

DISPOSAL OF A SUBSIDIARY, PORTWELL INVESTMENTS LIMITED

Unless otherwise defined, all capitalised terms used in this announcement shall bear the same meanings as in the Company's announcements dated 25 May 2015, 2 June 2015 and 14 June 2015.

Further to response 5(a) of the Company's announcement dated 2 June 2015, the Company has since consulted with the SGX-ST, and based on the Company's representations and submission, the Board wishes to announce that the SGX-ST is prepared to grant the Company a waiver for seeking shareholders' approval for the Disposal (the "**Waiver**"), subject to the following conditions:

- (a) An announcement of the Waiver, the reasons for seeking the Waiver and the conditions be made on SGXNET pursuant to Rule 107 of the SGX-ST Listing Manual;
- (b) Disclosure via SGXNET of the Board's unanimous views that the Disposal for S\$1 is justified and in the best interests of shareholders;
- (c) An independent valuation for Portwell be carried out by a reputable valuer which must justify the S\$1 consideration for the Disposal; and
- (d) The details of the valuation be announced on SGXNET.

REASONS FOR SEEKING THE WAIVER

The Company had applied for the Waiver on the following grounds:

- (a) Both Company and Portwell are loss-making

In accordance with Chapter 10 of the SGX-ST Listing Manual, and based on the computation under Rule 1006(b), the percentage calculated under Rule 1006(b) is 33.6% based on the loss incurred by each of the Company and Portwell for the period ended 31 March 2015 ("**1Q2015**"). Portwell had recorded a net loss before tax of S\$507,502 for 1Q2015, while the Group incurred a net loss before tax of S\$1,508,852 for 1Q2015.

- (b) The Disposal benefits the Group by improving its financial position

As stated in paragraph 1(b)(i) of the Group's results announcement for 1Q2015, the Group (prior to the Disposal) had a total borrowings and liabilities of S\$47.56 million, and was in net asset position of S\$5.2 million as at 1Q2015. After the Disposal, the Group would be able to reduce its total borrowings and liabilities to S\$24.6 million, after eliminating the total liabilities of Portwell of S\$32.0 million (currently classified as liabilities held for sale) and taking into account the amount of S\$9.1 million, being the amount of the economic rights of Chaswood Shares due to Portwell by the Group which will eventually become a third party liability after the Disposal. At the same time, the Disposal will enable the Group to increase its net asset position from S\$5.2 million to S\$5.8 million. This has overall improved the financial position of the Company.

- (c) The Disposal benefits the Group by improving its liquidity

The Disposal (when completed) will allow the Company to reduce a significant portion of its interest-bearing loans due and owing to its creditors by Portwell, and the total amount of such interest-bearing loans is almost equivalent to the value of the long term assets recorded in Portwell's balance sheet. The Disposal will free up the cash flow of the Group which would

have been used for servicing the interest payment and principal repayment. In addition, though the cash flow from the Disposal is insignificant, the liquidity of the Group would be improved.

(d) The Disposal benefits the Group by reducing its level of debts and liabilities

The Disposal (when completed) will reduce the short and long term debts and liabilities of the Group by an aggregate of approximately S\$30 million. Other than freeing up the Group's cash resources from the need to service interest payments, the Group also does not have to utilize its cash resources to repay the principal of the loans and other liabilities when due. Notwithstanding the Disposal, the Group continues to retain ownership in 100% of the Chaswood Shares and will enjoy the benefits such as dividends payout, if any, from Chaswood, and other rights of ownership in shares (including voting rights) and continue to exercise control over the shares held in Chaswood, so that the Company will be able to maximise the potential selling price as a whole. In addition, the Group will continue to benefit during the future sale of Chaswood Shares as the Disposal only involves 58.93% of the economic rights and entitlement to the future proceeds to be derived from the sale of Chaswood Shares in future. As the effective interest in Chaswood held by the Group remains unchanged at 44.62%, the Group will continue to equity account the share of profits and loss of Chaswood as an associated company.

(e) The Disposal does not result in a material change in the remaining operations of the Group

Note 3.3.1 of Practice Note 10.1 of the SGX-ST Listing Manual provides that the disposal of an issuer's core business (or a substantial part of its core business) will usually result in a material change to the nature of the issuer's business. Thus, shareholders should have an opportunity to consider the future direction of the issuer and Rule 1014 will be applied. Note 3.3.3 of Practice Note 10.1 of the SGX-ST Listing Manual, however, provides that where an issuer proposes to dispose of a non-core business or a non-core asset without affecting the nature of its main business, it is reasonable in normal circumstances to expect shareholders not to be overly concerned about the disposal. In this regard, the Disposal, though involving a significant subsidiary of the Group, will not affect nor result in a material change in the remaining business activities or operations of the Group due to the following reasons:

- (i) Currently, the Group has two main business segments, namely (a) Consumer Sales (formerly known as Media Sales); and (b) Investment Management. The assets of Portwell were investments made by the Group under the "Investment Management" segment. Other than Portwell, there are other investments and assets held by the Group under the "Investment Management" segment.
- (ii) There will be no change to the business activities of the Group nor the organisation of the Group's main business segments, including the activities organised under the "Investment Management" segment before and after the sale of the Portwell. The sale of Portwell also does not affect the remaining business or operations of the Group as the assets of Portwell were always investments intended for sale.
- (iii) The Group intends to continue to maintain its business activities under the "Investment Management" segment after the sale of Portwell. The objective of the Disposal is to enable the Group to procure liquidity for its long term assets and at the same time reduce both its short and long term debt and liabilities. This will enable the Group to improve its financial position, thereby helping it to attract new investors and raise new funds in the future, which is essential to enable the Group to fund its potential new investments and acquisitions.
- (iv) The sale of the Portwell involves the disposal of certain of the Group's assets which were available for sale, and it does not involve the sale of any line of business or operations nor the transfer of any employees of the Group (other than the Investment Director who is proposing the management buyout of Portwell). The Group continues to retain its key employees who are involved in deal origination, investment sourcing and investment decision-making, thus maintaining its investment capabilities in order

to continue its future investment activities under its "Investment Management" segment.

(f) Imposing an EGM requirement will add burden to the Company

If shareholders' approval is required for the Disposal, this will add financial burden to the Group and tax its resources (both time and cash). The cost of organizing an extraordinary general meeting ("**EGM**") is estimated to be in excess of S\$70,000. Being loss-making, the Group has been trying to conserve its cash resources as it is difficult to raise funds through bank borrowings, just like any other loss-making company. Coupled with the Company's shares being placed as "designated stock" in October 2013, the Company has also found it difficult to raise new funds through the issue of equity. Both the Company and its shareholders have suffered. The Group continues to face challenges in 2015 as it seeks to restructure itself and is in the process to undertake streamlining exercise to lighten its balance sheet, simplify its business model and reposition itself to raise new capital. At the same time, the Group also continues to identify viable new business while continuing to grow its current consumer media business.

BOARD'S VIEW FOR THE DISPOSAL

The Board is unanimous in its view that the Disposal for S\$1 is justified and in the best interests of shareholders.

INDEPENDENT VALUATION FOR PORTWELL AND DETAILS OF THE VALUATION

The Company had commissioned BDO Advisory Pte Ltd ("**BDO**") to carry out an independent valuation of Portwell. In a valuation report dated 24 August 2015 issued by BDO (the "**Valuation Report**"), BDO has indicated that the fair value of Portwell as at 31 December 2014 is NIL, on the basis of a net liability position of Portwell.

The assets of Portwell comprise: (i) 58.93% of certain economic rights and entitlement to the future proceeds to be derived from the sale and disposal of the Chaswood Shares; and (ii) AIL's fund subscription in Dragonrider Fund. Market approach was used to value Portwell's assets. The fair value of Portwell's economic rights of the Chaswood Shares is estimated to be between S\$9.3 million to S\$10.6 million while the fair value of AIL's fund subscription in Dragonrider Fund is estimated to be in the range of S\$13.4 million to S\$14.3 million.

Asset-based approach was used to value Portwell. Under the asset-based approach, the value of Portwell was derived by subtracting the value of Portwell's liabilities from the value of the Portwell's assets. After taking into account the adjustment for the deferred tax asset in relation to the revaluation deficit of investment in Dragonrider Fund and the revaluation surplus of the economic rights of the Chaswood Shares, the adjusted fair value of Portwell's net liabilities as at 31 December 2014 is in the range of negative S\$6.2 million to negative S\$4.4 million.

An extract of the Valuation Report is attached to this announcement for reference.

By Order of the Board

Datuk Jared Lim Chih Li
Managing Director
30 October 2015