance with the instructions printed thereon as soon as possible and, in any event, so as to reach the Company’s registered address at 77 Robinson Road, #13-00 Robinson 77, Singapore 068896 by not later than 48 hours before the time fixed for the EGM.

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

13. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this Circular (other than information provided by CCIAM in connection with the Subscriber, NISF and itself) and confirm after making all reasonable enquiries, that to the best of their knowledge and belief, this Circular constitutes full and true disclosure of all material facts about the Proposed Transactions, the Company and its subsidiaries, and the Directors are not aware of any facts the omission of which would make any statement in this Circular misleading. Where information in this Circular (other than information provided by CCIAM in connection with the Subscriber, NISF and itself) has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of the Directors has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in this Circular in its proper form and context.

14. FINANCIAL ADVISER'S RESPONSIBILITY STATEMENT

CEL Impetus Corporate Finance Pte. Ltd. has been appointed as the financial adviser to the Company in relation to the Proposed Transactions. To the best of the Financial Adviser's knowledge and belief, this Circular constitutes full and true disclosure of all material facts about the Proposed Transactions, the Company and its subsidiaries, and the Financial Adviser is not aware of any facts the omission of which would make any statement in this Circular misleading.

15. CCIAM'S RESPONSIBILITY STATEMENT

CCIAM accepts full responsibility for the accuracy of any information relating to the Subscriber, CCIAM and NISF in this Circular ("**CCIAM Disclosure**") and confirm after making all reasonable enquiries, that to the best of its knowledge and belief, the CCIAM Disclosure constitutes full and true disclosure of all material facts about the Subscriber, CCIAM and NISF, and CCIAM is not aware of any facts the omission of which would make any statement in the CCIAM Disclosure misleading.

16. DOCUMENTS FOR INSPECTION

Copies of the following documents are available for inspection at the registered office of the Company at 77 Robinson Road, #13-00 Robinson 77, Singapore 068896, during normal business hours (Monday to Friday, from 9.00 a.m. to 5.30 p.m.) for three (3) months from the date of this Circular:

- (a) the Constitution of the Company;
- (b) the annual report of the Company for the financial year ended 31 December 2017;
- (c) a copy of the Subscription Agreement;
- (d) a copy of the Deed of Novation;
- (e) the Valuation Reports;

LETTER TO SHAREHOLDERS

- (f) a copy of the Financial Adviser's consent letter;
- (g) a copy of the Independent Financial Adviser's consent letter; and
- (h) a copy of the consent letter from each of the independent valuers, Cushman & Wakefield International Property Advisers (Shanghai) Co., Ltd. and HENRY BUTCHER MALAYSIA (Kedah) Sdn. Bhd.

Yours faithfully

For and on behalf of the Board of Directors of
HUAN HSIN HOLDINGS LTD

Hsu Hung Chun
Chairman

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LETTER FROM ASIAN CORPORATE ADVISORS PTE. LTD. TO THE RECOMMENDING DIRECTORS OF HUAN HSIN HOLDINGS LTD

ASIAN CORPORATE ADVISORS PTE. LTD.

(Incorporated in the Republic of Singapore)
(Company Registration No: 200310232R)

160 Robinson Road #21-05
SBF Center
Singapore 068914

To:
The Recommending Directors (as defined herein)
77 Robinson Road
#13-00 Robinson 77
Singapore 068896

8 June 2018

THE PROPOSED WHITEWASH RESOLUTION IN CONNECTION WITH THE PROPOSED ALLOTMENT AND ISSUANCE OF:-

- (i) UP TO 3,636,363,636 NEW ORDINARY SHARES IN THE SHARE CAPITAL OF HUAN HSIN HOLDINGS LTD (THE “SUBSCRIPTION SHARES”) TO ORIENTAL STRAITS INVESTMENT LIMITED (THE “SUBSCRIBER”) AT AN ISSUE PRICE OF S\$0.022 FOR EACH SUBSCRIPTION SHARE (THE “ISSUE PRICE”) FOR AN AGGREGATE AMOUNT OF S\$80 MILLION, IN TWO TRANCHES – S\$20 MILLION AND S\$60 MILLION (THE “PROPOSED SUBSCRIPTION SHARE ISSUE”); AND
- (ii) UP TO 454,545,455 OPTION SHARES (AS DEFINED HEREIN) EACH TO THE SUBSCRIBER AND CHINA CAPITAL IMPETUS ASSET MANAGEMENT PTE. LTD. (“CCIAM”) AT THE ISSUE PRICE OF S\$0.022 FOR EACH OPTION SHARE (THE “PROPOSED OPTION SHARES ISSUE”) FOR AN AGGREGATE AMOUNT OF UP TO S\$20 MILLION

(COLLECTIVELY, THE “PROPOSED SUBSCRIPTION”)

Unless otherwise defined or the context otherwise requires, all terms used herein shall have the same meaning as defined in the Circular (as defined below).

1. INTRODUCTION

Asian Corporate Advisors Pte. Ltd. (“**ACA**”) has been appointed as an independent financial adviser (“**IFA**”) to the directors of Huan Hsin Holdings Ltd (“**Huan Hsin**” or the “**Company**”), who as at 25 May 2018 (the “**Latest Practicable Date**”) are considered independent and non-interested (the “**Recommending Directors**”) for the purposes of making the recommendation to the Independent Shareholders (defined below) in respect of the Proposed Whitewash Resolution (defined below). We note from the Circular that the Recommending Directors comprise Messrs Hsu Hung Chun, Hsu Cheng Chien, Hsu Ming Hung, Lim Hock Beng, Lau Ping Sum, Pearce and Chew Heng Ching.

This letter (“**IFA Letter**” or “**Letter**”) has been prepared pursuant to Rule 14 and Appendix 1 of the Singapore Code on Take-overs and Mergers (“**Takeover Code**” or “**Code**”) as well as for the use by the Recommending Directors for the purposes of making a recommendation to Shareholders in respect of the Proposed Whitewash Resolution (defined below).

APPENDIX 1: LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

This IFA Letter sets out, *inter alia*, our views and evaluation of the whitewash resolution (the “**Proposed Whitewash Resolution**”) proposed as Ordinary Resolution 2 in the notice of the Extraordinary General Meeting (“**EGM**”) of the Company as set out in the circular (“**Circular**”) dated 8 June 2018 to be issued to the registered holders (“**Shareholders**”) of the issued ordinary shares (“**Shares**”) in the capital of the Company, which if passed by the Shareholders other than (i) the Subscriber; (ii) parties acting in concert with the Subscriber; and (iii) parties not independent of the persons mentioned in (i) and (ii) above (“**Independent Shareholders**”), would result in a waiver by the Independent Shareholders of their rights to receive a mandatory general offer (“**General Offer**”) from the Subscriber and parties acting in concert with them in connection with the issue of the Subscription Shares and Option Shares (defined below) under the Proposed Subscription. Likewise, it contains our recommendations to the Recommending Directors in relation to the Proposed Whitewash Resolution. It is prepared for inclusion in the Circular in connection with, *inter alia*, the Proposed Subscription and the Proposed Whitewash Resolution to be issued by the Company to the Shareholders.

Unless otherwise defined or where the context otherwise requires, definitions used in the Circular shall apply throughout this Letter. Certain of the figures and computations as enumerated or set out in this Letter are based on approximations and its accuracy is subject to rounding.

1.1 Background

On 24 February 2016 (the “**Announcement Date**”), the board of directors of the Company (“**Board**” or “**Directors**”) announced, *inter alia*, that the Company had entered into a subscription agreement dated 24 February 2016 (the “**Subscription Agreement**”) with the Subscriber and China Capital Impetus Investments Limited (“**CCIL**”), pursuant to which the Company agreed to allot and issue up to (i) 12,818,181,818 new Shares to the Subscriber in two (2) tranches and (ii) up to 3,204,545,455 new Shares to CCIL, at the Issue Price per new Share for an aggregate subscription amount of up to US\$250.0 million (equivalent to approximately S\$352.5 million, based on the exchange rate of US\$1.00:S\$1.41).

On 5 March 2018, the Company announced, *inter alia*, the Subscriber, CCIL and CCIAM had entered into (i) the deed of novation dated 4 March 2018 (“**Deed of Novation**”), pursuant to which CCIAM had substituted CCIL as a party to the Subscription Agreement; and (ii) the Company, the Subscriber and CCIAM had entered into the supplemental agreement dated 4 March 2018 (“**Supplemental Subscription Agreement**”) to supplement, amend and modify the Subscription Agreement, pursuant to which the Company has agreed to allot and issue (i) 3,636,363,636 Subscription Shares at the Issue Price to the Subscriber in two (2) tranches for S\$80 million; and (ii) up to 909,090,910 new Shares (“**Option Shares**”) to be issued and allotted to the Subscriber and CCIAM (“**Option Holders**”) (or up to 454,545,455 new Shares to be issued and allotted to each Option Holder) upon an Option Holder’s exercise of its Option, further details of which are set out in Section 1.1 of the Circular, at the Issue Price and for up to S\$20 million.

Subject to the terms and conditions of the Subscription Agreement:

- (a) with respect to the first tranche, the Company agrees to allot and issue and the Subscriber agrees to subscribe for 909,090,909 Subscription Shares (the “**Tranche 1 Subscription Shares**”) at the Issue Price per Tranche 1 Subscription Share for an aggregate consideration of S\$20 million (the “**Tranche 1 Subscription Amount**”); and
- (b) with respect to the second tranche, the Company agrees to allot and issue and the Subscriber agrees to subscribe for 2,727,272,727 Subscription Shares (the “**Tranche 2 Subscription Shares**”) at the Issue Price per Tranche 2 Subscription Share for an aggregate consideration of S\$60 million (the “**Tranche 2 Subscription Amount**”).

We note from the Circular that the Proposed Subscription is a fund-raising initiative by the Company to primarily (i) raise funds for the proposed transaction announced by the Company on the SGXNET on 5 March 2018, pursuant to which the Company will become the legal and beneficial owner of a

APPENDIX 1: LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

99.99% equity interest of a company incorporated in the British Virgin Islands and wholly-owned by Jade Merit Developments Limited on the terms and conditions of a sale and purchase agreement dated 4 March 2018 entered into between the Company and Jade Merit Developments Limited, which will result in a reverse takeover pursuant to Chapter 10 of the Listing Manual ("**Proposed RTO**"); and (ii) facilitate the Company's effort and application to exit the watch-list.

1.2 The Proposed Whitewash Resolution

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

As at the Latest Practicable Date, the Company has a total number of 400,000,000 Shares (excluding treasury shares) ("**Existing Share Capital**") and there are no share options, convertible securities or other instruments convertible into Shares under which the Company has an obligation to issue additional Shares, as at the Latest Practicable Date.

Based on the Existing Share Capital:

- (a) immediately following issuance of 909,090,909 Tranche 1 Subscription Shares, the Subscriber will hold approximately 69.4% of the enlarged share capital following such issuance;
- (b) immediately following issuance of 909,090,909 Tranche 1 Subscription Shares and 2,727,272,727 Tranche 2 Subscription Shares, the Subscriber will hold approximately 90.1% of the enlarged share capital following such issuance; and
- (c) immediately following issuance of 909,090,909 Tranche 1 Subscription Shares, the maximum of 2,727,272,727 Tranche 2 Subscription Shares, and the maximum of 454,545,455 Option Shares to the Subscriber, the Subscriber will hold approximately 82.7% of the enlarged share capital following such issuance.

This would in the ordinary course of things, trigger the obligation of the Subscriber and/or its concert parties to make a general offer under Rule 14 of the Code.

Under the terms of the Subscription Agreement, it is a condition precedent to the allotment and issue of the Subscription Shares and the Option Shares that the Shareholders approve the Proposed Whitewash Resolution for the waiver of the rights of the Independent Shareholders from receiving a General Offer from the Subscriber and its concert parties ("**Obligated Parties**") for all the Shares not already owned or controlled by the Obligated Parties following allotment and issue of the Subscription Shares.

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

Shareholders should note that should the Proposed Whitewash Resolution be approved, the Obligated Parties will hold in excess of 49.0% of the enlarged share capital of the Company after the issue and allotment of the Tranche 1 Subscription Shares, and the Obligated Parties will

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thereafter be free to acquire further Shares in the Company, including the Tranche 2 Subscription Shares and Option Shares, without incurring any obligation under Rule 14 of the Code to make a General Offer for the Company.

We note from the Circular that as at the Latest Practicable Date, the Subscriber does not hold any interest in any Shares. Each of New Impetus Strategy Fund (“**NISF**”) and CCIAM are deemed to be acting in concert with the Subscriber in respect of the Proposed Subscription Shares Issue. As at the Latest Practicable Date, neither NISF nor CCIAM hold any interest in any Shares.

Under the terms of the Subscription Agreement, it is a condition precedent to the allotment and issue of the Subscription Shares that a waiver from the Council is obtained by the Subscriber, in relation to the obligation of the Obligated Parties, to make a General Offer for all the Shares not owned or controlled by them, as the case may be, and from having to comply with the requirements of Rule 14 of the Code, subject to the passing of the Proposed Whitewash Resolution and such other conditions that the Council may impose which are reasonably acceptable to the Company and the Subscriber, and such waiver remaining valid, in full force and effect, and not having been revoked or expired prior to the Tranche 1 Completion Date (as defined in the Circular).

The Council had, on 27 April 2018, waived the requirement for the Subscriber to make a General Offer in the event the Subscriber and its concert parties increase their aggregate shareholding in the Company to 30% or more based on the Company’s enlarged capital as a result of the Subscriber subscribing for 909,090,909 Tranche 1 Subscription Shares, subject to the following conditions:

- (a) a majority of holders of voting rights of the Company approve at a general meeting, before the issue of the Tranche 1 Subscription Shares, the Proposed Whitewash Resolution by way of a poll to waive their rights to receive a General Offer from the Subscriber;
- (b) the Proposed Whitewash Resolution is separate from other resolutions;
- (c) the Subscriber and its concert parties, as well as parties not independent of them abstain from voting on the Proposed Whitewash Resolution;
- (d) the Subscriber and its concert parties did not acquire or are not to acquire any shares or instruments convertible into and options in respect of shares of the Company (other than subscriptions for, rights to subscribe for, instruments convertible into or options in respect of new shares in the Company which have been disclosed in the Circular):
 - (i) during the period between the 24 February 2016 announcement of the Subscription Agreement and the date Shareholders’ approval is obtained for the Proposed Whitewash Resolution; and
 - (ii) in the 6 months prior to the 24 February 2016 announcement of the Subscription Agreement, but subsequent to negotiations, discussions or the reaching of understandings or agreements with the directors of the Company in relation to the Proposed Subscription;
- (e) the Company appoints an independent financial adviser to advise its Independent Shareholders on the Proposed Whitewash Resolution;
- (f) the Company sets out clearly in the Circular to Shareholders:
 - (i) details of the Subscription Agreement (as supplemented, amended or modified by the Supplemental Subscription Agreement), including the proposed issue of Tranche 1 Subscription Shares;
 - (ii) the dilution effect to existing holders of voting rights of the Company upon the issue of Tranche 1 Subscription Shares to the Subscriber;

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- (iii) the number and percentage of voting rights in the Company as well as the number of instruments convertible into, rights to subscribe for and options in respect of shares in the Company held by the Subscriber and its concert parties as at the Latest Practicable Date;
- (iv) the number and percentage of voting rights to be issued to the Subscriber as a result of the Subscriber's subscription for the Tranche 1 Subscription Shares;
- (v) specific and prominent reference to the fact that the issue of the Tranche 1 Subscription Shares will result in the Subscriber holding shares carrying over 49% of the voting rights of the Company and the fact that the Subscriber and its concert parties will be free to acquire further shares (including the Tranche 2 Subscription Shares and the Option Shares) without incurring any obligation under Rule 14 of the Code to make a general offer;
- (vi) specific and prominent reference to the fact that Shareholders, by voting for the Proposed Whitewash Resolution, are waiving their rights to a General Offer from the Subscriber at the highest price paid by the Subscriber and its concert parties for the Company's Shares in the past 6 months preceding the commencement of the offer;
- (g) the Circular by the Company to its Shareholders states that the waiver granted by Council to the Subscriber from the requirement to make a general offer under Rule 14 is subject to the conditions stated in sub-paragraphs (a) to (f) above;
- (h) the Company obtains Council's approval in advance for those parts of the Circular that refer to the Proposed Whitewash Resolution; and
- (i) to rely on the Proposed Whitewash Resolution, the acquisition of the Tranche 1 Subscription Shares by the Subscriber must be completed within 3 months of the approval of the Proposed Whitewash Resolution.

We recommend the Recommending Directors to highlight to the Independent Shareholders that:

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

Independent Shareholders should note that each of the resolutions set out in the Notice of EGM relating to the Proposed Subscription (Ordinary Resolution 1), Proposed Whitewash Resolution (Ordinary Resolution 2) and the Transfer of a Controlling Interest (Ordinary Resolution 3), are inter-conditional on each other. This means that if any one of the Ordinary Resolutions 1 to 3 is not approved, the other resolutions set out in the Notice of EGM will not be passed.

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2. TERMS OF REFERENCE

ACA has been appointed to advise the Recommending Directors with respect to the Proposed Whitewash Resolution. We were neither a party to the negotiations entered into by the Company in relation to the proposed transactions mentioned in the Circular, nor were we involved in the deliberation leading up to the decision on the part of the Directors to enter into the proposed transactions, and we do not, by this Letter or otherwise, advise or form any judgement on the merits of the Proposed Subscription, the Proposed Whitewash Resolution and the Transfer of Controlling Interest (collectively, the **"Proposed Transactions"**) or the possibilities or feasibilities of the completion of the Proposed Transactions other than to form an opinion, strictly and solely on the bases set out herein on whether the financial terms of the Proposed Subscription being the subject of the Proposed Whitewash Resolution are fair and reasonable, and not prejudicial to the interests of the Independent Shareholders when considered in the context of the issuance of the Subscription Shares and Option Shares under the Proposed Subscription. Our scope does not include determining the independence of the Directors for the purpose of making recommendation in respect of the Proposed Whitewash Resolution.

We have confined our evaluation strictly and solely on the financial terms of the Proposed Subscription being the subject of the Proposed Whitewash Resolution and have not taken into account the commercial/financial risks and/or merits (if any) of or the timing for the Proposed Transactions contemplated in the Circular as well as the Proposed RTO (as defined in the Circular) including the structuring or inter-conditionality, of the Proposed Transactions or the validity of any resolution, or the future financial performance or position for the Company and its subsidiaries (the **"Group"**) subsequent to the unaudited financial results for the Group for the period ended 31 March 2018 or issuance of this Letter or the Proposed Transactions or the possibility/probability that the Group can improve their profitability or be removed from the watch list or such other proposed corporate actions including the Proposed RTO or that the anticipated benefits from the Proposed Transactions can be realised (as the case may be). Such evaluation or comment remains the responsibility of the Directors and management (**"Management"**) of the Company although we may draw upon their views or make such comments in respect thereof (to the extent deemed necessary or appropriate by us) in arriving at our view as set out in this Letter.

In the course of our evaluation, we have held discussions with Directors and Management, *inter alia*, regarding their assessment of the rationale for the Proposed Whitewash Resolution as well as *inter alia* the Proposed Transactions as set out in the Circular and have examined publicly available information collated by us including the audited financial statements and unaudited financial statements as well as information including material information or developments pertaining to the Company and the Group (both written and verbal), provided to us by Directors and Management or where applicable professional advisers of the Company, including its consultants or advisers or solicitors or auditors. We have not independently verified such information but have made such enquiries and used our judgement as we deemed necessary on such information and have found no reason to doubt the reliability of the information. Accordingly, we cannot and do not expressly or impliedly represent or warrant, and do not accept any responsibility for, the accuracy or completeness or adequacy of such information or the manner it has been classified or presented or the basis of any valuations.

We have relied upon the assurance of the Directors and Management that all statements of fact, belief, opinion and intention made by the Directors and the Management in the Circular as well as their announcements for the financial results have been reasonably made after due and careful enquiry. Accordingly, no representation or warranty, expressed and implied, is made and no responsibility is accepted by us concerning the accuracy or completeness or adequacy of such information or statements of facts or belief or opinion or intention.

Our evaluation is based solely on publicly available information and other information provided by the Company as well as the economic and market conditions prevailing as at the Latest Practicable Date, and therefore does not reflect expected financial performance or condition of the Group after the financial statements as reflected in the unaudited financial statements for financial period three

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months ended 31 March 2018 (“**1Q2018**”) and the audited financial statements for the Group for financial period ended 31 December 2017 (“**FY2017**”). Accordingly, we have not commented on or assessed the expected future performance or prospects of the Company or the Group after the completion of the Proposed Transactions stipulated in the Circular as well as the Proposed RTO. We are not required under our scope and terms of reference nor are we able to discuss, comment, opine, or advise on the Group’s financial performance, position and conditions after 31 March 2018. Accordingly, we have not commented on or assessed the expected future performance or prospects of the Company or the Group after 31 March 2018 or the completion of the transactions stipulated in the Circular. Our evaluation and opinion and recommendation do not and cannot take into account future or prospective performance of the Company or the Group and neither are we responsible for it. Accordingly, estimates or analysis or evaluation of the merits of the Company or the Group or the Proposed Whitewash Resolution, if any, in this IFA Letter are necessarily limited and we do not warrant or represent that it is complete or in entirety.

In the course of our evaluation, we also note that there is a material uncertainty related to going concern as expressed by the independent auditor of the Company (the “**Independent Auditor**”) named in the annual report of the Company for the financial year ended 31 December 2017 (“**AR2017**”). The details of the material uncertainty related to going concern as expressed by the Independent Auditor are set out in Section 5.2 of this Letter and can be found in page 29 of the AR2017.

Our opinion in this IFA Letter is based on economic, market, industry, monetary and other conditions (if applicable) in effect on, and the information provided to us, as of the Latest Practicable Date. Accordingly, the bases or assumptions and likewise our views or opinion or recommendation may and do change in the light of these developments which, *inter alia*, include general as well as company specific or industry specific conditions or sentiments or factors. Recommending Directors (as well as Independent Shareholders of the Company who would be receiving the Circular and this IFA Letter enclosed with the Circular) should note that our evaluation is based solely on publicly available information, other information provided by the Company, Directors and Management as well as those disclosed in the Circular and economic and market conditions prevailing as at the Latest Practicable Date, and therefore do not reflect expected financial performance after the relevant financial year end or 1Q2018 for the Company or the Group or developments both macro and company specific and that these factors do and will necessarily affect the evaluation of the Proposed Whitewash Resolution and our recommendation or opinion or views. Likewise, this Letter outlines some of the matters or bases or factors or assumptions which we have used in our assessment and is a summary. They are by no means exhaustive or a reproduction of all the matters or bases or factors or assumptions etc. which we have used in our assessment.

The Directors have jointly and severally accepted full responsibility, as set out in the Circular, for the truth, accuracy and completeness of the information and representations as provided by the Directors contained therein. The Directors have confirmed to ACA that all material information including but not limited to plans or prospects or proposals or rationale involving the Proposed Whitewash Resolution or the Proposed Transactions stipulated in the Circular or issue or changes to its capital structure, available to them and the Management in connection with the Proposed Whitewash Resolution or such other parties has been disclosed to ACA and included in the Circular, that such information is true, complete and accurate in all material respects and that there is no other information or fact including the expected future performance or future growth prospects or plans of the Company or the Group, the omission of which would result in the facts stated and the opinions expressed by the Directors in the Circular to be untrue, inaccurate or incomplete in any respect or misleading. Accordingly, no representation or warranty, expressed or implied, is made and no responsibility is accepted by ACA concerning the truth, accuracy, completeness or adequacy of such information or facts.

Our scope does not require us and we have not made any independent evaluation or appraisal of the assets and liabilities (including without limitation, property, plant and equipment and land use rights) or contracts entered or to be entered into by the Company or the Group and we have not been furnished with any such evaluation and appraisal in respect of assets and liabilities (if any) held or

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contracts entered into by the Group, save for the valuation reports dated 21 May 2018 and 22 May 2018 issued by Cushman & Wakefield International Property Advisers (Shanghai) Co., Ltd. and Henry Butcher Malaysia (Kedah) Sdn. Bhd. respectively (the “**Independent Valuers**”) in respect of the market value of the Group’s land use rights and leasehold lands and buildings respectively (collectively, the “**Appraised Assets**”) as at 26 March 2018 and 22 May 2018 respectively (collectively, referred as “**Valuation Dates**”). With respect to such valuations, we are not experts in the evaluation (including without limitation, market or business value or economic potential) or appraisal of assets and liabilities (including without limitation, property, plant and equipment and land use rights) including, *inter alia*, the contracts or agreements that the Group has embarked upon or are about to embark upon and have relied on the opinion of the Directors and the financial statements (audited and unaudited), where applicable for the assessment.

The Directors are of the opinion that the values of the assets and liabilities as well as the financial performance or condition of the Company and the Group as reflected in their unaudited financial statements for 1Q2018 and audited financial statements for FY2017 are true and fair. The Directors have also confirmed that to the best of its knowledge, nothing has come to their attention which may render the unaudited financial statements for 1Q2018 and audited financial statements for FY2017 for the Group to be false or misleading in any material aspect. In addition, the Directors confirmed that to the best of their knowledge and belief, such information is true, complete and accurate in all respects and that there is no other information or fact *inter alia* the valuation or appraisal of assets and liabilities including, *inter alia* the contracts or agreements that the Group has embarked upon or are about to embark upon, the omission of which would render those statements or information or our analysis or information presented in this Letter to be untrue, inaccurate, incomplete or misleading. Our views, opinion and recommendations are thus limited and subject to these matters as well as others mentioned in the Letter.

The Directors further confirmed that as at the Latest Practicable Date and save for matters disclosed in the Circular, this Letter, the unaudited financial statements for 1Q2018, and the audited financial statements for the Group for FY2017, there has been no material changes to the Group’s assets and liabilities, financial position, condition and performance.

The scope of our appointment does not require us to express, and we do not express, a view on the future growth prospects of the Company or the Group before and after the transactions stipulated in the Circular or as represented to us or the Proposed Whitewash Resolution or the Proposed RTO or the sufficiency of the Group’s working capital or the ability of the Group to continue as a going concern or the ability of the Company to meet the requirements under Rule 1314(1) of the Listing Manual (for removal from the watch-list) prior to the stipulated deadline of 4 March 2019. We are therefore not expressing any view herein as to the prices at which the Shares may trade upon completion or rejection of the Proposed Whitewash Resolution or the other transactions or resolutions stipulated in the Circular or the Proposed RTO or the returns that the Independent Shareholders may have owning the Shares or voting for or voting against the Proposed Whitewash Resolution or the proposed transactions or resolutions stipulated in the Circular or on the future financial performance of the Company or the Group or the plans (if any) for each of them.

In rendering our opinion and giving our recommendation, we have not had regard to the general or specific investment objectives, financial situation, tax position, risk profiles or unique needs and constraints of any individual Independent Shareholder. As different Independent Shareholders would have different investment profiles and objectives, we would advise the Recommending Directors to recommend that any individual Independent Shareholder who may require advice in the context of his specific investment portfolio, including his investment in the Company, consult his stockbroker, bank manager, solicitor, accountant, tax adviser or other professional adviser immediately.

Accordingly, any factor or assumption or basis as well as the relative emphasis on any matter set out in this IFA Letter or the Proposed Whitewash Resolution or the Company or the Group or the Shares or the new Shares which we used or may have used may differ from the relative emphasis accorded by any individual Independent Shareholder or Recommending Director. As such Recommending Directors are advised to highlight to Independent Shareholders as well as note for themselves that

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any reliance on our opinion or view or assessment, is subject to the contents of this IFA Letter in its entirety. In addition, ACA will not be responsible or required to provide an updated assessment or opinion or views of the Proposed Whitewash Resolution or its recommendation, following the date of the issue of this IFA Letter.

This Letter is addressed to the Recommending Directors in connection with and for the sole purposes of their evaluation of the financial terms of the Proposed Subscription, being the subject of the Proposed Whitewash Resolution. Whilst a copy of this Letter may be included in the Circular, neither the Company nor the Directors nor any other party, may reproduce, disseminate or quote from this Letter (or any part thereof) for any other purpose at any time and in any manner without the prior written consent of ACA in each specific case, except that the Company and the Directors and the Shareholders may reproduce, disseminate or quote the IFA Letter for the sole purpose of the Proposed Whitewash Resolution and/or at the forthcoming EGM. In addition, any references to our Letter or opinion or views or recommendation, should not be made except with our prior consent in writing and even if made with our prior consent in writing, shall be subject to the contents of this Letter in its entirety, *inter alia*, the matters, conditions, assumptions, limitations, factors and bases as well as our terms of reference for this Letter.

3. THE PROPOSED SUBSCRIPTION

Details on the Proposed Subscription are set out in Section 3 of the Circular. Recommending Directors should advise Independent Shareholders to read the terms and conditions contained therein carefully. A summary of the key terms of Proposed Subscription is set out as below:

3.1 Subscription Shares

Subject to the terms and conditions of the Subscription Agreement:

- (a) with respect to the first tranche, the Company agrees to allot and issue and the Subscriber agrees to subscribe for 909,090,909 Subscription Shares (being the Tranche 1 Subscription Shares) at the Issue Price per Tranche 1 Subscription Share for an aggregate consideration of S\$20 million; and
- (b) with respect to the second tranche, the Company agrees to allot and issue and the Subscriber agrees to subscribe for 2,727,272,727 Subscription Shares (being the Tranche 2 Subscription Shares) at the Issue Price per Tranche 2 Subscription Share for an aggregate consideration of S\$60 million.

As at the Latest Practicable Date, other than in respect of the Subscription Agreement, none of the Subscriber, CCIAM or any of their directors (i) has any connections (including business relationships) with the Company, any of its Directors or Substantial Shareholders; or (ii) hold any Shares or voting rights or any instruments convertible into, rights to subscribe for and options in respect of the Shares. The Subscriber and CCIAM do not fall within any of the prohibited categories as set out in Rule 812 of the Listing Manual.

3.2 Option Shares

The Company shall grant each of the Subscriber and CCIAM, the right but not the obligation to subscribe for up to 454,545,455 Option Shares at the Issue Price per Share for up to S\$10 million upon the terms and subject to the conditions of the Subscription Agreement (each an “**Option**”). Each Option Holder may, subject to the terms of the Subscription Agreement, exercise its Option at any time and from time to time during the 36 month period commencing from the Tranche 1 Completion Date by delivering to the Company a duly completed Exercise Notice. For the avoidance of doubt, assuming each Option Holder fully exercises its Options, the aggregate monies to be raised by the Company from both Option Holders is S\$20 million.

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Pursuant to the Subscription Agreement, the issue price and/or number of Option Shares to be issued is subject to adjustments in the event the Company undertakes the following:

- (a) capitalisation of profits or reserves;
- (b) capital distribution;
- (c) rights issue;
- (d) an issue (other than pursuant to a rights issue in (c) above, and other than an issue of Shares to Shareholders who elect to receive Shares in lieu of cash or other dividend) by the Company of Shares if the total effective consideration (as defined below) for each Share is less than 90% of the last dealt price for each Share; or
- (e) consolidation, subdivision or conversion of Shares.

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

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

Please see Appendix 2 of the Circular for the circumstances which may give rise to an adjustment to the issue price and/or number of Option Shares.

Each Option Holder shall be permitted to assign, transfer or otherwise deal with all or any of its rights in connection with its Option (including but not limited to assigning its Option to one or more third parties), without the prior consent of the Company.

Unless agreed in writing between the Company and each of the Option Holder, the Option granted to each Option Holder shall *ipso facto* lapse on the expiry of the Exercise Period.

If the Company is wound up for any reason whatsoever, all Options which have not been exercised at the date of the passing of such resolution shall lapse and the Options will cease to be valid for any purpose.

3.3 Issue Price

The Issue Price of S\$0.022 represents a discount of approximately 6.0% over the VWAP of the Shares of trades done on the SGX-ST on 1 March 2018, being the last market day on which the Company shares were traded prior to the signing of the Supplemental Subscription Agreement. No Shares were transaction on 2 March 2018.

3.4 Basis of Proposed Subscription

The Company and the Subscriber agree and acknowledge that the Proposed Subscription has been agreed on, *inter alia*, the basis that immediately prior to and as at the date of completion of Tranche 1 (the “**Tranche 1 Completion Date**”), save for the transactional costs in connection with the Proposed

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Subscription as well as the consideration payable and the transactional costs in connection with the Proposed RTO, the Company has no liabilities (including all forms of taxation imposed by any taxation authority on the Company in relation to transactions, undertakings or arrangements entered into or commencing on or before the date of the Subscription Agreement), whether actual, deferred or contingent, and there are no off-balance sheet liabilities in the Company (including all forms of financial guarantees provided by the Company in favour of its subsidiaries and/or any third parties) (the “**Zero Liability Requirement**”).

3.5 Status of the Subscription Shares and Option Shares

The Subscription Shares and Option Shares shall be issued by the Company to the Subscriber and the Option Holders respectively, free from all claims, charges, liens and other encumbrances whatsoever and the Subscription Shares and Option Shares shall rank *pari passu* in all respects with and carry all rights similar to existing Shares, except that they will not rank for any dividend, right, allotment or other distributions, the record date for which falls on or before the Tranche 1 Completion Date, the Tranche 2 Completion Date (as defined in the Circular) or the relevant date of issue of such option shares, as applicable.

Taking into consideration the Existing Share Capital comprising 400,000,000 Shares, the enlarged share capital of the Company immediately following the issuance of 3,636,363,636 Subscription Shares and the maximum of 909,090,910 Option Shares will comprise 4,945,454,546 Shares (the “**Enlarged Share Capital**”). The 4,545,454,546 Subscription Shares and Option Shares in aggregate will represent approximately 1,136.4% of the existing issued and paid-up share capital of the Company and approximately 91.9% of the Enlarged Share Capital.

3.6 Long-Stop Date

As announced by the Company on 5 March 2018, the long-stop date under the Subscription Agreement has been extended to 30 June 2018 (the “**Long-Stop Date**”). If any of the conditions precedent set out in the Subscription Agreement is not satisfied, fulfilled or waived (as the case may be) by the Long-Stop Date or such other date as may be agreed in writing by the Parties, the Parties shall consult in good faith with a view to determining whether the Proposed Subscription Shares Issue and such other transactions as contemplated in the Subscription Agreement may proceed by way of alternative means or methods or to extend the Long-Stop Date. If after such consultation, the Parties are unable to find a solution acceptable to both Parties and any of the conditions precedent is not fulfilled or if a condition precedent expressed to be capable of being waived is not waived (as the case may be), the Subscription Agreement shall terminate.

3.7 Conditions Precedent

The conditions precedent to the Proposed Subscription is set out in Section 3.5.4 of the Circular and have been extracted from the Circular and are set out in italics below. We recommend that Independent Shareholders read those pages of the Circular carefully. Unless otherwise defined or the context otherwise requires, all terms defined in the Circular shall have the same meaning herein.

“3.5.4 Conditions Precedent”

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

(a) *Due Diligence*

The Subscriber being satisfied with its due diligence investigations into the financial, legal, tax and business of the Company, including being satisfied that the Zero Liability Requirement has been satisfied.

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For the avoidance of doubt, the satisfaction by the Company of the Zero Liability Requirement (which for the avoidance of doubt only applies to the Company and not its subsidiaries) immediately prior to Tranche 1 Completion will not impact the Group's ability to carry on the Existing Core Business as all the indebtedness of the Group for working capital are held by the Company's subsidiaries. The Company does not envisage taking on more indebtedness prior to Tranche 1 Completion for working capital of the Existing Core Business.

(b) Regulatory Approvals

All necessary consents, approvals and waivers of all relevant government bodies, stock exchange and other regulatory authority for or in connection with the Subscription Agreement and all other transactions in connection therewith and incidental thereto, having been obtained by the Company or the Subscriber, as relevant, including without limitation, the approval in-principle from the SGX-ST in respect of the listing of and quotation for the Subscription Shares and Option Shares on the Mainboard of the SGX-ST and the Council having granted the Subscriber and its concert parties a waiver of its obligation to make a General Offer under Rule 14 of the Code.

(c) Representations and Warranties

All the representations and warranties of the Company and the Subscriber set out under the Subscription Agreement, as the case may be, being true, accurate and not misleading in all material respects as of the date of the Subscription Agreement and as at the Tranche 1 Completion Date.

(d) Shareholders' Approval

The resolution of the Shareholders having been obtained for the Proposed Transactions.

(e) Indemnity Undertakings

*The execution by Mr. Hsu Cheng Chien and Mr. Hsu Hung Chun (the "**Undertaking Shareholders**") of an irrevocable letter of undertaking in a form satisfactory to the Subscriber ("**Indemnity Undertaking**"), pursuant to which the Undertaking Shareholders shall (jointly and severally) undertake to guarantee and indemnify the Subscriber on the following:*

- (i) the due and punctual performance, observance and discharge by the Company of all the obligations and undertakings under the Subscription Agreement if and when they become performable or due under the Subscription Agreement;*
- (ii) that as at the Tranche 1 Completion Date, the Company has satisfied the Zero Liability Requirement, and if the Company defaults in any payment or fails to perform any of the obligations under the Subscription Agreement, the Undertaking Shareholders shall (jointly and severally) pay on demand any such amount to the Subscriber and in the manner as prescribed by the Subscriber as if the Undertaking Shareholders were the named obligors in the Subscription Agreement; and*
- (iii) any losses, costs, claims, liabilities, damages, demands and expenses suffered or incurred by the Subscriber arising out of or in connection with the Company's representations, warranties, obligations and undertakings under the Subscription Agreement, and in particular, the Company's failure to satisfy the Zero Liability Requirement as at the Tranche 1 Completion Date.*

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(f) *Voting Undertakings*

*The execution by each of the Undertaking Shareholders and their respective associates (the “**Associates of the Undertaking Shareholders**”) of an irrevocable undertaking pursuant to which each of the Undertaking Shareholders and the Associates of the Undertaking Shareholders shall undertake:*

- (i) not to dispose any Shares that it holds or controls during the period commencing from the date of such undertaking until the earlier of, as the case may be (A) the termination of the Subscription Agreement; and (B) the approval-in-principle from the SGX-ST in respect of the removal of the Company from the watch-list having been obtained; and*
- (ii) to exercise or procure the exercise at the EGM and such adjournments thereof, all voting rights attached to the Shares that it holds, in favour of the resolution(s) approving the Relevant Resolutions and such other transactions in connection therewith and incidental thereto, together with any related resolutions necessary or expedient for such purposes, unless prevented from doing so by applicable rules or regulations or by any relevant regulatory authority.*

(g) *No Changes in Share Capital*

For the period between the date of the Subscription Agreement and the Tranche 1 Completion Date, the Company not having allotted or issued, or agreed to allot or issue, any share or loan capital, and there being no change to the share capital as at the date of the Subscription Agreement.

(h) *No Winding-Up*

Other than provided for in the Subscription Agreement, no order being made, petition presented or meeting convened for the purpose of considering a resolution for the winding up of the Company or any of its subsidiaries, or the appointment of any liquidator (provisional or otherwise), judicial manager, administrator, receiver, receiver and manager, custodian or similar official in respect of the Company, any of the Company's subsidiaries or any part of their respective property, assets and/or undertaking.

(i) *No Material Adverse Change*

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

(j) *No Illegality*

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

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(k) *No Prescribed Occurrences*

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

“Prescribed Occurrence” shall mean any of the following:

(i) *Contracts, Agreements or Commitments*

Other than as provided in the Subscription Agreement and in connection with the Proposed RTO, the Company entering into any contract, agreement or commitment, or agreeing to any variation of any existing contract, agreement or commitment to which the Company is a party.

(ii) *Alteration of Share Capital*

Other than pursuant to the grant of the Option as provided in the Subscription Agreement and in connection with the Proposed RTO, the Company entering into any share buy-back agreement or resolving to approve the terms of any share buy-back agreement or reduce its share capital in any way, or making any allotment of, or granting an option to subscribe for any Shares or securities convertible into Shares or agreeing to make any such allotment or to grant such an option or convertible security.

(iii) *Issuance of Debt Securities*

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

(iv) *Insolvency Event*

The occurrence of any event or circumstance described as follows:

- (A) *any order being made, petition presented or meeting convened for the purpose of considering a resolution for the winding up of the Company or for the appointment of any provisional liquidator in the Company;*
- (B) *any petition being presented for the appointment of a judicial manager, assignee, administrator, receiver, liquidator, custodian or similar official, and such official has been so appointed, in respect of the whole or any part of any of the property, assets and/or undertaking of the Company;*
- (C) *any composition in satisfaction of the debts of the Company, or scheme of arrangement of its affairs, or compromise or arrangement between it and its creditors and/or members or any class of its creditors or members, having been proposed, sanctioned or approved; or*
- (D) *any distress, distraint, charging order, garnishee order, execution or other process having been levied or applied for in respect of the whole or any part of any of the property, assets and/or undertaking of the Company.*

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(v) Delisting or Suspension of Trading

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

(vi) Change in Accounting Policy

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

(vii) Changes to Constitution

The Company amending its Constitution.

(viii) Breaches of Representations and Warranties

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

(ix) General

The Company taking any action in respect of any matter which is analogous to any of the matters in paragraphs (i) to (viii) above or which would be inconsistent with paragraphs (i) to (viii) above."

3.8 Completion

Tranche 1 Completion shall be subject to customary conditions precedent, a summary of which is set out in Section 3.5.4 of the Circular; whereas Tranche 2 Completion shall be contingent on Tranche 1 Completion and the Company's receipt of the approval-in-principle from the SGX-ST of the Proposed RTO.

4. INFORMATION ON THE SUBSCRIBER, NISF AND CCIAM

Information on the Subscriber, NISF and CCIAM is set out in Section 3.1 of the Circular. We recommend that Independent Shareholders read those pages of the Circular carefully.

5. EVALUATION OF THE PROPOSED WHITEWASH RESOLUTION

In assessing the financial terms of the Proposed Subscription, being the subject of the Proposed Whitewash Resolution, we have taken into account the following pertinent factors as well as others in this Letter, which we consider will have a significant bearing on our assessment:

- (i) Rationale for the Proposed Subscription and use of proceeds;
- (ii) Financial performance and position of the Group;
- (iii) The Group's net asset value ("NAV") and net tangible asset ("NTA");

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- (iv) Market quotation and trading activity for the Shares;
- (v) Relative valuation analysis;
- (vi) Analysis of comparable transactions;
- (vii) Proforma financial effects of the Proposed Subscription;
- (viii) Theoretical value of the Options; and
- (ix) Other relevant considerations.

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

In our assessment of the financial terms of the Proposed Subscription, being the subject of the Proposed Whitewash Resolution, we have applied certain valuation ratios in assessing the reasonableness of the Proposed Subscription. A brief description of such valuation ratios are as follows:–

- (i) **EV/EBITDA**

“EV” or “Enterprise Value” is defined as the sum of a company’s market capitalisation, preferred equity, minority interests, short term and long term debts less its cash and cash equivalents. “EBITDA” stands for earnings before interest, tax, depreciation and amortisation but after share of associates’ and joint ventures’ income but excluding exceptional items.

The “EV/EBITDA” multiple is an earnings-based valuation methodology that does not *inter alia* take into account the capital structure of a company as well as its interest, taxation, depreciation and amortisation charges. Therefore, it serves as *inter alia* an illustrative indicator of the current market valuation of the business of a company relative to its pre-tax operating cash flow and performance.
- (ii) **Price-to-Earnings (“PER”)**

The PER is a widely used earnings-based valuation methodology that *inter alia* illustrates the ratio of the current market price of a company’s shares relative to its net earnings per share. Unlike the EV/EBITDA multiple, the PER is based on the net earnings attributable to shareholders after interest, taxation, depreciation and amortisation expenses. As such, the PER is *inter alia* affected by the capital structure of a company, tax position as well as its depreciation and goodwill policies.
- (iii) **Price-to-NTA (“P/NTA”)**

The P/NTA ratio is the ratio of the relevant prices of the shares to the net tangible asset value of the relevant companies. It is an asset-based valuation methodology that *inter alia* illustrates the ratio of the current market valuation of a company relative to its asset backing as measured in terms of its NTA value. The NTA of a company *inter alia* provides an estimate of its value assuming a hypothetical sale of all its tangible assets, the proceeds of which are first used to repay the liabilities and obligations of that company with the balance available for distribution to its shareholders. The NTA-based approach is widely used for valuing the shares of property-based companies as their tangible asset backings are perceived as providing support for the value of their shares.
- (iv) **Price-to-NAV (“P/NAV”)**

The P/NAV ratio is the ratio of the relevant prices of the shares to the net asset value of the relevant companies. It is an asset based valuation methodology that *inter alia* illustrates the ratio of the current market

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valuation of a company relative to its tangible and intangible asset backing as measured in terms of its NAV value.

The NAV of a company provides an estimate of *inter alia* its value assuming a hypothetical sale of all its tangible and intangible assets, the proceeds of which are first used to repay the liabilities and obligations of that company with the balance available for distribution to its shareholders.

In assessing the financial terms of the Proposed Subscription, being the subject of the Proposed Whitewash Resolution, we have taken into account the following pertinent factors (as well as others in this Letter), which we consider will have a significant bearing on our assessment.

5.1 Rationale for the Proposed Subscription and use of proceeds

The rationale for the Proposed Subscription and use of proceeds has been extracted from Section 3.6 and 3.8 of the Circular respectively and are set out in italics below. We recommend that Recommending Directors advise Independent Shareholders to read the relevant sections of the Circular carefully. All terms and expressions used in the extract below shall have the same meaning as those defined in the Circular, unless otherwise stated:-

“3.6 Rationale for the Proposed Subscription

The Proposed Subscription is intended to raise funds for the Proposed RTO – the aggregate subscription amount of S\$80 million from the Proposed Subscription will be earmarked for the cash consideration payable by the Company in connection with the Proposed RTO. The completion of the Proposed RTO is anticipated to enable the Company to satisfy the exit criteria under Rule 1314(1) of the Listing Manual.

Rule 1314(1) of the Listing Manual states that an issuer on the watch-list may be removed from the watch-list if it records consolidated pre-tax profit for the most recently completed financial year (based on the latest full year consolidated audited accounts) and has an average daily market capitalisation of S\$40 million or more over the last 6 months.

As announced by the Board on 4 March 2014, the SGX-ST placed the Company on the watch-list with effect from 5 March 2014. The initial deadline preceding the Latest Practicable Date for the Company to fulfil the requirements under Rule 1314 of the Listing Manual for its removal from the watch-list was 4 March 2018.

*As announced by the Board on 5 March 2018 and 18 May 2018, the SGX-ST granted the Company an extension of time of **up to 12 months to 4 March 2019** to meet the requirements for removal from the watch-list (the “**Extension**”), subject to *inter alia* the Company achieving each of the milestones by the specified timelines indicated below:-*

No.	Milestones	Timeline (on or before)
1.	<i>Signing of the sale and purchase agreement for the proposed acquisition of vanadium mine in connection with the Proposed RTO</i>	4 March 2018
2.	<i>Signing of the Supplemental Subscription Agreement in connection with the Proposed Subscription</i>	4 March 2018
3.	<i>Submission of additional listing application and circular to the SGX-ST in relation to the Proposed Subscription</i>	15 March 2018
4.	<i>Submission of the Proposed RTO application and circular to the SGX-ST</i>	28 September 2018

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As at the Latest Practicable Date, the first three milestones set out in the table above have been achieved.

In relation to the fourth milestone, as announced by the Company on 18 May 2018, the SGX-ST had on 18 May 2018 granted the Company an extension of time of up to 28 September 2018 to submit the Proposed RTO application and circular to SGX-ST. For the avoidance of doubt, there is no change to the Extension and the Company has until 4 March 2019 to meet the requirements for removal from the watch-list. Please refer to Company's announcement released via SGXNET on 18 May 2018 for more information.

We wish to highlight that there is no guarantee that the Company will obtain approval from the SGX-ST for a further extension of time to meet the requirements for removal from the watch-list should the Company fail to meet the specified timeline above and/or the requirements of Rule 1314(1) by the deadline of 4 March 2019. Should there be the case, the SGX-ST may either remove the Company from the Official List, or suspend trading of the listed securities of the Company (without the agreement of the Company) with a view to removing the Company from the Official List.

3.8 Use of Proceeds

The Company intends to use the proceeds from:

- (a) the Proposed Subscription Shares Issue of S\$80 million in accordance with the terms and conditions of the definitive documentation entered into by the Company in connection with the Proposed RTO; and*
- (b) the Proposed Option Shares issue of up to S\$20 million for working capital and general corporate purposes.*

Shareholders should note that the proposed allocation set out above only serves as a general guideline. In the event that the proceeds initially allocated for the purposes set out in Section 3.8(a) above are not fully applied towards such uses for any reasons, the Company shall use the remaining proceeds for working capital of the Company and its subsidiaries and/or for such other purposes as the Company in its discretion may deem fit.

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

The Company will make an announcement on the use of the proceeds from the Proposed Subscription as and when such proceeds are materially disbursed, including whether the use is in accordance with the intended use as announced. Where there is any material deviation from the stated use of proceeds, the Company will announce the reasons for such deviation."

We note that gross proceeds from the issuance of Subscription Shares pursuant to the Proposed Subscription will amount to approximately S\$20.0 million (assuming only issuance and allotment of the Tranche 1 Subscription Shares) or approximately S\$80.0 million (assuming issuance and allotment of the Tranche 1 and 2 Subscription Shares). In addition, in the event that the Option is exercised, the proceeds from the exercise of the Option will amount up to approximately S\$20.0 million.

5.2 Financial performance and position of the Group

We note that the Group's revenue has been deteriorating significantly from approximately S\$636.4 million in FY2011 to approximately S\$24.4 million in FY2017 due to *inter alia*, persistent challenges, ranging from longer-PC lifecycles and sluggish market demand to growing competition from mobile phones and tablets as well as the Group's corporate restructuring effort to streamline its operations (by shutting down its loss-making plants) and dispose non-performing assets to lower costs. The

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Group's core business which is in the manufacturing and sale of telephone and power cords, telephone jacks and accessories, telephone handsets, moulded plastic products and notebook casing, pressed metal and electronic products have been loss-making since FY2011 (including for FY2016 in the event gain on the disposal of Ideal Project Consultant Limited, which is non-recurring and non-trade in nature, is excluded).

During FY2014, the Group undertook a series of major restructuring exercises as part of the Group's turnaround strategy where certain assets and subsidiaries had to be disposed in order to monetize some of the Group's non-yielding assets so that the proceeds can be used to improve working capital and reduce bank borrowings. During FY2015 to FY2017, the Group adopted a two-pronged strategy to streamline its operations and dispose of non-performing assets so as to lower costs and reduce borrowings, while concurrently seeking opportunities in fund-raising, acquisition and diversification in order to create new revenue streams.

We understand from the Management that as at the Latest Practicable Date, the Group had closed six plants in Shanghai, Chongqing, Shandong and Malaysia. The Group had disposed the entire issued and outstanding share capital of Ideal Project Consultant Limited (which holds a factory in Shanghai) for a net consideration (after withholding tax of approximately RMB18.5 million) of approximately RMB255.0 million ("**Net Consideration**") in 11 October 2016 to reduce its debts and increase working capital. As at the Latest Practicable Date, the Group has received the full payment being:- (i) deposit from the escrow agent amounting to approximately RMB25.5 million; (ii) the second payment of approximately RMB204.0 million from the purchaser; and (iii) the deferred consideration of approximately RMB25.5 million.

A summary of the unaudited consolidated financial statements of the Group for 1Q2018 and 1Q2017, and the audited consolidated financial statements of the Group for FY2017, FY2016 and FY2015 are set out below.

Review of Financial Performance

Consolidated Statement of Income

Figures in S\$'000 ⁽¹⁾	Unaudited 1Q2018	Unaudited 1Q2017	Audited FY2017	Audited FY2016	Audited FY2015
Revenue	3,871	4,888	24,356	52,575	151,083
Other Operating Income	307	239	2,405	66,556	22,187
Changes in inventories of finished goods and work-in-progress	(262)	(529)	(1,312)	(17,664)	(16,985)
Raw material and consumables used	(2,043)	(1,622)	(12,826)	(32,183)	(99,021)
Impairment loss	-	-	(833)	(670)	(6,470)
Employee benefits expenses	(2,393)	(2,741)	(13,503)	(26,356)	(54,350)
Depreciation and amortisation expenses	(675)	(712)	(2,631)	(3,774)	(11,262)
Other operating expenses	(1,511)	(5,198)	(12,584)	(19,450)	(35,573)
Finance costs	(867)	(901)	(3,593)	(5,015)	(6,500)
Gross Profit	1,566	2,737	10,218	2,728	35,077
Profit/(Loss) before tax	(3,576)	(6,598)	(20,588)	13,617	(57,186)
Profit/(Loss) after tax	(3,576)	(6,598)	(20,588)	9,784	(56,913)
Profit/(Loss) after tax attributable to shareholders	(3,576)	(6,598)	(20,588)	9,784	(56,963)

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Consolidated Statement of Financial Position

Figures in S\$'000 ⁽¹⁾	Unaudited 1Q2018	Audited FY2017	Audited FY2016	Audited FY2015
Non-current assets	48,533	48,917	59,083	75,437
Current assets	21,514	20,345	37,452	97,187
Non-current liabilities	78,935	80,366	86,674	85,014
Current liabilities	75,461	70,682	79,603	152,648
Total borrowings	121,270	118,021	123,834	169,154
Shareholders' equity	(84,349)	(81,786)	(69,742)	(65,038)
Net working capital	(53,947)	(50,337)	(42,151)	(55,461)

Note:

(1) Figures and computation presented in this section are subject to rounding

We note the following:-

- (i) The Group's revenue had declined substantially over the period under review due to, *inter alia*, the corporate restructuring undertaken to streamline its operations and dispose of non-performing assets (or closure of loss-making factories). The Group's revenue declined significantly from approximately S\$151.1 million in FY2015 to approximately S\$52.6 million in FY2016 and to approximately S\$24.4 million in FY2017. The Group revenue decreased by approximately 20.8% to approximately S\$3.9 million in 1Q2018 from approximately S\$4.9 million in 1Q2017.

The Management represented that while the closure of the loss-making factories caused a significant decline in the Group's revenue over the years, its operational costs and expenses declined in a faster phase resulting in the Group trimming its losses during the review period. The Group's loss after tax attributable to the equity holders of the company was approximately S\$57.0 million in FY2015. In FY2016, the Group recorded a profit after tax attributable to equity holders of the Company of approximately S\$9.8 million, as compared to a significant loss after tax attributable to the equity holders of the Company of approximately S\$57.0 million in FY2015. We note that the Group's profit after tax attributable to the equity holders of the Company of approximately S\$9.8 million was mainly attributable to the gain on the disposal of its subsidiary, Ideal Project Consultant Limited, of approximately S\$53.5 million (which is non-recurring and non-trade in nature). In the event that the gain on the disposal of Ideal Project Consultant Limited is excluded, the Group would have been recorded a loss before tax of approximately S\$39.9 million. The Group recorded a loss after tax attributable to the equity holders of the Company of approximately S\$20.6 million and S\$3.6 million for FY2017 and 1Q2018 respectively.

- (ii) As at 31 March 2018, the Group's non-current assets comprise property, plant and equipment of approximately S\$21.1 million, available-for-sale investments (comprising unquoted equity investments) of approximately S\$22.6 million, land use rights ("LUR") of approximately S\$4.1 million and investment in associate (Shanghai Nichiei Precision Mould Co., Ltd which is engaged in fabricating and repairing of moulds used for electronic products) of approximately S\$0.8 million, whilst the Group's current assets comprise mainly, *inter alia*, trade receivables of approximately S\$6.1 million, other receivables, deposits and prepayments of approximately S\$2.4 million, inventories of approximately S\$3.6 million, cash and cash equivalents of approximately S\$5.2 million, and non-current assets held for sale of approximately S\$4.3 million. With regards to the non-current assets held for sale, we note from the audited financial statements for FY2017 that in October 2017, Greatest Innovation Investments (BVI) Limited and Huan Hsin Holdings Ltd entered into a proposed acquisition term sheet (the "Term Sheet") with a third party for the sale of Shanghai Yi Hsin's and Shanghai Zhan Hsin's LUR and buildings. As the terms of the transaction and the LUR and buildings were expected to be fulfilled and transferred within twelve months, the LUR and buildings are classified as non-current asset held for sale. The Directors confirmed and represented that the Term Sheet is not

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legally binding and subject to execution of definitive sales and purchase agreement. The Directors and the Management confirmed that there has been no further update on the Term Sheet as at the Latest Practicable Date.

As at 31 March 2018, the Group's liabilities comprise mainly, *inter alia*, borrowings of approximately S\$121.3 million (of which 34.9% is classified as current and 65.1% is classified as non-current), other payables and accruals (comprising accrued operating expenses for trade purchases and ongoing costs and advance from customers) of approximately S\$27.1 million and trade payables of approximately S\$5.5 million.

The Group's total borrowings of approximately S\$121.3 million as at 31 March 2018 comprise as follow:-

- (a) approximately S\$77.4 million loans payable to a third party (which is secured by the Group's present shares in Smart Idea Holdings Limited, bears an interest rate of 4.0% per annum, and of which approximately S\$11.8 million is repayable on demand and the remaining S\$65.6 million is not expected to be repaid within twelve (12) months) (the **"Third Party Loan"**). The Directors and the Management represented and confirmed that the Third Party Loan has been rolled over on yearly basis and that there is no assurance that the repayment schedule for the amount of S\$65.6 million of the Third Party Loan can be further extended subsequent to the end of FY2018 as it will be subject to negotiation and mutual agreement by both parties;
- (b) approximately S\$14.5 million loans payable to related parties, which companies owned by Directors of the Company (which is unsecured, interest free, and of which approximately S\$9.3 million is repayable on demand and the remaining of approximately S\$5.2 million is not expected to be repaid within twelve (12) months) following receipt of a letter of waiver to demand payment; and
- (c) approximately S\$29.4 million loans payable to certain Directors (which is unsecured, interest-free and of which approximately S\$21.2 million is expected to be repaid within the next twelve (12) months and the remaining of approximately S\$8.2 million is not expected to be repaid within twelve (12) months following receipt of a letter of waiver to demand payment).

The Directors and the Management confirmed that as at the Latest Practicable Date, there has been no breach of any covenants of the Group's borrowings which may lead to a request for immediate payment.

The shareholders equity of the Group had been in the negative since FY2015 from approximately negative S\$65.0 million to approximately negative S\$69.7 million in FY2016 mainly attributable to the losses incurred by the Group during the period under review. The Group's shareholders equity continued to deteriorate further to approximately negative S\$81.8 million as at 31 December 2017 and negative S\$84.3 million as at 31 March 2018.

- (iii) The Group's net working capital had been in the negative region since FY2015. The Group's net working capital stood at approximately negative S\$55.5 million as at 31 December 2015 and improved slightly but remained in the negative region of approximately S\$42.2 million as at 31 December 2016. The improvement was mainly due to higher decline in current liabilities (arising from the substantial reduction in borrowings of approximately S\$47.0 million and lower trade payables due to lower purchases and payments made) as compared to the decline in current assets (arising from the declines in trade receivables due to collection and lower sales volume, and inventories). The Group's net working capital deteriorated further to approximately negative S\$50.3 million and negative S\$53.9 million as at 31 December 2017 and 31 March 2018 respectively. We note from the results announcement for 1Q2018 that the Management is confident that with the strategies of corporate restructuring to streamline operations and disposing non-performing assets to lower costs and reduce borrowings; and concurrently

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looking for acquisition and diversification opportunities to generate additional income streams, the Group will be able to continue operating as a going concern in the foreseeable future.

Likewise, the cash and bank balances had declined from approximately S\$19.0 million as at 31 December 2015 to approximately S\$9.6 million as at 31 December 2016 due mainly to repayment of short-term borrowings and operation loss. The Group's cash and bank balances declined further to approximately S\$2.4 million as at 31 December 2017 mainly due to operational loss and subsequently increased to approximately S\$5.2 million as at 31 March 2018 mainly due to cash inflow from other loans.

We also note that the Group recorded negative net cash flow from operating activities of approximately S\$25.8 million, S\$14.0 million, S\$17.1 million and S\$1.3 million in FY2015, FY2016, FY2017 and 1Q2018 respectively.

- (iv) The Directors and the Management confirmed that the sufficiency of the Group's working capital for the next 12 months and the ability of the Group to continue as going concern will depend on, *inter alia*, the successful completion of the Proposed Subscription and the outcome of the new business pursuant to the Proposed RTO, the availability of the undrawn committed short-term borrowing facilities (subject to certain conditions) of approximately S\$6.0 million, as well as the ability to continue rolling forward the existing banking facilities.

The Directors confirmed that as at the Latest Practicable Date and save for matters disclosed in the Circular, this Letter, the financial statements for the Group for 1Q2018 and FY2017, there have been no material changes to the Group's assets and liabilities, financial position, condition and performance.

As at the Latest Practicable Date, the Directors confirmed that they do not foresee any material positive developments for the Group in terms of its existing core business in the manufacturing and distribution of telecommunications, information technology, electronics and other consumer products parts and components.

The Directors represented and confirmed that: (a) the Net Consideration from the disposal of Ideal Project Consultant Limited has been fully utilised to reduce the Group's borrowings and working capital requirements; (b) the Company has been exploring further disposal of its leasehold land, buildings and LUR to further reduce the Group's remaining borrowings; (c) whilst significant effort has been made by the Directors and the Management to dispose of the leasehold land and buildings and the LUR, there has been no offer or indication of interest obtained save for the fact that as disclosed in the audited financial statements for FY2017, the Company has entered into the Term Sheet (which is non-legal binding and subject to execution of definitive sales and purchase agreement) for the disposal of the buildings and LUR located in Shanghai; and (d) based on information available to them and the Term Sheet, the proceeds of the disposal of the Group's leasehold land and buildings and the LUR is unlikely to be sufficient to repay the remaining borrowings of approximately S\$121.3 million.

Material uncertainty related to going concern

We note that the Independent Auditor's Report dated 26 March 2018 ("**Independent Auditor's Report**") on the Group's and Company's financial statements for FY2017 contained material uncertainty related to going concern. The following paragraphs as set out in *italics* below are extracted from the Independent Auditor's Report (page 29 of the AR2017) and note 1 to the audited financial statements of the Group for FY2017. We recommend that Recommending Directors advise Shareholders to read this section of the AR2017 carefully:-

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“Material uncertainty related to going concern

We draw attention to Note 1 in the accompanying financial statements which indicates that as at December 31, 2017, the Group’s current liabilities exceeded its current assets by \$50,337,000 (2016: \$42,151,000) and the Group’s capital deficiency amounted to \$81,786,000 (2016: \$69,742,000), and the Group recorded losses of \$20,588,000 (2016: profits of \$9,784,000) and the Company recorded losses of \$3,097,000 (2016: \$48,822,000) for the financial year ended.

The preparation of the financial statements on a going concern basis is dependent on the successful completion and receipt of the Proposed Subscription and successful completion of the proposed reverse takeover. These events or conditions, along with other matters are set forth in Note 1, indicate the existence of material uncertainties which may cast significant doubt on the Group’s and Company’s ability to continue as going concerns. Our opinion is not modified in respect of this matter.”

Note 1 to the financial statements is reproduced below.

“1 GENERAL

- a) *The Company (Registration Number 199509142R) is incorporated in Singapore. The Company’s principal place of business and its registered office at 77 Robinson Road, #13-00 Robinson 77, Singapore 068896. The Company is listed on the mainboard of the Singapore Exchange Securities Trading Limited (“SGX-ST”). The financial statements are expressed in Singapore dollars.*
- b) *The principal activities of the Company are investment holding and the provision of services to its subsidiaries. The principal activities of the associate and subsidiaries are disclosed in Notes 11 and 12 to the financial statements respectively.*
- c) *As at December 31, 2017, the Group’s current liabilities exceeded its current assets by \$50,337,000 (2016: \$42,151,000) and the Group’s capital deficiency amounted to \$81,786,000 (2016: \$69,742,000), and the Group recorded losses of \$20,588,000 (2016: profits of \$9,784,000) and the Company recorded losses of \$3,097,000 (2016: \$48,822,000) for the financial year then ended.*
- d) *As previously disclosed and announced, on February 24, 2016, the Company entered into a subscription agreement with Oriental Straits Investment Limited (“Subscriber”) and China Capital Impetus Investment Limited (“CCIIL”). On March 4, 2018, the Subscriber, CCIIL and China Capital Impetus Asset Management Pte Ltd (“CCIAM”) entered into a deed of novation in respect of the substitution of CCIIL by CCIAM as a party to the subscription agreement dated February 24, 2016, (as amended, supplemented and modified) (“Subscription Agreement”) and the Company, the Subscriber and CCIAM had on March 4, 2018 entered into an agreement to supplement the Subscription Agreement (“Supplemental Agreement”).*

Pursuant to the Supplemental Agreement, the parties had agreed to the following principal amendments to the Subscription Agreement:

- (i) *The Subscriber shall subscribe for, and the Company shall allot and issue to the Subscriber 3,636,363,636 ordinary shares in the share capital of the Company at the issue price of S\$0.022 per Share for an aggregate subscription amount of S\$80 million in two (2) tranches – S\$20 million (“Tranche 1 Subscription”) and S\$60 million (“Tranche 2 Subscription”) - upon the terms and subject to the conditions of the Subscription Agreement (collectively, the “Proposed Subscription”).*

The completion of the Tranche 1 Subscription shall be subject to customary conditions precedent, including but not limited to shareholders’ and regulatory approval of the Proposed Subscription; whereas completion of the Tranche 2 Subscription shall be contingent on completion of the Tranche 1 Subscription and the Company’s receipt of the

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approval-in-principle from the SGX-ST of the Proposed Reverse Takeover ("Proposed RTO").

- (ii) The Proposed RTO refers to the sale and purchase agreement dated March 4, 2018 entered into between the Company and Jade Merit Developments Limited (the "Acquisition Agreement"), pursuant to which the Company will become the legal and beneficial owner of a 99.99% equity interest of a company incorporated in the British Virgin Islands and wholly-owned by Jade Merit Developments Limited on the terms and conditions of the Acquisition Agreement.

The Subscriber and CCIAM each acknowledges (i) the terms and conditions of the Acquisition Agreement; and (ii) the Aggregate Subscription Amount of S\$80,000,000 shall be utilised by the Company for purposes of the Proposed RTO, in accordance with the terms and conditions of the Acquisition Agreement.

- (iii) The Company shall grant each of the Subscriber and CCIAM (collectively, "Option Holders" and each an "Option Holder") the right but not the obligation to each subscribe for up to 454,545,455 Shares at the issue Price per Share for up to S\$10 million upon the terms and subject to the conditions of the Subscription Agreement (each an "Option"). Each Option Holder may, subject to the terms of the Subscription Agreement, exercise its Option at any time and from time to time during the 36 months period commencing from the completion date of the Tranche 1 Subscription.

For the avoidance of doubt, assuming each Option Holder fully exercises its Option, the aggregate monies to be raised by the Company from both Option Holders is S\$20 million.

- e) On the basis of the above developments, SGX-ST had on March 2, 2018 granted the Company an extension of time of up to March 4, 2019 to meet the requirements for removal from the Watch-List. The extension is subject to, amongst others, achieving each of the milestones by the specified timelines indicated below:

<u>Milestones</u>	<u>Timeline (on or before)</u>
1 Signing of the Supplemental Subscription Agreement with Oriental Straits Investment Limited and China Capital Impetus Investment Limited (i.e. the Proposed Subscription)	March 4, 2018
2 Signing of the sale and purchase agreement for the proposed acquisition of vanadium mine in connection with a proposed reverse take-over (i.e. the Proposed RTO)	March 4, 2018
3 Submission of additional listing application and circular to SGX-ST in relation to the Proposed Subscription	March 15, 2018
4 Submission of RTO application and circular to SGX-ST	May 30, 2018

As of the date of this report, milestones set out in items 1, 2 and 3 of the Table above have been achieved.

- f) The successful completion of the Proposed Subscription is subject to, amongst others, the approval of shareholders at an Extraordinary General Meeting ("EGM") to be convened to seek shareholders' approval on amongst other things, the transfer of more than 15% of the Enlarged Share Capital of the Group pursuant to the Subscription Agreement in relation to the Proposed Subscription.

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If the Proposed Subscription is approved at the EGM, payment for the Tranche 1 Subscription Shares amounting to approximately S\$20 million) ("Tranche 1 Equity Injection") shall be received within 90 days from the date of the EGM. The validity of the going concern assumption depends on the receipt of the equity injections in tranches, which subject to fulfilment of certain condition precedents, of up to S\$100 million as mentioned in (d) above, as well as the outcome of new business arising from Proposed RTO. According to their judgement, management believes that the Group and the Company should be able to operate as going concerns.

- g) The above matters represent material uncertainties that may cast significant doubt on the Group's and the Company's ability to continue as going concerns, and therefore, they may be unable to realise their assets and discharge their liabilities in the normal course of business. Nevertheless, management is confident that the strategies in place to improve the operating performance and financial position of the Group and the Company will allow it to continue in operational existence for the foreseeable future. Hence, they continue to adopt the going concern assumption in preparing the accompanying financial statements.*
- h) Accordingly, the accompanying financial statements did not include any adjustments relating to the realisation and classification of asset and liability amounts that may be necessary if the Group and the Company were unable to continue as going concerns. Should the going concern assumption be inappropriate, adjustments may have to be made to (i) reflect the situation that assets may need to be realised other than their carrying amounts; (ii) provide for further liabilities that might arise; and (iii) reclassify non-current assets and non-current liabilities as current. No adjustments have been made in the accompanying financial statements in respect of these.*
- i) At December 31, 2017, the Group has available \$6 million (2016: \$6 million) of undrawn committed short-term borrowing facilities, subject to certain conditions being met. Management believes that the Group will be able to utilise these short-term borrowing facilities if required, and is also of the view that the Group will be able to continue to roll forward their existing banking facilities. In addition, there are no non-current borrowings of the Group approaching maturity within the next 12 months without realistic prospects of renewal or repayment, and there has been no breach of any covenants of the Group's non-current portion of the borrowings which may lead to a request for immediate payment.*
- j) The consolidated financial statements of the Group and statement of financial position and statement of changes in equity of the Company for the financial year ended December 31, 2017 were authorised for issue by the Board of Directors on March 26, 2018."*

The Directors and Management confirmed that the sufficiency of the Group's working capital requirement for the next 12 month and the ability of the Group to continue as going concern will depend on, *inter alia*, the successful completion of the Proposed Subscription and the outcome of the new business pursuant to the Proposed RTO, the availability of the undrawn committed short-term borrowing facilities (subject to certain conditions) of approximately S\$6.0 million, as well as the ability to continue rolling forward the existing banking facilities.

5.3 The Group's NAV and NTA

NAV and NTA Analysis

The NAV based approach of valuing a company or group is based on the aggregate value of all the assets of the company in their existing condition, after deducting the sum of all liabilities of the company and minorities' interests. The NAV based approach is meaningful as it shows the extent to which the value of each share is backed by both tangible and intangible assets and would be relevant in the event that the company or group decides to realise or convert the use of all or most of its assets. The NAV based approach in valuing a company may provide an estimate of the value of a company or group assuming the hypothetical sale of all its assets (including any intangible assets but not limited to land use rights, goodwill, trademarks and brand names) over a reasonable period of time at the aggregate value of the assets used in the computation of the NAV, the proceeds of which are

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used to settle the liabilities, minority interest and obligation of the company or group with the balance to be distributed to its shareholders. However the NAV approach does not take into account or consideration nor does it take into account the hypothetical sale of assets in a non-orderly or over a short period of time. It does not illustrate the values of which assets may actually be realized or disposed of.

The NTA based approach of valuing a company or group is based on the aggregate value of all the assets of the company in their existing condition, after deducting the sum of all liabilities and intangible assets of the company. The NTA based approach is meaningful as it shows the extent to which the value of each share is backed by tangible assets and would be relevant in the event that the company or group decides to realise or convert the use of all or most of its assets. The NTA based approach in valuing a company may provide an estimate of the value of a company or group assuming the hypothetical sale of all its assets over a reasonable period of time at the aggregate value of the assets used in the computation of the NTA, the proceeds of which are used to settle the liabilities, minority interest and obligation of the company or group with the balance to be distributed to its shareholders. However the NTA based approach does not take into account or consideration the presence of any intangible assets including but not limited to land use rights, goodwill, trademarks and brand names nor does it take into account the hypothetical sale of assets in a non-orderly or over a short period of time. It does not illustrate the values of which assets may actually be realized or disposed of.

In assessing the Issue Price in relation to the NAV and NTA per Share of the Group as at 31 March 2018, we have reviewed the unaudited statement of financial position of the Group as at 31 March 2018 to determine whether there are any assets that are of an intangible nature and as such would not appear in a valuation based on an NTA approach, but would be included in NAV approach. Save as disclosed in the unaudited statement of financial position of the Group as at 31 March 2018 and in the Circular, the Directors have confirmed, that as at the Latest Practicable Date, to the best of their knowledge and based on disclosures made available to them, that there are no other intangible assets or tangible assets which ought to be disclosed in such unaudited balance sheet as at 31 March 2018 in accordance with the Singapore Financial Reporting Standards which have not been so disclosed and where such intangible or tangible assets would have had a material impact on the overall financial position of the Group as at the Latest Practicable Date.

The Directors have also confirmed that as at the Latest Practicable Date, there were no material contingent liabilities, bad or doubtful debts or unrecorded earnings or expenses or assets or liabilities which could have a material impact on the NAV or NTA of the Group as at 31 March 2018, save as disclosed in the unaudited financial statement of the Group as at 31 March 2018 as well as the Circular. In addition, the Directors are of the opinion that save as disclosed in the Circular, the values of the assets (other than those for which valuation has been conducted), and liabilities as well as financial performance or condition of the Group as disclosed and reflected in the unaudited financial statements of the Group as at 31 March 2018 are true and fair. Lastly, the Directors confirmed that to the best of their knowledge or belief that such information is true, complete and accurate in all respects and that there is no other information or fact, the omission of which would render those statements or information, including our references, as well as analysis of such information to be untrue, inaccurate or incomplete in any respect or misleading.

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Consolidated unaudited balance sheet as at 31 March 2018⁽¹⁾	S\$'000
<u>Current assets</u>	
Cash and bank balances	5,191
Trade receivables	6,114
Other receivables, deposits and prepayments	2,365
Inventories	3,579
Non-current assets classified as held for sale	4,265
	21,514
<u>Non-current assets</u>	
Associate	792
Available-for-sale ("AFS") Investments	22,581
Land use rights ("LUR")	4,086
Property, plant and equipment ("PPE")	21,074
	48,533
<u>Non-current liabilities</u>	
Borrowings	78,935
	78,935
<u>Current liabilities</u>	
Trade payables	5,454
Other payables and accruals	27,057
Borrowings	42,335
Income tax payable	615
	75,461
Net liabilities value ("Net Liabilities") including non-controlling interest	(84,349)
Non-controlling Interest	-
Net Liabilities attributable to shareholders of the Company	(84,349)
Less: Intangible assets	-
Net Tangible Liabilities ("NTL") as at 31 March 2018	(84,349)
Net Liabilities and/or NTL per Share as at 31 March 2018 (S\$ cents)⁽²⁾	(21.09)
Issue Price (S\$ cents)	2.20
Premium/discount of Issue Price over/from the Group's Net Liabilities and/or NTL per Share as at 31 March 2018	n.m.

Notes:

- (1) The figures above are based on the Group's unaudited financial statement for 1Q2018. The figures and computations above are subject to rounding.
- (2) The figures are computed based on the Company's issued Share capital of 400,000,000 Shares as at the Latest Practicable Date.

From the above table, we note that the Group had Net Liabilities or NTL of approximately S\$84.3 million as at 31 March 2018. Hence, the comparison and analysis of the Issue Price and the Group's Net Liabilities or NTL per Share are not meaningful.

Adjusted NAV/NTA

In our evaluation of the Issue Price, we have also considered whether there are (1) any material transactions subsequent to 31 March 2018 that may materially affect the Group's NAV and NTA, and (2) any assets which should be valued at an amount that is materially different from that which recorded in the unaudited balance sheet of the Group as at 31 March 2018.

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We understand from the Directors that the Company has commissioned the Independent Valuers, to provide market valuation of the Appraised Assets. With respect to such valuations, we are not experts in the evaluation (including without limitation, market or business value or economic potential) or appraisal of assets and liabilities (including without limitation, PPE and LUR) including, *inter alia*, the contracts or agreements that the Group has embarked upon or are about to embark upon and have relied on the opinion of the Directors and the financial statements (audited and unaudited), where applicable for the assessment.

We recommend that the Recommending Directors advise Shareholders to note and review carefully the contents of the Valuation Reports (which are made available for inspection at the registered office of the Company) in its entirety including the assumptions made and the basis for the assumptions.

We wish to highlight that the Appraised Assets of the Group with a net book value of approximately S\$29.3 million as at 31 March 2018, comprises:

- (a) Leasehold land and buildings with a net book value of approximately S\$20.9 million as at 31 March 2018;
- (b) LUR with a net book value of approximately S\$4.1 million as at 31 March 2018; and
- (c) Non-current assets classified as held for sale (comprising leasehold land and building and LUR) of approximately S\$4.3 million as at 31 March 2018.

The Appraised Assets accounted for approximately 99.5% and 41.8% of the Group's aggregate PPE, LUR and non-current assets held for sale, and Group's total assets as at 31 March 2018 respectively. The Directors and Management represented and confirmed that the remaining PPE with a net book value of approximately S\$144.2 thousand, for which no valuation has been commissioned, consisted of plant and equipment, motor vehicles and construction in progress.

The Recommending Directors confirmed that they are aware of and satisfied with the selection of the Appraised Assets for the valuation exercise.

We have not made any independent evaluation or appraisal of *inter alia* the PPE and LUR, and we have been furnished by the Company with the Valuation Reports in respect of the market value of the Appraised Assets. With respect to such valuation, we are not experts in the evaluation or appraisal of the PPE and LUR and have relied on the Valuation Reports for the market value of the Appraised Assets and opinion of and confirmation from the Directors and Management that, to their best knowledge and belief, as at the Latest Practicable Date, on an aggregate basis, there are no material differences between the estimated market value of the remaining PPE highlighted above for which no valuation was obtained and their respective book value.

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

The Directors have represented and confirmed that the aggregate market value of the Appraised Assets as ascribed by the Independent Valuers as at the respective Valuation Date is approximately S\$91.5 million. Based on the information provided by the Directors and the Management, we note that the net book value of the Appraised Assets is approximately S\$29.3 million as at 31 March 2018.

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In addition, we note that the Group holds investments in unquoted equities which are booked under AFS Investments, at cost less any impairment loss amounting to approximately S\$22.6 million as at 31 March 2018. The Directors and Management have represented and confirmed the following:

- (i) The Company had been looking for potential buyers for the AFS Investments but as at the Latest Practicable Date, there has been no firm offer for the AFS Investments.
- (ii) The AFS Investments are carried at cost less impairment as it is not practical within the constraints of cost to reliably determine the fair value of the unquoted equity shares due to significant variability in the range of reasonable fair value estimates. The impairment loss is determined by comparing the carrying amount of cost against the Company's share in the net asset of the investee, which according to the Directors and the Management, is the best estimate of the recoverable amount.
- (iii) The Company does not control the board of each of the investee and its investment in each of the investee is between 4.6% to 16.8%.
- (iv) the AFS Investments as at 31 March 2018 reflects the true value and that there are no other unknown or undisclosed information which may have a material effect on the value of the AFS Investments.

For illustrative purpose only, the revaluation surplus from the Appraised Assets has been calculated and presented in the table below assuming the hypothetical sale of the Appraised Assets as at 31 March 2018, at the values as ascertained by the Independent Valuers. The Directors and the Management have also confirmed to us that there will be no potential tax liability arising from hypothetical sale of the Appraised Assets, which are subject to valuation, in the event that such assets were to be sold at the market values as ascribed by the Independent Valuers.

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Adjusted NAV and/or Adjusted NTA	S\$'000
Net Liabilities and/or NTL as at 31 March 2018	(84,349)
<i>Add:</i>	
Revaluation of Appraised Assets	
Market value of the Appraised Assets as at 31 March 2018	91,503
Less: Book value of the Appraised Assets as at 31 March 2018	(29,281)
Revaluation surplus	62,223
Adjusted Net Liabilities ("Adjusted Net Liabilities") and/or Adjusted NTL ("Adjusted NTL")⁽¹⁾	(22,126)
Adjusted Net Liabilities/Adjusted NTL per Share⁽²⁾ (S\$ cents)	(5.53)
Issue Price (S\$ cents)	2.20
Premium/(Discount) of Issue Price over/from the Group's Adjusted Net Liabilities and/or Adjusted NTL per Share	n.m.

Notes:

- (1) For the purpose of computing the Adjusted NAV and NTA, the revaluation surplus has been calculated and presented in the table above assuming (a) the hypothetical sale of the Appraised Assets as at 31 March 2018 and (b) there will be no potential tax liability arising from hypothetical sale of the Appraised Assets, which are subject to valuation, in the event such assets were to be sold at the market values as ascribed by the Independent Valuers. The Adjusted NAV and NTA shown above include the Appraised Assets. Independent Shareholders should note that the Group has not realised the surplus on such assets as at the Latest Practicable Date, and that there is no assurance that the revaluation surplus eventually recorded by the Group on the adjusted assets as described above (in the event that such assets are disposed) will be the same as that indicated above.
- (2) The figures are computed based on the Company's issued Share capital of 400,000,000 Shares as at the Latest Practicable Date.

Based on the table above, we note that the Group had Adjusted Net Liabilities or Adjusted NTL of approximately S\$22.1 million as at 31 March 2018. Hence, the comparison and analysis of the Issue Price and the Group's Adjusted Net Liabilities or Adjusted NTL per Share are not meaningful.

We also note from the Circular that there is a Zero Liability Requirement and that the Proposed Subscription has been agreed on, *inter alia*, the basis that immediately and prior to and as at Tranche 1 Completion Date, save for the transactional costs in connection with the Proposed Subscription as well as the consideration payable and the transactional costs in connection with the Proposed RTO, the Company has no liabilities (including all forms of taxation imposed by any taxation authority on the Company in relation to transactions, undertakings or arrangements entered into or commencing on or before the date of the Subscription Agreement), whether actual, deferred or contingent, and there are no off-balance sheet liabilities in the Company. The Directors and Management represented and confirmed that the Zero Liability Requirement has been met as at 31 March 2018 and has no material impact to the Group's Adjusted NAV and Adjusted NTA as at the Latest Practicable Date.

Recommending Directors are advised to assess the evaluation of the Issue Price vis-à-vis the Group's Adjusted Net Liabilities and/or Adjusted NTL per Share as at 31 March 2018 in conjunction with the fact that the existing core business of the Group is a moribund business whose financial performance is weak (loss making since FY2011 with significant decline in its revenue, save for FY2016 where the Group recorded net profits due to the gain on the disposal of its subsidiary which is non-recurring and non-trade in nature) with uncertain prospects, and whose financial position is weak with negative shareholders' equity and net liabilities position as at 31 March 2018, and the matters highlighted in the AR2017 pertaining to, *inter alia*, material uncertainty related to going concern.

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We wish to highlight that although the Adjusted Net Liabilities and/or Adjusted NTL shown above include revaluation surplus on the Appraised Assets, Independent Shareholders should note that the Group has not realised the surplus on such assets as at the Latest Practicable Date, and that there is no assurance that the revaluation surplus eventually recorded by the Group on the Appraised Assets as described above (in the event that such assets are disposed) will be the same as that indicated above.

The Directors represented and confirmed that whilst significant effort has been made by the Directors and the Management to dispose of the leasehold land and buildings and the LUR to further reduce the Group's borrowings, there has been no firm offer or indication of interest obtained save for the fact that as disclosed in the audited financial statements for FY2017, the Company has entered into the Term Sheet (which, as confirmed by the Directors and the Management, is non-legal binding and subject to execution of definitive sales and purchase agreement) for the disposal of the buildings and LUR located in Shanghai. In addition, the Directors and the Management represented and confirmed that as the consideration for the buildings and LUR located in Shanghai based on the Term Sheet is higher than the market value ascribed by the Independent Valuer, the revaluation surplus eventually recorded by the Group in the event of disposal of the buildings and LUR located in Shanghai (which is part of the Appraised Assets) in accordance with the Term Sheet would be higher and therefore the Adjusted NTA of the Group would be positive, albeit small and that the Issue Price would be at substantial premium over the Group's Adjusted NTA (based on, *inter alia*, the Term Sheet).

The Directors are of the view, based on the information available to them and the Term Sheet, that it is likely that the proceeds from intended disposal of the Group's Appraised Assets will not be sufficient to repay the remaining borrowings of the Group of approximately S\$121.3 million).

Taking into consideration the Directors' confirmation that the Term Sheet is not legally binding and subject to execution of definitive sales and purchase agreement, no views are being expressed with regards to the impact of the Term Sheet on the NTA of the Group and the prospect of the Group, in terms of *inter alia* the estimated revaluation surplus or deficit or disposal gain or loss as well as the estimated costs to be incurred for such disposal.

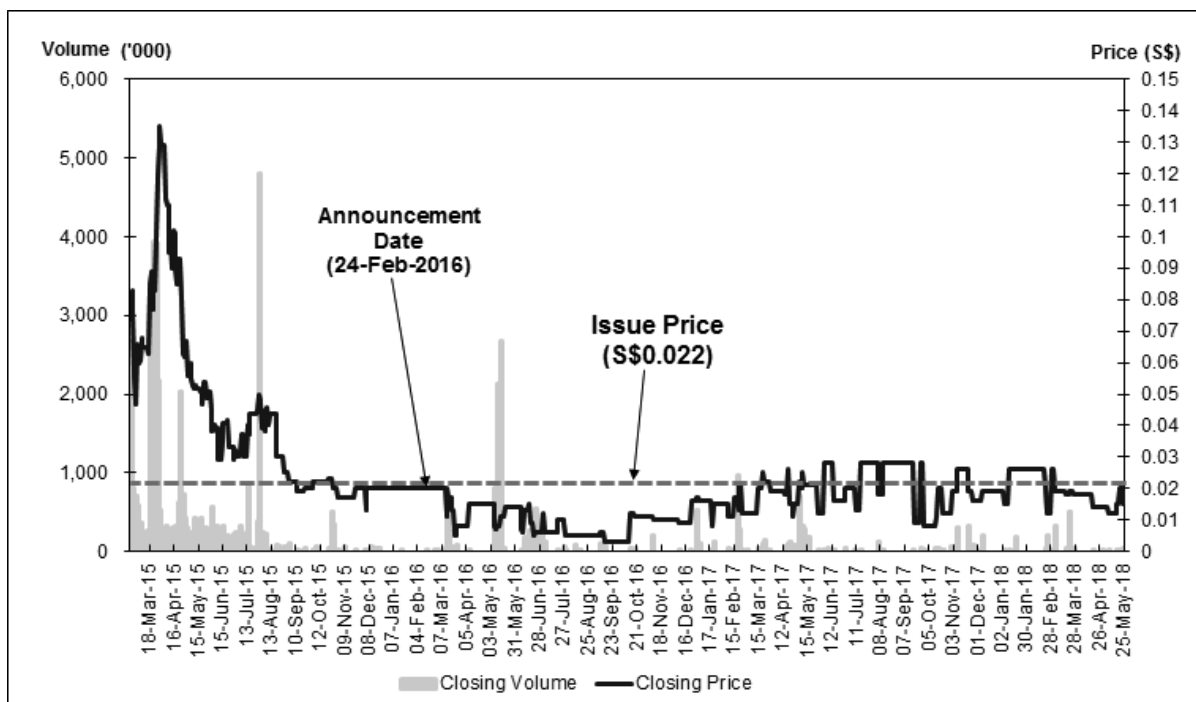
As such the above computations and analysis are meant as an illustration and it does not necessary mean or imply that the net realisable value of the Group is as stated above. It also does not imply that the assets or properties of the Group can be disposed of at the estimated values indicated above and that after payment of all liabilities and obligations, the values or amounts as indicated for the respective types of NTA is realisable or distributable to the Shareholders of the Group or the Company.

It should be noted that the NTA basis of valuation provides an estimate of the value of a hypothetical sale of all its tangible assets over a reasonable period of time (on the assumption of orderly disposal) and is only relevant in the event that the Group decides to change the nature of its business or to release or convert the use of all its assets. The NTA basis of valuation, however, does not necessarily reflect the value of the Group as a going concern nor can it capture or illustrate any value for the Group's goodwill or branding. In addition, it does not illustrate the values at which the assets may actually be realized or disposed.

5.4 Market quotation and trading activities for the Shares

The historical price chart for the Shares (based on the closing prices and the number of Shares traded on a daily basis) during the period commencing from 25 February 2015 (being the Market Day 12 months prior to the Announcement Date) and ending on the Latest Practicable is set out below:—

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Source: SGX-ST

For the period commencing from 25 February 2015 and ending on 24 February 2016, being the Announcement Date (both dates inclusive), we note that closing prices for the Shares were above the Issue Price on 134 Market Days out of the total 248 Market Days, below the Issue Price on 95 Market Days out of the total 248 Market Days and in line with the Issue Price on 19 Market Days out of the total 248 Market Days. For the said period, the highest transacted prices for the Shares was S\$0.135, which is substantially higher than the Issue Price and the closing prices for the Shares have declined by approximately 73.0% from 25 February 2015 to 24 February 2016, being the Announcement Date. We note that the prices for the Shares remained at S\$0.02 on 29 February 2016, being the first Trading Day immediately after the Announcement Date.

For the period commencing from 25 February 2016 (being the Market Day immediately after the Announcement Date) till the Latest Practicable Date, the Shares were only traded on 105 Trading Days out of 568 Market Days. The closing prices for the Shares were above the Issue Price on 95 Market Days, below the Issue Price on 467 Market Days and in line with the Issue Price on 6 Market Days out of the total 568 Market Days. We further note that prices for the Shares have fluctuated during the said period and declined by approximately 25.0% to close at S\$0.015 per Share on 25 May 2018, being the Latest Practicable Date.

As a general market comparison and observation, the FTSE Straits Times Index ("FTSE STI") declined by approximately 23.9% for the period commencing from 25 February 2015 and ending on 24 February 2016, being the Announcement Date and subsequently increased by approximately 34.1% from the Announcement Date to the Latest Practicable Date. The Shares have underperformed the FTSE STI for both the period commencing from 25 February 2015 and ending on the Announcement Date, and the period commencing from the Announcement Date till the Latest Practicable Date.

The above chart and the analysis below is presented for illustrative purposes only, and they are by no means representative of the future trading performance or prices for the Shares.

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The volume-weighted closing price (“**VWCP**”), the highest and lowest transacted prices and the average daily trading volume for the Shares, for the period commencing from 25 February 2015 to the Latest Practicable Date are set out below:-

	VWCP per Share ⁽¹⁾ (S\$)	Premium/ (Discount) of the Issue Price over/from VWCP per Share (%)	Lowest transacted price (S\$)	Highest transacted price (S\$)	Average daily trading volume ⁽²⁾ (Shares)	Average daily trading volume as % of free-float ⁽³⁾ (%)
For the period 12 months prior to and including the Announcement Date						
Last 12 months	0.075	(70.6)%	0.011	0.135	195,290	0.11%
Last 6 months	0.022	1.6%	0.011	0.033	12,914	0.01%
Last 3 months	0.020	10.0%	0.011	0.020	4,084	0.002%
Last 1 month	0.020	10.0%	0.020	0.020	1,190	0.001%
Last transacted price on 18 February 2016 (being the Trading Day immediately preceding the Announcement Date) ⁽⁴⁾	0.020	10.0%	0.020	0.020	25,000	0.01%
For the period after the Announcement Date to the Latest Practicable Date						
Till the Latest Practicable Date	0.014	55.8%	0.003	0.028	30,228	0.02%
Last transacted price on 25 May 2018 (being the Latest Practicable Date) ⁽⁵⁾	0.015	46.7%	0.015	0.016	50,000	0.03%

Source: SGX-ST

Notes:

- (1) The VWCP had been weighted based on the last transacted prices of the Shares and traded volumes for the relevant trading days for each of the periods.
- (2) The average daily trading volume of the Shares is calculated based on the total number of Shares traded during the period divided by the number of Market Days during that period.
- (3) Public Shareholders float refers to the approximately 182,516,133 Shares or approximately 45.6% of the issued Shares held by Shareholders (other than the Substantial Shareholders and the Directors) as at the Latest Practicable Date and as enumerated in the Circular.
- (4) This represents the last transacted price instead of VWCP for the Shares on 18 February 2016, being the last Trading day preceding the Announcement Date.
- (5) This represents the last transacted price instead of VWCP and trading volume for the Shares on 25 May 2018, being the Latest Practicable Date.

Based on a general observation of the chart above and after taking into account the summary of the transacted prices for the Shares, we note that the Issue Price represents:

- (i) a premium of approximately 10.0% over the last transacted price of S\$0.02 per Share on the SGX-ST on 18 February 2016 (being the last Trading Day for the Shares prior to the Announcement Date);
- (ii) a discount of approximately 70.6% from the VWCP for the Shares for the 12-month period prior to and including the Announcement Date;
- (iii) a premium of approximately 1.6%, 10.0%, and 10.0% over the VWCP for the Shares for the 6-month, 3-month and 1-month periods prior to and including the Announcement Date;
- (iv) a premium of approximately 55.8% over the VWCP for the Shares for the period commencing after the Announcement Date and ending on the Latest Practicable Date; and

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- (v) a premium of approximately 46.7% over the last transacted price of S\$0.015 per Share on 25 May 2018, being the Latest Practicable Date.

For illustrative purpose only, based on the number of Shares traded on a daily basis during the period commencing from 25 February 2015 and ending on the Latest Practicable Date, we note that:-

- (i) from 25 February 2015 to 24 February 2016, being the Market Day 12 months prior to and including the Announcement Date (both dates inclusive), the Shares were traded on 114 Trading Days out of the total 248 Market Days during the period, with the total number of Shares traded being approximately 48.4 million Shares and an average daily trading volume of approximately 195 thousand Shares for the period, which represents approximately 0.049% of the issued Share capital as at the Latest Practicable Date or approximately 0.107% of the issued Share capital held by Shareholders other than the Substantial Shareholders and the Directors as at the Latest Practicable Date. We also note that there was one substantial shareholder, USP Group Limited who had acquired via the market on 4 market days (19 March 2015, 24 March 2015, 26 March 2015 and 27 March 2015) an aggregate of approximately 11.8 million Shares (representing approximately 2.9% of the issued Shares), resulting in USP Group Limited becoming a controlling Shareholder, which might have attributed to the significant increase in Share prices.
- (ii) for the period commencing from 25 February 2016, being the Market Day after the Announcement Date, till the Latest Practicable Date (both dates inclusive), Shares were traded on 105 Trading Days out of the total 568 Market Days during the period, with the total number of Shares traded being approximately 17.2 million Shares and an average daily trading volume of approximately 30.2 thousand Shares, which represents approximately 0.01% of the issued Share capital as at the Latest Practicable Date or approximately 0.02% of the issued Share capital held by Shareholders other than the Substantial Shareholders and the Directors as at the Latest Practicable Date.

We note that trading for the Shares is erratic and that the number of Shares traded for the 1 year period prior to the Announcement Date is relatively low as compared to the number of issued Shares as at the Latest Practicable Date whilst for the period immediately after the Announcement Date until the Latest Practicable Date, the number of Shares traded is significantly low as compared to the number of issued Shares as at the Latest Practicable Date. We also note that the number of Shares that were traded on a daily basis for the period commencing after the Announcement Date till the Latest Practicable Date is significantly lower than the number of Shares that were traded on a daily basis during the 12-months period prior to the Announcement Date but higher than the number of Shares that were traded on a daily basis during the 6-months, 3-months and 1-month period prior to the Announcement Date. In addition, the Shares were only traded on 114 Trading Days out of the total 248 Market Days for the period 12-months prior to the Announcement Date and 105 Trading Days out of the total 568 Market Days for the period commencing from the Market Day immediately after the Announcement Date to the Latest Practicable Date. It is generally accepted that the more actively traded the shares, the greater the reliance on market prices as a determination of the fair value of the shares between willing buyer and willing seller. Whilst historically transacted prices for the Shares may not be a meaningful indicator of its fundamental value in view of the lack of liquidity for the Shares (in terms of number of Shares traded on daily basis), they nonetheless represent the prices for transactions between willing buyer and willing seller.

We observed that the closing prices for the Shares has decreased significantly by approximately 73.0% for the period commencing from 25 February 2015 and ending on 24 February 2016 (being the Announcement Date) and declined further by approximately 25.0% from the Announcement Date to the Latest Practicable Date. As mentioned earlier, the prices for the Shares had underperformed the FTSE STI for both the period 12-months prior to the Announcement Date, and the period commencing from the Announcement Date till the Latest Practicable Date. Subsequent to the Announcement Date, the prices for the Shares appear to be generally weaker than the Issue Price.

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The weaker performance of the Shares as compared to the FTSE STI and the continued lack of liquidity for the Shares for the period from the Announcement Date to the Latest Practicable Date may, *inter alia*, be a reflection of the Proposed Subscription and the developments within the Group as announced in the SGXNET as well as prospects or demand for the Shares on or after the Announcement Date.

Independent Shareholders should note that there is no assurance that the prices and average volume of Shares traded on a daily basis will be maintained or that the transacted prices for the Shares or the average volume of Shares traded on a daily basis after completion of the Proposed Subscription (or if the Proposed Subscription lapses) will be at the same levels prevailing during the period commencing from the Announcement Date and ending on the Latest Practicable Date.

Recommending Directors should also note that the past trading performance for the Shares may not be relied upon as an indication or promise of its future trading performance.

5.5 Relative valuation analysis

In evaluating the Issue Price, we have considered the financial performance, financial position and valuation statistics of selected comparable companies (the “**Selected Comparable Companies**”) that may, in our view, be broadly comparable to the core businesses of the Group, which are principally engaged in the manufacturing and distribution of telecommunications, information technology, electronics and other consumer products parts and components.

The Selected Comparable Companies have been identified after a search was carried out on the SGX-ST and evaluation of the companies operating in the same industry as the Group. We have had discussions with the Directors and Management about the suitability and reasonableness of these Selected Comparable Companies acting as a basis for comparison with the core businesses of the Group. Relevant information has been extracted from the annual reports and/or public announcements of the Selected Comparable Companies. The Selected Comparable Companies may or may not have similar business operations or similar assets as the Group, accounting policies with respect to the values for which the assets or liabilities or the revenue or gains/income or cost are recorded or the relevant financial period, as compared may differ from the Group.

We advise Recommending Directors to note that there may not be any company listed on any relevant stock exchange that is directly comparable to the Group in terms of size, diversity of business activities and products/services, branding, geographical spread, track record, prospects, operating and financial leverage, risk profile, quality of earnings and accounting, listing status and such other relevant criteria. We wish to highlight that it may be difficult to place reliance on the comparison of valuation statistics for the Selected Comparable Companies as the business of the Selected Comparable Companies, its capital structures, growth rates, operating and financial leverage, taxation and accounting policies as well as the liquidity of these shares and the demand/supply conditions for these shares and that of the Group may differ. As such, any comparison made herein is necessarily limited and serves only as an illustrative guide and any conclusion drawn from the comparison may not necessarily reflect the perceived or implied market valuation (as the case may be) of the Group as at the Latest Practicable Date.

Recommending Directors should note that the prices at which shares trade include factors other than historical financial performance, and some of these, *inter alia*, include prospects real or perceived of financial performance or historical share price performance or demand and supply conditions of the shares as well as the relative liquidity and the market capitalisation or the relative sentiments of the market for the shares.

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Selected Comparable Companies	Market capitalisation (\$ million)	Principal activities
CEI Limited ("CEI") <i>Listed on the SGX-ST</i>	79.8	The group is engaged in the provision of contract manufacturing and design and manufacture of proprietary equipment. It offers printed circuit board assembly (PCBA), box-build assembly, prototype assembly, and value added engineering works such as circuit layout and functional design.
Broadway Industrial Group Limited ("Broadway") <i>Listed on the SGX-ST</i>	51.7	The group is engaged in the manufacturing and distribution of actuator arms and related assembly parts for the hard disk industry.
PNE Industries Ltd ("PNE") <i>Listed on the SGX-ST</i>	79.3	The group is engaged in contract manufacturing and trades electronic and electrical appliances. It also sells emergency lighting and light fittings under the PNE brand name.
Micro-Mechanics (Holdings) Ltd ("Micro-Mech") <i>Listed on the SGX-ST</i>	250.3	The group is engaged in designing, manufacturing and marketing high precision tools, parts and assemblies for the semiconductor, medical, aerospace and other technology industries.
ASTI Holdings Limited ("ASTI") <i>Listed on the SGX-ST</i>	45.2	The group is engaged in the provision of solutions and technologies in the back-end (i.e. assembly, test and finishing) arena of the semiconductor industry and the provision of semiconductor application in consumer electronics, computer peripheral and communication solution.

Source: Bloomberg, SGX-ST and respective companies' website

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The following tabulates the salient ratios for comparative financial performance and position for the Selected Comparable Companies:–

Selected Comparable Companies	LTM ROE ⁽¹⁾ (%)	LTM net profit margin ⁽²⁾ (%)	LTM asset turnover ⁽³⁾ (times)	Total liabilities ⁽⁴⁾ /shareholder equity ⁽⁵⁾ (times)	Total borrowings ⁽⁶⁾ /shareholder equity ⁽⁵⁾ (times)
CEI	16.9%	4.8%	2.1	0.7	0.1
Broadway	n.m. ⁽⁷⁾	n.m. ⁽⁷⁾	2.1	1.2	0.2
PNE	6.8%	6.2%	1.0	0.2	no borrowing
Micro-Mech	31.6%	27.3%	0.9	0.2	no borrowing
ASTI	0.9%	0.4%	1.1	1.3	0.5
MAXIMUM	31.6%	27.3%	2.1	1.3	0.5
MINIMUM	0.9%	0.4%	0.9	0.2	0.1
MEDIAN	11.8%	5.5%	1.1	0.7	0.2
SIMPLE AVERAGE	14.1%	9.7%	1.4	0.7	0.3
The Group	Negative⁽⁸⁾	Negative⁽⁹⁾	0.3	Negative⁽⁸⁾	Negative⁽⁸⁾

Source: The latest annual reports and the announced unaudited financial statements of the respective companies.

Notes:

- (1) The last twelve months ("LTM") return on equity ("ROE") is based on the ratio of the most recent twelve months consolidated net profits after tax attributable to the equity holders to the consolidated equity holders excluding minority interest of the respective companies.
- (2) LTM net profit margin is the ratio of the most recent twelve months consolidated net profits after tax attributable to equity holders to the most recent twelve months total consolidated revenue of the respective companies.
- (3) LTM asset turnover is the ratio of the most recent twelve months total consolidated revenue to the total consolidated assets of the respective companies.
- (4) Total liabilities include all the liabilities of the respective companies but exclude any contingent liabilities.
- (5) Shareholders' equity is the consolidated shareholders' funds excluding minority interest of the respective companies of the Selected Comparable Companies and the Group.
- (6) Total borrowings include all bank loans and borrowings as well as hire purchase obligations and interest bearing debts.
- (7) Broadway incurred a loss after tax attributable to owners of approximately S\$14.6 million for the LTM 31 March 2018. Hence, Broadway's LTM ROE and LTM net profit margin ratios are negative and not meaningful.
- (8) The Group was in a net liabilities position with a negative equity attributable to the shareholder of the Company of approximately S\$84.3 million as at 31 March 2018, as such its ratios for LTM ROE, total liabilities to shareholders' equity and total borrowings to shareholders' equity are negative and hence not meaningful.
- (9) The Group's incurred loss after tax attributable to the equity holders of the Company of approximately S\$17.6 million for the LTM 31 March 2018. Accordingly, the LTM net profit margin is negative and hence not meaningful.

Relative Performance of the Group

For illustrative purposes only, we note the following:

- (i) The Group was loss making and in a net liabilities position with a negative equity attributable to the Shareholders of the Company of approximately S\$84.3 million as at 31 March 2018. Accordingly, the Group's LTM ROE is not meaningful. For illustrative purposes only, the Selected Comparable Companies' LTM ROE range between 0.9% to 31.6% (save for Broadway which was also loss making).

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- (ii) The Group's LTM net profit margin is negative and not meaningful. For illustrative purposes only, the Selected Comparable Companies' LTM net profit margin range between 0.4% to 27.3% (save for Broadway which was also loss making).
- (iii) The Group's LTM asset turnover ratio is lower and less favourable than any of the Selected Comparable Companies.
- (iv) In terms of financial position, the Group was in a net liabilities position with a negative equity attributable to the shareholders of the Company of approximately S\$84.3 million as at 31 March 2018. As such, the Group's ratio of total liabilities to shareholders' equity and ratio of total borrowings to shareholders' equity are negative and hence not meaningful. For illustrative purpose only, we note that all the Selected Comparable Companies are in a net asset position with the ratio of total liabilities to shareholders' equity ranging from approximately 0.2 times to 1.3 times, and ratio of total borrowing to shareholders' equity ranging from approximately 0.1 times to 0.5 times (save for PNE and Micro-Mech which had no borrowings).

In summary, the historical financial performance of the Group as reflected by the LTM ROE, LTM net profit margin, asset turnover ratio and financial position in terms of financial leverage as reflected by ratio of total liabilities to shareholders' equity and ratio of total borrowings to shareholders' equity are less favourable than any of the Selected Comparable Companies.

The following valuation statistics for the Selected Comparable Companies are based on their respective closing prices as at the Latest Practicable Date, while those for the Group are based on the prices as implied by the last transacted price on 25 May 2018, being the Latest Practicable Date and the Issue Price. All the valuation statistics are computed on a historical basis using financial data and information obtained from their latest publicly available unaudited financial statements or audited financial statements from their annual reports or result announcements.

The following table tabulates the comparative valuation statistics for the Selected Comparable Companies and the Group and should be evaluated in the context of their relative financial performance.

Selected Comparable Companies	Market capitalisation (\$ million)	LTM EV/ EBITDA ⁽¹⁾ (times)	LTM PER ⁽²⁾ (times)	P/NAV ⁽³⁾ (times)	P/NTA ⁽⁴⁾ (times)	Premium/ (discount) over/from NTA (%)
CEI	79.8	7.9	12.2	2.1	2.1	111.7%
Broadway	51.7	3.0	n.m. ⁽⁵⁾	0.6	0.6	(38.0)%
PNE	79.3	5.4	14.5	1.0	1.0	(0.8)%
Micro-Mech	250.3	8.4	14.1	4.5	4.5	346.2%
ASTI	45.2	n.m. ⁽⁶⁾	82.7	0.8	0.8	(18.3)%
MAXIMUM	250.3	8.4	82.7	4.5	4.5	346.2%
MINIMUM	45.2	3.0	12.2	0.6	0.6	(38.0)%
MEDIAN	79.3	6.6	14.3	1.0	1.0	(0.8)%
SIMPLE AVERAGE	101.2	6.2	30.9	1.8	1.8	80.2%
The Group						
Issue Price	8.8	Negative⁽⁷⁾	Negative⁽⁷⁾	Negative⁽⁸⁾	Negative⁽⁸⁾	Negative⁽⁸⁾
Latest Practicable Date	6.0	Negative⁽⁷⁾	Negative⁽⁷⁾	Negative⁽⁸⁾	Negative⁽⁸⁾	Negative⁽⁸⁾

Notes:

(1) The LTM EV/EBITDA for the Selected Comparable Companies are based on the most recent twelve months EBITDA as reported by the respective companies. The EBITDA for CEI is based on the financial year ended 31 December 2017. The EBITDA for Broadway, PNE, Micro-Mech, and ASTI are based on the most recent twelve months period ended 31 March 2018.

(2) The LTM PERs for the Selected Comparable Companies are based on the most recent twelve months earnings per share as reported by the respective companies. The net profit after tax for CEI is based on the financial year ended 31

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December 2017. The net profit after tax for Broadway, PNE, Micro-Mech, and ASTI are based on the most recent twelve months period ended 31 March 2018.

- (3) *The P/NAV ratios for the Selected Comparable Companies are based on their respective NAV values as set out in their latest available announced unaudited full year financial statements or audited financial statements from their annual reports. The NAV for CEI is based on the financial year ended 31 December 2017. The NAV for Broadway, PNE, Micro-Mech, and ASTI are based on the figures as at 31 March 2018.*
- (4) *The P/NTA ratios for the Selected Comparable Companies are based on their respective NTA values as set out in their latest available announced unaudited full year financial statements or audited financial statements from their annual reports. The NTA for CEI is based on the financial year ended 31 December 2017. The NTA for Broadway, PNE, Micro-Mech, and ASTI are based on the figures as at 31 March 2018.*
- (5) *Broadway incurred a loss after tax attributable to owners of approximately S\$14.6 million for the LTM 31 March 2018. Hence, Broadway's LTM PER is negative and not meaningful.*
- (6) *ASTI recorded negative EBITDA of approximately S\$91 thousand for the LTM 31 March 2018. Hence, ASTI's EV/EBITDA ratio is negative and not meaningful.*
- (7) *For the Group, the computations for LTM EV/EBITDA and LTM PER ratio is based on the market capitalisation as implied by the Issue Price and the last transacted price for the Shares on 25 May 2018, being the Latest Practicable Date. The Group recorded negative LTM EBITDA of approximately S\$11.4 million and incurred loss after tax attributable to the equity holders of the Company of approximately S\$17.6 million for LTM 31 March 2018. Accordingly, the LTM EV/EBITDA and LTM PER for the Group are negative and not meaningful.*
- (8) *For the Group, the computations for P/NAV and P/NTA ratios are based on the market capitalisation as implied by the Issue Price and the last transacted price for the Shares on 25 May 2018, being the Latest Practicable Date. The NAV and NTA for the Group are based on the Group's Net Liabilities and NTL per Share as at 31 March 2018. As such the P/NAV and P/NTA for the Group are negative and not meaningful.*

For illustrative purposes only, we note the following:

- (i) The market capitalisation of the Group as implied by the last transacted price on 25 May 2018, being the Latest Practicable Date and Issue Price is lower than any of the Selected Comparable Companies. We note that trading statistics for companies with higher market capitalisation may be different than those with lower market capitalisation and this may be attributable to the relative liquidity in terms of number or value of shares traded as well as relative interest in the shares of companies with larger market capitalisations. Hence, comparison of the valuation ratios for the Group and the Selected Comparable Companies are necessarily limited and presented herein for illustrative purpose only.
- (ii) The valuation of the Group in terms of LTM EV/EBITDA and LTM PER (as implied by the Issue Price and the last transacted price on 25 May 2018, being the Latest Practicable Date) are negative and not meaningful. For comparison purpose only, the Selected Comparable Companies are traded at LTM EV/EBITDA of between 3.0 times to 8.4 times (save for ASTI which recorded negative EBITDA for the LTM 31 March 2018) and LTM PER of between 12.2 times to 82.7 times respectively (save for Broadway which was loss making).
- (iii) The valuation of the Group in terms of P/NAV and P/NTA (as implied by the Issue Price and the Group's Adjusted Net Liabilities and/or Adjusted NTL per Share and the last transacted price on 25 May 2018, being the Latest Practicable Date) are negative and not meaningful. For comparison purpose only, the Selected Comparable Companies are traded at P/NAV and P/NTA of between 0.6 times to 4.5 times respectively.

In summary, the valuation of the Group in terms of LTM EV/EBITDA, LTM PER, P/NAV and P/NTA (as implied by the Issue Price and the last transacted price as at the Latest Practicable Date) are negative and hence the comparison with the valuation multiples for the Selected Comparable Companies are not meaningful. In our assessment, we have also considered, *inter alia*, the following: (a) the Group's substantially weaker financial performance and position as compared to the Selected Comparable Companies with losses since FY2011 (including for FY2016 in the event gain on the disposal of Ideal Project Consultant Limited, which is non-recurring and non-trade in nature, is excluded) and declining core business activities (in terms of revenue); and (b) the matters highlighted in the Independent Auditor's Report for FY2017 pertaining to, *inter alia*, material uncertainty related to

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going concern, as well as the confirmation from the Directors that the sufficiency of the Group's working capital requirement for the next 12 month and the ability of the Group to continue as going concern will depend on, *inter alia*, the successful completion of the Proposed Subscription and the outcome of the new business pursuant to the Proposed RTO, the availability of the undrawn committed short-term borrowing facilities (subject to certain conditions) of approximately S\$6.0 million, as well as the ability to continue rolling forward the existing banking facilities.

It is also noted that upon issuance of Tranche 1 Subscription Shares, the Subscriber's interest in the Company will increase to approximately 69.4% hence it involves the Subscriber acquiring control of the Company while the trading statistics for the shares of the Selected Comparable Companies are based on transactions which do not result in acquisition of control.

We also wish to highlight that the NAV and NTA based approach of valuing a company is dependent on factors that may differ for each selected company including, *inter alia*, factors such as depreciation policies. As such, the comparison of the Group's Adjusted NTL with those for Selected Comparable Companies is necessarily limited and such comparison is made for illustrative purposes only. In addition, as all the ratios and tools used invariably uses the price of the shares, they may or may not take into account any relative or perceived or actual risk premiums or demand and supply conditions for those shares which may or may not have been fundamentally justified. In addition, as these are tools or ratios that are based on historical financial performance or position, they may or may not reflect the anticipated financial performance and the mix of its activities or the relative contributions in terms of assets, financial performance may differ.

Recommending Directors should note that the prices at which shares trade include factors other than historical financial performance, and some of these, *inter alia*, include prospects real or perceived of financial performance or historical share price performance or demand and supply conditions of the shares as well as the relative liquidity of the shares and the market capitalisation or the relative sentiments of the market for the shares.

5.6 Analysis of comparable transactions

In our assessment of the reasonableness of the Issue Price, the premium over/discount from the last transacted prices prior to the Announcement Date as implied by the Issue Price and the effects of the dilution on the voting rights for Independent Shareholders, we have reviewed transactions which involves issuance of shares for cash by companies listed on the SGX-ST, wherein a whitewash resolution was sought from shareholders (the "**Selected Comparable Transactions**") similar in general to the Proposed Whitewash Resolution sought.

We have tabulated the Selected Comparable Transactions to illustrate the typical issue or placement price to NTA, premium/discount represented by the issue or placement price to the last traded price for the relevant share on the market day immediately preceding the date of the relevant announcement, wherein the shares were last traded. Shareholders should note that as some of these Selected Comparable Transactions are more than 3 years old, any references or observation made herein is necessarily limited.

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Company	Date of announcement	Resultant shareholding of incoming shareholder in the company	Issue/ placement Price (\$)	Premium over/(discount to) last transacted price prior to announcement (%)	Placement Price to NTA⁽¹⁾ (times)
GSH Corporation Limited	30-Mar-12	From 14.99% to 57.76%	0.007	(36.4)	0.5
Scintronix Corporation Limited	17-Sep-12	From 0% to 53.31%	0.014	(35.7)	0.6
Metax Engineering Corporation Limited	25-Oct-12	From 0% to 41.00%	0.053	(41.1)	1.9
China New Town Development Company Limited	18-Jan-13	From 0% to 54.32%	0.044	(44.0)	0.4
CarrierNet Global Ltd	25-Feb-13	From 33.32% to 53.72%	0.011	(38.9)	4.1
KLW Holdings Limited	15-Nov-13	From 0% to 50.6%	0.020	(20.0)	2.1
Edition Ltd. <i>(formerly known as Oniontech Limited)</i>	21-Feb-14	From 0% to 68.13%	0.030	11.1	0.3
ChinaVision Media Group Limited	11-Mar-14	From 0% to 59.83%	HK\$0.50	(21.9)	2.5
Cacola Furniture International Limited	02-Oct-14	From 0% to 79.43%	n.a. ⁽²⁾	(10.0)	n.m. ⁽³⁾
Xpress Holdings Limited	05-Dec-14	From 0.58% to 57.66%	0.007	(22.2)	21.2
Asiatravel.com Holdings Ltd	27-Nov-15	From 11.41% to 77%	0.200	(14.9)	6.5
Eucon Holding Limited	11-Dec-15	From 0% to 88.54%	0.018	(35.7)	n.m. ⁽⁴⁾

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Company	Date of announcement	Resultant shareholding of incoming shareholder in the company	Issue/ placement Price (\$)	Premium over/(discount to) last transacted price prior to announcement (%)	Placement Price to NTA ⁽¹⁾ (times)
Singapore eDevelopment Limited	29-Jan-16	From 28.31% to 48.41%	0.060	100.0	0.9
OKH Global Ltd	05-Apr-16	From 0% to 43.0 %	0.100	(19.4)	0.4 ⁽⁵⁾
Swee Hong Limited	14-Mar-16	From 0% to 50.62%	0.003	(97.7)	n.m. ⁽⁶⁾
Jason Holdings Limited	21-Dec-16	From 19.81% to 92.18%	0.0005	(99.2)	0.04
SunMoon Food Company Limited	3-Jan-17	From 0% to 51.12%	0.045	(53.1)	1.5
SIIC Environment Holdings Ltd.	16-Jan-17	From 37.56% to 45.94%	0.630	11.5	n.m. ⁽⁷⁾
Gaylin Holdings Limited	23-Oct-17	From 0% to 75.64%	0.050	(47.4)	0.2 ⁽⁸⁾
MAXIMUM				100.00	21.2
MINIMUM				(99.2)	0.04
MEDIAN				(35.7)	0.9
SIMPLE AVERAGE				(27.1)	2.9
The Group	24-Feb-16	From 0% to up to 90.1%	0.022	10.0	n.m.⁽⁹⁾

Source: Circulars for the respective companies

Notes:

- (1) The NTA of the respective companies are based on their respective NTA values as set out in their respective circular for their above mentioned transactions.
- (2) Issue price is determined to be at a discount of ten percent (10%) to, inter alia, VWAP of the price traded on the day the company received the subscription request.
- (3) Cacola Furniture International Limited's P/NTA is deemed not meaningful as the computation will require many assumptions including reference price.
- (4) Eucon Holding Limited recorded a negative NTA of approximately S\$3.0 million and negative revalued NTA of S\$1.0 million as at 30 June 2016.
- (5) Based on revalued NTA as at 31 March 2016.
- (6) Swee Hong Limited recorded a negative NAV of approximately S\$47.1 million as at 31 March 2016.
- (7) SIIC Environment Holdings Ltd. recorded a negative NTA of approximately RMB466.5 million as at 31 December 2016.
- (8) Based on revalued NTA as at 30 September 2017.
- (9) Based on the Group's Adjusted NTL per Share.

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For illustrative purposes only, we note that the Group had Adjusted NTL of approximately S\$22.1 million as at 31 March 2018. Hence, the comparison and analysis of the Issue Price and the Group's Adjusted NTL per Share are not meaningful when compared with the Selected Comparable Transactions.

However, we wish to highlight that the premium of approximately 10.0% as implied by the Issue Price over the last transacted price for the Shares prior to the Announcement Date is within the range of premiums and discounts for the Selected Comparable Transactions and more favourable as compared to the simple average and the median for the Selected Comparable Transactions, which are at discounts of approximately 27.1% and 35.7% respectively. The relatively better pricing of the Issue Price in terms of the comparison with the last transacted price for the Shares prior to the Announcement Date may, *inter alia*, be assessed in the context of the low liquidity for the Shares commencing from 12 months period prior to the Announcement Date (the average daily trading volume for the Shares were only approximately 195 thousand or approximately 0.049% of the total outstanding Shares as at the Latest Practicable Date and Shares were only traded on 114 Trading Days out of the total 248 Market Days). It is generally accepted that the less actively traded the shares, the lesser the reliance on market prices as a determination of the fair value of the shares. Whilst historically transacted prices for the Shares may not be a meaningful indicator of its fundamental value, they represent for prices for transactions between willing buyer and willing seller.

Lastly, pursuant to the Proposed Subscription and upon issuance and allotment of the 3,636,363,636 Subscription Shares, the Subscriber's shareholding in the Company will increase from nil to approximately 90.1% and this resultant shareholding is higher than any of the resultant shareholding for the Selected Comparable Transactions (save for Jason Holdings Limited).

Independent Shareholders should note that as the circumstances for each of the companies listed and the transactions outlined above are unique and as the companies may not be identical to the Group in terms of business activities, size of operations, market capitalisation, asset base, risk profile, track record, future prospects and other relevant criteria, the analysis is limited. Further, the list of Selected Comparable Transactions is by no means exhaustive and information relating to the said companies was compiled from publicly available information. Accordingly, any comparison between the Proposed Subscription and the Selected Comparable Transactions serves as an illustrative guide only.

5.7 Pro-forma financial effects of the Proposed Subscription

The pro-forma financial effects of the Proposed Subscription as well as the underlying assumptions are set out in Section 6 of the Circular. We recommend that the Recommending Directors advise the Independent Shareholders to read those pages of the Circular carefully.

For illustrative purposes only, we note from the Circular that the Group's NTA per Share would be expected to improve from approximately negative 20.45 Singapore cents as at 31 December 2017 to positive NTA of approximately 0.37 Singapore cents (immediately after issuance of the Subscription Shares and Option Shares in full). Similarly, the Group's loss per Share ("LPS") will improve from approximately negative 5.15 Singapore cents for FY2017 to approximately negative 0.42 Singapore cents (immediately after issuance of the Subscription Shares and Option Shares in full). We understand from the Directors and the Management that the above computation on the Group's LPS have not taken into account the expected return from the deployment of the net proceeds from the issuance of the Subscription Shares and the exercise of the Options (which the Company intends to use the gross proceeds from the issuance of the Subscription Shares of S\$80 million for the Proposed RTO and the gross proceeds from the exercise of Options of up to S\$20 million for working capital and general corporate purposes).

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The approval of the Proposed Whitewash Resolution will allow the Company to raise gross proceeds of up to approximately S\$100 million (before deducting estimated expenses incurred in connection with the Proposed Subscription) with favourable financial effects for both the Group's NTA per Share as well as on the Group's LPS as outlined in the Circular as well as providing the Group with the necessary funding for the Proposed RTO. We understand that the completion of the Proposed RTO is anticipated to enable the Company to satisfy the exit criteria for removal from the watch-list under Rule 1314(1) of the Listing Manual.

5.8 Theoretical value of the Options

We note from the Circular that with respect to the Options granted to the Subscriber and CCIAM, each of the Subscriber and CCIAM has the right but not the obligation to subscribe for the Option Shares and the Subscriber and CCIAM may, subject to the terms of the Subscription Agreement, exercise the Options by issuing to the Company the Exercise Notice at any time and from time to time during the Exercise Period.

Accordingly, we note that the Options have similar characteristic of an option.

Last transacted price based on	Closing price per Share (S\$)	Premium of the Exercise Price from the closing price (%)	Value of the Options (S\$)	Intrinsic value per Option ⁽¹⁾ (S\$)
As at Latest Practicable Date	0.015	46.7%	Out of-the-money	Negative

Note:

(1) The intrinsic value is the difference between the last transacted price for the Shares (as at 25 May 2018, being the Latest Practicable Date) and the Exercise Price.

We note that the Exercise Price of S\$0.022 for an Option represents a premium of approximately 46.7% from the last transacted price of S\$0.015 per Share on the Latest Practicable Date, which means the Options would have been out of-the-money had they been granted at that time, implying that there would be no intrinsic value for the Options (being the difference between the last transacted price for the Shares as at the Latest Practicable Date and the Exercise Price).

Options have a theoretical market value (being the hypothetical value or "fair value" of the Options computed based on models such as Black-Scholes model and/or Binomial model based on several assumptions (as described in the following sections)) which is dependent on, *inter alia*, the exercise price vis-à-vis the current price of the underlying Shares, the length of the exercise period, the price volatility of the underlying Shares and the risk-free interest rate. We have considered the valuation of the Options using the theoretical value of the option based on the Binomial model, which is a common methodology used in the calculation of options. Notwithstanding the theoretical market value, we note that the Options are to be issued to the Subscriber and CCIAM respectively at no additional consideration.

Our key assumptions used for computing the theoretical market value of the options are as follow:

- (i) Grant date: the Latest Practicable Date;
- (ii) Volatility estimation: Using historical prices of the Shares for the 1 year period prior to the Latest Practicable Date to estimate the volatility of the Shares;
- (iii) Risk-free rate: The yield of existing Singapore Government Securities Treasury Bill with remaining maturity of approximately three (3) years;
- (iv) Time to expiration: Approximately three (3) years for the Options; and

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(v) No dividend.

Last transacted price based on	Theoretical market value (\$)	Total consideration (based on the theoretical market value) (\$ million)	Market capitalisation (\$ million)	Total consideration as percentage of market capitalisation (%)
As at Latest Practicable Date – Option	0.010	9.1	6.0	151.5%

Based on the above key assumptions, we have derived a theoretical market value of approximately S\$0.010 as at the Latest Practicable Date for each of the Option with 3-years term and the total consideration for the grant of the Options would thus be approximately S\$9.1 million (or approximately 151.5% of the Company's market capitalisation of approximately S\$6.0 million as at the Latest Practicable Date).

We note that the estimated amount of proceeds from the exercise of the Option is approximately S\$20.0 million.

Last transacted price based on	Consideration for Tranche 1 Subscription Shares (\$' million)	Consideration for Tranche 2 Rights (\$' million)	Consideration for Option (\$' million)	Adjusted Issue Price for each Subscription Share (\$ cent)
As at Latest Practicable Date	20.0	60.0	9.1	1.95

We note that the Options will be issued “free” to each of the Subscriber and CCIAM respectively pursuant to the Subscription Agreement notwithstanding the theoretical value inherent in the Options. We wish to highlight that in the event the theoretical market value of the Options as implied by the respective consideration of approximately S\$9.1 million respectively as at the Latest Practicable Date are deducted from the consideration for the Subscription Shares, the adjusted Issue Price for the Subscription Shares would be approximately S\$0.0195.

Recommending Directors should note that the estimation of the theoretical market value of the Options as set out in this section is dependent on various assumptions, including but not limited to the date of grant, Exercise Price, exercise period, risk free rate, and expected volatility as well as the Proposed Subscription. Thus, the estimation of the theoretical market value of the Options as set out in this section is necessarily limited and serves only as an illustrative guide.

6. OTHER RELEVANT CONSIDERATIONS

6.1 No Alternative offers to the Proposed Subscription

The Directors have confirmed that whilst significant efforts have been made by the Directors and Management to source for alternative offer with better pricing, as at the Latest Practicable Date, they are not aware of any alternative offers, which is comparable in nature, size and scope to the Proposed Subscription.

We also understand from Directors that they had considered other fund raising alternatives, including but not limited to search for other strategic investors/partners, and obtaining external borrowings from financial institutions, before eventually deciding to proceed with the Proposed Transactions. The Directors note that the Group's currently weak financial performance and position (in particular, the

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significant decline in the Group's revenue for the past three financial years, the NTL position and negative net working capital for the Group for the past three financial years) with material uncertainty related to going concern issued by the Independent Auditor makes it difficult to seek any meaningful amount of external borrowing from financial institutions or funds from investor without a significant discount to the Share price.

6.2 Dilution Impact

The shareholding interests of the Subscriber, CCIAM, the Directors and the Substantial Shareholders of the Company as at the Latest Practicable Date, and upon the issuance of the Subscription Shares and the Option Shares are set out in Section 5 of the Circular. We recommend that the Recommending Directors advise the Independent Shareholders to read those pages of the Circular carefully.

It is important to note that upon completion of the Proposed Subscription, the shareholdings of the existing Shareholders will be diluted significantly.

As stated in the Circular, each of the Subscriber and CCIAM does not hold any Shares in the Company as at the Latest Practicable Date. Based on the shareholding table set out in Section 5 of the Circular, we note the following:-

- (i) Immediately upon issuance of the Tranche 1 Subscription Shares, the Subscriber's interest in the Company will increase from nil to approximately 69.4%. Existing Shareholders will collectively suffer a reduction of approximately 69.4% of their percentage shareholding interests in the Company after the issuance of the Tranche 1 Subscription Shares and their collective voting rights in the Company would hence be correspondingly reduced. As the percentage of the shareholdings held by the existing Shareholders other than the existing Directors and Substantial Shareholders ("**Existing Public Shareholders**") will decline from approximately 45.6% to approximately 13.9% after the issuance of the Tranche 1 Subscription Shares, the collective interest of the Existing Public Shareholders to vote on certain matters will be significantly affected.
- (ii) Immediately upon issuance of the Tranche 1 and Tranche 2 Subscription Shares (but before issuance of any Option Shares), the Subscriber's interest in the Company will increase from nil to approximately 90.1%. Existing Shareholders will collectively suffer a reduction of approximately 90.1% of their percentage shareholding interests in the Company after the issuance of the Tranche 1 and Tranche 2 Subscription Shares and their collective voting rights in the Company would hence be correspondingly reduced. As the percentage of the shareholdings held by the Existing Public Shareholders will decline from approximately 45.6% to approximately 4.5% after the issuance of the Tranche 1 and Tranche 2 Subscription Shares, the collective interest of the Existing Public Shareholders to vote on certain matters will be significantly affected.
- (iii) Immediately upon issuance of the Tranche 1 Subscription Shares, Tranche 2 Subscription Shares and the Option Shares in full, the Subscriber's interest in the Company will increase from nil to approximately 82.7% whilst CCIAM's direct interest in the Company will increase from nil to approximately 9.2%. Under this scenario, the existing Shareholders will collectively suffer a reduction of approximately 91.9% of their percentage shareholding interests in the Company and the Existing Public Shareholders' interest in the Company will be reduced significantly from approximately 45.6% to approximately 3.7%.

We note that the Existing Public Shareholders' ability to influence the outcome of resolutions will be significantly reduced after issuance of Subscription Shares, and this is irrespective of whether the Options are exercised.

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Independent Shareholders should note that:-

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

6.3 Inter-conditionality of the proposed transactions as set out in the Circular and the Proposed Whitewash Resolution

We note that the passing of the resolutions relating to the Proposed Subscription (Ordinary Resolution 1), Proposed Whitewash Resolution (Ordinary Resolution 2) and the Transfer of a Controlling Interest (Ordinary Resolution 3), are inter-conditional on each other. This means that if any one of the Ordinary Resolutions 1 to 3 is not approved, the other resolutions set out in the Notice of EGM will not be passed.

6.4 The Proposed RTO

The Proposed RTO refers to the proposed transaction announced by the Company on the SGXNET on 5 March 2018, pursuant to which the Company will become the legal and beneficial owner of a 99.99% equity interest of a company incorporated in the British Virgin Islands and wholly-owned by Jade Merit Developments Limited on the terms and conditions of a sale and purchase agreement dated 4 March 2018 entered into between the Company and Jade Merit Developments Limited ("**Acquisition Agreement**"), which will result in a reverse takeover pursuant to Chapter 10 of the Listing Manual. Jade Merit Developments Limited's sole operating entity comprise of Huangshan Zhongtian Weiliang Mining Co., Ltd ("**Huangshan Mining Co**"), which holds the entire interest in a vanadium mine located in Huangshan, Anhui, PRC, ("**Target Assets**") together with a mining licence issued to mine vanadium ore of up to 115,000 tonnes per year from the Guocun Vanadium mine.

Pursuant to the Acquisition Agreement, the consideration for the Proposed RTO is S\$1,060,000,000 ("**RTO Consideration**") and shall be payable by the Company to the vendor and/or its nominees as follows:

- (a) S\$60,000,000 in cash (or the equivalent in a foreign currency as agreed by the Company and Vendor (the "Parties") in writing) ("**Cash Consideration**"), by telegraphic transfer to such bank account(s) as shall be notified by the Vendor to the Company at the Completion Date;
- (b) S\$1,000,000,000 by way of an allotment and issuance of such number of new Shares ("**Consideration Shares**"), at an issue price of S\$ 0.033 per Consideration Share to the vendor or such other person(s) as the vendor may nominate, which in aggregate shall represent approximately 87.02% of the enlarged share capital of the Company ("**Vendor Shareholding Percentage**"); and

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- (c) the Vendor Shareholding Percentage is calculated based on the enlarged share capital;

Notwithstanding the above, if the valuation of the Target Assets is less than S\$4 billion, the Company and the Vendor shall discuss in good faith to determine the amount of Share Consideration.

As set out in Section 3.8 of the Circular, the Company intends to use the proceeds from:

- (a) the Proposed Subscription Shares Issue of S\$80 million in accordance with the terms and conditions of the definitive documentation entered into by the Company in connection with the Proposed RTO; and
- (b) the Proposed Option Shares issue of up to S\$20 million for working capital and general corporate purposes.

We would like to highlight that our scope does not require us to express, and we do not express, a view on the Proposed RTO or the timing or the risks involved and whether the Group can improve their profitability following completion of the Proposed RTO or that the anticipated benefits from the Proposed RTO can be realised (as the case may be).

6.5 No assurance of profitability or prices for Shares

We would like to highlight that there is no assurance that the injection of new funds from the proceeds of the Proposed Subscription and/or the steps taken or to be taken by the Company subsequent to the Proposed Transactions to improve the profitability and the Shareholders' value, including, *inter alia*, undertaking the Proposed RTO, will be successful or would result in an enhancement of Shareholder value.

6.6 Implication of the Subscriber's controlling interest in the Company

Shareholders should note that after passing of all the ordinary resolution(s) for the Proposed Subscription and the Proposed Whitewash Resolution during the EGM, the Subscriber's interest in the Company will increase from nil to approximately 69.4% (upon issuance of the Tranche 1 Subscription Shares) or 90.1% (upon issuance of the Tranche 1 and Tranche 2 Subscription Shares) or 82.7% (upon issuance of the Tranche 1 and Tranche 2 Subscription Shares as well as the Option Shares in full). In such event, the Subscriber and its concert parties will be in a position to exercise statutory control (shareholding exceeding 50% upon issuance of the Tranche 1 Subscription Shares) or super majority control of the Company (shareholding exceeding 75% upon issuance of the Tranche 1 and Tranche 2 Subscription Shares and/or the Option Shares in full). Statutory control will put the Obligated Parties in a position to be able to pass all ordinary resolutions on matters in which the Obligated Parties do not have an interest in and which are tabled for Shareholders' approval at general meetings to be convened by the Company, whilst super majority control will put the Obligated Parties in a position to be able to pass all ordinary and special resolutions on matters in which the Obligated Parties do not have an interest in and which are tabled for Shareholders' approval at general meetings to be convened by the Company.

6.7 Watch-List status and implication

Watch-list under financial criteria

Pursuant to Rule 1315 of the Listing Manual, an issuer must take active steps to meet the requirements of Rule 1314. If the issuer fails to submit an application pursuant to Rule 1314 within 24 months of the date on which it was placed on the watch-list, the SGX-ST may either remove the issuer from the Official List, or suspend trading of the listed securities of the issuer (without the agreement of the issuer) with a view to removing the issuer from the Official List.

As announced by the Board on 4 March 2014, the SGX-ST placed the Company on the watch-list with effect from 5 March 2014. The initial deadline preceding the Latest Practicable Date for the Company

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to fulfil the requirements under Rule 1314 of the Listing Manual for its removal from the watch-list was 4 March 2018.

Subsequently, as announced by the Company on 5 March 2018 and on 18 May 2018, the SGX-ST granted the Company an extension of time of **up to 12 months to 4 March 2019** to meet the requirements for removal from the watch-list, subject to *inter alia* the Company achieving each of the milestones by the specified timelines indicated below:-

No.	Milestones	Timeline (on or before)
1.	Signing of the sale and purchase agreement for the proposed acquisition of vanadium mine in connection with the Proposed RTO	4 March 2018
2.	Signing of the Supplemental Subscription Agreement in connection with the Proposed Subscription	4 March 2018
3.	Submission of additional listing application and circular to the SGX-ST in relation to the Proposed Subscription	15 March 2018
4.	Submission of the Proposed RTO application and circular to the SGX-ST	28 September 2018

We note from the Circular that as at the Latest Practicable Date, the first three milestones set out in the table above have been achieved.

In relation to the fourth milestone, as announced by the Company on 18 May 2018, the SGX-ST had on 18 May 2018 granted the Company an extension of time of up to 28 September 2018 to submit the Proposed RTO application and circular to SGX-ST. For the avoidance of doubt, there is no change to the Extension and the Company has until 4 March 2019 to meet the requirements for removal from the watch-list. Please refer to Company's announcement released via SGXNET on 18 May 2018 for more information.

We wish to highlight that there is no guarantee that the Company will obtain approval from the SGX-ST a further extension of time to meet the requirements for removal from the watch-list should the Company fail to meet the requirements to meet the specified timeline above and/or the requirements of Rule 1314(1) by the deadline of 4 March 2019. Should that be the case, the SGX-ST may either remove the Company from the Official List, or suspend trading of the listed securities of the Company (without the agreement of the Company) with a view to removing the Company from the Official List.

Watch-list under minimum trading price ("MTP") entry criteria

The Company announced on 2 June 2017 that the Company has been reassessed under the revised MTP rules announced on 2 December 2016. Pursuant to the Rule 1311(2) of the Listing Manual, the Company will continue to be placed on the watch-list with effect from 5 June 2017. The SGX-ST advised the Company to take active steps to meet the requirements of the Rule 1314(2) within 36 months from 5 June 2017, failing which the SGX-ST would delist the Company or suspend trading in the Shares with a view to delisting the Company.

6.8 Material Litigation

The Directors and Management have represented and confirmed that as at the Latest Practicable Date, none of the Company or its subsidiaries is engaged in any material litigation, either as plaintiff

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or defendant, which might materially and adversely affect the financial position of the Company or the Group, taken as a whole, and the Directors are not aware of any litigation, claims or proceedings pending or threatened against the Company or any of its subsidiaries or any facts likely to give rise to any litigation, claims or proceedings which might materially and adversely affect the financial position of the Company or the Group, taken as a whole.

7. OPINION

In arriving at our recommendation in respect of the Proposed Whitewash Resolution, we have taken into account, *inter alia*, the following factors summarised below as well as others elaborated elsewhere in our Letter. Our recommendation or opinion is by no means an indication of the merits of the prospects, financial performance and position of the Company and the Group or the prices at which the Shares would trade after the completion of the Proposed Transactions as well as the Proposed RTO or the prospects of the Proposed RTO or the sufficiency of the Group's working capital or the ability of the Group to continue as a going concern or whether the expected benefits arising from the Proposed Subscription can be materialised or the ability of the Company to meet the requirements under Rule 1314(1) of the Listing Manual (for removal from the watch-list) prior to the stipulated deadline of 4 March 2019.

The following should be read in conjunction with, and in the context of, the full text of this Letter.

- (a) The rationale of the Proposed Subscription as described in Section 3.6 of the Circular. We note from Section 3.6 of the Circular that the Proposed Subscription is intended to raise funds for the Proposed RTO, which is anticipated to enable the Company to satisfy the exit criteria under Rule 1314(1) of the Listing Manual. We further note from the Circular that the Proposed Subscription including other developments or corporate actions as mentioned in the Circular or announced by the Company, may *inter alia* have supported an application to the SGX-ST for an extension of time to satisfy the requirements under Rule 1314 of the Listing Manual.

Independent Shareholders should note that there is no assurance that the Company will be able to meet the full requirements of Rule 1314(1) of the Listing Manual by the stipulated deadline of 4 March 2019. In such event, the SGX-ST may either remove the Company from the Official List, or suspend trading of the Shares (without the agreement of the Company) with a view to removing the Company from the Official List. In addition, there is no guarantee that the Company will obtain approval from the SGX-ST a further extension of time to meet the requirements for removal from the watch-list should the Company fail to meet the requirements of Rule 1314(1) by the deadline of 4 March 2019. Should that be the case, the SGX-ST may either remove the Company from the Official List, or suspend trading of the listed securities of the Company (without the agreement of the Company) with a view to removing the Company from the Official List.

- (b) The current weak financial position and performance of the Group. The existing core business of the Group is moribund and its financial performance is weak (with significant decline in its revenue and loss making since FY2011 (including for FY2016 in the event the gain on disposal of Ideal Project Consultant Limited which is non-recurring and non-trade in nature, is excluded) with uncertain prospects, and whose financial position is weak with negative shareholders' equity and net liabilities position as at 31 March 2018, as well as the matters highlighted in the AR2017 pertaining to, *inter alia*, material uncertainty related to going concern. The Directors and the Managements' confirmation that the sufficiency of the Group's working capital requirement for the next 12 month and the ability of the Group to continue as going concern will depend on, *inter alia*, the successful completion of the Proposed Subscription and the outcome of the new business pursuant to the Proposed RTO, the availability of the undrawn committed short-term borrowing facilities (subject to certain conditions) of approximately S\$6.0 million, as well as the ability to continue rolling forward the existing banking facilities.

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- (c) The Directors' confirmation in connection with the Group's borrowings that:-
- (i) The Company has been exploring further disposal of its leasehold land, buildings and LUR to further reduce the Group's remaining borrowings.
 - (ii) Whilst significant effort has been made by the Directors and the Management to dispose of the leasehold land and buildings and the LUR, there has been no offer or indication of interest obtained save for the fact that as disclosed in the audited financial statements for FY2017, the Company has entered into the Term Sheet (which is non-legal binding and subject to execution of the definitive sales and purchase agreement) for the disposal of the buildings and LUR located in Shanghai. As at the Latest Practicable Date, there has been no further update on the Term Sheet.
 - (iii) Based on information available to them and the Term Sheet, the proceeds of the intended disposal of the Group's Appraised Assets (including, *inter alia*, the buildings and LUR located in Shanghai) is unlikely to be sufficient to repay the remaining borrowings of approximately S\$121.3 million.
- (d) The material uncertainty related to going concern for the Group as highlighted in the Independent Auditor's Report and note 1 to the audited financial statements of the Group for FY2017.
- (e) The historical financial performance and position of the Group appear to be weaker and less favourable than the Selected Comparable Companies which, in general, operate in the same industry that the Group operates in.
- (f) The Issue Price (as set out in Section 5 of this Letter) after taking into account, *inter alia*, the following factors:-
- (i) The comparison and analysis of the Issue Price and the Group's Net Liabilities or NTL per Share as at 31 March 2018 are not meaningful.
 - (ii) The comparison and analysis of the Issue Price and the Group's Adjusted Net Liabilities or Adjusted NTL per Share as at 31 March 2018 are not meaningful.

Recommending Directors are advised to assess the comparison of the Issue Price and the Group's Adjusted Net Liabilities and/or Adjusted NTL per Share as at 31 March 2018 in conjunction with the fact that the existing core business of the Group is moribund and its financial performance is weak (loss making since FY2011 with significant decline in its revenue) with uncertain prospects, and whose financial position is weak with negative shareholders' equity and net liabilities position as at 31 March 2018, as well as the matters highlighted in the AR2017 pertaining to, *inter alia*, material uncertainty related to going concern.

In addition, as the Adjusted Net Liabilities and NTL include revaluation surplus on the Appraised Assets, Independent Shareholders should note that the Group has not realised the surplus on such assets as at the Latest Practicable Date, and that there is no assurance that the revaluation surplus eventually recorded by the Group, in the event of a disposal, on the Appraised Assets will be the same as that highlighted in Section 5.3 of this Letter. The Directors represented and confirmed that whilst significant effort has been made by the Directors and the Management to dispose of the leasehold land and buildings and the LUR to further reduce the Group's borrowings, there has been no firm offer or indication of interest obtained save for the fact as disclosed in the audited financial statements for FY2017, the Company has entered into the Term Sheet (which is non-legal binding and subject to execution of definitive sales and purchase agreement) for the disposal of the buildings and LUR located in Shanghai. In addition, the Directors and the Management represented and confirmed that as the consideration for the

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buildings and LUR located in Shanghai based on the Term Sheet is higher than the market value ascribed by the Independent Valuer, the revaluation surplus eventually recorded by the Group in the event of disposal of the buildings and LUR located in Shanghai (which is part of the Appraised Assets) in accordance with the Term Sheet would be higher and therefore the Adjusted NTA of the Group would be positive, albeit small and that the Issue Price would be at substantial premium over the Group's Adjusted NTA (based on, *inter alia*, the Term Sheet).

The Directors are of the view, based on the information available to them and the Term Sheet, that it is likely that the proceeds from intended disposal of the Group's Appraised Assets will not be sufficient to repay the remaining borrowings of the Group of approximately S\$121.3 million as at 31 March 2018.

Taking into consideration the Directors' confirmation that the Term Sheet is not legally binding and subject to execution of definitive sales and purchase agreement, no views are being expressed with regards to the impact of the Term Sheet on the NTA of the Group and the prospect of the Group, in terms of *inter alia* the estimated revaluation surplus or deficit or disposal gain or loss as well as the estimated costs to be incurred for such disposal.

(iii) The comparison of the Issue Price and the historical prices for the Shares:-

- The Issue Price represents a premium of approximately 10.0% over the last transacted price of S\$0.02 per Share on the SGX-ST on 18 February 2016 (being the last Trading Day for the Shares prior to the Announcement Date);
- The Issue Price represents a discount of approximately 70.6% from the VWCP for the Shares for the 12-months period prior to and including the Announcement Date;
- The Issue Price represents a premium of approximately 1.6%, 10.0%, and 10.0% over the VWCP for the Shares for the 6-month, 3-month and 1-month periods prior to and including the Announcement Date respectively;
- The Issue Price represents a premium of approximately 55.8% over the VWCP for the Shares for the period commencing after the Announcement Date and ending on the Latest Practicable Date; and
- The Issue Price represents a premium of approximately 46.7% over the last transacted price of S\$0.015 per Share on 25 May 2018, being the Latest Practicable Date.

(iv) The valuation of the Group in terms of LTM EV/EBITDA, LTM PER, P/NAV and P/NTA (as implied by the Issue Price) are negative and as such the comparison with the valuation multiples for the Selected Comparable Companies is not meaningful.

In our assessment, we have also considered the following: (a) the Group's substantially weaker financial performance and position as compared to the Selected Comparable Companies with losses since FY2011 (including for FY2016 in the event gain on the disposal of Ideal Project Consultant Limited, which is non-recurring and non-trade in nature, is excluded) and declining core business activities (in terms of revenue); and (b) the matters highlighted in the AR2017 pertaining to, *inter alia*, material uncertainty related to going concern, as well as the confirmation from the Directors that the sufficiency of the Group's working capital requirement for the next 12 month and the ability of the Group to continue as going concern will depend on, *inter alia*, the successful completion of the Proposed Subscription and the outcome of the new business pursuant

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to the Proposed RTO, the availability of the undrawn committed short-term borrowing facilities (subject to certain conditions) of approximately S\$6.0 million, as well as the ability to continue rolling forward the existing banking facilities.

On the other hand, it is noted that upon issuance of Tranche 1 Subscription Shares, the Subscriber's interest in the Company will increase to approximately 69.4%. Hence it involves the Subscriber acquiring control of the Company while the trading statistics for the shares of the Selected Comparable Companies are based on transactions which do not result in acquisition of control.

- (v) Comparison with the Selected Comparable Transactions which shows that the premium of approximately 10.0% as implied by the Issue Price over the last transacted price for the Shares prior to the Announcement Date is within the range of premiums and discounts for the Selected Comparable Transactions and more favourable as compared to the simple average and the median for the Selected Comparable Transactions.

The relatively better pricing of the Issue Price in terms of the comparison with the last transacted price for the Shares prior to the Announcement Date may, *inter alia* be assessed in the context of the low liquidity for the Shares commencing from 12 months period prior to the Announcement Date (where the average daily trading volume for the Shares were only approximately 195 thousand or approximately 0.049% of the total outstanding Shares as at the Latest Practicable Date and Shares were only traded on 114 Trading Days out of the total 248 Market Days). It is generally accepted that the less actively traded the shares, the lesser the reliance on market prices as a determination of the fair value of the shares. Whilst historically transacted prices for the Shares may not be a meaningful indicator of its fundamental value, they represent prices for transactions between willing buyer and willing seller.

- (g) The theoretical value of the Option is approximately S\$0.010. The Options will be issued "free" to each of the Subscriber and CCIAM pursuant to the Subscription Agreement notwithstanding the theoretical value inherent in the Options. In the event the theoretical market value of the Option is deducted from the Issue Price for the Subscription Shares, the adjusted Issue Price for the Subscription Shares would be approximately S\$0.0195.
- (h) The pro-forma financial effects of the Proposed Subscription as outlined in Section 6 of the Circular. The approval of the Proposed Whitewash Resolution will allow the Company to raise gross proceeds of up to approximately S\$100 million (before deducting estimated expenses incurred in connection with the Proposed Subscription) with favourable financial effects on both the Group's NTA per Share and the Group's LPS as outlined in the Circular as well as providing the Group with the necessary funding for the Proposed RTO. The completion of the Proposed RTO is anticipated to enable the Company to satisfy the exit criteria from the watch-list under Rule 1314(1) of the Listing Manual.
- (i) The dilutive impact of the Proposed Subscription, set out in Section 5 of the Circular, on the percentage of shareholding interest of the existing Shareholders and the significant reduction in the voting interest in the Company pursuant to the Proposed Transactions which should be viewed in conjunction with the Group's Adjusted Net Liabilities and NTL.
- (j) The Directors have confirmed that whilst significant efforts have been made by the Directors and Management to source for alternative offer for investment in the Company or reverse takeover with better pricing, as at the Latest Practicable Date, they are not aware of any alternative offers for investment in the Company or reverse takeover from other parties, which is comparable in nature, size and scope to the Proposed Subscription and with injection of cash proceeds into the Group which would strengthen the Group's financial position, so as to enhance Shareholders' value.

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- (k) The passing of the resolutions relating to the Proposed Subscription, the Proposed Whitewash Resolution, and the Transfer of Controlling Interest set out in the Circular are inter-conditional. This means that if any of the resolutions is not approved, the other resolutions will not be passed.
- (l) Other relevant considerations as set out in Section 6 of this Letter.

In summary, having regard to our analysis and the consideration in this Letter (including its limitation and constraints) and after having considered carefully the information available to us and based on the market, economic and other relevant conditions prevailing as at the Latest Practicable Date, save for the prospect of the Proposed RTO, and subject to our terms of reference, we are of the view that the financial terms of the Proposed Subscription, being the subject of the Proposed Whitewash Resolution, are, on balance **FAIR, REASONABLE and NOT PREJUDICIAL** to the interest of the Company and the Independent Shareholders.

For the purposes of evaluation of the Proposed Subscription, being the subject of the Proposed Whitewash Resolution, from a financial point of view, we have adopted the approach that the term “fair” and “reasonable” comprises two distinct concepts:

- (i) Whether issuance of subscription shares is “fair” relates to an opinion on the value of the issue price. This is based strictly on a fundamental analysis and evaluation of the issue price as set out in this Letter and based on information known to us and/or which is publicly available).
- (ii) Whether issuance of subscription shares is “reasonable”, relates to, after taking into consideration the actual and potential financial impact of other circumstances surrounding the issuance of subscription shares, which we consider relevant (being both quantitative and qualitative factors available and made known to us).

We consider the financial terms of the Proposed Subscription (which is the subject of the Proposed Whitewash Resolution) to be **FAIR**, from a financial point of view after factoring in, *inter alia*, the following:-

- (i) The financial position and performance of the Group which is weak and appear to be less favourable than the Selected Comparable Companies which operate in the same industry that the Group operates in. The existing core business of the Group is moribund and its financial performance is weak with significant decline in its revenue and loss making since FY2011 (including for FY2016 in the event gain on the disposal of Ideal Project Consultant Limited, which is non-recurring and non-trade in nature, is excluded) and uncertain prospects, and whose financial position is weak with negative shareholders’ equity and net liabilities position as at 31 March 2018, as well as the matters highlighted in the AR2017 pertaining to, *inter alia*, material uncertainty related to going concern.

The Directors confirmed that as at the Latest Practicable Date and save for matters disclosed in the Circular, this Letter, the financial statements for the Group for FY2017 and 1Q2018, there has been no material changes to the Group’s assets and liabilities, financial position, condition and performance.

As at the Latest Practicable Date, the Directors confirmed that they do not foresee any material positive developments for the Group in terms of its existing core business.

- (ii) The Group had Net Liabilities and/or NTL of approximately S\$84.3 million as at 31 March 2018. In addition, taking into consideration the revaluation surplus from the Appraised Assets, the Adjusted Net Liabilities and/or Adjusted NTL of the Group is approximately S\$22.1 million.
- (iii) The Issue Price is fairly comparable (being in general at premiums) to the historical market prices for the Shares for the period 6 months prior to the Announcement Date. The Issue Price represents: (a) premiums of approximately 1.6%, 10.0%, and 10.0% over the VWCP for the

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Shares for the 6-month, 3-month and 1-month periods prior to and including the Announcement Date respectively; and (b) a premium of approximately 10.0% over the last transacted price of S\$0.02 per Share on the SGX-ST on 18 February 2016 (being the last Trading Day for the Shares prior to the Announcement Date) and this is more favourable as compared to the simple average and the median for the Selected Comparable Transactions.

We also consider the financial terms of the Proposed Subscription (which is the subject of the Proposed Whitewash Resolution) to be **REASONABLE and NOT PREJUDICIAL** to the interest of the Company and the Independent Shareholders, from a financial point of view after factoring, *inter alia*, the following:

- (i) The potential favourable financial impact of the Proposed Subscription on the Group's NTA per Share and LPS, which we have viewed in the context that the approval of the Proposed Whitewash Resolution will allow the Company to raise gross proceeds of up to approximately S\$100 million (before deducting estimated expenses incurred in connection with the Proposed Subscription) as well as providing the Group with the required funding for the Proposed RTO, which is anticipated to enable the Company to satisfy the exit criteria under Rule 1314(1) of the Listing Manual.
- (ii) The rationale of the Proposed Subscription as described in Section 3.6 of the Circular. The Proposed Subscription is intended to raise funds for the Proposed RTO, which is anticipated to enable the Company to satisfy the exit criteria under Rule 1314(1) of the Listing Manual. Independent Shareholders should note that there is no assurance that the Company will be able to meet the full requirements of Rule 1314(1) of the Listing Manual by the stipulated deadline of 4 March 2019. In such event, the SGX-ST may either remove the Company from the Official List, or suspend trading of the Shares (without the agreement of the Company) with a view to removing the Company from the Official List.
- (iii) The Adjusted Net Liabilities and NTL include revaluation surplus on the Appraised Assets which the Group has not realised as at the Latest Practicable Date. There is no assurance that the revaluation surplus eventually recorded by the Group on the Appraised Assets in the event of a disposal will be the same as that highlighted in Section 5.3 of this Letter. The Directors represented and confirmed that whilst significant effort has been made by the Directors and the Management to dispose of the leasehold land and buildings and the LUR to further reduce the Group's borrowings, there has been no offer or indication of interest obtained save for the fact that as disclosed in the audited financial statements for FY2017, the Company has entered into the Term Sheet (which is non-legal binding and subject to execution of definitive sales and purchase agreement) for the disposal of the buildings and LUR located in Shanghai.

The Directors are of the view, based on the information available to them and the Term Sheet, that it is likely that the proceeds from intended disposal of the Group's Appraised Assets (including, *inter alia*, buildings and LUR located in Shanghai) will not be sufficient to repay the remaining borrowings of the Group of approximately S\$121.3 million as at 31 March 2018.

- (iv) The Directors' representation and confirmation that:-
 - The sufficiency of the Group's working capital requirement for the next 12 month and the ability of the Group to continue as going concern will depend on, *inter alia*, the successful completion of the Proposed Subscription and the outcome of the new business pursuant to the Proposed RTO, the availability of the undrawn committed short-term borrowing facilities (subject to certain conditions) of approximately S\$6.0 million, as well as the ability to continue rolling forward the existing banking facilities.
 - Whilst significant efforts have been made by the Directors and Management to source for alternative offer with better pricing, as at the Latest Practicable Date, they are not aware of any alternative offers, which is comparable in nature, size and scope to the Proposed Subscription.

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Recommendation

Based on our assessment of financial terms of the Proposed Subscription, being the subject of the Proposed Whitewash Resolution as set out above, from a financial point of view, we advise the Recommending Directors to recommend that Independent Shareholders vote **in favour of** the Proposed Whitewash Resolution to be proposed at the EGM. We advise Recommending Directors to highlight to Independent Shareholders the matters as stated in our Letter, including, *inter alia*, our limitation in evaluating the prospects and financial impacts of the Proposed RTO to the Group as this is not within our scope, and to exercise caution in their decision in voting in favour of or against the Proposed Whitewash Resolution.

In performing our evaluation, we have not been provided with, and have not had access to, any financial projections or future plans or corporate actions (if any) of the Company or the Group or the Proposed RTO. The opinion set forth herein is based solely on publicly available information and information provided by the Directors and the Management and therefore does not reflect any projections or future financial performance of the Company after the completion of the Proposed Transactions and is based *inter alia* on the economic and market conditions prevailing as of the date of this opinion. Our advice is solely confined to our views on the Proposed Whitewash Resolution.

Matters to highlight

We would also wish to highlight the following matters which may affect the decisions or actions of Independent Shareholders:

- (1) Independent Shareholders should note that their approval of the Proposed Whitewash Resolution is a condition precedent to the allotment and issue of Subscription Shares pursuant to the terms of the Subscription Agreement, and if Independent Shareholders do not vote in favour of the Proposed Whitewash Resolution, the Proposed Subscription will not take place.
- (2) Independent Shareholders should also note that the issue of the Tranche 1 Subscription Shares will result in the Subscriber holding Shares carrying over 49.0% of the voting rights of the Company based on its enlarged share capital, and the Subscriber and its concert parties will be free to acquire further Shares (including the Tranche 2 Subscription Shares and the Option Shares) without incurring any obligation under Rule 14 of the Code to make a General Offer for the Company.
- (3) Independent Shareholders should note that by voting in favour of the Proposed Whitewash Resolution, they will be waiving their rights to receive the General Offer from the Subscriber at the highest price paid by the Subscriber and its concert parties for Shares in the past six (6) months preceding the commencement of the offer.
- (4) Independent Shareholders should note that the passing of the resolutions relating to the Proposed Transactions set out in the Circular are inter-conditional. This means that if any of the resolutions is not approved, the other resolutions would not be carried. In particular, Independent Shareholders should note that the Proposed Subscription is conditional upon Independent Shareholders voting in favour of the Proposed Whitewash Resolution. Therefore, if Independent Shareholders do not vote in favour of the Proposed Whitewash Resolution, the Proposed Subscription will not take place.
- (5) Our scope does not require us and we have not made any independent evaluation or appraisal of the assets and liabilities (including without limitation, PPE and LUR) or contracts entered or to be entered into by the Company or the Group and we have not been furnished with any such evaluation and appraisal in respect of assets and liabilities (if any) held or contracts entered into by the Group, save for Independent Valuation Reports issued by the Independent Valuers in respect of the market value of the Group's Appraised Assets. With respect to such valuation,

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we are not experts in the evaluation or appraisal of assets and liabilities (including without limitation, PPE and LUR) including, *inter alia* the contracts or agreements that the Group has embarked upon or are about to embark upon and have relied on the opinion of the Directors and the financial statements (audited and unaudited), where applicable for the assessment.

The Directors are of the opinion that the values of the assets and liabilities as well as the financial performance or condition of the Company and the Group as reflected in the unaudited financial statements for the Company and the Group as at 31 March 2018 are true and fair.

The Directors further confirmed that as at the Latest Practicable Date and save for matters disclosed in the Circular, this Letter, the financial statements for the Group for FY2017 and 1Q2018, there has been no material changes to the Group's assets and liabilities, financial position, condition and performance.

- (6) Our scope does not require us to express and we do not express, a view on the future growth prospects of the Company or the Group before and after the transactions stipulated in the Circular or the Proposed Whitewash Resolution or the Proposed RTO or the sufficiency of the Group's working capital or the ability of the Group to continue as a going concern or the ability of the Company to meet the requirements under Rule 1314(1) of the Listing Manual (for removal from the watch-list) prior to the stipulated deadline of 4 March 2019.

Specific Objectives

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

8. ACTIONS TO BE TAKEN BY SHAREHOLDERS

If a Shareholder is unable to attend the EGM and wishes to appoint a proxy to attend and vote on his behalf, he should complete, sign and return the attached proxy form in accordance with the instructions printed thereon as soon as possible and, in any event, so as to reach the Company's registered address at 77 Robinson Road, #13-00 Robinson 77, Singapore 068896 by not later than 48 hours before the time fixed for the EGM.

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

In addition, Independent Shareholders are advised to read Section 12 of the Circular and Notice of the EGM which has been enclosed with the Circular carefully so that the appropriate election on voting for or voting against can be made.

This Letter has been prepared pursuant to Rule 14 and Appendix 1 of the Takeover Code as well as addressed to the Recommending Directors in connection with and for the sole purpose of their evaluation of the Proposed Whitewash Resolution and is not meant or intended to be an evaluation of the other resolutions to be proposed or alternatives. Whilst a copy of this Letter may be included in the Circular, neither the Company nor the Directors nor any other party, may reproduce, disseminate or quote this Letter (or any part thereof) for any other purpose at any time and in any manner without the prior written consent of ACA in each specific case, except that the Company and the Directors and the Shareholders may reproduce, disseminate or quote the IFA Letter for the sole purpose of the

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Proposed Whitewash Resolution and/or at the forthcoming EGM. This opinion is governed by, and construed in accordance with, the laws of Singapore, and is strictly limited to the matters and the scope of our appointment stated herein and does not apply by implication to any other matter. Save as disclosed herein, nothing herein shall confer or be deemed or is intended to confer any right of benefit to any third party and the Contracts (Rights of Third Parties) Act Chapter 53B and any re-enactment thereof shall not apply. Nothing herein shall prevent or exclude Shareholders from relying on this Letter in connection with the Proposed Whitewash Resolution, whether pursuant to the Contracts (Rights of Third Parties) Act Chapter 53B of Singapore or otherwise.

The recommendations made by the Recommending Directors to the Independent Shareholders in relation to the Proposed Whitewash Resolution as well as other resolutions referred to in the Circular and the issue of the Circular shall remain the sole responsibility of the Recommending Directors and the Directors respectively.

Yours faithfully,
For and on behalf of

ASIAN CORPORATE ADVISORS PTE. LTD.

H.K. LIAU
MANAGING DIRECTOR

FOO QUEE YIN
MANAGING DIRECTOR

APPENDIX 2: ADJUSTMENTS TO THE ISSUE PRICE AND/OR THE NUMBER OF OPTION SHARES

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

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

1. Adjustment Events

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

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

2. Adjustment Formulae

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

APPENDIX 2: ADJUSTMENTS TO THE ISSUE PRICE AND/OR THE NUMBER OF OPTION SHARES

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

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

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

where:

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

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

P = existing Issue Price; and

O = existing number of Option Shares to be issued.

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

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

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

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

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

APPENDIX 2: ADJUSTMENTS TO THE ISSUE PRICE AND/OR THE NUMBER OF OPTION SHARES

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

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

where:

C = the average of the Last Dealt Prices on the five (5) Market Days immediately before the date on which the Capital Distribution (as defined below), or any offer or invitation referred to in paragraph 2(b)(ii) above, as the case may be, is publicly announced or (failing any such announcement), immediately preceding the date of the Capital Distribution (as defined below) or, as the case may be, of the offer or invitation;

D = (i) in the case of an offer or invitation to acquire or subscribe for Shares by way of rights under paragraph 2(b)(ii) above, the value of the rights attributable to one Share (as defined below); or (ii) in the case of any other transaction falling within paragraph 2(b) above, the fair market value, as determined by an Approved Bank (as defined below) (with the concurrence of the Auditors (as defined below)), of that portion of the Capital Distribution (as defined below) or of the nil paid rights attributable to one Share;

P = as in P above; and

O = as in O above.

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

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

where:

C = as in C above;

E = the subscription price for one additional Share under the offer or invitation to acquire or subscribe for Shares by way of rights; and

F = the number of Shares which it is necessary to hold in order to be offered or invited to acquire or subscribe for one additional Share by way of rights.

For the purposes of paragraphs 1(b) and 2(b)(i) above, “**Capital Distribution**” shall (without prejudice to the generality of that expression) include distributions in cash or

APPENDIX 2: ADJUSTMENTS TO THE ISSUE PRICE AND/OR THE NUMBER OF OPTION SHARES

specie (other than dividends) or by way of issue of Shares (not falling under paragraph 2(a)) or other securities credited as fully or partly paid up by way of capitalisation of profits or reserves (including any capital redemption reserve fund other than an issue of Shares to Shareholders who elect to receive Shares in lieu of cash or other dividend).

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

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

$$\begin{aligned}\text{New Issue Price} &= \frac{(G \times C) + (H \times E)}{(G + H + B) \times C} \times P \\ \text{Adjusted number of Option Shares} &= \frac{(G + H + B) \times C}{(G \times C) + (H \times E)} \times O\end{aligned}$$

where:

B = as in B above;

C = as in C above;

E = as in E above;

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

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

P = as in P above; and

O = as in O above.

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

- (d) **Other Offers to Shareholders.** If and whenever (otherwise than pursuant to a rights issue available to all Shareholders alike and requiring an adjustment under paragraphs 2(b)(ii) or 2(c) other than an issue of Shares to Shareholders who elect to receive Shares in lieu of cash or other dividend) the Company shall issue any Shares and the

APPENDIX 2: ADJUSTMENTS TO THE ISSUE PRICE AND/OR THE NUMBER OF OPTION SHARES

Total Effective Consideration for each Share (as defined below) is less than ninety per cent. (90%) of the average Last Dealt Price on SGX-ST on the five (5) Market Days before the date on which the issue price of such Shares is determined, or, if such price is determined either before the close of business on SGX-ST for that day or on a day which is not a Market Day, on the prior Market Day, the Issue Price shall be adjusted in the following manner:

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

where:

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

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

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

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

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

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

APPENDIX 2: ADJUSTMENTS TO THE ISSUE PRICE AND/OR THE NUMBER OF OPTION SHARES

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

where:

A = as in A above;

B = as in B above;

P = as in P above; and

O = as in O above.

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

3. Events requiring no adjustment

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

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

APPENDIX 2: ADJUSTMENTS TO THE ISSUE PRICE AND/OR THE NUMBER OF OPTION SHARES

- (f) **Allotment and issue of new Shares pursuant to the Proposed Subscription.** Any allotment and issue of new Shares by the Company pursuant to the Proposed Subscription.

4. Third Party Offers

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

5. Winding up

If the Company is wound up for any reason whatsoever, all Options which have not been exercised at the date of the passing of such resolution shall lapse and the Options will cease to be valid for any purpose.

6. Definitions for Schedule 7

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

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

NOTICE OF EXTRAORDINARY GENERAL MEETING

HUAN HSIN HOLDINGS LTD
(Incorporated in the Republic of Singapore)
(Company Registration Number: 199509142R)

NOTICE IS HEREBY GIVEN that an Extraordinary General Meeting of **HUAN HSIN HOLDINGS LTD** (the “**Company**”) will be held at Re!joyce 2, Hotel Re! @ Pearl’s Hill, 175A Chin Swee Road, Singapore 169879 on 25 June 2018 at 10 a.m. for the purpose of considering and, if thought fit, passing with or without modifications the following resolutions:

Unless otherwise defined, defined terms used herein shall have the same meanings ascribed to them in the Company’s Circular to Shareholders dated 8 June 2018 in respect of the resolutions herein.

Shareholders should note that each of Ordinary Resolution 1, Ordinary Resolution 2 and Ordinary Resolution 3, as set out in this Notice, are inter-conditional on each other. This means that if any one of the resolutions is not approved, the other resolutions set out in this Notice will not be passed.

AS ORDINARY RESOLUTION

RESOLUTION 1: THE PROPOSED SUBSCRIPTION

- (A) THE PROPOSED ALLOTMENT AND ISSUE OF 3,636,363,636 SUBSCRIPTION SHARES BY THE COMPANY TO THE SUBSCRIBER AT THE ISSUE PRICE OF S\$0.022 FOR EACH SUBSCRIPTION SHARE FOR AN AGGREGATE AMOUNT OF S\$80 MILLION, IN TWO TRANCHES – S\$20 MILLION AND S\$60 MILLION**

That the Proposed Subscription Shares Issue be and is hereby approved and that approval be and is hereby given to the Directors of the Company:

- (a) to allot and issue 3,636,363,636 Subscription Shares to the Subscriber (and/or its nominees), subject to and otherwise in accordance with the terms and conditions of the Subscription Agreement, whereby such Subscription Shares shall rank *pari passu* in all respects with the then existing Shares of the Company except for any dividend, rights, allotment and other distributions, the record date in respect of which falls on or before the relevant date of issue of such Subscription Shares;
- (b) to take such steps, make such amendments to the terms and conditions of the Subscription Agreement (provided that the amendments are not material) and exercise such discretion as the Directors may from time to time deem fit, advisable, desirable, expedient or necessary in connection with all or any of the above matters; and
- (c) to complete and do and/or procure to be done all such acts and things including, without limitation, executing all such documents and approving any amendments, alterations or modifications to any documents as they may consider necessary, desirable or expedient to give full effect to this Resolution 1(A).

NOTICE OF EXTRAORDINARY GENERAL MEETING

- (B) THE PROPOSED GRANT OF OPTIONS TO EACH OF THE SUBSCRIBER AND CCIAM, EACH AN OPTION HOLDER, IN ACCORDANCE WITH THE SUBSCRIPTION AGREEMENT AND THE PROPOSED ALLOTMENT AND ISSUE OF UP TO 454,545,455 OPTION SHARES BY THE COMPANY TO EACH OPTION HOLDER FOLLOWING THE EXERCISE OF THE OPTIONS, AT THE ISSUE PRICE OF S\$0.022 FOR EACH OPTION SHARE FOR AN AGGREGATE AMOUNT OF UP TO S\$20 MILLION**

That the Proposed Grant of Options and the Proposed Option Shares Issue following the exercise of Options by the Option Holders be and is hereby approved and that approval be and is hereby given to the Directors of the Company:

- (a) to allot and issue up to 454,545,455 Option Shares to each Option Holder (and/or its nominees) or up to 909,090,910 Option Shares to both Option Holders (and/or their nominees), subject to and otherwise in accordance with the terms and conditions of the Subscription Agreement, whereby such Option Shares shall rank *pari passu* in all respects with the then existing Shares of the Company except for any dividend, rights, allotment and other distributions, the record date in respect of which falls on or before the relevant date of issue of such Option Shares;
- (b) to take such steps, make such amendments to the terms and conditions of the Subscription Agreement (provided that the amendments are not material) and exercise such discretion as the Directors may from time to time deem fit, advisable, desirable, expedient or necessary in connection with all or any of the above matters; and
- (c) to complete and do and/or procure to be done all such acts and things including, without limitation, executing all such documents and approving any amendments, alterations or modifications to any documents as they may consider necessary, desirable or expedient to give full effect to this Resolution 1(B).

AS ORDINARY RESOLUTION

RESOLUTION 2: THE PROPOSED WHITEWASH RESOLUTION

The Independent Shareholders of the Company, hereby (on a poll taken) unconditionally and irrevocably waive their right under Rule 14 of the Code to receive a General Offer from the Subscriber following from the allotment and issue of the Tranche 1 Subscription Shares pursuant to the Proposed Subscription Shares Issue.

AS ORDINARY RESOLUTION

RESOLUTION 3: THE TRANSFER OF CONTROLLING INTEREST

The Transfer of Controlling Interest be and is hereby approved and that approval be and is hereby given to the Directors of the Company:

- (a) to allot and issue such number of Subscription Shares pursuant to the Proposed Subscription Shares Issue and such number of Option Shares pursuant to the Proposed Option Shares Issue, to the Subscriber (and/or its nominees) respectively, subject to and otherwise in accordance with the terms and conditions of the Subscription Agreement, the issuance of such Shares constituting a transfer of controlling interest in the Company to the Subscriber; and

NOTICE OF EXTRAORDINARY GENERAL MEETING

- (b) to complete and do and/or procure to be done all such acts and things including, without limitation, executing all such documents and approving any amendments, alterations or modifications to any documents as they may consider necessary, desirable or expedient to give full effect to this Resolution 3.

BY ORDER OF THE BOARD
HUAN HSIN HOLDINGS LTD

Hsu Hung Chun
Chairman

8 June 2018

Notes:

1. (a) A member who is not a relevant intermediary is entitled to appoint not more than two proxies to attend, speak and vote at the Extraordinary General Meeting. Where such member's form of proxy appoints more than one proxy, the proportion of the shareholding concerned to be represented by each proxy shall be specified in the form of proxy.

(b) A member who is a relevant intermediary is entitled to appoint more than two proxies to attend, speak and vote at the Extraordinary General Meeting, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such member's form of proxy appoints more than two proxies, the number and class of shares in relation to which each proxy has been appointed shall be specified in the form of proxy.

"relevant intermediary" has the meaning ascribed to it in Section 181 of the Companies Act, Chapter 50 of Singapore.
2. A proxy need not be a member of the Company.
3. The instrument appointing a proxy or proxies must be deposited at the registered office of the Company at 77 Robinson Road, #13-00 Robinson 77, Singapore 068896 not less than 48 hours before the time appointed for holding the Extraordinary General Meeting.
4. Completion and return of the instrument appointing a proxy or proxies by a member shall not preclude him from attending and voting at the Extraordinary General Meeting if he so wishes. Any appointment of a proxy or proxies shall be deemed to be revoked if a member attends the Extraordinary General Meeting in person, and in such event, the Company reserves the right to refuse to admit any person or persons appointed under the instrument of proxy to the Extraordinary General Meeting.
5. The instrument appointing a proxy or proxies must be signed by the appointor or his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its common seal or under the hand of any officer or attorney duly authorised.

PERSONAL DATA PRIVACY

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

PROXY FORM

HUAN HSIN HOLDINGS LTD

(Incorporated in the Republic of Singapore)
(Company Registration No.: 199509142R)

PROXY FORM

(Please see notes overleaf before completing this Proxy Form)

IMPORTANT

1. For investors who have used their CPF monies to buy HUAN HSIN HOLDINGS LTD shares, the Circular to Shareholders dated 8 June 2018 is forwarded to them at the request of their CPF Approved Nominees and is sent solely FOR INFORMATION ONLY.
2. This Proxy Form is not valid for use by CPF Investors and shall be ineffective for all intents and purposes if used or purported to be used by them.
3. CPF investors who wish to attend the Meeting as an observer must submit their requests through their CPF Approved Nominees within the time frame specified. If they also wish to vote, they must submit their voting instructions to the CPF Approved Nominees within the time frame specified to enable them to vote on their behalf.

I/We, _____ (name)
of _____ (address)
being a member/members of Huan Hsin Holdings Ltd (the “**Company**”), hereby appoint:

Name	NRIC/Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address			

and/or (delete as appropriate)

Name	NRIC/Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address			

or failing *him/her, the Chairman of the Meeting as *my/our *proxy/proxies to vote for *me/us on *my/our behalf at the Extraordinary General Meeting (the “**Meeting**”) of the Company to be held at 10 a.m. on 25 June 2018 at Reljoice 2, Hotel Re! @ Pearl’s Hill, 175A Chin Swee Road, Singapore 169879 and at any adjournment thereof.

*I/We direct *my/our *proxy/proxies to vote for or against the Resolutions to be proposed at the Meeting as indicated hereunder. If no specific direction as to voting is given or in the event of any other matter arising at the Meeting and at any adjournment thereof, the proxy/proxies will vote or abstain from voting at his/her discretion. The authority herein includes the right to demand or to join in demanding a poll and to vote on a poll.

☐ Please tick here if more than two proxies will be appointed. This is only applicable for relevant intermediaries (please refer to Note 2).

(If you wish to exercise all your votes “For” or “Against” the relevant Resolution, please tick [✓] within the box provided. Alternatively, please indicate the number of votes as appropriate.)

Ordinary Resolution	For	Against
1. The Proposed Subscription		
2. The Proposed Whitewash Resolution		
3. The Transfer of Controlling Interest		

Dated this _____ day of _____ 2018

*Signature of Shareholder(s)/ Common Seal of Shareholder

Total number of Shares in:	No. of Shares
(a) CDP Register	
(b) Register of Members	

IMPORTANT: PLEASE READ NOTES OVERLEAF

Notes:

*Delete accordingly

PROXY FORM

1. Please insert the total number of shares held by you. If you have shares entered against your name in the Depository Register (as defined in Section 81SF of the Securities and Futures Act, Chapter 289 of Singapore), you should insert that number of shares. If you have shares registered in your name in the Register of Members of the Company, you should insert that number of shares. If you have shares entered against your name in the Depository Register and shares registered in your name in the Register of Members, you should insert the aggregate number of shares. If no number is inserted, this form of proxy will be deemed to relate to all the shares held by you.
2.
 - (a) A member who is not a relevant intermediary is entitled to appoint not more than two proxies to attend, speak and vote at the Meeting. Where such member's form of proxy appoints more than one proxy, the proportion of the shareholding concerned to be represented by each proxy shall be specified in the form of proxy.
 - (b) A member who is a relevant intermediary is entitled to appoint more than two proxies to attend, speak and vote at the Meeting, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such member's form of proxy appoints more than two proxies, such member shall submit a list of its proxies together with the information required in this proxy form to the Company.

"relevant intermediary" has the meaning ascribed to it in Section 181 of the Companies Act, Chapter 50 of Singapore.
2. A proxy need not be a member of the Company.
3. Where a member appoints more than one proxy, the member must specify the proportion of shareholdings to be represented by each proxy. If no proportion of shareholdings is specified, the proxy whose name appears first shall be deemed to carry 100% of the shareholdings of his/her appointor and the proxy whose name appears after shall be deemed to be appointed in the alternate.
4. The instrument appointing a proxy or proxies must be deposited at the registered office of the Company at 77 Robinson Road, #13-00 Robinson 77, Singapore 068896 not less than 48 hours before the time appointed for holding the Meeting.
5. Completion and return of the instrument appointing a proxy or proxies by a member shall not preclude him from attending and voting at the Meeting if he so wishes. Any appointment of a proxy or proxies shall be deemed to be revoked if a member attends the Meeting in person, and in such event, the Company reserves the right to refuse to admit any person or persons appointed under the instrument of proxy to the Meeting.
6. The instrument appointing a proxy or proxies must be signed by the appointor or his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its common seal or under the hand of any officer or attorney duly authorised. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Meeting.
7. Where an instrument appointing a proxy or proxies is signed on behalf of the appointor by an attorney, the letter or power of attorney or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the instrument of proxy, failing which the instrument may be treated as invalid.

GENERAL:

The Company shall be entitled to reject an instrument of proxy or proxies if it is incomplete, improperly completed, illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of a member whose shares are entered in the Depository Register, the Company may reject any instrument appointing a proxy or proxies if the member, being the appointor, is not shown to have shares entered against his name in the Depository Register as at 72 hours before the time appointed for holding the Meeting, as certified by The Central Depository (Pte) Limited to the Company.

PERSONAL DATA PRIVACY:

By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of Meeting dated 8 June 2018.