

CIRCULAR DATED 12 MARCH 2021

THIS CIRCULAR (AS DEFINED HEREIN) IS IMPORTANT AS IT CONTAINS THE RECOMMENDATION OF THE INDEPENDENT DIRECTORS (AS DEFINED HEREIN) AND THE ADVICE OF PROVENANCE CAPITAL PTE. LTD. TO THE INDEPENDENT DIRECTORS. THIS CIRCULAR REQUIRES YOUR IMMEDIATE ATTENTION. PLEASE READ IT CAREFULLY.

This Circular is issued by CEI Limited (the “**Company**”). If you are in any doubt in relation to this Circular or as to the action you should take, you should consult your stockbroker, bank manager, solicitor, accountant, tax adviser or other professional adviser immediately.

If you have sold or transferred all your Shares (as defined herein) held through CDP (as defined herein), you need not forward this Circular to the purchaser or transferee, as arrangements will be made by CDP for a separate Circular to be sent to the purchaser or transferee. If you have sold or transferred all your Shares which are not deposited with CDP, you should immediately forward this Circular to the purchaser, the transferee or the bank, stockbroker or agent through whom you effected the sale or transfer for onward transmission to the purchaser or the transferee.

The Singapore Exchange Securities Trading Limited assumes no responsibility for the correctness of any of the statements made, reports contained, opinions expressed or advice given in this Circular.



CEI LIMITED

(Incorporated in the Republic of Singapore)
(Company Registration No. 199905114H)

CIRCULAR TO SHAREHOLDERS

in relation to the

VOLUNTARY CONDITIONAL OFFER

by

PRICEWATERHOUSECOOPERS CORPORATE FINANCE PTE LTD

(Incorporated in the Republic of Singapore)
(Company Registration No.: 197501605H)

for and on behalf of

AEM SINGAPORE PTE. LTD.

(Incorporated in the Republic of Singapore)
(Company Registration No. 199200362M)

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

Independent Financial Adviser to the Independent Directors of the Company



PROVENANCECAPITAL

PROVENANCE CAPITAL PTE. LTD.

(Incorporated in the Republic of Singapore)
(Company Registration No. 200309056E)

SHAREHOLDERS SHOULD NOTE THAT THE OFFER DOCUMENT STATES THAT ACCEPTANCES SHOULD BE RECEIVED BY 5.30 P.M. (SINGAPORE TIME) ON 31 MARCH 2021 OR SUCH LATER DATE(S) AS MAY BE ANNOUNCED FROM TIME TO TIME BY OR ON BEHALF OF THE OFFEROR.

TABLE OF CONTENTS

	PAGE
DEFINITIONS.....	3
LETTER TO SHAREHOLDERS FROM THE BOARD OF DIRECTORS	11
1. BACKGROUND.....	11
2. THE OFFER.....	12
3. INFORMATION ON THE OFFEROR AND AEM HOLDINGS	15
4. IRREVOCABLE UNDERTAKINGS	16
5. RATIONALE FOR THE OFFER AND THE OFFEROR'S INTENTIONS FOR THE COMPANY	18
6. THE OFFEROR'S INTENTIONS REGARDING LISTING STATUS AND COMPULSORY ACQUISITION.....	20
7. DIRECTORS' INTERESTS	21
8. ADVICE AND RECOMMENDATION IN RELATION TO THE OFFER.....	21
9. OVERSEAS SHAREHOLDERS	27
10. ACTION TO BE TAKEN BY SHAREHOLDERS	29
11. INFORMATION PERTAINING TO CPFIS INVESTORS AND SRS INVESTORS	29
12. DIRECTORS' RESPONSIBILITY STATEMENT.....	30
APPENDIX I	
LETTER FROM PROVENANCE CAPITAL PTE. LTD. TO THE INDEPENDENT DIRECTORS IN RELATION TO THE OFFER.....	31
APPENDIX II	
ADDITIONAL GENERAL INFORMATION	32
APPENDIX III	
PROVISIONS IN THE CONSTITUTION RELATING TO THE RIGHTS OF SHAREHOLDERS IN RESPECT OF CAPITAL, VOTING AND DIVIDENDS	40
APPENDIX IV	
VALUATION DOCUMENTS.....	70
APPENDIX V	
UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR FY2020 ...	71
APPENDIX VI	
AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR FY2019	72

DEFINITIONS

Except where the context otherwise requires, the following definitions apply throughout this Circular:

GENERAL

- “70/30 Cash Shares Consideration”** : Shall have the meaning ascribed to it in Section 2.3(iii) of the Letter to Shareholders in the Offer Document
- “85/15 Cash Shares Consideration”** : Shall have the meaning ascribed to it in Section 2.3(ii) of the Letter to Shareholders in the Offer Document
- “Acceptance Forms”** : The FAA and the FAT collectively or any one of them, as the case may be
- “AEM Holdings Securities”** : (a) AEM Holdings Shares;
(b) Securities which carry voting rights in AEM Holdings; or
(c) Convertible securities, warrants, options or derivatives in respect of AEM Holdings Shares or securities which carry voting rights in AEM Holdings
- “AEM Holdings Shares”** : Shall have the meaning ascribed to it in Section 5.2 of the Letter to Shareholders in the Offer Document
- “Board”** : The board of Directors of the Company as at the Latest Practicable Date
- “Business Day”** : A day (other than a Saturday, a Sunday or a gazetted public holiday) on which commercial banks are open for business in Singapore
- “Cash Consideration”** : Shall have the meaning ascribed to it in Section 2.3(i) of the Letter to Shareholders in the Offer Document
- “Circular”** : This circular to Shareholders in relation to the Offer enclosing, *inter alia*, the recommendation of the Independent Directors and the IFA Letter
- “Closing Date”** : 5.30 p.m. (Singapore time) on 31 March 2021 or such later date(s) as may be announced from time to time by or on behalf of the Offeror, being the last date and time for the lodgement of acceptances of the Offer
- “Code”** : The Singapore Code on Take-overs and Mergers
- “Companies Act”** : The Companies Act (Chapter 50 of Singapore)
- “Company Securities”** : Shares or convertible securities, warrants, options, awards or derivatives in respect of the Shares or other securities which carry voting rights in the Company

“Concert Parties”	:	Parties acting or presumed to be acting in concert with the Offeror in connection with the Offer
“Constitution”	:	The constitution of the Company
“CPFIS”	:	Central Provident Fund Investment Scheme
“CPFIS Agent Banks”	:	Agent banks included under the CPFIS
“CPFIS Investors”	:	Investors who have purchased Shares using their CPF contributions pursuant to the CPFIS
“Derivatives”	:	Includes any financial product whose value in whole or in part is determined directly or indirectly by reference to the price of an underlying security or securities
“Despatch Date”	:	3 March 2021, being the date of despatch of the Offer Document Notification, the FAA and the FAT, and electronic dissemination of the Offer Document and any related documents
“Directors”	:	The directors of the Company as at the Latest Practicable Date
“FAA”	:	Form of Acceptance and Authorisation for Offer Shares, which forms part of the Offer Document and which is issued to Shareholders whose Offer Shares are deposited with CDP
“FAT”	:	Form of Acceptance and Transfer for Offer Shares, which forms part of the Offer Document and which is issued to Shareholders whose Offer Shares are not deposited with CDP
“FY”	:	Financial year ended 31 December
“FY2020 Results Announcement”	:	Full Year Financial Statements and Dividend (unaudited) for the year ended 31 December 2020, which were issued in the Company’s announcement released on the website of the SGX-ST at www.sgx.com on 26 February 2021
“IFA Letter”	:	The letter dated 12 March 2021 from Provenance Capital to the Independent Directors in relation to the Offer as set out in Appendix I to this Circular
“Independent Directors”	:	The Directors who are considered independent for the purposes of making recommendations to the Shareholders in respect of the Offer, namely Mr. Tien Sing Cheong, Mr. Tan Ka Huat, Mr. Tan Bien Chuan, Mr. Gan Chee Yen, Dr. Tang Martin Yue Nien, Ms. Theng Siew Lian Lisa and Mr. Wang Ya Lun Allen
“Individual Undertaking Shareholders”	:	Mr. Tien Sing Cheong and Mr. Tan Ka Huat
“Irrevocable Undertakings”	:	Shall have the meaning ascribed to it in Section 7.1 of the Letter to Shareholders in the Offer Document

- “Interested Person”** : As defined in the Note on Rule 24.6 of the Code and read with Note on Rule 23.12 of the Code, an Interested Person, in relation to a company, is:
- (a) a director, chief executive officer, or substantial shareholder of the company;
 - (b) the immediate family of a director, the chief executive officer, or a substantial shareholder (being an individual) of the company;
 - (c) the trustees, acting in their capacity as such trustees, of any trust of which a director, the chief executive officer or a substantial shareholder (being an individual) and his immediate family is a beneficiary;
 - (d) any company in which a director, the chief executive officer or a substantial shareholder (being an individual) together and his immediate family together (directly or indirectly) have an interest of 30% or more;
 - (e) any company that is the subsidiary, holding company or fellow subsidiary of the substantial shareholder (being a company); or
 - (f) any company in which a substantial shareholder (being a company) and any of the companies listed in (e) above together (directly or indirectly) have an interest of 30% or more
- “Latest Practicable Date”** : 8 March 2021, being the latest practicable date prior to the issuance of this Circular
- “Listing Manual”** : The Listing Manual of the SGX-ST, as amended up to the Latest Practicable Date
- “Market Day”** : A day on which the SGX-ST is open for trading of securities
- “New AEM Holdings Shares”**: Shall have the meaning ascribed to it in Section 2.3 of the Letter to Shareholders in the Offer Document
- “Notification”** : Notification of electronic dissemination of this Circular and its related documents dated 12 March 2021
- “Offer”** : The voluntary conditional offer made by PwC CF, for and on behalf of the Offeror, to acquire the Offer Shares, on the terms and subject to the conditions set out in the Offer Document, the FAA and the FAT, as such offer may be amended or extended from time to time by or on behalf of the Offeror
- “Offer Announcement”** : The announcement in connection with the Offer released by PwC CF, for and on behalf of the Offeror, on the Offer Announcement Date
- “Offer Announcement Date”** : 15 February 2021, being the date of the Offer Announcement

“Offer Consideration”	:	Shall have the meaning ascribed to it in Section 2.3 of the Letter to Shareholders in the Offer Document
“Offer Document”	:	The offer document dated 3 March 2021, including the FAA and the FAT, and any other document(s) which may be issued for and on behalf of the Offeror to amend, revise, supplement or update such document(s) from time to time
“Offer Document Notification”	:	Notification of electronic dissemination of the Offer Document and its related documents dated 3 March 2021
“Offer Shares”	:	All the Shares to which the Offer relates, as more particularly defined in Section 2.2 of the Letter to Shareholders in the Offer Document and described in Section 2.1 of this Circular
“Offeror Securities”	:	(a) shares of the Offeror; (b) securities which carry substantially the same rights as any shares of the Offeror; and (c) Convertible Securities, Warrants, Options and Derivatives in respect of (a) or (b)
“Options”	:	Options to subscribe for or purchase new shares or existing shares
“Overseas Shareholders”	:	Shareholders whose address is outside Singapore as shown in the Register or in the Depository Register (as the case may be)
“Pre-Condition”	:	The pre-condition to the making of the Offer, being the approval-in-principle of the SGX-ST for the listing and quotation of the New AEM Holdings Shares being obtained
“Pre-Conditional Offer Announcement”	:	The announcement dated 11 January 2021 issued by PwC CF for and on behalf of the Offeror in connection with the pre-conditional voluntary offer for the Company
“Pre-Conditional Offer Announcement Date”	:	11 January 2021, being the date of the Pre-Conditional Offer Announcement
“Register”	:	The register of holders of the Shares, as maintained by the Registrar
“SFA”	:	Securities and Futures Act (Chapter 289 of Singapore)
“SGXNET”	:	A system network used by listed companies to send information and announcements to the SGX-ST or any other system networks prescribed by the SGX-ST
“Shareholders”	:	Holders of the Offer Shares, including persons whose Offer Shares are deposited with CDP or who have purchased Offer Shares on the SGX-ST
“Shares”	:	Issued and paid-up ordinary shares in the capital of the Company
“SRS Agent Banks”	:	Agent banks included under SRS
“SRS Investors”	:	Investors who have purchased Shares pursuant to SRS

“Subject Properties”	: The properties of the Group at the following locations:
	(a) Part 2/ Part 3-storey detached factory with ancillary office, erected on a fan-shaped plot of land located at 2 Ang Mo Kio Avenue 12, Singapore 569707;
	(b) A printed circuit board assembly factory manufacturing facility, including Plots 21A & 21B, VSIP 1 Industrial Park, Thuan An Ward, Binh Duong Province; and
	(c) Land and factory building with total area of 11,586 square meter and ± 9,290 square meter respectively located at Batamindo Industrial Park, Lot 312-313, Sub-district of Muka Kuning, District of Sungai Beduk, Batam City, Province of Riau Islands — Indonesia
“S\$” and “cents”	: Singapore dollars and cents, respectively, being the lawful currency of Singapore
“Undertaking Shareholders”	: TIHT and the Individual Undertaking Shareholders
“Undertaking Shares”	: Shall have the meaning ascribed to it in Section 7.1 of the Letter to Shareholders in the Offer Document and described in Section 4 of this Circular
“Valuation Documents”	: The valuation reports and/or certificates in respect of the Subject Properties from the Valuers as set out in Appendix IV to this Circular
“VWAP”	: Volume weighted average price
“Warrants”	: Rights to subscribe for or purchase new shares or existing shares
“%” or “per cent.”	: Per centum or percentage

COMPANIES / ORGANISATIONS

“ACRA”	: The Accounting and Corporate Regulatory Authority of Singapore
“AEM Group”	: AEM Holdings and its subsidiaries
“AEM Holdings”	: AEM Holdings Ltd.
“CDP”	: The Central Depository (Pte) Limited
“Company”	: CEI Limited
“CPF”	: Central Provident Fund
“Group”	: The Company and its subsidiaries
“Offeror”	: AEM Singapore Pte. Ltd.

“ Provenance Capital ” or “ IFA ”	Provenance Capital Pte. Ltd., the independent financial adviser to the Independent Directors in relation to the Offer
“ PwC CF ”	PricewaterhouseCoopers Corporate Finance Pte Ltd
“ Registrar ”	RHT Corporate Advisory Pte. Ltd.
“ SGX-ST ”	Singapore Exchange Securities Trading Limited
“ SIC ”	Securities Industry Council of Singapore
“ SRS ”	The Supplementary Retirement Scheme
“ TIHT ”	TIHT Investment Holdings Pte. Ltd.
“ Valuers ”	RHT Valuation Pte. Ltd, Savills Vietnam Co., Ltd and KJPP Willson dan Rekan in association with Knight Frank

Unless otherwise defined, the term “**acting in concert**” shall have the meaning ascribed to it in the Code.

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

The terms “**subsidiary**” and “**related corporation**” shall have the meanings ascribed to them respectively in Section 5 and Section 6 of the Companies Act.

Words importing the singular shall, where applicable, include the plural and *vice versa* and words importing one (1) gender shall include the other gender. References to persons shall, where applicable, include corporations.

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

Any reference to a time of day and date in this Circular is made by reference to Singapore time and date respectively, unless otherwise stated.

Any discrepancies in this Circular between the listed amounts and the totals thereof are due to rounding. Accordingly, figures shown as totals in this Circular may not be an arithmetic aggregation of the figures that precede them.

Statements which are reproduced in their entirety from the Offer Document, the IFA Letter and the Constitution are set out in this Circular within quotes and in italics. Capitalised terms used within these reproduced statements bear the meanings ascribed to them in the Offer Document, the IFA Letter and the Constitution respectively.

In this Circular, any reference to the total number of issued Shares is a reference to 86,698,463 issued and paid-up Shares (excluding 1,235,750 treasury shares) as at the Latest Practicable Date (based on the business profile of the Company extracted from ACRA on the Latest Practicable Date), unless the context otherwise requires. Unless otherwise specified, all references to a percentage shareholding in the capital of the Company in this Circular are based on 86,698,463 Shares (excluding 1,235,750

treasury shares) in issue as at the Latest Practicable Date (based on the business profile of the Company extracted from ACRA on the Latest Practicable Date).

Forward-looking Statements

All statements other than statements of historical facts included in this Circular are or may be forward-looking statements. Forward-looking statements include but are not limited to those using words such as “aim”, “seek”, “expect”, “anticipate”, “believe”, “estimate”, “intend”, “project”, “plan”, “strategy”, “forecast” and similar expressions or future or conditional verbs such as “if”, “will”, “would”, “should”, “could”, “may” and “might”. These statements reflect the Company’s current expectations, beliefs, hopes, intentions or strategies regarding the future and assumptions in light of currently available information. Such forward-looking statements are not guarantees of future performance or events and involve known and unknown risks and uncertainties. Accordingly, actual results may differ materially from those described in such forward-looking statements. Shareholders should not place undue reliance on such forward-looking statements, and neither the Company nor the IFA guarantees any future performance or event, or undertakes any obligation to update publicly or revise any forward-looking statements, subject to compliance with all applicable laws and regulations and/or the rules of the SGX-ST and/or any other regulatory or supervisory body or agency.

SUMMARY TIMETABLE

Date of issuance of Offer Document	:	3 March 2021
Date of issuance of this Circular	:	12 March 2021
Closing Date	:	5.30 p.m. (Singapore time) on 31 March 2021 or such later date(s) as may be announced from time to time by or on behalf of the Offeror, being the last date and time for lodgement of acceptances of the Offer
Date of settlement of consideration for valid acceptances of the Offer	:	<p>(a) In respect of acceptances of the Offer which are complete and valid in all respects and are received on or before the date on which the Offer becomes or is declared to be unconditional in all respects in accordance with its terms, within seven (7) Business Days of that date; or</p> <p>(b) in respect of acceptances which are complete and valid in all respects and are received after the Offer becomes or is declared to be unconditional in all respects in accordance with its terms, but before the Offer closes, within seven (7) Business Days of the date of such receipt.</p>

CEI LIMITED

(Incorporated in the Republic of Singapore)
(Company Registration No. 199905114H)

LETTER TO SHAREHOLDERS FROM THE BOARD OF DIRECTORS

Board of Directors:

Mr. Tien Sing Cheong
Mr. Tan Ka Huat
Mr. Tan Bien Chuan
Mr. Gan Chee Yen
Dr. Tang Martin Yue Nien
Ms. Theng Siew Lian Lisa
Mr. Wang Ya Lun Allen

Registered Office:

2 Ang Mo Kio Avenue 12
Singapore 569707

12 March 2021

To : The Shareholders of the Company

Dear Sir/Madam

VOLUNTARY CONDITIONAL OFFER BY PRICEWATERHOUSECOOPERS CORPORATE FINANCE PTE LTD FOR AND ON BEHALF OF THE OFFEROR FOR THE OFFER SHARES

1. BACKGROUND

1.1 Pre-Conditional Offer Announcement and Offer Announcement

On 11 January 2021, PwC CF announced, for and on behalf of the Offeror, a company wholly-owned by AEM Holdings, that subject to the satisfaction of the Pre-Condition, the Offeror intends to make the Offer for the Shares in the capital of the Company other than those already held by the Offeror as at the date of the Offer in accordance with Rule 15 of the Code.

On 15 February 2021, PwC CF announced, for and on behalf of the Offeror, that, *inter alia*, as at 13 February 2021, the Pre-Condition has been satisfied. Accordingly, the Offeror announced its firm intention to make the Offer.

Copies of the Pre-Conditional Offer Announcement and the Offer Announcement are available on the website of the SGX-ST at www.sgx.com.

1.2 Offer Document

Shareholders should have by now received a copy of the Offer Document Notification, which contains the address and instructions for the electronic retrieval of the Offer Document issued on 3 March 2021 setting out, *inter alia*, the terms and conditions of the Offer. The principal terms and conditions of the Offer are set out in Section 2 of the Letter to Shareholders in the Offer Document. **Shareholders are urged to read the terms and conditions of the Offer set out in the Offer Document carefully.**

A copy of the Offer Document is available on the website of the SGX-ST at www.sgx.com.

1.3 Independent Financial Adviser

Provenance Capital has been appointed as the independent financial adviser to the Independent Directors in relation to the Offer.

1.4 Purpose of the Circular

The purpose of this Circular is to provide Shareholders with relevant information pertaining to the Offer and to set out the recommendation of the Independent Directors and the advice of Provenance Capital to the Independent Directors in relation to the Offer.

Shareholders should read the Offer Document, this Circular and the IFA Letter set out in Appendix I to this Circular carefully and consider the recommendation of the Independent Directors and the advice of Provenance Capital to the Independent Directors in relation to the Offer before deciding whether to accept or reject the Offer.

If you are in any doubt about the Offer, you should consult your stockbroker, bank manager, accountant, solicitor, tax adviser or other professional adviser immediately.

2. THE OFFER

2.1 Terms of the Offer

The Offer is made by the Offeror on the principal terms set out in Section 2 of the Letter to Shareholders in the Offer Document, details of which have been extracted from the Offer Document and are set out in italics below. All terms and expressions used in the extracts below shall have the same meanings as those defined in the Offer Document.

“2. THE OFFER

2.1 ***Offer.*** *PwC CF, for and on behalf of the Offeror, hereby makes the Offer to acquire all the Offer Shares in accordance with Rule 15 of the Code and on the terms and subject to the conditions set out in this Offer Document, the FAA and the FAT.*

2.2 ***Offer Shares.*** *The Offer will be extended to all the Shares other than those already held by the Offeror as at the date of the Offer (the “Offer Shares”).*

For the avoidance of doubt, the Offer will be extended, on the same terms and conditions, to all the Shares owned, controlled or agreed to be acquired by parties acting or presumed to be acting in concert with the Offeror. For the purpose of the Offer, the expression “Offer Shares” shall include the aforesaid Shares.

2.3 ***Offer Consideration.*** *The consideration for each Offer Share will be S\$1.15 (the “Offer Consideration”), to be satisfied, at the option of Shareholders who validly accept the Offer, either in cash or a combination of cash and new ordinary shares in the capital of AEM Holdings (the “New AEM Holdings Shares”) in the following proportions:*

For each Offer Share, either:

- (i) S\$1.15 in cash (the “Cash Consideration”);***
- (ii) S\$0.9775 in cash and 0.0486 New AEM Holdings Shares (the “85/15 Cash Shares Consideration”); or***

- (iii) **S\$0.8050 in cash and 0.0972 New AEM Holdings Shares (the “70/30 Cash Shares Consideration” and together with the 85/15 Cash Shares Consideration, the “Cash Shares Consideration Options”).**

Fractions of a New AEM Holdings Share will not be issued to any holder of Offer Shares who accepts the Offer and elects either of the Cash Shares Consideration Options, and will be disregarded. The issue price for each New AEM Holdings Share pursuant to the Cash Shares Consideration Options above is S\$3.55.

Shareholders can only elect one (1) out of the three (3) forms of the Offer Consideration set out above and not a combination thereof in respect of their Offer Shares.

If Shareholders fail to elect their preferred mode of the Offer Consideration, they will be deemed to have chosen to receive the Cash Consideration in respect of all of their Offer Shares tendered in acceptance of the Offer.

The Offer Consideration is final and the Offeror does not intend to revise the Offer Consideration.

By way of illustration:

- (A) *a Shareholder who accepts the Offer and elects to receive the Cash Consideration will receive, for every 1,000 Offer Shares tendered in acceptance of the Offer, S\$1,150 in cash;*
- (B) *a Shareholder who accepts the Offer and elects to receive the 85/15 Cash Shares Consideration will receive, for every 1,000 Offer Shares tendered in acceptance of the Offer, S\$977.50 in cash and 48 New AEM Holdings Shares; and*
- (C) *a Shareholder who accepts the Offer and elects to receive the 70/30 Cash Shares Consideration will receive, for every 1,000 Offer Shares tendered in acceptance of the Offer, S\$805 in cash and 97 New AEM Holdings Shares.*

- 2.4 **New AEM Holdings Shares.** *The New AEM Holdings Shares will be listed on the SGX-ST and will, upon issue, be credited as fully-paid and free from all Encumbrances (as defined below) and will rank pari passu in all respects with the then existing shares in AEM Holdings as at the date of their issue, save that they will not rank for any dividend, rights, allotments or other distributions, the record date for which falls on or before the date of completion of the allotment and issuance of the New AEM Holdings Shares pursuant to the Offer.*

Pursuant to the Offer and based on the terms of the Offer as at the Offer Announcement Date, AEM Holdings will issue (assuming full acceptance of the Offer and that all accepting Shareholders elect to receive the 70/30 Cash Shares Consideration, save for the Individual Undertaking Shareholders and TIHT (each as defined below) who have undertaken to accept the Offer and have elected to receive the 85/15 Cash Shares Consideration and the Cash Consideration respectively) up to approximately 7,047,237 New AEM Holdings Shares representing approximately 2.56% of the total number of issued shares in the capital of AEM Holdings (excluding treasury shares) as at the Offer Announcement Date and approximately 2.49% of the enlarged total number of issued shares in the capital of AEM Holdings. Such New AEM Holdings Shares will be allotted and issued pursuant to the general share issue mandate approved by the

shareholders of AEM Holdings by way of an ordinary resolution at the annual general meeting of AEM Holdings held on 21 May 2020.

- 2.5 **No Encumbrances.** *The Offer Shares are to be acquired (a) fully paid, (b) free from all Encumbrances, and (c) together with all rights, benefits, entitlements and advantages attached thereto as at the Pre-Conditional Offer Announcement Date, and thereafter attaching thereto, including but not limited to the right to receive and retain all Distributions (if any), the Record Date for which falls on or after the Pre-Conditional Offer Announcement Date.*
- 2.6 **Adjustment for Distributions.** *Without prejudice to the foregoing, the Offer Consideration has been determined on the basis that the Offer Shares will be acquired with the right to receive any Distribution, the Record Date for which falls on or after the Pre-Conditional Offer Announcement Date. In the event of any such Distribution, the Offer Consideration payable to a Shareholder who validly accepts or has validly accepted the Offer shall be reduced by an amount which is equal to the amount of such Distribution, depending on when the settlement date in respect of the Offer Shares tendered in acceptance of the Offer (the “Offer Settlement Date”) falls:*
- (a) *if the Offer Settlement Date falls on or before the Record Date and the Offeror is registered as the holder of the relevant Offer Shares as at the Record Date, the Offeror will pay the relevant accepting Shareholders the unadjusted Offer Consideration of S\$1.15 for each Offer Share, as the Offeror will receive the Distribution in respect of such Offer Shares from the Company; and*
 - (b) *if the Offer Settlement Date falls after the Record Date, or if the Offer Settlement Date falls on or before the Record Date but the Offeror is not registered as the holder of the relevant Offer Shares as at the Record Date, the Offer Consideration payable for such Offer Shares tendered in acceptance shall be reduced by an amount which is equal to the Distribution in respect of such Offer Shares, as the Offeror will not receive such Distribution from the Company.*

Please note that in the event the Offer Consideration is reduced by an amount which is equal to the Distribution, the proportion of cash and New AEM Holdings Shares under the Cash Shares Consideration Options will be adjusted based on 85% in the form of cash and 15% in the form of New AEM Holdings Shares (in the case of the 85/15 Cash Shares Consideration) and 70% in the form of cash and 30% in the form of New AEM Holdings Shares (in the case of the 70/30 Cash Shares Consideration) and the exact amount of cash and number of New AEM Holdings Shares payable (based on the issue price of S\$3.55 per New AEM Holdings Share) under the Cash Shares Consideration Options will be announced by or on behalf of the Offeror at the appropriate time.

- 2.7 **Minimum Acceptance Condition.** *The Offer is conditional upon the Offeror having received, by the close of the Offer, valid acceptances in respect of such number of Offer Shares which, when taken together with the Shares owned, controlled or agreed to be acquired by the Offeror and its Concert Parties (either before or during the Offer and pursuant to the Offer or otherwise), will result in the Offeror and its Concert Parties holding such number of Shares carrying more than 50% of the voting rights attributable to the issued Shares as at the close of the Offer (excluding treasury shares) (the “Minimum Acceptance Condition”).*

Save for the Minimum Acceptance Condition, the Offer is unconditional in all other respects.

- 2.8 **No Options Proposal.** *Based on the latest information available to the Offeror, there are no outstanding options to subscribe for new Shares granted under any employee share scheme of the Company (“Options”) as at the Latest Practicable Date. In view of the foregoing, the Offeror will not make an offer to acquire any Options.*
- 2.9 **Warranty.** *A Shareholder who tenders his Offer Shares in acceptance of the Offer will be deemed to unconditionally and irrevocably represent, warrant and undertake to the Offeror that he sells such Offer Shares as or on behalf of the beneficial owner(s) thereof, (a) fully paid, (b) free from all Encumbrances, and (c) together with all rights, benefits, entitlements and advantages attached thereto as at the Pre-Conditional Offer Announcement Date, and thereafter attaching thereto, including the right to all Distributions (if any), the Record Date for which falls on or after the Pre-Conditional Offer Announcement Date.”*

2.2 Details of the Offer

Further details on (a) the duration of the Offer, (b) the settlement of the consideration for the Offer, (c) requirements relating to announcement(s) of the level of acceptances of the Offer, and (d) the right of withdrawal of acceptances of the Offer, are set out in Appendix 1 to the Offer Document.

2.3 Closing Date

The Offer Document states that the Offer is open for acceptance by Shareholders for at least twenty-eight (28) days from the Despatch Date, unless the Offer is withdrawn with the consent of the SIC and every person released from any obligation incurred thereunder.

Accordingly, the Offer will close at 5.30 p.m. (Singapore time) on 31 March 2021 or such later date(s) as may be announced from time to time by or on behalf of the Offeror.

2.4 Procedures for Acceptance

The procedures for acceptance of the Offer are set out in Appendix 2 to the Offer Document.

3. INFORMATION ON THE OFFEROR AND AEM HOLDINGS

Details on the Offeror and AEM Holdings have been extracted from the Offer Document and are set out in italics below. All terms and expressions used in the extract below shall have the same meanings as those defined in the Offer Document.

“5. INFORMATION ON THE OFFEROR AND AEM HOLDINGS

- 5.1 **The Offeror.** *The Offeror is a company incorporated in Singapore on 20 January 1992 and is a direct wholly-owned subsidiary of AEM Holdings. The Offeror is involved in the design and manufacturing of semiconductor manufacturing equipment and related tooling parts and precision machining of components.*

As at the Latest Practicable Date, the Offeror has an issued and paid-up share capital of S\$10,194,491 comprising 10,194,491 ordinary shares, of which 100% is held by AEM Holdings.

As at the Latest Practicable Date, the Directors of the Offeror are as follows:

- (a) *Mr. Chandran Ramesh Nair (Chief Executive Officer of AEM Holdings); and*
- (b) *Ms. Leong Sook Han (Chief Financial Officer and Joint Company Secretary of AEM Holdings).*

As at the Latest Practicable Date, the Offeror does not hold any Shares.

- 5.2 **AEM Holdings.** *AEM Holdings is a company incorporated in Singapore on 21 July 2000 and is listed on the Main Board of the SGX-ST. AEM Holdings is a global leader offering application specific intelligent system test and handling solutions for semiconductor and electronics companies serving advanced computing, 5G and AI markets. These activities are carried out through AEM Holdings' subsidiaries (including the Offeror). Currently, the AEM Group has operations in Asia, Europe and North and Central Americas.*

As at the Latest Practicable Date, AEM Holdings has an issued and paid-up capital of S\$50,726,976.08 comprising 276,862,980 issued ordinary shares (the "AEM Holdings Shares") (of which 1,305,313 are treasury shares).

As at the Latest Practicable Date, the Directors of AEM Holdings are as follows:

- (a) *Mr. Loke Wai San (Non-Executive Chairman and Director);*
- (b) *Mr. Chok Yean Hung (Non-Executive, Non-Independent Director);*
- (c) *Mr. Basil Chan (Independent Director);*
- (d) *Mr. Loh Kin Wah (Independent Director);*
- (e) *Mr. Adrian Chan Pengee (Lead Independent Director);*
- (f) *Mr. James Toh Ban Leng (Non-Executive, Non-Independent Director); and*
- (g) *Mr. Lavi Alexander Lev (Independent Director).*

As at the Latest Practicable Date, AEM Holdings does not hold any Shares.

- 5.3 **Additional Information.** *Additional information on the Offeror and AEM Holdings is set out in Appendix 3 and Appendix 4 to this Offer Document."*

4. IRREVOCABLE UNDERTAKINGS

The full text of the undertakings provided by each of the Undertaking Shareholders has been extracted from Section 7 of the Letter to Shareholders in the Offer Document, and is reproduced below. All terms and expressions used in the extract below shall have the same meanings as those defined in the Offer Document.

“7. IRREVOCABLE UNDERTAKINGS

7.1 **Irrevocable Undertakings.** As at the Latest Practicable Date, the Offeror has received irrevocable undertakings (the “**Irrevocable Undertakings**”) from the Undertaking Shareholders pursuant to which each of the Undertaking Shareholders has, amongst other things, unconditionally and irrevocably undertaken to the Offeror to tender all of its/his respective Shares (the “**Undertaking Shares**”) in acceptance of the Offer and to elect the 85/15 Cash Shares Consideration or the Cash Consideration (as stated below) as the Offer Consideration for the Undertaking Shares.

The names of the Undertaking Shareholders, the number of Shares owned by them as at the Offer Announcement Date and the form of the Offer Consideration elected are as follows:

No.	Name of Undertaking Shareholder	No. of Shares which are the subject of the Irrevocable Undertaking	Percentage of Shares in issue (%)⁽¹⁾	Form of Offer Consideration
1.	Mr. Tien Sing Cheong ⁽²⁾	8,671,900	10.00	85/15 Cash Shares Consideration
2.	Mr. Tan Ka Huat ⁽²⁾	4,013,340	4.63	85/15 Cash Shares Consideration
3.	TIHT Investment Holdings Pte. Ltd.	7,840,800	9.04	Cash Consideration
Total		20,526,040	23.68	

Notes:

- (1) Based on a total number of 86,698,463 Shares (excluding 1,235,750 treasury shares) as at the Announcement Date.
- (2) Each of Mr. Tien Sing Cheong and Mr. Tan Ka Huat is a Director of the Company as at the Announcement Date.

As at the Latest Practicable Date, based on the latest information available to the Offeror, each of the Undertaking Shareholders (a) does not hold any AEM Holdings Securities and (b) has not dealt for value in any AEM Holdings Securities nor Company Securities during the Reference Period.

7.2 **Termination of Irrevocable Undertakings.** Each of the Irrevocable Undertakings shall lapse and cease to have any effect:

- (a) on the date on which the Offer lapses or is withdrawn for any reason other than a breach of the Undertaking Shareholders’ obligations under their respective Irrevocable Undertakings; or

- (b) *(in respect of the Irrevocable Undertakings provided by the Individual Undertaking Shareholders only) on the date on which any bona fide competing offer for all the voting shares of the Company at a higher price than the Offer Consideration becomes or is declared unconditional (provided that the Individual Undertaking Shareholders have not accepted such competing offer), whichever is earlier.*

7.3 **No Other Undertakings.** *Save for the Irrevocable Undertakings, as at the Latest Practicable Date, neither the Offeror nor any of its Concert Parties has received any irrevocable undertaking from any party to accept or reject the Offer.”*

5. RATIONALE FOR THE OFFER AND THE OFFEROR’S INTENTIONS FOR THE COMPANY

The full text of the rationale for the Offer and the Offeror’s intentions for the Company has been extracted from Sections 8 and 9 of the Letter to Shareholders in the Offer Document respectively, and is reproduced below. All terms and expressions used in the extract below shall have the same meanings as those defined in the Offer Document.

“8. RATIONALE FOR THE OFFER

8.1 **Business Synergy.** *The AEM Group believes that the business and operations of the Company are a strategic fit and will provide synergistic benefits to the business and operations of the AEM Group. Some of the synergistic benefits are as follows:*

- (a) *the Company’s printed circuit board assembly capabilities will enable the AEM Group to have improved vertical integration with a higher level of control towards quality and agility over the entire supply chain;*
- (b) *the Company’s regional infrastructure will enable the AEM Group to further increase the level of services to its customers by creating a site-resilient infrastructure that is essential as companies are rethinking the effectiveness of their current supply chain and manufacturing strategies as a result of the pandemic and increasing geo-political tensions;*
- (c) *the Company’s assembly and box build capabilities will further enhance the AEM Group’s service and product offering and in-house key capabilities;*
- (d) *the AEM Group’s scale will provide wider customer reach and extensive cross selling opportunities as well as benefit the Company’s branding and positioning in respect of semiconductor equipment; and*
- (e) *the acquisition of the Company by the AEM Group allows both the AEM Group and the Company to improve overall manufacturing process and efficiency through sharing of know-how and best practices.*

8.2 **Opportunity for Shareholders to Realise their Investment in the Shares at a Premium to Market Price without incurring Brokerage Costs.** *The Offer Consideration represents a premium of approximately 18.22%, 20.63%, 23.82% and 26.10% over the VWAP per Share for the one (1)-month, three (3)-month, six (6)-month and 12-month periods up to and including the Last Trading Day.*

The Cash Consideration therefore presents Shareholders with a clean cash exit opportunity to realise their entire investment in the Shares at a premium over the historical trading prices of the Shares (before the Last Trading Day) without incurring brokerage and other trading costs.

- 8.3 **Opportunity to Participate in the Future Prospects of an Enlarged AEM Group at a Discount to the Current Market Price of AEM Holdings Shares.** The Cash Shares Consideration Options provide Shareholders with an opportunity to participate in the future prospects of an enlarged AEM Group, whilst still realising value for part of their investment in the Company. The issue price of S\$3.55 for each New AEM Holdings Share represents a discount of approximately (i) 2.74% to the last transacted price per AEM Holdings Share of S\$3.65 as at the Last Trading Day, (ii) 17.44% to the last transacted price per AEM Holdings Share of S\$4.30 as at 11 February 2021, being the last trading day prior to the Offer Announcement Date, and (iii) 11.91% to the last transacted price per AEM Holdings Share of S\$4.03 as at the Latest Practicable Date.
- 8.4 **Opportunity to Exit a Stock that has a Historically Low Trading Liquidity.** The trading volume of the Shares has been low, with an average daily trading volume of approximately 24,786 Shares, 21,418 Shares, 20,649 Shares and 25,958 Shares during the one (1)-month period, three (3)-month period, six (6)-month period and 12-month period up to and including the Last Trading Day. These represent only 0.03%, 0.02%, 0.02% and 0.03% of the total number of issued Shares (excluding treasury shares) for the aforementioned relevant periods, respectively.

The Offer therefore provides Shareholders with an opportunity to realise their entire investment in the Shares at a premium over the historical 12 months' market prices¹ which may not otherwise be readily available to Shareholders given the historically low trading liquidity of the Shares.

¹ As of the Last Trading Day.

- 8.5 **Costs of Maintaining Listing Status.** In maintaining its listed status, the Company incurs compliance and associated costs relating to continuing listing requirements under the Listing Manual. The Offeror is making the Offer with a view to delisting and privatising the Company. In the event that the Company is delisted from the SGX-ST, the Company will be able to save on expenses and costs relating to the maintenance of a listed status and channel such resources to its business operations.

9. THE OFFEROR'S INTENTIONS RELATING TO THE COMPANY

The Offeror intends for the Company to continue to develop and grow the existing businesses of the Company and its subsidiaries. The Offeror and the Company will continue to review, from time to time, the operations of the Company and its subsidiaries as well as the Company's strategic options. The Offeror retains the flexibility at any time to further consider any options or opportunities in relation to the Company which may present themselves and which the Offeror may regard to be in the interests of the Offeror and/or the Company.

In the event the Offer becomes or is declared unconditional in all respects in accordance with its terms and the Company becomes an indirect subsidiary of AEM Holdings, the Directors of AEM Holdings may review and make changes to the Company's existing practice regarding the payment of dividends to Shareholders, having regard to the AEM

Group's dividend policy and factors including but not limited to the Company Group's retained earnings, financial position, capital expenditure requirements, future expansion and investment plans.

Save as disclosed above, the Offeror has no current intentions to (a) introduce any major changes to the existing business of the Company, (b) re-deploy the fixed assets of the Company, or (c) discontinue the employment of the existing employees of the Company or its subsidiaries, in each case, other than in the ordinary and usual course of business."

6. THE OFFEROR'S INTENTIONS REGARDING LISTING STATUS AND COMPULSORY ACQUISITION

The full text of the Offeror's intentions relating to the listing status and compulsory acquisition of the Company has been extracted from Section 10 of the Letter to Shareholders in the Offer Document, and is reproduced below. All terms and expressions used in the extract below shall have the same meanings as those defined in the Offer Document.

"10 COMPULSORY ACQUISITION AND LISTING STATUS

10.1 Compulsory Acquisition. *Pursuant to Section 215(1) of the Companies Act, if the Offeror receives valid acceptances pursuant to the Offer (or otherwise acquires Shares during the period when the Offer is open for acceptance) in respect of not less than 90% of the total number of issued Shares (other than those already held by the Offeror, its related corporations or their respective nominees as at the date of the Offer and excluding any Shares held in treasury), the Offeror would be entitled to exercise the right to compulsorily acquire all the Shares of Shareholders who have not accepted the Offer (the "Dissenting Shareholders"), at a consideration equal to the Offer Consideration.*

In such event, the Offeror intends to exercise its right to compulsorily acquire all the Offer Shares not acquired under the Offer. The Offeror will then proceed to delist the Company from the SGX-ST.

Dissenting Shareholders have the right under and subject to Section 215(3) of the Companies Act, to require the Offeror to acquire their Shares at the Offer Consideration in the event that the Offeror, its related corporations or their respective nominees acquire, pursuant to the Offer, such number of Shares which, together with the Shares held by the Offeror, its related corporations or their respective nominees, comprise 90% or more of the total number of issued Shares (excluding Shares held in treasury). Dissenting Shareholders who wish to exercise such rights are advised to seek their own independent legal advice.

10.2 Listing Status. *Pursuant to Rule 1105 of the Listing Manual, upon an announcement by the Offeror that acceptances have been received pursuant to the Offer that bring the holdings owned by the Offeror and its Concert Parties to above 90% of the total number of issued Shares (excluding Shares held in treasury), the SGX-ST may suspend the trading of the Shares on the SGX-ST until such time it is satisfied that at least 10% of the total number of issued Shares (excluding Shares held in treasury) are held by at least 500 Shareholders who are members of the public. Rule 1303(1) of the Listing Manual provides that if the Offeror succeeds in garnering acceptances exceeding 90% of the total number*

of issued Shares (excluding Shares held in treasury), thus causing the percentage of the total number of issued Shares (excluding Shares held in treasury) held in public hands to fall below 10%, the SGX-ST will suspend trading of the Shares only at the close of the Offer.

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

The Offeror intends to privatise the Company and does not intend to preserve the listing status of the Company. In the event that the trading of Shares on the SGX-ST is suspended pursuant to Rule 724, Rule 1105 or Rule 1303(1) of the Listing Manual, the Offeror has no intention to undertake or support any action for any such trading suspension by the SGX-ST to be lifted.

7. DIRECTORS' INTERESTS

Details of the Directors including, *inter alia*, the Directors' direct and deemed interests in Shares and shares in the Offeror as at the Latest Practicable Date are set out in Appendix II to this Circular.

8. ADVICE AND RECOMMENDATION IN RELATION TO THE OFFER

Provenance Capital has been appointed as the IFA to the Independent Directors in relation to the Offer.

Shareholders should read and consider carefully the recommendation of the Independent Directors and the advice of the IFA to the Independent Directors in relation to the Offer in their entirety before deciding whether to accept or reject the Offer.

8.1 Independence of Directors

All of the Independent Directors consider themselves independent for the purposes of making a recommendation to Shareholders in respect of the Offer.

8.2 Evaluation of the Offer by the IFA and the IFA's Advice to the Independent Directors on the Offer

The IFA Letter setting out the advice of the IFA to the Independent Directors in relation to the Offer is set out in Appendix I to this Circular.

The advice and recommendation of the IFA to the Independent Directors in relation to the Offer has been extracted from the IFA Letter and is set out below. Shareholders should read the following extract in conjunction with, and in the context of, the full text of the IFA Letter. All terms and expressions used in the extract below shall have the same meanings as those defined in the IFA Letter.

“9. OUR RECOMMENDATION TO THE DIRECTORS ON THE OFFER

In arriving at our recommendation in respect of the Offer, we have taken into account, reviewed and deliberated on the following key considerations which we considered to be pertinent in our assessment of the Offer:

- (a) Market quotation and trading activity of the Shares;*
- (b) Financial analysis of the Group;*
- (c) Comparison with recently completed privatisation of companies listed on the SGX-ST;*
- (d) Comparison of valuation ratios of selected listed companies which are broadly comparable to the Group;*
- (e) Comparison with precedent M&A transactions of companies which are broadly comparable to the Group;*
- (f) Assessment of the estimated valuation of the Shares (without the impact of the AEM Holdings Shares);*
- (g) Assessment of the Cash Shares Consideration Options (taking into consideration the impact of the AEM Holdings Shares);*
- (h) Dividend track record of the Company; and*
- (i) Other relevant considerations in relation to the Offer.*

Based on our analysis and after having considered carefully the information available to us as at the Latest Practicable Date, overall, we are of the view that the financial terms of the Offer, in particular, the Offer Consideration of S\$1.15 for each Share, are fair and reasonable. Accordingly, we advise the Independent Directors to recommend Shareholders to ACCEPT the Offer.

From a financial viewpoint, our assessment of the Offer and recommendation on the election of the 3 forms of the Offer Consideration are as follows:

- Option 1 - Shareholders who wish to realise their entire investment in the Shares with the certainty of the consideration in cash should sell their Shares in the open market if they can get a price higher than the Cash Consideration of S\$1.15 (after deducting transaction costs) instead of accepting the Offer. Otherwise, they should accept the Cash Consideration.*
- Option 2 - Shareholders who wish to realise their investment in the Shares partly in cash and are prepared to bear some but not prepared to bear the higher proportion of risk of an investment in AEM Holdings under Option 3, should accept the Offer and elect Option 2, (a) if they are confident of realising the implied value of the Offer Consideration (implied by the market share price of the AEM Holdings Shares) higher than the Cash Consideration and the market price of the Shares (after*

deducting transaction costs); or (b) if they wish to stay invested in the enlarged AEM Group at the entry price of S\$3.55, being the Issue Price for each New AEM Holdings Shares pursuant to the Offer.

- Option 3 - Shareholders who wish to realise their investment in the Shares partly in cash and are prepared to bear a higher proportion of risk of an investment in AEM Holdings compared to Option 2, should accept the Offer and elect Option 3, (a) if they are confident of realising the implied value of the Offer Consideration (implied by the market share price of the AEM Holdings Shares) higher than the Cash Consideration, the market price of the Shares and the implied value of the Offer Consideration under Option 2; or (b) if they wish to stay invested in the enlarged AEM Group at a higher proportion of New AEM Holdings Shares compared to Option 2 at the entry price of S\$3.55, being the Issue Price for each New AEM Holdings Shares pursuant to the Offer.*

In arriving at our recommendation on the Offer, it is pertinent to note the following:

- (i) Our recommendation on the Offer is from a financial viewpoint based on the prevailing market share prices of the Shares and the AEM Holdings Shares as at the Latest Practicable Date, and such market share prices may vary from time to time.*
- (ii) The Offer is subject to the Minimum Acceptance Condition and has not become or been declared to become unconditional in all respects as at the Latest Practicable Date. Shareholders should therefore note that if the Minimum Acceptance Condition is not met by the close of the Offer, the Offer will lapse and all Shares tendered will be returned to the respective Shareholders. Accordingly, Shareholders who accept the Offer will only have the certainty of the Offer Consideration when the Offer has been declared to have become unconditional in all respects.*

Shareholders should note that settlement of the Offer Consideration for their Offer Shares will be paid within 7 business days after the Offer has been declared unconditional in all respects or upon the receipt of valid acceptances where such acceptances were tendered after the Offer has been declared unconditional in all respects. Shareholders should also note that the market share price of the AEM Holdings Shares at settlement date may vary from the market share price of the AEM Holdings Shares used in computing the implied value of the Offer Consideration at the time of electing the Offer Consideration.

- (iii) If the Offer becomes unconditional in all respects, the Group will become a subsidiary of the AEM Group. Shareholders who elect either Option 2 or Option 3 have the option to stay invested in the New AEM Holdings Shares and participate as shareholders of the enlarged AEM Group, or sell their New AEM Holdings Shares in the open market as the AEM Holdings Shares are listed and quoted on the SGX-ST. Shareholders who elect the Cash Shares Consideration Options should assess for themselves the future prospects of AEM Holdings and the extent of the risk exposure they are prepared to take in an investment in the AEM Holdings Shares, as Option 3 has a larger proportion of the Offer Consideration being in the form of the New AEM Holdings Shares compared to Option 2. In the event that the Offeror is able to exercise its right of compulsory acquisition to acquire all the Offer Shares not acquired under the Offer, the Company will be wholly-owned by the AEM Group, and the Offeror will proceed to delist the Company from the SGX-ST. Otherwise, the Company may remain listed on the SGX-ST.*

- (iv) Pursuant to the Irrevocable Undertakings, the Individual Undertaking Shareholders have undertaken to accept the Offer and elect Option 2 (85/15 Cash Shares Consideration) and TIHT has undertaken to accept the Offer and elect Option 1 (Cash Consideration).
- (v) We do not reflect any projections on the future financial performance or share price performance of the AEM Holdings Shares. As AEM Holdings is listed on the SGX-ST, relevant information on AEM Holdings is available on the website of the SGX-ST and in the Offer Document.
- (vi) Shareholders who elect the Cash Shares Consideration Options should note that fractions of a New AEM Holdings Share will not be issued and will be disregarded. Shareholders who elect such options will become minority shareholders of AEM Holdings.

In addition, the New AEM Holdings Shares will rank pari passu in all respects with the then existing shares in AEM Holdings as at the date of their issue, save that they will not rank for any dividend, rights, allotments or other distributions, the record date for which falls on or before the date of completion of the allotment and issuance of the New AEM Holdings Shares pursuant to the Offer.

As set out in Section 3.5 of this Letter, AEM Holdings has, in connection with its results announcement for FY2020, proposed the payment of final dividend of S\$0.04 for each AEM Holdings Share in cash on 31 May 2021 and has given notice for the record date for the purpose of payment of dividend to be at 5.00 p.m. on 17 May 2021.

If Shareholders fail to elect their preferred mode of the Offer Consideration, they will be deemed to have chosen to receive the Cash Consideration in respect of all of their Offer Shares tendered in acceptance of the Offer.

Shareholders should take note of any announcements relevant to their consideration of the Offer which may be released or published after the Latest Practicable Date.

In rendering our advice and recommendation, we have not given regard to the specific investment objectives, financial situation, tax position, risk profiles or particular needs and constraints of any individual Shareholder. As each individual Shareholder may have different investment objectives and profiles, we would advise that any individual Shareholder who may require specific advice in relation to his investment objectives or portfolio should consult his legal, financial, tax or other professional adviser immediately. The Independent Directors should advise Shareholders that the opinion and advice of Provenance Capital should not be relied upon by any Shareholder as the sole basis for deciding whether or not to accept the Offer, and which form of the Offer Consideration to elect should they accept the Offer.”

Shareholders should read and consider carefully the key considerations relied upon by the IFA in arriving at its advice to the Independent Directors in conjunction with, and in the context of, the full text of the IFA Letter.

8.3 Recommendation of the Independent Directors

The Independent Directors have reviewed and considered carefully the terms of the Offer and the advice given by the IFA in the IFA Letter. The Independent Directors **concur** with the IFA's assessment of the Offer and their advice and recommendation thereon, as extracted from the IFA Letter and reproduced in paragraph 8.2 above. Accordingly, the Independent Directors recommend that Shareholders **accept** the Offer.

In relation to the 3 forms of the Offer Consideration, Shareholders should note the following:

- Option 1 - Shareholders who wish to realise their entire investment in the Shares with the certainty of the consideration in cash should sell their Shares in the open market if they can get a price higher than the Cash Consideration of S\$1.15 (after deducting transaction costs) instead of accepting the Offer. Otherwise, they should accept the Cash Consideration.
- Option 2 - Shareholders who wish to realise their investment in the Shares partly in cash and are prepared to bear some but not prepared to bear the higher proportion of risk of an investment in AEM Holdings under Option 3, should accept the Offer and elect Option 2, (a) if they are confident of realising the implied value of the Offer Consideration (implied by the market share price of the AEM Holdings Shares) higher than the Cash Consideration and the market price of the Shares (after deducting transaction costs); or (b) if they wish to stay invested in the enlarged AEM Group at the entry price of S\$3.55, being the Issue Price for each New AEM Holdings Shares pursuant to the Offer.
- Option 3 - Shareholders who wish to realise their investment in the Shares partly in cash and are prepared to bear a higher proportion of risk of an investment in AEM Holdings compared to Option 2, should accept the Offer and elect Option 3, (a) if they are confident of realising the implied value of the Offer Consideration (implied by the market share price of the AEM Holdings Shares) higher than the Cash Consideration, the market price of the Shares and the implied value of the Offer Consideration under Option 2; or (b) if they wish to stay invested in the enlarged AEM Group at a higher proportion of New AEM Holdings Shares compared to Option 2 at the entry price of S\$3.55, being the Issue Price for each New AEM Holdings Shares pursuant to the Offer.

The Independent Directors advise the Shareholders that in deciding whether to accept or reject the Offer and the election of the 3 forms of Offer Consideration, to carefully consider the advice of the IFA and in particular, the following as extracted from the IFA Letter and reproduced below. Shareholders should read the following extract in conjunction with, and in the context of, the full text of the IFA Letter. All terms and expressions used in the extract below shall have the same meanings as those defined in the IFA Letter:

“In arriving at our recommendation on the Offer, it is pertinent to note the following:

- (i) Our recommendation on the Offer is from a financial viewpoint based on the prevailing market share prices of the Shares and the AEM Holdings Shares as at the Latest Practicable Date, and such market share prices may vary from time to time.*
- (ii) The Offer is subject to the Minimum Acceptance Condition and has not become or been declared to become unconditional in all respects as at the Latest Practicable Date. Shareholders should therefore note that if the Minimum Acceptance Condition is not met by the close of the Offer, the Offer will lapse and all Shares tendered will be returned to the respective Shareholders. Accordingly, Shareholders who accept the Offer will only have the certainty of the Offer Consideration when the Offer has been declared to have become unconditional in all respects.*

Shareholders should note that settlement of the Offer Consideration for their Offer Shares will be paid within 7 business days after the Offer has been declared unconditional in all respects or upon the receipt of valid acceptances where such acceptances were tendered after the Offer has been declared unconditional in all respects. Shareholders should also note that the market share price of the AEM Holdings Shares at settlement date may vary from the market share price of the AEM Holdings Shares used in computing the implied value of the Offer Consideration at the time of electing the Offer Consideration.

- (iii) *If the Offer becomes unconditional in all respects, the Group will become a subsidiary of the AEM Group. Shareholders who elect either Option 2 or Option 3 have the option to stay invested in the New AEM Holdings Shares and participate as shareholders of the enlarged AEM Group, or sell their New AEM Holdings Shares in the open market as the AEM Holdings Shares are listed and quoted on the SGX-ST. Shareholders who elect the Cash Shares Consideration Options should assess for themselves the future prospects of AEM Holdings and the extent of the risk exposure they are prepared to take in an investment in the AEM Holdings Shares, as Option 3 has a larger proportion of the Offer Consideration being in the form of the New AEM Holdings Shares compared to Option 2. In the event that the Offeror is able to exercise its right of compulsory acquisition to acquire all the Offer Shares not acquired under the Offer, the Company will be wholly-owned by the AEM Group, and the Offeror will proceed to delist the Company from the SGX-ST. Otherwise, the Company may remain listed on the SGX-ST.*
- (iv) *Pursuant to the Irrevocable Undertakings, the Individual Undertaking Shareholders have undertaken to accept the Offer and elect Option 2 (85/15 Cash Shares Consideration) and TIHT has undertaken to accept the Offer and elect Option 1 (Cash Consideration).*
- (v) *We do not reflect any projections on the future financial performance or share price performance of the AEM Holdings Shares. As AEM Holdings is listed on the SGX-ST, relevant information on AEM Holdings is available on the website of the SGX-ST and in the Offer Document.*
- (vi) *Shareholders who elect the Cash Shares Consideration Options should note that fractions of a New AEM Holdings Share will not be issued and will be disregarded. Shareholders who elect such options will become minority shareholders of AEM Holdings.*

In addition, the New AEM Holdings Shares will rank pari passu in all respects with the then existing shares in AEM Holdings as at the date of their issue, save that they will not rank for any dividend, rights, allotments or other distributions, the record date for which falls on or before the date of completion of the allotment and issuance of the New AEM Holdings Shares pursuant to the Offer.

As set out in Section 3.5 of this Letter, AEM Holdings has, in connection with its results announcement for FY2020, proposed the payment of final dividend of S\$0.04 for each AEM Holdings Share in cash on 31 May 2021 and has given notice for the record date for the purpose of payment of dividend to be at 5.00 p.m. on 17 May 2021.

If Shareholders fail to elect their preferred mode of the Offer Consideration, they will be deemed to have chosen to receive the Cash Consideration in respect of all of their Offer Shares tendered in acceptance of the Offer.

Shareholders should take note of any announcements relevant to their consideration of the Offer which may be released or published after the Latest Practicable Date.

In rendering our advice and recommendation, we have not given regard to the specific investment objectives, financial situation, tax position, risk profiles or particular needs and constraints of any individual Shareholder. As each individual Shareholder may have different investment objectives and profiles, we would advise that any individual Shareholder who may require specific advice in relation to his investment objectives or portfolio should consult his legal, financial, tax or other professional adviser immediately. The Independent Directors should advise Shareholders that the opinion and advice of Provenance Capital should not be relied upon by any Shareholder as the sole basis for deciding whether or not to accept the Offer, and which form of the Offer Consideration to elect should they accept the Offer.”

SHAREHOLDERS ARE ADVISED TO READ THE FULL TEXT OF THE IFA LETTER SET OUT IN APPENDIX I TO THIS CIRCULAR CAREFULLY BEFORE DECIDING WHETHER TO ACCEPT OR REJECT THE OFFER.

Shareholders are advised to read the terms and conditions of the Offer Document carefully. Shareholders should note that the IFA's advice to the Independent Directors in relation to the Offer should not be relied upon by any Shareholder as the sole basis for deciding whether to accept or reject the Offer.

In rendering the advice and recommendation above, both the IFA and the Independent Directors have not given regard to the specific investment objectives, financial situation, tax position, risk profiles or particular needs and constraints of any individual Shareholder. As each individual Shareholder may have different investment objectives and profiles, the Independent Directors would advise that any individual Shareholder who may require specific advice in relation to his investment objectives or portfolio should consult his legal, financial, tax or other professional adviser immediately.

9. OVERSEAS SHAREHOLDERS

Overseas Shareholders should refer to Section 14 of the Letter to Shareholders in the Offer Document, which is reproduced below. All terms and expressions used in the extract below shall have the same meanings as those defined in the Offer Document.

"14. OVERSEAS SHAREHOLDERS

14.1 Overseas Jurisdictions. *This Offer Document does not constitute an offer to sell or the solicitation of an offer to subscribe for or buy any security, nor is it a solicitation of any vote or approval in any jurisdiction, nor shall there be any sale, issuance or transfer of the securities referred to in this Offer Document in any jurisdiction in contravention of applicable law.*

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

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

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

- 14.2 **Overseas Shareholders.** *The availability of the Offer to Shareholders whose addresses are outside Singapore as shown in the Register or in the Depository Register (as the case may be) (each, an “Overseas Shareholder”) may be affected by the laws of the relevant overseas jurisdictions in which they are located. Accordingly, Overseas Shareholders should inform themselves of, and observe, any applicable requirements in the relevant overseas jurisdictions.*

For the avoidance of doubt, the Offer will be open to all Shareholders, including those to whom the Notification (containing the address and instructions for retrieval of the Offer Document and its related documents) and the relevant Acceptance Forms may not be sent.

- 14.3 **Copies of the Notification and the relevant Acceptance Forms.** *Where there are potential restrictions on sending the Notification (containing the address and instructions for the electronic retrieval of this Offer Document and its related documents) and the relevant Acceptance Forms to any overseas jurisdiction, the Offeror and PwC CF each reserves the right not to send these documents to such overseas jurisdictions where there may be potential restrictions on sending of the same. Subject to compliance with applicable laws, any affected Overseas Shareholder may, nonetheless, obtain copies of the Notification (containing the address and instructions for the electronic retrieval of this Offer Document and its related documents), the relevant Acceptance Forms and any related documents during normal business hours and up to the Closing Date from (a) CDP (if he is a Depositor) by submitting a request to CDP via phone (+65 6535 7511) or email service (asksgx@sgx.com), or (b) the office of the Registrar at 30 Cecil Street, #19-08 Prudential Tower, Singapore 049712.*
- 14.4 *Alternatively, an affected Overseas Shareholder may, subject to compliance with applicable laws, write to the Offeror through CDP (if he is a Depositor) at Robinson Road Post Office, P.O. Box 1984, Singapore 903934, or the Registrar (if he is a scripholder) at 30 Cecil Street, #19-08 Prudential Tower, Singapore 049712, to request for the Notification (containing the address and instructions for the electronic retrieval of this Offer Document and its related documents), the relevant Acceptance Forms (with no shareholder details printed on the relevant Acceptance Forms) and any related documents to be sent to an address in Singapore by ordinary post at his own risk, up to five (5) Market Days prior to the Closing Date.*
- 14.5 **Compliance with applicable laws.** *It is the responsibility of any Overseas Shareholder who wishes to (a) request for the Notification (containing the address and instructions for the electronic retrieval of this Offer Document and its related documents), the relevant Acceptance Forms and/or any related documents, and/or (b) accept the Offer, to satisfy himself as to the full observance of the laws of the relevant overseas jurisdiction in that connection, including the obtaining of any governmental or other consent which may be required, or compliance with other necessary formalities or legal requirements and the payment of any taxes, imposts, duties or other requisite payments due in such jurisdiction. Such Overseas Shareholder shall be liable for any such taxes, imposts, duties or other requisite payments payable and the Offeror, its related corporations, PwC CF, CDP, the Registrar and any person acting on their behalf shall be fully indemnified and held harmless by such Overseas Shareholder for any such taxes, imposts, duties or other requisite payments as the Offeror, its related corporations, PwC CF, CDP, the Registrar and/or any person acting on their behalf may be required to pay. In (i) requesting for the Notification (containing the address and instructions for the electronic retrieval of this Offer Document and its related documents),*

the relevant Acceptance Forms and/or any related documents, and/or (ii) accepting the Offer, the Overseas Shareholder represents and warrants to the Offeror and PwC CF that he is in full observance of the laws of the relevant jurisdiction in that connection and that he is in full compliance with all necessary formalities or legal requirements.

Any Overseas Shareholder who is in doubt about his position should consult his professional adviser in the relevant jurisdiction.

- 14.6 **Notice.** *The Offeror and PwC CF each reserves the right to notify any matter, including the fact that the Offer has been made, to any or all Shareholders (including Overseas Shareholders) by announcement to the SGX-ST or paid advertisement in a daily newspaper published or circulated in Singapore, in which case, such notice shall be deemed to have been sufficiently given notwithstanding any failure by any Shareholder to receive or see such announcement or advertisement.*

10. ACTION TO BE TAKEN BY SHAREHOLDERS

Shareholders who wish to accept the Offer, must do so not later than 5.30 p.m. (Singapore time) on 31 March 2021 or such later date(s) as may be announced from time to time by or on behalf of the Offeror and should follow the procedures as set out in Appendix 2 to the Offer Document and in the accompanying FAA and/or FAT (as applicable).

Shareholders who do not wish to accept the Offer need not take further action in respect of the Offer Document, the FAA and/or the FAT which have been sent to them.

11. INFORMATION PERTAINING TO CPFIS INVESTORS AND SRS INVESTORS

Section 15 of the Letter to Shareholders in the Offer Document sets out information pertaining to CPFIS Investors and SRS Investors, details of which have been extracted from the Offer Document and are set out in italics below. All terms and expressions used in the extract below shall have the same meanings as those defined in the Offer Document.

“15. INFORMATION PERTAINING TO CPFIS INVESTORS AND SRS INVESTORS

- 15.1 **CPFIS Investors.** *CPFIS Investors will receive further information on how to accept the Offer from their respective CPFIS Agent Banks directly. CPFIS Investors are advised to consult their respective CPFIS Agent Banks should they require further information, and if they are in any doubt as to the action they should take, CPFIS Investors should seek independent professional advice.*

CPFIS Investors who wish to accept the Offer are to reply to their respective CPFIS Agent Banks accordingly by the deadline stated in the letter from their respective CPFIS Agent Banks. Subject to the Offer becoming or being declared unconditional in all respects in accordance with its terms, CPFIS Investors who accept the Offer will receive the Offer Consideration payable in respect of their Offer Shares validly tendered in acceptance of the Offer, in their CPFIS investment accounts.

- 15.2 **SRS Investors.** *SRS Investors will receive further information on how to accept the Offer from their respective SRS Agent Banks directly. SRS Investors are advised to consult their respective SRS Agent Banks should they require further information, and if they are in any doubt as to the action they should take, SRS Investors should seek independent professional advice.*

SRS Investors who wish to accept the Offer are to reply to their respective SRS Agent Banks accordingly by the deadline stated in the letter from their respective SRS Agent Banks. Subject to the Offer becoming or being declared unconditional in all respects in accordance with its terms, SRS Investors who accept the Offer will receive the Offer Consideration payable in respect of their Offer Shares, in their SRS investment accounts.”

12. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors (including those who may have delegated detailed supervision of this Circular) have taken all reasonable care to ensure that the facts stated and all opinions expressed herein are fair and accurate and that no material facts have been omitted from this Circular, the omission of which would make any statement in this Circular misleading.

Where any information has been extracted or reproduced from published or otherwise publicly available sources or obtained from the Offeror (including, without limitation, the Offer Announcement and the Offer Document), the sole responsibility of the Directors has been to ensure, through reasonable enquiries, that such information is accurately extracted from such sources or, as the case may be, accurately reflected or reproduced herein.

In respect of the IFA Letter and the Valuation Documents, the sole responsibility of the Directors has been to ensure that the facts stated with respect to the Group are fair and accurate.

The Directors jointly and severally accept responsibility accordingly.

Yours faithfully
For and on behalf of the Board

Mr. Tien Sing Cheong
Chairman

**LETTER FROM PROVENANCE CAPITAL PTE. LTD. TO THE
INDEPENDENT DIRECTORS IN RELATION TO THE OFFER**

PROVENANCE CAPITAL PTE. LTD.

(Company Registration Number: 200309056E)

(Incorporated in the Republic of Singapore)

96 Robinson Road #13-01 SIF Building

Singapore 068899

12 March 2021

To: The Independent Directors of CEI Limited
(who are deemed independent in respect of the Offer)

Mr Tien Sing Cheong	(Executive Chairman)
Mr Tan Ka Huat	(Managing Director)
Mr Tan Bien Chuan	(Lead Independent Director)
Mr Gan Chee Yen	(Non-Executive Director)
Dr Tang Martin Yue Nien	(Independent Director)
Ms Theng Siew Lian Lisa	(Independent Director)
Mr Wang Ya Lun Allen	(Alternate Director to Mr Gan Chee Yen)

Dear Sirs/Mdm,

VOLUNTARY CONDITIONAL OFFER FOR CEI LIMITED

Unless otherwise defined or the context otherwise requires, all terms used herein have the same meanings as defined in the circular to the shareholders of CEI Limited (“Shareholders”) dated 12 March 2021 (“Circular”). For the purpose of this letter (“Letter”), we have determined the latest practicable date (“Latest Practicable Date”) as 8 March 2021, being the Latest Practicable Date as defined in the Circular.

1. INTRODUCTION

1.1 Pre-Conditional Offer

On 11 January 2021 (“Pre-Conditional Offer Announcement Date”), PricewaterhouseCoopers Corporate Finance Pte Ltd (“PwC CF”) announced (“Pre-Conditional Offer Announcement”), for and on behalf of AEM Singapore Pte. Ltd. (“Offeror”), that subject to and contingent upon the satisfaction of a pre-condition (“Pre-Condition”), the Offeror intends to make a voluntary conditional offer (“Offer”) for all the issued and paid-up ordinary shares (excluding any shares held in treasury) (“Shares”) in the capital of CEI Limited (“Company”) other than those already held by the Offeror as at the date of the Offer (“Offer Shares”) in accordance with Rule 15 of the Singapore Code on Take-overs and Mergers (“Code”).

The Offeror is a wholly-owned subsidiary of AEM Holdings Ltd. (“AEM Holdings”), a company listed on the Mainboard of the Singapore Exchange Securities Trading Limited (“SGX-ST”).

The Pre-Condition is in relation to the making of the Offer being subject to the approval-in-principle of the SGX-ST for the listing and quotation of the new ordinary shares in the capital of AEM Holdings (“New AEM Holdings Shares”) being obtained.

Subject to and contingent upon the satisfaction of the Pre-Condition, the consideration for the Offer will be at S\$1.15 (“Offer Consideration”) and Shareholders who validly accept the Offer has the option to elect one (1) out of the following three (3) forms of the Offer Consideration, and not a combination thereof in respect of their Offer Shares:

For each Offer Share, either:

- (i) S\$1.15 in cash (“Cash Consideration”);

- (ii) S\$0.9775 in cash and 0.0486 New AEM Holdings Shares ("**85/15 Cash Shares Consideration**"); or
- (iii) S\$0.8050 in cash and 0.0972 New AEM Holdings Share ("**70/30 Cash Shares Consideration**") and together with the 85/15 Cash Shares Consideration, "**Cash Shares Consideration Options**").

Fractions of a New AEM Holdings Share will not be issued to any holder of Offer Shares who accepts the Offer and elects either of the Cash Shares Consideration Options, as such fractional New AEM Holdings Share will be disregarded. The issue price for each New AEM Holdings Share pursuant to the Cash Shares Consideration Options is S\$3.55 ("**Issue Price**").

If Shareholders fail to elect their preferred mode of the Offer Consideration, they will be deemed to have chosen to receive the Cash Consideration in respect of all of their Offer Shares tendered in acceptance of the Offer.

The Offeror has stated that the Offer Consideration is final and it does not intend to revise the Offer Consideration.

The Offer (if and when made) is conditional upon the Offeror having received, by the close of the Offer, valid acceptances in respect of such number of Offer Shares which, when taken together with the Shares owned, controlled or agreed to be acquired by the Offeror and the parties acting in concert with it (either before or during the Offer and pursuant to the Offer or otherwise), will result in the Offeror and the parties acting in concert with it holding such number of Shares carrying more than 50% of the voting rights attributable to the issued Shares as at the close of the Offer (excluding treasury shares) ("**Minimum Acceptance Condition**").

Save for the Minimum Acceptance Condition, the Offer is unconditional in all other respects.

In connection with the Offer, certain Shareholders ("**Undertaking Shareholders**") namely, Mr Tien Sing Cheong and Mr Tan Ka Huat ("**Individual Undertaking Shareholders**"), and TIHT Investment Holdings Pte. Ltd. ("**TIHT**") have each given their respective irrevocable undertakings ("**Irrevocable Undertakings**") to the Offeror, subject to the satisfaction of the Pre-Condition, to, *inter alia*, tender all their Shares, representing in aggregate 23.68% of the issued share capital of the Company, in acceptance of the Offer.

Further details of the Irrevocable Undertakings are set out in Section 5 of this Letter.

1.2 Offer Announcement

On 15 February 2021, AEM Holdings announced that it has, on 13 February 2021, received the approval-in-principle of the SGX-ST for the listing and quotation of the New AEM Holdings Shares.

Accordingly, the Pre-Condition has been satisfied and on 15 February 2021 ("**Offer Announcement Date**"), PwC CF announced, for and on behalf of the Offeror, the Offeror's firm intention to make the Offer ("**Offer Announcement**").

1.3 Our role as Independent Financial Adviser in relation to the Offer

In connection with the Offer, we have been appointed as the Independent Financial Adviser ("**IFA**") to the directors of the Company who are considered to be independent in respect of the Offer ("**Independent Directors**"), for the purpose of making their recommendation to Shareholders in relation to the Offer.

As at the Latest Practicable Date, the Directors of the Company ("**Directors**") are as follows:

- (a) Mr Tien Sing Cheong (Executive Chairman)
- (b) Mr Tan Ka Huat (Managing Director)

- | | | |
|-----|-------------------------|---|
| (c) | Mr Tan Bien Chuan | (Lead Independent Director) |
| (d) | Mr Gan Chee Yen | (Non-Executive Director) |
| (e) | Dr Tang Martin Yue Nien | (Independent Director) |
| (f) | Ms Theng Siew Lian Lisa | (Independent Director) |
| (g) | Mr Wang Ya Lun Allen | (Alternate Director to Mr Gan Chee Yen) |

The Company has confirmed that all the Directors are deemed independent in respect of the Offer.

This Letter is therefore addressed to the Independent Directors and sets out, *inter alia*, our evaluation of the financial terms of the Offer and our recommendations on the Offer. This Letter forms part of the Circular which provides, *inter alia*, details of the Offer and the recommendations of the Independent Directors to Shareholders on the Offer.

Shareholders should have by now been notified of the offer document ("**Offer Document**") dated 3 March 2021 setting out, *inter alia*, the terms and conditions of the Offer. Electronic copies of the Offer Document are available on the SGXNET.

2. TERMS OF REFERENCE

Provenance Capital has been appointed as the IFA to advise the Independent Directors in respect of their recommendations to Shareholders in relation to the Offer.

We have confined our evaluation and assessment to the financial terms of the Offer, and have not taken into account the commercial risks or commercial merits of the Offer. In addition, we have not been requested to, and we do not express any advice or give any opinion on the merits of the Offer relative to any other alternative transaction. We were not involved in the negotiations pertaining to the Offer nor were we involved in the deliberations leading up to the decision to put forth the Offer to the Shareholders.

The scope of our appointment does not require us to express, and we do not express, any view on the future growth prospects, financial position or earnings potential of the Company and its subsidiaries ("**Group**"). Such evaluation or comments remain the responsibility of the Directors although we may draw upon their views or make such comments in respect thereof (to the extent deemed necessary or appropriate by us) in arriving at our opinion. The opinion set forth herein is based solely on publicly available information as well as information provided by the Directors and the management of the Group ("**Management**"), and is predicated upon the economic and market conditions prevailing as at the Latest Practicable Date. This Letter therefore does not reflect any projections on the future financial performance of the Group and we do not express any views as to the prices at which the Shares may trade after the close of the Offer.

We have not been requested or authorised to solicit, and we have not solicited, any indications of interest from any third party with respect to the Shares. In this regard, we have not addressed the relative merits of the Offer in comparison with any alternative transaction the Company may consider in the future. Therefore, we do not express any views in these areas in arriving at our recommendation.

In formulating our opinion and recommendation, we have held discussions with the Directors and Management and have relied to a considerable extent on the information set out in the Circular, other public information collated by us and the information, representations, opinions, facts and statements provided to us, whether written or verbal, by the Company and its other professional advisers. Whilst care has been exercised in reviewing the information we have relied upon, we have not independently verified the information both written and verbal and accordingly cannot and do not make any representation or warranty, expressly or impliedly, in respect of, and do not accept any responsibility for, the accuracy, completeness or adequacy of such information. We nevertheless have made such enquiry and judgement as were deemed necessary and have found no reason to doubt the accuracy or reliability of such information.

We have not made an independent evaluation or appraisal of the assets and liabilities of the Company and/or the Group (including without limitation, the Group's leasehold land and buildings ("**Properties**")).

However, in connection with the Offer, the Company has commissioned the respective valuers ("**Valuers**") to carry out independent market valuations of the Properties:

Properties	Valuers
2 Ang Mo Kio Avenue 12 Ang Mo Kio Industrial Park II Singapore 569707	RHT Valuation Pte. Ltd.
Plots 21A & 21B, Street 6, Vietnam-Singapore Industrial Park, Thuan An City, Binh Duong Province, Vietnam	Savills Vietnam Co., Ltd.
Batamindo Industrial Park Lot 312-313, Jalan Beringin, Muka Kuning Batam, Indonesia	KJPP Willson dan Rekan in association with Knight Frank

Copies of the valuation summary or valuation certificate ("**Valuation Summary**") of the Properties are attached as Appendix IV to the Circular.

We are not experts in the evaluation or appraisal of the assets concerned and we have placed sole reliance on the independent valuations by the Valuers for such asset appraisal and have not made any independent verification of the contents thereof. In particular, we do not assume any responsibility to enquire about the basis of the valuation contained in their valuation certificates or if the contents thereof have been prepared and/or included in the Circular in accordance with all applicable regulatory requirements including the Code.

The information we have relied on in the assessment of the Offer was based on market, economic, industry, monetary and other conditions prevailing as at the Latest Practicable Date, which may change significantly over a relatively short period of time. We assume no responsibility to update, revise or reaffirm our opinion or assumptions in light of any subsequent development after the Latest Practicable Date that may affect our opinion or assumptions contained herein. Shareholders should take note of any announcements relevant to their consideration of the Offer which may be released or published after the Latest Practicable Date.

In rendering our advice and giving our recommendation, we have not considered the specific investment objectives, financial situation, tax position, risk profiles or particular needs and constraints of any Shareholder. As each Shareholder may have different investment profiles and objectives, we advise the Directors to recommend that any Shareholder who may require specific advice in relation to his investment portfolio should consult his stockbroker, bank manager, solicitor, accountant, tax adviser or other professional adviser immediately.

The Company has been separately advised by its own professional advisers in the preparation of the Circular. We have no role or involvement and have not and will not provide any advice (financial or otherwise) in the preparation, review and verification of the Circular. Accordingly, we take no responsibility for and express no view, whether expressed or implied, on the contents of the Circular (other than this Letter).

Whilst a copy of this Letter may be reproduced in the Circular, neither the Company, the Directors nor any other person may reproduce, disseminate or quote this Letter (or any part thereof) for any purpose, other than for the purpose of the Offer, at any time and in any manner without the prior written consent of Provenance Capital in each specific case.

Our opinion is addressed to the Independent Directors for their benefit and deliberation of the Offer. Their recommendation made to Shareholders in relation to the Offer shall remain the responsibility of the Independent Directors.

Our recommendation to the Independent Directors in relation to the Offer should be considered in the context of the entirety of this Letter and the Circular.

Responsibility Statement by the Directors

The Directors (including the Alternate Director) have confirmed that, to the best of their knowledge and belief, all material information relating to the Company and the Group provided to us in connection with the Offer, is true, complete and accurate in all material respects and there is no other information or fact, the omission of which would cause any information disclosed to us or the facts of or in relation to the Offer to be inaccurate, incomplete or misleading in any material respect. The Directors (including the Alternate Director) jointly and severally accept responsibility accordingly.

3. THE OFFER

The detailed terms and conditions of the Offer are set out in Section 2 and Appendices 1 and 2 to the Offer Document. The key terms of the Offer are set out below for your reference:

3.1 Offer Shares

The Offer is made for all the Shares in issue (excluding treasury shares) other than those Shares already held by the Offeror as at the date of the Offer.

For the avoidance of doubt, the Offer will be extended, on the same terms and conditions, to all the Shares owned, controlled or agreed to be acquired by parties acting in concert or presumed to be acting in concert with the Offeror.

3.2 Offer Consideration

The Offer Consideration for each Offer Share is **S\$1.15**, and Shareholders who validly accept the Offer, has the option to elect one (1) out of the following three (3) forms of Offer Consideration and not a combination thereof in respect of their Offer Shares:

For each Offer Share, either:

- (i) the Cash Consideration of S\$1.15;**
- (ii) the 85/15 Cash Shares Consideration i.e. S\$0.9775 in cash and 0.0486 New AEM Holdings Shares; or**
- (iii) the 70/30 Cash Shares Consideration i.e. S\$0.8050 in cash and 0.0972 New AEM Holdings Shares.**

Fractions of a New AEM Holdings Share will not be issued to any holder of Offer Shares who accepts the Offer and elects either of the Cash Shares Consideration Options, and such fractional New AEM Holdings Share will be disregarded. The Issue Price for each New AEM Holdings Share pursuant to the Cash Shares Consideration Options is S\$3.55.

If Shareholders fail to elect their preferred mode of the Offer Consideration, they will be deemed to have chosen to receive the Cash Consideration in respect of all of their Offer Shares tendered in acceptance of the Offer.

The Offeror has stated that the Offer Consideration is final and it does not intend to revise the Offer Consideration.

3.3 New AEM Holdings Shares

The New AEM Holdings Shares will be listed on the SGX-ST and will, upon issue, be credited as fully-paid and free from all Encumbrances (as defined in the Offer Document) and will rank *pari passu* in all respects with the then existing shares in AEM Holdings as at the date of their issue, save that they will not rank for any dividend, rights, allotments or other distributions, the record date for which falls on or before the date of completion of the allotment and issuance of the New AEM Holdings Shares pursuant to the Offer.

Pursuant to the Offer and based on the terms of the Offer as at the Offer Announcement Date, AEM Holdings will issue (assuming full acceptance of the Offer and that all accepting Shareholders elect to receive the 70/30 Cash Shares Consideration, save for the Individual Undertaking Shareholders and TIHT who have undertaken to accept the Offer and have elected to receive the 85/15 Cash Shares Consideration and the Cash Consideration respectively) up to approximately 7,047,237 New AEM Holdings Shares representing approximately 2.56% of the total number of issued shares in the capital of AEM Holdings (excluding treasury shares) and approximately 2.49% of the enlarged total number of issued shares in the capital of AEM Holdings⁽¹⁾. Such New AEM Holdings Shares will be allotted and issued pursuant to the general share issue mandate approved by shareholders of AEM Holdings by way of an ordinary resolution at the annual general meeting of AEM Holdings held on 21 May 2020.

Note:

- (1) As disclosed in the Offer Document, as at 25 February 2021, AEM Holdings has an issued and paid-up capital of S\$50,726,976.08 comprising 276,862,980 shares (of which 1,305,313 are treasury shares) ("**AEM Holdings Shares**"). After taking into account the potential issuance of up to 7,047,237 New AEM Holdings Shares in connection with the Offer, the enlarged share capital of AEM Holdings would comprise 282,604,904 AEM Holdings Shares (excluding treasury shares).

3.4 No Encumbrances

The Offer Shares will be acquired:

- (a) fully paid;
- (b) free from all Encumbrances (as defined in the Offer Document); and
- (c) together with all rights, benefits, entitlements and advantages attached thereto as at the Pre-Conditional Offer Announcement Date, and thereafter attaching thereto, including but not limited to the right to receive and retain all dividends, rights, other distributions and/or return of capital (if any) declared, paid or made by the Company in respect of the Offer Shares (collectively, "**Distributions**"), the Record Date for which falls on or after the Pre-Conditional Offer Announcement Date. **Record Date** means, in relation to any Distributions, the date on which Shareholders must be registered with the Company or with The Central Depository (Pte) Limited, as the case may be, in order to participate in such Distributions.

3.5 Adjustment for Distributions

Without prejudice to the foregoing, the Offer Consideration has been determined on the basis that the Offer Shares will be acquired with the right to receive any Distribution, the Record Date for which falls on or after the Pre-Conditional Offer Announcement Date. In the event of any such Distribution, the Offer Consideration payable to a Shareholder who validly accepts or has validly accepted the Offer shall be reduced by an amount which is equal to the amount of such Distribution, depending on when the settlement date in respect of the Offer Shares tendered in acceptance of the Offer ("**Offer Settlement Date**") falls:

- (a) if the Offer Settlement Date falls on or before the Record Date and the Offeror is registered as the holder of the relevant Offer Shares as at the Record Date, the Offeror will pay the relevant accepting Shareholders the unadjusted Offer Consideration of

S\$1.15 for each Offer Share, as the Offeror will receive the Distribution in respect of such Offer Shares from the Company; and

- (b) if the Offer Settlement Date falls after the Record Date, or if the Offer Settlement Date falls on or before the Record Date but the Offeror is not registered as the holder of the relevant Offer Shares as at the Record Date, the Offer Consideration payable for such Offer Shares tendered in acceptance shall be reduced by an amount which is equal to the Distribution in respect of such Offer Shares, as the Offeror will not receive such Distribution from the Company.

The Company's proposed dividends for FY2020

On 26 February 2021, in connection with its unaudited results announcement for FY2020, the Company had proposed a third and final cash dividend of 0.4 cents per Share and a special dividend of 2.6 cents per Share (totalling 3.0 cents) in respect of FY2020. The payment of dividends, if approved by Shareholders at the Company's annual general meeting ("AGM") to be held on 28 April 2021, will be made on 18 May 2021. The Company has also given notice that the record date for the purpose of the payment of dividends will be at 5.00 p.m. on 7 May 2021.

We note that save for the above, the Company confirmed that it had not made or proposed any Distribution since the Pre-Conditional Announcement and up to the Latest Practicable Date.

The Offeror has stated in Section 2.6 of the Offer Document the following:

"Please note that in the event the Offer Consideration is reduced by an amount which is equal to the Distribution, the proportion of cash and New AEM Holdings Shares under the Cash Shares Consideration Options will be adjusted based on 85% in the form of cash and 15% in the form of New AEM Holdings Shares (in the case of the 85/15 Cash Shares Consideration) and 70% in the form of cash and 30% in the form of New AEM Holdings Shares (in the case of the 70/30 Cash Shares Consideration) and the exact amount of cash and number of New AEM Holdings Shares (based on the issue price of S\$3.55 per New AEM Holdings Share) payable under the Cash Shares Consideration Options will be announced by or on behalf of the Offeror at the appropriate time."

3.6 Minimum Acceptance Condition

The Offer is conditional upon the Offeror having received, by the close of the Offer, valid acceptances in respect of such number of Offer Shares which, when taken together with the Shares owned, controlled or agreed to be acquired by the Offeror and the parties acting in concert with it (either before or during the Offer and pursuant to the Offer or otherwise), will result in the Offeror and the parties acting in concert with it holding such number of Shares carrying more than 50% of the voting rights attributable to the issued Shares as at the close of the Offer (excluding treasury shares).

Save for the Minimum Acceptance Condition, the Offer is unconditional in all other respects.

As at the Latest Practicable Date, the Offer has not become or been declared to be unconditional in all respects.

3.7 Warranty

A Shareholder who tenders his Offer Shares in acceptance of the Offer will be deemed to unconditionally and irrevocably represent, warrant and undertake to the Offeror that he sells such Offer Shares as or on behalf of the beneficial owner(s) thereof, (a) fully paid, (b) free from all Encumbrances, and (c) together with all rights, benefits, entitlements and advantages attached thereto as at the Pre-Conditional Offer Announcement Date, and thereafter attaching thereto, including the right to all Distributions (if any), the Record Date for which falls on or after the Pre-Conditional Offer Announcement Date.

3.8 Duration of the Offer

The Closing Date of the Offer is at 5.30 p.m. (Singapore time) on 31 March 2021 or such later date(s) as may be announced from time to time by or on behalf of the Offeror.

The Offeror is not obliged to extend the Offer if the Minimum Acceptance Condition is not fulfilled by the Closing Date.

The Offer will not be capable of becoming or being declared unconditional as to acceptances after 5.30 p.m. (Singapore time) on the 60th day after 3 March 2021, being the despatch date of the Offer Document, unless with the prior consent of the SIC.

In order to give Shareholders who have not accepted the Offer the opportunity to accept the Offer after the Offer becomes or is declared unconditional as to acceptances, the Offer will remain open for a period of not less than 14 days after the date on which it would otherwise have closed.

Details on the duration of the Offer are set out in Section 1 of Appendix 1 to the Offer Document.

3.9 Further details of the Offer

Further details of the Offer, including details on (a) the settlement of the Offer Consideration; (b) the requirements relating to the announcement(s) of the level of acceptances of the Offer; and (c) procedures for acceptance of the Offer are set out in Appendices 1 and 2 to the Offer Document.

4. INFORMATION ON THE OFFEROR AND AEM HOLDINGS

4.1 The Offeror

The Offeror is a company incorporated in Singapore on 20 January 1992 and is a direct wholly-owned subsidiary of AEM Holdings. The Offeror is involved in the design and manufacturing of semiconductor manufacturing equipment and related tooling parts and precision machining of components.

As disclosed in the Offer Document, as at 25 February 2021, the Offeror has an issued and paid-up share capital of S\$10,194,491 comprising 10,194,491 ordinary shares which are 100% held by AEM Holdings.

The directors of the Offeror are Mr Chandran Ramesh Nair (Chief Executive Officer of AEM Holdings) and Ms Leong Sook Han (Chief Financial Officer and Joint Company Secretary of AEM Holdings).

As disclosed in the Offer Document, the Offeror does not hold any Shares as at 25 February 2021.

4.2 AEM Holdings

AEM Holdings is a company incorporated in Singapore on 21 July 2000 and is listed on the Mainboard of the SGX-ST. AEM Holdings is a global leader offering application specific intelligent system test and handling solutions for semiconductor and electronics companies serving advanced computing, 5G and AI markets. These activities are carried out through AEM Holdings' subsidiaries (including the Offeror) (collectively, the "**AEM Group**"). Currently, the AEM Group has operations in Asia, Europe and North and Central Americas.

As disclosed in the Offer Document, as at 25 February 2021, AEM Holdings has an issued and paid-up share capital of S\$50,726,976.08 comprising 276,862,980 AEM Holdings Shares (of which 1,305,313 are treasury shares).

As at 25 February 2021, save for 5,667,690 share options which were granted pursuant to the AEM Holdings Share Option Scheme and 917,620 share awards which were granted pursuant to the AEM Performance Share Plan, there are no outstanding convertible securities, warrants, options or derivatives in respect of the shares in AEM Holdings or securities which carry voting rights in AEM Holdings.

Based on the above outstanding issued AEM Holdings Shares (excluding treasury shares), the estimated market capitalisation of AEM Holdings as at the Latest Practicable Date is approximately S\$1,014.1 million.

The directors of AEM Holdings are as follows:

- (a) Mr Loke Wai San (Non-Executive Chairman and Director)
- (b) Mr Chok Yean Hung (Non-Executive, Non-Independent Director)
- (c) Mr Basil Chan (Independent Director)
- (d) Mr Loh Kin Wah (Independent Director)
- (e) Mr Adrian Chan Pengee (Lead Independent Director)
- (f) Mr James Toh Ban Leng (Non-Executive, Non-Independent Director)
- (g) Mr Lavi Alexander Lev (Independent Director)

As disclosed in the Offer Document, AEM Holdings does not hold any Shares as at 25 February 2021.

Additional information on the Offeror and AEM Holdings is set out in Appendices 3 and 4 to the Offer Document.

5. IRREVOCABLE UNDERTAKINGS

The Undertaking Shareholders, namely Mr Tien Sing Cheong, Mr Tan Ka Huat and TIHT, have each given their respective Irrevocable Undertakings to the Offeror to, *inter alia*, tender all their respective Shares (“**Undertaking Shares**”) in acceptance of the Offer and have elected the form of the Offer Consideration as set out below:

Undertaking Shareholders	Description	No. of Undertaking Shares	% shareholding interest in the Company ⁽¹⁾	Form of Offer Consideration elected by the Undertaking Shareholders
Mr Tien Sing Cheong	Executive Chairman	8,671,900	10.00	85/15 Cash Shares Consideration
Mr Tan Ka Huat	Managing Director	4,013,340	4.63	85/15 Cash Shares Consideration
TIHT	Substantial Shareholder	7,840,800	9.04	Cash Consideration
Total		20,526,040	23.68⁽²⁾	

Notes:

- (1) Based on the total number of 86,698,463 Shares (excluding 1,235,750 treasury shares) as at the Latest Practicable Date; and
- (2) Does not add up to 23.68% due to rounding.

As disclosed in the Offer Document, save for the above Irrevocable Undertakings, neither the Offeror nor any of its concert parties has received any other irrevocable undertakings from any other party to accept or reject the Offer.

6. INFORMATION ON THE COMPANY AND THE GROUP

6.1 The Company is a company incorporated in Singapore on 28 August 1999 and was listed on the Mainboard of SGX-ST in March 2000.

The principal activities of the Group are those of contract manufacturing, and design and manufacture of proprietary equipment. Contract manufacturing services include (a) assemblies of printed circuit board, box-build, prototype and equipment, and (b) value add engineering works such as circuit layout and functional design. The Company also designs and manufactures its own brand of proprietary equipment for the semiconductor industry. The Group has operations in Singapore, Indonesia and Vietnam.

6.2 The Directors are as follows:

- (a) Mr Tien Sing Cheong (Executive Chairman)
- (b) Mr Tan Ka Huat (Managing Director)
- (c) Mr Tan Bien Chuan (Lead Independent Director)
- (d) Mr Gan Chee Yen (Non-Executive Director)
- (e) Dr Martin Tang Yue Nien (Independent Director)
- (f) Ms Theng Siew Lian Lisa (Independent Director)
- (g) Mr Wang Ya Lun Allen (Alternate Director to Mr Gan Chee Yen)

As at the Latest Practicable Date, the Directors' shareholding interests in the Company are as follows:

Directors	Direct and deemed interests in the Shares	% shareholding interest in the Company ⁽¹⁾
Mr Tien Sing Cheong	8,671,900	10.00
Mr Tan Ka Huat	4,013,340	4.63
Mr Tan Bien Chuan	469,700	0.54
Mr Gan Chee Yen	344,300	0.40
Dr Martin Tang Yue Nien	399,700	0.46
Ms Theng Siew Lian Lisa	-	-
Mr Wang Ya Lun Allen (Alternate Director to Mr Gan Chee Yen)	-	-

Note:

(1) Based on the total number of 86,698,463 Shares (excluding 1,235,750 treasury shares) as at the Latest Practicable Date.

As disclosed in Section 5 of this Letter, Mr Tien Sing Cheong and Mr Tan Ka Huat have given their respective Irrevocable Undertakings to the Offeror in respect of their Shares in connection with the Offer.

The intentions of the remaining Directors in relation to their holdings of the Offer Shares, if any, with respect to the Offer are set out in Section 4.17 of Appendix II to the Circular.

6.3 As at the Latest Practicable Date, the Company has an issued and paid-up share capital of S\$23,897,299 comprising 87,934,213 Shares, of which 86,698,463 are ordinary shares and 1,235,750 are treasury shares. The Company does not have any outstanding instruments convertible into, rights to subscribe for, and options in respect of, Shares or securities which carry voting rights in the Company. The Offer is being made for the 86,698,463 Shares (excluding the treasury shares).

Based on the Offer Consideration of S\$1.15 and 86,698,463 outstanding Shares (excluding the treasury shares) as at the Latest Practicable Date, the implied market capitalisation of the Company is approximately S\$99.7 million.

7. RATIONALE FOR THE OFFER, OFFEROR'S INTENTIONS FOR THE COMPANY AND THE LISTING STATUS

7.1 Rationale for the Offer and intention for the Company

The full text of the rationale for the Offer, the Offeror's intentions for the Company and its intention on the listing status of the Company are set out in Sections 8, 9 and 10 of the Offer Document.

In summary, the Offeror's rationale for the Offer is as follows:

- (a) The AEM Group believes that the business and operations of the Company are a strategic fit and will provide synergistic benefits to the business and operations of the AEM Group;
- (b) The Offer provides an opportunity for Shareholders to realise their investment in the Shares at a premium above market price prior to the Pre-Conditional Offer Announcement Date without incurring brokerage costs, and the Cash Consideration presents Shareholders with a clean cash exit opportunity;
- (c) The Cash Shares Consideration Options provide Shareholders with an opportunity to participate in the future prospects of an enlarged AEM Group at a discount to the current market price of the AEM Holdings Shares;
- (d) The Offer provides Shareholders with an opportunity to realise their entire investment in the Shares at a premium over the prevailing market prices prior to the Pre-Conditional Offer Announcement Date which may not otherwise be readily available to Shareholders given the low trading liquidity of the Shares; and
- (e) The Offeror is making the Offer with a view to delisting and privatising the Company. In the event that the Company is delisted from the SGX-ST, the Company will be able to save on expenses and costs relating to the maintenance of a listed status and channel such resources to its business operations.

The Offeror intends for the Company to continue to develop and grow the existing businesses of the Group. The Offeror and the Company will continue to review, from time to time, the operations of the Group as well as the Company's strategic options. The Offeror retains the flexibility at any time to further consider any options or opportunities in relation to the Company which may present themselves and which the Offeror may regard to be in the interests of the Offeror and/or the Company.

In the event the Offer becomes or is declared unconditional in all respects in accordance with its terms and the Company becomes a subsidiary of the AEM Group, the directors of AEM Holdings may review and make changes to the Company's existing practice regarding the payment of dividends to Shareholders as set out in the Offer Document.

Save as disclosed above, the Offeror has stated that it has no current intention to (a) introduce any major changes to the existing business of the Company; (b) re-deploy the fixed assets of the Company; or (c) discontinue the employment of the existing employees of the Company or its subsidiaries, in each case, other than in the ordinary and usual course of business.

7.2 Compulsory acquisition and listing status

Pursuant to Section 215(1) of the Companies Act, Chapter 50 of Singapore (“**Companies Act**”), if the Offeror receives valid acceptances pursuant to the Offer (or otherwise acquires Shares during the period when the Offer is open for acceptance) in respect of not less than 90% of the total number of issued Shares (other than those already held by the Offeror, its related corporations or their respective nominees as at the date of the Offer and excluding any Shares held in treasury), the Offeror would be entitled to exercise the right to compulsorily acquire all the Shares of Shareholders who have not accepted the Offer (“**Dissenting Shareholders**”), at a consideration equal to the Offer Consideration.

In such event, the Offeror intends to exercise its right to compulsorily acquire all the Offer Shares not acquired under the Offer. The Offeror will then proceed to delist the Company from the SGX-ST.

Dissenting Shareholders have the right under and subject to Section 215(3) of the Companies Act, to require the Offeror to acquire their Shares at the Offer Consideration in the event that the Offeror, its related corporations or their respective nominees acquire, pursuant to the Offer, such number of Shares which, together with Shares held by the Offeror, its related corporations or their respective nominees, comprise 90% or more of the total number of issued Shares (excluding Shares held in treasury). Dissenting Shareholders who wish to exercise such rights are advised to seek their own independent legal advice.

7.3 Listing status of the Company

Pursuant to Rule 1105 of the Listing Manual, upon an announcement by the Offeror that acceptances have been received pursuant to the Offer that bring the holdings owned by the Offeror and its concert parties to above 90% of the total number of issued Shares (excluding Shares held in treasury), the SGX-ST may suspend the trading of the Shares on the SGX-ST until such time it is satisfied that at least 10% of the total number of issued Shares (excluding Shares held in treasury) are held by at least 500 Shareholders who are members of the public.

Rule 1303(1) of the Listing Manual provides that if the Offeror succeeds in garnering acceptances exceeding 90% of the total number of issued Shares (excluding Shares held in treasury), thus causing the percentage of the total number of issued Shares (excluding Shares held in treasury) held in public hands to fall below 10%, the SGX-ST will suspend trading of the Shares only at the close of the Offer.

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

The Offeror has stated its intention to privatise the Company and does not intend to preserve the listing status of the Company. In the event that the trading of Shares on the SGX-ST is suspended pursuant to Rule 724, Rule 1105 or Rule 1303(1) of the Listing Manual, the Offeror has no intention to undertake or support any action for any such trading suspension by the SGX-ST to be lifted.

8. ASSESSMENT OF THE FINANCIAL TERMS OF THE OFFER

In evaluating and assessing the financial terms of the Offer, we have taken into account the pertinent factors set out below which we consider to have a significant bearing on our assessment:

- (a) Market quotation and trading activity of the Shares;
- (b) Financial analysis of the Group;
- (c) Comparison with recently completed privatisation of companies listed on the SGX-ST;
- (d) Comparison of valuation ratios of selected listed companies which are broadly comparable to the Group;
- (e) Comparison with precedent M&A transactions of companies which are broadly comparable to the Group;
- (f) Assessment of the estimated valuation of the Shares (without the impact of the AEM Holdings Shares);
- (g) Assessment of the Cash Shares Consideration Options (taking into consideration the impact of the AEM Holdings Shares);
- (h) Dividend track record of the Company; and
- (i) Other relevant considerations in relation to the Offer.

8.1 Market quotation and trading activity of the Shares

Share price performance of the Shares

The Pre-Conditional Offer Announcement was made after trading hours on 11 January 2021. Accordingly, the last trading day when the Shares were last traded prior to release of the Pre-Conditional Offer Announcement is 11 January 2021 (“**Last Trading Day**”).

Upon the satisfaction of the pre-Condition on 13 February 2021, the Offeror announced its firm intention to make the Offer. The Offer Announcement was released before trading hours on 15 February 2021 and the key terms of the Offer remain the same as the Pre-Conditional Offer Announcement.

Shareholders can elect any one of the 3 forms of the Offer Consideration for each Offer Share:

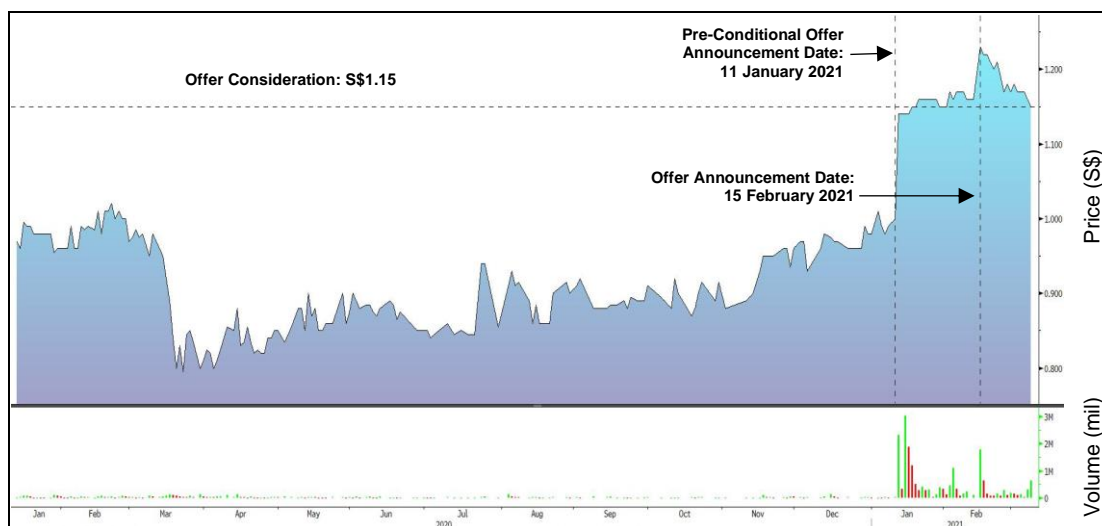
- Option 1 – the Cash Consideration of S\$1.15; or
- Option 2 – the 85/15 Cash Shares Consideration which comprises S\$0.9775 in cash and 0.0486 New AEM Holdings Shares; or
- Option 3 – the 70/30 Cash Shares Consideration which comprises S\$0.8050 in cash and 0.0972 New AEM Holdings Shares.

For the purpose of our analysis of the trading performance of the Shares in respect of the Offer, we have compared the Offer Consideration against the historical market price performance of the Shares and considered the historical trading volume of the Shares for the 1-year period prior to the Pre-Conditional Offer Announcement Date from 13 January 2020 to 11 January 2021 (being the Last Trading Day), and up to the Latest Practicable Date (“**Period Under Review**”).

8.1.1 Share Price Chart

We set out below a chart showing the Offer Consideration relative to the daily last transacted prices and trading volume of the Shares for the Period Under Review:

Price movement and trading volume of the Shares for the Period Under Review



Source: Bloomberg L.P.

Based on the chart above, we observed that the Shares had traded at substantially below the Offer Consideration of S\$1.15 for the last 1-year period prior to the Pre-Conditional Offer Announcement Date, between a high of S\$1.02 (on 21 February 2020) and a low of S\$0.795 (on 23 March 2020) based on daily last transacted prices. The last transacted price of the Shares prior to the Last Trading Day was S\$1.00. The Offer Consideration represents a premium of 15.0% above the last transacted Share price on the Last Trading Day.

For the period from the Pre-Conditional Offer Announcement and up to but prior to the Offer Announcement, the Shares had traded around the Offer Consideration of between S\$1.14 and S\$1.17 based on daily last transacted prices.

As there are 3 forms of the Offer Consideration, being the Cash Consideration and the 2 different combinations of the Cash Shares Consideration Options, which involved a partial share exchange for New AEM Holdings Shares to be issued at S\$3.55 each, we noted that the share price performance of the Shares appeared to be in-turn affected by the share price performance of the AEM Holdings Shares. The impact on the share price performance of the Shares was more pronounced immediately following the Offer Announcement.

The Offer Announcement was made before trading hours on 15 February 2021, being the Offer Announcement Date. The Share price had climbed significantly from S\$1.16 on 11 February 2021, being the last transacted price prior to the Offer Announcement, to S\$1.23 by the close of trading on 15 February 2021. The AEM Holdings Shares were last transacted at S\$4.30 prior to the Offer Announcement, and closed at S\$4.62 on 15 February 2021.

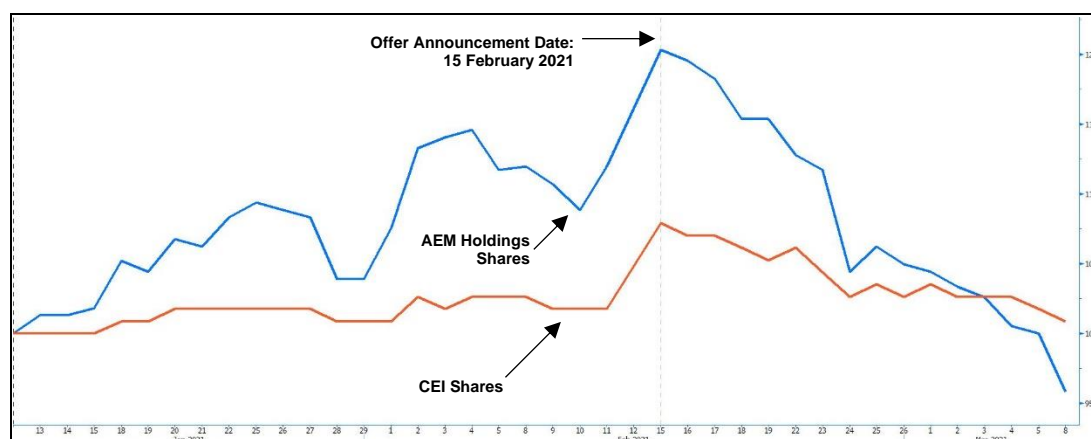
Overall, following the Offer Announcement and up to the Latest Practicable Date, based on the daily last transacted prices, the Shares had traded from a high of S\$1.23 on 15 February 2021 and gradually declined during this period and closed at S\$1.15 on the Latest Practicable Date; and the AEM Holding Shares had traded from a high of S\$4.62 and trended downwards during this period and closed at S\$3.68 on the Latest Practicable Date.

The market performance of the Shares and the AEM Holdings Shares had fluctuated significantly from the Pre-Conditional Offer Announcement Date to the Latest Practical Date,

when compared to the Offer Consideration of S\$1.15 and the Issue Price of the New AEM Holdings Shares of S\$3.55 each.

The price performance of the Shares (a) after the Pre-Conditional Offer Announcement and before the Offer Announcement appeared to be supported by the Offer Consideration, and (b) after the Offer Announcement and up to the Latest Practicable Date appeared to be also reacting in tandem with the share price performance of the AEM Holdings Shares.

The share price performance of the Shares and the AEM Holdings Shares can be illustrated by the normalised share price chart of the Shares and AEM Holdings Shares from 12 January 2021 and up to the Latest Practicable Date is set out below:



Source: Bloomberg L.P.

8.1.2 Market Statistics

In addition to the share price chart above, we have tabulated below selected statistical information on the share price performance and trading liquidity of the Shares for the Period Under Review:

Reference period	Highest traded price (S\$)	Lowest traded price (S\$)	VWAP ⁽¹⁾ (S\$)	Premium/ (Discount) of Offer Consideration over/ (to) VWAP (%)	Number of traded days ⁽²⁾	Average daily trading volume ⁽³⁾ ('000)	Average daily trading volume as a percentage of free float ⁽⁴⁾ (%)
Up to the Last Trading Day							
Last 1 year	1.020	0.780	0.9123	26.1	177	18	0.03
Last 6 months	1.010	0.845	0.9304	23.6	72	12	0.02
Last 3 months	1.010	0.870	0.9544	20.5	38	13	0.02
Last 1 month	1.010	0.950	0.9736	18.1	13	17	0.03
11 January 2021 (being the Last Trading Day)	1.000	0.980	0.9900	16.2	1	21	0.04
After the Pre-Conditional Offer Announcement Date and up to but prior to the Offer Announcement Date							
From 12 January 2021 to 11 February 2021	1.180	1.130	1.1493	0.1	22	607	1.07
From the Offer Announcement Date to the Latest Practicable Date							
From 15 February 2021 to Latest Practicable Date	1.240	1.150	1.1980	(4.0)	16	307	0.54
Latest Practicable Date	1.170	1.150	1.1558	(0.5)	1	649	1.14

Source: Bloomberg L.P.

Notes:

- (1) The volume-weighted average price (“**VWAP**”) for the respective periods are calculated based on the aggregate daily turnover value of the Shares divided by the aggregate daily trading volume of the Shares for the respective periods as extracted from Bloomberg L.P.. Off market transactions (i.e. married deals) are excluded from the calculation;
- (2) Traded days refer to the number of days on which the Shares were traded on the SGX-ST during the period;
- (3) The average daily trading volume of the Shares is computed based on the total volume of Shares traded on the SGX-ST (excluding off market transactions) during the relevant periods, divided by the number of days when the SGX-ST was open for trading (excluding days with full day trading halt on the Shares) during that period; and
- (4) Free float refers to the Shares other than those directly and deemed held by the Directors and substantial Shareholders. For the purpose of computing the average daily trading volume as a percentage of free float, we have used the free float of approximately 56.96 million Shares based on the free float of 65.7% as disclosed in the annual report of the Company for FY2019.

We observe the following with regard to the share price performance for the Period Under Review:

- (a) The Shares did not trade above the Offer Consideration of S\$1.15 during the 1-year period up to the Last Trading Day. During this period, the Shares had traded between a low of S\$0.78 and a high of S\$1.02. The Offer Consideration represents a premium of S\$0.37 (or 47.4%) and S\$0.13 (or 12.7%) above the lowest and highest transacted prices of the Shares respectively during this period;
- (b) The Offer Consideration represents a premium of 26.1%, 23.6%, 20.5% and 18.1% over the VWAP of the Shares for the 1-year, 6-month, 3-month and 1-month periods up to the Last Trading Day respectively;
- (c) The Offer Consideration represents a premium of 16.2% above the VWAP of the Shares of S\$0.99 on the Last Trading Day;
- (d) Since the Pre-Conditional Offer Announcement Date and up to but prior to the Offer Announcement Date, the Shares have been trading at between a low of S\$1.13 and a high of S\$1.18. The Share prices appear to be supported by the Offer Consideration; and
- (e) From the Offer Announcement Date to the Latest Practicable Date, the Shares had traded from a high of S\$1.24 on 15 February 2021 and gradually declined during this period and closed at S\$1.15 on the Latest Practicable Date. The Share prices appear to be also reacting in tandem with the share price performance of the AEM Holdings Shares.

We observe the following with regard to the trading liquidity of the Shares:

- (i) Over the 1-year period up to the Last Trading Day, the Shares were traded on 177 out of 251 trading days during the period. The average daily trading volume of the Shares for the 1-year, 6-month, 3-month and 1-month periods up to the Last Trading Day was low, representing 0.03%, 0.02%, 0.02% and 0.03% of the free float of the Shares respectively; and
- (ii) During the period following the Pre-Conditional Offer Announcement and up to but prior to the Offer Announcement Date, there was increased trading volume on the Shares, with a higher average daily trading volume of approximately 607,000 Shares, representing 1.07% of the free float of the Shares. From the Offer Announcement Date to the Latest Practicable Date, the average daily trading volume was approximately 307,000 Shares, representing 0.54% of the free float of the Shares.

8.1.3 Assessment of the Offer based on the market share price performance of the Shares and the AEM Holdings Shares

At the time of the Pre-Conditional Offer Announcement

At the time of the Pre-Conditional Offer Announcement, the 3 options available to Shareholders with respect to the Offer bear similar implied value of the Offer Consideration of S\$1.15 for each Share based on the issue price of the New AEM Holdings Shares of S\$3.55 each. The volume-weighted average price (“VWAP”) of the AEM Holdings Shares on the Last Trading Date was S\$3.6918* and the VWAP of the AEM Holdings Shares for the one-month period, 3-month period and 6-month period up to the Last Trading Date were S\$3.5107*, S\$3.4901* and S\$3.6194* respectively.

* *Source: Bloomberg L.P.*

The Issue Price of the New AEM Holdings Shares was close to the then prevailing market price of the AEM Holdings Shares, and hence the Offer would bear similar implied value of the Offer Consideration of S\$1.15 for each Share under the 3 forms of Offer Consideration.

Since the Pre-Conditional Offer Announcement to the Latest Practicable Date

However, the fluctuations in market prices of the AEM Holdings Shares since the Pre-Conditional Offer Announcement and up to the Latest Practicable Date had affected the implied value for the Offer Consideration under Option 2 and Option 3. During this period, the AEM Holdings Share prices have fluctuated significantly between a low of S\$3.67 (Scenario A) and a high of S\$4.72 (Scenario B). The market price of the Shares has also reacted in tandem with the increase in market prices of the AEM Holdings Shares, making the Cash Consideration less attractive as the market prices of the Shares were higher than the Cash Consideration. As at the Latest Practicable Date, the AEM Holdings Shares and the Shares closed at S\$3.68 and S\$1.15 respectively.

The implied values of the Offer Consideration based on the various scenarios are illustrated below:

Options	Scenario A Implied value of the Offer Consideration based on AEM Holdings Share price of S\$3.67	Scenario B Implied value of the Offer Consideration based on AEM Holdings Share price of S\$4.72	Scenario C Implied value of the Offer Consideration based on the last transacted price AEM Holdings Shares of S\$3.68 as at the Latest Practicable Date
Option 1	Not applicable as the Cash Consideration remains at S\$1.15. However, the market share price of the Shares has fluctuated between S\$1.13 and S\$1.24, and closed at S\$1.15 on the Latest Practicable Date.		
Option 2	S\$1.1559	S\$1.2069	S\$1.1563
Option 3	S\$1.1617	S\$1.2638	S\$1.1627

From a financial viewpoint, our assessment of the Offer and the 3 forms of the Offer Consideration based on the above scenarios of market share prices of the Shares and the AEM Holdings Shares are as follows:

- Option 1 - Shareholders who wish to realise their entire investment in the Shares with the certainty of the consideration in cash should sell their Shares in the open market if they can get a price higher than the Cash Consideration of S\$1.15 (after deducting transaction costs) instead of accepting the Offer. Otherwise, they should accept the Cash Consideration.

- Option 2 - Shareholders who wish to realise their investment in the Shares partly in cash and are prepared to bear some but not prepared to bear the higher proportion of risk of an investment in AEM Holdings under Option 3, should accept the Offer and elect Option 2, (a) if they are confident of realising the implied value of the Offer Consideration (implied by the market share price of the AEM Holdings Shares) higher than the Cash Consideration and the market price of the Shares (after deducting transaction costs); or (b) if they wish to stay invested in the enlarged AEM Group at the entry price of S\$3.55, being the Issue Price for each New AEM Holdings Shares pursuant to the Offer.
- Option 3 - Shareholders who wish to realise their investment in the Shares partly in cash and are prepared to bear a higher proportion of risk of an investment in AEM Holdings compared to Option 2, should accept the Offer and elect Option 3, (a) if they are confident of realising the implied value of the Offer Consideration (implied by the market share price of the AEM Holdings Shares) higher than the Cash Consideration, the market price of the Shares and the implied value of the Offer Consideration under Option 2; or (b) if they wish to stay invested in the enlarged AEM Group at a higher proportion of New AEM Holdings Shares compared to Option 2 at the entry price of S\$3.55, being the Issue Price for each New AEM Holdings Shares pursuant to the Offer.

As highlighted in Section 3.4 of this Letter, the Offer is subject to the Minimum Acceptance Condition. As at the Latest Practicable Date, the Offer has not become or been declared to become unconditional in all respects. Shareholders should therefore note that if the Minimum Acceptance Condition is not met by the close of the Offer, the Offer will lapse and all Shares tendered will be returned to the respective Shareholders.

If the Offer becomes unconditional in all respects, the Group will become a subsidiary of the AEM Group. Shareholders who elect either Option 2 or Option 3 have the option to stay invested in the New AEM Holdings Shares and participate as shareholders of the enlarged AEM Group, or sell their New AEM Holdings Shares in the open market as the AEM Holdings Shares are listed and quoted on the SGX-ST. In the event that the Offeror is able to exercise its right of compulsory acquisition to acquire all the Offer Shares not acquired under the Offer, the Company will be wholly-owned by the AEM Group and the Offeror will proceed to delist the Company from the SGX-ST. Otherwise, the Company may remain listed on the SGX-ST.

Assuming full acceptance of the Offer (taking into account the acceptance and the form of Offer Consideration elected by the Undertaking Shareholders), up to approximately 7.05 million New AEM Holdings Shares will be issued, representing approximately 2.56% of the existing issued share capital of AEM Holdings and approximately 2.49% of the enlarged issued share capital of AEM Holdings (excluding treasury shares).

It should be noted that the New AEM Holdings Shares will rank *pari passu* in all respects with the then existing shares in AEM Holdings as at the date of their issue, save that they will not rank for any dividend, rights, allotments or other distributions, the record date for which falls on or before the date of completion of the allotment and issuance of the New AEM Holdings Shares pursuant to the Offer.

As set out in Section 3.5 of this Letter, AEM Holdings has, in connection with its results announcement for FY2020, proposed the payment of final dividend of S\$0.04 for each AEM Holdings Share in cash on 31 May 2021 and has given notice for the record date for the purpose of payment of dividend to be at 5.00 p.m. on 17 May 2021.

8.2 Financial analysis of the Group

8.2.1 Financial performance of the Group

Set out below is the audited profit and loss statements of the Group for the last two financial years ended 31 December 2018 (“FY2018”), 31 December 2019 (“FY2019”) and the unaudited profit and loss statement of the Group for FY2020:

S\$'000	FY2018 (Audited)	FY2019 (Audited)	FY2020 (Unaudited)
Revenue	140,330	138,747	123,489
Cost of sales	(107,810)	(105,838)	(95,198)
Gross profit	32,520	32,909	28,291
Other income	1	3	4
General and administrative costs	(18,779)	(19,783)	(17,511)
Selling and distribution costs	(4,535)	(4,740)	(3,624)
Finance costs – Interest on borrowings	(103)	(166)	(71)
Finance costs – Interest on lease liabilities	-	(114)	(106)
Share of results of associated companies	-	(28)	61
Profit before taxation	9,104	8,081	7,044
Taxation	(1,659)	(916)	(1,031)
Profit after taxation	7,445	7,165	6,013

Source: Company's annual report for FY2019 and unaudited results announcement for FY2020

FY2019 vs FY2018

The Group recorded a decrease in revenue of S\$1.6 million (or 1.1%) from S\$140.3 million in FY2018 to S\$138.7 million in FY2019. Gross profit margin improved from 23.2% in FY2018 to 23.7% in FY2019. The lower gross profit margin in FY2018 was due mainly to longer lead time of electronics components that resulted in lower operational efficiency of the labour and manufacturing resources.

General and administrative costs and selling and distribution costs increased by S\$1.2 million due mainly to increase in salaries and related costs across the geographical locations where the Group operates.

Finance costs – interest on lease liabilities was S\$114,000 in FY2019 following the Company's adoption of SFRS(I) 16 - Leases for the financial year.

Overall, the Group reported a slightly lower net profit of S\$7.2 million for FY2019 compared to S\$7.4 million for FY2018.

FY2020 vs FY2019

The Group recorded a decrease in revenue of S\$15.3 million (or 11.0%) from S\$138.7 million in FY2019 to S\$123.5 million in FY2020 due to the impact of COVID-19 pandemic. Gross profit margin decreased from 23.7% in FY2019 to 22.9% in FY2020. The gross profit margin in FY2020 was lower as some of the manufacturing costs include fixed overheads.

General and administrative costs and selling and distribution costs decreased by S\$3.4 million due mainly to the recognition of Jobs Support Scheme from the government of S\$1.7 million, net foreign exchange gain of S\$0.5 million and other miscellaneous cost control efforts.

Overall, the Group reported a lower net profit of S\$6.0 million for FY2020 compared to S\$7.2 million for FY2019.

Price-Earnings Ratio implied by the Offer Consideration

Price-earnings ratio (“**PER**”) illustrates the valuation ratio of the current market value of a company’s shares relative to its consolidated basic earnings per share as stated in its financial statements. The PER is affected by, *inter alia*, the capital structure of a company, its tax position as well as its accounting policies relating to depreciation and intangible assets. The PER is commonly used for the purpose of illustrating the profitability and hence the valuation of a company as a going concern.

For the purpose of our analysis, we have evaluated the implied PER of the Group based on the implied market capitalisation of the Group of S\$99.7 million and the Group’s latest available results announcement (a) at the time of the Pre-Conditional Offer Announcement on 11 January 2021 and (b) as at the Latest Practicable Date on 8 March 2021.

At the time of the Pre-Conditional Offer Announcement

As at the Pre-Conditional Offer Announcement Date, the latest available financial information on the Group was its unaudited half year results ended 30 June 2020 (“**6M2020**”).

The Group’s profit after taxation (“**PAT**”) for 6M2020 was S\$2.93 million compared to the corresponding period for 6M2019 of S\$3.68 million. The Group’s PAT for the trailing twelve months ended 30 June 2020 (“**T12M**”) was S\$6.4 million.

During 2020, many industries were affected adversely by the global COVID-19 pandemic and companies have benefitted from one-off government grants and other related exemptions.

The Group was also affected by the COVID-19 pandemic which had impacted its financial performance in FY2020. The Group had benefited from the one-off government grants of S\$0.9 million in 6M2020. As such government grants are not expected to be a recurring item, being one-off in nature, we have made adjustments to the PAT for T12M to exclude such grants (“**Adjusted PAT**”). The Adjusted PAT for T12M was S\$5.51 million.

The implied PER of the Group based on the Adjusted PAT for T12M is **18.1 times**.

As at the Latest Practicable Date

As at the Latest Practicable Date, the Company had released its unaudited full year results for FY2020. The Group’s PAT for FY2020 was S\$6.01 million and the Adjusted PAT for FY2020 was S\$4.31 million after excluding one-off government grants of S\$1.7 million received in FY2020. Based on the Adjusted PAT for FY2020 of S\$4.31 million and the outstanding 86,698,463 Shares (excluding 1,235,750 treasury shares), the adjusted earnings per share (“**Adjusted EPS**”) of the Company for FY2020 is S\$0.0497.

The implied PER of the Group based on the adjusted EPS for FY2020 is **23.1 times**.

EV/EBITDA ratio implied by the Offer Consideration

EV/EBITDA ratio illustrates the ratio of the market value of a company’s business relative to its historical pre-tax operating cash flow performance, without regard to the company’s existing capital structure.

For the purpose of our analysis, we have evaluated the enterprise value (“**EV**”) of the Group based on the implied market capitalisation of the Group of S\$99.7 million, and adding back bank borrowings and deducting cash and bank balances of the Group; and **EBITDA** of the Group is based on its Adjusted PAT and adding back income tax expense, depreciation and amortisation expense and net finance costs of the Group.

At the time of the Pre-Conditional Offer Announcement

The EV of the Group implied by the Offer Consideration was S\$96.20 million based on the then latest available statement of financial position of the Group as at 30 June 2020. The Group has net cash of S\$3.5 million as at 30 June 2020.

The T12M EBITDA of the Group based on T12M PAT was S\$8.76 million.

After excluding the one-off government grants arising from the COVID-19 pandemic as described above, the EBITDA based on the Adjusted PAT ("**Adjusted EBITDA**") for T12M was S\$7.86 million. Based on this, the Offer Consideration values the Group on an EV/EBITDA ratio of **12.2 times**.

As at the Latest Practicable Date

The EV of the Group implied by the Offer Consideration was S\$95.27 million based on the latest available statement of financial position of the Group as at 31 December 2020. The Group has net cash of S\$4.4 million as at 31 December 2020.

The EBITDA of the Group for FY2020 was S\$8.06 million.

After excluding the one-off government grants of S\$1.7 million received in FY2020 arising from the COVID-19 pandemic as described above, the Adjusted EBITDA for FY2020 was S\$6.36 million. Based on the Adjusted EBITDA, the Offer Consideration values the Group on an EV/EBITDA ratio of **15.0 times**.

8.2.2 Financial Position of the Group

A summary of the latest available unaudited financial position of the Group as at 31 December 2020 is set out below:

S\$'000	Unaudited as at 31 December 2020
Non-current Assets	
Property, plant and equipment	2,032
Right-of-use assets	3,309
Goodwill	1,063
Investments in an associated company	1,429
Deferred tax assets	1,025
	8,858
Current assets	
Inventories	29,443
Trade receivables	21,940
Other current assets	889
Prepayments and advances to suppliers	440
Cash and cash equivalents	8,436
	61,148
Total assets	70,006
Current liabilities	
Trade payables and accruals	19,245
Lease liabilities	356
Bank borrowings	4,002
Provision for taxation	1,030
Contract liability	2,285
	26,918
Non-current liabilities	
Defined benefit obligations	1,055
Lease liabilities	3,051
	4,106
Total liabilities	31,024

S\$'000	Unaudited as at 31 December 2020
Total equity	38,982
Net asset value (“NAV”) of the Group	38,982
Net tangible asset (“NTA”) of the Group	37,919
Number of issued Shares (excluding treasury shares) - as at 31 December 2020	86,698,463
NAV per Share	0.450
NTA per Share	0.437

Source: The Company's unaudited results announcement for FY2020

Assets

Total assets of the Group of S\$70.0 million comprise current assets of S\$61.1 million (87.3% of total assets) and non-current assets of S\$8.9 million (12.7% of total assets).

Current assets comprise mainly inventories of S\$29.4 million (48.2% of current assets), trade receivables of S\$21.9 million (35.9% of current assets) and cash of S\$8.4 million (13.8% of current assets).

Non-current assets comprise mainly right-of-use assets of S\$3.3 million (37.4% of non-current assets) and property, plant and equipment (“PPE”) of S\$2.0 million (22.9% of non-current assets). Of the right-of-use assets of S\$3.3 million, S\$2.2 million pertains to the leasehold land in Singapore. Of the PPE of S\$2.0 million, S\$0.7 million is in relation to the Group's leasehold land and buildings located in Vietnam and Indonesia, and the factory building in Singapore.

For the purposes of the Offer, the Company had commissioned an independent valuation of the Properties pertaining to the above leasehold land and buildings. Please see Section 8.2.3 below for further details on the independent valuation of the Properties.

Liabilities and Equity

As at 31 December 2020, the Group has total liabilities of S\$31.0 million, of which S\$19.2 million (62.0% of total liabilities) pertains to trade payables and accruals, and S\$4.0 million pertains to borrowings (12.9% of total liabilities).

After taking into consideration the Group's cash and cash equivalent of S\$8.4 million, the Group is in a net cash position of S\$4.4 million as at 31 December 2020.

Accordingly, equity and NAV of the Group as at 31 December 2020 was S\$39.0 million, representing NAV per Share of S\$0.450 based on 86,698,463 Shares (excluding treasury shares). After deducting goodwill of S\$1.1 million, the NTA of the Group was S\$37.9 million, representing NTA per Share of S\$0.437 as at 31 December 2020.

There was no change in the number of outstanding Shares since 31 December 2020 and up to the Latest Practicable Date.

8.2.3 Independent Valuation of the Properties

As mentioned above, in connection with the Offer, the Company had commissioned the following Valuers to determine the independent market valuation of the Properties. These Properties are mainly the leasehold land and factory buildings owned by the Group.

Properties	Valuers	Valuation as at
2 Ang Mo Kio Avenue 12 Ang Mo Kio Industrial Park II Singapore 569707	RHT Valuation Pte. Ltd.	22 January 2021
Plots 21A & 21B, Street 6, Vietnam-Singapore Industrial Park, Thuan An City, Binh Duong Province, Vietnam	Savills Vietnam Co., Ltd.	7 December 2020
Batamindo Industrial Park Lot 312-313, Jalan Beringin, Muka Kuning Batam, Indonesia	KJPP Willson dan Rekan in association with Knight Frank	8 February 2021

The purpose of the independent valuation exercise is to determine the overall estimated revalued net tangible asset value (“**RNTA**”) of the Group after taking into consideration the net revaluation surplus arising from the valuation of these Properties. As the independent market valuation of the Properties were conducted between December 2020 and February 2021, we have used the net book value (“**NBV**”) of the Properties as at 31 December 2020 to compute the relevant revaluation surplus arising from the valuation of the Properties.

Market value is generally defined as the estimated amount for which an asset or liability should exchange on the date of valuation between willing buyer and willing seller in an arm’s length transaction, after proper marketing, wherein the parties had each acted knowledgeably, prudently and without compulsion.

In arriving at their opinion of the market value, the Valuers had adopted the Comparable Sales Method, Income Capitalisation Method and Cost Approach for the Properties, as summarised below:

In the **Comparable Sales Method** or **Direct Comparison Approach**, a comparison is made with sales of similar properties in the vicinity and adjustments are made for differences in location, floor area, land area, frontage (where applicable), age, condition, tenure, design and layout, dates of transactions and the prevailing market conditions before arriving at the value of the subject property.

In the **Income Capitalisation Method**, the Valuer have considered the recent rent of the subject property, annual value and the recent rent evidence for similar properties available from various sources in the market. The estimated market net income is capitalised at an appropriate market capitalisation rate which reflects both the risk and benefits of the subject property as an investment.

The **Cost Approach** considers the possibility that as an alternative to the purchase of a given property, one could acquire a modern equivalent asset providing equal utility. In a real estate context, this would involve the cost of acquiring equivalent land and constructing an equivalent new structure. Unless undue time, inconvenience and risk are involved, the price a buyer would pay for the asset being valued would not exceed the cost of the modern equivalent. Often the asset being valued will be less attractive than the cost of the modern equivalent, due to age or obsolescence. An optimised depreciation adjustment to reflect this is applied to the replacement cost.

Details of the valuation of the respective Properties are set out in the Valuation Summaries as prepared by the Valuers, copies of which are attached as Appendix IV to the Circular.

The table below sets out the summary of the Properties, their respective NBV, market value and revaluation surplus arising from the independent valuation of the Properties:

	Property	Valuation Approach	NBV as at 31 December 2020 (S\$'000)	Market value ('000) ⁽¹⁾	Revaluation surplus (S\$'000)
1.	2 Ang Mo Kio Avenue 12, Ang Mo Kio Industrial Park II Singapore 569707	Comparable Sales Method and Income Capitalisation Method	2,928	S\$6,500	3,572
2.	Batamindo Industrial Park Lot 312-313, Jalan Beringin, Muka Kuning Batam, Indonesia	Cost Approach	39	Rp 76,763,000 (S\$7,314) ⁽¹⁾	7,275
3.	Plots 21A & 21B, Street 6, Vietnam-Singapore Industrial Park, Thuan An City, Binh Duong Province, Vietnam	Direct Comparison and Cost Approach	376	VND58,250,000 or US\$2,500 (S\$3,336) ⁽¹⁾	2,960
	Total		3,343	17,150	13,807

Source: Valuation Summaries and Management

Notes:

- (1) Based on the foreign exchange rate of S\$1.00 : Rp 10,495.155 on 8 February 2021 as disclosed in the Valuation Summary for the property in Batam, and US\$1.00 : S\$1.3342 on 7 December 2020 for the purpose of the valuation of the property in Vietnam for comparison purposes; and
- (2) The revaluation surplus of the respective Properties is arrived at based on the difference between the market value and the NBV of the Properties as at 31 December 2020.

In assessing the above revaluation surplus, we have also considered whether there is any potential tax liability which would arise on the sale of the above Properties in a hypothetical scenario. Management estimates the potential tax liability on a hypothetical sale of the Properties to be S\$0.88 million. However, as the Properties are for the Group's own use and not intended for sale, Management expects the likelihood of such potential tax liability crystallising to be minimal.

As the likelihood of a potential tax liability crystallising is minimal since the Properties are not intended for sale, we have assumed that the valuation of the Properties would result in a revaluation surplus of **S\$13.8 million**. This represents 36.4% of the unaudited NTA of the Group and 26.7% of the estimated RNTA of the Group as at 31 December 2020 as shown in Section 8.2.4 below.

8.2.4 Estimated RNTA of the Group

After taking into account the revaluation surplus arising from the valuation of the Properties, the estimated RNTA per Share as at 31 December 2020 is computed as follows:

Estimated RNTA of the Group	S\$'000	Per Share ⁽¹⁾ (S\$)
Unaudited NTA of the Group as at 31 December 2020	37,919	0.437
Add: Revaluation surplus arising from the valuation of the Properties	13,807	0.159
Estimated RNTA of the Group as at 31 December 2020	51,726	0.597⁽²⁾

Notes:

- (1) Based on 86,698,463 Shares (excluding treasury shares); and
- (2) Does not add up to S\$0.597 due to rounding.

Price-to-NTA ratio (“P/NTA”) implied by the Offer Consideration

The net asset backing of the Group is measured by its NAV, NTA or RNTA.

The NAV/NTA based valuation approach provides an estimate of the value of a company assuming the hypothetical sale of all its assets over a reasonable period of time and would be more relevant for asset-based companies or where the subject company intends to realise or convert the uses of all or most of its assets. Such a valuation approach would be particularly appropriate when applied in circumstances where the business is to cease operations or where the profitability of the business being valued is not sufficient to sustain an earnings-based valuation.

The NTA based valuation approach shows the extent to which the value of each Share is backed by the Group’s NTA. NTA is derived by deducting intangible assets and goodwill from the NAV.

At the time of the Pre-Conditional Offer Announcement

Based on the then available statement of financial position of the Group as at 30 June 2020, the unaudited NTA of the Group was S\$37.60 million, representing S\$0.434 per Share.

The implied P/NTA ratio of the Group based on the Offer Consideration and the unaudited NTA per Share of S\$0.434 as at 30 June 2020, was **2.65 times**.

As at the Latest Practicable Date

Based on the estimated RNTA per Share of S\$0.597 as at 31 December 2020, the implied P/RNTA ratio is **1.93 times**.

8.2.5 Confirmation by the Company

Besides the independent valuation by the Valuers of the Properties which have been analysed above and save as disclosed by the Company, in our evaluation of the financial terms of the Offer, we have also considered whether there is any other tangible assets which should be valued at an amount that is materially different from that which was recorded in the unaudited statement of financial position of the Group as at 31 December 2020, and whether there are any factors which have not been otherwise disclosed in the financial statements of the Group that are likely to impact the NTA of the Group as at 31 December 2020.

In respect of the above, save as disclosed by the Company, the Directors and Management have confirmed to us that as at the Latest Practicable Date, to the best of their knowledge and belief:

- (a) there are no material differences between the realisable value of the Group’s assets and their respective book values as at 31 December 2020 which would have a material impact on the NTA of the Group;
- (b) other than that already provided for or disclosed in the Group’s financial statements as at 31 December 2020, there are no other contingent liabilities, bad or doubtful debts or material events which are likely to have a material impact on the NTA of the Group as at the Latest Practicable Date;
- (c) there are no litigation, claim or proceeding pending or threatened against the Company or any of its subsidiaries or any fact likely to give rise to any proceeding which might

materially and adversely affect the financial position of the Group taken as a whole as at 31 December 2020;

- (d) there are no intangible assets which ought to be disclosed in the unaudited statement of financial position of the Group as at 31 December 2020 in accordance with Singapore Financial Reporting Standards (International) and which have not been so disclosed and where such intangible assets would have a material impact on the overall financial position of the Group as at 31 December 2020; and
- (e) there are no material acquisitions and disposals of assets by the Group between 31 December 2020 and the Latest Practicable Date, and the Group does not have any immediate plans for any such impending material acquisition or disposal of assets, conversion of the use of its material assets or material change in the nature of the Group's business.

8.3 Comparison with recently completed privatisation of companies listed on the SGX-ST

In assessing the Offer Consideration, we have also compared the financial terms implied by the Offer Consideration with those of the selected successful privatisation transactions announced since January 2019 and up to the Latest Practicable Date, which were carried out either by way of voluntary delisting exit offers under Rule 1307 of the Listing Manual of the SGX-ST, offers being made by way of a scheme of arrangement under Section 210 of the Companies Act or general takeover offers under the Code where the offeror has stated its intention to delist the listed company from the SGX-ST ("**Precedent Privatisation Transactions**").

The analysis serves as a general indication of the relevant premium/discount that the offerors had paid in order to acquire the target companies without having regard to their specific industry characteristics or other considerations, and the comparison sets out:

- (i) the premium or discount represented by each of the respective offer prices to the last transacted prices and VWAPs over the 1-month and 3-month periods prior to the announcement of the Precedent Privatisation Transactions; and
- (ii) the premium or discount represented by each of the respective offer prices to the NTA of the respective target companies. We note that certain Precedent Privatisation Transactions had undertaken revaluations and/or adjustments to their assets which may have a material impact on their latest announced book values. In this respect, we have compared the offer price with the revalued NAV, revalued NTA or adjusted NAV or adjusted NTA of the Precedent Privatisation Transactions, where applicable.

We wish to highlight that the target companies listed in the Precedent Privatisation Transactions as set out in the analysis below may not be directly comparable to the Company or the Group in terms of market capitalisation, size of operations, composition of business activities, asset base, geographical spread, track record, operating and financial leverage, risk profile, liquidity, accounting policies, future prospects and other relevant criteria. Each transaction must be judged on its own commercial and financial merits. The premium or discount that an offeror pays in any particular Precedent Privatisation Transactions varies in different specific circumstances depending on, *inter alia*, factors such as the intention of the offeror, the potential synergy the offeror can gain by acquiring the target, the prevailing market conditions and sentiments, attractiveness and profitability of the target's business and assets, the possibility of a significant revaluation of the assets to be acquired, the availability of substantial cash reserves, the liquidity in the trading of the target company's shares, the presence or absence of competing bids for the target company, and the existing and desired level of control in the target company. The list of the Precedent Privatisation Transactions is by no means exhaustive and as such any comparison made serves as an illustration only. Conclusions drawn from the comparisons made may not necessarily reflect the perceived or implied market valuation of the Company.

Name of company	Sector	Date of announcement	Premium/(Discount) of Offer Consideration over/(to)			P/NTA (times)
			Last transacted price prior to announcement (%)	1-month VWAP prior to announcement (%)	3-month VWAP prior to announcement (%)	
PCI Limited ("PCI")	Electronics manufacturing services	4 Jan 2019	27.9	44.0	47.2	2.0 ⁽¹⁾
DeClout Limited	Investment holding, strategic management and corporate shared services	7 Jan 2019	62.5	66.7	66.7	1.3 ⁽²⁾
Courts Asia Limited	Electrical, IT and furniture retailer	18 Jan 2019	34.9	35.8	34.0	0.6 ⁽³⁾
Kingboard Copper Foil Holdings Limited	Manufacture and trading of polyvinyl butyral and related products and licensing business	4 Apr 2019	11.3	16.1	25.3	0.9 ⁽⁴⁾
800 Super Holdings Limited	Environmental services provider	6 May 2019	16.1	30.8	31.2	1.8 ⁽⁵⁾
Memtech International Ltd. ("Memtech")	Precision plastic components manufacturing	14 May 2019	23.9	31.5	31.6	1.1 ⁽⁶⁾
Boardroom Limited	Providers of corporate secretarial, share registry, business solutions and advisory (accounting, taxation and payroll) services.	15 May 2019	14.3	18.9	16.1	2.0 ⁽⁷⁾
Hupsteel Limited	Trading in industrial steel products and investment holding	28 Jun 2019	51.9	58.3	58.6	0.6 ⁽⁸⁾
Health Management International Ltd	Regional private healthcare provider	5 Jul 2019	14.1	23.9	27.8	5.6 ⁽⁹⁾⁽²⁹⁾
Delong Holdings Limited	Manufacture and sale of steel products	29 Jul 2019	16.5	18.6	19.0	0.6 ⁽¹⁰⁾
Star Pharmaceutical Holdings Limited	Manufacturing and sales of both western and TCM-formulated prescription drugs.	5 Aug 2019	157.1 ⁽²⁹⁾	160.1 ⁽²⁹⁾	176.1 ⁽²⁹⁾	0.7 ⁽¹¹⁾
PS Group Holdings Ltd.	Supplier of quality fasteners	20 Aug 2019	195.0 ⁽²⁹⁾	266.7 ⁽²⁹⁾	267.5 ⁽²⁹⁾	0.6 ⁽¹²⁾
AVIC International Maritime Holdings Limited	Provides services including shipbuilding project management and consultancy, design and engineering, shipbuilding as well as ship-trading.	27 Aug 2019	37.6	66.7	65.6	82.5 ⁽¹³⁾⁽²⁹⁾
San Teh Ltd	Property development and investment, hotel, and PVC pipes and fittings businesses.	5 Sep 2019	81.8	90.5	83.0	0.4 ⁽¹⁴⁾
PACC Offshore Services Holdings Ltd.	Offshore marine services provider	5 Nov 2019	69.3	99.4	93	1.0 ⁽¹⁵⁾
Citic Envirotech Ltd.	Environmental solutions provider	6 Nov 2019	48.6	61.6	68.5	1.2 ⁽¹⁶⁾
BreadTalk Group Limited	A global food and beverage lifestyle group	24 Feb 2020	19.4	30.1	24.0	6.0 ⁽¹⁷⁾⁽²⁹⁾
Elec & Eltek International Holdings Limited ("E&E")	Manufacturers of conventional as well as technology advanced high density interconnects and backplane printed circuit boards	3 Apr 2020	93.0	61.3	43.8	1.0 ⁽¹⁸⁾
Dynamic Colours Limited	Sale of plastic resins and polyethylene packaging materials	1 Jun 2020	13.6	22.8	29.1	0.9 ⁽¹⁹⁾
Perennial Real Estate Holdings Limited	Integrated real estate and healthcare company	12 Jun 2020	88.1	105.2	124.2	0.6 ⁽²⁰⁾
Luzhou Bio-Chem Technology Limited	Corn refiner and producers of maltose-related products and other corn sweeteners	30 Jun 2020	100.0 ⁽²⁹⁾	87.5 ⁽²⁹⁾	130.8 ⁽²⁹⁾	n.a. ⁽²¹⁾

Name of company	Sector	Date of announcement	Premium/(Discount) of Offer Consideration over/(to)			P/NTA (times)
			Last transacted price prior to announcement (%)	1-month VWAP prior to announcement (%)	3-month VWAP prior to announcement (%)	
Teckwah Industrial Corporation Ltd	Providing leading-edge packaging and printing solutions, demand chain and aftermarket logistics services and large format printing and design and build services for retail and showcase experience	13 Aug 2020	17.8	23.1	25.0	0.8 ⁽²²⁾
China Jishan Holdings Limited	Printing and dyeing, sale of garments, leasing of property and equipment, property development and management for general commercial and residential buildings	20 Aug 2020	84.2	101.3	106.4	0.8 ⁽²³⁾
SK Jewellery Group Limited	Retail sale of jewellery, watches and luxury goods.	2 Sep 2020	70.5	90.2	94.8	1.3 ⁽²⁴⁾
LCT Holdings Limited	Property investment, value-added services, and professional and investment consultancy services	16 Sep 2020	39.5	60.8	61.7	0.9 ⁽²⁵⁾
Sunningdale Tech Ltd. ("Sunningdale")	Manufacturer of precision plastic components	9 Nov 2020	32.0	39.1	45.0	0.8 ⁽²⁶⁾
Sunvic Chemical Holdings Limited ("Sunvic")	Manufacture and sale of chemical products in the PRC	20 Nov 2020	27.3	40.0	(3.4)	0.2 ⁽²⁷⁾
Hi-P International Limited ("Hi-P")	Integrated contract manufacturing services provider	18 Dec 2020	13.6	23.2	42.3	2.6 ⁽²⁸⁾
High			195.0	266.7	267.5	82.5
Low			11.3	16.1	(3.4)	0.2
Mean			40.4	50.4	50.4	1.0
Median			32.0	40.0	43.8	0.9
Company (implied by the Offer Consideration)		11 Jan 2021 (Pre-Conditional Offer Announcement Date)	16.2	18.1	20.5	1.9 (based on P/RNTA as at 31 Dec 2020)

Source: SGX-ST announcements and circulars to shareholders in relation to the Precedent Privatisation Transactions

Notes:

- (1) Based on the NTA per share of PCI as at 31 December 2018;
- (2) Based on the pro forma NTA per share of DeClout Limited as at 30 September 2018;
- (3) Based on the NAV per share of Courts Asia Limited as at 31 December 2018;
- (4) Based on the revalued NAV per share of Kingboard Copper Foil Holdings Limited as at 31 December 2018;
- (5) Based on the NAV per Share of 800 Super Holdings Limited as at 31 March 2019;
- (6) Based on the NAV per share of Memtech as at 31 March 2019;
- (7) Based on the adjusted NAV per share of Boardroom Limited as at 31 March 2019;
- (8) Based on the revalued NAV per share of Hupsteel Limited as at 31 March 2019;
- (9) Based on the revalued NAV per share of Health Management International Ltd as at 30 June 2019;

- (10) Based on the NAV per share of Delong Holdings Limited as at 30 June 2019;
- (11) Based on the revalued NTA per share of Star Pharmaceutical Holdings Limited as at 30 June 2019;
- (12) Based on the revalued NAV per share of PS Group Holdings Ltd. as at 30 June 2019;
- (13) Based on the NTA per share of AVIC International Maritime Holdings Limited as at 30 September 2019;
- (14) Based on the revalued NAV per share of San Teh Ltd as at 30 June 2019;
- (15) Based on the revalued NAV per share of PACC Offshore Services Holdings Ltd. as at 30 September 2019;
- (16) Based on the NAV per share of Citic Envirotech Ltd. as at 30 September 2019;
- (17) Based on the adjusted NTA per share of BreadTalk Group Limited as at 31 December 2019;
- (18) Based on the adjusted revalued NTA per share of E&E as at 31 December 2019;
- (19) Based on the adjusted NAV per share of Dynamic Colours Limited as at 31 December 2019;
- (20) Based on the adjusted revalued NAV per share of Perennial Real Estate Holdings Limited as at 31 December 2019;
- (21) Luzhou Bio-Chem is at a NTL and revalued NTL position as at 31 December 2019;
- (22) Based on the revalued NAV per share of Teckwah Industrial Corporation Ltd as at 30 June 2020;
- (23) Based on the revalued NAV per share of China Jishan Holdings Limited as at 30 June 2020;
- (24) Based on the NAV of SK Jewellery Group Limited as at 30 June 2020;
- (25) Based on the adjusted NAV per Share of LCT Holdings Limited as at 30 June 2020;
- (26) Based on the revalued NTA per share of Sunningdale as at 30 September 2020;
- (27) Based on the NAV per Share of Sunvic as at 31 December 2019;
- (28) Based on the NAV per share of Hi-P as at 30 June 2020; and
- (29) Excluded as statistical outlier in the mean and median computations.

Based on the above, we note that:

- (a) The premia implied by the Offer Consideration over the last transacted price, the VWAP for the 1-month period and the VWAP for the 3-month period are within the range but below the mean and median of the corresponding premia of the Precedent Privatisation Transactions; and
- (b) The P/RNTA ratio of 1.9 times implied by the Offer Consideration based on the RNTA of the Group as at 31 December 2020 is within the range and above the mean and median of the corresponding P/NTA ratios of the Precedent Privatisation Transactions.

The proposed privatisation transactions on Sunningdale, Sunvic and Hi-P were then on-going at the time of the Pre-Conditional Offer Announcement but relevant announcements have since been made that the respective offerors will be proceeding with their privatisation exercises.

Shareholders should note that the above comparison with the Precedent Privatisation Transactions is purely for illustrative purposes only.

8.4 Comparison of valuation ratios of selected listed companies which are broadly comparable to the Group

The Group is principally engaged in the provision of electronics manufacturing services (“EMS”).

For the purpose of assessing the financial terms of the Offer against its trading peers, we have attempted to compare the PER, EV/EBITDA and P/RNTA multiples of the Company implied by the Offer Consideration with the PER, EV/EBITDA and P/NTA multiples of selected companies listed on the SGX-ST that are involved in businesses which can be considered as broad proxies to the principal businesses of the Group, that is, listed companies that are engaged in, *inter alia*, the EMS business (“Comparable Companies”).

8.4.1 At the time of the Pre-Conditional Offer Announcement

For a more meaningful comparison, we have selected Comparable Companies with market capitalisations of up to approximately S\$1.0 billion as at the 11 January 2021, being the Pre-Conditional Offer Announcement Date. There are 4 of such Comparable Companies.

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

We wish to highlight that the selected Comparable Companies are not exhaustive and it should be noted that there may not be any listed company that is directly comparable to the Group in terms of location, business activities, customer base, size of operations, asset base, geographical spread of activities, geographical markets, track record, financial performance, operating and financial leverage, future prospects, liquidity, quality of earnings, accounting policies, risk profile and other relevant criteria. As such, any comparison made is necessarily limited and it may be difficult to place reliance on the comparison of valuation statistics for the selected Comparable Companies. Therefore, any comparison made serves only as an illustrative guide.

A brief description of the selected Comparable Companies, as extracted from Bloomberg L.P. is set out below:

Company name	Principal Business
AEM Holdings	AEM Holdings operates as a holding company. AEM Holdings, through its subsidiaries, designs, develops, and manufactures precision engineering products for electronics, life sciences, instruments, and aerospace industries. AEM Holdings serves customers worldwide.
Frencken Group Ltd (“Frencken”)	Frencken designs, develops, and produces complex and advanced modules and systems, based on precision mechanics, hardware and software.
Valuetronics Holdings Ltd (“Valuetronics”)	Valuetronics offers original equipment manufacturing and original design manufacturing services. Valuetronics serves customers in the telecommunications, industrial, commercial electronic products, and consumer electronic products industries.
Avi-Tech Electronics Ltd (“Avi-Tech”)	Avi-Tech manufactures semiconductor products. Avi-Tech produces and prints circuit board assembling products, as well as provides static burn-in, test during burn-in, and high power burn-in services for semiconductor manufacturers. Avi-Tech serves customers worldwide.

Source: Bloomberg L.P.

For the purpose of our evaluation and for illustration, we have made comparison between the Group and the selected Comparable Companies on a historical basis using the following metrics:

- (a) PER which is commonly used for the purpose of illustrating the valuation of a profitable company as a going concern;
- (b) EV/EBITDA multiple which illustrates the valuation of a company's profitable business relative to its pre-tax operating cash flow performance, without regard to the company's capital structure; and
- (c) P/NTA ratio which illustrates the extent that the valuation of the company is backed by its NTA.

Comparable Companies	Last financial year end	Market capitalisation as at the Pre-Conditional Offer Announcement Date (\$\$' million)	PER ⁽¹⁾ (times)	EV/EBITDA ⁽²⁾⁽³⁾ (times)	P/NTA ⁽⁴⁾ (times)
AEM Holdings	31 Dec 2019	1,011.3	12.1	8.3	6.3 ⁽⁶⁾
Frencken	31 Dec 2019	555.1	14.4	7.3	1.9
Valuetronics	31 Mar 2020	263.2	9.2	1.8 ⁽⁶⁾	1.2
Avi-Tech	30 Jun 2020	75.3	14.1	5.4	1.5
High			14.4	8.3	6.3
Low			9.2	1.8	1.2
Mean			12.4	7.0	1.5
Median			13.1	7.3	1.5
Company⁽⁵⁾ (implied by the Offer Consideration)	31 Dec 2019	99.7	18.1	12.2	2.7 (based on P/NTA as at 30 June 2020)

Source: Bloomberg L.P., annual reports and latest publicly available financial information on the Comparable Companies as at the Pre-Conditional Offer Announcement Date

Notes:

- (1) The PERs of the Comparable Companies were computed based on their trailing 12 months basic consolidated earnings per share as set out in their latest available published interim results or latest full year results, whichever is applicable, as at the Pre-Conditional Offer Announcement Date. Similar to our analysis of the Group, COVID-19 related grants, if any, that were received by these Comparable Companies and publicly disclosed by these Comparable Companies were also excluded for the purpose of computing their earnings and their respective PERs. The PER of the Group implied by the Offer Consideration is computed as shown in Section 8.2.1 above;
- (2) The EV of the respective Comparable Companies were based on (i) their market capitalisation as at the Pre-Conditional Offer Announcement as extracted from Bloomberg L.P.; and (ii) their preferred equity, minority interests and net debt (if any), as set out in their respective latest available financial results as at the Pre-Conditional Offer Announcement Date;
- (3) Based on T12M EBITDA of the Comparable Companies as set out in their latest available published interim results or latest full year results, whichever is applicable, as at the Pre-Conditional Offer Announcement Date. Similarly, COVID-19 related grants, if publicly disclosed by these Comparable Companies, were excluded in determining the respective EBITDA of these Comparable Companies. The EV/EBITDA of the Group implied by the Offer Consideration is computed as shown in Section 8.2.1 above;
- (4) The P/NTA ratios of the Comparable Companies are computed based on their respective (a) market capitalisation as at the Pre-Conditional Offer Announcement Date; and (b) NTA as set out in their latest available published financial statements as at the Pre-Conditional Offer Announcement Date;

- (5) Based on the PER, EV/EBITDA and P/NTA of the Company at the time of the Pre-Conditional Offer Announcement; and
- (6) Excluded as statistical outlier in the mean and median computations.

Based on the above, we note that:

- (a) the PER of the Group of 18.1 times implied by the Offer Consideration is higher than the upper end of the range and hence above the mean and median PERs of the Comparable Companies;
- (b) the EV/EBITDA multiple of the Group of 12.2 times implied by the Offer Consideration is higher than the upper end of the range and hence above the mean and median of the EV/EBITDA multiples of the Comparable Companies; and
- (c) the P/NTA ratio of the Group of 2.7 times implied by the Offer Consideration is within the range and above the mean and median of the P/NTA ratios of the Comparable Companies.

8.4.2 Update as at the Latest Practicable Date

For the purpose of our comparison with the Comparable Companies, we have reassessed the valuation statistics of the Comparable Companies as at the Latest Practicable Date, as follows:

Comparable Companies	Last financial year end	Market capitalisation as at the Latest Practicable Date (\$ million)	PER ⁽¹⁾ (times)	EV/EBITDA ⁽²⁾⁽³⁾ (times)	P/NTA ⁽⁴⁾ (times)
AEM Holdings	31 Dec 2020	1,014.1	10.7	7.7	6.2 ⁽⁶⁾
Frencken	31 Dec 2020	511.8	13.7	6.4	1.6
Valuetronics	31 Mar 2020	267.5	9.3	1.8 ⁽⁶⁾	1.2
Avi-Tech	30 Jun 2020	70.1	20.6	7.2	1.4
High			20.6	7.7	6.6
Low			9.3	1.8	1.2
Mean			13.6	7.1	1.4
Median			12.2	7.2	1.4
Company⁽⁵⁾ (implied by the Offer Consideration)	31 Dec 2020	99.7	23.1	15.0	1.9 (based on P/RNTA as at 31 Dec 2020)

Source: Bloomberg L.P., annual reports and latest publicly available financial information on the Comparable Companies as at the Latest Practicable Date

Notes:

- (1) The PERs of the Comparable Companies were computed based on their trailing 12 months basic consolidated earnings per share as set out in their latest available published interim results or latest full year results, whichever is applicable, as at the Latest Practicable Date. Similar to our analysis of the Group, COVID-19 related grants, if any, that were received by these Comparable Companies and publicly disclosed by these Comparable Companies were also excluded for the purpose of computing their earnings and their respective PERs. The PER of the Group implied by the Offer Consideration is computed as shown in Section 8.2.1 above;
- (2) The EV of the respective Comparable Companies were based on (i) their market capitalisation as at Latest Practicable Date as extracted from Bloomberg L.P.; and (ii) their preferred equity, minority interests and net debt (if any), as set out in their respective latest available financial results as at the Latest Practicable Date;

- (3) Based on T12M EBITDA of the Comparable Companies as set out in their latest available published interim results or latest full year results, whichever is applicable, as at the Latest Practicable Date; Similarly, COVID-19 related grants, if publicly disclosed by these Comparable Companies, were excluded in determining the respective EBITDA of these Comparable Companies. The EV/EBITDA of the Group implied by the Offer Consideration is computed as shown in Section 8.2.1 above;
- (4) The P/NAV ratios of the Comparable Companies are computed based on their respective (a) market capitalisation as at the Latest Practicable Date; and (b) NAV as set out in their latest available published financial statements as at the Latest Practicable Date;
- (5) Based on the PER, EV/EBITDA and P/RNTA of the Company as at the Latest Practicable Date; and
- (6) Excluded as statistical outlier in the mean and median computations.

Based on the above, we note that:

- (a) the PER of the Group of 23.1 times implied by the Offer Consideration is higher than the upper end of the range and hence above the mean and median of the PERs of these Comparable Companies;
- (b) the EV/EBITDA multiple of the Group of 15.0 times implied by the Offer Consideration is higher than the upper end of the range and hence above the mean and median of the EV/EBITDA multiples of these Comparable Companies; and
- (c) the P/RNTA ratio of the Group of 1.9 times implied by the Offer Consideration is within the range and above the mean and median P/NTAs of the Comparable Companies.

We note that our evaluation results of the Offer with the statistics of the Comparable Companies as at the Latest Practicable Date are similar with those at the time of the Pre-Conditional Offer Announcement.

8.5 Comparison with precedent M&A transactions of companies which are broadly comparable to the Group

We have also attempted to make a comparison of the relevant financial terms of selected completed M&A transactions involving acquisitions of equity interests in companies which are engaged in the EMS business (“**Precedent M&A Transactions**”). These Precedent M&A Transactions include acquisitions made since January 2019 in connection with the privatisation of companies listed on the SGX-ST. However, publicly available information on these Precedent M&A Transactions may be limited and may not include the relevant financial information necessary for our comparison purposes.

We have had discussions with the Management about the suitability and reasonableness of the Precedent M&A Transactions for comparison with the Group. Relevant information has been extracted from Bloomberg L.P. and/or public announcements of the Precedent M&A Transactions, where available. We make no representations or warranties, expressed or implied, as to the accuracy or completeness of such information.

We wish to highlight that the Precedent M&A Transactions may not be exhaustive and the target companies may not be directly comparable to the Group in terms of location, business activities, customer base, size of operations, asset base, geographical spread of activities, geographical markets, track record, financial performance, operating and financial leverage, future prospects, liquidity, quality of earnings, accounting policies, risk profile and other relevant criteria. As such, any comparison made herein is necessarily limited and it may be difficult to place reliance on the comparison of the valuation statistics for these Precedent M&A Transactions. Therefore, any comparison made serves only as an illustrative guide.

A brief description of the Precedent M&A Transactions is set out below:

Target	Description
PCI	<p>PCI is principally engaged in the provision of electronics manufacturing services.</p> <p>Third party investor acquired 100% of PCI via a scheme of arrangement. PCI was delisted in May 2019.</p>
Memtech	<p>Memtech was engaged in the business of precision components manufacturing, providing high-tech solutions to the automotive, consumer electronics, tele-communications, industrial and medical industries.</p> <p>A consortium, including the major shareholder and key management, had made a general takeover offer for the listed shares of Memtech, subject to the 90% acceptance condition. Memtech was delisted in August 2019.</p>
E&E	<p>E&E is a manufacturer of conventional (as well as technology advanced) high density interconnects and backplane printed circuit boards of up 50-layers.</p> <p>The major shareholder of E&E made a voluntary offer for the remaining 26.37% of the shares outstanding at the time of the announcement. E&E was delisted in September 2020.</p>
Sunningdale	<p>Sunningdale is a manufacturer of precision plastic components headquartered out of Singapore and serves customers across various industry segments (including automotive, consumer/IT and healthcare) and geographies.</p> <p>A consortium, including the controlling shareholder and Novo Tellus had proposed the acquisition of 100% of Sunningdale via a scheme of arrangement. The scheme of arrangement was approved by the shareholders of Sunningdale on 19 February 2021 and the completion of the acquisition of Sunningdale is currently in progress.</p>
Hi-P	<p>Hi-P operates as an integrated contract manufacturer serving the wireless telecommunications, consumer electronics, computing and peripherals, Internet of Things, medical devices and industrial devices markets.</p> <p>The major shareholder made a voluntary offer for the remaining 16.50% of the shares outstanding at the time of the announcement. The offer for Hi-P had closed on 18 February 2021 and the offeror had announced its intention to exercise its right to compulsorily acquire all the remaining shares under Section 215(1) of the Companies Act.</p>

Source: Bloomberg L.P. and publicly available information on the respective Precedent M&A Transactions

For the purpose of our evaluation and for illustration, we have made comparison between the Group and the selected Precedent M&A Transactions on a historical basis using the following metrics:

- (a) PER which is commonly used for the purpose of illustrating the valuation of a profitable company as a going concern;
- (b) EV/EBITDA multiple which illustrates the valuation of a company's profitable business relative to its pre-tax operating cash flow performance, without regard to the company's capital structure; and
- (c) P/NTA ratio which illustrates the extent that the valuation of the company is backed by its NTA.

Target	Announcement Date	Implied market capitalisation (million)	Historical PER (times)	Historical EV/EBITDA (times)	Historical P/NTA (times)
PCI ⁽¹⁾⁽²⁾	4 Jan 2019	S\$264.8	12.1	Not available	2.0
Memtech ⁽¹⁾⁽³⁾	14 May 2019	S\$189.1	20.9	6.8	1.1
E&E ⁽¹⁾⁽⁴⁾	3 Apr 2020	HK\$3,378 (S\$627.3) ⁽⁵⁾	12.9	6.6	1.0
Sunningdale ⁽¹⁾⁽⁶⁾	9 Nov 2020	S\$320.3	26.5	5.8	0.8
Hi-P ⁽¹⁾⁽⁷⁾	18 Dec 2020	S\$1,614.9	20.3	7.3	2.6

High			26.5	7.3	2.6
Low			12.1	5.8	0.8
Mean			18.5	6.6	1.5
Median			20.3	6.7	1.1

Company⁽⁸⁾ (implied by the Offer Consideration)	11 Jan 2021 (Pre-Conditional Offer Announcement Date)	99.7	23.1	15.0	1.9 (based on P/RNTA as at 31 Dec 2020)
---	--	-------------	-------------	-------------	--

Source: Bloomberg L.P. and publicly available information on the respective Precedent M&A Transactions

Notes:

- (1) The PER, EV/EBITDA and P/NAV statistics, where applicable, are extracted from the respective IFA letters issued in connection with the acquisition of PCI, Memtech, E&E, Sunningdale and Hi-P;
- (2) The P/NTA ratio for PCI is based on the NTA per share of PCI as at 31 December 2018;
- (3) The P/NAV ratio for Memtech is based on the NAV per share of Memtech as at 31 March 2019;
- (4) The P/NAV ratio for E&E is based on the adjusted offer price of US\$2.29 and adjusted revalued NAV per share of E&E as 31 December 2019;
- (5) Based on the foreign exchange rate of HKD1.00 : S\$0.1857 on 3 April 2020 for comparison purposes;
- (6) The P/NTA ratio for Sunningdale is based on the revalued NTA per share of Sunningdale as at 30 September 2020;
- (7) The P/NAV ratio for Hi-P is based on the NAV per share of Hi-P as at 30 June 2020; and
- (8) Based on the PER, EV/EBITDA and P/RNTA of the Company as at the Latest Practicable Date.

Based on the above, we note the following:

- (i) in comparison with the Precedent M&A Transactions, the PER of the Group implied by the Offer Consideration is within the range and higher than the mean and median PERs of the Precedent M&A Transactions;
- (ii) the EV/EBITDA multiple of the Group implied by the Offer Consideration is higher than the upper end of the range and hence above the mean and median of the EV/EBITDA multiples of the Precedent M&A Transactions; and
- (iii) the P/RNTA ratio of the Group implied by the Offer Consideration is within the range and higher than the mean and median of the P/NTA ratios of the Precedent M&A Transactions.

For the purposes of comparison with the Offer, we note that the statistics of the 2 recent Precedent M&A Transactions, namely Sunningdale and Hi-P, are more meaningful comparisons with the Offer as these transactions occurred during the COVID-19 pandemic or where their businesses and/or financial results could have been affected by the COVID-19 pandemic. The relevant statistics of these recent transactions are summarised below:

	Announcement Date	Historical PER (times)	Historical EV/EBITDA (times)	Historical P/NTA (times)
Sunningdale	9 Nov 2020	26.5	5.8	0.8
Hi-P	18 Dec 2020	20.3	7.3	2.6
Average		23.4	6.6	1.7
Company	11 Jan 2021	23.1	15.0	1.9

Based on the above, in comparison with the more recent Precedent M&A Transactions, the PER and P/RNTA of the Group implied by the Offer Consideration is more comparable with the average PER and P/NTA statistics of the more recent Precedent M&A Transactions. However, the EV/EBITDA multiple of the Group implied by the Offer Consideration is much higher than the average EV/EBITDA multiple of the more recent Precedent M&A Transactions.

We have considered these statistics in assessing the estimated valuation of the Shares (without the impact of the AEM Holdings Shares) in Section 8.6 below.

8.6 Assessment of the estimated valuation of the Shares (without the impact of the AEM Holdings Shares)

We have in Section 8.1 to Section 8.5 of this Letter taken into account various key factors in evaluating the financial terms of the Offer, in particular the Offer Consideration of S\$1.15 for each Share.

In assessing the estimated valuation of the Shares, we have evaluated the appropriateness of the valuation methodologies used for valuing the Shares and isolated the potential impact the market share price performance of the AEM Holdings Shares may have on the valuation of the Shares as ascribed to it by the market traded prices. The impact of the market share price of the AEM Holdings Shares on the implied value of the Offer Consideration and indirectly on the Shares under the various scenarios are illustrated in Section 8.1.3 of this Letter. The impact of the market share price of the AEM Holdings Shares on the Offer Consideration is more relevant in the Cash Shares Consideration Options and are evaluated in Section 8.7 below.

Accordingly, in assessing the estimated valuation of the Shares, we have considered both the earnings approach based on the PER and EV/EBITDA multiples as our primary valuation methodology, as the Group is a profitable going concern, as well as the asset-backed approach based on the P/RNTA ratio, as a secondary check.

Generally, we are of the view that the earnings approach is a more appropriate valuation approach for the Shares as compared to the asset-backed valuation approach as the Group is not an asset heavy or asset-based company like in a real estate or property development company. In addition, the Properties of the Group pertain mainly to the leasehold land and factory buildings which are used for the Group's existing manufacturing operations, and the Company does not intend to dispose of or convert the uses of any of these Properties. However, we note that the revaluation surplus arising from the independent valuation of the Properties represents 26.7% of the estimated RNTA of the Group as at 31 December 2020.

Based on our evaluation with the Comparable Companies as set out in Section 8.4 above, the valuation of the Shares implied by the Offer Consideration had exceeded the upper end of the

ranges of the PER and EV/EBITDA statistics of the Comparable Companies, rendering them not meaningful in providing a guide in establishing a range of valuation for the Shares.

In the case of the Precedent M&A Transactions as set out in Section 8.5 above, the valuation of the Shares implied by the Offer Consideration is above the mean and median statistics of the Precedent M&A Transactions in terms of PER, EV/EBITDA and P/NTA multiples. In addition, we note that of the 5 Precedent M&A Transactions, the 3 earlier transactions were carried out before the COVID-19 pandemic and/or the acquisition of these target companies were based on pre COVID-19 financial results.

The EV/EBITDA multiple on the Shares implied by the Offer Consideration is also significantly above the upper end of the EV/EBITDA statistics of the Precedent M&A Transactions, including the more recent Precedent M&A Transactions. Hence, these EV/EBITDA statistics of the Precedent M&A Transactions are not meaningful as a basis for determining the estimated valuation range for the Shares. We have therefore considered the statistics of the 2 recent Precedent M&A Transactions, in particular their PER and P/NTA statistics, in assessing the estimated valuation range of the Shares.

Therefore, in arriving at our opinion of the fair estimated valuation range of the Shares, we have taken into account the following key considerations:

- (a) PER statistics of the more recent Precedent M&A Transactions as set out in Section 8.5 of this Letter with an average PER of 23.4 times; and
- (b) P/NTA statistics of the more recent Precedent M&A Transactions as set out in Section 8.5 of this Letter with an average P/NTA multiple of 1.7 times.

Applying the above statistics to the Adjusted EPS of S\$0.0497 for FY2020 and the RNTA per Share of S\$0.597 as at 31 December 2020, the estimated valuation range of the Shares is between S\$1.015 and S\$1.163.

Hence, we are of the opinion that overall, on balance, the Offer Consideration of S\$1.15 is fair and reasonable, as the Offer Consideration is within our estimated valuation range of the Shares.

8.7 Assessment of the Cash Shares Consideration Options (taking into consideration the impact of the AEM Holdings Shares)

8.7.1 Implied value of the Offer Consideration (implied by the value of the AEM Holdings Shares)

As set out in Section 8.1.3 of this Letter, the market share price performance of the AEM Holdings Shares has an impact on the implied value of the Offer Consideration under Option 2 (85/15 Cash Shares Consideration) and Option 3 (70/30 Cash Shares Consideration). The market share price performance of the AEM Holdings Shares also appear to have an indirect impact on the market price of the Shares.

As illustrated in Section 8.1.3 of this Letter, between 12 January 2021 (following the Pre-Conditional Offer Announcement) to 8 March 2021 (being the Latest Practicable Date), the AEM Holdings Shares had traded between a low of S\$3.67 and a high of S\$4.72, which are above the Issue Price of S\$3.55. At the market price of the AEM Holdings Shares at S\$4.72, the implied value of the Offer Consideration under Option 3 amounted to S\$1.2638, representing 9.9% above the Offer Consideration of S\$1.15.

The market share price performance of the AEM Holdings Shares also had an indirect impact on the Shares, which had traded between a low of S\$1.13 and a high of S\$1.24 during the period from 12 January 2021 to the Latest Practicable Date. At the market traded price of S\$1.24 per Share, the market is ascribing a valuation on the Shares which represents 7.8% above the Offer Consideration of S\$1.15.

As at the Latest Practicable Date, the AEM Holdings Shares and the Shares were last transacted at S\$3.68 and S\$1.15 respectively. Shareholders should therefore note that the Shares and/or the AEM Holdings Shares can be subject to significant fluctuations and can vary from time to time.

The Cash Shares Consideration Options will not be relevant for Shareholders who wish to exit their entire investment in the Shares in cash. Such Shareholders should consider accepting Option 1 and should also consider selling their Shares in the open market if they can get a price higher than the Cash Consideration of S\$1.15 (after deducting transaction costs).

Shareholders who are prepared to bear some risk on an investment in the AEM Holdings Shares and/or who wish to stay invested in the enlarged AEM Group can consider the Cash Shares Consideration Options (either Option 2 or Option 3) as the New AEM Holdings Shares are to be issued at S\$3.55 each, which represents a discount to the current market share price of the AEM Holdings as at the Latest Practicable Date. Shareholders who are prepared to take such market risk and who wish to realise their New AEM Holdings Shares after the receipt of the New AEM Holdings Shares, can also sell the New AEM Holdings Shares in the open market as the AEM Holdings Shares are listed and quoted on the SGX-ST.

In view of the current higher market share price of the AEM Holdings Shares compared to the Issue Price, Option 3, with a higher proportion of New AEM Holdings Shares compared to Option 2, will yield a higher implied value of the Offer Consideration compared to Option 2 (before deducting transaction costs). Under this scenario, Shareholders who wish to realise the maximum divestment value of their investment in the Shares and who are prepared to bear a higher proportion of risk of an investment in AEM Holdings compared to Option 2, should elect Option 3. Otherwise, they can consider Option 2.

Prior to the Latest Practicable Date, the market price of the Shares was trading at higher than the Cash Consideration of S\$1.15. Hence, notwithstanding the above, Shareholders who consider electing Option 2 or Option 3 should also compare the implied value of the Offer Consideration (implied by the market share price of the AEM Holdings Shares) with the market price of the Shares, and should consider selling their Shares in the open market if they can obtain a price higher than the implied value of the Offer Consideration (implied by the market share price of the AEM Holdings Shares) (after deducting transaction costs).

As shown in Section 8.1.3 of this Letter and illustrated in the various scenarios below, the implied value of the Offer Consideration (implied by the market share price of the AEM Holdings Shares) under Option 2 and Option 3 will vary depending on the market share prices of the AEM Holdings Shares. This may also have a consequential impact on the market price of the Shares which may render Option 1 less attractive if Shareholders can sell in the open market at prices higher than the Cash Consideration of S\$1.15 (after deducting transaction costs).

Options	Scenario A Implied value of the Offer Consideration based on AEM Holdings Share price of S\$3.67	Scenario B Implied value of the Offer Consideration based on AEM Holdings Share price of S\$4.72	Scenario C Implied value of the Offer Consideration based on the last transacted price AEM Holdings Shares of S\$3.68 as at the Latest Practicable Date
Option 1	Not applicable as the Cash Consideration remains at S\$1.15. However, the market share price of the Shares has fluctuated between S\$1.13 and S\$1.24, and closed at S\$1.15 on the Latest Practicable Date.		
Option 2	S\$1.1559	S\$1.2069	S\$1.1563
Option 3	S\$1.1617	S\$1.2638	S\$1.1627

From a financial viewpoint, our assessment of the Offer and the 3 forms of the Offer Consideration based on the above scenarios of market share prices of the Shares and the AEM Holdings Shares are as follows:

- Option 1 - Shareholders who wish to realise their entire investment in the Shares with the certainty of the consideration in cash should sell their Shares in the open market if they can get a price higher than the Cash Consideration of S\$1.15 (after deducting transaction costs) instead of accepting the Offer. Otherwise, they should accept the Cash Consideration.
- Option 2 - Shareholders who wish to realise their investment in the Shares partly in cash and are prepared to bear some but not prepared to bear the higher proportion of risk of an investment in AEM Holdings under Option 3, should accept the Offer and elect Option 2, (a) if they are confident of realising the implied value of the Offer share price of the AEM Holdings Shares) higher than the Cash Consideration and the market price of the Shares (after deducting transaction costs); or (b) if they wish to stay invested in the enlarged AEM Group at the entry price of S\$3.55, being the Issue Price for each New AEM Holdings Shares pursuant to the Offer.
- Option 3 - Shareholders who wish to realise their investment in the Shares partly in cash and are prepared to bear a higher proportion of risk of an investment in AEM Holdings compared to Option 2, should accept the Offer and elect Option 3, (a) if they are confident of realising the implied value of the Offer Consideration (implied by the market share price of the AEM Holdings Shares) higher than the Cash Consideration, the market price of the Shares and the implied value of the Offer Consideration under Option 2; or (b) if they wish to stay invested in the enlarged AEM Group at a higher proportion of New AEM Holdings Shares compared to Option 2 at the entry price of S\$3.55, being the Issue Price for each New AEM Holdings Shares pursuant to the Offer.

In arriving at our recommendation on the Offer, it is pertinent to note the following:

- (i) Our recommendation on the Offer is from a financial viewpoint based on the prevailing market share prices of the Shares and the AEM Holdings Shares as at the Latest Practicable Date, and such market share prices may vary from time to time.
- (ii) The Offer is subject to the Minimum Acceptance Condition and has not become or been declared to become unconditional in all respects as at the Latest Practicable Date. Shareholders should therefore note that if the Minimum Acceptance Condition is not met by the close of the Offer, the Offer will lapse and all Shares tendered will be returned to the respective Shareholders. Accordingly, Shareholders who accept the Offer will only have the certainty of the Offer Consideration when the Offer has been declared to have become unconditional in all respects.

Shareholders should note that settlement of the Offer Consideration for their Offer Shares will be paid within 7 business days after the Offer has been declared unconditional in all respects or upon the receipt of valid acceptances where such acceptances were tendered after the Offer has been declared unconditional in all respects. Shareholders should also note that the market share price of the AEM Holdings Shares at settlement date may vary from the market share price of the AEM Holdings Shares used in computing the implied value of the Offer Consideration at the time of electing the Offer Consideration.

- (iii) If the Offer becomes unconditional in all respects, the Group will become a subsidiary of the AEM Group. Shareholders who elect either Option 2 or Option 3 have the option to stay invested in the New AEM Holdings Shares and participate as shareholders of the enlarged AEM Group, or sell their New AEM Holdings Shares in the open market as the AEM Holdings Shares are listed and quoted on the SGX-ST. Shareholders who elect the

Cash Shares Consideration Options should assess for themselves the future prospects of AEM Holdings and the extent of the risk exposure they are prepared to take in an investment in the AEM Holdings Shares, as Option 3 has a larger proportion of the Offer Consideration being in the form of the New AEM Holdings Shares compared to Option 2. In the event that the Offeror is able to exercise its right of compulsory acquisition to acquire all the Offer Shares not acquired under the Offer, the Company will be wholly-owned by the AEM Group, and the Offeror will proceed to delist the Company from the SGX-ST. Otherwise, the Company may remain listed on the SGX-ST.

- (iv) Pursuant to the Irrevocable Undertakings, the Individual Undertaking Shareholders have undertaken to accept the Offer and elect Option 2 (85/15 Cash Shares Consideration) and TIHT has undertaken to accept the Offer and elect Option 1 (Cash Consideration).
- (v) We do not reflect any projections on the future financial performance or share price performance of the AEM Holdings Shares. As AEM Holdings is listed on the SGX-ST, relevant information on AEM Holdings is available on the website of the SGX-ST and in the Offer Document. Some highlights of the historical share price performance and financial information of the AEM Group are set out in Section 8.7.2 below.
- (vi) Shareholders who elect the Cash Shares Consideration Options should note that fractions of a New AEM Holdings Share will not be issued and will be disregarded. Shareholders who elect such options will become minority shareholders of AEM Holdings.

In addition, the New AEM Holdings Shares will rank *pari passu* in all respects with the then existing shares in AEM Holdings as at the date of their issue, save that they will not rank for any dividend, rights, allotments or other distributions, the record date for which falls on or before the date of completion of the allotment and issuance of the New AEM Holdings Shares pursuant to the Offer.

As set out in Section 3.5 of this Letter, AEM Holdings has, in connection with its results announcement for FY2020, proposed the payment of final dividend of S\$0.04 for each AEM Holdings Share in cash on 31 May 2021 and has given notice for the record date for the purpose of payment of dividend to be at 5.00 p.m. on 17 May 2021.

If Shareholders fail to elect their preferred mode of the Offer Consideration, they will be deemed to have chosen to receive the Cash Consideration in respect of all of their Offer Shares tendered in acceptance of the Offer.

Shareholders should take note of any announcements relevant to their consideration of the Offer which may be released or published after the Latest Practicable Date.

8.7.2 Highlights of financial information on the AEM Group

(a) Historical share price performance of the AEM Holdings Shares

Overall, during the Period Under Review as shown in the chart below, the market price of the AEM Holdings Shares (based on daily last transacted prices) had traded between a low of S\$1.37 on 19 March 2020 and a high of S\$4.62 on 15 February 2021. There was also active trading on the AEM Holdings Shares during the Period Under Review. The last transacted price of the AEM Holdings Shares was S\$3.68 on the Latest Practicable Date, which is above the Issue Price of S\$3.55.

**Price movement and trading volume of
the AEM Holdings Shares for the Period Under Review**



Source: Bloomberg L.P.

Based on the last transacted price of the AEM Holdings Shares on the Latest Practicable Date and the existing outstanding number of AEM Holdings Shares of 275,557,667 (excluding treasury shares), the market capitalisation of AEM Holdings is approximately S\$1,014.1 million.

(b) Key financial information of the AEM Group

As disclosed under the financial highlights in the annual report of AEM Holdings for the financial year (“FY”) ended 31 December 2019, the AEM Group had recorded year-on-year improvement in financial performance from FY2017 to FY2019. On 25 February 2021, AEM Holdings released the unaudited results announcement of the AEM Group for FY2020, which showed significantly better financial results compared to prior years.

The key financial information of the AEM Group from FY2017 to FY2020 is summarised in the table below:

S\$'000	FY2017 (Audited)	FY2018 (Audited)	FY2019 (Audited)	FY2020 (Unaudited)
Revenue	221,622	262,325	323,130	518,959
Profit for the year	32,184	33,493	52,763	97,587 ⁽¹⁾
Total equity	57,810	89,504	134,336	211,430
Intangible assets	3,449	17,717	16,905	46,646
NTA	54,361	71,787	117,431	164,784

Source: AEM Holdings’ annual report for FY2019 and unaudited results announcement for FY2020

Note:

(1) Includes government grant income of S\$3.25 million for FY2020. The adjusted profit for the year excluding such government grant income is S\$94.34 million.

Based on the market capitalisation of the AEM Holdings on the Latest Practicable Date and the adjusted profit for FY2020, the AEM Holdings Shares are trading at a PER of 10.7 times and P/NTA of 6.2 times.

(c) Dividend track record of AEM Holdings

On 23 February 2017, AEM Holdings had announced that it has adopted a dividend policy. Such dividend policy is also disclosed in its last annual report for FY2019 as follows:

“The Company has established and announced a policy on payment of dividends of not less than 25% of the Company’s consolidated profit after tax, excluding non-recurring, one-off and exceptional items, in respect of any financial year to its shareholders, subject to the Company’s retained earnings, financial position, capital expenditure requirements, future expansion, investment plans and other relevant factors.”

In connection with the results announcements for FY2020, AEM Holdings had proposed a final dividend of S\$0.04 in respect of FY2020 to be paid on 31 May 2021, subject to its shareholders’ approval at its forthcoming AGM.

We set out below the information on the dividend track record of AEM Holdings for the last 3 financial years from FY2018 to FY2020:

Dividend declared by AEM Holdings (S\$)	FY2018	FY2019	FY2020
Interim dividend per AEM Holdings Share	0.015	0.020	0.050
Final dividend per AEM Holdings Share	0.019	0.031	0.040 ⁽³⁾
Total	0.034	0.051	0.090
Average price of AEM Holdings Shares ⁽¹⁾ (S\$)	1.1290	1.2114	2.9658
Dividend yield ⁽²⁾ (%)	3.01	4.21	3.03

Source: Bloomberg L.P.

Notes:

- (1) Based on the daily closing prices of the AEM Holdings Shares for the respective financial years. The average share price for FY2018 has been adjusted for the 3 for 1 bonus issue which was completed on 4 June 2018;
- (2) Computed based on dividend per AEM Holdings Share divided by the average price of the AEM Holdings Shares; and
- (3) Based on the proposed final dividend as announced in the unaudited results announcements of AEM Holdings for FY2020 which is subject to approval by shareholders of AEM Holdings at the AGM to be convened.

(d) Business outlook

AEM Holdings had made the following comments in relation to its business outlook in its announcement dated 25 February 2021 in relation to its unaudited results for FY2020:

"The current macroeconomic environment has been characterised by rising geopolitical tensions, economic downturn and a change in administration in the USA. 2020 was a year marred by the pandemic, however, it significantly drove the wholesale shift to digitalisation. Work from home significantly boosted the IC market which grew by 8% in 2020¹. As we adapt to this new normal, the need for ICs chips is expected to further boost and grow by 11% in 2021 on the back of continuing economic recovery, cloud expansion (such as data centres), 5G proliferation in electronic devices, transition to Electric vehicles, AI and Industrial IoT¹. In view thereof, according to the World Semiconductor Trade Statistics (WSTS) organisation, the annual global sales of semiconductors is expected to increase by 8.4% in 2021, highlighting an upward revision from 6.2% as expected previously².

On 15 February 2021, AEM's wholly-owned subsidiary, AEM Singapore Pte. Ltd. ("ASG"), launched a voluntary conditional offer for CEI Limited ("Offer") with an option for all-cash or cash and new AEM shares, which is conditional upon ASG receiving acceptances under the Offer which will result in ASG holding shares carrying more than 50% of the voting rights attributable to the issued shares in CEI Limited, by the close of the Offer.

CEI Limited is a contract manufacturer which is involved in the design and manufacture of proprietary equipment, assembly of printed circuit boards, box-build, prototyping and value add engineering work, such as circuit layout and functional design. If the Offer becomes unconditional and the acquisition of CEI Limited's shares thereunder is successfully completed, CEI would be added to AEM's portfolio, which would solidify our leadership in serving semiconductor and electronics companies in the advanced computing, 5G and artificial intelligence space. CEI's regional footprint and expertise in their field would strengthen AEM's resilience to be more responsive to the needs of our global customer base.

In addition to the growth opportunities and expanding semiconductor markets, the Group also foresees volatility in the near future. Amidst escalating trade tensions, we have seen a wave of localisation in the Chinese markets, post the sanctions imposed on Chinese semiconductor and electronics industries. We anticipate this fallout from US-China decoupling to impact supply chains and vendor relationships. Furthermore, as heterogenous packaging becomes prevalent in the semiconductor industry and SLT becomes increasingly important, we expect to encounter increased competition from major test equipment players in SLT.

The Group will continue to strategically expand its presence and further establish its leadership in the industry through both development of in-house technological capabilities as well as through mergers and acquisitions to counter these challenges. We will continue to capitalise on global trends such as 5G and AI and strive to constantly increase our market share globally.

AEM wishes to emphasise that any statements regarding the future are not intended to be profit forecasts, estimations or projections, and should not be treated as such."

¹ Mark Lapedus, *Fearless Chip Forecasts for 2021: Semiconductor Engineering, 2021*

² Semiconductor Industry Association (SIA), *Global Semiconductor Sales Increase 6 Percent Year-to-Year in October; Annual Sales Projected to Increase 5.1 Percent in 2020: SIA, 2020*

8.8 Dividend track record of the Company

The Company had paid the following dividends per Share in the last 4 financial years from FY2016 to FY2019.

On 26 February 2021, in connection with its unaudited results announcement for FY2020, the Company had proposed a third and final cash dividend of 0.4 cents per Share and a special dividend of 2.6 cents per Share (totalling 3.0 cents) in respect of FY2020. The payment of dividends, if approved by Shareholders at the Company's AGM to be held on 28 April 2021, will be made on 18 May 2021. The Company has also given notice that the record date for the purpose of the payment of dividends will be at 5.00 p.m. on 7 May 2021.

A summary of the dividends per Share paid and/or declared by the Company for the last 5 financial years from FY2016 to FY2020 is set out in the table below:

Dividends declared (S\$)	FY2016	FY2017	FY2018	FY2019	FY2020
Interim dividend per Share	0.0104	0.0104	0.0104	0.0104	0.0104
Interim dividend per Share	-	-	-	-	0.0398 ⁽³⁾
Special dividend per Share	0.0376	0.0300	0.0300	0.0314	0.0200
Final dividend per Share	0.0040	0.0040	0.0040	0.0040	0.0040 ⁽⁴⁾
Special dividend per Share	0.0480	0.0300	0.0398	-. ⁽³⁾	0.0260 ⁽⁴⁾
Total	0.1000	0.0744	0.0842	0.0458	0.1002
Average Share price ⁽¹⁾ (S\$)	0.7226	1.0225	0.9380	0.9388	0.9088
Dividend yield ⁽²⁾ (%)	13.84	7.28	8.98	4.88	11.03

Source: Bloomberg L.P.

Notes:

- (1) Based on the daily closing prices of the Shares for the respective financial years;
- (2) Computed based on dividends per Share divided by the average Share price;
- (3) On 8 April 2020, the Company had declared an interim cash dividend of 3.98 cents per Share in respect of FY2020 to replace the proposed special dividend of 3.98 cents in respect of FY2019 that was withdrawn and rescinded; and
- (4) Based on the proposed dividends as set out in the results announcement of the Company for FY2020, which are subject to Shareholders' approval at the AGM.

As an illustration, if the proposed special dividend of 3.98 cents in respect of FY2019 had in fact been paid in FY2019 instead of being paid as an interim dividend in respect of FY2020, the total dividend for FY2019 and FY2020 would have been S\$0.0856 and S\$0.0604 respectively. Accordingly, the dividend yield for FY2019 and FY2020 would have been 9.12% and 6.65% respectively.

Accordingly, the dividend yield on the Shares would range between 6.65% to 13.84% per annum for the above period.

The Directors have confirmed to us that the Company does not have a formal dividend policy. However, it has a good track record of paying annual dividend to Shareholders since its listing on the SGX-ST in March 2000. In proposing any dividend payout and/or determining the form, frequency and/or the amount of such dividend payout, the Board will take into account, *inter alia*, the Group's financial position, retained earnings, results of operations and cash flow, the Group's expected working capital requirements, the Group's expected capital expenditure and future expansion and investment plans and other funding requirements, general economic conditions and other internal or external factors that may have an impact on the business or financial performance and position of the Group.

We wish to highlight that the above dividend analysis of the Company serves only as an illustrative guide and is not an indication of the Company's future dividend policy.

As disclosed in Section 7.1 of this Letter, in the event the Offer becomes or is declared unconditional in all respects in accordance with its terms and the Company becomes a subsidiary of the AEM Group, the directors of AEM Holdings may review and make changes to

the Company's existing practice regarding the payment of dividends to Shareholders as set out in the Offer Document.

Adjustment to the Offer Consideration

In view of the declaration of the proposed dividends by the Company during the Offer period, the Offer Consideration will be subject to adjustments in accordance with the terms of the Offer as set out in Section 3.5 of this Letter and in Section 2.6 of the Offer Document.

In particular, the following extracts from Section 2.6 of the Offer Document on the adjustment to the Offer Consideration will be relevant:

"(b) if the Offer Settlement Date falls after the Record Date, or if the Offer Settlement Date falls on or before the Record Date but the Offeror is not registered as the holder of the relevant Offer Shares as at the Record Date, the Offer Consideration payable for such Offer Shares tendered in acceptance shall be reduced by an amount which is equal to the Distribution in respect of such Offer Shares, as the Offeror will not receive such Distribution from the Company."

"Please note that in the event the Offer Consideration is reduced by an amount which is equal to the Distribution, the proportion of cash and New AEM Holdings Shares under the Cash Shares Consideration Options will be adjusted based on 85% in the form of cash and 15% in the form of New AEM Holdings Shares (in the case of the 85/15 Cash Shares Consideration) and 70% in the form of cash and 30% in the form of New AEM Holdings Shares (in the case of the 70/30 Cash Shares Consideration) and the exact amount of cash and number of New AEM Holdings Shares (based on the issue price of S\$3.55 per New AEM Holdings Share) payable under the Cash Shares Consideration Options will be announced by or on behalf of the Offeror at the appropriate time."

8.9 Other relevant considerations in relation to the Offer

8.9.1 No revision in Offer Consideration

The Offeror has stated that the Offer Consideration is final and the Offeror does not intend to amend the terms of the Offer, including the Offer Consideration, in any way, in accordance with Rule 20.2 of the Code.

Therefore, in accordance with Rule 20.2 of the Code, the Offeror will not be allowed to subsequently amend the terms of the Offer, including the Offer Consideration, in any way.

8.9.2 Conditional Offer

As at the Latest Practicable Date, based on public disclosures made by or on behalf of the Offeror, the Offeror and parties acting in concert with it does not own any Shares. However, the Offeror has received the Irrevocable Undertakings to accept the Offer in respect of 20,526,040 Shares, representing 23.68% of the total number of outstanding Shares (excluding treasury shares).

The Offer has not become or been declared unconditional in all respects as at the Latest Practicable Date.

As highlighted in Section 3.4 of this Letter, the Offer is subject to the Minimum Acceptance Condition. Shareholders should therefore note that if the Minimum Acceptance Condition is not met by the close of the Offer, the Offer will lapse and all Shares tendered will be returned to the respective Shareholders.

A summary of the duration of the Offer is set out in Section 3.7 of this Letter. Further information on the duration of the Offer is set out in Section 1 of Appendix 1 to the Offer Document.

8.9.3 No other competing offers for the Shares

The Directors have confirmed that, as at the Latest Practicable Date, apart from the Offer being made by the Offeror, no alternative offer or proposal has been received by the Company. We also note that there is no publicly available evidence of any alternative offer for the Shares.

8.9.4 Offeror's intention for the listing status of the Company

It is the Offeror's current intention to privatize and delist the Company from the SGX-ST.

In the event that the percentage of Shares (excluding treasury shares) held in public hands fall below 10% and the SGX-ST suspends trading of the Shares, the Offeror has no intention to undertake and/or support any action as may be necessary for any such trading suspension by the SGX-ST to be lifted.

In the event that pursuant to the Offer and Section 215(1) of the Companies Act, the Offeror acquires 90% or more of the number of Shares in issue as at the close of the Offer (other than those already held by the Offeror, its related corporations or their respective nominees as at the date of despatch of the Offer Document), the Offeror is entitled to and it has expressed its intention to exercise its right to compulsorily acquire all the remaining Shares held by Shareholders who have not accepted the Offer, at the Offer Consideration. The Company will then become a wholly-owned subsidiary of the Offeror. The Offeror will then proceed to delist Company from the SGX-ST.

8.9.5 Commentary by the Company in the results announcement for FY2020

The Company had made the following comments in relation to its business outlook in its announcement dated 26 February 2021 on the unaudited results of the Group for FY2020:

"As at 31 December 2020, the Group has orders on hand, with confirmed delivery dates, worth \$56.7 million (31 December 2019: \$55.9 million), which are expected to be fulfilled within the current financial year.

The Group serves customers from a diverse range of market segments. These include analytical instruments, medical equipment, semiconductor equipment, oil and gas industries, aviation and displays for industrial applications.

The COVID-19 pandemic is causing challenges and uncertainties in many businesses. The Group will continue to manage our business judiciously."

9. OUR RECOMMENDATION TO THE DIRECTORS ON THE OFFER

In arriving at our recommendation in respect of the Offer, we have taken into account, reviewed and deliberated on the following key considerations which we considered to be pertinent in our assessment of the Offer:

- (a) Market quotation and trading activity of the Shares;
- (b) Financial analysis of the Group;
- (c) Comparison with recently completed privatisation of companies listed on the SGX-ST;
- (d) Comparison of valuation ratios of selected listed companies which are broadly comparable to the Group;
- (e) Comparison with precedent M&A transactions of companies which are broadly comparable to the Group;
- (f) Assessment of the estimated valuation of the Shares (without the impact of the AEM Holdings Shares);

- (g) Assessment of the Cash Shares Consideration Options (taking into consideration the impact of the AEM Holdings Shares);
- (h) Dividend track record of the Company; and
- (i) Other relevant considerations in relation to the Offer.

Based on our analysis and after having considered carefully the information available to us as at the Latest Practicable Date, overall, we are of the view that the financial terms of the Offer, in particular, the Offer Consideration of S\$1.15 for each Share, are fair and reasonable. Accordingly, we advise the Independent Directors to recommend Shareholders to ACCEPT the Offer.

From a financial viewpoint, our assessment of the Offer and recommendation on the election of the 3 forms of the Offer Consideration are as follows:

- Option 1 - Shareholders who wish to realise their entire investment in the Shares with the certainty of the consideration in cash should sell their Shares in the open market if they can get a price higher than the Cash Consideration of S\$1.15 (after deducting transaction costs) instead of accepting the Offer. Otherwise, they should accept the Cash Consideration.
- Option 2 - Shareholders who wish to realise their investment in the Shares partly in cash and are prepared to bear some but not prepared to bear the higher proportion of risk of an investment in AEM Holdings under Option 3, should accept the Offer and elect Option 2, (a) if they are confident of realising the implied value of the Offer Consideration (implied by the market share price of the AEM Holdings Shares) higher than the Cash Consideration and the market price of the Shares (after deducting transaction costs); or (b) if they wish to stay invested in the enlarged AEM Group at the entry price of S\$3.55, being the Issue Price for each New AEM Holdings Shares pursuant to the Offer.
- Option 3 - Shareholders who wish to realise their investment in the Shares partly in cash and are prepared to bear a higher proportion of risk of an investment in AEM Holdings compared to Option 2, should accept the Offer and elect Option 3, (a) if they are confident of realising the implied value of the Offer Consideration (implied by the market share price of the AEM Holdings Shares) higher than the Cash Consideration, the market price of the Shares and the implied value of the Offer Consideration under Option 2; or (b) if they wish to stay invested in the enlarged AEM Group at a higher proportion of New AEM Holdings Shares compared to Option 2 at the entry price of S\$3.55, being the Issue Price for each New AEM Holdings Shares pursuant to the Offer.

In arriving at our recommendation on the Offer, it is pertinent to note the following:

- (i) Our recommendation on the Offer is from a financial viewpoint based on the prevailing market share prices of the Shares and the AEM Holdings Shares as at the Latest Practicable Date, and such market share prices may vary from time to time.
- (ii) The Offer is subject to the Minimum Acceptance Condition and has not become or been declared to become unconditional in all respects as at the Latest Practicable Date. Shareholders should therefore note that if the Minimum Acceptance Condition is not met by the close of the Offer, the Offer will lapse and all Shares tendered will be returned to the respective Shareholders. Accordingly, Shareholders who accept the Offer will only have the certainty of the Offer Consideration when the Offer has been declared to have become unconditional in all respects.

Shareholders should note that settlement of the Offer Consideration for their Offer Shares will be paid within 7 business days after the Offer has been declared unconditional in all respects or upon the receipt of valid acceptances where such acceptances were tendered after the Offer has been declared unconditional in all respects. Shareholders should also note that the market share price of the AEM Holdings Shares at settlement date may vary from the market share price of the AEM Holdings Shares used in computing the implied value of the Offer Consideration at the time of electing the Offer Consideration.

- (iii) If the Offer becomes unconditional in all respects, the Group will become a subsidiary of the AEM Group. Shareholders who elect either Option 2 or Option 3 have the option to stay invested in the New AEM Holdings Shares and participate as shareholders of the enlarged AEM Group, or sell their New AEM Holdings Shares in the open market as the AEM Holdings Shares are listed and quoted on the SGX-ST. Shareholders who elect the Cash Shares Consideration Options should assess for themselves the future prospects of AEM Holdings and the extent of the risk exposure they are prepared to take in an investment in the AEM Holdings Shares, as Option 3 has a larger proportion of the Offer Consideration being in the form of the New AEM Holdings Shares compared to Option 2. In the event that the Offeror is able to exercise its right of compulsory acquisition to acquire all the Offer Shares not acquired under the Offer, the Company will be wholly-owned by the AEM Group, and the Offeror will proceed to delist the Company from the SGX-ST. Otherwise, the Company may remain listed on the SGX-ST.
- (iv) Pursuant to the Irrevocable Undertakings, the Individual Undertaking Shareholders have undertaken to accept the Offer and elect Option 2 (85/15 Cash Shares Consideration) and TIHT has undertaken to accept the Offer and elect Option 1 (Cash Consideration).
- (v) We do not reflect any projections on the future financial performance or share price performance of the AEM Holdings Shares. As AEM Holdings is listed on the SGX-ST, relevant information on AEM Holdings is available on the website of the SGX-ST and in the Offer Document.
- (vi) Shareholders who elect the Cash Shares Consideration Options should note that fractions of a New AEM Holdings Share will not be issued and will be disregarded. Shareholders who elect such options will become minority shareholders of AEM Holdings.

In addition, the New AEM Holdings Shares will rank *pari passu* in all respects with the then existing shares in AEM Holdings as at the date of their issue, save that they will not rank for any dividend, rights, allotments or other distributions, the record date for which falls on or before the date of completion of the allotment and issuance of the New AEM Holdings Shares pursuant to the Offer.

As set out in Section 3.5 of this Letter, AEM Holdings has, in connection with its results announcement for FY2020, proposed the payment of final dividend of S\$0.04 for each AEM Holdings Share in cash on 31 May 2021 and has given notice for the record date for the purpose of payment of dividend to be at 5.00 p.m. on 17 May 2021.

If Shareholders fail to elect their preferred mode of the Offer Consideration, they will be deemed to have chosen to receive the Cash Consideration in respect of all of their Offer Shares tendered in acceptance of the Offer.

Shareholders should take note of any announcements relevant to their consideration of the Offer which may be released or published after the Latest Practicable Date.

In rendering our advice and recommendation, we have not given regard to the specific investment objectives, financial situation, tax position, risk profiles or particular needs and constraints of any individual Shareholder. As each individual Shareholder may have different investment objectives and profiles, we would advise that any individual Shareholder who may

require specific advice in relation to his investment objectives or portfolio should consult his legal, financial, tax or other professional adviser immediately. The Independent Directors should advise Shareholders that the opinion and advice of Provenance Capital should not be relied upon by any Shareholder as the sole basis for deciding whether or not to accept the Offer, and which form of the Offer Consideration to elect should they accept the Offer.

Our recommendation on the Offer is addressed to the Independent Directors for their benefit, in connection with and for the purposes of their consideration of the Offer, and may not be used or relied on for any other purposes (other than for the purpose of the Offer) without the prior written consent of Provenance Capital. The recommendation to be made by the Independent Directors to Shareholders in respect of the Offer shall remain the responsibility of the Independent Directors.

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

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

Wong Bee Eng
Chief Executive Officer

ADDITIONAL GENERAL INFORMATION

1. DIRECTORS

The names, addresses and appointments of the Directors as at the Latest Practicable Date are set out below:

Name	Address	Appointment
Mr. Tien Sing Cheong	2 Ang Mo Kio Avenue 12 Singapore 569707	Executive Chairman
Mr. Tan Ka Huat	2 Ang Mo Kio Avenue 12 Singapore 569707	Managing Director
Mr. Tan Bien Chuan	2 Ang Mo Kio Avenue 12 Singapore 569707	Lead Independent Director
Mr. Gan Chee Yen	2 Ang Mo Kio Avenue 12 Singapore 569707	Non-executive Director
Dr. Tang Martin Yue Nien	2 Ang Mo Kio Avenue 12 Singapore 569707	Independent Director
Ms. Theng Siew Lian Lisa	2 Ang Mo Kio Avenue 12 Singapore 569707	Independent Director
Mr. Wang Ya Lun Allen	2 Ang Mo Kio Avenue 12 Singapore 569707	Alternate Director to Gan Chee Yen

2. HISTORY AND BUSINESS

The Company was listed on the Main Board of the SGX-ST in March 2000. The Company provides manufacturing services for printed circuit board assembly, complete box-build assembly, equipment design and manufacturing and cable harness assembly. It is also well equipped to provide value-added services such as materials management, circuit layout, development engineering and prototype samples, metal stamping and precision machining components.

The Company serves customers in the industrial equipment market segment. These include electroluminescence displays used in industrial, transportation and medical applications; medical and health care equipment; office automation equipment such as high speed printers; analytical instruments such as gas and liquid chromatographs and measurement instruments; industrial safety controllers and environmental sensors, semiconductor equipment and SMT equipment.

The Company is ISO9001:2015, ISO13485:2016, ISO14001:2015, AS9100D, UL508A, UL817 and Nadcap AC7120 certified.

3. SHARE CAPITAL

3.1 Issued Share Capital

Based on the business profile of the Company extracted from ACRA on the Latest Practicable Date, the Company has an issued and paid-up share capital of approximately S\$23,572,686.36 comprising 87,934,213 Shares (of which 86,698,463 are ordinary shares and 1,235,750 are treasury shares).

There is no restriction in the Constitution on the right to transfer any Shares, which has the effect of requiring the holders of the Offer Shares, before transferring them, to first offer them for purchase to Shareholders or to any other person.

3.2 Rights in respect of Capital, Voting and Dividends

The rights of Shareholders in respect of capital, voting and dividends are contained in the Constitution. The provisions in the Constitution relating to the rights of Shareholders in respect of capital, voting and dividends are reproduced in Appendix III to this Circular. Capitalised terms and expressions not defined in the extracts have the meanings ascribed to them in the Constitution.

3.3 Number of Shares Issued Since the End of FY2020

As at the Latest Practicable Date, no new Shares have been issued by the Company since the end of FY2020.

3.4 Outstanding Instruments Convertible into Shares

As at the Latest Practicable Date, the Company has not issued any instruments convertible into, rights to subscribe for, or Options in respect of, securities being offered for or which carry voting rights affecting the Shares that are outstanding as at the Latest Practicable Date.

4. DISCLOSURE OF INTERESTS

4.1 Interests of the Company in Offeror Securities

The Company does not have any direct or deemed interest in any Offeror Securities as at the Latest Practicable Date.

4.2 Dealings in Offeror Securities by the Company

The Company has not dealt for value in any Offeror Securities during the period commencing three (3) months prior to the Pre-Conditional Offer Announcement Date and ending on the Latest Practicable Date.

4.3 Interests of the Company in AEM Holdings Securities

The Company does not have any direct or deemed interest in any AEM Holdings Securities as at the Latest Practicable Date.

4.4 Dealings in AEM Holdings Securities by the Company

The Company has not dealt for value in any AEM Holdings Securities during the period commencing three (3) months prior to the Pre-Conditional Offer Announcement Date and ending on the Latest Practicable Date.

4.5 Interests of the Directors in Offeror Securities

Save as disclosed below and in the Offer Document, none of the Directors has any direct or deemed interests in the Offeror Securities as at the Latest Practicable Date.

4.6 Dealings in Offeror Securities by the Directors

Save as disclosed below and in the Offer Document, none of the Directors has dealt for value in any Offeror Securities during the period commencing three (3) months prior to the Pre-Conditional Offer Announcement Date and ending on the Latest Practicable Date.

4.7 Interests of the Directors in AEM Holdings Securities

Save as disclosed below and in the Offer Document, none of the Directors has any direct or deemed interests in the AEM Holdings Securities as at the Latest Practicable Date.

4.8 Dealings in AEM Holdings Securities by the Directors

Save as disclosed below and in the Offer Document, none of the Directors has dealt for value in any AEM Holdings Securities during the period commencing three (3) months prior to the Pre-Conditional Offer Announcement Date and ending on the Latest Practicable Date.

4.9 Interests of the Directors in Company Securities

As at the Latest Practicable Date, save as disclosed below and in this Circular, none of the Directors has any direct or deemed interests in any Company Securities:

Name	Direct		Deemed		Total	
	No. of Shares	% ⁽¹⁾	No. of Shares	% ⁽¹⁾	No. of Shares	% ⁽¹⁾
Mr. Tien Sing Cheong	8,671,900	10.00	-	-	8,671,900	10.00
Mr. Tan Ka Huat	4,013,340	4.63	-	-	4,013,340	4.63
Mr. Tan Bien Chuan	469,700	0.54	-	-	469,700	0.54
Dr. Tang Martin Yue Nien	399,700	0.46	-	-	399,700	0.46
Mr. Gan Chee Yen	344,300	0.40	-	-	344,300	0.40

Note:

⁽¹⁾ The percentage of shareholdings was computed based on the issued share capital of the Company of 86,698,463 ordinary shares (excluding 1,235,750 treasury shares) as at the Latest Practicable Date.

4.10 Dealings in Company Securities by the Directors

Save as disclosed in any information on the Group which is publicly available (including without limitation the announcements, financial statements and annual reports released by the Company on SGXNET), none of the Directors has dealt for value in any Company Securities during the period commencing three (3) months prior to the Pre-Conditional Offer Announcement Date and ending on the Latest Practicable Date.

4.11 Company Securities owned or controlled by Provenance Capital

As at the Latest Practicable Date, none of Provenance Capital, its related corporations or any funds whose investments are managed by Provenance Capital on a discretionary basis owns or controls any Company Securities.

4.12 Dealings in Company Securities by Provenance Capital

As at the Latest Practicable Date, none of Provenance Capital, its related corporations or any funds whose investments are managed by Provenance Capital on a discretionary basis has dealt for value in any Company Securities during the period commencing three (3) months prior to the Pre-Conditional Offer Announcement Date and ending on the Latest Practicable Date.

4.13 Offeror Securities owned or controlled by Provenance Capital

As at the Latest Practicable Date, none of Provenance Capital, its related corporations or any funds whose investments are managed by Provenance Capital on a discretionary basis owns or controls any Offeror Securities.

4.14 Dealings in Offeror Securities by Provenance Capital

As at the Latest Practicable Date, none of Provenance Capital, its related corporations or any funds whose investments are managed by Provenance Capital on a discretionary basis has dealt for value in any Offeror Securities during the period commencing three (3) months prior to the Pre-Conditional Offer Announcement Date and ending on the Latest Practicable Date.

4.15 AEM Holdings Securities owned or controlled by Provenance Capital

As at the Latest Practicable Date, none of Provenance Capital, its related corporations or any funds whose investments are managed by Provenance Capital on a discretionary basis owns or controls any AEM Holdings Securities.

4.16 Dealings in AEM Holdings Securities by Provenance Capital

As at the Latest Practicable Date, none of Provenance Capital, its related corporations or any funds whose investments are managed by Provenance Capital on a discretionary basis has dealt for value in any AEM Holdings Securities during the period commencing three (3) months prior to the Pre-Conditional Offer Announcement Date and ending on the Latest Practicable Date.

4.17 Directors' Intentions

The Directors who hold Shares have, taking into account their respective personal investment objectives, indicated their intentions in respect of accepting or rejecting the Offer in respect of their Shares as follows:

- (a) As set out in the Offer Document, each of Mr. Tien Sing Cheong and Mr. Tan Ka Huat has given Irrevocable Undertakings to, *inter alia*:
 - (i) tender all of his respective Shares (the “**Undertaking Shares**”) in acceptance of the Offer; and
 - (ii) elect the 85/15 Cash Shares Consideration as the Offer Consideration for the Undertaking Shares.
- (b) Mr. Tan Bien Chuan, a Director who holds Shares, intends to accept the Offer in respect of all the Shares held by him and to elect for the 70/30 Cash Shares Consideration.

- (c) Mr. Gan Chee Yen, a Director who holds Shares, intends to accept the Offer in respect of all the Shares held by him and to elect for the 70/30 Cash Shares Consideration.
- (d) Dr. Tang Martin Yue Nien, a Director who holds Shares, intends to accept the Offer in respect of all the Shares held by him and to elect for the Cash Consideration.

4.18 Directors' service contracts

As at the Latest Practicable Date, there are no service contracts between any of the Directors or proposed directors with the Company or any of its subsidiaries which have more than 12 months to run and which cannot be terminated by the employing company within the next 12 months without paying any compensation, and there are no such service contracts entered into or amended by the Company or any of its subsidiaries during the period commencing six (6) months prior to the Pre-Conditional Offer Announcement Date and ending on the Latest Practicable Date.

4.19 Other Disclosures

As at the Latest Practicable Date:

- (a) it is not proposed that any payment or other benefit shall be made or given to any Director or director of any other corporation which is by virtue of Section 6 of the Companies Act deemed to be related to the Company, as compensation for loss of office or otherwise in connection with the Offer;
- (b) save for the Irrevocable Undertakings provided by the Individual Undertaking Shareholders as disclosed in the Offer Document and this Circular, there are no agreements or arrangements made between any Director and any other person in connection with or conditional upon the outcome of the Offer; and
- (c) none of the Directors has a material personal interest, whether direct or indirect, in any material contract entered into by the Offeror.

5. MATERIAL CONTRACTS WITH INTERESTED PERSONS

As at the Latest Practicable Date, save as disclosed in any information on the Group which is publicly available (including without limitation the announcements, financial statements and annual reports released by the Company on SGXNET), neither the Company nor any of its subsidiaries has entered into material contracts with persons who are Interested Persons (other than those entered into in the ordinary course of business) during the period beginning three (3) years before the Pre-Conditional Offer Announcement Date and ending on the Latest Practicable Date.

6. MATERIAL LITIGATION

As at the Latest Practicable Date, none of the Company or its subsidiaries is engaged in any material litigation, either as plaintiff or defendant, which might materially and adversely affect the financial position of the Company or the Group, taken as a whole. The Directors are not aware of any material litigation, claims or proceedings pending or threatened against, or made by, the Company or any of its subsidiaries or any facts likely to give rise to any such material litigation, claims or proceedings, which might materially and adversely affect the financial position of the Company or the Group, taken as a whole.

7. SUMMARY OF FINANCIAL INFORMATION

7.1 Consolidated Income Statement

A summary of the audited consolidated income statement of the Group for FY2017, FY2018 and FY2019 and unaudited consolidated income statement of the Group for FY2020 is set out below⁽¹⁾.

	Unaudited FY2020 ⁽²⁾	Audited FY2019	Audited FY2018	Audited FY2017
	S\$'000	S\$'000	S\$'000	S\$'000
Turnover	123,489	138,747	140,330	136,786
Exceptional Items	-	-	-	-
Net profit before tax	7,044	8,081	9,104	7,892
Net profit after tax	6,013	7,165	7,445	6,527
Minority interests	-	-	-	-
Net earnings per share (cents)	6.94	8.26	8.59	7.53
Net dividends per share (cents)	10.02 ⁽³⁾⁽⁴⁾	4.58 ⁽⁴⁾	8.42	7.44

Notes

- (1) *The above summary is extracted from, and should be read together with, the annual reports of the Company for FY2017, FY2018 and FY2019 and from the unaudited consolidated financial statements of the Group for FY2020, and the related notes thereto, copies of which are available for inspection at the Company's registered office as mentioned in paragraph 12 of Appendix II to this Circular.*
- (2) *The unaudited consolidated financial statements of the Group for FY2020 are reproduced in Appendix V to this Circular.*
- (3) *Based on the proposed dividends as set out in the results announcement of the Company for FY2020, which are subject to Shareholders' approval at the Company's annual general meeting.*
- (4) *On 8 April 2020, the Company had declared an interim cash dividend of 3.98 cents per Share in respect of FY2020 to replace the proposed special dividend of 3.98 cents in respect of FY2019 that was withdrawn and rescinded.*

7.2 Statement of financial position

Statement of the assets and liabilities of the Group for FY2020 are set out in the unaudited consolidated financial statements of the Group for FY2020. For FY2019, the assets and liabilities of the Group are set out in the audited consolidated financial statements of the Group for FY2019. The above can be found in Appendices V and VI respectively of this Circular.

7.3 Material changes in financial position

Save as disclosed in this Circular and publicly available information on the Company (including but not limited to announcements released by the Company on SGXNET, or which may be released by the Company subsequent to the despatch date of this Circular), there are no known material changes in the financial position of the Company as at the Latest Practicable Date since 31 December 2019, being the date to which the Company's last published audited financial statements were made up.

8. SIGNIFICANT ACCOUNTING POLICIES

A summary of the significant accounting policies of the Group is set out in Note 2 to the audited financial statements of the Group for FY2019, which are reproduced in Appendix VI to this Circular.

Save as disclosed in this Circular and publicly available information on the Group (including but not limited to that contained in the audited financial statements of the Group for FY2019), there are no significant accounting policies or any points from the notes to the financial statements which are of major relevance for the interpretation of the accounts.

9. CHANGES IN ACCOUNTING POLICIES

As set out in the audited financial statements of the Group for FY2018, the Group has adopted Singapore Financial Reporting Standards (International) (“**SFRS(I)**”) for the first time for financial year ended 31 December 2018.

In FY2019, the Group has adopted SFRS(I) 16, the accounting standard for leases effective from 1 January 2019. Details of the adoption of SFRS(I) 16 Leases are set out in Note 2.2 to the audited financial statements of the Group for FY2019, which are reproduced in Appendix VI to this Circular.

As at the Latest Practicable Date, there has been no change in the accounting policies of the Group since the date of its audited consolidated financial statements for FY2019.

10. VALUATION DOCUMENTS

The Company has commissioned independent valuations of the Subject Properties. As disclosed in the Valuation Documents, the basis of valuation is market value. Copies of the Valuation Documents are set out in Appendix IV to this Circular. The Valuation Documents in respect of the Subject Properties are available for inspection at the registered office of the Company at 2 Ang Mo Kio Avenue 12, Singapore 569707.

Under Rule 26.3 of the Code, the Company is required, *inter alia*, to make an assessment of any potential tax liabilities which would arise if the Subject Properties, which are the subject of a valuation given in connection with the Offer, were to be sold at the amount of the valuation. The management of the Company estimates the potential tax liabilities on a hypothetical sale of the Subject Properties to be approximately S\$880,579. However, as the Subject Properties are for the Group’s own use and not intended for sale, the management of the Company expects the likelihood of such potential tax liability crystallising to be minimal.

11. GENERAL

- (a) All expenses and costs incurred by the Company in relation to the Offer will be borne by the Company.
- (b) Provenance Capital has given and has not withdrawn its written consent to the issue of this Circular with the inclusion of (i) its name; (ii) the IFA Letter set out in Appendix I to this Circular; and (iii) all references thereto, in the form and context in which they appear in this Circular.
- (c) Each of the Valuers has given and has not withdrawn its written consent to the issue of this Circular with the inclusion of (i) its name; (ii) the Valuation Documents set out in

Appendix IV to this Circular; and (iii) all references thereto, in the form and context in which they appear in this Circular.

12. DOCUMENTS FOR INSPECTION

Copies of the following documents are available for inspection at the registered office of the Company at 2 Ang Mo Kio Avenue 12, Singapore 569707 during normal business hours for the period during which the Offer remains open for acceptance:

- (a) the Constitution;
- (b) the IFA Letter set out in Appendix I to this Circular;
- (c) the letters of consent referred to in paragraph 11 of Appendix II to this Circular;
- (d) the Valuation Documents set out in Appendix IV to this Circular;
- (e) the FY2020 Results Announcement; and
- (f) the annual reports of the Company for FY2017, FY2018 and FY2019 (which contain the audited financial statements of the Company for FY2017, FY2018 and FY2019).

**PROVISIONS IN THE CONSTITUTION RELATING TO THE RIGHTS OF SHAREHOLDERS IN
RESPECT OF CAPITAL, VOTING AND DIVIDENDS**

The provisions in the Constitution relating to the rights of Shareholders in respect of capital, voting and dividends have been reproduced below:

1. The Rights of Shareholders in respect of Capital

SHARE CAPITAL AND VARIATION OF RIGHTS

- | | | |
|--------|--|--|
| 8. | Save to the extent permitted by the Act, none of the funds of the Company or of its subsidiary, if any, shall be directly or indirectly employed in the purchase or subscription of or in loans upon the security of the Company's shares. | Prohibition of dealing in its own shares. |
| 9. | Subject to and in accordance with the provisions of the Act, the Company may purchase or otherwise acquire its issued shares on such terms and in such manner as the Company may think fit. All shares purchased by the Company shall (unless held as treasury shares in accordance with the provisions of the Act) be deemed to be cancelled, whereupon all rights and privileges attached to those shares shall expire. | Share buyback. |
| 10. | The Company shall not exercise any right in respect of treasury shares other than as provided by the Act. Subject thereto, the Company may hold or deal with its treasury shares in the manner authorised by, or prescribed pursuant to, the Act. | Treasury shares. |
| 11. | Members holding preference shares shall have:-

(a) the same rights as Members holding ordinary shares as regards the receiving of notices, reports and balance sheets and the attending of General Meetings of the Company; and

(b) the right to vote at any meeting convened for the purpose of reducing the capital of the Company or winding up or sanctioning the sale of the undertaking of the Company or where the proposal to be submitted to the meeting directly affects their rights and privileges or when the dividend on the preference shares is more than 6 months in arrears. | Rights of Members holding preference shares. |
| 12. | Repayment of preference capital (other than redeemable preference capital) may be made with –

(a) the sanction of a special resolution passed at a separate General Meeting of the Members concerned holding preference shares; or

(b) where the necessary majority for a special resolution under paragraph (a) is not obtained at the said meeting, the consent in writing of the holders of 75% of the preference shares concerned within 2 months of that meeting. | Repayment of preference capital |
| 13(1). | Subject to the Act, if at any time the share capital is divided into different classes of shares, the rights attached to any class may, whether or not the Company is being wound up, be varied with — | Variation of rights. |

- (c) the sanction of a special resolution passed at a separate General Meeting of the holders of the shares of the class; or
- (d) where the necessary majority for a special resolution under paragraph (a) is not obtained at the said meeting, the consent in writing of the holders of 75% of the issued shares of that class within 2 months of that meeting.
- 13(2). The rights conferred upon the holders of the shares of any class issued with preferred or other rights shall, unless otherwise expressly provided by the terms of issue of the shares of that class or by this Constitution as is in force at the time of such issue, be treated as being varied by the creation or issue of further shares which ranks equally with the shares of that class. Creation or issue of further shares with special rights.
14. If any shares of the Company are issued for the purpose of raising money to defray the expenses of the construction of any works or the provisions of any plant which cannot be made profitable for a long period, the Company may, subject to the conditions and restrictions provided in the Act, pay interest on so much of the share capital (except treasury shares) as is for the time being paid up and may charge the same to capital as part of the cost of the construction or provision. Power to charge interest on capital.
- 15(1). Except as required by law, no person is to be recognised by the Company as holding any share upon any trust. Exclusion of equities.
- 15(2). Except as required by law or by this Constitution, the Company, even if having notice thereof, is not bound by or compelled in any way to recognise —
- (a) any equitable, contingent, future or partial interest in any share or unit of a share; or
- (b) any other rights in respect of any share or unit of share,
- other than an absolute right to the entirety thereof in the person (other than the Depository) entered in the Register as the registered holder or in the person whose name is entered in the Depository Register in respect of that share, as the case may be.
16. No person shall be recognised by the Company as having title to a fractional part of a share or otherwise than as the sole or a joint holder of the entirety of such share. Fractional part of a share.
- 17(1). The Company shall not be bound to register more than three persons as the joint holders of any share except in the case of executors, administrators or trustees of the estate of a deceased Member. Joint holders.
- 17(2). The joint holders of a share shall, subject to the provisions of the Act, be severally as well as jointly liable for the payment of all instalments and calls and interest due in respect of such share.
- 17(3). The joint holder first named in the Register or the Depository Register, as the case may be, shall as regards voting, proxy, service of notices and delivery of certificates and dividend warrants, be deemed to be the sole owner of such share.

17(4). Any one of the joint holders of any share may give effectual receipts for any dividend, return of capital or other sum of money payable in respect of such share.

18. Except as herein provided, no person shall exercise any rights of a Member in respect of a share until he is registered in the Register or in the Depository Register, as the case may be, as the registered holder thereof and, unless the Directors otherwise determine, such person shall have paid all calls and other moneys for the time being due and payable on any share held by him.

Exercise of rights of Members.

SHARE CERTIFICATE

19. Subject to regulation 17(3), every person whose name is entered as a Member in the Register is entitled to receive, without payment, one certificate for all his shares of any one class or several certificates in reasonable denominations each for a part of the shares allotted or transferred, within 10 Market Days (or such other period as may be approved by Exchange):-

Entitlement to share certificates.

(a) after the closing date for applications to subscribe for a new issue of shares; or

(b) after the lodgement of a registrable transfer.

20(1). The certificate of title to shares in the capital of the Company shall:-

Form of share certificates.

(a) be in such form as the Directors may from time to time prescribe;

(b) be issued under the Seal in accordance with this Constitution; and

(c) specify, as at the date of the issue of the certificate:-

(i) the name of the Company and the authority under which the Company is constituted;

(ii) the address of the Office of the Company in Singapore; and;

(iii) the class and number (in words and figures) of the shares to which it relates, whether the shares are fully or partly paid up and the amount (if any) unpaid thereon.

20(2). No share certificate shall be issued representing shares of more than one class.

21(1). Subject to the provisions of the Act, on payment of a fee not exceeding \$1.00 as the Directors may determine (or such other amount as may be permitted under the Statutes), a new certificate or other document of title to shares or debentures may be issued to the holder of such shares or debentures if:-

New certificates may be issued.

(a) the original certificate or document of title is worn out or defaced, provided that the same is produced to the Directors for cancellation; or

(b) the original certificate or document of title is lost or destroyed or stolen, provided that such proof thereof to the satisfaction of the Directors and such indemnity (given by the registered holder, transferee, person entitled, purchaser, member company of the

Exchange or on behalf of its/their client(s)) as the Directors deem adequate are given. In such instances, the registered holder or the person entitled to whom such renewed certificate is given shall also bear the loss and pay to the Company all expenses incidental to the investigations by the Company of the evidence of such theft, destruction or loss.

- 21(2). Where only some of the shares comprised in any share certificate are transferred, the old certificate shall be cancelled and a new certificate for the balance of such shares shall be issued in lieu thereof without charge.
- 21(3). Any share certificate representing shares of any class held by any person whose name is entered in the Register may be surrendered by such person for cancellation and, at his request, the Company may, at the Directors' discretion, issue in lieu thereof 2 or more share certificates representing such shares in such proportions as such person may specify. Such person shall pay a maximum of \$2.00 for each share certificate issued in lieu of a share certificate surrendered for cancellation or such other fee as the Directors may from time to time determine, taking into consideration any limitation thereof as may be prescribed by the Exchange.
- 21(4). Any two or more certificates representing shares of any one class held by any person whose name is entered in the Register may be cancelled at his request and a single new certificate for such shares issued in lieu thereof without charge.
- 21(5). Where shares are registered jointly in the names of several persons, any requests under this regulation 21 may be made by any one of the registered joint holders.

22. In the case of joint holders, the Company shall not be bound to issue more than one certificate and delivery of such certificate to any one of them shall be sufficient delivery to all such holders.

Delivery of share certificate to joint holders.

TRANSFER OF SHARES

23. Except where required by law or by the rules, bye-laws or listing rules of the Exchange, there shall be no restriction on the transfer of fully paid shares.
- 24(1). Subject to this Constitution, all transfers of shares shall be effected by way of book-entry in the Depository Register or in any form which the Exchange or the Directors may approve.

No restriction on transfer.

Instrument of transfer.

- 24(2). The instrument of transfer shall be:-
- (a) signed both by the transferor and by the transferee, and it shall be witnessed, provided always that an instrument of transfer in respect of which the transferee is the Depository shall be effective although not signed or witnessed by or on behalf of the Depository; and
 - (b) deposited at the Office accompanied by the certificate(s) of the shares to be transferred, the certificate of payment of stamp duty

(if any) and such other evidence (if any) as the Directors may reasonably require to show the right of the transferor to make the transfer and, if the instrument of transfer is executed by some other person on his behalf, proof of the authority of the person to do so.

- 24(3). Shares of different classes shall not be comprised in the same instrument of transfer.
25. The Directors may decline to accept any instrument of transfer unless:-
- (a) all or any part of the stamp duty (if any) payable on each share transfer and such fee not exceeding \$2.00 for each transfer or such other sum as may from time to time be prescribed by the Exchange is paid to the Company; and
 - (b) such fee not exceeding \$2.00, as the Directors may from time to time determine, is paid to the Company in respect of the registration of any instrument of transfer, probate, letters of administration, certificate of marriage or death, power of attorney or any document relating to or affecting the title to the shares.
- 26(1). The Directors may decline to register any instrument of transfer if the transfer is in respect of a partly paid security for which a call has been made and is unpaid.
- 26(2). If the Directors refuse to register a transfer, they shall provide notice of the refusal in writing to the transferor and transferee within 10 Market Days after the date on which the transfer was lodged with the Company, stating the facts which are considered to justify refusal in the exercise of that discretion.
- 26(3). The registration of transfers of shares may be suspended at any time and for any period as the Directors may from time to time determine, but not for more than a total of 30 days in any year and provided always that the Company shall give prior notice of such closure as may be required to the Exchange stating the period and purpose or purposes for which such closure is to be made.
27. No share shall in any circumstances be transferred to any infant, bankrupt or person of unsound mind.
28. The transferor remains the holder of the shares transferred until the name of the transferee is entered in the Register or the Depository Register in respect thereof.
- 29(1). All instruments of transfer which are registered shall be retained by the Company, but any instrument of transfer which the Directors may refuse to register shall (except in any case of fraud) be returned to the party presenting the same.
- Fees relating to transfers.
- Power of the Directors to refuse registration of transfer.
- Suspension of registration.
- No transfers to infant, bankrupt or person of unsound mind
- Effective date of transfer.
- Retention of instrument of transfer and disposal of documents.

- 29(2). The Company shall be entitled to destroy:-
- (a) all instruments of transfer which have been registered at any time after the expiration of 6 years from the date of registration thereof;
 - (b) all dividend mandates and notifications of change of address at any time after the expiration of 6 years from the date of recording thereof; and
 - (c) all share certificates which have been cancelled at any time after the expiration of 6 years from the date of the cancellation thereof.

29(3). It shall be conclusively presumed in favour of the Company that every entry in the Register purporting to have been made on the basis of an instrument of transfer or other document so destroyed was duly and properly made and that:

- (a) every instrument of transfer so destroyed was a valid and effective instrument duly and properly registered;
- (b) every share certificate so destroyed was a valid and effective certificate duly and properly cancelled; and
- (c) every other document hereinbefore mentioned so destroyed was a valid and effective document;

in accordance with the recorded particulars thereof in the books or records of the Company.

29(4). Regulations 29(2) and 29(3) shall apply only to the destruction of a document in good faith and without notice of any claim (regardless of the parties thereto) to which the document might be relevant.

29(5). Nothing contained in this regulation 29 shall be construed as imposing upon the Company any liability in respect of the destruction of any such document earlier than as aforesaid or in any other circumstance which would not attach to the Company in the absence of this regulation 29 and references in this regulation 29 to the destruction of any document include references to the disposal thereof in any manner.

TRANSMISSION OF SHARES

30(1). In the case of the death of a Member:-

Transmission
on death.

- (a) where the deceased was a joint holder, the survivor(s); and
- (b) where the deceased was a sole or only surviving holder, the legal personal representative who, where the deceased Member was a Depositor, is entered in the Depository Register in respect of the deceased Member's share(s),

shall be the only person(s) recognised by the Company as having any title to the deceased Member's interest in the shares.

30(2). Nothing in this regulation 30 shall release the estate of the deceased from any liability in respect of any share which had been held by the deceased.

- 31(1). Any person becoming entitled to a share in consequence of the death or bankruptcy of a Member (the “Beneficiary”) may, upon such evidence being produced as may from time to time properly be required by the Directors, elect to —
- (a) be registered as holder of the share; or
- (b) nominate another person to be registered as the transferee of the share.
- 31(2). If a Beneficiary elects to be registered as holder of the share pursuant to regulation 31(1)(a), the Beneficiary must deliver or send to the Company a notice in writing signed by the Beneficiary stating that the Beneficiary so elects.
- 31(3). If a Beneficiary elects to nominate another person to be registered as the transferee of the share pursuant to regulation 31(1)(b), the Beneficiary must execute to that other person a transfer of the share.
- 31(4). All the limitations, restrictions, and regulations of this Constitution relating to the right to transfer and the registration of transfer by the Company in relation to any transfer of shares are applicable to any notice referred to in regulation 31(2) or transfer referred to in regulation 31(3), as if the death or bankruptcy of the Member concerned had not occurred and the notice or transfer were a transfer signed by the Member.
- 32(1). Where the registered holder of any share dies or becomes bankrupt, until such time as another person is registered as holder of that share, the personal representative of the registered holder or the assignee of the registered holder’s estate, as the case may be, is, upon the production of such evidence as may from time to time be properly required by the Directors, entitled to the same dividends and other advantages that the registered holder would have been entitled to if the registered holder had not died or become bankrupt except that he shall not be entitled to exercise any right conferred by membership in relation to General Meetings of the Company unless he has been registered as a Member in respect of the share or his name shall have been entered in the Depository Register, as the case may be.
- 32(2). Directors may at any time give notice requiring any person entitled to a share by transmission to elect either to be registered himself or transfer the share, and if the notice is not complied with within 90 days of the date of such notice, the Directors may thereafter withhold payment of all dividends or other moneys payable in respect of the share until the requirements of the notice have been complied with.
33. Where 2 or more persons are jointly entitled to any share in consequence of the death of the registered holder, they are, for the purposes of this Constitution, treated as joint holders of the share.
34. There shall be paid to the Company in respect of the registration of any probate, letters of administration, certificate of marriage or death, power of attorney or other document relating to or affecting the title to any shares, such fee not exceeding \$2.00 as the Directors may from time to time require or prescribe.
- Persons becoming entitled on death or bankruptcy of Member may be registered
- Rights of unregistered personal representative or assignee.
- Person entitled may be required to register or transfer share.
- Fee for registration of probate, etc.

CALLS ON SHARES

- | | | |
|--------|---|------------------------------|
| 35. | The Directors may, from time to time as they deem fit, make calls upon the Members in respect of any money unpaid on their shares, other than in accordance with the conditions of the allotment of the shares, provided that at least 14 days' notice specifying the time or times and the place of payment is given by the Company to the Members. | Calls on shares. |
| 36(1). | Each Member must pay to the Company the amount called on the Member's shares at the time or times and place specified in the notice referred to in regulation 35. | Payment on calls. |
| 36(2). | A call may be made payable by instalments. | |
| 37(1). | A call is treated as having been made at the time when the resolution of the Directors authorising the call was passed. | Time when made. |
| 37(2). | The Directors may, in their discretion, revoke or postpone a call. | |
| 38. | Joint holders of a share are jointly and severally liable to pay all calls in respect of that share. | Liability of joint holders. |
| 39(1). | If a sum called in respect of a share is not paid before or on the day appointed for payment of that sum, the person from whom the sum is due must pay interest on the sum for the period beginning on the day appointed for payment of that sum to the time of actual payment of that sum, at such rate not exceeding 8% per annum as the Directors may determine. | Interest on calls. |
| 39(2). | The Directors may waive, wholly or in part, the payment of the interest referred to in regulation 39(1). | |
| 40(1). | Any sum which, by the terms of issue of a share, becomes payable on allotment or at any fixed date, is to be treated as a call duly made and payable on the date on which, by the terms of issue of the share, the sum becomes payable. | Sum due on allotment. |
| 40(2). | In the case of non-payment of any sum referred to in regulation 40(1), all the regulations of this Constitution as to payment of interest and expenses, forfeiture or otherwise shall apply as if the sum had become payable by virtue of a call duly made and notified. | |
| 41. | The Directors may, on the issue of shares, differentiate between the holders as to the amount of calls to be paid and the times of payment. | Power to differentiate. |
| 42(1). | The Directors may, if they think fit, receive in advance from any Member (if the Member is willing) all or any part of the money uncalled and unpaid upon any shares held by that Member. Such payments in advance of calls shall extinguish, so far as the same shall extend, the liability upon the shares in respect of which it is made. | Payment in advance of calls. |
| 42(2). | Upon the Company receiving the money referred to in regulation 42(1), the Directors may (until the amount would, but for the advance, become | |

payable) pay interest to the Member at such rate not exceeding 8% per annum as may be agreed upon between the Directors and the Member.

- 42(3). Capital paid on shares in advance of calls shall not, whilst carrying interest, confer a right to participate in profits.

FORFEITURE OF SHARES

- | | | |
|--------|---|--|
| 43. | If a Member fails to pay any call or instalment of a call by the day appointed for payment of the call or instalment of the call, the Directors may, as long as any part of the call or instalment remains unpaid, serve a notice on the Member requiring payment of the unpaid part of the call or instalment, together with any interest which may have accrued and expenses which may have been incurred by the Company by reason of such non-payment. | Notice requiring payment of calls. |
| 44. | The notice under regulation 43 must state —

(a) a day (not earlier than 14 days after the date of service of the notice) on or before which the payment required by the notice is to be made;

(b) the manner by which the said payment is to be made; and

(c) that, in the event of non-payment at or before the time appointed, the shares in respect of which the call was made is liable to be forfeited. | Notice to state time and manner of payment. |
| 45(1). | If the payment requirements of a notice referred to in regulation 44 are not complied with, any share in respect of which the notice was given may, at any time after the notice is given but before the payment required by the notice has been made, be forfeited by a resolution of the Directors passed for the purpose of forfeiting the share. The Directors may accept a surrender of any share liable to be forfeited hereunder. | Non-compliance with notice requiring payment. |
| 45(2). | Forfeiture under regulation 45(1) includes all dividends declared in respect of the forfeited shares and not paid before the forfeiture. | |
| 46. | In the event of a forfeiture of shares, the Member, or other person who prior to such forfeiture was entitled thereto, shall be bound to deliver and shall forthwith deliver to the Company the certificate or certificates held by him for the share or shares so forfeited. | Certificate of forfeiture shares to be delivered to Company. |
| 47(1). | A forfeited or surrendered share shall become the property of the Company and may be sold, re-allotted or otherwise disposed of to any person (in this regulation 47, the “Transferee”) on any terms and in any manner as the Directors think fit, and, at any time before a sale, re-allotment or disposition, the forfeiture or surrender may be cancelled on any terms as the Directors think fit. | Sale of forfeited or surrendered shares. |
| 47(2). | To give effect to any such sale referred to in regulation 47(1), the Directors may, if necessary, authorise some person to transfer or effect the transfer of, as the case may be, a forfeited or surrendered share to the Transferee. | |

- 47(3). The Company may receive the consideration, if any, given for a forfeited or surrendered share on any sale or disposition of the forfeited or surrendered share and may execute a transfer of the share in favour of the Transferee.
- 47(4). Any residue after the satisfaction of the unpaid calls, accrued interest and expenses shall be paid to the person whose shares have been forfeited or surrendered, his executors, administrators or assignees or as he shall direct.
- 48(1). A person whose shares have been forfeited or surrendered ceases to be a Member in respect of the forfeited or surrendered shares. Rights and liabilities of Members whose shares have been forfeited or surrendered.
- 48(2). Notwithstanding regulation 48(1), the person referred to in that regulation remains liable to pay to the Company all money which, at the date of forfeiture, was payable by the person to the Company in respect of the shares (together with interest at the rate of 8% per annum (or such lower rate as the Directors may approve) beginning on the date of forfeiture on the money for the time being unpaid until such time as full payment is made, if the Directors think fit to enforce payment of such interest).
- 49(1). A statutory declaration in writing that the declarant is a Director of the Company, and that a share in the Company has been forfeited or surrendered on a date stated in the declaration, shall be conclusive evidence of the facts stated in the declaration as against all persons claiming to be entitled to the share. Title to shares forfeited or surrendered.
- 49(2). A declaration under regulation 49(1) and the receipt by the Company of the consideration (if any) given for the share on the sale, re-allotment or disposal thereof together with the share certificate delivered to a purchaser (or where the purchaser is a Depositor, to the Depository) or allottee thereof shall (subject to the execution of a transfer if the same be required) constitute a good title to the share and the share shall be registered in the name of the purchaser or allottee, or where such person is a Depositor, the Company shall procure that his name be entered in the Depository Register in respect of the share so sold, re-allotted or disposed of.
- 49(3). The purchaser or allottee is not bound to see to the application of the purchase money, if any, and the purchaser's or allottee's title to the share is not affected by any irregularity or invalidity in the proceedings with respect to the forfeiture, surrender, sale, or disposal of the share.
- LIEN**
- 50(1). The Company has a first and paramount lien and charge on every share (that is not a fully paid share) registered in the name of each Member (whether solely or jointly with others) in respect of all calls and instalments upon the specific shares in respect of which such monies that may be due and unpaid, and such amounts as the Company may be called upon by law to pay in respect of the shares of the Member or deceased Member. Company's lien.

- 50(2). The Company's lien, if any, on a share extends to all dividends declared or payable on the share.
- 50(3). The Directors may at any time declare any share to be wholly or partly exempt from regulations 50(1) or 50(2), or both.
- 51(1). The Company may sell, in any manner as the Directors think fit, any shares on which the Company has a lien if:-
- (a) a sum in respect of which the lien exists is presently payable;
- (b) a notice in writing, stating and demanding payment of the amount in respect of which the lien exists as is presently payable, has been given by the Company, in such manner as the Directors shall think fit, to the registered holder for the time being of the share, or the person entitled to the share by reason of the death or bankruptcy of the registered holder of the share (subject to satisfactory proof of such entitlement being provided to the Directors); and
- (c) a period of 7 days has expired after the giving of the notice in paragraph (b).
- 51(2). To give effect to any sale of shares under regulation 51(1), the Directors may authorise any person to transfer or effect the transfer of, as the case may be, the shares sold to the purchaser of the shares.
52. In the event of a sale of shares under regulation 51(1), the Member, or other person who prior to such sale was entitled thereto, shall be bound to deliver and shall forthwith deliver to the Company the certificate or certificates held by him for the share or shares so sold.
- 53(1). The proceeds of any sale of shares under regulation 51 received by the Company must be applied in payment of any part of the amount in respect of which the lien exists as is presently payable and any accrued interest and expenses.
- 53(2). Any remaining proceeds from the sale of shares must (subject to any lien for sums not presently payable as existed upon the shares before the sale but which have become presently payable) be paid to the person whose shares have been sold, his executors, administrators, trustees or assignees or as he shall direct.
- 54(1). A statutory declaration in writing that the declarant is a Director of the Company and that a share has been duly sold to satisfy a lien of the Company on a date stated in the declaration shall be conclusive evidence of the facts stated therein as against all persons claiming to be entitled to the share.
- 54(2). Such declaration and the receipt by the Company of the consideration (if any) given for the share on the sale, re-allotment or disposal thereof together with the share certificate delivered to a purchaser (or where the purchaser is a Depositor, to the Depository) or allottee thereof shall (subject to the execution of a transfer if the same be required) constitute a good title to the share and the share shall be registered in the name of the purchaser or allottee, or where such person is a Depositor, the

Sale of shares subject to lien.

Certificate of sale shares to be delivered to Company.

Application of proceeds of sales.

Title to shares sold to satisfy lien.

company shall procure that his name be entered in the Depository Register in respect of the share so sold, re-allotted or disposed of.

- 54(3). The purchaser of any shares referred to in regulation 51(1) is not bound to see to the application of the purchase money, and the purchaser's title to the shares is not affected by any irregularity or invalidity in the proceedings with respect to the sale of the shares.

CONVERSION OF SHARES INTO STOCK

55. The Company may by ordinary resolution passed at a General Meeting convert any paid-up shares into stock and reconvert any stock into paid-up shares. Power to convert.
- 56(1). Subject to regulation 56(2), the holders of stock may transfer the stock or any part of the stock in the same manner or as near thereto as circumstances admit, and subject to the same regulations, by which the shares from which the stock arose might, prior to conversion, have been transferred. Transfer of stock.
- 56(2). The Directors may from time to time fix the minimum amount of stock transferable, provided that such units shall not be greater than the issue price of the shares from which the stock arose, and restrict or forbid the transfer of fractions of that minimum.
- 57(1). Subject to regulation 57(2), the holders of stock shall, according to the amount of the stock held by the holders, have the same rights, privileges and advantages in relation to dividends, return of capital, voting at General Meetings of the Company and other matters as if they held the shares from which the stock arose. Rights of stockholders.
- 57(2). No privilege or advantage (except participation in the dividends, return of capital, profits of the Company and in the assets on winding up) is to be conferred by any aliquot part of stock on the holder of such stock which would not, if existing in shares, have conferred that privilege or advantage.
- 57(3). No conversion of shares to stock shall affect or prejudice any preference or other special privileges attached to the shares so converted.
58. Provisions of this Constitution applicable to paid-up shares apply to stock, and references to "share" and "shareholder" in this Constitution are to be read as if they were references to "stock" and "stockholder", respectively.

INCREASE IN CAPITAL

- 59(1). Subject to the Act and this Constitution, no shares may be issued by the Directors without the prior approval of the Company in General Meeting. Issue of shares.
- 59(2). Notwithstanding regulation 62 but subject to regulation 59(3), the Company may, by ordinary resolution in General Meeting, give to the Directors a general authority, either unconditionally or subject to such conditions as may be specified in the ordinary resolution, to:

- (a) issue shares in the capital of the Company (“Shares”) whether by way of rights, bonus or otherwise;
- (b) make or grant offers, agreements or options, (collectively, “Instruments”) that might or would require Shares to be issued, including but not limited to the creation and issue of warrants, debentures or other instruments convertible into Shares; and/or
- (c) notwithstanding the authority conferred by the ordinary resolution may have ceased to be in force, issue Shares in pursuance of any Instrument made or granted by the Directors while the ordinary resolution was in force.

59(3). Regulation 59(2) is subject to the following:

- (a) the aggregate number of Shares to be issued pursuant to the said ordinary resolution (including Shares to be issued in pursuance of Instruments made or granted pursuant to the ordinary resolution) shall be subject to such limits and manner of calculation as may be prescribed by the Exchange;
- (b) in exercising the authority conferred by the said ordinary resolution, the Company shall comply with the Listing Manual (unless such compliance is waived by the Exchange) and this Constitution; and
- (c) unless revoked or varied by the Company in General Meeting, the authority conferred by the said ordinary resolution shall not continue in force beyond the conclusion of the Annual General Meeting of the Company next following the passing of the said ordinary resolution, or the date by which such Annual General Meeting of the Company is required by law to be held, or the expiration of such other period as may be prescribed by the Act, whichever is the earliest.

59(4). Subject to the regulations of this Constitution and any special right attached to any share for the time being issued, the Directors may allot (with or without conferring any rights of renunciation), grant options over or otherwise dispose of shares to such persons on such terms and conditions (including such consideration) and at such times as the Directors may determine.

60. No shares may be issued to transfer a controlling interest without prior approval of the Company in General Meeting

No transfer of controlling interest.

61(1). Subject to any special rights for the time being attached to any existing class of shares, the new shares shall be issued upon such terms and conditions and with such rights and privileges attached thereto as the General Meeting, by ordinary resolution or, if required by the Act, by special resolution, resolving upon the creation thereof shall direct. Subject to the regulations of this Constitution, without prejudice to the generality of the foregoing, such shares may be issued with a preferential or qualified right to dividends and in the distribution of assets of the Company or otherwise.

Rights and privileges of new shares.

61(2). Rights attaching to shares of a class other than ordinary shares shall be expressed in the resolution creating the same.

61(3).	Except so far as otherwise provided by the conditions of issue or by this Constitution, all new shares shall be subject to the regulations of this Constitution with reference to allotments, payment of calls, lien, transfer, transmission, forfeiture and otherwise.	New shares otherwise subject to regulations of this Constitution.
62(1).	Unless otherwise determined by the Company in General Meeting or except as permitted under the Listing Manual, all new shares must, before issue, be offered to such persons who as at the date of the offer are entitled to receive notices from the Company of General Meetings, in proportion, or as nearly as the circumstances admit, to the number of the existing shares to which they are entitled.	Offer of new shares to Members.
62(2).	An offer made pursuant to regulation 62(1) must be made by notice specifying the number of shares offered, and limiting a time within which the offer, if not accepted, is treated to be declined.	
62(3).	After the expiration of the time referred to in regulation 62(2), or upon receipt of an intimation from the person to whom the offer is made that he declines to accept the shares offered, the Directors may dispose of those shares in any manner as they think is the most beneficial to the Company.	
62(4).	The Directors may dispose of any new shares which (by reason of the ratio which the new shares bear to shares held by persons entitled to an offer of new shares or by reason of any other difficulty in apportioning the same) cannot, in the opinion of the Directors, be conveniently offered under this regulation.	
63(1).	The Company shall have the power to issue further preference capital ranking equally with or in priority to the preference capital then already issued.	Issue of further preference shares.
63(2).	The total number of issued preference shares shall not exceed the total number of issued ordinary shares at any time.	
64(1).	Subject to the provisions of the Act, the Listing Manual and this Constitution, the Company may issue preference shares which are, or at the option of the Company are, liable to be redeemed on such terms and in such manner as may be provided in this Constitution.	Issue of redeemable preference shares.
64(2).	The preference shares referred to in this regulation 64 shall not be redeemed unless they are fully paid up.	
65(1).	Subject to the provisions of the Statutes, the Company may pay a commission or brokerage to any person in consideration of his subscribing, or agreeing to subscribe, whether absolutely or conditionally, for any share in the capital of the Company.	Power to pay commission or brokerage for issue of shares.
65(2).	Subject to the provisions of the Statutes, any such commission or brokerage may be paid in whole or in part in cash, or fully or partly paid shares of the Company as may be arranged.	

- 65(3). Subject to the provisions of the Statutes, the Company may, in addition to, or in lieu of, such commission or brokerage, in consideration of any person so subscribing or agreeing to subscribe, or of his procuring or agreeing to procure subscriptions, whether absolute or conditional, for any share in the Company, confer on any such person an option call within a specified time for a specified number or amount of shares in the Company at a specified price.
- 65(4). Subject to the provisions of the Statutes, the payment or agreement to pay a commission or brokerage or the conferring of an option shall be in the discretion of the Directors on behalf of the Company.
- 66(1). Subject to the terms and conditions of any application for shares, the Directors shall allot shares applied for within 10 Market Days of the closing date (or such other period as may be approved by the Exchange) of any such application. Allotment.
- 66(2). The Directors may, at any time after the allotment of any share but before any person has been entered in the Register as the holder thereof or before such share is entered against the name of a Depositor in the Depository Register, as the case may be, recognise a renunciation thereof by the allottee in favour of some other person and may accord to any allottee of such share a right to effect such renunciation upon and subject to such terms and conditions as the Directors may think fit.
67. If, by the conditions of allotment of any shares, the whole or any part of the amount of the issue price thereof shall be payable by instalments, every such instalment shall, when due, be paid to the Company by the person who for the time being shall be the registered holder of the share or his personal representatives, but this provision shall not affect the liability of any allottee who may have agreed to pay the same. Payment of instalments.

OTHER ALTERATION OF CAPITAL

68. Subject to the regulations of this Constitution and the Act, the Company may from time to time by ordinary resolution (unless otherwise specified herein) do any of the following:
- (a) consolidate and divide all or any of its share capital;
 - (b) subdivide its shares or any of them provided always that, in the subdivision, the proportion between the amount paid and the amount, if any, unpaid on each subdivided share is the same as it was in the case of the share from which the subdivided share is derived;
 - (c) cancel any shares which, at the date of the passing of the resolution, have not been taken or agreed to be taken by any person or which have been forfeited, and diminish the amount of its share capital by the number of the shares so cancelled; and
 - (d) convert any class of shares into any other class of shares by special resolution.
69. The Company may, by special resolution and with any consent required by law, reduce its share capital in any manner. Power to reduce capital.

2. The Rights of Shareholders in respect of voting

GENERAL MEETING

- | | | |
|--------|---|---|
| 70(1). | Save as otherwise permitted under the Act and the Listing Manual, the Company shall in each year hold an Annual General Meeting in addition to any other meetings in that year not more than:-

(a) 15 months after the holding of the last preceding Annual General Meeting; and

(b) 4 months from the close of the financial year of the Company. | Annual General Meetings. |
| 70(2). | The First Annual General Meeting of the Company shall be held at such time within a period of not more than eighteen months from the date of incorporation of the Company and at such time and place as the Directors may determine. | First Annual General Meeting. |
| 71(1). | All General Meetings other than the Annual General Meetings shall be called Extraordinary General Meetings. | Extraordinary General Meetings. |
| 71(2). | The Directors may, whenever they think fit, convene an Extraordinary General Meeting. | Calling Extraordinary General Meetings. |
| 71(3). | Extraordinary General Meetings shall also be convened by the Directors on such requisition or, in default, may be convened by such requisitionists, as provided by section 176 of the Act. | |
| 72(1). | Subject to the provisions of the Act, exclusive of both the day on which the notice is served or treated to be served and the day for which notice is given, notice of any General Meeting must be given in writing to persons entitled to receive notices of General Meetings from the Company:-

(a) in the case of a Meeting to pass a special resolution, at least 21 days before the Meeting; and

(b) in the case of a Meeting to pass an ordinary resolution, at least 14 days before the Meeting. | Notice of General Meetings. |
| 72(2). | Every notice of a General Meeting shall be published in at least one English Language daily newspaper circulating in Singapore, and given in writing to each stock exchange on which the Company is listed, at least 14 clear days before the Meeting. | |
| 73(1). | Notice of every General Meeting must be given in any manner authorised in this Constitution to —

(a) every Member;

(b) every person entitled to a share in consequence of the death or bankruptcy of a Member who, but for his or her death or bankruptcy, would be entitled to receive notice of the Meeting; and | Persons entitled to receive notice of General Meetings. |

- (c) the Auditor for the time being of the Company.
- 73(2). No other person is entitled to receive notices of General Meetings.
74. Subject to the Act, the accidental omission to give notice to, or the non-receipt by any person entitled thereto shall not invalidate the proceedings at any General Meeting. Omission to give notice.
- 75(1). A notice of a General Meeting must specify the following: Contents of notice.
- (a) the place at which the General Meeting is to be held;
 - (b) the date and time of the General Meeting;
 - (c) (with reasonable prominence) that a Member entitled to attend and vote is entitled to appoint a proxy or proxies to attend and to vote instead of him and that a proxy need not be a Member of the Company;
 - (d) where the Company has one or more classes of shares that confer special, limited or conditional voting rights, or that confer no voting rights, the special, limited or conditional voting rights, or the absence of voting rights, in respect of each such class of shares; and
 - (e) in the case of any General Meeting at which business other than routine business is to be transacted, the general nature of that business and the effect of any proposed resolutions in respect of such business.
- 75(2). Routine business shall mean and include only business transacted at an Annual General Meeting of the following matters:— Routine business.
- (a) the declaration of a dividend;
 - (b) the consideration and adoption of the financial statements, and the reports of the Auditors and the statements of the Directors required to be annexed thereto;
 - (c) the election of directors in the place of retiring directors;
 - (d) the fixing of the remuneration of the Directors; and
 - (e) the appointment and fixing of the remuneration (or determination of the manner in which the remuneration is to be fixed) of the Auditors.

PROCEEDINGS AT GENERAL MEETINGS

- 76(1). No business is to be transacted at any General Meeting unless a quorum of Members is present at the time when the General Meeting proceeds to business. Quorum.
- 76(2). Except as otherwise provided in this Constitution, 2 Members present in person form a quorum provided that:-

- (a) a proxy representing more than one Member shall only count as one Member for the purpose of determining the quorum; and
 - (b) where a Member is represented by more than one proxy, such proxies shall count only as one Member for the purpose of determining the quorum.
- 76(3). In this regulation 76, "Member" includes a person attending as a proxy or by attorney or as representing a corporation or a limited liability partnership which is a Member.
- 77(1). If, within half an hour after the time appointed for a General Meeting, a quorum is not present, the Meeting —
- (a) if convened upon the requisition of Members, shall be dissolved; or
 - (b) in any other case, shall be adjourned to the same day in the next week (or if that day is a public holiday, the next business day following that public holiday) at the same time and place, or to another day and at another time and place as the Chairman may determine.
- 77(2). If, at a Meeting adjourned under regulation 77(1), a quorum is not present within 15 minutes from the time appointed for holding the Meeting, the Meeting shall be dissolved.
78. The chairman of a General Meeting shall be —
- (a) where the Board of Directors has appointed a chairman amongst the Directors, the chairman of the Board of Directors; or
 - (b) where —
 - (i) the chairman of the Board of Directors is unwilling to act as the chairman of the General Meeting;
 - (ii) the chairman of the Board of Directors is not present within 15 minutes after the time appointed for the holding of the General Meeting; or
 - (iii) the Board of Directors has not appointed a chairman amongst the Directors,
 a Director or, if no Director is present or if all the Directors present decline to take the chair, one of the Members present, elected by the Members present for the purpose of being the chairman of the General Meeting.
- 79(1). The chairman may, with the consent of a General Meeting at which a quorum is present, and must if so directed by a General Meeting, adjourn the General Meeting from time to time (or *sine die*) and from place to place. Where a General Meeting is adjourned *sine die*, the time and place for the adjourned Meeting shall be fixed by the Directors.
- 79(2). No business is to be transacted at any adjourned Meeting other than the unfinished business which might lawfully have been transacted at the Meeting from which the adjournment took place unless all the Members agree otherwise.

80.	There is no need to give any notice of an adjourned Meeting (whether adjourned pursuant to regulation 77(1) or 79(1)) or of the business to be transacted at an adjourned Meeting unless:-	Notice of adjourned Meeting
	(a) the Meeting is adjourned <i>sine die</i> ; or	
	(b) the adjourned Meeting is to be held more than 14 days but less than 30 days after the date of the original General Meeting – in which case, notice (in writing) need only be of the place and hour of such adjourned Meeting; or	
	(c) the adjourned Meeting is to be held more than 30 days after the date of the original General Meeting.	
81(1).	If required by the Exchange, all resolutions at General Meetings shall be voted by poll.	Method of voting.
81(2).	Subject to regulation 81(1), at any General Meeting, a resolution put to the vote of the Meeting must be decided on a show of hands unless a poll is (before or on the declaration of the result of the show of hands) demanded —	
	(a) by the chairman (being a person entitled to vote thereat);	
	(b) by at least 2 Members present in person or by proxy or by attorney or in the case of a corporation by its representative and entitled to vote thereat;	
	(c) by any Member or Members present in person or by proxy or by attorney or in the case of a corporation by its representative and representing not less than 5% of the total voting rights of all the Members having the right to vote at the Meeting; or	
	(d) by a Member or Members holding shares in the Company conferring a right to vote at the Meeting, being shares on which an aggregate sum has been paid up equal to not less than 5% of the total sum paid up on all the shares conferring that right.	
81(3).	A demand for a poll under regulation 81(2) may be withdrawn.	
82.	Unless required by the Exchange, no poll shall be demanded on the election of a chairman or on a question of adjournment.	
83.	Unless a poll is taken, a declaration by the chairman that a resolution has been carried or carried unanimously, or by a particular majority, or lost, and an entry to that effect in the minute book shall be conclusive evidence of the fact without proof of the number or proportion of the votes recorded in favour of or against the resolution.	Declaration of chairman conclusive.
84(1).	A poll, if taken, shall be taken in such manner (including the use of ballot or voting papers or tickets or electronic means) as the chairman directs.	Taking a poll.
84(2).	A poll demanded on any question shall be taken either immediately or at such subsequent time and place as the chairman may direct.	
84(3).	The result of the poll taken pursuant to regulation 84(1) shall be deemed to be the resolution of the Meeting at which the poll was demanded.	

- | | | |
|--------|---|--|
| 85. | In the case of an equality of votes, whether on a show of hands or on a poll, the chairman of the Meeting at which the show of hands or poll takes place, is entitled to a second or casting vote. | Chairman's casting vote. |
| 86. | The chairman may, and if so requested, or if so required by Exchange, shall, appoint scrutineers and may adjourn the Meeting to some place and time fixed by him for the purpose of declaring the result of any poll taken. | Scrutineers. |
| 87. | If any votes, which ought not to have been counted or might have been rejected, are counted, the error shall not vitiate the result of the voting unless it is pointed out at the same Meeting or at any adjournment thereof, and is, in the opinion of the Chairman, of sufficient magnitude. | Votes counted in error. |
| 88. | The demand for a poll shall not prevent the continuance of a Meeting for the transaction of any business, other than the question on which the poll has been demanded. | Continuance of business after demand for a poll. |
| 89. | After the chairman of any Meeting has declared the General Meeting to be over and has left the chair, no business or question shall, under any pretext whatsoever, be brought forward or discussed. | End of General Meeting. |
| 90(1). | The regulations of this Constitution relating to General Meetings apply with the necessary modifications to every separate General Meeting of the holders of the shares of the class referred to in regulations 12 and 13(1), except that —

<div style="margin-left: 40px;">(a) the necessary quorum is at least 2 persons holding or representing by proxy or by attorney one-third of the issued shares of the class; and

 <div style="margin-left: 40px;">(b) any holder of shares of the class present in person or by proxy or by attorney may demand a poll.</div> </div> | Regulation of class meetings. |
| 90(2). | Section 184 of the Act applies with the necessary modifications to every special resolution passed at a separate General Meeting of the holders of the shares of the class under regulations 12 and 13(1). | |

VOTES OF MEMBERS

- | | | |
|--------|--|---------------------------|
| 91(1). | Subject to this Constitution and any rights or restrictions for the time being attached to any class or classes of shares, at Meetings of Members or classes of Members, each Member who is present in person or by proxy or by attorney or, in the case of a corporation, by a representative shall have:-

<div style="margin-left: 40px;">(a) on a show of hands, one vote; and

 <div style="margin-left: 40px;">(b) on a poll, one vote for each share the Member holds.</div> </div> | Voting rights of Members. |
| 91(2). | On a show of hands:-

<div style="margin-left: 40px;">(a) in the case of a Member who is not a relevant intermediary and who is represented by two proxies, only one of the two proxies as determined by that Member, or failing such determination, by the</div> | |

chairman of the Meeting (or by a person authorised by him) in his sole discretion, shall be entitled to vote on a show of hands; and

(b) in the case of a Member who is a relevant intermediary and who is represented by two or more proxies, each proxy shall be entitled to vote on a show of hands.

- | | | |
|--------|--|---|
| 91(3). | Subject to the regulations of this Constitution, no Member is entitled to vote, whether personally or by proxy or by attorney or, in the case of a corporation, by a representative, at any General Meeting unless all calls or other sums presently payable by the Member in respect of shares in the Company have been paid. | Entitlement to vote only upon full payment. |
| 92. | On a poll, a person entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way. | Voting on a poll. |
| 93(1). | In the case of joint registered holders of any share, any of such persons may vote but if more than one of such persons is present at the meeting, whether in person or by proxy or by attorney or, in the case of a corporation, by a representative, the vote of the senior who tenders a vote is accepted to the exclusion of the votes of the other joint holders. | Voting rights of joint holders. |
| 93(2). | For the purposes of regulation 93(1), seniority is to be determined by the order in which the names stand in the Register or the Depository Register as the case may be. | |
| 94. | A Member of unsound mind or whose person or estate is liable to be dealt with in any way under the law relating to mental capacity, may vote, whether on a show of hands or on a poll, by a person who properly has the management of the estate of the Member, and any such person may vote by proxy or attorney provided that such evidence, as the Directors may require, of the authority of the person claiming entitlement to vote shall have been deposited at the Office before the Cut-Off Time. | Votes of Members of unsound mind. |
| 95(1). | No objection may be raised as to the qualification of any voter except at the Meeting or adjourned Meeting at which the vote objected to is given or tendered. | Objections as to qualification of voter. |
| 95(2). | Any objection made in due time must be referred to the chairman of the Meeting, whose decision is final and conclusive. | |
| 95(3). | Every vote not disallowed at the Meeting is valid for all purposes. | |
| 96(1). | Save as otherwise provided in the Act and in this Constitution:-

(a) subject to paragraph (b), a Member may appoint not more than 2 proxies to attend, speak and vote at the same General Meeting. Where a Member's instrument of proxy appoints 2 proxies, the proportion of the shareholding concerned to be represented by each proxy shall be specified in the instrument; and

(b) a Member who is a relevant intermediary may appoint more than 2 proxies to attend, speak and vote at the same 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 instrument of proxy appoints more than 2 proxies, the | Appointment of proxies. |

number and class of shares in relation to which each proxy has been appointed shall be specified in the instrument.

- 96(2). If no proportion of shareholding is specified in the instrument of proxy referred to in regulation 96(1)(a), the Company shall be entitled to treat:-
- (a) the first named proxy as representing the entire number of shares entered against the Member's name in the Register or Depository Register, as the case may be, and any second named proxy as an alternate to the first name; or
 - (b) the instrument of proxy as invalid.
- 96(3). A proxy may but need not be a Member of the Company.
- 97(1). An instrument appointing a proxy shall be in writing, in any usual or common form or such other form as the Directors may approve. Instrument appointing proxy.
- 97(2). The instrument referred to in regulation 97(1) must be—
- (a) where the appointer is a corporation or a limited liability partnership:-
 - (i) if the instrument is delivered personally or sent by post, either under seal in accordance with its constitutional documents or under the hand of an officer or attorney duly authorised; or
 - (ii) if the instrument is sent by electronic communication, authorised by the appointor through such method and in such manner as may be approved by the Directors; and
 - (b) in any other case:-
 - (i) if the instrument is delivered personally or sent by post, under the hand of the appointer or of the attorney of the appointer duly authorised in writing; or
 - (ii) if the instrument is sent by electronic communication, authorised by the appointor through such method and in such manner as may be approved by the Directors.
- 97(3). The signature on, or authorisation of, such instrument need not be witnessed.
- 97(4). The Directors may, in their absolute discretion, and in relation to such members or class of members as they may determine, approve the method and manner for an instrument to be authorised as contemplated in regulations 97(2)(a)(ii) and 97(2)(b)(ii). Where the Directors do not so specify in relation to a member (whether of a class or otherwise), regulations 97(2)(a)(i) and 97(2)(b)(i) shall apply.
- 97(5). The Directors may, for the purposes of 97(2)(a)(ii) and 97(2)(b)(ii), designate procedures for authenticating any such instrument, and if so designated, any such instrument not authenticated by use of such procedures shall be deemed not to have been received by the Company.

98.	In determining rights to vote and other matters in respect of a completed instrument of proxy submitted to it, the Company is entitled and bound to have regard to the instructions (if any) given by and the notes (if any) set out in the instrument of proxy.	Instructions on instrument of proxy.
99.	The instrument appointing a proxy is treated as conferring authority to demand or join in demanding a poll, move any resolution or amendment thereto and speak at the General Meeting.	Deemed authority.
100.	An instrument appointing a proxy shall, unless the contrary is stated thereon be valid as well for any adjournment of the Meeting as for the Meeting to which it relates and, having been once delivered to the Company in accordance with regulation 101, shall not be required to be delivered to the Company again.	Validity of instrument of proxy for adjourned Meetings.
101(1).	<p>For the purpose of appointing a proxy, the instrument appointing a proxy:-</p> <p style="margin-left: 40px;">(a) if delivered personally or sent by post, must be deposited at the Office of the Company, or at such other place in Singapore as is specified in the notice convening the Meeting; or</p> <p style="margin-left: 40px;">(b) if sent by electronic communication, must be received through such means as may be specified for that purpose in or by way of note to or in any document accompanying the notice convening the Meeting,</p> <p>not later than the Cut-Off Time for the holding of the Meeting or adjourned Meeting to which it is to be used.</p>	Deposit of instrument appointing proxies.
101(2).	Where an instrument appointing a proxy is signed or authorised on behalf of the appointor (which shall, for the purposes of this regulation include a Depositor) by an attorney, the letter or the power of attorney or other authority, if any, or a duly certified copy thereof shall (failing previous registration with the Company) be deposited at the Office with the instrument of proxy pursuant to regulation 101(1).	
101(3).	An instrument of proxy is not valid if regulations 101(1) and 101(2) are not complied with.	
101(4).	The Directors may, in their absolute discretion, and in relation to such members or class of members as they may determine, specify the means through which instruments appointing a proxy may be submitted by electronic communications, as contemplated in regulation 101(1)(b). Where the Directors do not so specify in relation to a member (whether of a class or otherwise), regulation 101(1)(a) shall apply.	
101(5).	<p>Where a Member is a Depositor, the Company shall be entitled and bound to:-</p> <p style="margin-left: 40px;">(a) reject any instrument of proxy lodged if the Depositor is not shown to have any shares entered against his name in the Depository Register as at the Cut-Off Time as certified by the Depository to the Company; and</p> <p style="margin-left: 40px;">(b) accept as the maximum number of votes which in aggregate the proxy or proxies appointed by the Depositor is or are able to cast on a poll, a number which is the number of shares entered against</p>	

the name of that Depositor in the Depository Register as at the Cut-Off Time as certified by the Depository to the Company, whether that number be greater or smaller than the number specified in any instrument of proxy executed by or on behalf of that Depositor.

- | | | |
|---------|--|---|
| 102(1). | Subject to regulation 102(2), a vote given in accordance with the terms of an instrument of proxy or attorney is valid despite — | Intervening events not to revoke proxy. |
| | (a) the previous death or mental disorder of the principal; | |
| | (b) the revocation of the instrument or of the authority under which the instrument was executed; or | |
| | (c) the transfer of the share in respect of which the instrument is given. | |
| 102(2). | Regulation 102(1) does not apply if an intimation in writing of such death, mental disorder, revocation, or transfer has been received by the Company at its Office not less than one hour before the Meeting or adjourned Meeting at which the instrument is used. | |
| 103. | Any corporation which is a Member of the Company may, by resolution of its directors or other governing body, authorise such person as it thinks fit to act as its representative at any Meeting of the Company or of any class of Members of the Company and the persons so authorised shall be entitled to exercise the same powers on behalf of the corporation as the corporation would exercise if it were an individual Member of the Company. | Corporations acting by representatives. |

3. The Rights of Shareholders in respect of dividends

DIVIDENDS AND RESERVES

- | | | |
|------|---|--|
| 168. | The Company in General Meeting may by ordinary resolution declare dividends, but no dividend shall be payable except out of the profits of the Company or in excess of the amount recommended by the Directors. | Payment of dividends |
| 169. | Any dividends declared by the Company may be so declared in Singapore Dollars or any other currency. | Currency of dividends declared. |
| 170. | If and so far as in the opinion of the Directors, the profits of the Company justify such payments, the Directors may from time to time pay:- | Payment of preference and interim dividends. |
| | (a) the fixed preferential dividends on any express class of shares carrying a fixed preferential dividend expressed to be payable on a fixed date on the half-yearly or other dates (if any) prescribed for the payment thereof by the terms of issue of the shares; and | |
| | (b) subject to paragraph (a), to the other Members such interim dividends of such amounts and on such dates as they may think fit provided that no such dividends shall be declared more than once in 6 months. | |

- 171(1). Subject to any rights or restrictions attached to any shares or class of shares and except as otherwise permitted under the Act:-
- Apportionment of dividends.
- (a) all dividends in respect of shares must be paid in proportion to the number of shares held by a Member but where shares are partly paid, all dividends must be apportioned and paid proportionately to the amounts paid or credited as paid on the partly paid shares; and
- (b) all dividends must be apportioned and paid proportionately to the amounts so paid or credited as paid during any portion or portions of the period in respect of which the dividend is paid
- 171(2). For the purposes of this regulation 171, an amount paid or credited as paid on a share in advance of a call is to be ignored.
- 171(3). If any share is issued on terms providing that it ranks for dividend as from a particular date, that share ranks for dividend accordingly.
172. No dividend or other monies payable on or in respect of a share shall bear interest against the Company.
- Dividends not to bear interest.
173. The Directors may retain any dividend or other monies payable on shares:-
- Retention of dividends.
- (a) on which the Company has a lien and may apply the same in or towards satisfaction of the debts, liabilities or engagements in respect of which the lien exists; or
- (b) in respect of which any person is, under the regulations as to the transmission of shares hereinbefore contained, entitled to become a Member or which any person under those regulations is entitled to transfer until such person shall become a Member in respect of such shares or shall duly transfer the same.
174. A transfer of shares shall not pass the right to any dividend declared thereon before the registration of the transfer or the entry of the shares against the Depositor's name in the Depository Register, as the case may be.
- Effect of transfer.
- 175(1). Any General Meeting declaring a dividend or bonus may, upon recommendation of the Directors, by ordinary resolution, direct payment of the dividend or bonus wholly or partly by the distribution of specific assets, including —
- Payment of dividend in specie.
- (a) paid-up shares of any other company;
- (b) debentures or debenture stock of any other company; and/or
- (c) any combination of any specific assets,
- and the Directors must give effect to the said resolution.
- 175(2). Where any difficulty arises with regard to a distribution directed under regulation 175(1), the Directors may settle the distribution as they think expedient, including doing all or any of the following:

- (a) fix the value for distribution of the specific assets or any part of the specific assets;
 - (b) determine that cash payments be made to any Members on the basis of the value fixed by the Directors, in order to adjust the rights of all parties; and
 - (c) vest any specific assets in trustees as may seem expedient to the Directors.
- 175(3). No valuation, adjustment or arrangement made under regulation 175(2) shall be questioned by any Member.
- 176(1). Whenever the Company in General Meeting has resolved that a dividend (including an interim, final, special or other dividend) be paid or declared on the ordinary share capital of the Company, the Directors may further resolve that Members entitled to such dividend be entitled to elect to receive an allotment of ordinary shares credited as fully paid in lieu of cash in respect of the whole or such part of the dividend as the Directors may think fit. Scrip dividend scheme
- 176(2). Where a resolution is made pursuant to regulation 176(1), the following provisions shall apply:-
- (a) the basis of any such allotment shall be determined by the Director;
 - (b) the Directors may determine, in their sole discretion, that allotment of shares or the rights of election shall not be made available to certain Members or classes of Members including, without limitation:-
 - (i) Members who are registered in the Register or the Depository Register after such date as may be fixed by the Directors; or
 - (ii) Members having registered addresses outside Singapore and in such event, the only entitlement to such Members shall be to receive cash in the relevant dividend resolved or proposed to be paid or declared;
 - (c) the Directors shall determine the manner in which Members shall be entitled to make such election and shall make all such arrangements and do all such things, as the Directors consider necessary or expedient, in connection with the provisions of this paragraph (c) including:-
 - (i) making such arrangements as to the giving of notice to members;
 - (ii) determining the procedure for making such elections or revoking the same;
 - (iii) providing for forms of election for completion by Members (whether in respect of a particular dividend or dividends or generally); and

- (iv) determining the place at which and the latest date and time by which any forms of election or other documents by which elections are made or revoked must be lodged
 - (d) the right of election may be exercised in respect of the whole of that portion of the dividend in respect of which the right of election has been accorded provided that the Directors may determine, either generally or in any specific case, that such right shall be exercisable in respect of the whole or any part of that portion; and
 - (e) subject to regulation 176(4)(c), the dividend (or that part of the dividend in respect of which a right of election has been accorded) shall not be payable in cash on ordinary shares in respect whereof the share election has been duly exercised (the "elected ordinary shares") and in lieu and in satisfaction thereof ordinary shares shall be allotted and credited as fully paid to the holders of the elected ordinary shares on the basis of allotment determined as aforesaid.
- 176(3). Unless otherwise specified by the Directors, the ordinary shares allotted pursuant to the provisions of this regulation 176 shall rank *pari passu* in all respects with the ordinary shares then in issue save only as regards participation in the dividend which is the subject of the election referred to above (including the right to make the election referred to above) or any other distributions, bonuses or rights paid, made, declared or announced prior to or contemporaneous with the payment or declaration of the dividend which is the subject of the election referred to above.
- 176(4). Notwithstanding any provision to the contrary in this Constitution, the Directors may do all acts and things considered necessary or expedient to give effect to the resolution made pursuant to regulation 176(1), including, without limitation:-
- (a) making of each necessary allotment of shares and appropriation, capitalisation, application, payment and distribution of funds which may be lawfully appropriated, capitalised, applied, paid or distributed for the purpose of the allotment;
 - (b) capitalising and applying:-
 - (i) the amount standing to the credit of any of the Company's reserve accounts or any sum standing to the credit of the profit and loss account or otherwise for distribution as the Directors may determine, such sum as may be required; or
 - (ii) the sum which would otherwise have been payable in cash to the holders of the elected ordinary shares,

towards full payment of the appropriate number of ordinary shares for allotment and distribution to and among the holders of the elected ordinary shares on such basis;
 - (c) making such provisions as they think fit in the case of shares becoming distributable in fractions (including, provisions whereby in whole or in part, fractional entitlements are aggregated and sold and the net proceeds distributed to those entitled, or are disregarded or rounded up or down, or whereby the benefit of fractional entitlements accrues to the Company rather than the Members concerned); and

- (d) authorising any person to enter on behalf of all the Members interested into an agreement with the Company providing for any such appropriation, capitalisation, application, payment and distribution of funds and matters incidental thereto and any agreement made under such authority shall be effective and binding on all concerned.
- 176(5). Notwithstanding the foregoing provisions of this regulation 176, if at any time after a resolution is made pursuant to regulation 176(1) but prior to the allotment of ordinary shares pursuant thereto, the Directors shall consider that, by reason of any event or circumstance (whether arising before or after such resolution) or by reason of any matter whatsoever, it is no longer expedient or appropriate to implement that allotment, the Directors may, at their own discretion and without assigning any reason therefore, cancel the proposed application of this regulation 176.
- 177(1). Any dividend, interest, or other money payable in cash in respect of a share may be paid by cheque, draft, post office order or warrant sent through the post directed — Dividend payable by cheque.
- (a) if several persons are registered as joint holders of the share or are entitled thereto in consequence of the death or bankruptcy of the holder —
- (i) to any one of such persons; or
- (ii) to a person or to an address as such persons may in writing direct; or
- (b) in any other case —
- (i) to the registered address of the Member; or
- (ii) to a person or to an address as the Member may in writing direct.
- 177(2). Every cheque or warrant made under regulation 177(1) shall be made payable to the order of the person to whom it is sent or to such person as the Member or joint holders or person or persons entitled to the share in consequence of the death or bankruptcy of the Member may direct.
- 177(3). Payment of the cheque if purporting to be endorsed or the receipt by any such person under regulation 177(1) shall be a good discharge to the Company. Every such cheque or warrant shall be sent at the risk of the person entitled to the money represented thereby and the Company shall not be responsible for the loss of any cheque, draft, warrant or post office order which shall be sent by post duly addressed to the person for whom it is intended.
178. Notwithstanding the provisions of this Constitution, payment by the Company to the Depository of any dividend payable to a Depositor shall, to the extent of the payment made, discharge the Company from any liability to the Depositor in respect of that payment.
- 179(1). The payment by the Directors of any unclaimed dividends or other monies payable on or in respect of a share into a separate account shall not constitute the Company a trustee in respect thereof. Unclaimed dividends.
- 179(2). All dividends unclaimed after being declared may be invested or otherwise made use of by the Directors for the benefit of the Company.

- 179(3). Any dividend unclaimed after a period of 6 years from the date of declaration of such dividend may be forfeited and if so, shall revert to the Company but the Directors may, at any time thereafter, at their absolute discretion, annul any such forfeiture and pay the dividend so forfeited to the person entitled thereto prior to the forfeiture.
- 180(1). The Directors may, from time to time —
- (a) set aside out of the profits of the Company sums as they think proper as reserves; or
 - (b) carry forward any profits which they may think prudent not to divide, without placing the profits to reserve.
- 180(2). The reserves set aside under regulation 180(1)(a) —
- (a) are, at the discretion of the Directors, to be applied for:-
 - (i) meeting contingencies;
 - (ii) the gradual liquidation of any debt or liability of the Company;
 - (iii) repairing or maintaining the works, plant and machinery of the Company;
 - (iv) special dividends or bonuses;
 - (v) equalising dividends; or
 - (vi) any other purpose to which the profits of the Company may be properly applied;
 - (b) may, pending any application under paragraph (a) and at the discretion of the Directors, be employed in the business of the Company or be invested in any investments as the Directors may from time to time think fit.
- Power to carry profits to reserve or carry forward profits.

CAPITALISATION OF PROFITS AND RESERVES

- 181(1). The Company in General Meeting may, upon the recommendation of the Directors, resolve to capitalise any part of the amount for the time being standing to the credit of any of the Company's reserve accounts or to the credit of the profit and loss account or otherwise available for distribution, provided that such sum is not required for paying the dividends on any shares carrying a fixed cumulative preferential dividend.
- 181(2). The amount capitalised under regulation 181(1) is set free for distribution amongst Members who would have been entitled to the amount had it been distributed by way of dividend and in the same proportions, and is to be applied in or towards either or both of the following:
- (a) paying up any amounts for the time being unpaid on any shares held by the Members respectively;
 - (b) paying up in full unissued shares or debentures of the Company to be allotted, distributed and credited as fully paid up to and amongst such Members in the same proportions.
- 182(1). Whenever a resolution under regulation 181(1) has been passed, the Directors must —
- Power to capitalise profits.
- Implementation of resolution to capitalise profits.

- (a) make all appropriations and applications of the undivided profits resolved to be capitalised by the resolution;
- (b) make all allotments and issues of fully paid shares or debentures, if any; and
- (c) do all acts and things required to give effect to the resolution.

182(2). The Directors have full power to —

- (a) make provision by payment in cash or otherwise as they think fit for the case of shares or debentures becoming distributable in fractions; and
- (b) authorise any person to enter on behalf of all the Members entitled to the distribution into an agreement with the Company providing —
 - (i) for the allotment to the Members respectively, credited as fully paid up, of any further shares or debentures to which they may be entitled upon the capitalisation; or
 - (ii) for the payment up by the Company on the Member's behalf of the amounts or any part of the amounts remaining unpaid on their existing shares by the application of their respective proportions of the profits resolved to be capitalised,
- (c) and any agreement made under such authority is effective and binding on all Members entitled to the distribution.

VALUATION DOCUMENTS



VALUATION REPORT OF PROPERTY AT

2 Ang Mo Kio Avenue 12
Ang Mo Kio Industrial Park II
Singapore 569707

Prepared for
CEI Limited

Our Ref : 2021/0277/PTE/EC/SP

22 January 2021

VALUATION FOR

CEI Limited
2 Ang Mo Kio Avenue 12
Ang Mo Kio Industrial Park II
Singapore 569707

Attn: Ng Syuen

Dear Sir/ Madam

**VALUATION OF 2 ANG MO KIO AVENUE 12 ANG MO KIO INDUSTRIAL PARK II
SINGAPORE 569707**

- 1.0 Purpose of Valuation** : To determine the **Open Market Value** of the subject property in connection with the voluntary conditional offer by AEM Singapore Pte. Ltd. for all the issued and paid-up ordinary shares in the capital of CEI Limited.
- 2.0 Date of Inspection** : 20 January 2021
- 3.0 Date of Valuation** : 22 January 2021
- 4.0 Address of Property** : 2 Ang Mo Kio Avenue 12
Ang Mo Kio Industrial Park II
Singapore 569707
- 5.0 Property Details**
- 5.1 Type** : A 3-storey detached factory
- 5.2 Land Area** : 2,617.3 sq m or 28,173 sq ft
- 5.3 Gross Floor Area** : Approximately 3,053.15 sq m or 32,864 sq ft, according to URA's written permission dated 25/3/2009 and subject to survey
- 5.4 Condition** : Good
- 5.5 Orientation** : Main entrance faces west
- 5.6 Age** : Circa 1990s
- 5.7 Permitted Use** : For contract manufacturing of printed circuit board assemblies and equipment design and assembly only except with prior consent in writing of the lessor.

6.0 Title & Tenure

- 6.1 Legal Description** : MK18-12567N
- 6.2 Tenure/Title** : 30+30 years leasehold w.e.f. 01/03/1993
Note:
We have in our valuation assumed that there will be no breaches or non-observance of any of the Lessee's obligations and that the further term of 30 years will be granted by the Lessor.
- 6.3 Registered Lessee(s)** : CEI Limited
- 6.4 Land Rent Payable** : S\$135,523.79 per annum for 01/03/2020 to 28/02/2021
- 6.5 Annual Value** : S\$572,000/- for Year 2021. The tax rate is 10% of the assessed Annual Value.

7.0 Town Planning

- Master Plan (2019)** : Business 1

8.0 Location *(Please refer to Location Plan)*

The subject development is bounded by Ang Mo Kio Avenue 12, Ang Mo Kio Avenue 3 and within Ang Mo Kio Industrial Park II.

The immediate locality comprises mainly HDB flats and light industrial developments such as CFM Building, TEPL Industrial Building, Sing Industrial Complex, AMK Autopoint, AMK Tech I, Techplace II, amongst others.

Amenities and facilities such as shops, markets, food centres, schools, community centres, etc. are located nearby or within short driving distance.

Public transport is readily available along Ang Mo Kio Avenue 3. The Ang Mo Kio MRT Station/ Bus Interchange are located a few bus stops away from the subject development.

Vehicular access to the city and other parts of Singapore is facilitated by the subject development's proximity to the Central Expressway and Pan Island Expressway.

9.0 The Subject Development

The subject property comprises a part 2/ part 3-storey detached factory with ancillary office, erected on a fan-shaped plot of land along Ang Mo Kio Avenue 12.

The building is constructed of reinforced concrete/ steel frame, reinforced concrete/ brick/ metal clad walls, reinforced concrete floors and metal roof. It is bounded by brick walls, chain-linked/ metal grille fencing with metal sliding and side gates.

Fire protection system provided include automatic fire sprinklers, wet/ dry risers, fire hose reel, smoke extraction system, etc.. Other facilities include cargo lift, parking lots and the property is air-conditioned generally.

10.0 The Subject Property

10.1 Accommodation

1st Storey

Reception area/ waiting lobby, meeting rooms, production area, packing areas, cleanroom, stores and toilets.

2nd Storey

General office area, office area/ rooms, meeting rooms, pantry and male/ female toilets.

3rd Storey

General office area, office area/ rooms, meeting rooms, pantry and male/ female toilets.

10.2 Finishes

Floor

Homogeneous tiles/ ceramic tiles/ cement screed/ epoxy generally

Wall

Paint/ ceramic tiles generally

Ceiling

Paint/ false ceiling with downlights generally

10.3 Improvements

Fittings/Fixtures

Split/ cassette unit air conditioners, cabinets, aluminium frame windows/ doors, timber doors glass doors and roller shutters generally.

Others

Cargo lift, guard house and surface car parking lots generally.

11.0 Tenancy Details

The subject property was owner-occupied as at the date of inspection.

12.0 Services

All main utilities and telecoms services are provided.

13.0 Method of Valuation

We have valued the subject property, in its existing continued use, by the Comparable Sales Method and Income Capitalisation Method, each is being used as a check against the other.

In the Comparable Sales Method, a comparison is made with sales of similar properties in the vicinity and adjustments are made for differences in location, floor area, land area, frontage (where applicable), age, condition, tenure, design and layout, dates of transaction and the prevailing market conditions, etc., before arriving at the value of the subject property.

In the Income Capitalisation Method, we have considered the recent rent of the subject property, Annual Value and the recent rent evidence for similar properties available from various sources in the market. The estimated market net income is capitalized at an appropriate market capitalisation rate which reflects both the risk and benefits of the subject property as an investment.

14.0 Sales Comparables

No.	Property Address	Land Area (Sqm)	Tenure	Transacted Value	Transacted Date
1	89 Defu Lane 10 Bonia House Singapore 539220	4,587.0	30+30 yrs from 01/08/1991	\$10,500,000	05/11/2020
2	8 Aljunied Avenue 3 Oakwell Building Singapore 389933	4,301.1	30+30 yrs from 01/09/1983	\$9,500,000	27/10/2020
3	10 Kallang Sector Data Dynamics Building Singapore 349280	2,103.0	60+3 Yrs From 01/04/1986	\$7,000,000	08/06/2020
4	117 Defu Lane 10 Defu Industrial Estate Singapore 539229	2,157.7	30 yrs from 01/10/2012	\$3,600,000	05/03/2020

15.0 Basis of Valuation

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

- a) a willing seller, willing buyer;
- b) a reasonable period within which to negotiate the sale, taking into consideration the nature of the property and state of the market;
- c) the property will be freely exposed to the market for a reasonable period of time; and
- d) no account is to be taken of an additional bid by a special purchaser.

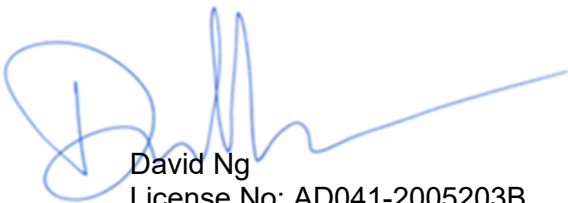
Where applicable, we have relied on information as to title/ lease particulars, land/ floor area, etc. from searches carried out at Singapore Land Authority or made available to us. All information provided is treated as true and accurate and we reserve the right to change our opinion of value if any information provided were to be materially changed.

16.0 Valuation

With due regard to the foregoing and taking into consideration the current market conditions and other relevant factors, we are of the opinion that the value of the subject property, with vacant possession and free from encumbrances, is as follows:

Open Market Value : **S\$6,500,000/-**
(SINGAPORE DOLLARS SIX MILLION AND FIVE HUNDRED THOUSAND ONLY)

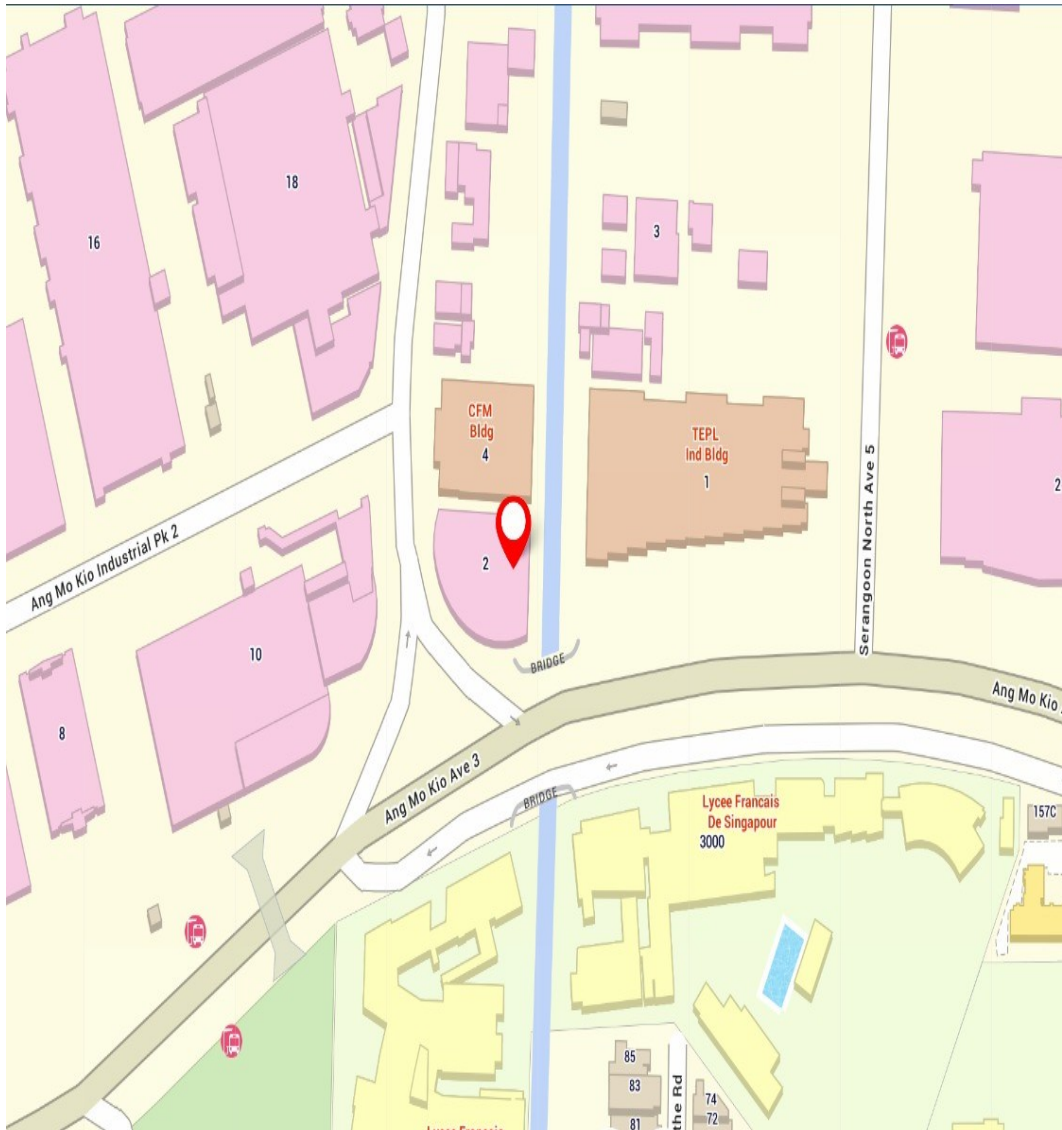
Yours faithfully,
On and Behalf of
RHT Valuation Pte. Ltd.



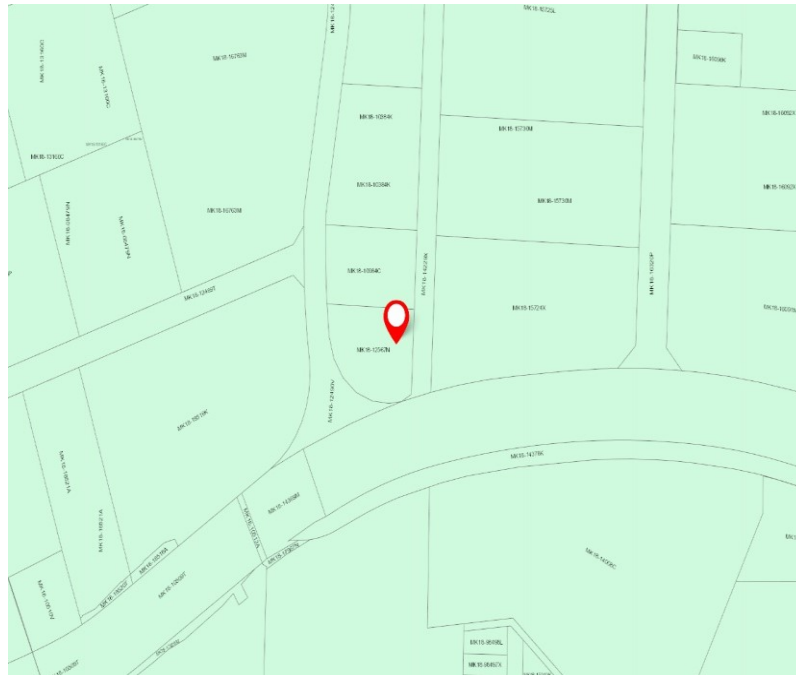
David Ng
License No: AD041-2005203B
MSISV, MRICS

Enclosures: Location Plan, Site Plan, Floor Plans, Photographs and Limiting Conditions

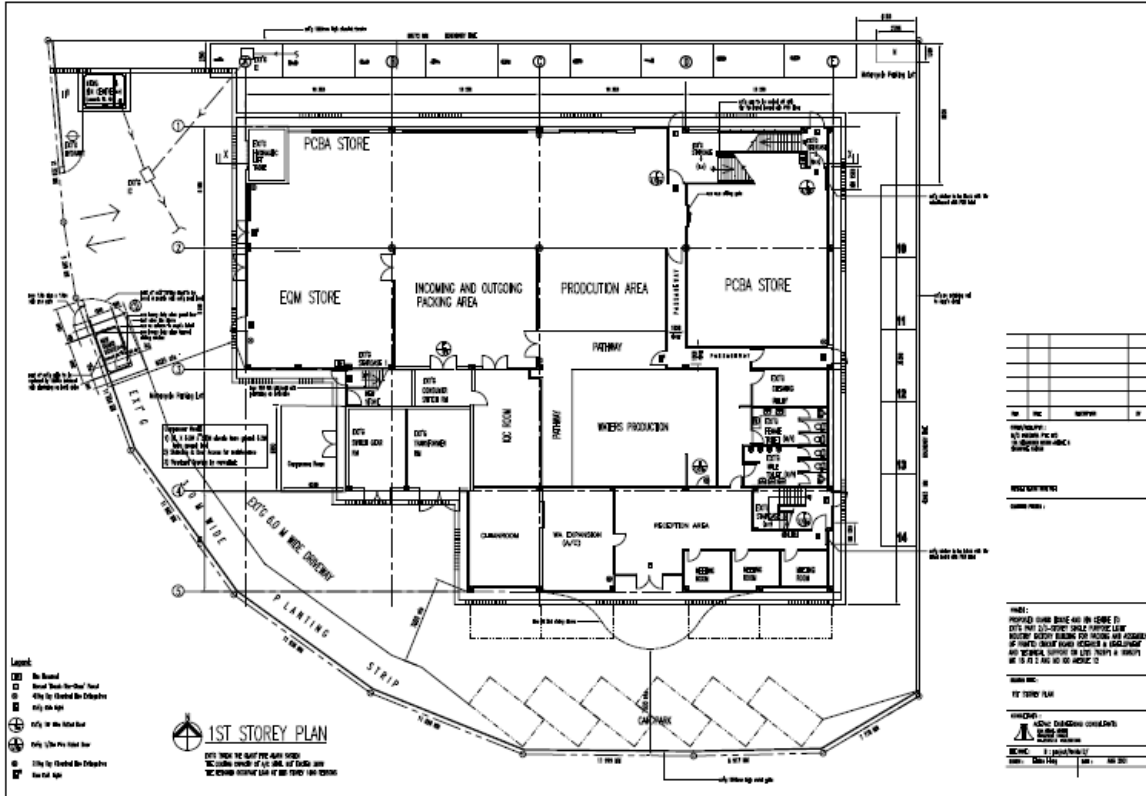
Location Plan



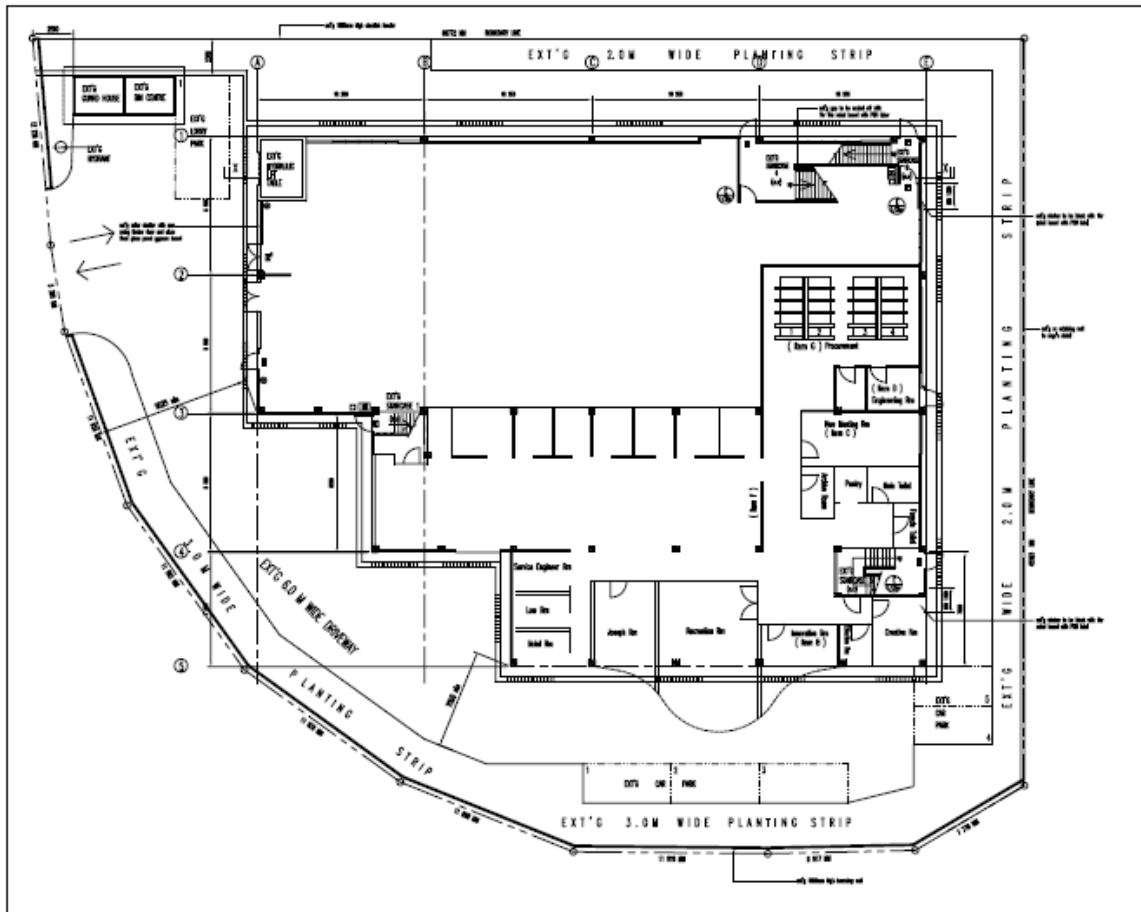
Site Plan



Floor Plans



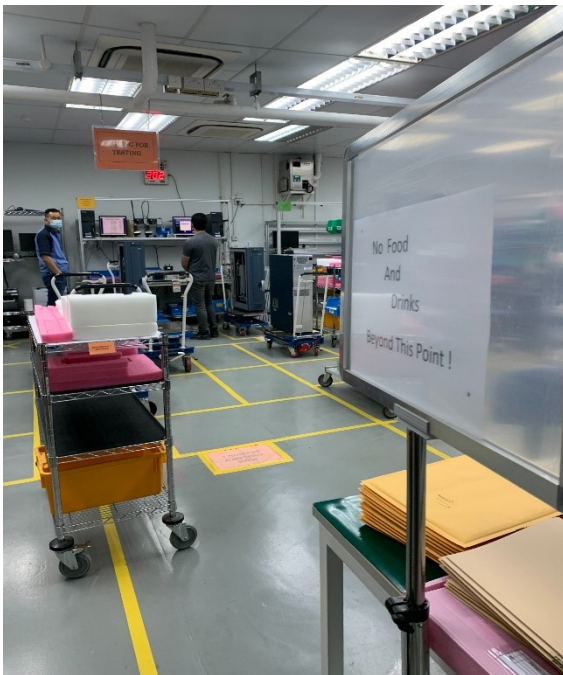
Floor Plans



Floor Plans



Photographs



LIMITING CONDITIONS

This valuation report has been prepared subject to the following limiting conditions: -

1. This valuation report is restricted to the use of our client or person(s) to whom this valuation report is specifically to and for the specific purpose stated therein and to be used within a reasonable time. We disclaim any liability should it be used by other person(s) or for any other purpose(s) or beyond a reasonable time.
2. Neither the whole or any part of this valuation report or any reference to it may be included in any document, circular or statement or be published in any way without our prior written consent to the form and context in which it may appear. We shall bear no responsibility for any unauthorized inclusion or publication.
3. The valuer accepts no liability if his opinion is quoted without regard to the full background of the reason why this Report is written.
4. In the event we are subject to any liability in connection with this engagement, regardless of legal theory advanced, such liability will be limited to the amount of fees we received for this engagement.
5. The values assessed in this report for the subject property and any allocation of values between parts of the property applies strictly on the terms of and for the purpose of this valuation. The values assessed should not be used in conjunction with any other assessment as they may prove incorrect if so used.
6. Where it is stated in the Report that information has been made known to the Valuer by another party or obtained by the Valuer from any enquiries, searches or investigations made from any government or statutory bodies, this information is believed to be reliable and he disclaims all responsibility if this should later prove not to be so.
7. Unless otherwise instructed, we do not normally carry out requisitions with the various public authorities to confirm that the property is not adversely affected by any public schemes. No requisition on road or drainage proposals has been made.
8. While due care is taken in the course of inspection to note serious building defects, no structural survey has been made and no guarantee is given that the building is free from rot, infestations or other hidden defects. We have also not made any tests on the building services and these services are presumed to be in good working order.
9. Our valuation assumes that as at the date of valuation, the property is free and clear of all mortgages, encumbrances and other outstanding premiums, charges and liabilities.
10. The title to the property is presumed to be good and marketable and, unless mentioned in this report, be free from any encumbrances, restrictions and other legal impediments. We accept no responsibility for investigations into title, searches and requisitions and other such legal matters.
11. Our valuation presumes that the subject property, as currently used, is in compliance with the existing land use zoning and is not in contravention of any planning rules or regulations.
12. Any sketch, plan or map in this report is for identification purpose only and should not be treated as certified copies of areas or other particulars contained therein.
13. Where information is given without reference to another party in this Report, it shall be taken that this information has been obtained or gathered through our best efforts and to our best knowledge.
14. The report was prepared on the basis that we are not required to give testimony or appear in court or any other tribunal or to any government agency by reason of this valuation report or with reference to the property in question unless prior arrangements have been made and we be properly reimbursed.



**Printed Circuit Board
Assembly Factory
Plots 21A & 21B
VSIP 1
Thuan An City
Binh Duong Province**

07 December 2020

Valuation Certificate
For CEI Limited

Savills Vietnam Co., Ltd.
18th Floor, Ruby Tower
81-85 Ham Nghi Street, District 1
Ho Chi Minh City, Vietnam





Executive Summary

A Printed Circuit Board Assembly Factory Manufacturing Facility Including Plots 21A & 21B, VSIP 1 Industrial Park, Thuan An Ward, Binh Duong Province.

Instructing Party	CEI Limited		
Interest Valued	Industrial leasehold with 26 years remaining, expiring February 2046. Land use fees (LUFs) are paid upfront.		
Property Description	<p>An industrial manufacturing facility of printing circuit boards and electrical boxes. The site comprises two plots. Plot 21A of 4,525 m² is vacant. Plot 21B is 4,994.7 m²; improvements include a production workshop, warehouse, office building, canteen, parking area and security booth.</p> <p>The subject site is located in VSIP 1 IP with frontage to two 20m wide internal roads. The IP is fully occupied and operated by the Vietnam-Singapore Industrial Park J.V. Co., Ltd. It is approximately 20 km north east of HCMC and 20 km from Tan Son Nhat International Airport.</p>		
Size (m²)	9,519.7		
GFA (m²)	3,258		
Geo-code	10.937748, 106.714534		
Valuation Approaches	Direct Comparison. Cost Approach.		
Valuation date	07-Dec-20		
Valuation purpose	For the voluntary conditional offer by AEM Singapore Pte. Ltd. for all the issued and paid-up ordinary shares (excluding any shares held in treasury) in the capital of CEI Limited.		
Cost Approach	DC Approach		
Value range (LA)	US\$220-US\$250/m ²	Value Range (GFA)	US\$420 - US\$460/m ²
Land value range	US\$2,090,000 -2,380,000	GFA value range	US\$1,370,000 - 1,500,000
Adopted land value	US\$2,240,000	Adopted GFA Value	US\$1,430,000
Improvement value	US\$280,000	Plot 21A Value	US\$1,060,000
Total Value	US\$2,520,000	Total Value	US\$2,490,000
Market Value	US\$2,500,000 or VND58,250,000,000		
Prepared by	Neil MacGregor FRICS	Troy Griffiths MRICS	
	Savills Limited	Savills Limited	

(*) The exchange rate applied to this valuation is 23,300 VND/US\$, exclusive of VAT. This summary forms part of the full report and should not be read in isolation.

1 Introduction

1.1 Instruction

We are instructed by CEI Limited (hereinafter referred to as 'the Client'), to provide the Current Market Value of the factory including Plots 21A & 21B, Street 6, Vietnam-Singapore Industrial Park 1 (VSIP 1), Thuan An City, Binh Duong Province for the purpose of the voluntary conditional offer by AEM Singapore Pte. Ltd. for all the issued and paid-up ordinary shares (excluding any shares held in treasury) in the capital of CEI Limited.

The report will be appended to Circular to Shareholders if and when the offer is made by AEM.

1.2 Scope of Diligence

Our valuation relies upon copies of the following information provided by the Client:

- Plot 21A land lease contract dated 07 December 2004, between Viet Nam Singapore Industrial Park Co., Ltd (VSIP 1) and CEI International Investments (Viet Nam) Ltd.
- Plot 21B land lease contract dated 03 March 2002 between VSIP 1, and CEI International Investments (Viet Nam) Ltd.
- Land Use Right Certificate (LURC) No. 331QSĐĐ/2003 issued 4 November 2003 by Binh Duong Province Cadastral Dept.
- LURC, House Ownership and Other Assets Attached to Land No. CT00120 issued 17 March 2011 by Binh Duong Province Dept. of Natural Resources and Environment.

1.3 Valuation Basis

Industrial leasehold with 26 years remaining and expiring February 2046.

Land use fees (LUFs) are paid upfront.

1.4 Market Value Definition

As defined by the International Valuation Standards Council and adopted by the RICS:

"Market value is the estimated amount for which an asset or liability should exchange on the date of valuation between a willing buyer and a willing seller in an arm's length

transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.”

1.5 Inspection Date

7 December 2020

1.6 Valuation Date

7 December 2020

1.7 Critical Assumptions

Assumptions critical to our valuation are outlined below. If any subsequently change, this valuation will require review.

1. We are providing Current Market Value of the property itself, ignoring all financing, taxation, and other issues in relation to ownership of the property.
2. Land and improvements value only, no consideration is made for machinery, goodwill, or business value; if any.
3. That no planning or legislative changes will occur to affect the proposed development.
4. VAT is excluded from all calculations and values.
5. The currency unit applied is the US\$ with an VND 23,300 /US\$1 exchange rate.
6. There are no environmental, drainage or other concerns in regard to the site.
7. The site is serviceable by all utilities: electricity, water, sewer, telephone and broadband.
8. That the owner and tenants are unrelated parties.
9. That all local authority required certificates and approvals are in place.
10. That the property is occupied and managed in full compliance with the law.
11. The land ownership structure has the practical equivalence of 100% ownership, such that any dealings may be undertaken without hindrance of fractional or foreign ownership.
12. The Novel Coronavirus (COVID-19) originated in Wuhan, China and was declared by the World Health Organisation as a global health emergency on the 30 January 2020. Since the outbreak, local and international markets have become increasingly volatile.

On the valuation date, the global situation continues to intensify with progressively more cases being detected in other countries. During this period of heightened uncertainty, increased caution should be exercised when relying

upon our valuation. It is possible capital and rental values may change more rapidly and significantly than under 'normal' market conditions.

It has also impacted the real estate market with a significant reduction in the volume of leasing and sales and resulted in an unprecedented set of circumstances on which to base our valuation judgement. (Cont'd)

Our valuation is therefore reported based on 'material valuation uncertainty' as per VPGA 10 of the global standard RICS Valuation.

Accordingly, we recommend the reader take this into consideration when making decisions based upon our report and keep our valuation of this property under review.

13. This valuation is subject to Savills standard caveats that are appended.

2 Valuation Methodologies

Our Valuation is provided in accordance with the Royal Institute of Chartered Surveyors (RICS) Red Book (2019 Edition), International Valuation Financial Reporting Standard (IFRS), IAS 40, International Valuation Standards Committee (IVSC) and Vietnam Valuation Standards.

Cost Approach (Summation)

This comparative approach considers the possibility that as an alternative to the purchase of a given property, one could acquire a modern equivalent asset providing equal utility. In a real estate context, this would involve the cost of acquiring equivalent land and constructing an equivalent new structure. Unless undue time, inconvenience and risk are involved, the price a buyer would pay for the asset being valued would not exceed the cost of the modern equivalent. Often the asset being valued will be less attractive than the cost of the modern equivalent, due to age or obsolescence. An optimised depreciation adjustment to reflect this is applied to the replacement cost.

Direct Comparison (DC) Approach

This approach considers sales of similar or substitute properties and related data to establish a value estimate. In general, a property being valued is compared with recent sales of similar properties with subjective adjustments made to consider factors such as location, size, accessibility, quality of improvements and the like. Listings and offerings may also be considered.

All sales evidence is gathered from discussions with brokers and other sources. Official sales documents are not cited. We reserve the right to review should any sales information subsequently be proven incorrect.

3 Company Qualifications

We hereby certify the Valuer and valuation firm does not have any direct, indirect or financial interest in the property or clients described herein that would conflict with the proper Valuation of the property.

Where this report has not been prepared by a senior executive of this Company, it has been countersigned to verify that it is issued by this Company. Any reliance upon this report should therefore be based upon the actual possession or sighting of an original document duly signed and countersigned in the before mentioned manner.

Savills Limited accepts no responsibility to third parties nor does it contemplate that this report will be relied upon by third parties. We invite other parties who may come into possession of this report to seek our written consent to them relying upon this report and we reserve our rights to review the contents in the event that our consent is sought.

This Valuation is current on the valuation date only. From the issue date, the results of the valuation report must be valid for six months. The value assessed herein may change significantly and unexpectedly over a relatively short period of time, including as a result of general market movements, or factors specific to the particular property. Liability for losses arising from such subsequent changes in value is excluded; as is liability where the valuation is relied upon after the expiration of three months from the valuation date, or such earlier date if you become aware of any factors that may influence the valuation.

The valuation report is prepared expressly for the Client only and is Savills opinion of the Market Value. The International Valuation Standard Committee definition of Market Value is as follows:

“The estimated amount for which an interest in a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm’s-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently, and without compulsion.

The valuation is current at the date of valuation only. The value assessed herein may change significantly and unexpectedly over a relatively short period of time (including as a result of general market movements or factors specific to the particular property). Liability for losses arising from such subsequent changes in value is excluded as is liability where the valuation is relied upon after the date of the valuation.

The valuation is prepared on the assumption that the lender as referred to in the valuation report (and no other), may rely on the valuation for mortgage finance purposes and the lender has complied with its own lending guidelines as well as prudent finance industry lending practices, and has considered all prudent aspects of credit risks for any potential borrower, including the borrower's ability to service and repay any mortgage loan. Further, the valuation is prepared on the assumption that any such lender is providing mortgage financing at a conservative and prudent loan to value ratio.

Market Movement Clause - The valuation report is current as at the date of valuation only. The market value assessed may change significantly and unexpectedly over a relatively short period including as a result of general market movements or factors specific to the particular property. Savills does not accept liability for losses arising from such subsequent changes in value. The market can fluctuate over a very short period. Locations will, due to the global economic considerations perform at different levels. Savills recommends that any party undertake a detailed study of the market and satisfy themselves as to its suitability to their own market expectations and timeframe to complete a property transaction as property transactions are extending well beyond 12 months.

Savills will not audit or investigate any financial data pertaining to the present or prospective earning capacity of the operation in which the assets are used.

Savills is not qualified to give legal advice. Unless otherwise stated, Savills shall rely on information provided by you or your legal or other professional advisers relating to tenure, tenancies and other relevant matters and Savills shall not investigate the legal title to the properties nor shall Savills give any legal advice in relation thereto. It is assumed that good title will be shown, and that the property is not subject to any unusual or onerous restrictions, encumbrances or outgoings or any other matters, which would have a detrimental effect on value.

Savills will not search the original documents to verify ownership or to verify any lease amendments, which may not appear on the copies provided. Therefore, all parties must undertake full and thorough due diligence with Savills not responsible for any issues now or in the future relating to the quality of the title.

Savills will assume that all dimensions measurements and areas given to Savills are correct and Savills will not take Savills own measurements to confirm the information provided.

Savills has not sighted nor been commissioned to carry out a structural survey, nor to arrange for an inspection of the services. Unless otherwise stated, the valuation is prepared on the assumption that the property is in sound structural condition and

that all services are free from defect or substantial repair cost other than stated.

Savills has not sighted nor carried out an environmental audit and the valuation report assumes that any form of contamination or drainage issues do not affect the property. Savills has assumed that the assets comply with current and pending legislation and regulations concerning health and safety and environmental issues.

No allowance will be made in Savills report for any charges, mortgages or amounts owing neither on the property nor for any expenses, taxation or land leasing fees, which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the property is free from encumbrances, restrictions and outgoings of any onerous nature, which could affect its value.

Savills valuation report is provided for the stated purpose and for the sole use of the named Client. The valuation report is not to be relied upon for financing purposes without Savills written consent to the Client and the Financier. Savills will not be responsible for any losses suffered arising from a use other than that for which the valuation report was originally prepared.

Savills do not intend or expect the valuation report to be relied upon by any other party, and accordingly if, contrary to this provision, Savills valuation report is disclosed to and relied upon by any person other than the Client. Savills cannot accept any responsibility whatsoever to such a person or persons or entity.

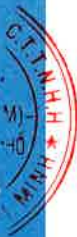
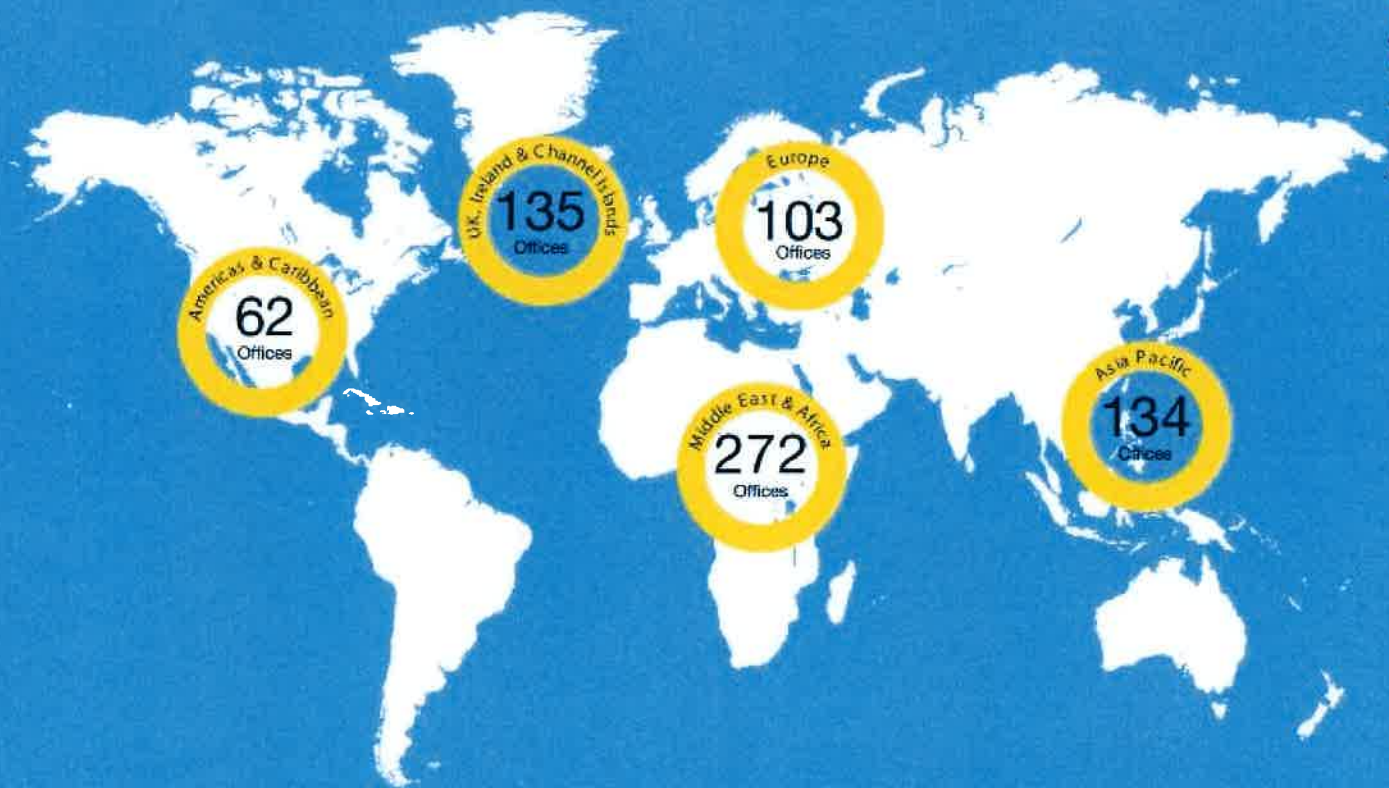
The reproduction of Savills valuation report in any manner whatsoever in whole or in part without written prior consent from Savills, is prohibited. Approval in writing should be obtained from Savills before any reference to this report can be made in any statement, published document or circular. Such approval must be sought in writing from a director of Savills Vietnam.

Where information is given without reference to another party, it shall be taken that this information has been obtained or gathered through Savills best efforts and to Savills best knowledge. Processed data inferences there from shall be taken as Savills opinion and shall not be freely quoted without acknowledgement.

It is recognized that the liability of Savills Vietnam, or that of any staff working for Savills Viet Nam at the time of this instruction, in relation to this valuation or to any party in relation to this instruction, shall not exceed the total fee payable under the instruction concerned.

Savills Global Network

30,000 employees across a network of over
700 offices in more than 60 countries



Report No: 144/W&R-Letter/III/2021

To:
Directors

CEI Limited
No.2 Ang Mo kio Avenue 12,
Singapore 569707.

**Re : VALUATION OF LAND AND FACTORY BUILDING AT BATAMINDO INDUSTRIAL PARK LOT 312 - 313,
SUB-DISTRICT OF MUKA KUNING, DISTRICT OF SUNGAI BEDUK, BATAM CITY, RIAU ISLANDS –
INDONESIA.**

The Instruction

Based on the Proposal Number 027/W&R-Proposal/II/2021 dated 2 February 2021, CEI Limited (the “Company”) has instructed Kantor Jasa Penilai Publik Willson dan Rekan in association with Knight Frank (the “Valuer”) to conduct an independent property valuation update of The Subject Property for voluntary conditional offer by AEM Singapore Pte. Ltd. for all the issued and paid-up ordinary shares (excluding any shares held in treasury) in the capital of CEI Limited purpose.

Valuer Competency

Kantor Jasa Penilai Publik (KJPP) Willson dan Rekan is a valuation service company which holds Izin Usaha Number 2.09.0049 dated 19 June 2009 from the Finance Minister’s decision of the Republic of Indonesia Number 610/KM.1/2009.

KJPP Willson dan Rekan is associated with Knight Frank, which is an international property consultant company which is centered in London – England and has a network of 488 offices in 57 countries around the world. Our association has been legalized and approved by the Minister of Finance of the Republic of Indonesia with the Surat Persetujuan Pencantuman Nama Badan Usaha Jasa Penilai Asing (BUJPA) No. 413/MK.1/2009 dated 21 July 2009.

The Public Valuer who signed this valuation report holds Public Valuer License No. P-1.09.00205 from the Ministry of Finance of the Republic of Indonesia and is registered in the Indonesian Financial Services Authority (OJK) with Registration STTD.PP129/PM.223/2019.

Valuation Purposes

The Company required this valuation for voluntary conditional offer by AEM Singapore Pte. Ltd. for all the issued and paid-up ordinary shares (excluding any shares held in treasury) in the capital of CEI Limited purpose.

The Valuation Cut-Off Date

The Cut-Off Date of this valuation is 8 February 2021.

Basis of Valuation

This valuation makes references to the Indonesian Valuation Standards (Standar Penilaian Indonesia) VII Edition - 2018, and the Indonesian Valuers Code of Ethics (Kode Etik Penilai Indonesia/KEPI).

The basis of this valuation is Market Value which is defined as “the estimated amount for which an asset or liability should exchange or to be paid on the Valuation Cut-Off Date between a willing buyer and a willing seller in an arm’s length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.”

Subject Properties

- Type of Asset : Factory and Site Improvement.
- Building Description : The Factory comprises of a 2-storey building consist of meeting room, production area, office, etc. This factory was built under building permit No. 141/SKEP/KA-BANG-IMB/VII/1998 and KPTS.230/IMB/X/2009.
- Address : Batamindo Industrial Park Lot 312 - 313, Sub-District of Muka Kuning District of Sungai Beduk, Batam City, Province of Kepulauan Riau – Indonesia.
- Gross Floor Area : ± 9,290 square meters.
- Registered Proprietor : PT Surya Teknologi Batam.
- Land Titles : We have been informed by CEI Limited that title to the property is Under one (1) Right to Build Certificate (HGB), Where the land originated owned by Authority BP Batam with Right to Manage (Hak Pengelolaan Lahan / HPL) No. 12 /Sungai Beduk. (Real property, SPI 103 point 5.3.a).4), the land title is subordinate right (SPI 300 point 5.12.a).
 - HGB No.437/Mukakuning.
 - Registered Proprietor : PT Surya Teknologi Batam.
 - Issuance Date : 11 June 2009.
 - Expiry Date : 18 December 2039.
 - Measurement Letter No : 00018/2009.
 - Measurement Date : 2 June 2009..
 - Land Area : 11,586 square meter.
 - Note : Agreement letter allocation, use and management of land for certain part of the management right development authority of the Batam Island industrial Area(Surat Perjanjian Pengalokasian, Penggunaan dan Pengurusan Tanah atas Bagian-Bagian Tertentu Daripada Tanah Hak Pengelolaan Otorita Pengembangan Daerah Industri Pulau Batam) No. 2330/A1/2013 dated 31 December 2013 and No. 2343/SPJ-A1.1/12/2013 dated 31 December 2013.
- Building Permit : - 141/SKEP/KA-BANG-IMB/VII/1998.
- KPTS.230/IMB/X/2009.
- Town Planning : Planning policy Based on Land Use (Penggunaan Lahan/PL) is below :
 - Land Use Zoning : Industry.
 - Building Site Coverage : Maximum 60%.
- Valuation Approach : Cost Approach.
- Date of Inspection : 8 February 2021.
- Date of Valuation : 8 February 2021.

Valuation Summary

The summary of the market values as at 8 February 2021 of the subject property; subject to our disclaimers, limiting conditions, and assumptions, are as follows:

Rp76,763,000,000.-

(Indonesia Rupiahs Seventy Six Billion Seven Hundred Sixty Three Million Only)

Reflecting SGD 7,314,137 (Singapore Dollars Seven Million Three Hundred Fourteen Thousand One Hundred Thirty Seven Only) at the exchange rate of Rp10,495.155,- (middle rate of the Bank of Indonesia) for every 1 Singapore Dollar, as at 8 February 2021.

Valuation Commentary and Rationale

The outbreak of the Novel Corona Virus (COVID-19), declared by the World Health Organization as a “global pandemic” on the 11th March 2020 has impacted global financial market. Travel restrictions have been implemented by many countries. In the Indonesian market, market activity is being impacted in all sectors. As at the valuation date, we consider that we attached less weight to the previous market evidence for comparison purpose, to inform opinions of value. Indeed, the current response to COVID 19 means that we are faced with an unprecedented set of circumstances on which to based on judgement. Our valuation is therefore reported on the basis of “material valuation uncertainty” per VPGA 10 of the RICS Valuation – Global Standard. Consequency, less certainty – and a higher degree of caution should be attached to our valuation than would normally be the case. Given the unknown future impact that COVID-19 might have on the real estate market, we recommend that you keep the valuation of this property under frequent review.

Valuation Assumptions and Limiting Conditions

- (i) This valuation certificate is in short-form format, which purposely prepared for English – spoken readers.
- (ii) This valuation certificate is purposely only presenting the salient aspect of the valuation, and it does not include a full description of the Subject Properties and the full analysis on our Valuation Approach.
- (iii) This valuation is for 100% interest only and does not taken into account any partial interest of ownerships/shares by the Company and/ or its subsidiaries over of the Subject Property;
- (iv) The Valuation Objects are free from all liens and encumbrances, encompassing both physical and legal encumbrances;
- (v) The ownership and/or leasehold right of the Subject Properties can be transferred or sub-lease to third parties;
- (vi) That all information relating to the Subject Properties as provided by the Company to the Valuer is correct and accurate;
- (vii) This valuation speaks only as of the date of valuation. The Valuer takes no responsibility for any events, conditions or circumstances affecting the market values of the Subject Properties that take place subsequent to the date of valuation;
- (viii) This valuation is based on an evaluation of the current economic condition, which does not take into account nor make any provision for the effect of any sharp rise or decline in future economic conditions caused by the global financial crisis;
- (ix) This valuation has been prepared in an uncertain condition (high rate of uncertainty) due to the Covid-19 pandemic therefore, the users of the valuation report are required to be prudent in determining the relevancy between the valuation report and their needs (in relation to the usage of the valuation result), especially in regards to the differences between the date of valuation and when the valuation result is utilized in taking business and economy/financial decisions;
- (x) The different conditions that may occur between the date of the valuation and the time the valuation result is used can decrease the relevancy of opinion of value towards the needs of the users of the valuation result because of differences in data access and information as well as assumption and valuation analysis. If the users of the valuation result discover such conditions, they are advised to instruct the Valuer to review the already conducted assignment and if it is possible and required, the Valuer can reevaluate by repeating the previously conducted valuation procedures in a more thoroughly manner.

The Valuer confirms having no present or prospective pecuniary or other conflict of interest laid upon neither the Subject Properties nor the reported values which would affect its ability to give an unbiased opinion of the values or that could conflict with a proper valuation of the Valuation Objects. The Valuer asserts that the statement in this report, which forms the basis of analysis, opinion and conclusion of this valuation, is correct and accurate.

Jakarta, 5 March 2021

Kantor Jasa Penilai Publik Willson dan Rekan
in association with Knight Frank



Wisnu Wardhana
B, Bus, M.Sc. MAPPI (Cert.)
Partner

Licensed Public Valuer No.: P-1.09.00205 (Property Valuation)
OJK Registration No. STTD.PP-129/PM.223/2019
MAPPI Membership No.: 02-S-01533

UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR FY2020



CEI LIMITED
(Company Registration No. 199905114H)

Full Year Financial Statements

The Board of Directors of CEI Limited wishes to announce the unaudited results of the Group and of the Company for the Year Ended 31 December 2020.

1(a) CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2020

	GROUP		
	<u>2020</u> \$'000	<u>2019</u> \$'000	+ / (-) %
Revenue	123,489	138,747	(11.0)
Cost of sales	(95,198)	(105,838)	(10.1)
Gross profit	28,291	32,909	(14.0)
Other income (including interest income)	4	3	33.3
General and administrative costs	(17,511)	(19,783)	(11.5)
Selling and distribution costs	(3,624)	(4,740)	(23.5)
Profit from operations	7,160	8,389	(14.7)
Finance costs – Interest on borrowings	(71)	(166)	(57.2)
Finance costs – Interest on lease liabilities	(106)	(114)	(7.0)
Share of results of associated companies	61	(28)	N/M
Profit from operations before taxation	7,044	8,081	(12.8)
Taxation	(1,031)	(916)	12.6
Profit after taxation	6,013	7,165	(16.1)
Other comprehensive income:			
Foreign currency translation	(59)	(36)	63.9
Total comprehensive income for the period	5,954	7,129	(16.5)

Included in the above expenses are -

Depreciation of fixed assets	(947)	(1,452)	(34.8)
Depreciation of right-of-use assets	(414)	(492)	(15.9)
Fair value gain on forward contracts	255	43	N/M
Foreign exchange loss	(194)	(472)	(58.9)

N/M – Not meaningful

1(b) STATEMENT OF FINANCIAL POSITION

	GROUP		COMPANY	
	31 Dec 2020 \$'000	31 Dec 2019 \$'000	31 Dec 2020 \$'000	31 Dec 2019 \$'000
Non-current assets				
Property, plant and equipment	2,032	2,268	1,003	1,265
Right-of-use assets	3,309	3,723	3,309	3,723
Goodwill	1,063	1,063	1,063	1,063
Investments in subsidiaries	–	–	5,107	5,107
Investments in an associated company	1,429	1,368	929	929
Deferred tax assets	1,025	950	300	210
	<u>8,858</u>	<u>9,372</u>	<u>11,711</u>	<u>12,297</u>
Current assets				
Inventories	29,443	26,668	28,432	25,511
Trade receivables	21,940	26,172	21,595	25,452
Other receivables	889	358	781	250
Prepayments and advances to suppliers	440	413	308	249
Amounts due from a subsidiary company	–	–	566	556
Cash and cash equivalents	8,436	8,165	7,309	5,798
	<u>61,148</u>	<u>61,776</u>	<u>58,991</u>	<u>57,816</u>
Current liabilities				
Trade payables and accruals	19,245	18,056	17,950	16,818
Lease liabilities	356	373	356	373
Amounts due to subsidiary companies	–	–	6,160	3,804
Bank borrowings	4,002	6,009	4,002	6,009
Provision for taxation	1,030	1,279	820	1,159
Contract liability	2,285	1,621	2,285	1,621
	<u>26,918</u>	<u>27,338</u>	<u>31,573</u>	<u>29,784</u>
Net current assets	<u>34,230</u>	<u>34,438</u>	<u>27,418</u>	<u>28,032</u>
Non-current liability				
Defined benefit obligations	1,055	949	–	–
Lease liabilities	3,051	3,400	3,051	3,400
	<u>4,106</u>	<u>4,349</u>	<u>3,051</u>	<u>3,400</u>
Net assets	<u>38,982</u>	<u>39,461</u>	<u>36,078</u>	<u>36,929</u>
Equity attributable to owners of the Company				
Share capital	23,897	23,897	23,897	23,897
Treasury shares	(837)	(837)	(837)	(837)
	<u>23,060</u>	<u>23,060</u>	<u>23,060</u>	<u>23,060</u>
Retained earnings	15,938	16,358	13,018	13,869
Foreign currency translation reserve	(16)	43	–	–
	<u>38,982</u>	<u>39,461</u>	<u>36,078</u>	<u>36,929</u>

1(c) BORROWINGS

Amount repayable in one year or less, or on demand

As at 31 Dec 2020		As at 31 Dec 2019	
Secured \$'000	Unsecured \$'000	Secured \$'000	Unsecured \$'000
–	4,002	–	6,009

Amount repayable after one year

As at 31 Dec 2020		As at 31 Dec 2019	
Secured \$'000	Unsecured \$'000	Secured \$'000	Unsecured \$'000
–	–	–	–

Details of any collateral

Not applicable.

1(d) CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2020

	GROUP	
	<u>31 Dec</u> <u>2020</u> \$'000	<u>31 Dec</u> <u>2019</u> \$'000
Cash flows from operating activities		
Profit before taxation	7,044	8,081
Adjustments for:		
Depreciation of property, plant and equipment	947	1,452
Depreciation of rights of use assets	414	492
Interest income	(4)	(3)
Finance costs - Interest on bank borrowings	71	166
Finance costs - Interest on lease liabilities	106	114
Fair value gain on forward contracts	(255)	(43)
Unrealised exchange loss	245	216
Movement in defined benefit obligations	106	304
Share of results of an associated company	(61)	28
Operating cash flows before changes in working capital	8,613	10,807
Decrease in receivables and prepayments	3,506	768
(Increase)/decrease in inventories	(2,775)	7,117
Increase/(decrease) in creditors	2,032	(1,599)
Cash flows from operations	11,376	17,093
Interest received	4	3
Income tax paid	(1,356)	(1,818)
Interest paid	(78)	(176)
Net cash flows from operating activities	9,946	15,102
Cash flows from investing activities		
Purchase of property, plant and equipment	(711)	(463)
Increase in investments in an associated company	-	(348)
Dividend received from an associated company	-	33
Net cash flows used in investing activities	(711)	(778)
Cash flows from financing activities		
Dividends paid	(6,433)	(7,422)
Repayments of loans and borrowings	(2,000)	(1,500)
Payment for lease liabilities	(472)	(556)
Net cash flows used in financing activities	(8,905)	(9,478)
Net increase in cash and cash equivalents	330	4,846
Effect of exchange rate changes on cash and cash equivalents	(59)	(36)
Cash and cash equivalents at beginning of the period	8,165	3,355
Cash and cash equivalents at end of the period	8,436	8,165

1(e) STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2020

<u>Group</u>	Share capital \$'000	Treasury shares \$'000	Retained earnings \$'000	Foreign currency translation reserve \$'000	Total equity \$'000
Balance at 1 January 2020	23,897	(837)	16,358	43	39,461
Total comprehensive income	–	–	6,013	(59)	5,954
Dividends paid	–	–	(6,433)	–	(6,433)
Balance at 31 December 2020	<u>23,897</u>	<u>(837)</u>	<u>15,938</u>	<u>(16)</u>	<u>38,982</u>
Balance at 1 January 2019	23,897	(837)	16,615	79	39,754
Total comprehensive income	–	–	7,165	(36)	7,129
Dividends paid	–	–	(7,422)	–	(7,422)
Balance at 31 December 2019	<u>23,897</u>	<u>(837)</u>	<u>16,358</u>	<u>43</u>	<u>39,461</u>

<u>Company</u>	Share capital \$'000	Treasury shares \$'000	Retained earnings \$'000	Total equity \$'000
Balance at 1 January 2020	23,897	(837)	13,869	36,929
Profit net of tax	–	–	5,582	5,582
Dividends paid	–	–	(6,433)	(6,433)
Balance at 31 December 2020	<u>23,897</u>	<u>(837)</u>	<u>13,018</u>	<u>36,078</u>
Balance at 1 January 2019	23,897	(837)	15,353	38,413
Profit net of tax	–	–	5,937	5,937
Dividends paid	–	–	(7,421)	(7,421)
Balance at 31 December 2019	<u>23,897</u>	<u>(837)</u>	<u>13,869</u>	<u>36,929</u>

1(f) & 1(h)(a) CHANGES IN COMPANY'S SHARE CAPITAL

		As at 31 Dec 2020	As at 31 Dec 2019
No. of treasury shares held	:	1,235,750	1,235,750
No. of issued shares excluding treasury shares	:	86,698,463	86,698,463

1(g) There was no outstanding convertible as at 31 December 2020 and 31 December 2019.

1(h)(b) There were no sales, transfers, disposal, cancellation and/or use of treasury shares in the current financial year.

2. AUDIT/REVIEW

The figures have not been audited or reviewed.

3. AUDITORS' REPORT

Not applicable as figures have not been audited or reviewed.

4. ACCOUNTING POLICIES

Except as disclosed below, the Group has applied the same accounting policies and methods of computations in the financial statements for the current financial year compared with those of the audited financial statements as at 31 December 2019.

The Group has adopted the new/revised Singapore Financial Reporting Standards (International) ("SFRS(I)s") that are effective for annual periods beginning on or after 1 January 2020. The adoption of these SFRS(I)s did not have any effect on the financial performance or position of the Group and the Company.

5. CHANGES IN ACCOUNTING POLICIES AND THE EFFECT OF THE CHANGES

As described in Note 4, the adoption of these SFRS(I)s did not have any effect on the financial performance or position of the Group and the Company.

6. EARNINGS PER ORDINARY SHARE (EPS)

	GROUP	
	FY2020	FY2019
Earnings per share based on profit attributable to shareholders:		
Based on existing issued share capital	6.94 cts	8.26 cts
Based on fully diluted basis	6.94 cts	8.26 cts

7. NET ASSET VALUE

	Group		Company	
	As at 31 Dec 2020	As at 31 Dec 2019	As at 31 Dec 2020	As at 31 Dec 2019
Net asset value per share based on existing issued share capital as at the end of the period reported on (excluding treasury shares).	44.96 cts	45.52 cts	41.61 cts	42.59 cts

8. REVIEW OF GROUP PERFORMANCE

Revenue and Profit

The Group's Revenue for FY 2020 of \$123.5 million was 11.0% lower than FY 2019 due to the impact of COVID-19 pandemic. The Gross Profit Margin decreased from 23.7% in FY 2019 to 22.9% in FY 2020. The Gross Profit Margin in FY 2020 was lower as some of the manufacturing costs include fixed overheads.

The General and Administrative Costs and Selling and Distribution Costs together were lower by \$3.4 million, mainly due to recognition of Jobs Support Scheme from the government of \$1.7 million, a net foreign exchange gain of \$0.5 million, and other miscellaneous cost control efforts.

The Profit from Operations before Taxation decreased from \$8.39 million to \$7.16 million in FY 2020.

The Profit after Taxation decreased from \$7.17 million to \$6.01 million in FY 2020.

Earnings per share was 6.94 cents in FY 2020, compared with 8.26 cents in FY 2019, based on a fully diluted basis.

Net asset value per share was 44.96 cents as at 31 Dec 2020, compared with 45.52 cents as at 31 Dec 2019.

Financial Position: 31 December 2020 vs 31 December 2019

Inventories increased by \$2.7 million, from \$26.7 million to \$29.4 million, due to positioning of inventories ahead of expected supply chain disruption. Cash and cash equivalents increased by \$0.2 million, from \$8.2 million to \$8.4 million, while Bank borrowings decreased by \$2.0 million, from \$6.0 million to \$4.0 million.

9. VARIANCE FROM PROSPECT STATEMENT

There is no variance from the prospect statement.

10. PROSPECT

As at 31 December 2020, the Group has orders on hand, with confirmed delivery dates, worth \$56.7 million (31 December 2019: \$55.9 million), which are expected to be fulfilled within the current financial year.

The Group serves customers from a diverse range of market segments. These include analytical instruments, medical equipment, semiconductor equipment, oil and gas industries, aviation and displays for industrial applications.

The COVID-19 pandemic is causing challenges and uncertainties in many businesses. The Group will continue to manage our business judiciously.

11. DIVIDENDS

(a) Current Financial Period Reported On

Name of Dividend:	<u>Third & final</u>	<u>Special</u>
Dividend Type:	Cash	Cash
Dividend (Cents):	0.40	2.60
Tax Rate:	One-tier tax exempt	One-tier tax exempt

(b) Corresponding Period of the Immediate Preceding Financial Year

Name of Dividend:	<u>Second & final</u>	<u>Special</u>
Dividend Type:	Cash	Cash
Dividend (Cents):	0.40	3.98
Tax Rate:	One-tier tax exempt	One-tier tax exempt

(c) Date payable

Payment of the dividends, if approved by the members at the Annual General Meeting to be held on 28 April 2021, will be made on 18 May 2021.

(d) Record date

NOTICE IS HEREBY GIVEN THAT, subject to the approval by the members at the Annual General Meeting to be held on 28 April 2021, the Share Transfer Books and Register of Members of CEI Limited ("the Company") will be closed at 5.00 p.m. on 7 May 2021 for the preparation of dividend warrants for both the one-tier tax-exempt third and final dividend and one-tier tax-exempt special dividend.

Duly completed registrable transfers received by the Company's Share Registrar, RHT Corporate Advisory Pte. Ltd., 30 Cecil Street, #19-08 Prudential Tower, Singapore 049712, up to 5.00 p.m. on 7 May 2021 will be registered to determine shareholders' entitlements to the said dividends. Members whose Securities Accounts with The Central Depository (Pte) Limited are credited with shares at 5.00 p.m. on 7 May 2021 will be entitled to the proposed one-tier tax-exempt third and final dividend and one-tier tax-exempt special dividend.

12. INTERESTED PERSON TRANSACTIONS (unaudited)

	Aggregate value of all transactions conducted under a shareholders mandate pursuant to Rule 920 of the SGX Listing Manual	
	FY2020 \$'000	FY2019 \$'000
Transactions for the Sale of Goods and Services		
Innosparcs Pte Ltd	–	22
ST Electronics (Satcom & Sensor Systems) Pte Ltd	393	523
ST Engineering Land Systems Ltd	48	–
STELOP Pte Ltd	450	459
SMART Systems Pte Ltd	–	85
	<hr/>	<hr/>
	891	1,089
	<hr/>	<hr/>

13. BUSINESS SEGMENTAL INFORMATION

	Asia Pacific		USA		Europe		Consolidated	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
Segment turnover	58,179	67,494	22,166	24,642	43,144	46,611	123,489	138,747
Cost of sales	(43,443)	(49,617)	(16,736)	(19,208)	(35,019)	(37,013)	(95,198)	(105,838)
Gross profit	14,736	17,877	5,430	5,434	8,125	9,598	28,291	32,909
Unallocated expenses							(21,308)	(24,800)
Share of results of associated company							61	(28)
Profit before taxation							7,044	8,081
Tax expense							(1,031)	(916)
Net profit for the year							6,013	7,165

(The Group defined its Business Segment based on origin of customers' purchase orders.)

14. FACTORS LEADING TO ANY MATERIAL CHANGES IN CONTRIBUTIONS TO TURNOVER AND EARNINGS BY THE BUSINESS OR GEOGRAPHICAL SEGMENTS

There is no material change in Contributions to Turnover and Earnings by the business or geographical segments.

15. BREAKDOWN OF SALES

Group	Latest Financial Year \$'000	Previous Financial Year \$'000	% increase/ (decrease)
(a) Sales reported for first half year	61,106	69,579	(12.2)
(b) Operating profit after tax deducting minority interests reported for first half year	2,929	3,680	(20.4)
(c) Sales reported for second half year	62,383	69,168	(9.8)
(d) Operating profit after tax deducting minority interests reported for second half year	3,084	3,485	(11.5)

16. BREAKDOWN OF THE TOTAL ANNUAL DIVIDEND (IN DOLLAR VALUE) FOR THE LATEST FULL YEAR AND PREVIOUS FULL YEAR

Total annual dividend (net of tax)

	Latest Full Year \$'000	Previous Full Year \$'000
Ordinary Preference	5,237 -	7,421 -
Total	<u>5,237</u>	<u>7,421</u>

17. PERSON OCCUPYING MANAGERIAL POSITION

There is no person occupying a managerial position in the issuer or any of its principal subsidiaries who is a relative of a director or chief executive officer or substantial shareholder of the issuer pursuant to Rule 704(13).

18. CONFIRMATION OF DIRECTORS AND EXECUTIVE OFFICERS' UNDERTAKINGS PURSUANT TO LISTING RULE 720(1)

The Company has procured undertakings from all its directors and executive officers in compliance with Listing Rule 720(1).

BY ORDER OF THE BOARD

**Teo Soon Hock
Secretary**

Singapore, 26 February 2021

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR FY2019

The audited financial statements of the Group for FY2019 which are set out below have been reproduced from the Company's annual report for FY2019, and were not specifically prepared for inclusion in this Circular.

All capitalised terms used in Note 2 to the audited consolidated financial statements of the Group for FY2019 set out below shall have the same meanings given to them in the annual report of the Company for FY2019.

A copy of the annual report of the Company for FY2019 is available for inspection at the registered address of the Company at 2 Ang Mo Kio Avenue 12, Singapore 569707, during normal business hours until the Closing Date. The annual report of the Company for FY2019 is also available on the websites of the Company and the SGX-ST at www.cei.com.sg and www.sgx.com respectively.

Directors' Statement and Audited Financial Statements

31 December 2019

CEI Limited and Subsidiary Companies

Directors

Tien Sing Cheong (Executive Chairman)
Tan Ka Huat (Managing Director)
Tan Bien Chuan
Gan Chee Yen
Tang Martin Yue Nien
Colin Ng Teck Sim
Theng Siew Lian Lisa (Appointed on 1 December 2019)
Wang Ya Lun Allen (Alternate Director to Gan Chee Yen)

Company Secretaries

Teo Soon Hock
Ngiam May Ling

Registered Office

Address: No. 2 Ang Mo Kio Avenue 12 Singapore 569707
Telephone: (65) 6481 1882
Fax: (65) 6578 9755
Email: companysecretary@cei.com.sg

Bankers

DBS Bank Ltd
The Hongkong and Shanghai Banking Corporation Limited

Share Registrar

Boardroom Corporate and Advisory Services Pte Ltd
50 Raffles Place #32-01
Singapore Land Tower
Singapore 048623

Auditor

Ernst & Young LLP
One Raffles Quay
North Tower, Level 18
Singapore 048583
Partner-in-charge (appointed in Financial Year 2016): Alvin Phua Chun Yen

Index	Page
Directors' Statement	42
Independent Auditor's Report	45
Consolidated Statement of Comprehensive Income	48
Balance Sheets	49
Statements of Changes in Equity	50
Consolidated Cash Flow Statement	51
Notes to the Financial Statements	52

Directors' Statement

The directors wish to present their statement to the members together with the audited consolidated financial statements of CEI Limited (the "Company") and its subsidiary companies (collectively, the "Group") and the balance sheet and statement of changes in equity of the Company for the financial year ended 31 December 2019.

Opinion of the directors

In the opinion of the directors,

- (a) the consolidated financial statements of the Group and the balance sheets and statement of changes in equity of the Company are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2019 and the financial performance, changes in equity and cash flows of the Group and changes in equity of the Company for the year ended on that date; and
- (b) at the date of this statement there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

Directors

The directors of the Company in office at the date of this statement are:

Tien Sing Cheong	(Executive Chairman)
Tan Ka Huat	(Managing Director)
Tan Bien Chuan	
Gan Chee Yen	
Tang Martin Yue Nien	
Colin Ng Teck Sim	
Theng Siew Lian Lisa	(Appointed on 1 December 2019)
Wang Ya Lun Allen	(Alternate Director to Mr. Gan Chee Yen)

In accordance with Regulations 108 (1) and 108 (2) of the Company's Constitution, Mr. Tan Bien Chuan and Mr. Gan Chee Yen will retire and, being eligible, offer themselves for re-election.

In accordance to Rule 720(5) of the SGX-ST's Listing Manual, Mr. Tan Ka Huat will retire and, being eligible, offer himself for re-election.

In accordance to Regulation 107 of the Company's Constitution, Ms. Theng Siew Lian Lisa will retire and, being eligible, offer herself for re-election.

Arrangements to enable directors to acquire shares and debentures

Except as described under "Directors' interest in shares and debentures", neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose objects are, or one of whose object is, to enable the directors of the Company to acquire benefits by means of the acquisition of shares or debentures of the Company or any other body corporate.

Directors' interest in shares and debentures

The following directors, who held office at the end of the financial year, had, according to the register of directors' shareholdings required to be kept under Section 164 of the Singapore Companies Act, Chapter 50, an interest in shares and share options of the Company as stated below:

Name of director	Direct interest	
	At beginning of the year	At end of the year
The Company		
Ordinary shares		
Tien Sing Cheong	8,671,900	8,671,900
Tan Ka Huat	4,013,340	4,013,340
Tan Bien Chuan	469,700	469,700
Gan Chee Yen	344,300	344,300
Tang Martin Yue Nien	399,700	399,700
Colin Ng Teck Sim	157,000	157,000

Directors' Statement

Directors' interest in shares and debentures (cont'd)

There was no change in any of the above-mentioned interests in the Company between the end of the financial year and 21 January 2020.

By virtue of Section 7 of the Companies Act, Chapter 50, Mr. Tien Sing Cheong and Mr. Tan Ka Huat are deemed to have interests in shares of the subsidiaries of the Company, all of which are wholly-owned.

Except as disclosed in this report, no director who held office at the end of the financial year had interests in shares, share options, warrants or debentures of the Company, or of related corporations, either at the beginning of the financial year, or at the end of the financial year.

Options

During the financial year:

- (a) No options have been granted by the Company to any person to take up unissued shares in the Company, and
- (b) No shares have been issued by virtue of any exercise of option to take up unissued shares of the Company.

Audit Committee

The Audit Committee (the "AC") comprises five members, all of whom are non-executive directors. The majority of the members, including the Chairman, are independent. The members of the AC in office at the date of this report are:

Tan Bien Chuan	(Chairman and Lead Independent Director)
Tang Martin Yue Nien	(Independent Director)
Colin Ng Teck Sim	(Independent Director)
Theng Siew Lian Lisa	(Independent Director)
Gan Chee Yen	(Non-Executive Director)

The AC carried out its functions in accordance with Section 201B(5) of the Singapore Companies Act, Chapter 50, including the following:

- Reviewed the audit plans of the internal and external auditors of the Group and the Company, and reviewed the internal auditors' evaluation of the adequacy of the Company's system of internal accounting controls and the assistance given by the Group and the Company's management to the external and internal auditors;
- Reviewed the quarterly and annual financial statements and the auditor's report on the annual financial statements of the Group and the Company before submission to the board of directors;
- Reviewed the effectiveness of the Group and the Company's material internal controls, including financial, operational, compliance and information technology controls via reviews carried out by the internal auditors;
- Met with the external auditor, other committees and management in separate executive sessions to discuss any matters that these groups believe should be discussed privately with the AC;
- Reviewed legal and regulatory matters that may have a material impact on the financial statements, related compliance policies and programmes and any reports received from regulators;
- Reviewed the cost effectiveness and independence and objectivity of the external auditor;
- Reviewed the nature and extent of non-audit services provided by the external auditor;
- Recommended to the board of directors the external auditors to be nominated, approved the compensation of the external auditor, and reviewed the scope and results of the audit;
- Reported actions and minutes of the AC to the board of directors with such recommendations as the AC considered appropriate; and
- Reviewed interested persons transactions in accordance with the requirements of the Singapore Exchange Trading Limited's Listing Manual.

The AC, having reviewed all non-audit services provided by the external auditor to the Group, is satisfied that the nature and extent of such services would not affect the independence of the external auditor. The AC has also conducted a review of interested person transactions.

Directors' Statement

Audit Committee (cont'd)

The AC convened three meetings during the year. The AC has also met with internal and external auditors, without the presence of the Company's management, at least once a year.

Further information regarding the AC is disclosed in the Report on Corporate Governance.

Auditor

Ernst & Young LLP have expressed their willingness to accept reappointment as auditor.

On behalf of the Board of Directors,



Tien Sing Cheong
Director



Tan Ka Huat
Director

Singapore
18 March 2020

**Independent Auditor's Report
For the financial year ended 31 December 2019**

Independent Auditor's Report to the Members of CEI Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of CEI Limited (the "Company") and its subsidiaries (collectively, the "Group"), which comprise the balance sheets of the Group and the Company as at 31 December 2019, the statements of changes in equity of the Group and the Company and the consolidated statement of comprehensive income and consolidated cash flow statement of the Group for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements of the Group, the balance sheet and the statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the Act) and Singapore Financial Reporting Standards (International) (SFRS(I)) so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2019 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and changes in equity of the Company for the year ended on that date.

Basis for opinion

We conducted our audit in accordance with Singapore Standards on Auditing (SSAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority (ACRA) Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities (ACRA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled our responsibilities described in the *Auditor's responsibilities for the audit of the financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

1. Allowance for excess inventory

The Group is in the business of contract manufacturing of high-mix low-volume printed circuit board assembly, boxbuild assembly, cable harness assembly and system assembly, and, design and manufacturing of equipment for semiconductor industry.

As at 31 December 2019, the total raw material amounted to \$22.1 million. Due to the nature of the Group's business, there may be situations of excess raw material that may not have future use as at 31 December 2019. As disclosed in Note 3.1 (b), the management determines excess inventory based on an estimation of raw material that will be required in the future to fulfil customers' orders. Management then estimates the necessary amount of allowance to write down the value of those raw material that have no expected future usage at that date.

We focused on this area because the value of raw material is significant to the financial statements and there is uncertainty in the estimation of future consumption of those excess raw material.

We evaluated the reasonableness of the allowance for excess inventory determined by the management by understanding how the management forecasts their future raw material usage. We have also checked the reliability of those reports that the management used in determining forecasted raw material usage, which are based on committed or confirmed customers' orders. We then compared the raw material on hand against the forecasted raw material usage and assessed the amount of the raw material that may require write-down. Further, we assessed the adequacy of the disclosures related to inventories in Note 12 to the consolidated financial statements.

**Independent Auditor's Report
For the financial year ended 31 December 2019**

Independent Auditor's Report to the Members of CEI Limited (cont'd)

Key audit matters (cont'd)

2. Impairment assessment on goodwill

As at 31 December 2019, the goodwill is carried at \$1.1 million which represents 11% of the Group's total non-current assets. The goodwill arose from the business combination in 2008 and was allocated to the Group's Singapore-Batam cash-generating unit (CGU). The recoverable amount of this CGU is determined based on the cash flows projections of the business. The annual impairment test involved management exercising significant judgement and making assumptions about future market and economic conditions.

We considered the robustness of management's budgeting process by comparing the actual financials against previous forecast and projections. We assessed and tested the reasonableness of those key assumptions used in the impairment assessment which includes revenue, gross profit margin and other assumptions used in the projections. We also involved our internal valuation specialist to assist us in reviewing the reasonableness of the long term growth rate and discount rate used in computing the recoverable amount. We have also performed sensitivity analysis on reasonable changes in these key assumptions to changes in the recoverable amount of the CGU. Further, we reviewed on the adequacy of the Group's disclosures in Note 9 to the consolidated financial statements about those assumptions to which the outcome of the impairment test is most sensitive to, that is, those that have the most significant effect on the determination of the recoverable amount of goodwill.

Other information other than the financial statements and auditor's report thereon

Management is responsible for other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and directors for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and SFRS(I), and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

**Independent Auditor's Report
For the financial year ended 31 December 2019**

Independent Auditor's Report to the Members of CEI Limited (cont'd)

Auditor's responsibilities for the audit of the financial statements (cont'd)

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company and by those subsidiary corporations incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this independent auditor's report is Alvin Phua.



Ernst & Young LLP
Public Accountants and
Chartered Accountants
Singapore
18 March 2020

**Consolidated Statement of Comprehensive Income
For the year ended 31 December 2019**

	Note	Group 2019 \$'000	2018 \$'000
Revenue	4	138,747	140,330
Cost of sales		(105,838)	(107,810)
Gross profit		32,909	32,520
Other income		3	1
General and administrative costs		(19,783)	(18,779)
Selling and distribution costs		(4,740)	(4,535)
Finance costs – interest on bank borrowings		(166)	(103)
Finance costs – interest on lease liabilities		(114)	–
Share of results of an associated company		(28)	–
Profit before taxation	5	8,081	9,104
Taxation	6	(916)	(1,659)
Profit after taxation		7,165	7,445
Other comprehensive income - net of tax			
Foreign currency translation		(36)	25
Total comprehensive income for the financial year attributable to owners of the Company		7,129	7,470
Earnings per share			
Basic	7	8.26 cents	8.59 cents
Diluted	7	8.26 cents	8.59 cents

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Balance Sheets
As at 31 December 2019

	Note	Group		Company	
		2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
ASSETS					
Non-current assets					
Property, plant and equipment	8	2,268	3,257	1,265	1,817
Right-of-use assets	19	3,723	–	3,723	–
Goodwill	9	1,063	1,063	1,063	1,063
Investments in subsidiaries	10	–	–	5,107	5,107
Investments in an associated company	11	1,368	1,082	929	582
Deferred tax assets	6	950	863	210	203
		9,372	6,265	12,297	8,772
Current assets					
Inventories	12	26,668	33,785	25,511	32,292
Trade receivables	13	26,172	26,977	25,452	26,537
Other current assets	14	358	309	250	202
Prepayments and advances to suppliers		413	598	249	389
Amounts due from a subsidiary company	15	–	–	556	1,378
Cash and cash equivalents	16	8,165	3,355	5,798	3,105
		61,776	65,024	57,816	63,903
Total assets		71,148	71,289	70,113	72,675
EQUITY AND LIABILITIES					
Current liabilities					
Trade payables and accruals	17	18,056	19,214	16,818	17,921
Amounts due to subsidiary companies	15	–	–	3,804	4,813
Bank borrowings	18	6,009	7,519	6,009	7,519
Provision for taxation		1,279	2,094	1,159	1,946
Contract liability	4	1,621	2,063	1,621	2,063
Lease liabilities	19	373	–	373	–
		27,338	30,890	29,784	34,262
Net current assets		34,438	34,134	28,032	29,641
Non-current liabilities					
Defined benefit obligations	20	949	645	–	–
Lease liabilities	19	3,400	–	3,400	–
		4,349	645	3,400	–
Total liabilities		31,687	31,535	33,184	34,262
Net assets		39,461	39,754	36,929	38,413
Equity attributable to owners of the Company					
Share capital	21	23,897	23,897	23,897	23,897
Treasury shares	21	(837)	(837)	(837)	(837)
Retained earnings		16,358	16,615	13,869	15,353
Foreign currency translation reserve		43	79	–	–
Total equity		39,461	39,754	36,929	38,413
Total equity and liabilities		71,148	71,289	70,113	72,675

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

**Statements of Changes in Equity
For the year ended 31 December 2019**

Group	Share capital (Note 21) \$'000	Treasury shares (Note 21) \$'000	Retained earnings \$'000	Foreign currency translation reserve \$'000	Total equity \$'000
2019					
At 1 January 2019	23,897	(837)	16,615	79	39,754
Profit for the financial year	–	–	7,165	–	7,165
Other comprehensive income for the financial year	–	–	–	(36)	(36)
Total comprehensive income for the financial year	–	–	7,165	(36)	7,129
<u>Contributions by and distributions to owners</u>					
Dividends on ordinary shares (Note 22)	–	–	(7,422)	–	(7,422)
At 31 December 2019	23,897	(837)	16,358	43	39,461
2018					
At 1 January 2018 (FRS framework)	23,897	(837)	15,943	(269)	38,734
Effects of adoption of SFRS(I)	–	–	(323)	323	–
At 1 January 2018 (SFRS (I))	23,897	(837)	15,620	54	38,734
Profit for the financial year	–	–	7,445	–	7,445
Other comprehensive income for the financial year	–	–	–	25	25
Total comprehensive income for the financial year	–	–	7,445	25	7,470
<u>Contributions by and distributions to owners</u>					
Dividends on ordinary shares (Note 22)	–	–	(6,450)	–	(6,450)
At 31 December 2018	23,897	(837)	16,615	79	39,754
Company					
	Share capital (Note 21) \$'000	Treasury shares (Note 21) \$'000	Retained earnings \$'000	Total equity \$'000	
2019					
At 1 January 2019	23,897	(837)	15,353	38,413	
Profit after tax, being the total comprehensive income for the financial year	–	–	5,938	5,938	
<u>Contributions by and distributions to owners</u>					
Dividends on ordinary shares (Note 22)	–	–	(7,422)	(7,422)	
At 31 December 2019	23,897	(837)	13,869	36,929	
2018					
At 1 January 2018	23,897	(837)	14,066	37,126	
Profit after tax, being the total comprehensive income for the financial year	–	–	7,737	7,737	
<u>Contributions by and distributions to owners</u>					
Dividends on ordinary shares (Note 22)	–	–	(6,450)	(6,450)	
At 31 December 2018	23,897	(837)	15,353	38,413	

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

**Consolidated Cash Flow Statement
For the year ended 31 December 2019**

	2019	2018
	\$'000	\$'000
Cash flows from operating activities		
Profit before taxation	8,081	9,104
Adjustments for:		
Depreciation of property, plant and equipment	1,452	1,839
Depreciation of right-of-use assets	492	–
Interest income	(3)	(1)
Finance costs - interest on bank borrowings	166	103
Finance costs - interest on lease liabilities	114	–
Impairment loss of receivables	–	55
Fair value gain on forward contracts	(43)	(59)
Unrealised exchange loss	216	25
Reversal of write-down of inventories	–	(342)
Provision for defined benefit obligations	304	222
Share of results of an associated company	28	–
Operating cash flows before changes in working capital	10,807	10,946
Decrease in receivables and prepayments	768	849
Decrease/(increase) in inventories	7,117	(8,380)
Decrease in creditors	(1,599)	(913)
Cash flows from operations	17,093	2,502
Interest received	3	1
Income tax paid	(1,818)	(1,145)
Interest paid	(176)	(86)
Net cash flows from operating activities	15,102	1,272
Cash flows from investing activities		
Purchase of property, plant and equipment	(463)	(293)
Increase in investments in an associated company	(348)	–
Dividend received from an associated company	33	257
Net cash flows used in investing activities	(778)	(36)
Cash flows from financing activities		
Dividends paid	(7,422)	(6,450)
Proceeds from loans and borrowings	–	6,000
Repayments of loans and borrowings	(1,500)	(500)
Payment for lease liabilities	(556)	–
Net cash flows used in financing activities	(9,478)	(950)
Net increase in cash and cash equivalents	4,846	286
Effect of exchange rate changes on cash and cash equivalents	(36)	25
Cash and cash equivalents at beginning of the year	3,355	3,044
Cash and cash equivalents at end of the year (Note 16)	8,165	3,355

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Notes to the Financial Statements
For the financial year ended 31 December 2019

1. Corporate information

CEI Limited (the “Company”) is a limited liability company incorporated and domiciled in Singapore and is listed on the Singapore Exchange Securities Trading Limited.

The registered office and principal place of business of the Company is located at 2 Ang Mo Kio Avenue 12, Singapore 569707.

The principal activities of the Company are those of contract manufacturing and design and manufacture of proprietary equipment. Contract manufacturing services include (a) assemblies of printed circuit board, box-build, prototype and equipment, and (b) value add engineering works such as circuit layout and functional design. The Company also designs and manufactures its own brand of proprietary equipment for the semiconductor industry. The principal activities of the subsidiary and associated companies are set out in Note 10 and 11 to the financial statements.

There have been no significant changes in the nature of these activities during the year.

2. Summary of significant accounting policies

2.1 Basis of preparation

The consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company have been prepared in accordance with Singapore Financial Reporting Standards (International) (SFRS(I)).

The financial statements have been prepared on a historical cost basis except as disclosed in the accounting policies below.

The financial statements are presented in Singapore Dollars (“SGD” or “\$”) to the nearest thousand (\$’000), unless otherwise indicated.

2.2 Adoption of new and amended standards

The accounting policies adopted are consistent with those of the previous financial year except that in the current financial year, the Company has adopted all the new and amended standards which are relevant to the Company and are effective for annual financial periods beginning on or after 1 January 2019. Except for the adoption of SFRS(I) 16 *Leases* described below, the adoption of these standards did not have any material effect on the financial performance or position of the Company.

SFRS (I) 16 supersedes SFRS (I) 17 *Leases*, INT FRS 104 *Determining whether an Arrangement contains a Lease*, INT FRS 15 *Operating Leases-Incentives* and INT FRS 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise most leases on the statement of financial position.

The Group adopted SFRS (I) 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application as an adjustment to the opening balance of retained earnings. The Group elected to use the transition practical expedient to not reassess whether a contract is, or contains a lease at 1 January 2019. Instead, the Group applied the standard only to contracts that were previously identified as leases applying FRS 17 and INT FRS 104 at the date of initial application.

The effect of adopting SFRS (I) 16 as at 1 January 2019 was as follows:

	\$’000
	Increase
Right-of-use assets	4,215
Lease liabilities (current)	442
Lease liabilities (non-current)	3,773

Notes to the Financial Statements For the financial year ended 31 December 2019

2. Summary of significant accounting policies (cont'd)

2.2 Adoption of new and amended standards (cont'd)

The Group has lease contracts for land and buildings. Before the adoption of SFRS (I) 16, the Group classified each of its leases (as lessee) at the inception date as either a finance lease or an operating lease. The accounting policy prior to 1 January 2019 is disclosed in Note 2.18.

Upon adoption of SFRS (I) 16, the Company applied a single recognition and measurement approach for all leases except for short-term leases and leases of low-value assets. The accounting policy beginning on and after 1 January 2019 is disclosed in Note 2.18. The standard provides specific transition requirements and practical expedients, which have been applied by the Group.

Leases previously accounted for as operating leases

The Group recognised right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets. The right-of-use assets for the leases were recognised based on the carrying amount as if the standard had always been applied, using the incremental borrowing rate at the date of initial application. Lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

The Group also applied the available practical expedients wherein it:

- relied on its assessment of whether leases are onerous immediately before the date of initial application as an alternative to performing an impairment review;
- applied the short-term leases exemption to leases with lease term that ends within 12 months of the date of initial application;
- excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application;
- and used hindsight in determining the lease term where the contract contained options to extend or terminate the lease.

Based on the above, as at 1 January 2019, the right-of-use assets and lease liabilities amounted to \$4,215,000.

The lease liabilities as at 1 January 2019 can be reconciled to the operating lease commitments as of 31 December 2018, as follows:

	\$'000
Operating lease commitments as at 31 December 2018	1,129
Weighted average incremental borrowing rate as at 1 January 2019	3.1%
Discounted operating lease commitments (including extension options) as at 1 January 2019	4,215

Notes to the Financial Statements For the financial year ended 31 December 2019

2. Summary of significant accounting policies (cont'd)

2.3 Standards issued but not yet effective

The Group has not adopted the following standards applicable to the Group that have been issued but not yet effective:

<i>Description</i>	<i>Effective for annual periods beginning on or after</i>
Amendments to SFRS(I) 3 <i>Definition of a Business</i>	1 January 2020
Amendments to SFRS(I) 9, SFRS(I) 1-39 and SFRS(I) 7 <i>Interest Rate Benchmark Reform</i>	1 January 2020
Amendments to SFRS(I) 1-1 and SFRS(I) 1-8 <i>Definition of Material</i>	1 January 2020
The Conceptual Framework for Financial Reporting	1 January 2020
SFRS(I) 4 <i>Insurance contracts</i>	1 January 2021
Amendments to SFRS(I) 10 and SFRS(I) 1-28 <i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>	Date to be determined

The directors expect that the adoption of the standards above will have no material impact on the financial statements in the period of initial application.

2.4 Basis of consolidation and business combination

(a) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the end of the reporting period. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied to like transactions and events in similar circumstances.

All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions and dividends are eliminated in full.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- de-recognises the assets (including goodwill) and liabilities of the subsidiary at their carrying amounts at the date when control is lost;
- de-recognises the carrying amount of any non-controlling interest;
- de-recognises the cumulative translation differences recorded in equity;
- recognises the fair value of the consideration received;
- recognises the fair value of any investment retained;
- recognises any surplus or deficit in profit or loss;
- re-classifies the Group's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate.

(b) Business combinations and goodwill

Business combinations are accounted for by applying the acquisition method. Identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognised in profit or loss.

Notes to the Financial Statements

For the financial year ended 31 December 2019

2. Summary of significant accounting policies (cont'd)

2.4 Basis of consolidation and business combination (cont'd)

(b) Business combinations and goodwill (cont'd)

The Group elects for each individual business combination, whether non-controlling interest in the acquiree (if any), that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation, is recognised on the acquisition date at fair value, or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets. Other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by another SFRS(I).

Any excess of the sum of the fair value of the consideration transferred in the business combination, the amount of non-controlling interest in the acquiree (if any), and the fair value of the Group's previously held equity interest in the acquiree (if any), over the net fair value of the acquiree's identifiable assets and liabilities is recorded as goodwill. The accounting policy for goodwill is set out in Note 2.7. In instances where the latter amount exceeds the former, the excess is recognised as gain on bargain purchase in profit or loss on the acquisition date.

2.5 Functional and foreign currency

The financial statements are presented in Singapore Dollars, which is also the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

(a) Foreign currency transactions

Transactions in foreign currencies are measured in the respective functional currencies of the Company and its subsidiary companies and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the closing rate of exchange ruling at the end of the reporting period. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the end of the reporting period are recognised in the profit or loss.

(b) Consolidated financial statements

For consolidation purpose, the assets and liabilities of foreign operations are translated into SGD at the rate of exchange ruling at the end of the reporting period and their profit or loss are translated at the exchange rates prevailing at the date of the transactions. The exchange differences arising on the translation are recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

In the case of a partial disposal without loss of control of a subsidiary that includes a foreign operation, the proportionate share of the cumulative amount of the exchange differences are re-attributed to non-controlling interest and are not recognised in profit or loss. For partial disposals of associates or jointly controlled entities that are foreign operations, the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

2.6 Property, plant and equipment

All items of property, plant and equipment are initially recorded at cost. Subsequent to recognition, property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. The cost includes the cost of replacing part of the property, plant and equipment and borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying property, plant and equipment. The accounting policy for borrowing costs is set out in Note 2.16. The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

Notes to the Financial Statements For the financial year ended 31 December 2019

2. Summary of significant accounting policies (cont'd)

2.6 Property, plant and equipment (cont'd)

When significant parts of property, plant and equipment are required to be replaced in intervals, the Group recognises such parts as individual assets with specific useful lives and depreciation, respectively. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred.

Depreciation is computed on a straight-line basis over the estimated useful lives of the assets as follows:

Leasehold land	-	Over the remaining lease period
Leasehold buildings	-	Shorter of lease period or 25 years
Plant and machinery	-	3 - 5 years
Motor vehicles	-	5 - 6 years
Office furniture, fittings and equipment	-	5 years
Computer equipment	-	2 years
Renovation	-	5 years

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

The residual value, useful life and depreciation method are reviewed at each financial year-end, and adjusted prospectively, if appropriate.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on de-recognition of the asset is included in profit or loss in the year the asset is derecognised.

2.7 Goodwill

Goodwill is initially measured at cost. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

The cash-generating unit to which goodwill has been allocated are tested for impairment annually and whenever there is an indication that the cash-generating unit may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each cash-generating unit or group of cash-generating units to which the goodwill relates. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised in the profit or loss. Impairment losses recognised for goodwill are not reversed in subsequent periods.

Where goodwill forms part of a cash-generating unit and part of the operation within that cash-generating unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative fair values of the operations disposed of and the portion of the cash-generating unit retained.

2.8 Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when an annual impairment testing of an asset is required, the Group makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs of disposal and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows expected to be generated by the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In

Notes to the Financial Statements

For the financial year ended 31 December 2019

2. Summary of significant accounting policies (cont'd)

2.8 Impairment of non-financial assets (cont'd)

determining fair value less costs of disposal, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used.

The Group bases its impairment calculation on detailed budgets and forecast calculations which are prepared separately for each of the Group's cash-generating units to which the individual assets are allocated. These budgets and forecast calculations are generally covering a period of five years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of continuing operations are recognised in profit or loss.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or cash-generating unit's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in profit or loss.

2.9 Subsidiary companies

A subsidiary is an investee that is controlled by the Group. The Group controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

In the Company's separate financial statements, investments in subsidiary companies are accounted for at cost less any impairment losses.

2.10 Associated companies

An associate is an entity over which the Group has the power to participate in the financial and operating policy decisions of the investee but does not have control or joint control of those policies.

The Group account for its investments in associates using the equity method from the date on which it becomes an associate.

On acquisition of the investment, any excess of the cost of the investment over the Group's share of the net fair value of the investee's identifiable assets and liabilities is accounted as goodwill and is included in the carrying amount of the investment. Any excess of the Group's share of the net fair value of the investee's identifiable assets and liabilities over the cost of the investment is included as income in the determination of the entity's share of the associate or joint venture's profit or loss in the period in which the investment is acquired.

Under the equity method, the investment in associates are carried in the balance sheet at cost plus post-acquisition changes in the Group's share of net assets of the associates. The profit or loss reflects the share of results of the operations of the associates. Distributions received from associates reduce the carrying amount of the investment. Where there has been a change recognised in other comprehensive income by the associates, the Group recognises its share of such changes in other comprehensive income. Unrealised gains and losses resulting from transactions between the Group and associate are eliminated to the extent of the interest in the associates.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investment in associate. The Group determines at the end of each reporting period whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in profit or loss.

Notes to the Financial Statements For the financial year ended 31 December 2019

2. Summary of significant accounting policies (cont'd)

2.10 Associated companies (cont'd)

The financial statements of the associates are prepared as the same reporting date as the Company. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

Upon loss of significant influence over the associate, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the aggregate of the retained investment and proceeds from disposal is recognised in profit or loss.

If the Group's ownership interest in an associate is reduced, but the Group continues to apply the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be required to be reclassified to profit or loss on the disposal of the related assets or liabilities.

In the Company's separate financial statements, investments in associated company is accounted for at cost less any impairment losses.

2.11 Financial instruments

(a) Financial assets

Initial recognition and measurement

Financial assets are recognised when, and only when the entity becomes party to the contractual provisions of the instruments.

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Trade receivables are measured at the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third party, if the trade receivables do not contain a significant financing component at initial recognition.

Subsequent measurement

Investments in debt instruments

Debt instruments that are held for the collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Debt instruments are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in profit or loss when the debt instruments are derecognised or impaired, and through amortisation process.

De-recognition

A financial asset is derecognised where the contractual right to receive cash flows from the asset has expired. On de-recognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

(b) Financial liabilities

Initial recognition and measurement

Financial liabilities are recognised when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value plus in the case of financial liabilities not at fair value through profit or loss, directly attributable transaction costs.

Notes to the Financial Statements For the financial year ended 31 December 2019

2. Summary of significant accounting policies (cont'd)

2.11 Financial instruments (cont'd)

(b) Financial liabilities (cont'd)

Subsequent measurement

After initial recognition, financial liabilities that are not carried at fair value through profit or loss are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

De-recognition

A financial liability is de-recognised when the obligation under the liability is discharged or cancelled or expires. On derecognition, the difference between the carrying amounts and the consideration paid is recognised in profit or loss.

(c) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is presented in the balance sheets, when and only when, there is a currently enforceable legal right to set off the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

2.12 Impairment of financial assets

The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is recognised for credit losses expected over the remaining life of the exposure, irrespective of timing of the default (a lifetime ECL).

For trade receivables, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

2.13 Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits, and short-term, highly liquid investments that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value. These also include bank overdrafts that form an integral part of the Group's cash management.

Notes to the Financial Statements For the financial year ended 31 December 2019

2. Summary of significant accounting policies (cont'd)

2.14 Inventories

Inventories are stated at the lower of costs (determined principally on standard costs which approximate the actual costs) and net realisable value.

Cost of finished goods and work-in-progress include cost of direct materials, labour and an appropriate portion of fixed and variable factory overheads.

When necessary, allowance is provided for excess, damaged, obsolete and slow-moving items to adjust the carrying value of inventories to the lower of cost and net realisable value.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated cost of completion and the estimated costs necessary to make the sale.

2.15 Provisions

General

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and the amount of the obligation can be estimated reliably.

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

2.16 Borrowing costs

Borrowing costs are capitalised as part of the cost of a qualifying asset if they are directly attributable to the acquisition, construction or production of that asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are incurred. Borrowing costs are capitalised until the assets are substantially completed for their intended use or sale. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

2.17 Employee benefits

(a) *Defined contribution plans*

The Group participates in the national pension schemes as defined by the laws of the countries in which it has operations. Contributions to national pension schemes are recognised as an expense in the period in which the related service is performed.

(b) *Employee leave entitlement plans*

Employee entitlements to annual leave are recognised as a liability when they are accrued to the employees. The undiscounted liability for leave is expected to be settled wholly before twelve months after the reporting period is recognised for services rendered by employees up to the end of the reporting period. The net total of service costs, net interest or the liability and remeasurement of the liability are recognised in profit or loss.

(c) *Defined benefit plan*

The net defined benefit liability is the aggregate of the present value of the defined benefit obligation (derived using a discount rate based on high quality corporate bonds) at the end of the reporting period. The Group has no plan assets.

The cost of providing benefits under the defined benefit plans is determined separately for each plan using the projected unit credit method.

Notes to the Financial Statements
For the financial year ended 31 December 2019

2. Summary of significant accounting policies (cont'd)

2.17 Employee benefits

(c) Defined benefit plan (cont'd)

Defined benefit costs comprise the following:

- Service cost
- Net interest on the net defined benefit liability
- Remeasurements of net defined benefit liability

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognised as expense in profit or loss. Past service costs are recognised when plan amendment or curtailment occurs.

Net interest on the net defined benefit liability is the change during the period in the net defined benefit liability that arises from the passage of time which is determined by applying the discount rate based on high quality corporate bonds to the net defined benefit liability or asset. Net interest on the net defined benefit liability or asset is recognised as expense or income in profit or loss.

Remeasurements comprising actuarial gains and losses, (excluding net interest on defined benefit liability) are recognised immediately in other comprehensive income in the period in which they arise. Remeasurements are recognised in retained earnings within equity and are not reclassified to profit or loss in subsequent periods.

The Group's right to be reimbursed of some or all of the expenditure required to settle a defined benefit obligation is recognised as a separate asset at fair value when and only when reimbursement is virtually certain.

2.18 Leases

These accounting policies are applied on and after the initial application date of SFRS(I) 16, 1 January 2019:

The Company assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

As lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities representing the obligations to make lease payments and right-of-use assets representing the right to use the underlying leased assets.

Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets.

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset. The right-of-use assets are also subject to impairment. The accounting policy for impairment is disclosed in Note 2.8.

Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate.

Notes to the Financial Statements

For the financial year ended 31 December 2019

2. Summary of significant accounting policies (cont'd)

2.18 Leases (cont'd)

Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Company uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g. changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

These accounting policies are applied before the initial application date of SFRS(I) 16, 1 January 2019:

As lessee

Operating lease payments are recognised as an expense in profit or loss on a straight-line basis over the lease term. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

2.19 Revenue

Revenue is measured based on the consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

Revenue is recognised when the Group satisfies a performance obligation by transferring a promised good or service to the customer, which is when the customer obtains control of the good or service. A performance obligation may be satisfied at a point in time or over time. The amount of revenue recognised is the amount allocated to the satisfied performance obligation.

(a) *Sales of goods*

Revenue is recognised when the goods are delivered to the customer and all criteria for acceptance have been satisfied.

The amount of revenue recognised is based on the transaction price, which comprises the contractual price, net of the discounts. Based on the Group's experience with similar types of contracts, there are no significant variable considerations.

(b) *Interest income*

Interest income is recognised using the effective interest method.

2.20 Taxes

(a) *Current income tax*

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the end of the reporting period, in the countries where the Group operates and generates taxable income.

Current income taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

(b) *Deferred tax*

Deferred tax is provided using the liability method on temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Notes to the Financial Statements For the financial year ended 31 December 2019

2. Summary of significant accounting policies (cont'd)

2.20 Taxes (cont'd)

(b) Deferred tax (cont'd)

Deferred tax liabilities are recognised for all temporary differences, except:

- Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

- Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the end of each reporting period.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current income tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

(c) Sales tax

Revenues, expenses and assets are recognised net of the amount of sales tax except:

- Where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- Receivables and payables that are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

2.21 Share capital and share issuance expenses

Proceeds from issuance of ordinary shares are recognised as share capital in equity. Incremental costs directly attributable to the issuance of ordinary shares are deducted against share capital.

Notes to the Financial Statements For the financial year ended 31 December 2019

2. Summary of significant accounting policies (cont'd)

2.22 Treasury shares

The Group's own equity instruments, which are reacquired (treasury shares) are recognised at cost and deducted from equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments. Any difference between the carrying amount of treasury shares and the consideration received, if reissued, is recognised directly in equity. Treasury shares do not carry voting rights and no dividends are allocated to them respectively.

2.23 Contingencies

A contingent liability is:

- (a) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group; or
- (b) a present obligation that arises from past events but is not recognised because:
 - (i) It is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or
 - (ii) The amount of the obligation cannot be measured with sufficient reliability.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group.

Contingent liabilities and assets are not recognised on the balance sheet of the Group, except for contingent liabilities assumed in a business combination that are present obligations and which the fair values can be reliably determined.

3. Significant accounting estimates and judgements

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the end of each reporting period. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future periods.

3.1 Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period are discussed below. The Group based its assumptions and estimates on parameters available when the financial statements was prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

(a) Impairment of goodwill

The Group assesses whether there are any indicators of impairment for all non-financial assets at each reporting date. Goodwill is tested for impairment annually and at other times when such indicators exist. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable.

When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows. Further details of the key assumptions applied in the impairment assessment of goodwill as well as a sensitivity analysis are set out in Note 9. The carrying amount of goodwill as at 31 December 2019 is \$1,063,000 (2018: \$1,063,000).

Notes to the Financial Statements

For the financial year ended 31 December 2019

3. Significant accounting estimates and judgements (cont'd)

3.1 Key sources of estimation uncertainty (cont'd)

(b) Inventory obsolescence and decline in net realisable value

Inventory is stated at the lower of cost or net realisable value. Inventory review is performed periodically for excess inventory, obsolescence and declines in net realisable value below cost and an allowance is recorded against the inventory balance for any such declines. These reviews require management to estimate future demand for the products. Possible changes in these estimates could result in revisions to the valuation of inventory. The carrying amounts are disclosed in Note 12 to the financial statements.

3.2 Judgements made in applying accounting policies

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which has the most significant effect on the amounts recognised in the financial statements.

(a) Impairment of investments in subsidiaries

The carrying values of investments in subsidiaries that are effectively quasi-equity loans are reviewed for impairment in accordance with SFRS(I) 1-36 Impairment of Assets. CEI International Investments (Vietnam) Limited recorded profits of \$976,000 in current financial year (2018: \$2,000). Impairment is determined by assessing the recoverable amount from CEI International Investments (Vietnam) Limited as a cash-generating unit. The recoverable value of its investment in subsidiaries is higher than its carrying value.

No impairment loss was recognised in 2019 and 2018 to write down the carrying value of investment in CEI International Investments Pte Ltd and advances to CEI International Investments (Vietnam) Limited. The carrying value of the investments in subsidiaries is approximately \$2,107,000 (2018: \$2,107,000).

(b) Determination of functional currency

The Group measures foreign currency transactions in the respective functional currencies of the Company and its subsidiaries. In determining the functional currencies of the entities in the Group, judgement is required to determine the currency that mainly influences sales prices for goods and services and of the country whose competitive forces and regulations mainly determines the sales prices of its goods and services. The functional currencies of the entities in the Group are determined based on management's assessment of the economic environment in which the entities operate and the entities' process of determining sales prices.

Management assessed that Singapore Dollar is the Company's functional currency as it is the currency used to determine the selling price of products quoted to its customers in US Dollar. In addition, part of the material costs, major part of the salaries and expenses, and all of the financing activities were also in Singapore Dollar. While there may be some mixed indicators, it is the opinion of the management that Singapore Dollar is the dominant currency and therefore the functional currency of the Company.

(c) Determination of lease term of contracts with extension option

Management determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has several lease contracts that include extension options. The Group applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to extend the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise the extension. After the commencement date, the Company reassesses the lease term whether there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to extend (e.g. construction of significant leasehold improvements or significant customisation to the leased asset).

The Group included the extension option in the lease term for leases of leasehold buildings because of the leasehold improvements made and the significant costs that would arise to replace the assets.

Notes to the Financial Statements
For the financial year ended 31 December 2019

4. Revenue

(a) Disaggregation of revenue

	Group	
	2019	2018
	\$'000	\$'000
By geography (segment)		
Asia Pacific	67,496	64,025
USA	24,642	25,210
Europe	46,609	51,095
Total sale of goods recognised at a point in time	138,747	140,330

(b) Contract liability

	Group	
	2019	2018
	\$'000	\$'000
Receivables from contracts with customers (Note 13)	26,172	26,977
Contract liability	1,621	2,063

The Group has no contract assets or goods already delivered but not billed.

Contract liability primarily relates to the Group's obligation to transfer goods or services to customers for which the Group has received advances received from customers for sale of goods.

Contract liability is recognized as revenue as the Group performs under the contract.

Below is the significant change in the contract liability:

	Group	
	2019	2018
	\$'000	\$'000
Revenue recognised that was included in the contract liability balance at the beginning of the year	993	877

5. Profit before taxation

This is stated after charging/(crediting) the following:

	Group	
	2019	2018
	\$'000	\$'000
Audit fees paid to:		
- Auditor of the Company	162	150
- Other auditors	12	12
Non audit fees paid to		
- Auditors of the Company	23	22
Depreciation of property, plant and equipment	1,452	1,839
Depreciation of right-of-use assets	492	-
Reversal of write-down of inventories	-	(342)
Interest income on fixed deposits	(3)	(1)
Foreign exchange loss	472	168
Operating lease expenses	-	549
Staff costs:		
- Central Provident Fund contributions	1,997	1,920
- Salaries, wages, bonuses and other costs	17,561	16,871
- Provision for defined benefit obligations	304	222
Fair value gain on derivatives	(43)	(59)
Finance costs – interest on bank borrowings	166	103
Finance costs – interest on lease liabilities	114	-

Notes to the Financial Statements
For the financial year ended 31 December 2019

6. Taxation

(a) Major components of income tax expense

The major components of income tax expense for the years ended 31 December 2019 and 2018 are:

	2019 \$'000	Group 2018 \$'000
Consolidated income statement		
Current income tax:		
Current income tax	(1,479)	(1,712)
Tax credits recognised	476	24
Over-provision in respect of previous years	–	6
	(1,003)	(1,682)
Deferred income tax:		
Origination and reversal of temporary differences	87	23
Income tax expense recognised in profit or loss	(916)	(1,659)

(b) Relationship between tax expense and accounting profit

A reconciliation between the tax expense and the product of accounting profit multiplied by the applicable corporate tax rate for the years ended 31 December 2019 and 2018 is as follows:

	2019 \$'000	Group 2018 \$'000
Profit before taxation	8,081	9,104
Income tax at statutory tax rate of 17% (2018: 17%)	(1,374)	(1,548)
Adjustments:		
Non-deductible expenses	(100)	(251)
Income not subject to taxation	6	44
Effect of partial tax exemption and tax relief	76	66
Tax credits	476	24
Over-provision in respect of previous years	–	6
	(916)	(1,659)

The above reconciliation is prepared by aggregating separate reconciliation for each national jurisdiction.

The Group has tax losses of approximately \$1,405,000 (2018: \$1,405,000) attributable to the subsidiary company in Vietnam, which are available for offset against future profits of the subsidiary company arising within 5 years from the year the losses were incurred. No deferred tax asset is recognised due to uncertainty of recovery. The use of these tax losses is subject to the agreement of the tax authorities and compliance with certain provisions of the tax legislation in Vietnam.

Notes to the Financial Statements
For the financial year ended 31 December 2019

6. Taxation (cont'd)

(c) Deferred income tax

Deferred income tax as at 31 December 2019 and 2018 relates to the following:

	Group		Company	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Deferred tax assets/(liability)				
Provision for excess inventories	34	34	34	34
Other provisions	545	529	198	241
Differences in depreciations for tax purposes	419	315	(31)	(100)
Others	(48)	(15)	9	28
Net deferred tax assets	950	863	210	203

There are no income tax consequences attached to the dividends to the shareholders proposed by the Company (Note 22) but not recognised as a liability in the financial statements.

7. Earnings per share

Basic earnings per share is calculated by dividing the net profit for the year attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the financial year.

Diluted earnings per share is calculated by dividing profit attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on the conversion of all dilutive potential options into ordinary shares. There has been no share options outstanding in 2019 and 2018.

The following tables reflect the profit and share data used in the computation of basic and diluted earnings per share for the years ended 31 December:

	2019 \$'000	2018 \$'000
Profit for the year attributable to ordinary shareholders for basic and diluted earnings per share	7,165	7,445
	2019 No. of Shares	2018 No. of Shares
Weighted average number of ordinary shares for basic earnings per share computation*	86,698,463	86,698,463
Weighted average number of ordinary shares adjusted for the effects of dilution*	86,698,463	86,698,463

* The weighted average number of shares takes into account the weighted average effect of changes in treasury shares transactions. There has been no treasury shares transaction in 2019 and 2018.

Notes to the Financial Statements
For the financial year ended 31 December 2019

8. Property, plant and equipment

Group	Leasehold land and buildings \$'000	Plant and machinery \$'000	Motor vehicles \$'000	Office furniture, fitting and equipment \$'000	Computer equipment \$'000	Renovation \$'000	Total \$'000
Cost							
As at 1 January 2018	9,970	16,863	811	1,237	2,144	1,209	32,234
Additions	15	10	–	43	204	21	293
Disposal/write-off	–	(142)	(1)	(19)	(47)	–	(209)
<hr/>							
As at 31 December 2018 and 1 January 2019	9,985	16,731	810	1,261	2,301	1,230	32,318
Additions	11	282	–	17	64	89	463
Disposal/write-off	(1)	(45)	–	(16)	(114)	(2)	(178)
<hr/>							
As at 31 December 2019	9,995	16,968	810	1,262	2,251	1,317	32,603
Accumulated depreciation							
As at 1 January 2018	7,810	15,158	487	922	1,961	1,093	27,431
Depreciation charge for the financial year	655	744	89	116	194	41	1,839
Disposal/write-off	–	(141)	(1)	(19)	(48)	–	(209)
<hr/>							
As at 31 December 2018 and 1 January 2019	8,465	15,761	575	1,019	2,107	1,134	29,061
Depreciation charge for the financial year	610	443	97	74	193	35	1,452
Disposal/write-off	(1)	(45)	–	(16)	(114)	(2)	(178)
<hr/>							
As at 31 December 2019	9,074	16,159	672	1,077	2,186	1,167	30,335
Net carrying amount							
As at 31 December 2018	1,520	970	235	242	194	96	3,257
As at 31 December 2019	921	809	138	185	65	150	2,268

Notes to the Financial Statements
For the financial year ended 31 December 2019

8. Property, plant and equipment (cont'd)

Company	Leasehold land and buildings \$'000	Plant and machinery \$'000	Motor vehicles \$'000	Office furniture, fitting and equipment \$'000	Computer equipment \$'000	Renovation \$'000	Total \$'000
Cost							
As at 1 January 2018	1,885	4,317	561	1,075	1,723	1,208	10,769
Additions	–	2	–	27	196	21	246
Disposal/write-off	–	(86)	–	(10)	(33)	–	(129)
<hr/>							
As at 31 December 2018 and 1 January 2019	1,885	4,233	561	1,092	1,886	1,229	10,886
Additions	–	8	–	16	61	6	91
Disposal/write-off	–	–	–	(5)	(106)	(2)	(113)
<hr/>							
As at 31 December 2019	1,885	4,241	561	1,103	1,841	1,233	10,864
Accumulated depreciation							
As at 1 January 2018	1,101	3,529	370	782	1,605	1,093	8,480
Depreciation charge for the financial year	152	208	58	115	144	41	718
Disposal/write-off	–	(86)	–	(10)	(33)	–	(129)
<hr/>							
As at 31 December 2018 and 1 January 2019	1,253	3,651	428	887	1,716	1,134	9,069
Depreciation charge for the financial year	152	165	65	74	138	35	629
Disposal/write-off	–	–	–	(5)	(92)	(2)	(99)
<hr/>							
As at 31 December 2019	1,405	3,816	493	956	1,762	1,167	9,599
Net carrying amount							
As at 31 December 2018	632	582	133	205	170	95	1,817
As at 31 December 2019	480	425	68	147	79	66	1,265

Notes to the Financial Statements
For the financial year ended 31 December 2019

8. Property, plant and equipment (cont'd)

Details of leasehold land and buildings held through subsidiary companies are as follows:

Location	Description	Tenure	Land Area (sqm)
Batamindo Industrial Park, Batam, Indonesia	Detached single-storey factory with mezzanine floor	21 April 1998 to 18 December 2039	5,788
Batamindo Industrial Park, Batam, Indonesia	Detached single-storey factory with mezzanine floor	12 November 2008 to 18 December 2039	5,793
Vietnam Singapore Industrial Park, Binh Duong, Vietnam	Detached single-storey factory with mezzanine floor	6 March 2002 to 11 February 2046	5,000
Vietnam Singapore Industrial Park, Binh Duong, Vietnam	Land parcel	7 December 2004 to 11 February 2046	4,500
Ang Mo Kio Industrial Park II, Singapore (this is held by the parent company)	Detached three-storey factory building	1 March 2004 to 28 February 2023 (option to extend till 28 February 2053)	2,617

9. Goodwill

	Group		Company	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Goodwill, at cost	3,918	3,918	3,918	3,918
Less: Allowance for impairment	(2,855)	(2,855)	(2,855)	(2,855)
	1,063	1,063	1,063	1,063

Impairment testing of goodwill

The goodwill arose from the business combination in year 2008 and was allocated to the Company's group of cash-generating units. There is no change in the nature and operation of the business.

The recoverable value of the group of cash-generating units has been determined based on a value in use calculation using cash flow projections based on financial budgets approved by the Board of Directors covering a five-year period.

Key assumptions used in the value in use calculations

The calculations of value in use for the cash generating units are most sensitive to the following assumptions:

Growth rates - The management has adopted forecasted sales growth rate of 1% per annum for 2020 (2018: 2% for 2019) and 3% per annum from 2021 to 2024 (2018: 3% per annum from 2020 to 2023) and 2% (2018: 2%) growth rate for the terminal value computation from the 6th year to perpetuity. The forecasts estimated growth rate does not exceed the average long-term growth rate for the relevant market. The forecasted growth rates are based on published industry research and do not exceed the long-term average growth rate for the industries relevant to the cash generating units.

Budgeted gross profit margins - Gross profit margins are based on expected material costs and manufacturing labour and overhead.

The pre-tax discount rate applied to the cash flow projections is 9.5% (2018: 9.5%) per annum. Discount rate represents the current market assessment of the risks specific to the cash-generating units, regarding the time value of money and the risks of the underlying assets which have not been incorporated in the cash flow estimates.

Notes to the Financial Statements
For the financial year ended 31 December 2019

9. Goodwill (cont'd)

Sensitivity to changes in assumptions

There are no reasonably possible changes in the above key assumptions used to determine the cash generating unit's recoverable amount that would cause the cash generating unit's carrying amount to materially exceed its recoverable amount.

Impairment loss recognised

No impairment loss in 2019 and 2018 has been recognised in the profit or loss to write-down the carrying amount of the goodwill.

10. Investments in subsidiaries

	Company	
	2019	2018
	\$'000	\$'000
Unquoted shares, at cost	5,493	5,493
Less: Allowance for impairment	(1,574)	(1,574)
	3,919	3,919
Advances to a subsidiary company	5,121	5,121
Less: Allowance for impairment	(3,933)	(3,933)
	1,188	1,188
	5,107	5,107

The advances were mainly made to CEI International Investments (Vietnam) Limited. The advances are non-trade related, unsecured, interest-free and repayable only when the cash flows of the subsidiary company permits. The advances are effectively quasi-equity loans to the subsidiary company.

The recoverable value of CEI International Investments (Vietnam) Limited as a cash-generating unit has been determined based on a value in use calculation using cash flow projections based on financial budgets approved by the Board of Directors covering a five-year period.

Key assumptions used in the value in use calculations

The calculations of value in use for the cash generating units are most sensitive to the following assumptions:

Growth rates - The management has adopted forecasted sales growth rate of 26% per annum for 2020 and 5% per annum from 2021 to 2024 and 2% growth rate for the terminal value computation from the 6th year to perpetuity. The forecasts estimated growth rate does not exceed the average long-term growth rate for the relevant market. The forecasted growth rates are based on published industry research and do not exceed the long-term average growth rate for the industries relevant to the cash generating units.

Budgeted gross profit margins - Gross profit margins are based on expected material costs and manufacturing labour and overhead.

The pre-tax discount rate applied to the cash flow projections is 11.0% per annum. Discount rate represents the current market assessment of the risks specific to the cash-generating units, regarding the time value of money and the risks of the underlying assets which have not been incorporated in the cash flow estimates.

Sensitivity to changes in assumptions

There are no reasonably possible changes in the above key assumptions used to determine the cash generating unit's recoverable amount that would cause the cash generating unit's carrying amount to materially exceed its recoverable amount.

Impairment loss recognised

No impairment loss was recognised in 2019 and 2018 in the profit and loss to write down the carrying value of investment in CEI International Investments Pte Ltd and CEI International Investments (Vietnam) Limited.

Notes to the Financial Statements
For the financial year ended 31 December 2019

10. Investments in subsidiaries (cont'd)

Details of the subsidiary companies as at the following dates are:

Name of company (Country of incorporation)	Principal activities (Place of business)	Company Cost		Percentage of equity held	
		2019 \$'000	2018 \$'000	2019 %	2018 %
<i>Subsidiary companies held by the Company</i>					
CEI International Investments Pte Ltd ⁽¹⁾ (Singapore)	Investment holding (Singapore)	2,494	2,494	100	100
PT Surya Teknologi Batam ⁽²⁾ (Indonesia)	Printed circuit board assembly and contract manufacturing (Indonesia)	2,999	2,999	100	100
		5,493	5,493		

Subsidiary companies held through CEI International Investments Pte Ltd

CEI International Investments (VN) Ltd ⁽³⁾ (Vietnam)	Printed circuit board assembly and contract manufacturing (Vietnam)			100	100
Clean Energy Innovation Pte Ltd ⁽⁴⁾	Invest in technology, and to manufacture and distribute related products of the investment (Singapore)			100	100

⁽¹⁾ Audited by Ernst & Young LLP, Singapore.

⁽²⁾ Audited by JAS & Rekan, Drs Sukimto Sjamuli. Ernst & Young LLP, Singapore audited certain balances for the audit of consolidated financial statements.

⁽³⁾ Audited by Ernst & Young Vietnam Limited.

⁽⁴⁾ This subsidiary is dormant from the date of incorporation.

11. Investments in an associated company

	Group		Company	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Unquoted shares, at cost	955	608	955	608
Share of post-acquisition reserves	439	500	–	–
Others	(26)	(26)	(26)	(26)
	1,368	1,082	929	582

There was no allowance for impairment as at 31 December 2019 and 31 December 2018.

Dividend of \$33,000 (2018: \$257,000) was received from an associate during the current financial year.

Notes to the Financial Statements
For the financial year ended 31 December 2019

11. Investments in associated company (cont'd)

(a) Details of the associated company as at the following dates are:

Associated company held by the Company

Name of company (Country of incorporation)	Principal activities (Place of business)	Company Cost		Percentage of equity held	
		2019 \$'000	2018 \$'000	2019 %	2018 %
Santec Corporation Pte Ltd ⁽¹⁾ (Singapore)	Precision engineering, stamping and tool and die making (People's Republic of China)	955	608	25.7	25.7

⁽¹⁾ Audited by Diong T.P. & Co.

(b) The summarised financial information of Santec Corporation Pte Ltd based on its SFRS(I) financial statements and a reconciliation with the carrying amount of the investment in the consolidated financial statements is as follows:

	2019 \$'000	2018 \$'000
Summarised balance sheet		
Current assets	4,400	4,394
Non-current assets	2,847	869
Total assets	7,247	5,263
Current and total liabilities	(1,809)	(742)
Net assets	5,438	4,521
Proportion of the Group's ownership	25.7%	25.7%
Group's share of net assets	1,398	1,162
Other adjustments*	(30)	(80)
Carrying amount of the investment	1,368	1,082
Summarised statement of comprehensive income		
Revenue	4,544	5,955
(Loss)/profit after tax	(158)	104

*Other adjustments significantly relate to foreign currency translation reserve.

12. Inventories

	Group		Company	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Balance sheets:				
Raw materials	22,139	27,256	20,982	25,763
Work-in-progress	1,695	2,044	1,695	2,044
Finished products	2,834	4,485	2,834	4,485
Total inventories at lower of cost and net realisable value	26,668	33,785	25,511	32,292

Notes to the Financial Statements
For the financial year ended 31 December 2019

12. Inventories (cont'd)

	Group and Company	
	2019	2018
	\$'000	\$'000
Statement of comprehensive income:		
Inventories recognised as an expense in cost of sales	105,838	107,810
Reversal of write-down of inventories	–	(342)

The reversal of write-down of inventories was made when the related inventories were subsequently utilized in the production or sold above their carrying value.

13. Trade receivables

Trade receivables are non-interest bearing and majority on 30 to 60 days' terms. They are recognised at their original invoice amounts which represent their fair values on initial recognition. These receivables are not secured.

Approximately 97% (2018: 97%) of the trade receivables are denominated in United States Dollar.

Expected credit losses

The movement in allowance for expected credit losses of the Group's trade receivables computed based on lifetime ECL are as follows:

	2019	2018
	\$'000	\$'000
At 1 January	55	–
Charge for the year	–	55
At 31 December	55	55

14. Other current assets

	Group		Company	
	2019	2018	2019	2018
	\$'000	\$'000	\$'000	\$'000
Deposits	233	227	125	120
Fair value of forward contracts (Note 26(a))	125	82	125	82
	358	309	250	202

15. Amounts due from/to subsidiary companies

(a) Amounts due from a subsidiary company

The amounts due from a subsidiary company are non-trade in nature, unsecured, interest-free and repayable in one year.

(b) Amounts due to subsidiary companies

The trade balances due to subsidiary companies are unsecured, interest-free and repayable on demand.

Notes to the Financial Statements
For the financial year ended 31 December 2019

16. Cash and cash equivalents

Cash and cash equivalents comprise of cash at banks and on hand.

Cash at banks earn certain minimum interest at banks' deposit rates.

Included in cash and cash equivalents are the following amounts denominated in foreign currencies:

	Group		Company	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
United States Dollars	4,651	2,014	4,547	1,906
Euro	40	37	40	37
Rupiah	541	128	-	-

17. Trade payables and accruals

	Group		Company	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Trade payables	12,960	14,058	12,401	13,525
Accruals for operating expenses	5,096	5,156	4,417	4,396
	18,056	19,214	16,818	17,921

Trade payables are non-interest bearing and are normally settled on 30 days terms.

Included in trade payables are the following amounts denominated in foreign currencies:

	Group		Company	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
United States Dollars	6,048	6,277	6,048	6,277
Euro	63	92	63	92
Sterling Pound	162	117	162	117
Rupiah	254	187	-	-

18. Bank borrowings

The bank loans are unsecured and bear interest at about 2.16% to 2.45% (2018: 2.17% to 2.23%) per annum, which approximates the effective interest rates. These loans are repayable within the next 12 months.

A reconciliation of liability arising from financing activity is as follows:

	Group and Company			
	31.12.2018 \$'000	Cash flow \$'000	Decrease in accrued interest \$'000	31.12.2019 \$'000
Bank borrowings	7,519	(1,500)	(10)	6,009

	Group and Company			
	31.12.2017 \$'000	Cash flow \$'000	Decrease in accrued interest \$'000	31.12.2018 \$'000
Bank borrowings	2,001	5,500	18	7,519

Notes to the Financial Statements
For the financial year ended 31 December 2019

19. Right-of-use assets and lease liabilities

As a lessee

The Group has lease agreements with for the land and building space. On the adoption of SFRS(I) 16, the Group choose to measure the right-of-use assets at an amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position as at 1 January 2019. The right-of-use assets and lease liabilities represent the net present value of lease payments from 1 January 2019 up to the end of the lease term, inclusive of lease extension, using the relevant incremental borrowing rates ("IBRs").

The Group has lease contracts for leasehold land and building. There are several lease contracts that include extension and termination options and variable lease payments, which are further discussed below.

(a) Carrying amounts of right-of-use assets

	Group and Company		
	Land \$'000	Building \$'000	Total \$'000
At 1 January 2019	2,789	1,426	4,215
Depreciation expense of right-of-use assets	(81)	(411)	(492)
As at 31 December 2019	2,708	1,015	3,723

(b) Lease liabilities

	2019 \$'000
At 1 January	(4,215)
Accretion of interest	(114)
Payments	556
As at 31 December	(3,773)
Current	(373)
Non-current	(3,400)

The maturity analysis of lease liabilities is disclosed in Note 24(a).

(c) Amounts recognized in profit and loss

	2019 \$'000
Depreciation expense of right-of-use assets	(492)
Interest expense on lease liabilities	(114)
Total amount recognised in profit or loss	(606)

(d) Total cash outflow

The Group had total cash outflows for leases of \$556,000 in 2019.

(e) Extension options

The Group has several lease contracts that include extension options. These options are negotiated by management to provide flexibility in managing the leased-asset portfolio and align with the Company's business needs. Management exercises significant judgement in determining whether these extension options are reasonably certain to be exercised (see Note 3.2 (c)).

Notes to the Financial Statements
For the financial year ended 31 December 2019

20. Defined benefit obligations

Changes in present value of the defined benefit obligations are as follow:

	2019	2018
	\$'000	\$'000
At 1 January	645	423
Interest cost	65	41
Current service cost	53	39
Actuarial gains and losses arising from experience adjustments	(46)	82
Actuarial gains and losses arising from changes in financial assumptions	132	(99)
Exchange differences	72	(65)
Other adjustment	28	224
At 31 December	949	645

The cost of defined benefit pension plan and the present value of the pension obligation are determined using actuarial valuations. The actuarial valuation involves making various assumptions. The principal assumptions used in determining pension and post-employment medical benefit obligations for the defined benefit plans are shown below:

	2019	2018
	%	%
Discount rate	7.02	9.08
Salary increment rate	5.00	5.00
Mortality rate	*TMI - 2011	*TMI - 2011
Disability rate	1% of *TMI - 2011	1% of *TMI - 2011
Resignation rate	0% to 25%	0% to 25%
Actuarial costing method	Projected unit credit	
Normal retirement age	57 years old	56 years old

*Tabel Mortalita Indonesia 2011 (TMI - 2011) issued by Indonesia Life Insurance Association (AAJI) serves as a reference for mortality rates in Indonesia.

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the defined benefit obligations as of the end of the reporting period, assuming if all other assumptions were held constant:

	Increase / decrease	Present value of the defined benefit obligations \$'000
Discount rate	+ 1%	1,004
	- 1%	848
Salary increment rate	+ 1%	846
	- 1%	1,004

The average duration of the defined benefit obligations at the end of the reporting period is 20 years (2018: 20 years).

Notes to the Financial Statements
For the financial year ended 31 December 2019

21. Share capital and treasury shares

	Group and Company	
	2019	2018
	\$'000	\$'000
(a) Share capital		
Issued and fully paid:		
Balance at beginning and end of financial year		
86,698,463 (2018: 86,698,463) ordinary shares	23,897	23,897
<hr/>		
(b) Treasury shares		
Balance at beginning and end of financial year		
1,235,750 (2018: 1,235,750) ordinary shares	837	837
<hr/>		

The holders of ordinary shares (except treasury shares) are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restriction. The ordinary shares have no par value.

Treasury shares relate to ordinary shares of the Company that is held by the Company. There were no shares acquired by the Company during the 2019 and 2018 financial years.

22. Dividends

	Group and Company	
	2019	2018
	\$'000	\$'000
(a) Dividends declared and paid during financial year		
Interim dividends:		
- Exempt (one-tier) for 2019: 1.040 cents (2018: 1.040 cents) per share	902	902
Special dividends:		
- Exempt (one-tier) for 2019: 3.140 cents (2018: 3.000 cents) per share	2,723	2,601
Final dividends:		
- Exempt (one-tier) for 2018: 0.400 cents (2017: 0.400 cents) per share	346	346
Special dividends:		
- Exempt (one-tier) for 2018: 3.980 cents (2017: 3.000 cents) per share	3,451	2,601
	<hr/>	<hr/>
	7,422	6,450
<hr/>		

Notes to the Financial Statements
For the financial year ended 31 December 2019

22. Dividends (cont'd)

	Group and Company	
	2019	2018
	\$'000	\$'000
(b) Proposed but not recognised as a liability as at 31 December		
Dividends on ordinary shares, subject to shareholders' approval at AGM:		
- Final exempt (one-tier) dividend for 2019: 0.400 cents (2018: 0.400 cents) per share	346	346
- Special exempt (one-tier) dividend for 2019: 3.980 cents (2018: 3.980 cents) per share	3,451	3,451
	3,797	3,797

23. Related party transactions

(a) Sales and purchase of goods and services

In addition to the related party information disclosed elsewhere in the financial statements, there are no other significant transactions between the Group and related parties who are not members of the Group during the financial year.

(b) Compensation of directors and other key management personnel

	Group	
	2019	2018
	\$'000	\$'000
Salaries, wages, bonuses and other costs	3,066	3,063
Central Provident Fund	105	119
Total	3,171	3,182
<i>Comprise amounts paid to:</i>		
Directors of the Company	1,289	1,284
Other key management personnel	1,882	1,898
Total	3,171	3,182

The remuneration of key management personnel is determined by the remuneration committee having regard to the performance of individuals and market trends.

The table below shows the ranges of gross remuneration of the directors of the Company:

	2019	2018
Number of directors of the Group in remuneration bands:		
\$500,000 to \$749,999	1	2
\$250,000 to \$499,999	1	-
Below \$250,000	4	4
Total	6	6

The table below shows the ranges of gross remuneration of the top 5 executives (excluding directors) of the Company:

	2019	2018
Number of executives of the Group in remuneration bands:		
\$250,000 to \$499,999	4	4
Below \$250,000	1	1
Total	5	5

Notes to the Financial Statements
For the financial year ended 31 December 2019

24. Financial risk management objectives and policies

The Group and Company are exposed to financial risks arising from its operations and the use of financial instruments. The key financial risks include liquidity risk, interest rate risk, credit risk and foreign currency risk.

The Board of Directors reviews and agrees policies and procedures for the management of these risks, which are executed by the Chief Executive Officer and Chief Financial Officer. The Audit Committee provides independent oversight to the effectiveness of the risk management process. It is, and has been throughout the financial years under review, that no derivatives shall be undertaken except for the use as hedging instruments where appropriate and cost-efficient. The Group does not apply hedge accounting.

The following provide details regarding the Group's exposure to the above-mentioned financial risks and the objectives, policies and processes for the management of these risks.

There has been no change to the Group's exposure to these financial risks on the manner in which it manages and measures the risks.

(a) Liquidity risk

Liquidity risk is the risk that the Group or the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's and the Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Group's and the Company's objective is to maintain a balance between continuity of funding and flexibility through the use of stand-by credit facilities.

The Group's and the Company's liquidity risk management policy is to match the maturities of financial assets and liabilities and to maintain sufficient liquid financial assets and stand-by credit facilities.

All the Group's and the Company's financial assets and liabilities at the balance sheet date based on contractual undiscounted cash flows and have maturity profile as follows:

Group	Carrying amount \$'000	Contractual cash flows \$'000	2019		
			One year or less \$'000	One to five years \$'000	More than five years \$'000
Financial assets:					
Trade receivables	26,172	26,172	26,172	–	–
Deposits under other current assets	233	233	233	–	–
Cash and cash equivalents	8,165	8,165	8,165	–	–
Total undiscounted financial assets	34,570	34,570	34,570	–	–
Financial liabilities:					
Trade payables and accruals	18,056	18,056	18,056	–	–
Bank borrowings	6,009	6,030	6,030	–	–
Lease liabilities	3,773	5,469	477	1,379	3,613
Total undiscounted financial liabilities	27,838	29,555	24,563	1,379	3,613
Total net undiscounted financial assets/(liabilities)	6,732	5,015	10,007	(1,379)	(3,613)
2018					
Financial assets:					
Trade receivables	26,977	26,977	26,977	–	–
Deposits under other current assets	227	227	227	–	–
Cash and cash equivalents	3,355	3,355	3,355	–	–
Total undiscounted financial assets	30,559	30,559	30,559	–	–
Financial liabilities:					
Trade payables and accruals	19,214	19,214	19,214	–	–
Bank borrowings	7,519	7,542	7,542	–	–
Total undiscounted financial liabilities	26,733	26,756	26,756	–	–
Total net undiscounted financial assets	3,826	3,803	3,803	–	–

Notes to the Financial Statements
For the financial year ended 31 December 2019

24. Financial risk management objectives and policies (cont'd)

(a) Liquidity risk (cont'd)

Company	Carrying amount \$'000	Contractual cash flows \$'000	2019		
			One year or less \$'000	One to five years \$'000	More than five years \$'000
Financial assets:					
Trade receivables	25,452	25,452	25,452	–	–
Deposits under other current assets	125	125	125	–	–
Cash and cash equivalents	5,798	5,798	5,798	–	–
Total undiscounted financial assets	31,375	31,375	31,375	–	–
Financial liabilities:					
Trade payables and accruals	16,818	16,818	16,818	–	–
Bank borrowings	6,009	6,030	6,030	–	–
Lease liabilities	3,773	5,469	477	1,379	3,613
Total undiscounted financial liabilities	26,600	28,317	23,325	1,379	3,613
Total net undiscounted financial assets/(liabilities)	4,775	3,058	8,050	(1,379)	(3,613)
2018					
Financial assets:					
Trade receivables	26,537	26,537	26,537	–	–
Deposits under other current assets	120	120	120	–	–
Cash and cash equivalents	3,105	3,105	3,105	–	–
Total undiscounted financial assets	29,762	29,762	29,762	–	–
Financial liabilities:					
Trade payables and accruals	17,921	17,921	17,921	–	–
Bank borrowings	7,519	7,542	7,542	–	–
Total undiscounted financial liabilities	25,440	25,463	25,463	–	–
Total net undiscounted financial assets	4,322	4,299	4,299	–	–

(b) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's and Company's financial instruments will fluctuate because of changes in market interest rates. The Group's and the Company's exposure to interest rate risk arises primarily from their bank borrowings.

The Group's policy is to manage interest cost by using fixed rate debt arrangements. Information regarding the interest rates of the Group's bank borrowings are in Note 18.

Sensitivity analysis for interest rate risk

At 31 December 2019, if interest rates had been 75 (2018: 75) basis points lower/higher with all other variables held constant, the Group's net profit would be approximately \$45,000 (2018: \$56,000) higher/lower, arising from lower/higher interest expense on bank borrowings.

(c) Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's and Company's exposure to credit risk arises primarily from trade and other current assets. For other financial assets (including cash and cash equivalents), the Group and the Company minimise credit risk by dealing exclusively with high credit rating counterparties.

Notes to the Financial Statements
For the financial year ended 31 December 2019

24. Financial risk management objectives and policies (cont'd)

(c) Credit risk (cont'd)

The Group's objective is to seek continual revenue growth while minimising losses incurred due to increased credit risk exposure. The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period.

The Group has determined the default event on a financial asset to be when the counterparty fails to make contractual payments, within 90 days when they fall due, which are derived based on the Group's historical information.

The Group considers available reasonable and supportive forwarding-looking information which includes the following indicators:

- Internal credit rating
- External credit rating
- Actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the debtor's ability to meet its obligations
- Actual or expected significant changes in the operating results of the debtor
- Significant changes in the expected performance and behaviour of the debtor, including changes in the payment status of debtors in the group and changes in the operating results of the debtor.

Regardless of the analysis above, a significant increase in credit risk is presumed if a debtor is more than 60 days past due in making contractual payment.

The Group determined that its financial assets are credit-impaired when:

- There is significant difficulty of the debtor
- A breach of contract, such as a default or past due event
- It is becoming probable that the debtor will enter bankruptcy or other financial reorganisation

Financial assets are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the Group. Where loans and receivables have been written off, the company continues to engage enforcement activity to attempt to recover the receivable due. Where recoveries are made, these are recognised in profit or loss. The Group has no history of bad debt.

Trade receivables

The Group provides for lifetime expected credit losses for all trade receivables based on the default rates assigned per credit standing of the customers which derives from the forward-looking information as mentioned above. The Group has no history of bad debt.

Summarised below is the information about the credit risk exposure on the Group's trade receivables:

	Current	1 to 30	31 to 60	61 to 90	Total
	\$'000	days past due \$'000	days past due \$'000	days past due \$'000	\$'000
31.12.2019					
Gross carrying amount	20,451	4,712	1,009	–	26,172
Loss allowance provision	43.1	9.7	2.2	–	55.0
31.12.2018					
Gross carrying amount	19,848	5,783	1,288	58	26,977
Loss allowance provision	40.3	12.0	2.6	0.1	55.0

Information regarding loss allowance movement of trade receivables are disclosed in Note 13.

During the financial year, there were no trade receivables written off as the Group expects to collect all trade receivables.

Notes to the Financial Statements
For the financial year ended 31 December 2019

24. Financial risk management objectives and policies (cont'd)

(c) Credit risk (cont'd)

Exposure to credit risk

At the end of the reporting period, the Group's and the Company's maximum exposure to credit risk is represented by the carrying amount of each class of financial assets recognised in the balance sheets, including derivatives with positive fair values.

The Group provides for lifetime expected credit losses for all trade receivables using the default rates assigned per credit standing of the customers. The provision rates are determined based on the Group's historical observed default rates and considered the financial condition, payment pattern, overall business and industry outlook of the customers.

Information regarding credit enhancements for trade and other current assets is disclosed in Note 13.

Credit risk concentration profile

The Group determines concentration of credit risk by monitoring the country profile of its trade receivables on an on-going basis.

The credit risk concentration profile of the Group's trade receivables at the end of the reporting period is as follows:

	2019		2018	
	\$'000	%	\$'000	%
By Country:				
United States	4,048	16	5,603	21
Europe	7,700	29	7,870	29
Asia Pacific	14,424	55	13,504	50
	26,172	100	26,977	100

As at 31 December 2019, 29% (2018: 28%) of the Group's trade receivables are due from 2 (2018: 2) major customers who have operations in the United States, Europe and Asia Pacific. There is no significant credit risk as these companies are of good credit standing and have no history of payment defaults.

(d) Foreign currency exchange risk

The Group has transactional currency exposures arising from sales or purchases that are denominated in United States Dollar.

Approximately 94% (2018: 95%) of the Group's sales for the financial year ended 31 December 2019 is denominated in United States Dollars whilst approximately 87% (2018: 87%) of purchases for the financial year ended 31 December 2019 is denominated in foreign currencies. The Group's foreign currency denominated trade receivables, trade payables and accruals, and bank borrowings at the respective balance sheet dates are disclosed in Notes 13, 17 and 18 respectively.

The Group and the Company also hold cash and cash equivalents denominated in foreign currencies for working capital purposes. These balances at the respective balance sheet dates are disclosed in Note 16.

Based on confirmed customers' orders and revenue forecast, the Group's main operating entity uses forward currency contracts to hedge the net currency exposures. The forward currency contracts must be in the same currency as the hedged item. The Group negotiates the terms of the hedge derivatives to match the terms of the hedged item to maximise hedge effectiveness.

Notes to the Financial Statements
For the financial year ended 31 December 2019

24. Financial risk management objectives and policies (cont'd)

(d) Foreign currency exchange risk (cont'd)

At 31 December 2019, the Group had hedged 5.9% (2018: 7.4%) of its foreign currency denominated sales, for which firm commitments existed at the balance sheet date. The table below summarises the open forward foreign currency contracts as at the respective balance sheet dates.

	2019		2018	
	Contractual notional amount \$'000	Estimated fair value (Note 14) \$'000	Contractual notional amount \$'000	Estimated fair value (Note 14) \$'000
Foreign exchange forward contracts to deliver United States dollars and receive Singapore dollars	7,664	125	9,892	82

The maturity date of the foreign exchange forward contracts ranged from 1 to 6 months.

The Group does not apply hedge accounting for such foreign currency denominated sales and purchases.

Sensitivity analysis for foreign currency exchange risk

The following table demonstrates the sensitivity to a reasonably possible change in the United States Dollar ("USD"), with all other variables held constant, of the Group's net profit and equity.

	2019 \$'000	2018 \$'000
USD		
- strengthened by 5%	1,257	1,128
- weakened by 5%	(1,257)	(1,128)

25. Capital management

Capital includes net tangible assets. The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 December 2019 and 2018.

The Group has complied with externally imposed capital requirements and loan covenants to which it was subjected to.

The Group monitors capital using the net tangible asset value and current ratio of the Group. The Group's policy is to keep the net tangible asset value at not less than \$15 million, and to maintain a current ratio of more than 1.0. The net tangible assets values and current ratios of the Group as at 31 December are as follows:

	Group	
	2019 \$'000	2018 \$'000
Net tangible assets	38,398	38,691
Current ratio	2.26	2.07

Notes to the Financial Statements
For the financial year ended 31 December 2019

26. Fair value of financial instruments

Fair value is defined as the amount at which the instrument could be exchanged in a current transaction between knowledgeable willing parties in an arm's length transaction, other than in a forced or liquidation sale. Fair values are obtained from quoted market prices, discounted cash flow models and option pricing models as appropriate.

(a) Fair value of financial instruments that are carried at fair value

The following table shows an analysis of financial instruments carried at fair value by level of fair value hierarchy:

	Group 2019			Total \$'000
	Quoted price in active markets (Level 1) \$'000	Significant other observable inputs (Level 2) \$'000	Significant unobservable inputs (Level 3) \$'000	
Financial asset:				
Derivatives (Note 14)				
- Forward currency contracts	-	125	-	125

	Group 2018			Total \$'000
	Quoted price in active markets (Level 1) \$'000	Significant other observable inputs (Level 2) \$'000	Significant unobservable inputs (Level 3) \$'000	
Financial liability:				
Derivatives (Note 14)				
- Forward currency contracts	-	82	-	82

Notes to the Financial Statements
For the financial year ended 31 December 2019

26. Fair value of financial instruments (cont'd)

(a) Fair value of financial instruments that are carried at fair value (cont'd)

Fair value hierarchy

The Group categorises fair value measurement using a fair value hierarchy that is dependent on the valuation inputs used as follows:

- Level 1 - Quoted prices (unadjusted) in active market for identical assets or liabilities that the Group can access at the measurement date,
- Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices) and
- Level 3 - Unobservable inputs for the asset or liability.

Fair value measurements that use inputs of different hierarchy levels are categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

Determination of fair value

Fair value is determined directly by reference to their published market bid price at balance sheet date.

(b) Fair value of financial instruments that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value

Cash and cash equivalents, amount due to a subsidiary company (current), trade and other current assets, Amounts due from subsidiary companies and other payables and bank borrowings (current)

The carrying amounts approximate fair values due to the relatively short-term maturity of these instruments.

27. Segment information

For management purposes, the Group is monitored by geographical segments. Management reviews regularly the segment results in order to assess the segment performance and is a distinguishable component of the Group that is engaged in providing goods or services within a particular economic environment and that is subject to risks and returns that are different from those of components operating in other economic environment.

The Group's geographical segments are based on the origin of customers' purchase orders. The following table presents revenue and expenditure information regarding geographical segments for the years ended 31 December 2019 and 2018 and certain asset and liability information regarding geographical segments at 31 December 2019 and 2018.

Notes to the Financial Statements
For the financial year ended 31 December 2019

27. Segment information (cont'd)

	Asia-Pacific		USA		Europe		Consolidated	
	2019	2018	2019	2018	2019	2018	2019	2018
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Segment turnover								
Sales	67,494	64,025	24,642	25,210	46,611	51,095	138,747	140,330
Cost of sales	(49,617)	(48,174)	(19,208)	(19,263)	(37,013)	(40,373)	(105,838)	(107,810)
Segment result	17,877	15,851	5,434	5,947	9,598	10,722	32,909	32,520
Interest income	-	-	-	-	-	-	3	1
Depreciation of property, plant and equipment	-	-	-	-	-	-	(1,452)	(1,839)
Depreciation of rights of use assets	-	-	-	-	-	-	(492)	-
Finance costs - interest on bank borrowings	-	-	-	-	-	-	(166)	(103)
Finance costs - interest on lease liabilities	-	-	-	-	-	-	(114)	-
Fair value gain on financial instruments	-	-	-	-	-	-	43	59
Unallocated expenses	-	-	-	-	-	-	(22,622)	(21,534)
Share of results of associated company	-	-	-	-	-	-	(28)	-
Profit before taxation							8,081	9,104
Taxation							(916)	(1,659)
Net profit for the year							7,165	7,445

Information about major customers

There are two major customers that each contributed more than 10% of the Group's Revenue:

- (1) Revenue amounts to \$24,036,000 (2018: \$22,683,000) arising from sales in Asia Pacific, USA and Europe.
- (2) Revenue amounts to \$18,619,000 (2018: \$17,786,000) arising from sales in Asia Pacific, USA and Europe.

	Asia-Pacific		USA		Europe		Consolidated	
	2019	2018	2019	2018	2019	2018	2019	2018
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<i>Other geographical information</i>								
Trade receivables and inventories	28,081	29,851	8,640	11,416	16,119	19,495	52,840	60,762
Interests in associated company	1,368	1,082	-	-	-	-	1,368	1,082
Unallocated assets *	-	-	-	-	-	-	16,940	9,445
Total assets							71,148	71,289
Unallocated and total liabilities							31,687	31,535

* Capital expenditures of approximately \$463,000 (2018: \$293,000) and depreciation charge of approximately \$1,452,000 (2018: \$1,839,000) relate to that of the unallocated assets.

Notes to the Financial Statements
For the financial year ended 31 December 2019

27. Segment information (cont'd)

The Group's assets are based mainly in Singapore, Indonesia, and Vietnam where the Group operates:

The following table presents the asset information regarding geographical segments at 31 December 2019 and 2018.

	Singapore		Indonesia		Vietnam		Consolidated	
	2019	2018	2019	2018	2019	2018	2019	2018
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Segment assets	62,409	64,482	3,389	1,667	2,919	2,995	68,717	69,144
Goodwill	1,063	1,063	–	–	–	–	1,063	1,063
Interests in associated company	1,368	1,082	–	–	–	–	1,368	1,082
Total assets	64,840	66,627	3,389	1,667	2,919	2,995	71,148	71,289
Capital expenditure	91	244	145	12	227	37	463	293

28. Financial assets and liabilities measured at amortised cost

(a) Financial assets

	Group		Company	
	2019	2018	2019	2018
	\$'000	\$'000	\$'000	\$'000
Trade receivables	26,172	26,977	25,452	26,537
Deposits under other current assets	233	227	125	120
Amounts due from a subsidiary company (Note 15)	–	–	556	1,378
Cash and cash equivalents (Note 16)	8,165	3,355	5,798	3,105
	34,570	30,559	31,931	31,140

(b) Financial liabilities

	Group		Company	
	2019	2018	2019	2018
	\$'000	\$'000	\$'000	\$'000
Trade payables and accruals (Note 17)	18,056	19,214	16,818	17,921
Amounts due to subsidiary companies (Note 15)	–	–	3,804	4,813
Bank borrowings (Note 18)	6,009	7,519	6,009	7,519
	24,065	26,733	26,631	30,253

29. Authorisation of financial statements for issue

The financial statements for the year ended 31 December 2019 were authorised for issue in accordance with a resolution of the directors on 18 March 2020.