

CIRCULAR DATED 2 SEPTEMBER 2016

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

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

If you have sold or transferred all your ordinary shares in the capital of Longcheer Holdings Limited (“**Company**”) held through the Central Depository (Pte) Limited (“**CDP**”), 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 the CDP, you should at once hand this Circular to the purchaser or transferee or to the bank, stockbroker or agent through whom you effected the sale, for onward transmission to the purchaser or transferee.

The Singapore Exchange Securities Trading Limited (“**SGX-ST**”) assumes no responsibility for the correctness of any of the statements made, reports contained or opinions expressed in this Circular.



LONGCHEER HOLDINGS LIMITED

(Company Registration No. 35673)
(Incorporated in Bermuda)

CIRCULAR TO SHAREHOLDERS

in relation to

- (1) **THE PROPOSED CHANGE IN THE NAME OF THE COMPANY TO “LCT HOLDINGS LIMITED”;**
- (2) **THE PROPOSED DISPOSAL OF 21.89% INTEREST IN MENTECH INVESTMENT LIMITED AS AN INTERESTED PERSON TRANSACTION; AND**
- (3) **THE PROPOSED SPECIAL DIVIDEND**

Financial Adviser to the Company in relation to the Proposed Disposal



CIMB BANK BERHAD (13491-P)

Singapore Branch
(Incorporated in Malaysia)

Independent Financial Adviser in relation to the Proposed Disposal



ERNST & YOUNG CORPORATE FINANCE PTE LTD

(Incorporated in the Republic of Singapore)
(Company Registration Number: 1997026967E)

IMPORTANT DATES AND TIMES:

Last date and time for lodgement of proxy form :	24 September 2016 at 10:30 a.m.
Date and time of Special General Meeting :	26 September 2016 at 10:30 a.m.
Place of Special General Meeting :	Courtyard 03, Oasia Hotel 8 Sinaran Drive Singapore 307470

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DEFINITIONS

In this Circular, except where the context otherwise requires, the following terms and expressions shall have the following meanings:-

Companies, Organisations and Agencies

“CDP”	:	The Central Depository (Pte) Limited
“Company”	:	Longcheer Holdings Limited
“Financial Adviser”	:	CIMB Bank Berhad, Singapore Branch, the financial adviser to the Company in respect of the Proposed Disposal
“Group”	:	The Company and its subsidiaries
“Independent Financial Adviser”: or “IFA”	:	Ernst & Young Corporate Finance Pte Ltd, the independent financial adviser to the Non-interested Directors and the Audit Committee in respect of the Proposed Disposal
“SLT”	:	Shanghai Longcheer Technology Co. Ltd. (上海龙旗科技股份有限公司)
“Purchaser”	:	Longcheer Telecommunication (H.K.) Limited, a wholly-owned subsidiary of SLT
“SGX-ST”	:	Singapore Exchange Securities Trading Limited
“Target Company”	:	Mentech Investment Limited
“Target Group Companies”	:	Target Company and its subsidiaries, as set out in Appendix A of this Circular
“Vendor”	:	Longcheer International Pte. Ltd.

General

“Agreed Exchange Rate”	:	The exchange rate of USD1 : RMB6.5826, being the average of the USD : RMB exchange rates over the last five (5) market days prior to the date of the Agreement
“Agreement”	:	The sale and purchase agreement in respect of the Proposed Disposal entered into between the Vendor and the Purchaser on 20 June 2016
“Audit Committee”	:	The audit committee of the Company as at the date of this Circular, comprising Independent Directors Mr. See Yen Tarn, Dr. Ow Chin Hock and Mr. David Hwang Soo Chin
“Bermuda Companies Act”	:	Companies Act 1981 of Bermuda
“Board”	:	The board of Directors of the Company
“Books Closure Date”	:	The date on which the transfer books and register of members of the Company will be closed in order to determine Shareholders’ entitlement to the Proposed Special Dividend

DEFINITIONS

“Bye-laws”	:	The bye-laws of the Company as amended, supplemented or modified from time to time
“Circular”	:	This circular dated 2 September 2016 issued by the Company
“Companies Act”	:	Companies Act (Chapter 50) of the laws of Singapore as amended or modified from time to time
“Completion”	:	The completion of the sale and purchase of the Sale Shares, scheduled to take place on the Completion Date
“Completion Date”	:	Has the meaning ascribed to it in section 3.3 of this Circular
“Consideration”	:	Has the meaning ascribed to it in section 3.3 of this Circular
“Controlling Shareholder”	:	A person who: (a) holds, directly or indirectly, 15% or more of the total number of issued shares excluding treasury shares in a company (provided that the SGX-ST may determine that a person who satisfies this definition is not a controlling shareholder); or (b) in fact exercises control over such a company
“Deposit”	:	Has the meaning ascribed to it in section 3.3 of this Circular
“DH”	:	Mr. Deng Hua
“Directors”	:	The directors of the Company as at the date of this Circular
“DJH”	:	Dr. Du Junhong
“EPS”	:	Earnings per Share
“Final Payment”	:	Has the meaning ascribed to it in section 3.3 of this Circular
“FY”	:	The financial year ended or ending 30 June, as the case may be
“IFA Letter”	:	The letter from the IFA to the Non-interested Directors and the Audit Committee dated 2 September 2016 containing the opinion and advice of the IFA to the Non-interested Directors and the Audit Committee in respect of the Proposed Disposal as an interested person transaction, a copy of which is set out in Appendix B of this Circular
“Latest Practicable Date”	:	The latest practicable date prior to the printing of this Circular, being 29 August 2016
“Listing Manual”	:	The listing manual of the SGX-ST and its relevant rule(s), as amended and modified from time to time
“Long-Stop Date”	:	The date, being 30 September 2016, or such other date as may be mutually agreed between the Vendor and the Purchaser

DEFINITIONS

“Memorandum of Association”	:	The memorandum of association of the Company as amended, supplemented or modified from time to time
“Non-interested Directors”	:	The Directors who are deemed to be independent for the purpose of making a recommendation to Shareholders in respect of the Proposed Disposal and the Proposed Special Dividends, being Dr. Ow Chin Hock, Mr. David Hwang Soo Chin, Mr. See Yen Tarn and Mr. Tao Qiang
“Notice of SGM”	:	The notice of SGM as set out on pages SGM-1 to SGM-2 of this Circular
“NTA”	:	Net tangible assets
“Ordinary Resolution”	:	An ordinary resolution as set out in the Notice of SGM
“Proposed Change of Name”	:	The proposed change of the name of the Company to “LCT Holdings Limited” and the proposed amendments to the Memorandum of Association of the Company and the Bye-laws to replace the name of the Company, wherever it appears in the Memorandum of Association and the Bye-laws, with the name “LCT Holdings Limited”
“Proposed Disposal”	:	Has the meaning ascribed to it in section 1.2 of this Circular
“Proposed Special Dividend”	:	Has the meaning ascribed to it in section 1.3 of this Circular
“Registrar”	:	The Registrar of Companies in Bermuda
“Sale Shares”	:	Has the meaning ascribed to it in section 3.1 of this Circular
“Securities and Futures Act”	:	Securities and Futures Act (Cap 289) of Singapore
“SGM”	:	The special general meeting of the Company to be held on 26 September 2016 at 10:30 a.m. at Courtyard 03, Oasia Hotel, 8 Sinaran Drive, Singapore 307470
“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
“Shareholder(s)”	:	The registered holder(s) of the Shares
“Share(s)”	:	Ordinary share(s) in the share capital of the Company
“Substantial Shareholder”	:	A person who has an interest or interests in one or more voting Shares in the Company and the total votes attached to that Share, or those Shares, is not less than 5% of the total votes attached to all the voting Shares of the Company

DEFINITIONS

Countries, Currencies, Units of Measurement and Others

“HKD”	:	Hong Kong Dollar, the lawful currency of Hong Kong
“PRC”	:	The People’s Republic of China, excluding Hong Kong, Macau and Taiwan, for the purpose of this Circular and for geographical reference only
“RMB”	:	Renminbi, the lawful currency of the PRC
“Rs”	:	Rupee, the lawful currency of the Republic of India
“USD”	:	US dollar, the lawful currency of the United States of America
“\$ or S\$ and cents”	:	Singapore dollar and cents, the lawful currency of the Republic of Singapore
“%”	:	Per centum or percentage

The terms **Depositor**, **Depository Agent** and **Depository Register** shall have the same meanings ascribed to them in Section 81SF of the Securities and Futures Act.

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

Any reference in this Circular to “**Rule**” or “**Chapter**” is a reference to the relevant rule or chapter in the Listing Manual as for the time being amended.

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

Any reference to any agreement or document shall include such agreement or document as amended, modified, varied, novated, supplemented or replaced from time to time.

Any reference to a time of day in this Circular shall be a reference to Singapore time, unless otherwise stated.

Any discrepancies in figures included in this Circular between the amounts listed 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 which precede them.

INDICATIVE TIMETABLE

Shareholders should note that the following indicative timetable is subject to the approval by the Shareholders for the Proposed Special Dividend, which is conditional upon the approval for the Proposed Disposal. If the Proposed Disposal is not approved by Shareholders, then the Proposed Special Dividend would not be carried. None of the Proposed Change of Name or the Proposed Disposal are inter-conditional upon the passing of one another. For the avoidance of doubt, in the event the Proposed Disposal is approved and the Proposed Special Dividend is not approved, the Proposed Disposal will nonetheless proceed.

The following are the indicative dates and times for the completion of the Proposed Disposal and the payment of the Proposed Special Dividend:

Last date and time for lodgment of proxy forms	:	24 September 2016 at 10:30 a.m.
Date and time of the SGM	:	26 September 2016 at 10:30 a.m.
Expected Completion Date	:	30 September 2016
Expected Books Closure Date for the Proposed Special Dividend	:	14 October 2016
Expected payment date for the Proposed Special Dividend	:	21 October 2016

The above timetable is indicative only and is based on the assumption that the Completion Date is 30 September 2016. The actual dates of the above events will be announced in due course by way of an announcement released on SGXNET.

As the payment of the Proposed Special Dividend is subject to the Completion, the Books Closure Date and payment date for the Proposed Special Dividend will be announced after the Completion Date.

All Proxy Forms must be duly completed and deposited at the offices of the Company's Singapore Share Transfer Agent, Boardroom Corporate & Advisory Services Pte. Ltd. at 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623 not less than forty-eight (48) hours before the time appointed for the SGM. Completion and return of a Proxy Form will not preclude a Shareholder from attending and voting at the SGM if he so wishes. Any appointment of a proxy or proxies shall be deemed to be revoked if a Shareholder attends the SGM in person and, in such event, the Company reserves the right to refuse to admit any person or persons appointed under the Proxy Form to the SGM.

LETTER TO SHAREHOLDERS

LONGCHEER HOLDINGS LIMITED

(Company Registration No. 35673)
(Incorporated in Bermuda)

Board of Directors:

Dr. Du Junhong (Executive Director and Chairman)
Mr. Deng Hua (Executive Director)
Mr. Tao Qiang (Non-Executive Director)
Mr. See Yen Tarn (Independent Director)
Dr. Ow Chin Hock (Independent Director)
Mr. David Hwang Soo Chin (Independent Director)

Registered Office:

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

2 September 2016

TO: THE SHAREHOLDERS OF LONGCHEER HOLDINGS LIMITED

Dear Shareholder

- (1) THE PROPOSED CHANGE IN THE NAME OF THE COMPANY TO “LCT HOLDINGS LIMITED”;
- (2) THE PROPOSED DISPOSAL OF 21.89% INTEREST IN MENTECH INVESTMENT LIMITED AS AN INTERESTED PERSON TRANSACTION; AND
- (3) THE PROPOSED SPECIAL DIVIDEND

1. INTRODUCTION

The Board is convening the SGM to seek the approval of Shareholders for the following:

- (i) the Proposed Change of Name;
- (ii) the Proposed Disposal; and
- (iii) the Proposed Special Dividend.

1.1. The Proposed Change of Name

The Company is proposing to change its name from “Longcheer Holdings Limited” to “LCT Holdings Limited”, and to make consequential amendments to its Memorandum of Association and the Bye-laws to replace the name “Longcheer Holdings Limited” wherever it appears in the Memorandum of Association and the Bye-laws, with the proposed new name of the Company “LCT Holdings Limited”.

Please refer to section 2 of this Circular for further details on the Proposed Change of Name.

1.2. The Proposed Disposal

On 20 June 2016, the Company announced on the SGXNET that, Longcheer International Pte. Ltd. (the “Vendor”), a wholly-owned subsidiary of the Company, had on 20 June 2016 entered into the Agreement with Longcheer Telecommunication (H.K.) Limited (the “Purchaser”) in relation to the proposed disposal of its 21.89% interest in its associated company, Mentech Investment Limited (the “Target Company”), to the Purchaser (“Proposed Disposal”) for an aggregate cash consideration of RMB88 million, equivalent to approximately USD13.37 million, based on the Agreed Exchange Rate. A copy of the announcement is available on the website of SGX-ST at www.sgx.com (“SPA Announcement”).

Please refer to section 3 of this Circular for further details on the Proposed Disposal.

LETTER TO SHAREHOLDERS

1.3. The Proposed Special Dividend

The Board is proposing the declaration of a special one-tier tax exempt dividend of S\$0.70 per Share (“**Proposed Special Dividend**”). The amount of the Proposed Special Dividend is approximately S\$24.67 million.

The Proposed Special Dividend is conditional upon the approval of the Proposed Disposal. If the Proposed Disposal is not approved by Shareholders, then the Proposed Special Dividend would not be carried. None of the Proposed Change of Name or the Proposed Disposal are inter-conditional upon the passing of one another. For the avoidance of doubt, in the event the Proposed Disposal is approved and the Proposed Special Dividend is not approved, the Proposed Disposal will nonetheless proceed.

Please refer to section 8 of this Circular for further details on the Proposed Special Dividend.

1.4. Circular

The purpose of this Circular is to provide Shareholders with relevant information in respect of (i) the Proposed Change of Name, (ii) Proposed Disposal and (iii) the Proposed Special Dividend, including the rationale for the Proposed Disposal, the financial effects on the Group and recommendations from the Non-interested Directors and the Audit Committee, and to seek Shareholders’ approval at the SGM for the Proposed Change of Name, Proposed Disposal and the Proposed Special Dividend. The Notice of SGM is set out on pages SGM-1 to SGM-2 of this Circular.

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

Shareholders should note that the Proposed Special Dividend is conditional on the approval of the Proposed Disposal. As such, if the Proposed Disposal is not passed, the Proposed Special Dividend would not be carried.

2. THE PROPOSED CHANGE OF NAME

2.1. Rationale for the Proposed Change of Name

On 24 June 2014, the Company announced on the SGXNET that the Company had entered into a sale and purchase agreement (“**Mobell SPA**”) with First Prosperous International Limited (“**Mobell Purchaser**”) for the disposal of its entire interest in its wholly-owned subsidiary, Mobell Technology Pte. Ltd. for a cash consideration of RMB240 million (the “**Mobell Disposal**”). A copy of the announcement is available on the website of SGX-ST at www.sgx.com. The Mobell Disposal was completed on 5 September 2014 (“**Mobell Disposal Completion Date**”).

Pursuant to clause 8.1.1 of the Mobell SPA, following completion of the Mobell Disposal, the Company shall effect a change of its name within the expiry of 24 months after Mobell Disposal Completion Date, being 4 September 2016. On 30 June 2016, the Company had sought for an extension of the use of the name “Longcheer” since the obligation to undertake the name change pursuant to clause 8.1.1 of the Mobell SPA was intended to be completed by 4 September 2016. As at the Latest Practicable Date, the Mobell Purchaser did not agree to the extension and instead suggested that they were prepared to treat and deem the obligation to undertake the name change as discharged and they would have no further claims whatsoever against the Company in relation to the change of name obligation once the Notice of SGM was issued. With the issue of the Notice of SGM on 2 September 2016, the Company’s obligation to undertake the name change is satisfied.

In the event that the resolution for the Proposed Change of Name is not approved by Shareholders at the SGM, the Company intends to negotiate with the Mobell Purchaser to enter into a licensing arrangement for the continued use of the “Longcheer” name on normal commercial terms in compliance with the provisions of the Listing Manual as any transaction between the Company and the Mobell Purchaser would constitute an interested person transaction.

LETTER TO SHAREHOLDERS

Following the Mobell Disposal and as at the Latest Practicable Date, the business of the Group consists mainly of investments in properties and the 21.89% equity interest in the Target Company. Given the nature of such business activities, the current businesses of the Group are not dependent on the “Longcheer” trademarks and/or service marks which are associated with goods and services related to mobile handsets and telecommunications. As such, the Board is of the view that the Proposed Change of Name is not likely to have any material impact on the Group.

The Company therefore seeks the approval of Shareholders to change the name of the Company from “Longcheer Holdings Limited” to “LCT Holdings Limited” and to effect consequential amendments to the Memorandum of Association and the Bye-laws to replace the name “Longcheer Holdings Limited”, wherever it appears in the Memorandum of Association and the Bye-laws, with the proposed new name of the Company “LCT Holdings Limited”.

The Proposed Change of Name does not reflect any organisational changes within the Group.

2.2. Approvals

The Proposed Change of Name is subject to:

- (a) the prior approval of the SGX-ST, if any;
- (b) the approval of Shareholders by way of a special resolution at the SGM; and
- (c) the approval of the Registrar having been obtained.

The resolution to approve the Proposed Change of Name is required to be passed by way of a special resolution, for which not less than 21 days’ notice has been given and the said resolution is approved by a majority of not less than 75% of votes cast by Shareholders voting in person or by proxy at the SGM. The Bermuda Companies Act requires that the same notice shall also be given to the holders of the Company’s debentures who are entitled to object to any alterations to the Company’s Memorandum of Association as it is required to give to the members of the Company. As the Company has not issued any debentures to date, the Notice of SGM shall be issued to all members of the Company in compliance with the Bermuda Companies Act.

The Company has made an application to the Registrar to reserve the name “LCT Holdings Limited”. As at Latest Practicable Date, the reservation has been extended from 20 July 2016, and is valid up, to 20 October 2016. Subject to the approval of the Registrar of the proposed new name and upon receipt of a certified copy of the Shareholders’ resolution approving the change of name, the Registrar will enter on the Register of Companies the new name of the Company in place of its former name. The effective date of the change of name shall be the date of entry of the new name on the Register of Companies. The Registrar will then issue a certificate of change of name. The Company will make an announcement when the change of the Company’s name to “LCT Holdings Limited” takes effect.

Under the Bermuda Companies Act, an application to the Supreme Court of Bermuda (“**Court**”) may be made within 21 days after the date on which the resolution altering the memorandum of association of a company limited by shares was passed for the alteration to be annulled. Such application may be made by: (a) by the holders of not less in the aggregate than 20% in par value of the company’s issued share capital or any class thereof, or (b) by the holders of not less in the aggregate than 20% of the company’s debentures entitled to object to any alterations to its memorandum, provided that the application shall not be made by any person who has voted in favour of the alteration or has given to the company a statement in writing duly signed that he, having had notice, consents to the alteration. Where an application is made to the Court, the alteration to the memorandum of association shall not have effect except insofar as it is confirmed by the Court.

With respect to the consequential amendments to be made to the Memorandum of Association and the Bye-laws to replace the name “Longcheer Holdings Limited”, wherever it appears in the Memorandum of Association and the Bye-laws, with the new name of the Company “LCT Holdings Limited”, a copy of the amended Memorandum of Association is to be filed with the Registrar. Upon

LETTER TO SHAREHOLDERS

receipt of the copy of the amended Memorandum of Association, the Registrar will register it and the amendments shall be effective from the date of such registration. There is no requirement under Bermuda law to make any filings with the Registrar in relation to amendments to the bye-laws of a Bermuda company.

The Bermuda Companies Act provides that the change of name of a company shall not affect any rights or obligations of the company, or render defective any legal proceedings by or against it, and any legal proceedings that might have been continued or commenced against it in its former name may be continued or commenced against it in its new name.

2.3. Existing share certificates

Shareholders should note that notwithstanding the Proposed Change of Name, the legal status of the Company will not be affected and the existing issued Shares will continue to be valid for trading on the SGX-ST. The Company will not be recalling or reissuing existing share certificates bearing the Company's existing name "Longcheer Holdings Limited". Such certificates remain *prima facie* evidence of the title of Shareholders to the Shares specified in the said share certificates. No action would be required on the part of Shareholders in respect of the existing share certificates.

3. THE PROPOSED DISPOSAL

3.1. Sale and Purchase Agreement

Subject to the terms and conditions of the Agreement, the Vendor has agreed to sell and the Purchaser has agreed to purchase the entire 21.89% of the issued and paid up shares owned by the Vendor in the Target Company, being two hundred thousand (200,000) ordinary shares ("**Sale Shares**").

Please refer to section 4 of this Circular for further details on the Purchaser.

3.2. Information on the Target Company

The Target Company is a private company limited by shares incorporated in Hong Kong on 28 August 2009 with an issued and paid-up share capital of HK\$175,854,600. As at the Latest Practicable Date, the equity interests in the Target Company are held as to 21.89% by the Company with the remaining 78.11% held by unrelated third parties. None of the unrelated third parties constitute associates of the Directors or the controlling shareholders of the Company, as defined under the Listing Manual. Following the Mobell Disposal, the Target Company constituted a non-core asset of the Group. As such, the Company decided to relinquish its seat on the board of the Target Company on 31 December 2015 and the representative resigned as the director of the board on 31 December 2015. As the Company had no influence in the decision making process of the Target Company, the Target Company was reclassified from an associated company to an investment asset held for sale on 1 January 2016. As at the Latest Practicable Date, the Target Company remains as an associated company which is defined under the Listing Manual as a company in which at least 20% but not more than 50% of its shares are held by the listed company or group.

As at the Latest Practicable Date, the Target Group Companies are principally engaged in the business of manufacturing and trading of electronic products. The Target Group Companies provide electronic manufacturing services for the mobile handset industry in the PRC and specialise in the provision of manufacturing services for printed circuit board assembly using surface mount technology.

Details such as the place of incorporation, particulars of issued capital/registered capital, percentage of equity interest attributable to the Company and the principal activities of the Target Group Companies are set out in Part II of Appendix A of this Circular.

LETTER TO SHAREHOLDERS

The salient historical consolidated financial results of the Target Group Companies for financial years ended 31 December 2013, 31 December 2014, 31 December 2015 and 6 months ended 30 June 2016 are set out below:

Income Statement

HKD'000	Audited		Unaudited	
	Year ended 31 December 2013	Year ended 31 December 2014	Year ended 31 December 2015	6 months ended 30 June 2016
Revenue	871,836	922,556	1,108,774	723,991
Profit from operations	71,148	120,312	157,506	91,677
Net profit attributable to owners of the Target Company	50,431	88,650	84,800	51,584

Statement of Financial Position

HKD'000	Unaudited	
	As at 31 December 2015	As at 30 June 2016
Current assets	462,457	545,787
Non-current assets	406,867	468,717
Current liabilities	281,056	307,515
Non-current liabilities	25,327	13,646
Equity attributable to owners of the Target Company	525,408	534,516

The aggregate amount of dividends distributed and declared to the Group for the financial years ended 31 December 2013, 31 December 2014 and 31 December 2015 are RMB4.9 million, RMB7.4 million and RMB7.9 million respectively.

3.3. Consideration

The Consideration for the Sale Shares shall be an aggregate sum of RMB88 million ("**Consideration**") which was arrived at after arm's length negotiations between the Company and the Purchaser, on a willing buyer and willing seller basis, after taking into account the unaudited net asset value of the Target Group Companies as at 31 December 2015 adjusting for the dividends distributed and declared by the Target Company for the financial year of the Target Company ended 31 December 2015 and received by the Vendor up to the date of the Agreement. The Consideration is equivalent to approximately USD13.37 million based on the Agreed Exchange Rate. The unaudited net asset value of the Target Group Companies as at 31 December 2015 was approximately HKD525.4 million (equivalent to approximately USD67.8 million based on the exchange rate of USD1 : HKD7.7507 as at 31 December 2015).

The Consideration shall be satisfied in cash in USD, based on the Agreed Exchange Rate, as follows:

- (a) an amount equivalent to 5% of the Consideration ("**Deposit**") shall be paid on the date of the Agreement; and
- (b) an amount equivalent to 95% of the Consideration ("**Final Payment**") to be paid on the completion date ("**Completion Date**").

As at the Latest Practicable Date, the Deposit has been received and placed in a fixed deposit account.

LETTER TO SHAREHOLDERS

Please refer to section 3.2 of this Circular for the unaudited net asset value of the Target Group Companies as at 31 December 2015 and the dividends distributed and declared by the Target Company for the financial year of the Target Company ended 31 December 2015 and received by the Vendor up to the date of the Agreement.

3.4. Material Conditions in the Sale and Purchase Agreement

3.4.1 Conditions Precedent

The obligations of the parties under the Agreement to complete the Proposed Disposal are conditional upon, *inter alia*, the following salient conditions being satisfied, fulfilled or waived, as the case may be, before Completion:

- (a) the requisite approval of the board of directors and shareholders (if required) of the Purchaser for the transaction contemplated in the Agreement having been obtained;
- (b) the payment of the Deposit by the Purchaser to the Vendor;
- (c) the Purchaser having obtained all approvals, waivers, filings, registrations and consents as may be necessary from any third party or governmental agency having jurisdiction over the transaction contemplated under the Agreement being granted or obtained, and being in full force and effect and not having been withdrawn, suspended, amended or revoked;
- (d) all approvals, waivers and consents as may be necessary from any third party or governmental agency having jurisdiction over the transaction contemplated under the Agreement being granted or obtained, and being in full force and effect and not having been withdrawn, suspended, amended or revoked, and if such consents or approvals are granted or obtained subject to any conditions, such conditions being acceptable to the Company, in particular:
 - (i) the approval of Shareholders being obtained at the SGM to be convened before the Completion Date for the Proposed Disposal;
 - (ii) the approval in-principle being obtained from the SGX-ST in respect of this Circular; and
 - (iii) the approval of the board of directors and shareholders of the Target Company in respect of the Proposed Disposal.

If any of the conditions precedent under the Agreement have not been fulfilled or waived on or before the Long-Stop Date, the Vendor shall refund the entire amount of the Deposit excluding any interest. In the event of any non-fulfillment or amendment or waiver of any conditions precedent, the Company will update Shareholders and make the necessary announcements immediately.

Under the Agreement, the Vendor and the Purchaser have agreed that they shall each use its best endeavours to ensure the satisfaction of the conditions precedent.

Save for condition (d)(i) above, all the conditions precedent have been satisfied as at the Latest Practicable Date.

3.4.2 Right to Terminate

The Agreement may be terminated at any time prior to Completion by any party by notice in writing to the other party if:

- (a) the other party is in material breach of any provision of the Agreement or any of its warranties being unfulfilled, untrue, misleading or incorrect in any material respect;

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- (b) any of the conditions precedent to be fulfilled by the other party have not been fulfilled or waived on or before the Long-Stop Date; or
- (c) the other party fails to deliver its completion deliverables.

The Vendor and the Purchaser may also terminate the Agreement by mutual written consent. The Vendor may terminate the Agreement if the Purchaser fails to pay the Final Payment. To the best of knowledge of the Directors, the Directors are not aware of any circumstances to indicate that the Final Payment will not be forthcoming on Completion Date.

For the avoidance of doubt, if the Agreement is terminated due to the Purchaser's failure to pay the Final Payment, the Vendor shall be entitled absolutely to the whole of the Deposit (including any interest thereon). Save for the forfeiture of the Deposit by the Vendor, there is no termination fee payable by either party under the terms of the Agreement.

The Purchaser shall bear all stamp duty payable on the transfer of the Sale Shares. Save for the payment of the stamp duty, each of the Vendor and the Purchaser shall bear their own respective costs and expenses incurred in connection with the Proposed Disposal.

3.5. Representations and Warranties

Pursuant to the terms of the Agreement, the Vendor and the Purchaser have furnished to each other various representations and warranties customary for transactions of a similar nature such as the Proposed Disposal.

3.6. Completion

On or prior to the Completion Date, the Vendor will provide the Purchaser with the relevant documents and items required to complete the Proposed Disposal. These include the customary documents such as share transfer form, share certificates and stamp duty documents.

Subject to all the conditions precedent referred to in section 3.4.1 of this Circular having been satisfied, fulfilled or waived, the Completion of the Proposed Disposal is scheduled to take place on or about 30 September 2016 or such other date as the Company and the Purchaser may mutually agree in writing. Upon the Completion, the Target Company will cease to be an associated company of the Company.

3.7. Rationale for the Proposed Disposal

The Board believes that the Proposed Disposal is in the best interests of the Company and Shareholders, having regard to the terms of the Proposed Disposal and the uncertainty in the challenging electronics industry, taking into account the following factors:

(a) Exit from the electronics industry

In 2010, the Group invested in the Target Company as it was complementary with the Group's then core business activities, the mobile telecommunications business. Following the disposal of the Group's mobile telecommunications business in 2014, the Group's businesses are mainly investments in properties and the non-controlling associated equity interest in the Target Company. As such, the Group's remaining investment in the electronics industry is no longer a strategic fit with the Group's business activities. The Proposed Disposal presents an opportunity for the Company to exit the electronics industry.

(b) Decline in net profit margins

Since 2014, the competition in the electronics industry has proven to be highly competitive. Coupled with the increase in labour costs, this has resulted in a decline in the net profit margins of the Target Company. For the financial years ended 31 December 2014, 31 December 2015 and for the period of 6 months ended 30 June 2016, the net profit margin of the Target Company was 9.6%, 7.6% and 7.1% respectively.

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(c) Lack of Control

The Group's minority interest of 21.89% in the Target Company may be difficult for the Company to realise its investment in the Target Company.

(d) Poor trading performance

The Shares have been trading at a range of price to book multiples of between 0.51 and 0.67, with an average price to book multiple of approximately 0.59, for the period commencing 12 months prior to the SPA Announcement. The Proposed Disposal will allow the Company to immediately unlock and realise the Shareholders' investment return in cash.

Upon completion of the Proposed Disposal, (a) the net proceeds from the Proposed Disposal will provide financial capacity for the Company to return excess cash to Shareholders through the Proposed Special Dividend; and (b) the Target Company will cease to be an associated company of the Company and the Group will cease to engage in the business of manufacturing and trading of electronic products.

The Company will continue to focus the Group's resources on its business of property investment, which the Company believes has growth potential, as well as future business development and investments (which may include property and non-property business) to enhance Shareholders' value. In the event the Proposed Special Dividend is not approved, the Company will use the net proceeds to continue to source for any acquisition of new businesses. The Company will make the necessary announcements in due course to update Shareholders. Please refer to section 9 of this Circular for details of the future plans of the Company.

Accordingly, the Board believes that the Proposed Disposal is in the best interests of the Company and Shareholders, having regard to the terms of the Proposed Disposal and the uncertainty in the challenging electronics industry.

3.8. Book Value

Based on the latest unaudited consolidated accounts of the Group as at 30 June 2016, the book value of the Target Group Companies attributable to the Sale Shares was approximately RMB89.52 million.

3.9. Net Profits

The unaudited net profits attributable to the Sale Shares consists of (i) the share of results of the Target Group Companies of approximately RMB10.08 million for the 6 months ended 31 December 2015, and (ii) the reduction in fair value of the investment in the Target Company of approximately RMB1.98 million for the 6 months ended 30 June 2016 pursuant to the reclassification of interests in the Target Company from an associated company to an investment asset held for sale.

3.10. Proceeds from the Proposed Disposal

The net proceeds from the Proposed Disposal, after deducting all costs and expenses incurred and to be incurred in relation to the Proposed Disposal are estimated to be approximately RM86.9 million. As at Latest Practicable Date, the costs and expenses incurred and to be incurred in relation to the Proposed Disposal are estimated to be approximately RMB1.1 million.

For illustrative purposes only, assuming the Proposed Disposal was completed on 30 June 2016, the loss on disposal for the Group would have been approximately RMB0.76 million.

The Company intends to use the net proceeds from the Proposed Disposal to fund part of the Proposed Special Dividend, with the balance to be funded through its available internal resources. In the event the Proposed Disposal is approved and the Proposed Special Dividend is not approved, the Board intends to use the net proceeds from the Proposed Disposal for its future plans. Please refer to section 9 of this Circular for details on the future plans of the Company.

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4. INFORMATION ON THE PURCHASER

The Purchaser, Longcheer Telecommunication (H.K.) Limited, is a private company limited by shares incorporated in Hong Kong on 21 April 2004 with an issued share capital of HKD10,000, and is a wholly-owned subsidiary of Shanghai Longcheer Technology Co. Ltd (“SLT”). As at the Latest Practicable Date, the directors of the Purchaser are Dr. Du Junhong (“DJH”) and Mr. Xu Wenjun, an unrelated third party. As at the Latest Practicable Date, SLT is a private company limited by shares established in the PRC with a registered capital of RMB360,000,000.

The majority interests in SLT are held by entities in which DJH and Mr. Deng Hua (“DH”) have deemed interests in, as described below:

	<u>Number of shares in SLT</u>	<u>Shareholding percentage in SLT</u>	<u>Deemed interests of DJH in SLT</u>
Kunshan Longcheer Investment Management Centre (Limited Partnership) ⁽¹⁾	120,960,000	33.60%	33.60%
Kunshan Longfei Investment Management Centre (Limited Partnership) ⁽²⁾	44,640,000	12.40%	12.40%
Kunshan Qiyun Investment Management Centre (Limited Partnership) ⁽³⁾	15,552,000	4.32%	0%
			<u>Deemed interests of DH in SLT</u>
Kunshan Yunrui Investment Management Centre (Limited Partnership) ⁽⁴⁾	31,320,000	8.70%	8.70%
Sub-total	212,472,000	59.02%	

The balance interests in SLT are held by unrelated third parties.

Notes:

- (1) DJH is a general partner and holds direct interests of 51.21% in Kunshan Longcheer Investment Management Centre (Limited Partnership). Accordingly, DJH is deemed to be interested in the shares of SLT held by Kunshan Longcheer Investment Management Centre (Limited Partnership) by virtue of Section 4 of the Securities and Futures Act.
- (2) DJH is a general partner and holds direct interests of 99% in Kunshan Longfei Investment Management Centre (Limited Partnership). Accordingly, DJH is deemed to be interested in the shares of SLT held by Kunshan Longfei Investment Management Centre (Limited Partnership) by virtue of Section 4 of the Securities and Futures Act.
- (3) DJH is a limited partner and holds direct interests of 26.17% in Kunshan Qiyun Investment Management Centre (Limited Partnership). DJH, as a limited partner, may not take part in the management of Kunshan Qiyun Investment Management Centre (Limited Partnership) nor does he have the power to bind Kunshan Qiyun Investment Management Centre (Limited Partnership).
- (4) DH is a general partner and holds direct interests of 99% in Kunshan Yunrui Investment Management Centre (Limited Partnership). Accordingly, DH is deemed to be interested in the shares of SLT held by Kunshan Yunrui Investment Management Centre (Limited Partnership) by virtue of Section 4 of the Securities and Futures Act.

DJH is the chairman, executive director and Controlling Shareholder of the Company. As DJH holds deemed interests of 46.00% in the Purchaser through various entities, the Purchaser is considered as an “interested person” for purpose of Chapter 9 of the Listing Manual. In addition, DH, the chief executive officer, executive director and shareholder of the Company, holds deemed interests of 8.70% in the Purchaser through an entity. Accordingly the Agreement between the Vendor as the “entity at risk” and the Purchaser as an “interested person” would constitute an “interested person transaction” under Chapter 9 of the Listing Manual.

Details of the shareholdings of each of DJH and DH in the Company are set out in section 10.1 of this Circular.

Upon Completion of the Proposed Disposal, DJH and DH will remain as Directors of the Company and will continue to manage the Remaining Businesses (as defined herein).

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5. INTERESTED PERSON TRANSACTION

5.1. The Proposed Disposal as an Interested Person Transaction

As explained in section 4 of this Circular, the Purchaser is considered as an “interested person” for the purpose of Chapter 9 of the Listing Manual. Accordingly, the Proposed Disposal constitutes an interested person transaction.

The latest audited consolidated NTA of the Group as at 30 June 2015 is RMB235.1 million. The Consideration represents 37.4% of the latest audited consolidated NTA of the Group, being a value of more than 5% of the latest audited consolidated NTA of the Group. Thus, the Proposed Disposal is subject to the approval of Shareholders at the SGM pursuant to Rule 906 of the Listing Manual.

Save for the Proposed Disposal, there are no interested person transactions entered into by the Group, or between the Group and, DJH or DH and/or their respective associates for FY2016 and during the course of the current financial year up to the Latest Practicable Date which are required to be disclosed under Chapter 9 of the Listing Manual.

5.2. Abstention from voting

Each of DJH and DH, being the interested persons of the Company in relation to the Proposed Disposal, have undertaken to abstain and ensure that their respective associates will abstain, from voting in respect of their shareholdings in the Company and will not accept nominations as proxy or otherwise for voting at the SGM in relation to the Proposed Disposal and the Proposed Special Dividend.

5.3. Independent Financial Adviser

Ernst & Young Corporate Finance Pte Ltd, has, in accordance with Chapter 9 of the Listing Manual, been appointed on 29 June 2016 as the Independent Financial Adviser to the Non-interested Directors and Audit Committee in respect of the Proposed Disposal.

The opinion and advice of the Independent Financial Adviser is set out in section 13 of this Circular. A copy of the IFA Letter is set out in Appendix B of this Circular.

6. MAJOR TRANSACTION

Based on the latest announced unaudited financial statements of the Group for FY2016, the relative figures applicable to the Proposed Disposal computed on the bases pursuant to Rule 1006 of the Listing Manual are as follows:

Rule 1006	Bases	Relative Figures
(a)	Net asset value of the assets to be disposed of, compared with the Group's net asset value ⁽¹⁾	35.8%
(b)	Net profits attributable to the assets to be disposed of, compared with the Group's net profits ⁽²⁾ for FY2016	126.0%
(c)	Aggregate value of the consideration received, compared with the Company's market capitalisation based on the total number of issued shares excluding treasury shares ⁽³⁾	60.9%
(d)	Number of equity securities issued by the Company as consideration for an acquisition, compared with the number of equity securities previously in issue	Not applicable to disposal of assets

Notes:

(1) Based on the net asset value of the Sale Shares and the net asset value of the Group as at 30 June 2016 being RMB89.52 million and RMB250.33 million respectively.

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- (2) Based on the net profits of the Sale Shares and the net profits of the Group for the 12 month period ended 30 June 2016 being RMB8.10 million and RMB6.43 million respectively.
- (3) Based on the Consideration and market capitalisation of the Company of RMB144,575,715, which is determined by multiplying the issued share capital of the Company of 35,244,520 Shares in issue with the weighted average price of S\$0.8404 transacted on the Mainboard of SGX-ST on 17 June 2016 (being the last market day for which the Shares were traded prior to the day the Agreement was entered into) and based on an exchange rate of S\$1 : RMB4.8811.

As the relative figures under Rules 1006(a), (b) and (c) of the Listing Manual exceed 20%, the Proposed Disposal constitutes a “major transaction” as defined in Chapter 10 of the Listing Manual. Accordingly, the Proposed Disposal is subject to the approval of Shareholders.

7. FINANCIAL EFFECTS OF THE PROPOSED DISPOSAL BEFORE PAYMENT OF PROPOSED SPECIAL DIVIDEND

7.1. General

The proforma financial effects of the Proposed Disposal on the NTA per share and the EPS of the Group are set out below. The proforma financial effects have been prepared based on the unaudited consolidated financial results of the Group for FY2016. The proforma financial effects are purely for illustration purposes only and are therefore not necessarily indicative of the actual financial performance and position of the Group after Completion.

7.2. NTA

For illustrative purposes only, the proforma financial effects of the Proposed Disposal on the Group's NTA per share, assuming that the Proposed Disposal had been completed on 30 June 2016, are set out below:

	Before Proposed Disposal	After Proposed Disposal
NTA (RMB'000)	250,330	247,709 ⁽²⁾
Number of Shares ⁽¹⁾	35,244,520	35,244,520
NTA per Share (RMB)	7.10	7.03

Notes:

- (1) Based on the number of issued Shares (excluding Shares held as treasury shares) of 35,244,520 as at 30 June 2016.
- (2) The NTA has been determined after taking into account the net proceeds to be received, after deducting the estimated transaction expenses.

7.3. EPS

For illustrative purposes only, the proforma financial effects of the Proposed Disposal on the consolidated earnings of the Group, assuming that the Proposed Disposal had been completed on 1 July 2015, are set out below:

	Before Proposed Disposal	After Proposed Disposal
Profits/(losses) attributable to the owners of the Company (RMB'000)	6,428	(4,292) ⁽²⁾
Number of Shares ⁽¹⁾	35,244,520	35,244,520
Earning / (losses) per share (RMB)	0.18	(0.12)

Notes:

- (1) Based on the number of issued Shares (excluding Shares held as treasury shares) of 35,244,520 as at 30 June 2016.
- (2) The losses attributable to the owners of the Company has been determined after deducting the estimated transaction expenses in relation to the Proposed Disposal.

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7.4. Share Capital

The Proposed Disposal will not have any effect on the share capital and shareholding structure of the Company as the Proposed Disposal does not involve the allotment and issuance of any new shares in the Company and the Consideration is wholly satisfied in cash.

8. THE PROPOSED SPECIAL DIVIDEND

8.1. Proposed Special Dividend

The Non-interested Directors recommend to the Shareholders for their consideration and approval the declaration of a special one-tier tax exempt dividend of S\$0.70 per Share.

The Proposed Special Dividend is subject to the following conditions:

- (a) The approval of Shareholders for the Proposed Disposal, as well as the Proposed Special Dividend, at the SGM;
- (b) Completion of the Proposed Disposal; and
- (c) The satisfaction of any regulatory approvals and/or statutory requirements which may be applicable in connection with the Proposed Special Dividend.

If the conditions set out above are not satisfied by the Long Stop Date, being 30 September 2016 or such other date as may be mutually agreed between the Vendor and the Purchaser, the Proposed Special Dividend will not be payable.

- 8.2. The Proposed Special Dividend is part of the Company's continuing effort in enhancing its Shareholders' value. The amount of the Proposed Special Dividend was arrived at based primarily on the evaluation of the cash flow position of the Group and the sufficiency of working capital in meeting its daily business operations following Completion. The Company is proposing to fund the payment of the Proposed Special Dividend by utilising its available internal resources and the net proceeds from the Proposed Disposal.
- 8.3. The Board is satisfied that the Company has sufficient funds available, after taking into account the criteria set out in section 54 of the Bermuda Companies Act and in the Bye-laws, to pay the Proposed Special Dividend. Under section 54 of the Bermuda Companies Act, a company shall not declare or pay a dividend if there are reasonable grounds for believing that (a) the company is, or would after the payment be, unable to pay its liabilities as they become due, or (b) the realisable value of the company's assets would thereby be less than its liabilities. Bye-law 138 of the Bye-laws provides that no dividend shall be paid or distribution made if to do so would render the Company unable to pay its liabilities as they become due or the realisable value of its assets would thereby become less than the aggregate of its liabilities and its issued share capital and share premium accounts.
- 8.4. **As the payment of the Proposed Special Dividend is subject to the Completion, the Books Closure Date and actual payment date for the Proposed Special Dividend will be announced after the Completion Date. Shareholders should note that as the Books Closure Date is conditional on Completion, in order to be entitled to the Proposed Special Dividend, Shareholders are advised to continue to hold their Shares up to the Books Closure Date. If you are in any doubt as to the action you should take, you should consult your stockbroker, bank manager, solicitor, accountant or other professional adviser immediately.**
- 8.5. Please refer to the indicative timetable on page 7 of this Circular for the indicative dates for the expected Books Closure Date and the expected payment date of the Proposed Special Dividend.

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- 8.6. The aggregate amount of cash to be paid to each entitled Shareholder in respect of the Proposed Special Dividend shall be adjusted by rounding down any fractions of a cent to the nearest cent, where applicable.
- 8.7. Following payment of the Proposed Special Dividend, there is a possibility the Company may subsequently record a volume weighted average price of less than S\$0.20 over 6 months and thereby fail to meet the minimum trading price (“MTP”) criteria. In such event, the Company will be placed on the MTP watch-list and must take active steps to meet the requirements of Rule 1314(2) of the Listing Manual within 36 months from the date it was placed on the MTP watch-list, failing which the SGX-ST may either delist the Company, or suspend trading of the listed securities of the Company with a view to delisting the Company. Going forward, if necessary, the Board will consider all options available to the Company to comply with the MTP criteria. Please refer to section 9 of this Circular for future plans of the Company.
- 8.8. The Non-interested Directors are of the opinion that the payment of the Proposed Special Dividend will not have any material adverse effect on the financial position of the Group and does not involve any reduction in the authorised or issued share capital of the Company or reduction in the nominal value of the Shares or result in any change in the trading arrangements in respect of the Shares.

9. FUTURE PLANS

Upon Completion of the Proposed Disposal, the asset of the Group consists only of the investment property in Xi'an and the main source of revenue is rental income from the investment property (“**Remaining Businesses**”). The investment property is registered under the name of Xi'an Longfei Software Co., Limited which is a wholly-owned subsidiary of the Company. Please refer to Part I of Appendix A of this Circular for further details on the Remaining Businesses.

After Completion of the Proposed Disposal and regardless of payment of the Proposed Special Dividend, the Board plans to continue to hold the investment property for rental income.

On 12 June 2015, the Company announced it entered into a non-binding memorandum of understanding with Pacific Star Development Pte. Ltd. on the same day in relation to the potential acquisition of 51% interest in Twin Prosperity Group Ltd, together with its subsidiaries. On 27 October 2015, the Company disclosed that it was still in discussion with Pacific Star Development Pte. Ltd. and the non-binding memorandum of understanding was subject to the parties entering into a definitive agreement on or prior to 31 December 2015 or such later date as the parties may agree. On 1 February 2016, the Company disclosed in the FY20162Q financial statements that the non-binding memorandum of understanding had lapsed on 31 December 2015. Going forward, the Board will consider all options available to the Company, including identifying potential acquisition opportunities in any businesses (in addition to property business) which demonstrate growth potential and profitable track record, and have prospects of generating future income or dividend yield for Shareholders. Shareholders will be informed in due course once a definitive decision has been made.

Shareholders should note that the future plans of the Company set out above may change along the way as the Directors continue to seek opportunities which offer potential growth for the Group. The Company will make the necessary announcements in due course.

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10. DISCLOSURE OF SHAREHOLDINGS

10.1. Interests of Directors

As at the Latest Practicable Date, the interests of the Directors in the Shares as recorded in the register of directors' shareholdings of the Company are as follows:

	Direct Interest		Deemed Interest		Total Interest	
	Number of Shares	% ⁽¹⁾	Number of Shares	%	Number of Shares	%
Dr. Du Junhong ⁽²⁾	-	-	6,951,431	19.72	6,951,431	19.72
Mr. Deng Hua ⁽³⁾	-	-	1,018,979	2.89	1,018,979	2.89
Mr. Tao Qiang ⁽⁴⁾	-	-	940,434	2.67	940,434	2.67
Dr. Ow Chin Hock	3,862	0.01	-	-	3,862	0.01
Mr. David Hwang Soo Chin ⁽⁵⁾	3,862	0.01	30,000	0.09	33,862	0.10
Mr. See Yen Tarn	3,862	0.01	-	-	3,862	0.01

Save as disclosed in the table above, none of the Directors has any interest, direct or indirect, in the share capital of the Company or any of its subsidiaries.

10.2. Interests of Substantial Shareholders

As at the Latest Practicable Date, the interests of the Substantial Shareholders in the Shares as recorded in the register of Substantial Shareholders of the Company are as follows:

	Direct Interest		Deemed Interest		Total Interest	
	Number of Shares	% ⁽¹⁾	Number of Shares	% ⁽¹⁾	Number of Shares	% ⁽¹⁾
Dr. Du Junhong ⁽²⁾	-	-	6,951,431	19.72	6,951,431	19.72
Longdu Investment Limited ⁽⁶⁾	-	-	5,981,859	16.97	5,981,859	16.97
Mr. Xin Hui ⁽⁷⁾	-	-	3,002,219	8.52	3,002,219	8.52
Tomorrow Electronic Co., Ltd ⁽⁸⁾	1,393,219	3.95	1,609,000	4.57	3,002,219	8.52

Notes:

- (1) Based on the number of issued Shares (excluding Shares held as treasury shares) of 35,244,520 as at the Latest Practicable Date.
- (2) DJH is deemed to be interested in the Shares held by Longdu Investment Limited, Longpartner Investment Limited and Triple Bonus Investment Pte. Limited by virtue of section 4 of the Securities and Futures Act.
- (3) DH is deemed to be interested in the Shares held by Mioniza Investments Limited and Triple Bonus Investment Pte. Limited by virtue of section 4 of the Securities and Futures Act.
- (4) Mr. Tao Qiang is deemed to be interested in the Shares held by Longpartner Investment Limited and Triple Bonus Investment Pte. Limited by virtue of section 4 of the Securities and Futures Act.
- (5) Mr. David Hwang Soo Chin is deemed to be interested in the Shares held by his nominee, UOB Nominees Pte Ltd, and his wife, Kok Yeow Mei Regina.
- (6) Longdu Investment Limited is deemed to be interested in the Shares held by its nominee, DBS Nominees Pte Ltd.
- (7) Mr. Xin Hui is the sole shareholder of Tomorrow Electronic Co., Ltd. Accordingly, he is deemed to be interested in the Shares held by Tomorrow Electronic Co., Ltd.
- (8) Tomorrow Electronic Co., Ltd is deemed to be interested in the Shares held by its nominee, DBS Nominees Pte. Ltd.

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11. INTERESTS OF DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

Save as disclosed in section 5 of this Circular, none of the Directors and the Substantial Shareholders, or any of their respective associates, has any interest, direct or indirect (other than through their shareholdings in the Company), in the Proposed Disposal.

12. SERVICE CONTRACTS

No person is proposed to be appointed as a director of the Company in connection with the Proposed Disposal and accordingly, no service contract is proposed to be entered into between the Company and any such person.

13. OPINION AND ADVICE OF THE IFA

Ernst & Young Corporate Finance Pte Ltd has been appointed to advise the Non-interested Directors and the Audit Committee on whether the Proposed Disposal is on normal commercial terms and is not prejudicial to the interests of the Company and its minority Shareholders.

A copy of the IFA Letter dated 2 September 2016, containing in full the opinion and advice of the IFA, is set out in Appendix B of this Circular. Shareholders are advised to read the IFA Letter carefully before proceeding to vote on the resolution approving the Proposed Disposal.

Based on the evaluation undertaken by the IFA, and subject to the qualifications and assumptions made in the IFA Letter, the IFA is of the opinion that the Proposed Disposal is on normal commercial terms and is not prejudicial to the interests of the Company and its minority Shareholders.

The IFA has advised that the Non-interested Directors and the Audit Committee can recommend that Shareholders vote in favour of the resolution in connection with the Proposed Disposal to be proposed at the SGM.

14. OPINION OF NON-INTERESTED DIRECTORS AND THE AUDIT COMMITTEE

The Non-interested Directors and the Audit Committee, having reviewed and considered, *inter alia*, the terms and conditions of, financial effects of and rationale for the Proposed Disposal as well as the opinion of the IFA, is satisfied that the Proposed Disposal is on normal commercial terms and is not prejudicial to the interests of the Company and its minority Shareholders.

15. RECOMMENDATIONS

15.1. Proposed Change of Name

As explained in section 2.1 of this Circular, pursuant to clause 8.1.1 of the Mobell SPA, following completion of the Mobell Disposal, the Company shall effect a change of its name within the expiry of 24 months after Mobell Disposal Completion Date. In light of the above, the Directors recommend Shareholders to vote in favour of the special resolution relating to the Proposed Change of Name as set out in the Notice of SGM.

15.2. Proposed Disposal

Having carefully considered the terms of the Proposed Disposal, the rationale for the Proposed Disposal as set out in section 3.7 of this Circular and the opinion of the IFA, the Non-interested Directors and the Audit Committee are of the unanimous opinion that the Proposed Disposal is in the best interests of the Company. Accordingly, the Non-interested Directors and the Audit Committee recommend Shareholders to vote in favour of the ordinary resolution relating to the Proposed Disposal as set out in the Notice of SGM.

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15.3. Proposed Special Dividend

Having carefully considered the rationale for the Proposed Special Dividend set out in section 8 above, the Non-interested Directors are of the view that the Proposed Special Dividend is in the best interests of the Company and Shareholders. Accordingly, the Non-interested Directors recommend Shareholders to vote in favour of the ordinary resolution relating to the Proposed Special Dividend as set out in the Notice of SGM.

- 15.4. As stated in section 5.2 of the Circular, each of Dr. Du Junhong, the chairman and executive director and Controlling Shareholder of the Company, and Mr. Deng Hua, the chief executive officer and executive director of the Company, being an interested person of the Company in relation to the Proposed Disposal, shall abstain from making recommendations to Shareholders on the Proposed Disposal and the Proposed Special Dividend.

Shareholders are advised to read this Circular in its entirety and for any Shareholder who may require advice in the context of his specific investment objectives or portfolio should consult his stockbroker, bank manager, solicitor, accountant, or other professional adviser immediately.

16. SPECIAL GENERAL MEETING

The SGM will be held on 26 September 2016 at 10:30 a.m. at Courtyard 03, Oasia Hotel, 8 Sinaran Drive, Singapore 307470, for the purpose of considering and, if thought fit, passing (with or without any modification) the resolutions set out in the Notice of SGM.

17. ACTION TO BE TAKEN BY SHAREHOLDERS

- 17.1. Shareholders who are unable to attend the SGM and wish to appoint a proxy to attend and vote at the SGM on their behalf will find attached to this Circular a Shareholder Proxy Form which they are requested to complete, sign and return in accordance with the instructions printed thereon as soon as possible and in any event so as to arrive at the offices of the Company's Singapore Share Transfer Agent, Boardroom Corporate & Advisory Services Pte. Ltd. at 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623 not less than forty-eight (48) hours before the time appointed for the SGM. The completion and return of a Shareholder Proxy Form by a Shareholder does not preclude him from attending and voting in person at the SGM in place of his proxy if he finds that he is able to do so, and in such event, the instrument appointing a proxy shall be deemed to be revoked.
- 17.2. Depositors whose names are shown in the records of CDP as at a time not earlier than forty-eight (48) hours before the time appointed for the SGM supplied by CDP to the Company, may attend and vote at the SGM as CDP's proxies. Such Depositors who are individuals need not take any further action and can attend and vote at the SGM without the lodgement of any proxy form. Such Depositors who are not individuals and such Depositors who are unable to attend personally but wish to appoint a nominee to attend and vote on his behalf as CDP's proxy, will find attached to this Circular a Depositor Proxy Form which they are requested to complete, sign and return in accordance with the instructions printed thereon as soon as possible and in any event, so as to arrive at the offices of the Company's Singapore Share Transfer Agent, Boardroom Corporate & Advisory Services Pte. Ltd. at 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623 not less than forty-eight (48) hours before the time appointed for the SGM. The completion and return of a Depositor Proxy Form by a Depositor who is an individual does not preclude him from attending and voting in person as CDP's proxy at the SGM in place of his nominee if he finds that he is able to do so, and in such event, his appointment of his nominee shall be deemed to be revoked.

18. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this Circular and confirm after making all reasonable enquiries that, to the best of their knowledge and belief, this Circular constitutes full and true disclosure of all material facts about the Proposed Change of Name, Proposed Disposal and the Proposed Special Dividend,

LETTER TO SHAREHOLDERS

the Company and its subsidiaries, and the Directors are not aware of any facts the omission of which would make any statement in this Circular misleading. Where information in the Circular has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of the Directors has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in the Circular in its proper form and context.

DJH and DH collectively and individually accept full responsibility for the accuracy of the information given in this Circular in relation to the Purchaser and SLT and confirm after making all reasonable enquiries that, to the best of their knowledge and belief, the information given in this Circular in relation to the Purchaser and SLT constitutes full and true disclosure of all material facts about the Purchaser and SLT, and DJH and DH are not aware of any facts the omission of which would make any statement in this Circular in relation to the Purchaser and SLT misleading.

Information relating to the Purchaser and SLT in this Circular was provided by the Purchaser. Where information in the Circular relates to the Purchaser and SLT, the sole responsibility of the Directors, save for DJH and DH, has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in the Circular in its proper form and context.

19. FINANCIAL ADVISER'S RESPONSIBILITY STATEMENT

The Financial Adviser confirms that to the best of its knowledge and belief, this Circular constitutes full and true disclosure of all material facts about the Proposed Disposal, the Company and its subsidiaries, and the Financial Adviser is not aware of any facts the omission of which would make any statement in this Circular misleading.

Where information in the Circular has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of the Financial Adviser has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in the Circular in its proper form and context.

20. CONSENTS

Ernst & Young Corporate Finance Pte Ltd, the Independent Financial Adviser to the Non-interested Directors and the Audit Committee in respect of the Proposed Disposal, has given and has not withdrawn its written consent to the issue of this Circular with the inclusion of the IFA Letter and all references to its name in the form and context in which they appear in this Circular and to act in such capacity in relation to this Circular.

21. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at HEP Corporate Services Pte. Ltd., SGX Centre 2, #17-01, 4 Shenton Way Singapore 068807, during normal business hours for a period of three months from the date of this Circular:

- (a) the Agreement;
- (b) the IFA Letter;
- (c) the letter of consent referred to in section 20 of this Circular;
- (d) the Memorandum of Association of the Company and the Bye-laws; and
- (e) the Annual Report of the Company for FY2015.

LETTER TO SHAREHOLDERS

22. ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the Appendices of this Circular.

Yours faithfully

For and on behalf of
LONGCHEER HOLDINGS LIMITED

See Yen Tarn
Independent Director and Audit Committee Chairman
2 September 2016

APPENDIX A – CORPORATE STRUCTURE AND PARTICULARS

Part I – Particulars of the Remaining Businesses

Name	Place of incorporation/ establishment/ operation	Particulars of issued capital/ registered capital	Percentage of equity interest attributable to the Company		Principal activities
			Direct	Indirect	
<u>Post-Completion Group</u>					
Longcheer International Pte. Ltd.	Singapore	2 shares of USD1 each	100%	-	Investment holding
Longcheer Industries (Xi'an) Co., Limited	PRC	Registered capital of USD5,000,000	-	100%	Investment holding
Xi'an Longfei Software Co., Limited	PRC	Registered capital of RMB40,000,000	-	100%	Property investment
Longcheer Technology (India) Pvt. Limited	India	2,500,000 shares of 10 Rs each	-	100%	Value-added services ⁽¹⁾
Longcheer Technology (Singapore) Pte. Ltd.	Singapore	1,000,100 shares of S\$1 each	-	100%	Research and experimental development ⁽²⁾

Notes:

- (1) As at the Latest Practicable Date, Longcheer Technology (India) Pvt. Limited is not undertaking any significant business activities and its accounting transactions are minimal.
- (2) As at the Latest Practicable Date, Longcheer Technology (Singapore) Pte. Ltd is not undertaking any significant business activities and its accounting transactions are minimal.

APPENDIX A – CORPORATE STRUCTURE AND PARTICULARS

Part II – Particulars of the Target Group Companies

Name	Place of incorporation/ establishment/ operation	Particulars of issued capital/ registered capital	Percentage of equity interest attributable to the Company		Principal activities
			Direct	Indirect	
<u>Target Group Companies</u>					
Mentech Investment Limited	Hong Kong	913,500 shares of HKD1 each	-	21.89%	Investment holding
DBG Investment Holdings Limited	Hong Kong	247,420,237 shares of HKD1 each	-	21.89%	Investment holding
DBG Technology Co., Ltd.	China	Registered capital of RMB266,000,000	-	17.89%	Manufacturing and trading of electronic products
DBG Technology Electronics (Hong Kong) Limited.	Hong Kong	1,000,000 shares of USD1 each	-	17.89%	Investment holding
DBG Holdings Limited	Hong Kong	49,934,050 shares of HKD1 each	-	17.89%	Trading and investment
Shenzhen Ming Hong Electronic Technology Co., Ltd	China	Registered capital of RMB2,500,000	-	17.89%	Research and development of electronic products
Jia Xing Guang Hong Industrial Co., Ltd.	China	Registered capital of RMB50,000,000	-	17.89%	Manufacturing and trading of electronic products
Jia Xing Guang Hong Technology Electronics Co., Ltd.	China	Registered capital of RMB20,000,000	-	12.52%	Manufacturing and trading of electronic products

APPENDIX B – LETTER FROM ERNST & YOUNG CORPORATE FINANCE PTE LTD TO THE NON-INTERESTED DIRECTORS AND THE AUDIT COMMITTEE

2 September 2016

The Non-interested Directors and the Audit Committee of Longcheer International Limited

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Dear Sirs:

PROPOSED DISPOSAL BY LONGCHEER INTERNATIONAL PTE LTD OF 21.89% INTEREST IN ITS ASSOCIATED COMPANY, MENTECH INVESTMENT LIMITED, AS AN INTERESTED PERSON TRANSACTION

1 INTRODUCTION

On 20 June 2016 (the “**Announcement Date**”), Longcheer Holdings Limited (“**Longcheer**” or the “**Company**”) announced that Longcheer International Pte. Ltd. (the “**Vendor**”), a wholly-owned subsidiary of the Company, had on 20 June 2016, entered into a conditional sale and purchase agreement (the “**Agreement**”) with Longcheer Telecommunication (H.K.) Limited (the “**Purchaser**”) in relation to the disposal of its 21.89% interest in its associated company, Mentech Investment Limited (the “**Target Company**”), to the Purchaser (the “**Proposed Disposal**”), for an aggregate cash consideration of RMB88 million (the “**Consideration**”), equivalent to approximately USD13.37 million, based on an exchange rate of USD1: RMB6.5826, being the average of the USD: RMB exchange rates over the last five (5) market days prior to the date of the Agreement (the “**Agreed Exchange Rate**”).

The Vendor currently holds 200,000 ordinary shares in the Target Company representing 21.89% of the issued and paid up capital of the Target Company (the “**Sale Shares**”).

As at 29 August 2016 (the “**Latest Practicable Date**”), the Consideration represents 37.4% of the latest audited consolidated net tangible assets (“**NTA**”) of the Company and its subsidiaries (the “**Group**”) as at 30 June 2015. In accordance with Chapter 9 of the Singapore Exchange Securities Trading Limited (“**SGX-ST**”) Listing Manual (the “**Listing Manual**”), the Proposed Disposal is an interested person transaction, the value of which is more than 5% of the latest audited NTA of the Group and is thus subject to the approval of shareholders of the Company (the “**Shareholders**”) at the special general meeting (“**SGM**”) pursuant to Rule 906 of the Listing Manual. The Proposed Disposal is also considered a major transaction under Rule 1014 of the Listing Manual, which requires approval of the Shareholders.

Ernst & Young Corporate Finance Pte Ltd (“**EYCF**”) has been appointed as the independent financial adviser to advise the directors of the Company (the “**Directors**”) who are considered non-interested in relation to the Proposed Disposal (the “**Non-Interested Directors**”) and the audit committee of the Company (the “**Audit Committee**”) on whether the Proposed Disposal is on normal commercial terms and are not prejudicial to the interests of the Company and the minority shareholders (the “**Minority Shareholders**”).

This letter sets out, *inter alia*, our evaluation of the Proposed Disposal and our advice thereon. It forms part of the circular to Shareholders dated 2 September 2016 to be issued by the Company which provides, *inter alia*, the details of the Proposed Disposal and the recommendations of the Non-Interested Directors and the Audit Committee in respect thereof (the “**Circular**”).

Unless otherwise defined or the context otherwise requires, all terms in the Circular shall have the same meaning in this letter.

APPENDIX B – LETTER FROM ERNST & YOUNG CORPORATE FINANCE PTE LTD TO THE NON-INTERESTED DIRECTORS AND THE AUDIT COMMITTEE

2 TERMS OF REFERENCE

EYCF has been appointed to advise the Non-Interested Directors and the Audit Committee in respect of whether the Proposed Disposal is on normal commercial terms and is not prejudicial to the interests of the Company and the Minority Shareholders.

Our views as set forth in this letter are based on the prevailing market, economic, and financial conditions, and our evaluation of information provided to us by the Directors and the management of the Company (the “**Management**”), information provided in the Circular, as well as publicly available information collated by us, as at the Latest Practicable Date. Accordingly, this opinion shall not take into account any event or condition which occur after the Latest Practicable Date. We also assume no responsibility to update, revise or reaffirm our opinion as a result of any subsequent development after the Latest Practicable Date. Shareholders should take note of any announcement and/or event relevant to the Proposed Disposal which may be released by the Company after the Latest Practicable Date.

We are not and were not involved in any aspect of the discussions and negotiations pertaining to the Proposed Disposal, nor were we involved in the deliberations leading up to the decision by the Directors in connection with the Proposed Disposal. The scope of our appointment in relation to the Proposed Disposal does not involve giving an opinion on the merits of the Proposed Disposal, as this is the sole responsibility of the Directors, although we may draw upon their views in respect thereof (to the extent deemed necessary or appropriate by us) in arriving at the opinion set out in this letter. The scope of our appointment also does not require us to express, and we do not express, a view on the future growth prospects, earnings potential or value of the Company and the Target Company. We are, therefore, not expressing any view herein as to the prices at which the Shares may trade or on the future value or financial performance of the Company and the Target Company upon completion of the Proposed Disposal. Further, we have not conducted a comprehensive review of the business, operations or financial condition of the Company and its subsidiaries (the “**Group**”) nor of the Target Company and its subsidiaries (the “**Target Group Companies**”).

It is also not within our terms of reference to compare the relative merits of the Proposed Disposal vis-à-vis any alternative transaction previously considered by the Company (if any) or that the Company may consider in the future, and as such, we do not express an opinion thereon.

In the course of our evaluation of the Proposed Disposal, we have held discussions with the Directors and the Management. We have also examined and relied on information in respect of the Proposed Disposal collated by us as well as information provided and representations and assurances made to us, both written and verbal, by the Directors, the Management and/or professional advisers of the Company, including information contained in the Circular. We have not independently verified such information or any representation or assurance, whether written or verbal, and accordingly cannot and do not warrant or accept responsibility for the accuracy or completeness of such information, representation or assurance. Nevertheless, the Directors (including those who may have delegated supervision of the Circular) and the Management have confirmed to us, after making all reasonable enquiries that, to the best of their knowledge and belief, all material information disclosed to us (whether written or verbal) as well as information contained in the Circular constitutes a full and true disclosure, in all material respects, of all material facts and there is no material information the omission of which would make any of the information (in relation to the Proposed Disposal) contained herein or in the Circular inaccurate, incomplete or misleading in any material respect. The Directors have jointly and severally accepted such responsibility accordingly.

We have also made reasonable enquiries and exercised our judgement on the reasonable use of such information and have found no reason to doubt the accuracy and/or reliability of such information. We have further assumed that all statements of fact, belief, opinion and intention made by the Directors in relation to the Proposed Disposal in the Circular have been reasonably made after due and careful enquiry. We have also not made an independent evaluation or appraisal of the

APPENDIX B – LETTER FROM ERNST & YOUNG CORPORATE FINANCE PTE LTD TO THE NON-INTERESTED DIRECTORS AND THE AUDIT COMMITTEE

assets and liabilities of the Group and/or Target Group Companies. We have also not been provided with and have not relied on any financial projections or forecasts in respect of the Company and/or the Group for the purpose of our evaluation of the Proposed Disposal.

In preparing this letter, we have not had regard to the specific investment objectives, financial situation, tax position and/or unique needs and constraints of any individual Shareholder or any specific group of Shareholders. As each Shareholder would have different investment objectives and profiles, we would advise the Non-Interested Directors and the Audit Committee to recommend that any individual Shareholder or group of Shareholders who may require specific advice in relation to his or their Shares should consult his or their stockbroker, bank manager, solicitor, accountant or other professional advisers.

The Company has been separately advised in the preparation of the Circular (other than this letter). We were not involved and have not provided any advice, whether financial or otherwise, in the preparation, review and verification of the Circular (other than this letter). Accordingly, we do not take any responsibility for, and express no views on, whether expressed or implied, the contents of the Circular (other than this letter).

This letter and our opinion are addressed for the use and benefit of the Non-Interested Directors and the Audit Committee in connection with and for the purpose of their consideration of the Proposed Disposal. Any views and/or recommendations that the Non-Interested Directors and the Audit Committee may make in relation to the Proposed Disposal shall remain the responsibility of the Non-Interested Directors and the Audit Committee.

Our opinions in relation to the Proposed Disposal should be considered in the context of the entirety of this letter and the Circular.

3 THE PROPOSED DISPOSAL

Salient information on the Proposed Disposal, including terms and conditions thereon, is set out in section 3 of the Circular. Summarised extracts are presented in this letter. We recommend that the Non-Interested Directors and the Audit Committee advise the Shareholders to read carefully the details of the Proposed Disposal which are contained in the Circular.

3.1 The Sale and Purchase Agreement

The Proposed Disposal is subject to the terms and conditions of the Agreement, where the Vendor has agreed to sell and the Purchaser has agreed to purchase the Sale Shares, being 200,000 ordinary shares representing 21.89% of the issued and paid up shares owned by the Vendor in the Target Company.

3.2 Information on the Target Company

The Target Company is a private company limited by shares incorporated in Hong Kong on 28 August 2009 with an issued and paid-up share capital of HKD175,854,600. As at the Latest Practicable Date, the equity interests in the Target Company are held as to 21.89% by the Company with the remaining 78.11% held by unrelated third parties. None of the unrelated third parties constitute associates of the Directors or the controlling shareholders of the Company, as defined under the Listing Manual. Following the Mobell Disposal, the Target Company constituted a non-core asset of the Group. As such, the Company decided to relinquish its seat on the board of the Target Company on 31 December 2015 and the representative resigned as the director of the board of the Target Company on 31 December 2015. As the Company had no influence in the decision-making process of the Target Company, the Target Company was reclassified from an associated company to an investment asset held for sale on 1 January 2016. As at the Latest Practicable Date, the Target Company remains as an associated company which is defined under the Listing Manual as a company in which at least 20% but not more than 50% of its shares are held by the listed company or group.

APPENDIX B – LETTER FROM ERNST & YOUNG CORPORATE FINANCE PTE LTD TO THE NON-INTERESTED DIRECTORS AND THE AUDIT COMMITTEE

As at the Latest Practicable Date, the Target Group Companies are principally engaged in the business of manufacturing and trading of electronic products. The Target Group Companies provide electronic manufacturing services for the mobile handset industry in the PRC and specialise in the provision of manufacturing services for printed circuit board assembly using surface mount technology.

Additional details on the Target Company are set out in section 3.2 of and Appendix A to the Circular.

3.3 Book Value of the Target Company

Based on the latest unaudited consolidated accounts of the Group as at 30 June 2016, the book value of the Target Group Companies attributable to the Sale Shares was approximately RMB89.52 million.

3.4 Net Profits of the Target Company

The unaudited net profits attributable to the Sale Shares consists of (i) the share of results of the Target Group Companies of approximately RMB10.08 million for the 6 months ended 31 December 2015, and (ii) the reduction in fair value of the investment in the Target Company of approximately RMB1.98 million for the 6 months ended 30 June 2016 pursuant to the reclassification of interests in the Target Company from an associated company to an investment asset held for sale.

3.5 Consideration for the Proposed Disposal

The Consideration for the Sale Shares shall be an aggregate sum of RMB88 million, which was arrived at after arm's length negotiations between the Company and the Purchaser, on a willing buyer and willing seller basis, after taking into account the unaudited net asset value of the Target Group Companies as at 31 December 2015 adjusting for the dividends distributed and declared by the Target Company for the financial year of the Target Company ended 31 December 2015 and received by the Vendor up to the date of the Agreement. The Consideration is equivalent to approximately USD13.37 million based on the Agreed Exchange Rate. The unaudited net asset value of the Target Group Companies as at 31 December 2015 was approximately HKD525.4 million (equivalent to approximately USD67.8 million based on the exchange rate of USD1:HKD7.7507 as at 31 December 2015).

The Consideration shall be satisfied in cash in USD, based on the Agreed Exchange Rate, as follows:

- (a) an amount equivalent to 5% of the Consideration ("**Deposit**") shall be paid on the date of the Agreement; and
- (b) an amount equivalent to 95% of the Consideration ("**Final Payment**") to be paid on the completion date ("**Completion Date**").

As at the Latest Practicable Date, we note that the Deposit has been received and placed in a fixed deposit account.

3.6 Proceeds from the Proposed Disposal

The net proceeds from the Proposed Disposal, after deducting all costs and expenses incurred and to be incurred in relation to the Proposed Disposal are estimated to be approximately RM86.9 million. As at Latest Practicable Date, the costs and expenses incurred and to be incurred in relation to the Proposed Disposal are estimated to be approximately RMB1.1 million.

For illustrative purposes only, assuming the Proposed Disposal was completed on 30 June 2016, the loss on disposal for the Group would have been approximately RMB0.76 million.

APPENDIX B – LETTER FROM ERNST & YOUNG CORPORATE FINANCE PTE LTD TO THE NON-INTERESTED DIRECTORS AND THE AUDIT COMMITTEE

The Company intends to use the net proceeds from the Proposed Disposal to fund part of a special one-tier tax exempt dividend of SGD0.70 per Share (the “**Proposed Special Dividend**”), with the balance to be funded through its available internal resources. The amount of the Proposed Special Dividend is approximately SGD24.67 million. In the event the Proposed Disposal is approved and the Proposed Special Dividend is not approved, the Board intends to use the net proceeds from the Proposed Disposal for its future plans. The details of the Company’s future plans are set out in section 9 of the Circular.

3.7 Material Conditions in the Agreement

The material conditions in the Agreement are set out in section 3.4 of the Circular. We note that these material conditions include:

3.7.1 Conditions Precedent

The obligations of the parties under the Agreement to complete the Proposed Disposal are conditional upon, *inter alia*, the following salient conditions being satisfied, fulfilled or waived, as the case may be, before Completion:

- (a) the requisite approval of the board of directors and shareholders (if required) of the Purchaser for the transaction contemplated in the Agreement having been obtained;
- (b) the payment of the Deposit by the Purchaser to the Vendor;
- (c) the Purchaser having obtained all approvals, waivers, filings, registrations and consents as may be necessary from any third party or governmental agency having jurisdiction over the transaction contemplated under the Agreement being granted or obtained, and being in full force and effect and not having been withdrawn, suspended, amended or revoked;
- (d) all approvals, waivers and consents as may be necessary from any third party or governmental agency having jurisdiction over the transaction contemplated under the Agreement being granted or obtained, and being in full force and effect and not having been withdrawn, suspended, amended or revoked, and if such consents or approvals are granted or obtained subject to any conditions, such conditions being acceptable to the Company, in particular:
 - (i) the approval of Shareholders being obtained at the SGM to be convened before the Completion Date for the Proposed Disposal;
 - (ii) the approval in-principle being obtained from the SGX-ST in respect of the Circular; and
 - (iii) the approval of the board of directors and shareholders of the Target Company in respect of the Proposed Disposal.

If any of the conditions precedent under the Agreement have not been fulfilled or waived on or before the 30 September 2016 or such other date as may be mutually agreed between the Vendor and the Purchaser (the “**Long-Stop Date**”), the Vendor shall refund the entire amount of the Deposit excluding any interest. In the event of any non-fulfillment or amendment or waiver of any conditions precedent, the Company will update Shareholders and make the necessary announcements immediately.

Under the Agreement, the Vendor and the Purchaser have agreed that they shall each use its best endeavours to ensure the satisfaction of the conditions precedent.

Save for condition (d)(i) above, we note that all the conditions precedent have been satisfied as at the Latest Practicable Date.

APPENDIX B – LETTER FROM ERNST & YOUNG CORPORATE FINANCE PTE LTD TO THE NON-INTERESTED DIRECTORS AND THE AUDIT COMMITTEE

3.7.2 Right to Terminate

The Agreement may be terminated at any time prior to Completion by any party by notice in writing to the other party if:

- (a) the other party is in material breach of any provision of the Agreement or any of its warranties being unfulfilled, untrue, misleading or incorrect in any material respect;
- (b) any of the conditions precedent to be fulfilled by the other party have not been fulfilled or waived on or before the Long-Stop Date; or
- (c) the other party fails to deliver its completion deliverables.

The Vendor and the Purchaser may also terminate the Agreement by mutual written consent. The Vendor may terminate the Agreement if the Purchaser fails to pay the Final Payment. We note that to the best of knowledge of the Directors, the Directors are not aware of any circumstances to indicate that the Final Payment will not be forthcoming on Completion Date.

For the avoidance of doubt, if the Agreement is terminated due to the Purchaser's failure to pay the Final Payment, the Vendor shall be entitled absolutely to the whole of the Deposit (including any interest thereon). Save for the forfeiture of the Deposit by the Vendor, there is no termination fee payable by either party under the terms of the Agreement.

The Purchaser shall bear all stamp duty payable on the transfer of the Sale Shares. Save for the payment of the stamp duty, each of the Vendor and the Purchaser shall bear their own respective costs and expenses incurred in connection with the Proposed Disposal.

3.8 Representations and Warranties

Pursuant to the terms of the Agreement, the Vendor and the Purchaser have furnished to each other various representations and warranties customary for transactions of a similar nature such as the Proposed Disposal.

3.9 Completion of the Proposed Disposal

On or prior to the Completion Date, the Vendor will provide the Purchaser with the relevant documents and items required to complete the Proposed Disposal. These include the customary documents such as share transfer form, share certificates and stamp duty documents.

Subject to all the conditions precedent referred to in section 3.4.1 of the Circular having been satisfied, fulfilled or waived, the Completion of the Proposed Disposal is scheduled to take place on or about 30 September 2016 or such other date as the Company and the Purchaser may mutually agree in writing. Upon the Completion, the Target Company will cease to be an associated company of the Company.

4 EVALUATION OF THE PROPOSED DISPOSAL

In evaluating whether the Proposed Disposal is on normal commercial terms and is not prejudicial to the interests of the Company and its minority Shareholders, we have considered, *inter alia*, the following pertinent factors:

- (1) Rationale for the Proposed Disposal;
- (2) Comparison of the valuation measures of the Target Company against those of selected Comparable Companies;
- (3) Comparable Transactions to the Proposed Disposal;
- (4) Minority stake with no control over the Target Company's business and operations;

APPENDIX B – LETTER FROM ERNST & YOUNG CORPORATE FINANCE PTE LTD TO THE NON-INTERESTED DIRECTORS AND THE AUDIT COMMITTEE

- (5) Lack of marketability of the Sale Shares;
- (6) Complementary nature of the Target Company's business no longer exists;
- (7) Financial performance of the Target Company;
- (8) Increased competition in the Target Company's industry;
- (9) Realisation of the Company's investment in the Target Company;
- (10) The Proposed Special Dividend;
- (11) Financial effects of the Proposed Disposal before payment of the Proposed Special Dividend;
and
- (12) No alternative offer for the Target Company from third parties.

The factors above are discussed in more details in the following sections.

4.1 Rationale for the Proposed Disposal

In our evaluation of the Proposed Disposal, we have considered the Directors' rationale for the transaction as set out in section 3.7 of the Circular and reproduced below:

"The Board believes that the Proposed Disposal is in the best interests of the Company and Shareholders, having regard to the terms of the Proposed Disposal and the uncertainty in the challenging electronics industry, taking into account the following factors:

(a) *Exit from the electronics industry*

In 2010, the Group invested in the Target Company as it was complementary with the Group's then core business activities, the mobile telecommunications business. Following the disposal of the Group's mobile telecommunications business in 2014, the Group's businesses are mainly investments in properties and the non-controlling associated equity interest in the Target Company. As such, the Group's remaining investment in the electronics industry is no longer a strategic fit with the Group's business activities. The Proposed Disposal presents an opportunity for the Company to exit the electronics industry.

(b) *Decline in net profit margins*

Since 2014, the competition in the electronics industry has proven to be highly competitive. Coupled with the increase in labour costs, this has resulted in a decline in the net profit margins of the Target Company. For the financial years ended 31 December 2014, 31 December 2015 and for the period of 6 months ended 30 June 2016, the net profit margin of the Target Company was 9.6%, 7.6% and 7.1% respectively.

(c) *Lack of Control*

The Group's minority interest of 21.89% in the Target Company may be difficult for the Company to realise its investment in the Target Company.

(d) *Poor trading performance*

The Shares have been trading at a range of price to book multiples of between 0.51 and 0.67, with an average price to book multiple of approximately 0.59, for the period commencing 12 months prior to the SPA Announcement. The Proposed Disposal will allow the Company to immediately unlock and realise the Shareholders' investment return in cash.

APPENDIX B – LETTER FROM ERNST & YOUNG CORPORATE FINANCE PTE LTD TO THE NON-INTERESTED DIRECTORS AND THE AUDIT COMMITTEE

Upon completion of the Proposed Disposal, (a) the net proceeds from the Proposed Disposal will provide financial capacity for the Company to return excess cash to Shareholders through the Proposed Special Dividend; and (b) the Target Company will cease to be an associated company of the Company and the Group will cease to engage in the business of manufacturing and trading of electronic products.

The Company will continue to focus the Group's resources on its business of property investment, which the Company believes has growth potential, as well as future business development and investments (which may include property and non-property business) to enhance Shareholders' value. In the event the Proposed Special Dividend is not approved, the Company will use the net proceeds to continue to source for any acquisition of new businesses. The Company will make the necessary announcements in due course to update Shareholders. Please refer to section 9 of this

Circular for details of the future plans of the Company.

Accordingly, the Board believes that the Proposed Disposal is in the best interests of the Company and Shareholders, having regard to the terms of the Proposed Disposal and the uncertainty in the challenging electronics industry."

4.2 Comparison of the valuation measures of the Target Company against those of selected Comparable Companies

In our evaluation, we have considered the following widely used valuation measures:

Valuation Measure	Description
Price-to-Earnings Ratio ("P/E Ratio")	P/E Ratio or earnings multiple is the ratio of a company's market capitalisation divided by the historical consolidated net profit attributable to shareholders.
Price-to-Net Asset Value Ratio ("P/NAV Ratio")	NAV refers to consolidated net asset value, which is calculated as total assets of a company less total liabilities. P/NAV Ratio refers to the ratio of a company's share price divided by net asset value per share.

Based on our discussions with the Management and a search for comparable listed companies on Capital IQ and other available databases, we recognised that there is no particular listed company that we may consider to be directly comparable to the Target Company in terms of the composition of the business activities, company size, scale of operations, service range, customer base, risk profile, geographical spread of activities, accounting standards and policies used, and such other relevant criteria. However, after discussions with the Management, we have selected companies with market capitalisation of up to approximately SGD200 million as at the Latest Practicable Date, having primary operations and market in China or the Asia Pacific region, and which we believe are broad proxies to the core businesses of the Target Company ("**Comparable Companies**").

The Non-Interested Directors, the Audit Committee and Shareholders should note that any comparisons made with respect to the Comparable Companies are for illustrative purposes only as there is no one company with the exact scope of business and using the exact accounting policies and standards as those of the Target Company. For the analysis on the Comparable Companies, we have used the available data/information as at the Latest Practicable Date. The conclusions drawn from such comparisons may not necessarily reflect the perceived or implied valuation of the Target Company as at the Latest Practicable Date. In addition, we wish to highlight that the list of Comparable Companies is by no means exhaustive.

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Accordingly, for the purposes of our evaluation, we have considered the following Comparable Companies whose activities, in our view (and as explained above), are broadly comparable to those of the Target Company:

Comparable Company / Country of Listing	Business Activity Description	Market Capitalisation (SGD millions)
Global Brands Manufacture Ltd. (“ Global Brands ”)/ Taiwan	<p>Global Brands engages in the printed circuit board (“PCB”) production and electronics manufacturing service (“EMS”) businesses in Taiwan and internationally.</p> <p>The company’s PCBs are used in desktop personal computers, network and communication products, digital cameras, and other products. It also provides EMS services, including surface mount technology (“SMT”) assembly, tooling, and plastic and systems assembly. The company provides EMS for various products, including personal computers; consumer electronics comprising thin-film-transistor liquid-crystal displays; wireless communication products, etc. It supplies products to companies in the information, communication, automobile, and consumer electronics industries. Global Brands was founded in 1973 and is based in New Taipei, Taiwan.</p>	202
PCI Limited (“ PCI ”)/ Singapore	<p>PCI provides EMS in the United States, the People’s Republic of China, Germany, ASEAN, and internationally. The company operates through its EMS, estate management and rental income, and investment holding segments.</p> <p>EMS includes PCB assembly, customer user interface design and manufacturing, schematic design, board layout, component selection, firmware design, mechanical design, and turnkey electronics manufacturing services. The company was founded in 1972 and is headquartered in Singapore.</p>	84
SIM Technology Group Limited (“ SIM ”) / Hong Kong	<p>SIM designs, develops, manufactures, and sells display modules, handsets and solutions, and wireless communication modules in the People’s Republic of China.</p> <p>It offers smart handheld terminals; wireless communication module solutions for various technical platforms; capacitor panels and liquid-crystal display modules for mobile phones and portable devices; Internet of things services; and original design manufacturer services. The company was founded in 1986 and is headquartered in Wanchai, Hong Kong.</p>	152
Valuetronics Holdings Limited (“ Valuetronics ”)/ Singapore	<p>Valuetronics provides integrated electronics manufacturing services.</p> <p>Its manufacturing services comprise plastic tool fabrication and injection molding; metal stamping and machining; PCB assemblies, including complex multi layer boards; sub-assemblies and full product assemblies; reliability engineering and testing; materials procurement; and on-site program management. It serves multinational and mid-size companies in the telecommunications, industrial, commercial, and consumer fields in North America, Europe, and the Asia Pacific regions. Valuetronics Holdings Limited was founded in 1992 and is headquartered in Shatin, Hong Kong.</p>	199

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Comparable Company / Country of Listing	Business Activity Description	Market Capitalisation (SGD millions)
Vital Mobile Holdings Limited ("Vital Mobile")/ Hong Kong	Vital Mobile designs, develops, produces, and sells mobile telecommunication devices in the People's Republic of China. The company manufactures and sells mobile telecommunication related components and accessories. It serves mobile handset suppliers, telecommunication operators, and trading companies in South Asia, Southeast Asia, Europe, North America, South America, Africa, and other parts of Asia. The company was incorporated in 2014 and is headquartered in Beijing, China.	132

Source: Capital IQ, company reports and company websites

**Valuation Measures of the Comparable Companies in Comparison
with the Valuation Measures of the Target Company implied by the Consideration**

Comparable Companies	Listed Exchange	Market Capitalisation ⁽¹⁾ (SGD millions)	P/E Ratio ⁽²⁾ (times)	P/NAV Ratio ⁽³⁾ (times)
Global Brands	Taiwan	202	<i>n.m.</i>	0.4
PCI	Singapore	84	10.5	0.7
SIM	Hong Kong	152	11.0	0.5
Valuetronics	Singapore	199	9.6	1.3
Vital Mobile	Hong Kong	132	4.7	0.8
Low			4.7	0.5
High			11.0	1.3
Median			10.1	0.8
Average			9.0	0.8
Target Company (Implied by the Consideration)		82	5.1	1.0

Source: Capital IQ, OneSource and company reports
n.m.: not material

Notes:

- (1) Market capitalisation for the comparable companies is based on the outstanding number of shares and the closing price as at Latest Practicable Date obtained from Capital IQ. The implied market capitalisation for the Target Company is approximately SGD82 million (approximately RMB 401.9 million) based on the consideration of RMB88.0 million for the Sale Shares and the total issued shares of 913,500.
- (2) Net profit attributable to shareholders of the Target Company is computed based on the Target Company's unaudited consolidated financial results for the trailing 12 months ended 30 June 2016.
- (3) P/NAV Ratio of the Target Company is calculated based on the book value of the Target Group Companies attributable to the Sale Shares recorded on the latest unaudited consolidated accounts of the Group as at 30 June 2016 (approximately RMB89.52million for the Group's entire 21.89% interest in the Target Company) and the implied market capitalisation based on the Consideration for the Sale Shares.
- (4) The financial statements of the Comparable Companies are reported in various currencies, which may or may not be in Singapore dollars and which may be different from the respective currencies that their shares are traded in. For the purposes of computing and comparing the valuation measures, financial figures in relation to the balance sheet of the Comparable Companies have been translated (if applicable) to their respective trading currencies using a suitable exchange rate as at the balance sheet date as obtained from Capital IQ, while earning figures have been translated (if applicable) to their respective trading currencies using a suitable average exchange rate for the relevant financial period, as obtained from Capital IQ. Closing share prices of the Comparable Companies as at the Latest Practicable Date have been translated (if applicable) to their respective trading currencies using a suitable exchange rate as at the Latest Practicable Date, as obtained from Capital IQ.

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(a) Comparison of P/E Ratios

The P/E Ratio illustrates the ratio of the market capitalisation of an entity in relation to the historical net profit attributable to its shareholders.

We note that for the Comparable Companies, the range of P/E Ratios is between 4.7 times and 11.0 times, while the median P/E Ratio is 10.1 times and the average P/E Ratio is 9.0 times.

The P/E Ratio of the Target Company implied by the Consideration of 5.1 times is within the range, but below both the median and average P/E Ratios of the Comparable Companies.

(b) Comparison of P/NAV Ratios

The P/NAV Ratio represents an asset-based relative valuation which takes into consideration the net asset value backing of a company.

We note that for the Comparable Companies, the range of P/NAV Ratios is between 0.5 times and 1.3 times, while the median P/NAV Ratio is 0.8 times and average P/NAV Ratio is 0.8 times.

The P/NAV Ratio of the Target Company implied by the Consideration of 1.0 time is within the range, and above both the median and average P/NAV Ratios of the Comparable Companies.

4.3 Comparable Transactions to the Proposed Disposal

We have also examined recent similar transactions by mobile handset ODM companies (the “**Comparable Transactions**”) announced and completed in the period five (5) years prior to the Announcement Date up to the Latest Practicable Date. Our analysis of the Comparable Transactions is to illustrate how the valuation multiples, namely P/E Ratios and P/NAV Ratios, as implied by the transaction consideration compare against the respective valuation multiples as implied by the Consideration for the Proposed Disposal.

The Non-Interested Directors, the Audit Committee and Shareholders should note that due to the differences in, *inter alia*, business activities, scale of operations, geographical spread of activities, track record and future prospects, accounting standards and policies, any comparison made with respect to the Comparable Transactions is for illustrative purposes only. The Comparable Transactions are not directly comparable to the terms and conditions of the Proposed Disposal. The premium any acquiror is prepared to pay for in any particular transaction depends on various factors, including prevailing market conditions, and general economic and business risks. The conclusions drawn from such comparisons, therefore, may not necessarily reflect the perceived or implied market valuation for the Target Company. In addition, we wish to highlight that the list of Comparable Transactions is by no means exhaustive and pieces of information relating to the Comparable Transactions were compiled from publicly available information.

**Valuation Measures of the Comparable Transactions in Comparison
with the Implied Valuation Measures for the Proposed Disposal**

Date	Target	Business Description	Transaction Size (SGDm)	Interest Acquired (%)	P/E Ratio (times)	P/NAV Ratio (times)
Apr 15	Shenzhen Xing Fei Technology Co. Ltd.	Shenzhen Xing Fei Technology Co. Ltd. provides research and development services, designs, manufactures, and sells mobile phones. The company develops and manufactures cell phones and smartphones of 2G, 3G, 3.5G, and 4G. The company provides OEM and ODM product solutions to customers. The company is based in China. The buyer was Shenzhen City Teng Xing Wang Da Co., Ltd.	51.7	26.0	7.4	1.6

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Date	Target	Business Description	Transaction Size (SGDm)	Interest Acquired (%)	P/E Ratio (times)	P/NAV Ratio (times)
Feb-13	PCA Technology Limited	PCA Technology Limited provides various electronics manufacturing services. It offers a range of assembly services, including prototyping, SMT assembly for fine-pitch components, flex-circuit assembly, IC assembly and packaging, and box-build assembly services, as well as after-market services. The company also provides printed circuit board assembly services. The company serves customers in the computer peripheral, telecommunication, industrial products, household products, and consumer electronics industries. PCA Technology Limited was founded in 1990 and is headquartered in Singapore.	11.8	38.5	4.9	0.8
Jan 12	Z-Obee Holdings Limited	Z-Obee Holdings Limited distributes and markets mobile handsets and its components in Hong Kong, India, and the US. The company also provides design and production solution services for mobile handsets and computer tablets. In addition, it is involved in the assembly of mobile handsets and computer tablets, and surface mounting technology of printed circuit boards. The company was founded in 2002 and is based in Kwun Tong, Hong Kong.	0.3	0.5	6.1	0.5
		Low			4.9	0.5
		High			7.4	1.6
		Median			6.1	0.8
		Average			6.1	1.0
		Target Company (Implied by the Consideration)			5.1	1.0

Source: Capital IQ, company and news reports

(a) Comparison of P/E Ratios

We note that for the Comparable Transactions, the range of P/E Ratios is between 4.9 times and 7.4 times, while the median P/E Ratio is 6.1 times and the average P/E Ratio is 6.1 times.

The P/E Ratio of the Target Company implied by the Consideration of 5.1 times is within the range and below both the median and average P/E Ratios of the Comparable Transactions.

(b) Comparison of P/NAV Ratios

We note that for the Comparable Transactions, the range of P/NAV Ratios is between 0.5 times and 1.6 times, while the median P/NAV Ratio is 0.8 times and average P/NAV Ratio is 1.0 time.

The P/NAV Ratio of the Target Company implied by the Consideration of 1.0 time is within the range of the P/E Ratios of the Comparable Transactions. It is also above the median P/E Ratio and in line with the average P/E Ratio of the Comparable Transactions.

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4.4 Minority stake with no control over the Target Company's business and operations

The Vendor currently only owns a minority stake of 21.89% of the total issued shares in the Target Company. In addition, the Vendor currently has no representation or board seat in the Target Company. Consequently, we note that the Vendor does not have control nor influence on the strategic direction, business and operations of the Target Company.

4.5 Lack of marketability of the Sale Shares

We note that given the minority stake of the Company in the Target Company, there may be a lack of marketability for the Sale Shares. The Company does not have a controlling interest in the Target Company and moreover, the Target Company is a private company. Unlike publicly-listed shares, there is a general lack of liquidity and marketability for shares in privately-held companies.

4.6 Complementary nature of the Target Company's business no longer exists

In 2010, the Group acquired the Target Company with the rationale that the acquisition of the Target Company will be complementary to its existing range of business activities. The strategic stake in the Target Company was expected to allow the Group to be able to exert greater control over production scheduling, time-to-market, quality control and tailor-made solutions catered to the Group's requirements. At that time, the acquisition was also in line with the Group's strategy to seek out business opportunities which have a strategic fit with the Group's core business activities.

Following the 2014 disposal of Mobell Technology Pte Ltd, which is engaged in the original design manufacturing of mobile telecommunications devices, the remaining portion of the Group's businesses are mainly investments in properties and the equity interest in the Target Company. In addition, the Group intends to focus resources on its business of property investment, which the Group believes has growth potential, as well as future business development and investments (which may include property and non-property business) in order to enhance Shareholders' value.

We note that the business of the Target Company is no longer complementary to the Group's new core business, and no longer in line with the Group's overall strategic direction to develop new property investment businesses as well as future business development and investments (which may include property and non-property business). As such, the Company decided to relinquish its seat on the board of the Target Company on 31 December 2015 and the representative resigned as the director of the board of the Target Company on 31 December 2015. As the Company no longer had influence in the decision-making process of the Target Company, the Target Company was reclassified as available-for-sale financial asset with effect from 1 January 2016. We note that as at the Latest Practicable Date, the Target Company remains as an associated company pursuant to the provisions of the Listing Manual.

Further, we note that as set out in section 9 of the Circular, the Company's future plans include continuing to hold the investment property in Xi'an for rental income after the completion of the Proposed Disposal and regardless of the payment of the Proposed Special Dividend. The Board will also consider all options available to the Company, including identifying potential acquisition opportunities in any business (in addition to the property business) which demonstrate growth potential and profitable track record, and have prospects of generating future income or dividend yield for the Shareholders. Shareholders should note, however, that the future plans of the Company as set out in section 9 of the Circular may change along the way as the Directors continue to seek opportunities which offer potential growth in the Group.

APPENDIX B – LETTER FROM ERNST & YOUNG CORPORATE FINANCE PTE LTD TO THE NON-INTERESTED DIRECTORS AND THE AUDIT COMMITTEE

4.7 Financial Performance of the Target Company

A summary of the Target Company's audited profit and loss accounts for the financial years ended 31 December 2013 ("FY2013") and 31 December FY2014 ("FY2014"), and unaudited profit and loss accounts for the financial year ended 31 December 2015 ("FY2015") are set out below:

For the financial year ended 31 December	Audited	Audited	Unaudited	Change (%)	Change (%)
(in HKD '000)	2013	2014	2015	FY2013 - FY2014	FY2014 - FY2015
Revenue	871,836	922,556	1,108,774	5.8%	20.2%
Cost of Goods Sold	(684,937)	(673,197)	(799,392)	(1.7)%	18.7%
Gross Profit	186,899	249,359	309,383	33.4%	24.1%
EBITDA	146,205	191,025	230,706	30.7%	20.8%
Profit from operations	71,148	120,312	157,506	69.1%	30.9%
Profit before tax	67,797	118,411	131,228	74.7%	10.8%
Profit for the year attributable to owners of the Target Company	50,431	88,650	84,800	75.8%	(4.3)%

Source: Audited Reports and unaudited consolidated management accounts

We note that revenue of the Target Company increased by about 5.8% and net profit for the period attributable to owners of the Target Company increased by about 75.8% over FY2013 to FY2014.

From FY2014 to FY2015, the revenue of the Target Company increased by about 20.2% while net profit for the period attributable to owners of the Target Company decreased by about 4.3% from the previous year.

4.8 Increased competition in the Target Company's industry

In the Group's annual report for the financial year ended 30 June 2015, we note that the following commentary was made in the Chairman's Statement about the prospects of the mobile handset market:

"During the year, we achieved our goal of exiting the 3G handset market. Competition has been intense and pressure on gross profit margins unrelenting. Additionally, there have been changes in the promotion policies of telecom companies in the PRC that are likely to erode demand and shipment volume.

The competitive pressure and uncertainties of the 3G business resulted in our share price trading at a significant discount to book value. Exiting the 3G handset market allowed us to unlock shareholder value and recycle capital to shareholders."

On section 3.7 of the Circular, one of the rationale of the Directors for the Proposed Disposal is the decline in net profit margins. We note that given the highly competitive operating environment of the mobile handset devices market and the electronics industry, the Directors and the Management have been taking deliberate steps to steer the Group away from the industry by disposing of the Company's investments. We note that the Proposed Disposal is in line with the Directors' and the Management's overall strategic plan, and the Proposed Disposal will be the last step in the Group's exit from the electronics industry.

APPENDIX B – LETTER FROM ERNST & YOUNG CORPORATE FINANCE PTE LTD TO THE NON-INTERESTED DIRECTORS AND THE AUDIT COMMITTEE

4.9 Realisation of the Company’s investment in the Target Company

We have analysed the investment of the Company in the Target Company in terms of cash flows, including the Consideration to be paid for the Proposed Disposal. We have considered the investment cost to the Company, the dividends received by the Vendor from the date of acquisition of the Target Company to the Latest Practicable Date (the “**Investment Holding Period**”), and the proceeds from the Proposed Disposal.

In the table below, we have set out the dividends received by the Vendor over the Investment Holding Period:

Timing of Dividends received	Sep-10	Jan-11	Apr-12	Apr-13	Jan-14	Jan-15	Jan-16
Dividend received (USDm)	1.0	1.0	0.8	0.7	0.8	1.2	1.2

Source: Mentech Investment Limited’s audited financial statements and unaudited management accounts

In addition to the dividends received by the Vendor, the following table sets out the investment cost of the Target Company and the Consideration for the Proposed Disposal:

	Amount (in '000)
Acquisition consideration paid by Vendor in 2010 (USD)	6,100
Proposed Disposal consideration to be received by Vendor (RMB)	88,000
Proposed Disposal consideration to be received by Vendor (USD ¹)	13,369

Source: Company announcements, Circular

Note:

- (1) Based on the Agreed Exchange Rate of USD1 : RMB6.5826. Consideration for the Proposed Disposal to be paid to the Vendor on 30 September 2016 which is the expected completion date of the Proposed Disposal.

We note that the Investment Holding Period is approximately 6.0 years in length. For illustrative purposes, we have calculated the annualised investment return of the Company’s investment in the Target Company to be approximately 14.5%. Taking into account the dividends received by the Vendor from the Target Company (assuming cashflows occur at the end of each respective month), the annualised investment return is approximately 32%.

We note that the average dividend received by the Vendor over the Investment Holding Period is USD0.96 million (the “**Average Dividend**”). Based on the Average Dividend and the Consideration (approximately USD13.37 million), the dividend yield is approximately 7.2%. Similarly, assuming the Average Dividend is maintained going forward, the Consideration would be paid back via dividends in approximately 13.9 years.

For illustrative purposes only, we have applied the dividend discount model (the “**DDM**”) to derive a calculated value for the Sale Shares which ranges from USD8.1 million to USD14.1 million. We note that the DDM outcomes are dependent on the input assumptions that have been used, and such assumptions may be subjective in nature.

4.10 The Proposed Special Dividend

We note that the Company is proposing the declaration of the Proposed Special Dividend, a special one-tier tax exempt dividend of SGD0.70 per Share.

Shareholders should note that the Proposed Special Dividend is conditional upon the approval of the Proposed Disposal. If the Proposed Disposal is not approved by Shareholders, then the Proposed Special Dividend would not be carried. The Company is proposing to fund the Proposed Special Dividend with the net proceeds from the Proposed Disposal and by utilising its available internal resources.

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4.11 Financial effects of the Proposed Disposal before payment of the Proposed Special Dividend

As set out in section 7 of the Circular, we note the financial effects of the Proposed Disposal on the Company. The proforma financial effects as set out in the Circular are for illustrative purposes only and are therefore not necessarily indicative of the actual financial performance and position of the Group after the Completion.

(a) Net tangible assets (“NTA”)

Assuming that the Proposed Disposal had been completed on 30 June 2016, we note that the NTA per share of the Company would decrease from RMB7.10 to RMB7.03.

(b) Earnings per share (“EPS”)

Assuming that the Proposed Disposal had been completed on 1 July 2015, we note that the consolidated profits attributable to the owners of the Company will decrease from RMB6.428 million to RMB(4.292) million. On a per Share basis, the EPS will decrease from RMB0.18 to RMB(0.12).

(c) Share capital

We note that the Proposed Disposal will not have any effect on the share capital and shareholding structure of the Company as the Proposed Disposal does not involve the allotment and issuance of any new shares in the Company and the Consideration is wholly satisfied in cash.

4.12 No alternative offer for the Target Company from third parties

We understand from the Directors that, as at the Latest Practicable Date, there is no other alternative or proposal to the Company which is comparable to the Proposed Disposal. We also note that there is no publicly available evidence of an alternative offer for the Target Company from any third party.

5 OUR OPINION ON THE PROPOSED DISPOSAL

In arriving at our advice to the Non-Interested Directors and the Audit Committee on the Proposed Disposal, we have reviewed and deliberated on the factors which we consider to be relevant and to have a significant bearing on our assessment of the Proposed Disposal. The factors we have considered in our evaluation, which are based on, among others, representations made by the Company, the Directors and the Management and discussed in detail in the earlier sections of this letter and which we have relied upon, are as follows:

- (a) Rationale for the Proposed Disposal;
- (b) Comparison of the valuation measures of the Target Company against those of selected Comparable Companies;
- (c) Comparable Transactions to the Proposed Disposal;
- (d) Minority stake with no control over the Target Company’s business and operations;
- (e) Lack of marketability of the Sale Shares;
- (f) Complementary nature of the Target Company’s business no longer exists;
- (g) Financial performance of the Target Company;
- (h) Increased competition in the Target Company’s industry;
- (i) Realisation of the Company’s investment in the Target Company;
- (j) The Proposed Special Dividend;

**APPENDIX B – LETTER FROM ERNST & YOUNG CORPORATE FINANCE
PTE LTD TO THE NON-INTERESTED DIRECTORS AND THE AUDIT COMMITTEE**

- (k) Financial effects of the Proposed Disposal before payment of the Proposed Special Dividend;
and
- (l) No alternative offer for the Target Company from third parties.

Based on the analyses undertaken and subject to the qualifications and assumptions made herein, we are of the opinion that the Proposed Disposal is on normal commercial terms and is not prejudicial to the interests of the Company and the Minority Shareholders. Accordingly, we advise the Non-Interested Directors and the Audit Committee to recommend that the Minority Shareholders vote in favour of the Proposed Disposal.

The Non-Interested Directors and the Audit Committee should note that we have arrived at our opinion based on information made available to us prior to, and including, the Latest Practicable Date. Our opinion on the Proposed Disposal cannot and does not take into account any subsequent development after the Latest Practicable Date as these are governed by factors beyond the scope of our review, and would not fall within our terms of reference in connection with our evaluation of the Proposed Disposal.

We have prepared this letter for the use of the Non-Interested Directors and the Audit Committee, in connection with and for the purposes of their consideration of the Proposed Disposal, but any recommendation made by the Non-Interested Directors and the Audit Committee in respect of the transaction shall remain their responsibility. In addition, we have not regarded the general or specific investment objectives, financial situation, tax position, risk profile or unique needs and considerations of any individual Shareholder or group of Shareholders. For the avoidance of doubt, nothing in this letter prevents or excludes shareholders from relying on this letter in connection with the Proposed Disposal, whether pursuant to the Contracts (Rights of Third Parties) Act, Chapter 53B of Singapore or otherwise.

Whilst a copy of this letter may be reproduced in the Circular, no other person may reproduce, disseminate or quote this letter (or any part thereof) for any purpose (other than the intended purpose in relation to the Proposed Disposal) at any time and in any manner without our prior written consent in each specific case. For the avoidance of doubt, nothing in this letter prevents the Company or the Shareholders from reproducing, disseminating or quoting this letter without our prior consent for the purpose of any matter relating to the Proposed Disposal.

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

Yours faithfully
For and on behalf of
Ernst & Young Corporate Finance Pte Ltd

Luke Pais
Managing Director

Elisa Montano
Director

NOTICE OF SPECIAL GENERAL MEETING

NOTICE OF SPECIAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that a Special General Meeting (“**SGM**”) of Longcheer Holdings Limited (“**Company**”) will be held at Courtyard 03, Oasia Hotel, 8 Sinaran Drive, Singapore 307470 on 26 September 2016 at 10:30 a.m., for the purpose of considering and, if thought fit, passing (with or without modifications, as applicable) the following resolutions:

*All capitalised terms in the Ordinary Resolution and Special Resolution below and defined in the Circular dated 2 September 2016 to the shareholders of the Company (“**Circular**”) shall, unless otherwise defined herein, have the respective meanings ascribed thereto in the Circular.*

SPECIAL RESOLUTION 1: THE PROPOSED CHANGE OF NAME

That:

- (a) subject to the approval of the Registrar of Companies in Bermuda, the name of the Company be changed from “Longcheer Holdings Limited” to “LCT Holdings Limited” (the “**Name Change**”);
- (b) the Memorandum of Association and Bye-laws of the Company be amended by replacing all references made therein to “Longcheer Holdings Limited” with “LCT Holdings Limited” to reflect the Name Change (the “**Amendments**”); and
- (c) the Directors or any one of them be and is hereby authorised to complete and do all such acts and things (including to execute such documents and to make such filings with the Registrar of Companies in Bermuda to effect the aforesaid Name Change and the Amendments) as they/he/she may consider expedient, necessary, desirable, incidental or in the interests of the Company to give effect to the transactions contemplated and/or authorised by this Special Resolution.

ORDINARY RESOLUTION 1: THE PROPOSED DISPOSAL

That:

- (a) the proposed disposal by the Company of 21.89% of the issued and paid-up share capital of Mentech Investment Limited (the “**Proposed Disposal**”) on the terms and subject to the conditions contained in the Agreement entered into between the Company and the Purchaser (as set out in the Circular to the Shareholders), being an interested person transaction and a major transaction for the purposes of Chapter 9 and Chapter 10 of the Listing Manual respectively, is hereby approved and confirmed; and
- (b) the Directors and each of them be and are/is hereby authorised to complete and do all such acts and things (including but not limited to the execution of all such agreements and documents as may be required) as they/he/she may consider necessary, desirable or expedient or in the interests of the Company to give effect to this Ordinary Resolution as they or he may deem fit.

ORDINARY RESOLUTION 2: THE PROPOSED SPECIAL DIVIDEND

That contingent upon the passing of the Ordinary Resolution 1, completion of the Proposed Disposal and the satisfaction of any applicable regulatory approvals and/or statutory requirements:

- (a) a special one-tier tax exempt dividend of S\$0.70 per Share be and is hereby approved and declared (the “**Proposed Special Dividend**”) for distribution to the Shareholders whose names appear on the register of members of the Company on the record date (the “**Books Closure Date**”) to be fixed by the Directors and that the Proposed Special Dividend be paid on a date to be determined by the Directors; and

NOTICE OF SPECIAL GENERAL MEETING

- (b) the Directors and each of them be and hereby authorised to complete and do all such acts and things (including but not limited to the execution of all such agreements and documents as may be required) as they/he/she may consider necessary, desirable or expedient or in the interests of the Company to give effect to this Ordinary Resolution as they/he/she may deem fit.

All capitalised terms used in this Notice which are not defined herein shall have the same meanings ascribed to them in the Circular.

BY ORDER OF THE BOARD

See Yen Tarn
Independent Director and Audit Committee Chairman
2 September 2016

Notes:

Unless The Central Depository (Pte) Limited (“**CDP**”) specifies otherwise in a written notice to the Company, CDP shall be deemed to have appointed as CDP’s proxies to vote on behalf of CDP at this special general meeting (“**SGM**”) each of the Depositors who are individuals and whose names are shown in CDP’s records as at a time not earlier than forty-eight (48) hours prior to the time of the SGM. Therefore, such Depositors who are individuals can attend and vote at the SGM without the lodgement of any Depositor Proxy Form (as defined below).

However, if such a Depositor who is an individual but is unable to attend the SGM personally and wishes to appoint a nominee to attend and vote on his/her behalf as CDP’s proxy must complete, sign and return the proxy form which is despatched together with this Circular to Depositors (“**Depositor Proxy Form**”) completed by CDP in accordance with the instructions printed thereon and deposit the duly completed Depositor Proxy Form at the office of the Company’s Singapore Share Transfer Agent, Boardroom Corporate & Advisory Services Pte. Ltd. at 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623, not less than forty-eight (48) hours before the time appointed for holding the SGM. Similarly, a Depositor which is a corporation and wishes to attend the SGM must complete, sign and submit the Depositor Proxy Form for the appointment of nominee(s) to attend and vote at the SGM on its behalf as CDP’s proxy.

If a Shareholder who is not a Depositor is unable to attend the SGM and wishes to appoint a proxy to attend and vote at the SGM in his stead, then he should complete and sign the proxy form despatched to Shareholders who are not Depositors (“**Shareholder Proxy Form**”) and deposit the duly completed Shareholder Proxy Form at the office of the Company’s Singapore Share Transfer Agent, Boardroom Corporate & Advisory Services Pte. Ltd. at 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623, not less than forty-eight (48) hours before the time appointed for holding the SGM. Such proxy need not be a member of the Company.

To be effective, the Depositor Proxy Form or the Shareholder Proxy Form must be deposited by a Depositor or a Shareholder (as the case may be) at the office of the Company’s Singapore Share Transfer Agent, Boardroom Corporate & Advisory Services Pte. Ltd. at 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623, no later than 10:30 a.m. on 24 September 2016.

The completion and return of the Depositor Proxy Form by a Depositor or, the Shareholder Proxy Form by a Shareholder, will not prevent the Depositor or the Shareholder (as the case may be) from attending and voting in person at the SGM if he wishes to do so, in place of his/her nominee or proxy (as the case may be).

PERSONAL DATA PRIVACY

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

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