



**DUTECH HOLDINGS LIMITED**

(Company Registration No.: 200616359C)  
(Incorporated in the Republic of Singapore)

**Directors:**

Dr. Johnny Liu, Executive Chairman and Chief Executive Officer  
Mr. Liu Bin, Executive Vice Chairman  
Ms. Tan Yee Peng, Lead Independent Director  
Mr. Graham Macdonald Bell, Independent Director  
Mr. Chen Zhaohui, George, Independent Director  
Dr. Hedda Juliana im Brahm-Droege, Non-Executive Director  
Mr. Christoph Hartmann, Non-Executive Director

**Registered Office:**

50 Raffles Place  
#32-01  
Singapore Land Tower  
Singapore 048623

26 July 2021

To: The Shareholders of Dutech Holdings Limited

Dear Sir/Madam,

**REVISION OF VOLUNTARY UNCONDITIONAL CASH OFFER BY UOBKH, FOR AND ON BEHALF OF THE OFFEROR, FOR THE OFFER SHARES**

**1. BACKGROUND**

- 1.1 **Offer.** On 18 June 2021, UOB Kay Hian Private Limited (“**UOBKH**”) announced, for and on behalf of TSI Metals HK Limited (the “**Offeror**”), the offer document (the “**Offer Document**”) setting out, *inter alia*, the terms and conditions of the voluntary unconditional cash offer (the “**Offer**”) to acquire all the issued and paid-up ordinary shares (the “**Shares**”) in the capital of Dutech Holdings Limited (the “**Company**”) other than any Shares held in treasury in accordance with Rule 15 of The Singapore Code on Take-overs and Mergers (the “**Code**”).
- 1.2 **Offeree Circular.** On 2 July 2021, the Company issued a circular to shareholders of the Company (“**Shareholders**”) in relation to the Offer (“**Circular**”) containing, *inter alia*, the recommendation of the Directors who are considered independent for the purposes of the Offer, namely, (i) Ms. Tan Yee Peng; (ii) Mr. Graham Macdonald Bell; (iii) Mr. Chen Zhaohui, George; (iv) Dr. Hedda Juliana im-Brahm Droege; and (v) Mr. Christoph Hartmann (collectively, the “**Independent Directors**”), and the advice of SAC Capital Private Limited (the “**IFA**” or “**SAC**”), being the independent financial adviser to the Independent Directors in connection with the Offer.
- 1.3 **Revision of the Offer.** On 15 July 2021, UOBKH, for and on behalf of the Offeror, made an announcement (the “**Offer Revision Announcement**”) that the Offer would be revised in the manner described in Section 2 below. The Company had on 16 July 2021 released an announcement in response to the Offer Revision Announcement (the “**Offeree Response Announcement**”).

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- 1.4 **Revision Notification.** Shareholders should by now have received a copy of the written notification to Shareholders (“**Revision Notification**”) despatched by the Offeror setting out, *inter alia*, the revisions to the Offer. Copies of the Offer Revision Announcement and Offeree Response Announcement and the Revision Notification are available on the website of the SGX-ST at [www.sgx.com](http://www.sgx.com). Shareholders are advised to read the Offer Revision Announcement, Offeree Response Announcement and the Revision Notification carefully.
- 1.5 **Definitions.** Unless otherwise defined, all terms and expressions used in this supplemental letter (“**Supplemental Letter**”) shall have the same meanings as those defined in the Circular. References to “**Latest Practicable Date**” in this Supplemental Letter refer to 16 July 2021.
- 1.6 **Purpose of this Supplemental Letter.** The purpose of this Supplemental Letter, which supplements the Circular, is to provide Shareholders with information pertaining to the revised Offer and to set out the advice of the IFA to the Independent Directors and the recommendation of the Independent Directors in respect of the revised Offer.

**This Supplemental Letter is important as it contains the recommendation of the Independent Directors and the advice of the IFA. This Supplemental Letter requires the immediate attention of Shareholders, who are advised to read it carefully.**

**If you are in any doubt in relation to this Supplemental Letter or as to the action you should take, you should consult your stockbroker, bank manager, solicitor, accountant, tax adviser and/or other professional adviser immediately.**

## 2. REVISION OF OFFER PRICE

- 2.1 **Final Offer Price.** As stated in paragraph 2 of the Offer Revision Announcement, pursuant to Rule 21.1 of the Code, the Offeror is revising the Offer Price (“**Offer Price Revision**”) from S\$0.40 per Offer Share to S\$0.435 per Offer Share (“**Final Offer Price**”).

The Offeror has indicated that the Offeror does not intend to revise the Final Offer Price of S\$0.435 per Offer Share. In accordance with Rule 20.2 of the Code, the Offeror will not be allowed to subsequently increase the Final Offer Price.

**Shareholders who have earlier accepted the Offer are entitled to the Final Offer Price. Accordingly, no further action in respect of the Offer is required to be taken by Shareholders who have already accepted the Offer.**

- 2.2 **Further Extension of Closing Date.** As stated in the Offer Revision Announcement, pursuant to Rule 20.1 of the Code, the revised Offer must be kept open for at least fourteen (14) days from the date of posting of the written notification of the revision of the Offer to Shareholders.

Accordingly, as stated in the Offer Revision Announcement, the closing date of the revised Offer has been extended from 5.30 p.m. (Singapore time) on 16 July 2021 to **5.30 p.m. (Singapore time) on 2 August 2021** or such later date(s) as may be announced from time to time by or on behalf of the Offeror (“**Closing Date**”).

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2.3 **Other Terms.** As stated in the Offer Revision Announcement, save as disclosed in the Offer Revision Announcement, all other terms and conditions of the Offer as set out in the Offer Document remain unchanged.

### 3. **ADVICE OF THE IFA TO THE INDEPENDENT DIRECTORS IN RELATION TO THE REVISED OFFER**

3.1 **Independent Financial Adviser.** SAC Capital Private Limited has been appointed as the independent financial adviser to advise the Independent Directors in respect of the revised Offer (“**IFA**”). Shareholders should read and consider carefully the advice of the IFA to the Independent Directors and the recommendation of the Independent Directors in respect of the revised Offer before deciding whether to accept or reject the revised Offer. The IFA’s advice to the Independent Directors in respect of the revised Offer is set out in its supplemental letter dated 26 July 2021, which is set out in **Appendix 1** to this Supplemental Letter (“**Supplemental IFA Letter**”).

3.2 **Advice of the IFA.** Based on the IFA’s evaluation and assessment of the revised Offer based on the circumstances of the Company and the information available at the Latest Practicable Date and subject to the qualifications and assumptions set out in the Supplemental IFA Letter, the IFA has made its recommendation in respect of the revised Offer as set out in paragraph 8.2 of the Supplemental IFA Letter which is reproduced in italics below. The recommendation set out below should be considered and read by Shareholders in conjunction with, and in the context of, the full text of the Supplemental IFA Letter. Unless otherwise defined, all terms and expression used in the extracts below shall have the same meanings as those defined in the Supplemental IFA Letter.

#### **8.2 *Assessment of the Offer***

*For the purpose of evaluating the Offer, we have adopted the approach that the term “fair” and “reasonable” are regarded as two different concepts. The term “fair” relates to an opinion on the value of the offer price against the value of the securities subject to the offer (the “**Securities**”), and an offer is “fair” if the price offered is equal to or greater than the value of the Securities. In considering whether an offer is “reasonable”, other matters as well as the value of the Securities are taken into consideration. Such other matters include, but are not limited to, existing voting rights in the company held by an offeror and its concert parties or the market liquidity of the relevant securities.*

#### **8.2.1 *Assessment of Fairness of the Offer***

**In determining the fairness of the Offer, we have considered, *inter alia*, the following pertinent factors:**

- (a) *based on the NAV approach, which provides an estimate of the value of a group assuming the hypothetical sale of all its assets over a reasonable period of time, the value of the Group’s assets as represented by the NTA per Share of S\$0.563 is significantly higher than the Final Offer Price of S\$0.435;***
- (b) *after adjusting for net cash of S\$0.209 per Share, the value of the Group’s assets that is not cash and bank balances amounted to S\$0.354, which is significantly higher than the Ex-Cash Final Offer Price of S\$0.226;***

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- (c) *the historical PER and EV/EBITDA ratio as implied by the Final Offer Price did not compare favourably against those of the Comparable Companies;*
- (d) *the P/NTA ratio as implied by the Final Offer Price and the NTA per Share as at 31 December 2020 of 0.77 times did not compare favourably against the mean and median Price-to-NAV/NTA ratios for the Take-over Transactions;*
- (e) *the P/NTA ratio as implied by the Final Offer Price and the NTA per Share as at 31 December 2020 of 0.773 times did not compare favourably against the mean and median Price-to-NAV/NTA ratios for the PRC Take-over Transactions and that the Final Offer Price being below the estimated range of values for the Shares of S\$0.494 and S\$0.498; and*
- (f) *the P/NAV Ratio as implied by the Final Offer Price and the NAV per Share as at 31 December 2020 and the EV/EBITDA ratio as implied by the Final Offer Price did not compare favourably against the Precedent M&A Transaction.*

*In view of the above, we are of the opinion that the Offer is **NOT FAIR**.*

### **8.2.2 Assessment of Reasonableness of the Offer**

*In determining the reasonableness of the Offer, we have considered, inter alia, the following pertinent factors:*

- (a) *the Final Offer Price is at a premium of 74.0% over the closing price of the Shares on the Last Trading Day;*
- (b) *the Final Offer Price represents a premium of 61.1%, 73.3%, 74.7% and 73.3% over the VWAP of the Shares for the 12-, 6-, 3- and 1-month periods up to and including the Last Trading Day respectively;*
- (c) *the Shares are thinly traded with the average daily trading volume as a percentage of free float for the 12-month period up to and including the Last Trading Day being 0.07%;*
- (d) *notwithstanding that the Final Offer Price is at a discount to the Group NTA per Share as at 31 December 2020, the P/NTA ratio as implied by the Final Offer Price of 0.773 times is higher than the maximum P/NTA ratio of 0.648 times for the 36-month period up to and including the Last Trading Day;*
- (e) *the P/NTA ratio as implied by the Final Offer Price is at a premium to the mean and median P/NTA ratio of the Comparable Companies;*
- (f) *the Ex-Cash P/NTA ratio as implied by the Ex-Cash Final Offer Price is at a premium to the mean and median Ex-Cash P/NTA ratio of the Comparable Companies;*
- (g) *the premia implied by the Final Offer Price over the historical transacted price and VWAP are higher than the mean and median premia of the Take-over Transactions and the PRC Take-over Transactions;*

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- (h) the Group's operations, in particular its European operations have been negatively impacted by the COVID-19 outbreak. Steady appreciation of the Renminbi against the US dollar, rising raw material prices, a shrinking ATM market with ebanking and other fintech solutions, as well as labour cost challenges will continue to act as head winds for the business;**
- (i) as at the Latest Practicable Date, apart from the Offer made by the Offeror, no alternative offer or proposal has been received by the Company; and**
- (j) the Offeror already has statutory control over the Company which places the Offeror in a position to pass all ordinary and special resolutions on matters which the Offeror and its related parties do not have an interest in.**

***In view of the above, we are of the opinion that the Offer is REASONABLE.***

***In conclusion, we are of the opinion that the financial terms of the Offer (based on the Final Offer Price) are not fair but reasonable. Based on our opinion, we advise the Independent Directors to recommend that Shareholders accept the Offer, unless Shareholders are able to obtain a price higher than the Final Offer Price on the open market, taking into account all transaction costs in connection with open market transaction.***

*We would advise the Independent Directors to consider highlighting to the Shareholders that there is no assurance that the market prices of the Shares after the close of the Offer may be maintained at current levels prevailing as at the Latest Practicable Date.*

*In rendering our opinion and advice, we have not had regard to the specific investment objectives, financial situation, tax position or individual circumstances of any Shareholder or any specific group of Shareholders. We recommend that any individual Shareholder or specific group of Shareholders who may require specific advice in relation to his or their investment portfolio(s) should consult his or their legal, financial, tax or other professional adviser.*

*Our opinion and advice are addressed to the Independent Directors for their benefit and for the purposes of their consideration of the Offer. The recommendation to be made by them to the Shareholders in respect of the Offer shall remain the responsibility of the Independent Directors. Whilst a copy of this Supplemental IFA Letter may be reproduced in the Supplemental Letter, no other person may reproduce, disseminate or quote this Supplemental IFA Letter (or any part thereof) for any purpose at any time and in any manner without the prior written consent of SAC Capital in each specific case, except for the purpose of the Offer.*

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

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### 4. RECOMMENDATION OF THE INDEPENDENT DIRECTORS

- 4.1 **Non-Independent Directors.** For the reasons set out in Section 15.2 of the Circular, Dr Johnny Liu and Mr Liu Bin are exempted from the requirement to make a recommendation to the Shareholders in connection with the Offer. They must, nonetheless, still assume responsibility for the accuracy of the facts stated or opinions expressed in documents and advertisements issued by, or on behalf of, the Company in connection with the Offer.

The remaining directors, Ms Tan Yee Peng, Mr Graham Macdonald Bell, Mr Chen Zhaohui, George, Dr Hedda Juliana im Brahm-Droege and Mr Christoph Hartmann are unconflicted and are considered independent for the purposes of the Offer.

- 4.2 **Recommendation.** As set out in Section 15.4 of the Circular:

- (a) the Majority Recommending Directors (being Ms Tan Yee Peng, Mr Graham Macdonald Bell, Mr Chen Zhaohui, George) had previously recommended, *inter alia*, based on the initial terms and conditions of the Offer, that Shareholders **accept** the Offer, and that Shareholders who wish to realise their investments in the Company can choose to sell their Shares in the open market if they can obtain a price higher than the Offer Price (after taking into account the brokerage and related costs in connection with open market transactions); and
- (b) the Minority Recommending Directors (being Dr Hedda Juliana im Brahm-Droege and Mr Christoph Hartmann) had previously recommended, *inter alia*, based on the initial terms and conditions of the Offer, that Shareholders **reject** the Offer, and to take no action and let the Offer lapse.

#### Recommendations of the Majority Recommending Directors

Subsequent to the Offer Revision Announcement, the Majority Recommending Directors (being Ms Tan Yee Peng, Mr Graham Macdonald Bell, Mr Chen Zhaohui, George), having considered carefully the terms of the revised Offer and the advice given by the IFA in the Supplemental IFA Letter, **concur** with the advice of the IFA in respect of the revised Offer as set out in Section 3.2 of this Supplemental Letter, and accordingly, continue to recommend that Shareholders **ACCEPT** the revised Offer, unless Shareholders are able to obtain a price higher than the Final Offer Price on the open market, after taking into account the brokerage and related costs in connection with open market transactions.

The Majority Recommending Directors would like to draw Shareholders' attention to the pertinent factors as referred to by the IFA in the Supplemental IFA Letter, extracts of which are sets out below. Unless otherwise defined, all terms and expression used in the extracts below shall have the same meanings as those defined in the Supplemental IFA Letter.

The considerations by the Majority Recommending Directors are:

- **No further revision of the Final Offer Price**

That the Offeror has indicated that the Offeror does not intend to revise the Final Offer Price of S\$0.435 per Offer Share and that the Offeror will not be allowed to subsequently increase the Final Offer Price.

7.7.3 No further revision of the Final Offer Price

*We note that as set out in the Offer Revision Announcement, the Offeror does not intend to revise the Final Offer Price. Therefore, in accordance with Rule 20.2 of the Code, the Offeror will not be allowed to increase the Final Offer*

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*Price subsequently, except in wholly exceptional circumstances or where the right to do so has been specifically reserved.*

- **Statutory control of the Company**

That on 15 July 2021, the Offer Revision Announcement provides that the Offeror and its concert parties have an aggregate direct and indirect interest in 281,763,193 Shares (including Shares agreed to be acquired by the Offeror and its concert parties and valid acceptances of the Offer), representing approximately 79.03% of the total number of issued Shares.<sup>(1)</sup> Accordingly, Offeror and its concert parties will be in a position to exercise statutory control of the Company.

**Note:**

- (1) *Shareholders are to note that the Company had received from Mr Robert Alexander Stone and had announced on 21 July 2021 the notification disclosure which provides that Mr Robert Alexander Stone had ceased to be a substantial shareholder of the Company pursuant to the acceptance of the Offer in respect of the 23,059,900 Shares held by him, representing approximately 6.47% of the total number of issued Shares. **Accordingly, Shareholders are to note that the valid acceptances of the Offer as announced on 15 July 2021 by UOBKH, for and on behalf of the Offeror, does not include the acceptance from Mr Robert Alexander Stone of the 23,059,900 Shares held by him, which represents approximately 6.47% of the total number of issued Shares.***

**7.7.6** Statutory control of the Company by the Offeror

*As at the Latest Practicable Date, the Offeror and its concert parties have an aggregate direct and indirect interest in 281,763,193 Shares (including Shares agreed to be acquired by the Offeror and its concert parties and valid acceptances of the Offer), representing approximately 79.03% of the total number of issued Shares<sup>4</sup>.*

*Accordingly, the Offeror and its concert parties will be in a position to exercise statutory control of the Company which will allow the Offeror the ability to pass all ordinary and special resolutions on matters in which the Offeror and its related parties do not have an interest in at general meetings of Shareholders.*

**Footnote (4):** *On 21 July 2021, the Company announced a disclosure on the change in interest with regards to Mr Robert Alexander Stone, who has ceased to be a substantial Shareholder. Mr Robert Alexander Stone had accepted the Offer in respect of the 23,059,900 Shares held by him and as result, his direct interest in the Shares has fallen from 6.47% to nil.*

- **Loss of public float and intention of the Offeror relating to the listing status of the Company**

That as at the Latest Practicable Date, based on the information in the Offer Revision Announcement and taking into account the records and information available to the Company, the percentage of Shares held by the public as at 6.00 p.m. on 15 July 2021 is approximately 5.66% and is therefore less than the requisite 10% under the Free Float Requirement (as defined in Section 4.3 of this Supplemental Letter below).

Shareholders are advised to read paragraph 7.7.7 of the Supplemental IFA Letter and Section 8 of the Offer Document which sets out the intention of the Offeror relating to the listing status of the Company and compulsory acquisition.

**7.7.7** Offeror's intention for the listing status of the Company and loss of public float

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*The Offeror has stated the intention not to maintain the listing status of the Company. Accordingly, the Offeror, if and when entitled, intends to exercise its rights of compulsory acquisition under Section 215(1) of the Companies Act and does not intend to take any step for the public float to be restored and/or for any trading suspension of the Shares by the SGX-ST to be lifted in the event that, inter alia, less than 10% of total Shares (excluding any Shares held in treasury) are held in public hands.*

*As disclosed in section 8.3 of the Offer Document, the Offeror also reserves the right to seek a voluntary delisting of the Company from the SGX-ST pursuant to Rules 1307 and 1309 of the Listing Manual (collectively, the "**Voluntary Delisting Rules**"). The SGX-ST will generally consider waiving compliance imposed on a voluntary delisting if: (a) an offer is fair and reasonable (and the independent financial adviser to the relevant company has opined that the offer is fair and reasonable); and (b) the offeror has received acceptances from independent shareholders at the close of the offer that represent a majority of at least 75% of the total number of issued shares held by independent shareholders. In this regard, please refer to section 8 of this Supplemental IFA Letter for our opinion on the Offer.*

***As announced by the Company on 16 July 2021, based on the information in the Offer Revision Announcement and taking into account the records and information available to the Company, the percentage of Shares held by the public as at 6.00 p.m. on 15 July 2021 is approximately 5.66%. Therefore, the Company has lost the minimum free float requirement of 10% and the SGX-ST may suspend the trading of the Shares at any time. In the event that the Offeror is unable to exercise its rights of compulsory acquisition or the Company is unable to meet the requirements set out in the Voluntary Delisting Rules, the trading of the Shares may be subjected to a prolonged period of suspension.***

*Saved as disclosed in the Offer Document and other than in the ordinary course of business, the Offeror currently has no plans to: (a) make any major changes to the business of the Company; (b) re-deploy the fixed assets of the Company; or (c) discontinue the employment of the existing employees of the Group. However, the Offeror retains the flexibility at any time to consider any options in relation to the Company which may present themselves and which the Offeror may regard to be in the interest of the Group.*

- **Implications of delisting or suspension for Shareholders**

That Shareholders who do not accept the revised Offer should take note of the consequences which may arise as a result of the suspension and/or delisting of the Shares.

**7.7.9 Implications of delisting or suspension for Shareholders**

*Shareholders who do not accept the Offer should note the following implications or consequences which may arise as a result of any suspension, and/or delisting of the Shares:*

- (a) *shares of unquoted companies are generally valued at a discount to the shares of comparable listed companies as a result of lack of marketability;*



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- (b) *it is likely to be difficult for Shareholders to sell their Shares in the absence of a public market for the Shares as there is no arrangement for such Shareholders to exit their investments in the Shares. If the Company is delisted, even if such Shareholders were subsequently able to sell their Shares, they may receive a lower price than that of the Final Offer Price;*
- (c) *assuming that the relevant thresholds are met, time will be taken for the Offeror to exercise its right to compulsorily acquire the remaining Shares or for Dissenting Shareholders to exercise any rights they may have to compel the Offeror to acquire their Shares under Section 215(3) of the Companies Act. Accordingly, the settlement date on compulsory acquisition is likely to be later than the settlement date had the Offer been accepted;*
- (d) *as an unlisted company, the Company will no longer be obligated to comply with the listing requirements of the SGX-ST, in particular, the continued corporate disclosure requirements under Chapter 7 and the relevant Appendices of the Listing Manual. Shareholders will no longer enjoy the same level of protection, transparency and accountability afforded by the Listing Manual. Nonetheless, as a company incorporated in Singapore, the Company will still need to comply with the Companies Act and its Constitution and the interests of Shareholders who do not accept the Offer will be protected to the extent provided for by the Companies Act which includes, inter alia, the entitlement to be sent a copy of the profit and loss accounts and balance sheet at least 14 days before each annual general meeting, at which the accounts will be presented; and*
- (e) *there is no assurance that the Company will maintain its historical dividend payments in the future should the Shares be suspended or delisted.*

For completeness, Shareholders are advised to read the above recommendations in conjunction with the pertinent factors highlighted by the Majority Recommending Directors in Section 15.4 of the Circular on pages 37 to 39.

### Recommendations of the Minority Recommending Directors

Notwithstanding the advice given by the IFA to the Independent Directors in the Supplemental IFA Letter, the Minority Recommending Directors (being Dr Hedda Juliana im Brahm-Droege and Mr Christoph Hartmann), having considered carefully the terms of the revised Offer and the Supplemental IFA Letter, **disagrees** with the advice given by the IFA in the Supplemental IFA Letter to the Independent Directors to recommend that Shareholders accept the Offer as set out in Section 3.2 of this Supplemental Letter and recommend that Shareholders **REJECT** the Offer and to take no action and let the Offer lapse for the following reasons:

- (i) the Minority Recommending Directors would like to draw Shareholders' attention to the pertinent factors relating specifically to the IFA's opinion that the revised Offer is **NOT FAIR** as set out in paragraph 8.2.1 of the Supplemental IFA Letter, extracts of which are set out below. Unless otherwise defined, all terms and expressions used in the extracts below shall have the same meanings as those defined in the Supplemental IFA Letter;

<b>8.2.1</b> <u><b>Assessment of Fairness of the Offer</b></u>
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*In determining the fairness of the Offer, we have considered, inter alia, the following pertinent factors:*

- (a) based on the NAV approach, which provides an estimate of the value of a group assuming the hypothetical sale of all its assets over a reasonable period of time, the value of the Group's assets as represented by the NTA per Share of S\$0.563 is significantly higher than the Final Offer Price of S\$0.435;*
- (b) after adjusting for net cash of S\$0.209 per Share, the value of the Group's assets that is not cash and bank balances amounted to S\$0.354, which is significantly higher than the Ex-Cash Final Offer Price of S\$0.226;*
- (c) the historical PER and EV/EBITDA ratio as implied by the Final Offer Price did not compare favourably against those of the Comparable Companies;*
- (d) the P/NTA ratio as implied by the Final Offer Price and the NTA per Share as at 31 December 2020 of 0.77 times did not compare favourably against the mean and median Price-to-NAV/NTA ratios for the Take-over Transactions;*
- (e) the P/NTA ratio as implied by the Final Offer Price and the NTA per Share as at 31 December 2020 of 0.773 times did not compare favourably against the mean and median Price-to-NAV/NTA ratios for the PRC Take-over Transactions and that the Final Offer Price being below the estimated range of values for the Shares of S\$0.494 and S\$0.498; and*
- (f) the P/NAV Ratio as implied by the Final Offer Price and the NAV per Share as at 31 December 2020 and the EV/EBITDA ratio as implied by the Final Offer Price did not compare favourably against the Precedent M&A Transaction.*

*In view of the above, we are of the opinion that the Offer is **NOT FAIR**.*

- (ii) the Minority Recommending Directors are also of the view that should the Company distribute the net cash of S\$0.209 per Share, Shareholders would without being required to sell Shares and remaining as Shareholders of the Company, already receive approximately 48.0% of the Final Offer Price from the said distribution. The Minority Recommending Directors also wish to highlight that if the Company were to distribute approximately 52.6% of the adjusted net profit after tax for FY2020 (approximately S\$27.1 million), this would represent a dividend payment of S\$0.04 per Share, or 9.2% of the Final Offer Price.

For completeness, the Board would like to state that any distribution is subjected to, *inter alia*, having the requisite approval by the Board and/or Shareholders, taking into account future financial needs of the Company as well as the ability to distribute given the strict foreign exchange controls and the need to obtain prior approval from the relevant governmental authorities.

In addition, the Board would like to highlight that the Company does not have any dividend policy and that the Company has no current intention of making any cash distributions as described by the Minority Recommending Directors in this sub-paragraph (ii).

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- (iii) the Minority Recommending Directors also wish to highlight that the current net cash position of approximately RMB367.4 million (approximately S\$74.4 million) as at FY2020 and comparatively, that the aggregate number of Shares (after excluding the shares owned by Spectacular, which are subject to the Rollover Arrangement as described in Section 5 of the Letter to Shareholders in the Offer Document), is approximately 204.1 million and based on the Final Offer Price, that represents approximately S\$88.8 million. In other words, the net cash of the Company would be sufficient to pay the Offer Price for approximately 83.7% of all Shares not held by the Offeror and Spectacular but including the Shares owned by Willalpha, a concert party of the Offeror;
- (iv) despite COVID-19 the Company achieved in FY2020 an adjusted net profit after tax of RMB135.6 million (approximately S\$27.1 million) as stated at paragraph 7.2 of the Supplemental IFA Letter, which is in line with the net cash flow FY2020 from operating activities of RMB151.9 million (approximately S\$30.4 million). The adjusted net profit after tax margin for FY2020 is approximately 7.7%;
- (v) compared to the current revised Offer that is **NOT FAIR** but reasonable, **IF** there is a subsequent delisting, whether voluntary or involuntary, Rules 1306 and 1309 of the Listing Manual, respectively, would require the Company to procure an **exit offer that is both fair and reasonable**. For completeness, the Minority Recommending Directors would point out that there is no certainty that a delisting will occur soon or at all, even though the Offeror has reserved its right to make a delisting application, and the price per share at the time of the exit offer (if any) could be higher or lower than the current price offered. As announced by the Company on 16 July 2021, based on the information in the Offer Revision Announcement and taking into account the records and information available to the Company, the Company has lost the minimum free float requirement of 10% and nevertheless, a delisting may not occur soon thereafter, and trading of the Company's Shares may be subjected to a prolonged period of suspension; and
- (vi) The Minority Recommending Directors are of the view that the range of values for the Shares of S\$0.494 and S\$0.498 as indicated by the IFA at page 36 of the Supplemental IFA Letter, is low as the IFA had relied on the PRC Take-over Transactions.

Accordingly, the Minority Recommending Directors are of the view that:

- (1) the Comparable Companies (as set out in paragraph 7.4 of the Supplemental IFA Letter) are more similar to the Company (than the PRC Take-over Transactions) as the Comparable Companies have businesses that are similar to the Company; and
- (2) the Minority Recommending Directors had referred to the Precedent M&A Transaction (at paragraph 7.6 of the Supplemental IFA Letter) and is of the view that (a) the precedent company, Gunnebo AB (cited in paragraph 7.6 of the Supplemental IFA Letter) is recent as it was completed on 10 December 2020; and (b) Gunnebo AB is also a company which has a business similar to the Company. As stated in the table sub-titled "*Valuation ratios of Precedent M&A Transaction*" (at paragraph 7.6 of the Supplemental IFA Letter), the historical P/NAV ratio of 1.85 times and the historical EV/EBITDA ratio of 10.9 times will result in a share price of S\$1.559 (based on the historical EV/EBITDA ratio of 10.9 times) which is higher than the Final Offer Price. In arriving at the share price of S\$1.559, the Minority Recommending Directors have relied on, *inter alia*, the historical EV/EBITDA ratio of 10.9 times of the Precedent M&A Transaction as provided for by the IFA in the Supplemental IFA Letter, the adjustments for non-recurring expenses in the financial year ended 31 December 2020 as stated on pages 15 and 16 of the Supplemental IFA Letter and the Company's latest audited financial statements for the financial year ended 31 December 2020.

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Given that the Minority Recommending Directors are of the view that the Comparable Companies are more similar to the Company (as stated in sub-point (vi)(1) above), the Minority Recommending Directors have therefore considered the median PER and EV/EBITDA ratio of Comparable Companies as set out in paragraph 7.4 of the Supplemental IFA Letter (at page 25).

Accordingly, the estimated range of values for the Shares of the Company would be between S\$0.456 and S\$0.692. In arriving at the estimated range of values, the Minority Recommending Directors have relied on, inter alia, the valuation statistics of the Comparable Companies provided for by the IFA in the Supplemental IFA Letter, the adjustments for non-recurring expenses in the financial year ended 31 December 2020 as stated on pages 15 and 16 of the Supplemental IFA Letter and the Company's latest audited financial statements for the financial year ended 31 December 2020.

Shareholders are to note that IFA had re-examined its approach to the setting of a range of values and for completeness, Shareholders can refer to paragraph 7.5 of the Supplemental IFA Letter.

### Responses by the Majority Recommending Directors

- In response to the Minority Recommending Directors' opinion at Section 4.2(v) above, the Majority Recommending Directors urge Shareholders to review the Offer Document in full and in evaluating the revised Offer, consider only the terms of the revised Offer as stated by the Offeror in the Offer Document and the Offer Revision Announcement and disregard the hypothetical possibilities that the Minority Recommending Directors have indicated in their opinions and recommendation. The Majority Recommending Directors wish to draw Shareholders' attention to paragraph 8.3 of the Offer Document on the Offeror's intentions. Unless otherwise defined, all terms and expressions used in the extracts below shall have the same meanings as those defined in the Offer Document:

#### 8.3 Offeror's Intentions

*The Offeror does not intend to maintain the listing status of the Company. Accordingly, the Offeror, if and when entitled, intends to exercise its rights of compulsory acquisition under Section 215(1) of the Companies Act and does not intend to take any step for the public float to be restored and/or for any trading suspension of the Shares by the SGX-ST to be lifted in the event that, inter alia, less than 10% of total Shares (excluding any Shares held in treasury) are held in public hands.*

*In addition, the Offeror also reserves the right to seek a voluntary delisting of the Company from the SGX-ST pursuant to Rules 1307 and 1309 of the Listing Manual (collectively, the "Voluntary Delisting Rules"). Without prejudice to the foregoing, if the Offeror receives, as at the Closing Date, valid acceptances of the Offer from Shareholders (other than persons acting in concert with the Offeror) (the "Independent Shareholders") representing at least 75% of the total number of Shares held by the Independent Shareholders and subject to substantive compliance with the other requirements set out in the Voluntary Delisting Rules, the Offeror intends to seek the SGX-ST's waiver from strict compliance with such Voluntary Delisting Rules.*

*In the event that the public float is lost and the Offeror is unable to exercise its rights of compulsory acquisition or the Company is unable to meet the requirements set out in the Voluntary Delisting Rules, the trading of the Shares may be subjected to a prolonged period of suspension.*

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## LETTER TO SHAREHOLDERS

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*Save as disclosed in this Offer Document and other than in the ordinary course of business, the Offeror currently has no plans to (a) make any major changes to the business of the Company, (b) re-deploy the fixed assets of the Company, or (c) discontinue the employment of the existing employees of the Group. However, the Offeror retains the flexibility at any time to consider any options in relation to the Company which may present themselves and which the Offeror may regard to be in the interest of the Group.*

- In response to the Minority Recommending Directors' opinion at Section 4.2(vi) above, the Majority Recommending Directors is of the view that Shareholders should **DISREGARD** the range of values of the Shares of the Company as expressed by the Minority Recommending Directors in Section 4.2(vi) using the median PER and EV/EBITDA ratio of Comparable Companies. In response to the Minority Recommending Directors' opinion at Section 4.2(vi) above, the Majority Recommending Directors would like to highlight that the IFA had in paragraph 7.5 of the Supplemental IFA Letter highlighted that while the Comparable Companies share some similarities with the Company in their product range, these Comparable Companies are listed on different stock exchanges, and largely derive their revenue from their respective domestic markets in Japan or Indonesia. A business description of these entities is found in Annex A of the Supplemental IFA Letter and Shareholders should note the limited similarities of the Comparable Companies with the Company. As stated in the Company's Annual Report 2020, the Company manufactures and sells products which are certified by Underwriters Lab (UL-certified) and the European Committee for Standardization (CEN-certified), which include ATM safes, banking safes, commercial safes and cash handling systems. The Company also designs and manufactures intelligent terminals including Ticket Vending Machines, gaming machines, lottery machines and parking machines. The Company does not manufacture nor sell dental equipment, steel furniture, office equipment, racking system, steel and fire doors which were included in the business activities of the Comparable Companies. The Company is a PRC-based manufacturing company whereas none of the Comparable Companies is. Whilst the Majority Recommending Directors do not object to the use of these Comparable Companies for the purposes of disclosing their valuation statistics, the Majority Recommending Directors agree with the IFA that using these valuation statistics in arriving at the range of values for the Shares of the Company is inappropriate.

The IFA had, in their professional opinion, not relied on valuation multiples of these Comparable Companies in deriving a range of values for the Shares and instead relied on the valuation multiples of the PRC Take-over Transactions for the reasons as stated in paragraph 7.5 at pages 36 and 37 of the Supplemental IFA Letter. Therefore, the Majority Recommending Directors are of the view that the range of values of the Shares as expressed by the Minority Recommending Directors in Section 4.2(vi) using the median PER and EV/EBITDA ratio of Comparable Companies should be disregarded by the Shareholders. In the opinion of the Majority Recommending Directors and as explained above, the Minority Recommending Directors have not explained clearly why the median PER and EV/EBITDA of the Comparable Companies is chosen as an appropriate valuation basis while ignoring the P/NTA ratio of the same Comparable Companies. Based on the median and mean P/NTA ratio of the same Comparable Companies, the range of value of the Shares would be S\$0.332<sup>(1)</sup> to S\$0.383<sup>(2)</sup> per Share. The Majority Recommending Directors strongly disagree with the view expressed by the Minority Recommending Directors in Section 4.2(vi) above and advise Shareholders to disregard the range of values of the Share as expressed by the Minority Recommending Directors in Section 4.2(vi).

**Notes:**

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## LETTER TO SHAREHOLDERS

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- (1) Median P/NTA of Comparable Companies of 0.59 (as found in page 25 of the IFA Supplemental Letter) multiplied by the NTA per Share of the Company of S\$0.563 (as found in page 18 of the IFA Supplemental Letter).
- (2) Mean P/NTA of Comparable Companies of 0.68 (as found in page 25 of the IFA Supplemental Letter) multiplied by the NTA per Share of the Company of S\$0.563 (as found in page 18 of the IFA Supplemental Letter).

Under the Code, the Directors are required to seek competent independent advice on the Offer and the Directors have engaged SAC Capital Private Limited as the Independent Financial Adviser and their advice is included in the IFA Letter dated 2 July 2021 and IFA Supplemental Letter dated 26 July 2021 and Shareholders should instead read and consider carefully the advice of the IFA to the Independent Directors and the recommendations of the Majority Recommending Directors.

- 4.3 **No regard to specific objectives.** Shareholders are advised to read the terms and conditions of the Offer Document and the Offer Revision Announcement carefully. Shareholders are advised to read the full text of the Supplemental IFA Letter set out in Appendix 1 to this Supplemental Letter and other relevant information set out in this Supplemental Letter carefully before deciding whether to accept or reject the revised Offer. **Shareholders should note that the IFA's advice to the Independent Directors and the recommendations of the Majority Recommending Directors and the Minority Recommending Directors should not be relied upon by any Shareholder as the sole basis for deciding whether or not to accept the revised Offer.**

The Independent Directors would like to additionally highlight and advise Shareholders to read carefully Section 8 of the Offer Document which sets out, *inter alia*, the Offeror's intention relating to the listing status of the Company and compulsory acquisition.

Shareholders should note that as at the Latest Practicable Date, based on the information in the Offer Revision Announcement and taking into account the records and information available to the Company, the percentage of Shares held by the public as at 6.00 p.m. on 15 July 2021 is approximately 5.66% and is therefore less than the requisite 10% under the Free Float Requirement (as defined below). Under Rule 723 of the Listing Manual, the Company must ensure that at least 10% of the total number of issued Shares (excluding treasury shares) is at all times held in public hands (the "Free Float Requirement").

Shareholders should note that trading of the Shares is subject to, *inter alia*, the performance and prospects of the Company, prevailing economic conditions, economic outlook and stock market conditions and sentiments. Accordingly, the advice by the IFA to the Independent Directors in respect of the revised Offer does not and cannot take into account the future trading activities or patterns or price levels that may be established beyond the Latest Practicable Date.

In rendering the advice and the recommendations above, both the IFA and the Independent Directors have not had regard to the general or specific investment objectives, financial situation, tax status, risk profiles, unique needs and constraints or other particular circumstances of any individual Shareholder. As different Shareholders would have different investment objectives and profiles, the Independent Directors recommend that any individual Shareholder who may require specific advice in the context of his Shares should consult his stockbroker, bank manager, solicitor, accountant, tax adviser and/or other professional adviser immediately.

**SHAREHOLDERS ARE ADVISED TO READ THE FULL TEXT OF THE SUPPLEMENTAL IFA LETTER WHICH IS SET OUT IN APPENDIX 1 TO THIS SUPPLEMENTAL LETTER CAREFULLY.**

- 4A. **DIRECTORS' INTENTIONS IN RELATION TO THE OFFER**

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## LETTER TO SHAREHOLDERS

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Details of the relevant Directors' intentions in relation to the Offer are set out in Appendix B to the Circular. As at the Latest Practicable Date, the following Directors who have direct or deemed interests in the Shares have informed the Company of their intentions in respect of the revised Offer as follow:

- (a) Dr. Hedda Juliana im Brahm-Droege and Mr Christoph Hartmann have informed the Company that Droege Capital GmbH intends to reject the revised Offer based on the Final Offer Price of S\$0.435 per Offer Share in respect of Droege Capital GmbH's Shares. As at the Latest Practicable Date, Droege Capital GmbH holds 31,509,000 Shares, representing approximately 8.84%.

### 5. ACTION TO BE TAKEN BY SHAREHOLDERS

- 5.1 **Acceptance procedures for shareholders.** Shareholders who have validly accepted the Offer prior to the date of the Offer Revision Announcement are not required to take any action in relation to the revised Offer. Remittances for the appropriate amount in respect of their Offer Shares validly tendered in acceptance of the Offer will be despatched to accepting Shareholders (or, in the case of Shareholders holding share certificate(s) which are not deposited with The Central Depository (Pte) Limited ("**CDP**"), their designated agents, as they may direct) by means of credit directly into their designated bank accounts for S\$ via CDP's Direct Crediting Service ("**DCS**") or, in the case of scrip holders, a S\$ crossed cheque drawn on a bank in Singapore and sent by ordinary post to the address stated in the respective FATs or, if none is set out, to the respective addresses maintained in the register of members of the Company (as the case may be), at the risk of the accepting Shareholders (or in such other manner as the accepting Shareholders may have agreed with CDP for the payment of any cash distributions in the case of depositors) as soon as practicable and in any case within seven (7) Business Days of the date of the Offer Revision Announcement.
- 5.2 **Shareholders who have not accepted the Offer.** Shareholders who wish to accept the revised Offer but have not done so should complete, sign (if applicable) and/or forward their FAA and/or FAT (as the case may be) and all other relevant documents as soon as possible so as to reach the Offeror no later than 5.30 p.m. (Singapore time) on the Closing Date. All FAAs, FATs and/or other relevant documents received after 5.30 p.m. (Singapore time) on the Closing Date will not be accepted.

Shareholders who have not received or who have misplaced the Notification (containing the address and instructions for the electronic retrieval of the Offer Document), the FAA and/or the FAT (as the case may be) should contact CDP (for Shareholders whose Securities Accounts are and/or will be credited with Offer Shares ("**Depositors**")) via telephone (+65 6535 7511) or email services ([asksgx@sgx.com](mailto:asksgx@sgx.com)) or B.A.C.S. Private Limited (the "**Share Registrar**") (for Shareholders whose names appear in the register of members of the Company ("**Scripolders**")), at its office at 8 Robinson Road, #03-00 ASO Building, Singapore 048544.

Copies of the Notification and/or the FAA may be obtained by Depositors from CDP upon production of satisfactory evidence that they are Depositors or have purchased the Offer Shares on the SGX-ST (as the case may be).

Copies of the Notification and/or the FAT may be obtained by Scripolders from the Share Registrar, upon production of satisfactory evidence that they are Scripolders.

Electronic copies of the Notification, the Offer Document, the FAA and the FAT are also available on the website of the SGX-ST at [www.sgx.com](http://www.sgx.com).

**For the avoidance of doubt, Shareholders may use the existing FAA and/or FAT (as the case may be) that were despatched with the Notification to accept the Offer at the Final Offer Price.**

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## LETTER TO SHAREHOLDERS

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With respect to Shareholders who validly accept the Offer on or after the date of the Offer Revision Announcement (but on or before 5.30 p.m. (Singapore time) on the Closing Date), the aggregate Final Offer Price for their Offer Shares validly tendered in acceptance of the Offer will be despatched (in one or more batches) to such Shareholders within seven (7) Business Days after the Offeror's receipt of valid acceptances.

Shareholders who are in any doubt about the revised Offer should consult their stockbroker, bank manager, solicitor or other professional adviser immediately.

- 5.3 **Acceptance Procedures for CPFIS Investors and SRS Investors.** CPFIS Investors and SRS Investors who wish to accept the revised Offer but have not done so should contact their respective CPF Agent Banks and SRS Agent Banks (as the case may be) as to the deadline by which such banks would need to receive instructions in order to tender their acceptances of the revised Offer prior to the Closing Date. CPFIS Investors and SRS Investors who accept the revised Offer will receive the Final Offer Price payable in respect of their Offer Shares in their respective CPF investment accounts and SRS investment accounts.

### 6. MATERIAL CHANGES IN INFORMATION

Save as disclosed in publicly available information on the Company (including but not limited to the announcements released by the Company on the SGXNET), there have been no material changes in any information previously announced by or on behalf of the Company during the period commencing from 25 June 2021, being the latest practicable date prior to the electronic dissemination of the Circular, and ending on 16 July 2021, being the Latest Practicable Date prior to the electronic dissemination of this Supplemental Letter.

### 7. CONSENT

**Consent of the IFA.** The IFA has given and has not withdrawn its written consent to the issue of this Supplemental Letter with the inclusion of its name, the Supplemental IFA Letter as set out in Appendix 1 to this Supplemental Letter, and all references to the IFA's name, in the form and context in which they appear in this Supplemental Letter.

### 8. DOCUMENTS AVAILABLE FOR INSPECTION

In addition to the documents referred to in Section 18 of the Circular, copies of the following documents will be available for inspection at the Company Registrar's office at 8 Robinson Road, #03-00 ASO Building, Singapore 048544, during normal business hours from the date of this Supplemental Letter up to and including the Closing Date:

- (a) the Supplemental IFA Letter set out in Appendix 1 to this Supplemental Letter; and
- (b) the letter of consent referred to in Section 7 of this Supplemental Letter above.

### 9. DIRECTORS' RESPONSIBILITY STATEMENT

The recommendations of the Independent Directors in respect of the revised Offer ("**Recommendations**") are the responsibility of the Independent Directors. Each of the Majority Recommending Directors jointly and severally accept responsibility and confirm, having made all reasonable enquiries, that to the best of their knowledge, their opinions expressed in respect of the recommendations made by the Majority Recommending Directors have been arrived at after due and careful consideration. Each of the Minority Recommending Directors jointly and



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## LETTER TO SHAREHOLDERS

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severally accept responsibility and confirm, having made all reasonable enquiries, that to the best of their knowledge, their opinions expressed in respect of the recommendations made by the Minority Recommending Directors have been arrived at after due and careful consideration.

The Directors (including any who may have delegated detailed supervision of the preparation of this Supplemental Letter) jointly and severally accept responsibility for the accuracy of the information given in this Supplemental Letter (save for (a) the Supplemental IFA Letter (for which the IFA takes responsibility); (b) the information extracted from the Offer Announcement, the Offer Document, the Offer Revision Announcement and announcements made by UOBKH, for and on behalf of the Offeror; and (c) the information relating to the Offeror) and confirm that they have taken all reasonable care to ensure that the facts stated in this Supplemental Letter are accurate and all opinions expressed (save for the recommendations made by the Independent Directors) in this Supplemental Letter are fair and accurate, and there are no other facts not contained in this Supplemental Letter, the omission of which would make any statement in this Supplemental Letter misleading.

Where any information in this Supplemental Letter (other than the Supplemental IFA Letter for which the IFA takes responsibility) has been extracted or reproduced from published or otherwise publicly available sources or obtained from a named source (including, without limitation, the Offer Announcement, the Offer Document, the Offer Revision Announcement and announcements made by UOBKH, for and on behalf of the Offeror), the sole responsibility of the Directors has been to ensure, through reasonable enquiries, that such information has been accurately extracted from such sources or, as the case may be, reflected or reproduced in this Supplemental Letter.

Yours faithfully

For and on behalf of  
the Board of Directors of  
**Dutech Holdings Limited**

Ms. Tan Yee Peng  
Lead Independent Director

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## APPENDIX 1 – SUPPLEMENTAL LETTER FROM IFA TO THE INDEPENDENT DIRECTORS IN RESPECT OF THE REVISED OFFER

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26 July 2021

To: The directors of the Company who are considered independent for the purposes of making a recommendation to the Shareholders in respect of the Offer

Ms Tan Yee Peng  
Mr Graham Macdonald Bell  
Mr Chen Zhaohui, George  
Dr Hedda Juliana im Brahm-Droege  
Mr Christoph Hartmann

Dear Sirs/Mdm

### REVISION OF VOLUNTARY UNCONDITIONAL CASH OFFER FOR ALL THE ISSUED ORDINARY SHARES IN THE CAPITAL OF DUTECH HOLDINGS LIMITED

*Unless otherwise defined or the context otherwise requires, all terms defined in the circular dated 2 July 2021 (the “Circular”) and in the supplemental letter dated 26 July 2021 (the “Supplemental Letter”) issued by Dutech Holdings Limited (“Dutech” or the “Company”) to its shareholders shall have the same meanings herein.*

#### 1. INTRODUCTION

On 31 May 2021, UOB Kay Hian Private Limited announced (the “Offer Announcement”), for and on behalf of TSI Metals HK Limited (the “Offeror”), that the Offeror intends to make a voluntary unconditional cash offer (the “Offer”) for all the issued and paid-up ordinary shares (the “Shares”) in the capital of the Company other than any Shares held in treasury (the “Offer Shares”) in accordance with Rule 15 of the Singapore Code on Take-overs and Mergers (the “Code”).

On 18 June 2021, the formal Offer Document was despatched to shareholders of the Company (the “Shareholders”).

On 2 July 2021, the Company issued the Circular to Shareholders in relation to the Offer containing, *inter alia*, the recommendation of the directors of the Company who are considered independent for the purposes of making a recommendation to the Shareholders in respect of the Offer (the “Independent Directors”) and the advice of SAC Capital Private Limited (“SAC Capital”), being the independent financial adviser (the “IFA”) to the Independent Directors in respect of the Offer.

On 15 July 2021 (the “Offer Revision Announcement Date”), UOB Kay Hian Private Limited announced (the “Offer Revision Announcement”), for and on behalf of the Offeror, that the Offer Price would be revised from S\$0.40 per Offer Share to S\$0.435 per Offer Share (the “Final Offer Price”).

In connection with the Offer, the Company has appointed SAC Capital as the IFA to the Independent Directors to provide an assessment on the financial terms of the Offer (based on the Final Offer Price). This supplemental IFA letter (the “Supplemental IFA Letter”), which sets out, *inter alia*, our evaluation and advice, has been prepared for the use of the Independent Directors in connection with their consideration of the Offer and their recommendation to Shareholders arising thereof.

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## APPENDIX 1 – SUPPLEMENTAL LETTER FROM IFA TO THE INDEPENDENT DIRECTORS IN RESPECT OF THE REVISED OFFER

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### 2. OUR TERMS OF REFERENCE

We have been appointed as the IFA to the Independent Directors to provide an assessment of the financial terms of the Offer (based on the Final Offer Price) in order to advise the Independent Directors in respect of their recommendation to Shareholders on the Offer.

We are not and were not involved in any aspect of the negotiations entered into by the Company and its subsidiaries (collectively, the “**Group**”) in relation to the Offer or in the deliberations leading up to the decision by the Offeror to undertake the Offer. Accordingly, we do not, by this Supplemental IFA Letter warrant the merits of the Offer, other than to advise the Independent Directors on the terms of the Offer from a financial point of view.

We have not conducted a comprehensive independent review of the business, operations or financial condition of the Group and its associates or the Offeror. We have not been provided with, nor do we have access to, any business plans or financial projections of the future performance of the Group, its associates and/or the Offer. Our evaluation is confined to the financial terms of the Offer (based on the Final Offer Price) and it is not within the terms of reference to evaluate the strategic, legal or commercial merits or risks of the Offer or the future growth prospects or earnings potential of the Group after the completion of the Offer. Accordingly, we do not express any view as to the future prices at which the Shares may trade or on the future financial performance of the Group and its associates or the Offeror after the completion of the Offer.

We have not been requested or authorised to solicit, and we have not solicited, any indication of interest from any third party with respect to the Offer Shares. It is also not within our terms of reference to compare the relative merits of the Offer *vis-à-vis* any alternative transaction that the Company may consider in the future, or any alternative offer that might otherwise be available in the future, and as such, we do not express an opinion thereon.

In the course of our evaluation of the financial terms of the Offer (based on the Final Offer Price), we have held discussions with the directors and the management of the Company (the “**Directors**” and “**Management**” respectively) and have relied on the information and representations, whether written or verbal, provided to us by the Directors and the Management, including the information contained in the Circular and the Supplemental Letter. The Directors (including those who may have delegated detailed supervision of the Circular and the Supplemental Letter) have confirmed that, having made all reasonable enquiries and to the best of their knowledge: (a) all material information available to them in connection with the Offer has been disclosed in the Circular and the Supplemental Letter; (b) such information (other than those relating to the Offeror, parties acting in concert or deemed to be acting in concert with the Offeror and the Offer) is fair and accurate in all material respects; and (c) there is no other information or fact, the omission of which would cause any information disclosed to us or the facts stated in the Circular or the Supplemental Letter to be inaccurate, incomplete or misleading in any material respect. Whilst care has been exercised in reviewing the information which we have relied on, we have not independently verified the information or representations. Accordingly, no representation or warranty, expressed or implied, is made and no responsibility is accepted by us concerning the accuracy, completeness or adequacy of such information or representations. We have, however, made reasonable enquiries and exercised our judgement (as deemed necessary) in assessing the information and representations provided to us, and have found no reason to doubt the accuracy or reliability of such information or representations which we have relied on in our evaluation.

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## APPENDIX 1 – SUPPLEMENTAL LETTER FROM IFA TO THE INDEPENDENT DIRECTORS IN RESPECT OF THE REVISED OFFER

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Save as disclosed, all information relating to the Group or its associates that we have relied upon in arriving at our opinion and advice has been obtained from the Circular, the Supplemental Letter, publicly available information, the Directors and/or the Management. We have not independently assessed and do not warrant or accept any responsibility as to whether the aforesaid information adequately represents a true and fair position of the financial, operational and business affairs of the Group or its associates at any time or as at 16 July 2021 (the “**Latest Practicable Date**”). We have also not made any independent evaluation or appraisal of the assets and liabilities of the Group and have not been furnished with any such evaluation or appraisals.

Our opinion and advice, as set out in this Supplemental IFA Letter, are based on the market, economic, industry and other applicable conditions prevailing on, and the information made available to us as at the Latest Practicable Date. Such conditions may change significantly over a relatively short period of time and we assume no responsibility to update, revise or reaffirm our opinion and advice in the light of any subsequent development after the Latest Practicable Date that may affect our opinion and advice contained herein.

In rendering our opinion and advice, we have not had regard to the specific investment objectives, financial situation, tax position or individual circumstances of any Shareholder or any specific group of Shareholders. We recommend that any individual Shareholder or specific group of Shareholders who may require specific advice in relation to his or their investment portfolio(s) should consult his or their legal, financial, tax or other professional adviser.

**Our opinion and advice in relation to the Offer should be considered in the context of the entirety of this Supplemental IFA Letter, the Circular and the Supplemental Letter.**

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

### 3. REVISION OF OFFER PRICE

#### 3.1 Final Offer Price

As stated in paragraph 2 of the Offer Revision Announcement, pursuant to Rule 21.1 of the Code, the Offeror is revising the Offer Price from S\$0.40 per Offer Share to the Final Offer Price of S\$0.435 per Offer Share.

The Offeror has indicated that it does not intend to revise the Final Offer Price of S\$0.435 per Offer Share. In accordance with Rule 20.2 of the Code, the Offeror will not be allowed to subsequently increase the Final Offer Price.

**Shareholders who have earlier accepted the Offer are entitled to the Final Offer Price. Accordingly, no further action in respect of the Offer is required to be taken by Shareholders who have already accepted the Offer.**

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## APPENDIX 1 – SUPPLEMENTAL LETTER FROM IFA TO THE INDEPENDENT DIRECTORS IN RESPECT OF THE REVISED OFFER

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### 3.2 Further Extension of Closing Date

As stated in the Offer Revision Announcement, pursuant to Rule 20.1 of the Code, the Offer must be kept open for at least 14 days from the date of posting of the written notification of the revision of the Offer to Shareholders.

Accordingly, as stated in the Offer Revision Announcement, the closing date of the Offer has been extended from 5.30 p.m. (Singapore time) on 16 July 2021 to **5.30 p.m. (Singapore time) on 2 August 2021** or such later date(s) as may be announced from time to time by or on behalf of the Offeror (the “Closing Date”).

### 3.3 Other Terms

As stated in the Offer Revision Announcement, save as disclosed in the Offer Revision Announcement, all other terms and conditions of the Offer as set out in the Offer Document remain unchanged.

## 4. INFORMATION ON THE OFFEROR

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

### **3. INFORMATION ON THE OFFEROR**

#### **3.1 Information on the Offeror**

*The offeror is an investment holding company incorporated under the laws of Hong Kong on 9 April 2019. As at the Latest Practicable Date, the Offeror has an issued share capital of HKD50,000, consisting of 50,000 ordinary shares (the “Offeror Shares”), which are held solely by Dr. Liu. The sole director of the Offeror is Dr. Liu.*

*Appendix I to this Offer Document sets out certain additional information on the Offeror.*

## 5. IRREVOCABLE UNDERTAKINGS AND ROLLOVER ARRANGEMENT

Details of Irrevocable Undertakings and Rollover Arrangement have been extracted from the Offer Document and are set out in italics below. All terms and expressions used in the extract below shall have the same meanings as those defined in the Offer Document.

### **5.1 Details of Irrevocable Undertakings and Rollover Arrangement**

*As at the Latest Practicable Date:*

- (a) *Spectacular, a company wholly owned by Dr. Liu, holds 152,438,956 Shares representing approximately 42.76% of the total Shares; and*

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## APPENDIX 1 – SUPPLEMENTAL LETTER FROM IFA TO THE INDEPENDENT DIRECTORS IN RESPECT OF THE REVISED OFFER

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(b) *Willalpha, a company wholly owned by Mr. Liu Bin (being Dr. Liu's brother), holds, through DBS Nominees Pte. Ltd., 56,282,864 Shares representing approximately 15.79% of the total Shares.*

*Each of Spectacular and Willalpha (collectively, the "**Undertaking Shareholders**") has executed an irrevocable undertaking dated 31 May 2021 (the "**Irrevocable Undertakings**") in favour of the Offeror, pursuant to which each of them has undertaken to, inter alia, (i) accept the Offer in respect of all Shares held by it; and (ii) accept the Offer in respect of any other Shares or securities in the capital of the Company that it may acquire, or which may be allocated and issued to it, on or after the date of the Irrevocable Undertakings.*

*Further, pursuant to the Irrevocable Undertaking executed by Spectacular, Spectacular has agreed to be allotted and issued new Offeror Shares for an aggregate subscription price that will be set off, in full, against the cash consideration payable by the Offeror to Spectacular for accepting the Offer in respect of its Shares pursuant to the aforementioned Irrevocable Undertaking (the "**Rollover Arrangement**"). The SIC has confirmed that the Rollover Arrangement does not constitute a special deal for the purposes of Rule 10 of the Code.*

### **5.2 Aggregate Holdings of Undertaking Shareholders**

*As at the Latest Practicable Date, the aggregate number of Shares held by the Undertaking Shareholders amount to 208,721,820 Shares, representing approximately 58.54% of the total Shares.*

### **5.3 Termination of Irrevocable Undertakings**

*The Irrevocable Undertakings shall terminate, lapse and cease to have any effect upon the Offer lapsing or being withdrawn for whatever reason other than as a result of a breach of any of the Undertaking Shareholders' obligations under the Irrevocable Undertakings.*

### **5.4 No other Irrevocable Undertakings**

*Save for the Irrevocable Undertakings, as at the Latest Practicable Date, neither the Offeror nor any persons acting in concert with the Offeror has received any irrevocable undertaking from any other person to accept or reject the Offer.*

## **6 RATIONALE FOR THE OFFER AND THE OFFEROR'S INTENTIONS IN RELATION TO THE COMPANY**

The full text of the rationale for the Offer and the Offeror's intentions for the Company has been extracted from sections 6 and 8 of the Offer Document and reproduced in italics below. All terms and expressions used in the extract below shall have the same meanings as those defined in the Offer Document. **Shareholders are advised to read the extracts below carefully and note the Offeror's future plans for the Company.**

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## APPENDIX 1 – SUPPLEMENTAL LETTER FROM IFA TO THE INDEPENDENT DIRECTORS IN RESPECT OF THE REVISED OFFER

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### **6. RATIONALE FOR THE OFFER**

#### **6.1 General Low Trading Liquidity of Shares**

*The trading volume of the Shares has been low, with an average daily trading volume<sup>1</sup> of approximately 23,725 Shares, 45,181 Shares, 37,717 Shares and 56,802 Shares during the one (1)-month period, three (3)-month period, six (6)-month period and twelve (12)-month period up to and including 28 May 2021, being the Last Trading Day. This represents less than 0.02% of the total number of issued Shares for each of the relevant periods. Hence, the Offer represents a unique cash exit opportunity for the Shareholders to realise their entire investment at a premium over the market prices of the Shares up to and including the Last Trading Day as stated in paragraph 7 below, an option which may not otherwise be readily available due to the low trading liquidity of the Shares, without incurring brokerage and other trading costs.*

*[footnote]*

- 1. The average daily trading volume of the Shares is calculated based on the total volume of Shares traded divided by the number of days which the SGX-ST is open for trading of securities during the relevant periods.*

#### **6.2 Greater Flexibility to Manage the Business of the Company**

*As noted in paragraph 8.3 below, the Offeror is making the Offer with a view to delisting the Company from the Mainboard of the SGX-ST and exercising any rights of compulsory acquisition that may arise under Section 215(1) of the Companies Act. The Offeror believes that privatising the Company will give the Offeror and the management of the Company more flexibility to manage the business of the Company, optimise the use of its management and capital resources and facilitate the implementation of any operational change.*

#### **6.3 Reduced Compliance Costs**

*In maintaining its listed status, the Company incurs compliance and associated costs. In the event the Offeror is able to delist the Company, the Company will be able to save on expenses relating to the maintenance of a listed status and focus its resources on its business operations.*

### **8. LISTING STATUS AND COMPULSORY ACQUISITION**

#### **8.1 Listing Status**

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

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

### **8.2 Compulsory Acquisition**

*Pursuant to Section 215(1) of the Companies Act, in the event that the Offeror acquires not less than 90% of the total number of Shares (other than those already held by the Offeror, its related corporations or their respective nominees as at the date of the Offer and excluding, for the avoidance of doubt, any Shares held in treasury), the Offeror would be entitled to exercise the right to compulsorily acquire all the Shares from Shareholders who have not accepted the Offer (the “**Dissenting Shareholders**”) at a price equal to the Offer Price.*

*Pursuant to Section 215(3) of the Companies Act, if the Offeror acquires such number of Shares which, together with the Shares held by it, its related corporations and their respective nominees, comprise 90% or more of total Shares, the Dissenting Shareholders will have a right to require the Offeror to acquire their Shares at the Offer Price. Dissenting Shareholders who wish to exercise such rights are advised to seek their own independent legal advice.*

### **8.3 Offeror's Intentions**

*The Offeror does not intend to maintain the listing status of the Company. Accordingly, the Offeror, if and when entitled, intends to exercise its rights of compulsory acquisition under Section 215(1) of the Companies Act and does not intend to take any step for the public float to be restored and/or for any trading suspension of the Shares by the SGX-ST to be lifted in the event that, inter alia, less than 10% of total Shares (excluding any Shares held in treasury) are held in public hands.*

*In addition, the Offeror also reserves the right to seek a voluntary delisting of the Company from the SGX-ST pursuant to Rules 1307 and 1309 of the Listing Manual (collectively, the “**Voluntary Delisting Rules**”). Without prejudice to the foregoing, if the Offeror receives, as at the Closing Date, valid acceptances of the Offer from Shareholders (other than persons acting in concert with the Offeror) (the “**Independent Shareholders**”) representing at least 75% of the total number of Shares held by the Independent Shareholders and subject to substantive compliance with the other requirements set out in the Voluntary Delisting Rules, the Offeror intends to seek the SGX-ST's waiver from strict compliance with such Voluntary Delisting Rules.*

*In the event that the public float is lost and the Offeror is unable to exercise its rights of compulsory acquisition or the Company is unable to meet the requirements set out in the Voluntary Delisting Rules, the trading of the Shares may be subjected to a prolonged period of suspension.*



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*Save as disclosed in this Offer Document and other than in the ordinary course of business, the Offeror currently has no plans to (a) make any major changes to the business of the Company, (b) re-deploy the fixed assets of the Company, or (c) discontinue the employment of the existing employees of the Group. However, the Offeror retains the flexibility at any time to consider any options in relation to the Company which may present themselves and which the Offeror may regard to be in the interest of the Group.*

### 7 FINANCIAL ASSESSMENT OF THE OFFER

In assessing the financial terms of the Offer (based on the Final Offer Price), we have taken into account the following factors which we consider to have a significant bearing on our assessment:

- (a) Market quotation and trading liquidity of the Shares;
- (b) Historical financial performance of the Group;
- (c) Net tangible asset (“NTA”) of the Group;
- (d) Comparison of valuation statistics of companies broadly comparable to the Group;
- (e) Comparison with recent successful privatisation transactions and delisting offers of companies listed on the SGX-ST;
- (f) Comparison with precedent acquisition transactions of companies broadly comparable to the Group; and
- (g) Other relevant considerations.

#### 7.1 Market Quotation and Trading Liquidity of the Shares

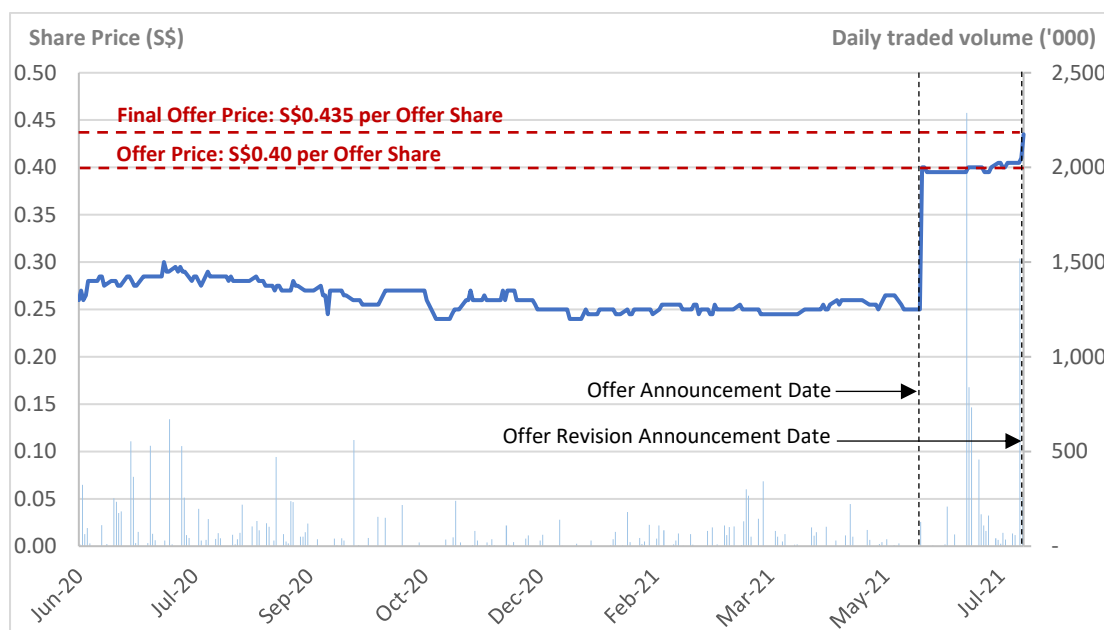
##### 7.1.1 Share price performance and trading liquidity of the Shares

Prior to the Offer Announcement, the Shares were last transacted on 28 May 2021, being the last Market Day on which the Shares traded prior to the Offer Announcement (the “**Last Trading Day**”). Trading was halted before trading hours on the Offer Announcement Date and lifted after trading hours on 1 June 2021.

For the purpose of our analysis of the trading performance of the Shares in respect of the Offer, we have compared the Final Offer Price against the historical market price performance of the Shares and considered the historical trading volume of the Shares for the 12-month period prior to the Offer Announcement Date from 29 May 2020 to the Last Trading Day, and up to the Latest Practicable Date (the “**Period Under Review**”).

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A graphical representation of the daily closing prices and volume traded of the Shares for the Period Under Review is set out as follows:



Source: Bloomberg L.P.

A summary of the salient announcements relating to the Group's business operations and Offer during the Period Under Review is as follows:

Date	Event
13 August 2020	Announcement on the unaudited interim financial results for the 6-month financial period ended 30 June 2020 (" <b>6M2020</b> ") of the Company, which reported a 29.2% decrease in net profit after tax from RMB29.5 million in the 6-month financial period ended 30 June 2019 to RMB20.9 million in 6M2020.
19 November 2020	Shares trade ex-dividend for interim dividend that was announced for the financial year ended 31 December 2020 (" <b>FY2020</b> ") of the Company.
1 March 2021	Announcement on the unaudited financial results for FY2020, which reported a 7.3% decrease in net profit after tax from RMB79.1 million in the financial year ended 31 December 2019 (" <b>FY2019</b> ") to RMB73.3 million in FY2020.
8 April 2021	Release of the annual report for FY2020.
31 May 2021	Announcement on the request for trading halt of the Shares.  Announcement on the Offer.
1 June 2021	Announcement on appointment of SAC Capital Private Limited as the independent financial adviser to the directors of the Company who are considered independent for the purposes of the Offer.  Announcement on the request for lifting of trading halt of the Shares.

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Date	Event
18 June 2021	Announcement on the despatch of the Offer Document dated 18 June 2021.
23 June 2021	Announcement that the Offeror has received valid acceptances amounting to 164,683,290 Shares, which includes acceptances received from parties acting in concert with the Offeror, amounting in aggregate to 152,438,956 Shares <sup>(1)</sup> . Accordingly, as at 6.00 p.m. on 22 June 2021, the total number of: (a) Shares owned, controlled or agreed to be acquired by the Offeror and the Offeror's concert parties; and (b) valid acceptances of the Offer, amount to an aggregate of 220,966,154 Shares, representing approximately 61.98% of the total number of Shares.
2 July 2021	Announcement on the despatch of the Circular dated 2 July 2021
15 July 2021	Announcement on the revision of the Offer Price and the extension of the Closing Date to 5.30 p.m. on 2 August 2021.
16 July 2021	Announcement on the loss of public float as the percentage of Shares held by the public as at 6.00 p.m. on 15 July 2021 was approximately 5.66%.
19 July 2021	Announcement on the despatch of the written notification dated 19 July 2021 in relation to, <i>inter alia</i> , the Final Offer Price.

Source: *Announcements relating to the Group on the SGX-ST*

**Note:**

- (1) This figure comprises 152,438,956 Shares held by Spectacular Bright Corp, which Spectacular Bright Corp has tendered in acceptance of the Offer pursuant to its Irrevocable Undertaking.

As shown in the Share price chart above, the Shares have traded consistently below the Final Offer Price for the 12-month period up to and including the Last Trading Day, with closing prices of the Shares fluctuating between S\$0.240 and S\$0.300. Prior to the Offer Announcement Date, the Shares last traded at S\$0.250 on the Last Trading Day.

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Additional information on the traded closing prices of the Shares, volume-weighted average prices (“VWAP”) and average daily trading volumes for the reference period(s) (a) prior to the Offer Announcement Date; and (b) after the Offer Announcement Date and up to the Latest Practicable Date is set out as follows:

	Highest closing price (S\$)	Lowest closing price (S\$)	VWAP <sup>(1)</sup> (S\$)	Premium of Final Offer Price over VWAP (%)	Average daily trading volume <sup>(2)</sup> (shares)	Average daily trading volume as percentage of free float <sup>(3)</sup> (%)
<b>Periods prior to the Offer Announcement Date</b>						
Last 12 months	0.300	0.240	0.270	61.1%	56,802	0.070%
Last 6 months	0.270	0.240	0.251	73.3%	37,717	0.047%
Last 3 months	0.265	0.245	0.249	74.7%	45,181	0.056%
Last 1 month	0.265	0.250	0.251	73.3%	23,725	0.029%
Last Trading Day	0.250	0.250	0.250 <sup>(4)</sup>	74.0%	62,800	0.078%
<b>Period after the Offer Announcement Date and up to the Latest Practicable Date</b>						
Period between and including 2 June 2021 and up to the Offer Revision Announcement Date	0.410	0.395	0.398	9.3%	293,625	0.364%
Latest Practicable Date	0.435	0.435	0.435 <sup>(5)</sup>	0.0%	754,600	0.935%

Source: Bloomberg L.P.

**Notes:**

- (1) Based on data extracted from Bloomberg L.P. and with the figures rounded to the nearest three (3) decimal places.
- (2) The average daily trading volume of the Shares is calculated based on the total volume of Shares traded divided by the number of Market Days during the relevant periods.
- (3) Free float refers to the Shares other than those directly and deemed held by the Directors and substantial Shareholders. For the purpose of computing the average daily trading volume as a percentage of free float, we have used the free float of approximately 80,684,097 Shares based on the free float of 22.63% as disclosed in the annual report of the Company for FY2020.
- (4) This refers to closing price of the Shares on 28 May 2021, being the Last Trading Day.
- (5) This refers to the closing price of the Shares on the Latest Practicable Date.

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We note the following with regard to the Share prices and the average daily trading volume of the Shares:

### Periods prior to the Offer Announcement Date

- (a) during the 12-month period up to and including the Last Trading Day, the closing prices of the Shares ranged between a low of S\$0.240 (on 3 November 2020, 5 November 2020 and 31 December 2020) and a high of S\$0.300 (on 8 July 2020). The Final Offer Price represents: (i) a premium of 81.3% over the lowest closing price of the Shares; and (ii) a premium of 45.0% over the highest closing price of the Shares, during the 12-month period;
- (b) the Final Offer Price represents a premium of 61.1%, 73.3%, 74.7% and 73.3% over the VWAP of the Shares for the 12-, 6-, 3- and 1-month periods up to and including the Last Trading Day respectively;
- (c) the Final Offer Price represents a premium of 74.0% over the closing price of the Shares of S\$0.250 on the Last Trading Day; and
- (d) the average daily trading volume of the Shares as a percentage of the free float ranged between approximately 0.03% and 0.07% for the 12-, 6-, 3- and 1-month periods up to and including the Last Trading Day.

### Period after the Offer Announcement Date and up to the Latest Practicable Date

- (a) the Final Offer Price represents a premium of 9.3% to the VWAP of the Shares for the period after the Offer Announcement Date and up to the Offer Revision Announcement Date;
- (b) the Final Offer Price is equal to the closing price of the Shares as at the Latest Practicable Date; and
- (c) the average daily trading volume of the Shares as a percentage of the free float was approximately 0.36% and 0.94% for the period after the Offer Announcement Date and up to Offer Revision Announcement Date and the Latest Practicable Date respectively.

Based on the above observations, we note that the trading activity and the closing price of the Shares as at the Latest Practicable Date is likely supported by the Offer subsequent to the Offer Announcement and the Offer Revision Announcement. Shareholders should note that there is no assurance that the closing price of the Shares would remain at the current level prevailing as at the Latest Practicable Date after the close of the Offer. Shareholders should note that the past trading performance of the Shares should not in any way be relied upon as an indication or a guarantee of its future trading performance, which will depend on, amongst other factors, the performance and prospects of the Company, prevailing economic conditions, economic outlook, stock market conditions and sentiment.

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### 7.2 Historical Financial Performance of the Group

The salient financial information of the Group for the financial years ended 31 December (“FY”) 2018, FY2019 and FY2020 respectively is set out in the table below. The following summary financial information should be read in conjunction with the full text of the annual reports and results announcements of the Group in respect of the relevant financial periods including the notes thereto.

(RMB'000)	----- Audited -----		
	FY2018 <sup>(1)</sup>	FY2019	FY2020
Revenue	1,822,941	1,882,159	1,762,940
Cost of sales	(1,364,829)	(1,354,986)	(1,264,899)
Gross profit	458,112	527,173	498,041
Other income	28,305	25,313	31,957
Selling and distribution expenses	(95,009)	(99,394)	(104,606)
Administrative expenses	(282,642)	(273,911)	(252,481)
Finance costs, net	(7,587)	(7,140)	(2,057)
Other expenses	(26,449)	(45,134)	(85,133)
(Allowance for)/Reversal of impairment of financial assets	(8,297)	4,269	(4,823)
Share of profits of associates	765	332	1,281
Profit before tax	67,198	131,508	82,179
Income tax	(14,072)	(52,399)	(8,853)
Profit for the year	53,126	79,109	73,326

Source: Annual reports of the Company for FY2020 and FY2019

**Note:**

- (1) The FY2018 financial statements have been reclassified, with net gain on “sales of raw materials” and “amortisation of land use rights” previously presented under “Other income” and “Other expenses” to “Revenue” and “Cost of sales” respectively.

#### Consolidated Statement of Profit or Loss and Other Comprehensive Income

##### *FY2018 vs FY2019*

The Group’s revenue increased by RMB59.3 million or 3.3% from RMB1,822.9 million to RMB1,882.2 million, mainly due to an increase in revenue from the Business Solutions Segment (as defined below) of RMB105.7 million resulting from increased sales of new products, offset by the decrease in revenue from the High Security Segment (as defined below) of RMB46.4 million due to the decrease in sales of Automated Teller Machine (“ATM”) safes.

Other income decreased by RMB3.0 million or 10.6% from RMB28.3 million to RMB25.3 million mainly due to: (i) a decrease in net foreign exchange gain; (ii) an absence of a gain on reduction of redemption liability; (iii) a decrease in tooling and mould income; (iv) a decrease in write back of other liabilities; and (v) a decrease in sales of steel scrap, partially offset by: (a) an increase in government grants; (b) a fair value gain on forward currency contracts; and (c) rental income received.

Selling and distribution expenses increased by RMB4.4 million or 4.6% from RMB95.0 million to RMB99.4 million in tandem with the increase in revenue.

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Administrative expenses decreased by RMB8.7 million or 3.1% from RMB282.6 million to RMB273.9 million mainly due to better cost control.

Net finance costs decreased by RMB0.5 million or 6.6% from RMB7.6 million to RMB7.1 million mainly due to an increase in bank interest income.

Other expenses increased by RMB18.7 million or 70.8% from RMB26.4 million to RMB45.1 million mainly due to: (i) an increase in impairment losses on intangible assets relating to Metric Group Holdings Limited, Metric Group Limited and Metric Group Inc. (together, the “**Metric Group**”) which were reporting losses and in a net liability position as at 31 December 2019; (ii) impairment losses on right-of-use assets relating to the Metric Group; (iii) impairment losses on property, plant and equipment (“**PPE**”) relating to the Metric Group, partially offset by: (a) an absence of a Guaranteed Minimum Pension equalisation past service cost; and (b) an absence of a loss on settlement of forward currency contracts.

A reversal of impairment losses of financial assets of RMB4.3 million was recognised in 2019, compared to an impairment loss of financial assets of RMB8.3 million in 2018.

Income tax expenses increased by RMB38.3 million or 271.6% from RMB14.1 million to RMB52.4 million mainly due to: (i) the increase in profits generated from the profitable subsidiaries; and (ii) the write off of deferred tax assets at a subsidiary after assessment of its recoverability.

As a result of the above, net profit after tax increased by RMB26.0 million or 49.0% from RMB53.1 million to RMB79.1 million

### *FY2019 vs FY2020*

The Group’s revenue decreased by RMB119.3 million or 6.3% from RMB1,882.2 million to RMB1,762.9 million, mainly due to a decrease in revenue from the Business Solutions Segment of RMB 159.0 million resulting from curtailed or delayed business spendings resulting from the COVID-19 pandemic and lockdown in many areas globally, offset by the increase in revenue from the High Security Segment of RMB39.7 million as a result of an uptick in demand for security products such as gun safes.

Other income increased by RMB6.7 million or 26.5% from RMB25.3 million to RMB32.0 million mainly due to: (i) an increase in gain on settlement of forward currency contracts; (ii) an increase in government grants received; (iii) an increase in fair value gain on forward currency contracts, partially offset by: (a) an absence of tooling and mould income; (b) a decrease in sale of steel scrap; and (c) other items of other income.

Selling and distribution expenses increased by RMB5.2 million or 5.2% from RMB99.4 million to RMB104.6 million mainly due to an increase in online advertising expense incurred to support online sales of Eisenbach Tresore GmbH.

Administrative expenses decreased by RMB21.4 million or 7.8% from RMB273.9 million to RMB252.5 million mainly due to cost control measures.

Net finance costs decreased by RMB5.0 million or 70.4% from RMB7.1 million to RMB2.1 million mainly due to the decrease in interest expenses resulting from a net decrease in outstanding borrowings and an increase in bank interest income.

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Other expenses increased by RMB40.0 million or 88.7% from RMB45.1 million to RMB85.1 million mainly due to: (i) a provision for onerous contracts relating to unfulfilled purchase orders from suppliers; (ii) a write-down of right-of-use assets relating to land-use rights of the Group's two subsidiaries in the PRC; (iii) net foreign exchange losses; and (iv) a provision for idle land fee, partially offset by the decrease in impairment loss on intangible assets relating to Metric Group.

Impairment losses of financial assets increased by RMB9.1 million mainly due to the increase in trade receivables.

Income tax expenses decreased by RMB43.5 million, from RMB52.4 million in FY2019 to RMB8.9 million in FY2020 mainly due to: (i) a decrease in profits generated from profitable subsidiaries; (ii) an increase in tax incentive received; and (iii) the absence of a write off of deferred tax assets at a subsidiary in 2020.

As a result of the above, net profit after tax decreased by RMB5.8 million or 7.3% from RMB79.1 million to RMB73.3 million.

### *Adjusted FY2020 Net Profit*

We noted that the Company had the following non-recurring expenses incurred in FY2020 which are elaborated below:

- (a) write-down of right-of-use assets amounting to RMB22.0 million, which relates to land-use rights owned by two subsidiaries of the Group in the PRC. The subsidiaries have received notice from the Nantong Investment and Development Council on the State Government's decision to reclaim certain unused land areas without monetary compensation by end 2021 due to non-fulfilment of terms and conditions in the State-owned Construction Land Use Right Deed of Assignment entered into by the subsidiaries between 2010 and 2014. The Group did not implement its initial development plan to build a new research and development facility on these lands as it had put all major capital expenditure on hold to conserve liquidity. As the Group does not intend to deploy the affected land areas in 2021, the Management has written down the carrying amount of land-use rights by RMB22.0 million accordingly;
- (b) provisions for idle land fees amounting to RMB5.3 million in accordance with Urban Real Estate Administration Law of PRC. This is pursuant to a land transfer agreement signed with local authorities where the transferee is liable for idle land fees should the transferred land be left idle for over a year;
- (c) provisions for onerous contracts amounting to RMB27.2 million, which relates to non-fulfilment of contracts to certain suppliers as product sales to three major overseas customers were deferred or cancelled. The sales cancellation and/or deferments caused progressive suspension in the production plan which resulted in non-fulfilment of purchase orders committed by the Group to its major suppliers and stock obsolescence for the goods received on fulfilled purchase orders. The suppliers have made claims to the Group in respective of these unfulfilled purchase orders;
- (d) impairment losses on PPE amounting to RMB1.6 million relating to the Metric Group, which continued to report operating losses and was in net liability position at 31 December 2020;
- (e) impairment losses on right-of-use assets amounting to RMB8.2 million relating to the Metric Group, which continued to report operating losses and was in net liability position at 31 December 2020; and



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- (f) impairment losses on intangible assets amounting to RMB11.4 million relating to the technical know-how, patent, trademark and development costs of Metric Group, which continued to report operating losses and was in net liability position at 31 December 2020. As at the Latest Practicable Date, we understand from the Management that Metric Group continues to report operating losses in 2021.

In this regard, after adjusting for these non-recurring other expenses, the net profit after tax for FY2020 would have been approximately RMB135.6 million<sup>1</sup> (the “**Adjusted FY2020 Net Profit**”).

### Consolidated Statement of Cash Flows

(RMB'000)	----- Audited -----		
	FY2018 <sup>(1)</sup>	FY2019	FY2020
Net cash flows from operating activities	132,447	235,376	151,928
Net cash flows (used in)/from investing activities	(48,720)	(34,750)	1,876
Net cash flows used in financing activities	(55,130)	(84,566)	(49,279)
Net increase in cash and cash equivalents	28,597	116,060	104,525
Cash and cash equivalents at end of financial year	287,695	406,541	499,183

Source: Annual reports of the Company for FY2020 and FY2019

#### **Note:**

- (1) The Group has reclassified “Government grant received” from cash flow from investing activities to operating activities, and amount due from a related party from financing activities to operating activities.

The Group generated positive net cash flows from operating activities, which increased from RMB132.4 million in FY2018 to RMB235.4 million in FY2019 and subsequently decreased to RMB151.9 million in FY2020.

The Group had recorded net cash flows generated from operating activities of approximately RMB151.9 million in FY2020 mainly due to operating profit before working capital changes of approximately RMB205.6 million, net working capital outflow of approximately RMB26.6 million, and income tax paid of RMB27.0 million. The net working capital outflow was mainly due to: (i) a decrease in contract liabilities of RMB38.9 million; (ii) an increase in trade receivables of RMB38.6 million; and (iii) an increase in advances to suppliers of RMB17.8 million, partially offset by: (a) a decrease in inventories of RMB51.0 million; and (b) an increase in other payables and accruals of RMB11.0 million.

The Group’s net cash flows used in/from investing activities in FY2018, FY2019 and FY2020 mainly relate to purchase of PPE, proceeds from disposal of PPE, additions of intangible assets, proceeds for disposal of other investments and purchase of financial assets such as non-principal protect financial products, investment funds and bonds, partially offset by proceeds from disposal of such financial assets, disposal of PPE and interest received.

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<sup>1</sup> After netting off against an estimated tax expense of RMB13.4 million by the Company based on corporate tax rates varying from 15% to 25% for the various entities.

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The Group's net cash flows used for financing activities in FY2018, FY2019 and FY2020 mainly relate to cash dividends paid on ordinary Shares, interest payments and repayment of borrowings, partially offset by the proceeds from borrowings and withdrawal of pledged deposits.

Taking into account (i) the cash and cash equivalents at the beginning of FY2020 of RMB406.5 million, (ii) the net increase in cash and cash equivalents net of exchange rate changes of RMB92.6 million, the Group's cash and cash equivalent as at 31 December 2020 amounted to RMB499.2 million.

### 7.3 NTA of the Group

#### 7.3.1 Statement of Financial Position of the Group

A summary of the audited financial position of the Group as at 31 December 2020 is set out as follows:

<b>(RMB'000)</b>	<b>As at 31 December 2020</b>
<b>Non-current assets</b>	
Property, plant and equipment	292,603
Right-of-use assets	73,734
Associates	8,088
Intangible assets	37,041
Deferred tax assets	15,474
<b>Total non-current assets</b>	<b>426,940</b>
<b>Current assets</b>	
Inventories	319,956
Contract assets	27,400
Trade receivables	297,445
Other receivables, deposits and prepayments	16,267
Advances to suppliers	41,509
Cash and bank balances	538,065
Derivative financial instruments	6,590
<b>Total current assets</b>	<b>1,247,232</b>
<b>Total assets</b>	<b>1,674,172</b>
<b>Current liabilities</b>	
Contract liabilities	58,079
Trade payables	130,665
Other payables and accruals	124,278
Borrowings	122,144
Provisions	32,450
Due to related parties	7,363
Income tax payable	4,397
<b>Total current liabilities</b>	<b>479,376</b>

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<b>Non-current liabilities</b>	
Deferred tax liabilities	24,364
Borrowings	48,554
Deferred income	10,526
Pension liability	83,090
<b>Total non-current liabilities</b>	<b>166,534</b>
<b>Total liabilities</b>	<b>645,910</b>
<b>Total equity</b>	<b>1,028,262</b>
<b>Net asset value (“NAV”) of the Group</b>	<b>1,028,262</b>
<b>NTA of the Group</b>	<b>991,221</b>
<b>Number of issued shares (excluding treasury shares) as at 31 December 2020</b>	<b>356,536,000</b>
<b>NAV per Share (RMB)</b>	<b>2.884</b>
<b>NTA per Share (RMB)</b>	<b>2.780</b>
<b>NAV per Share (SGD)<sup>(1)</sup></b>	<b>0.584</b>
<b>NTA per Share (SGD)<sup>(1)</sup></b>	<b>0.563</b>

*Source: Annual reports of the Company for FY2020*

**Note:**

- (1) Based on the exchange rate of RMB1 to S\$0.2024 as at 31 December 2020. The exchange rate is extracted from Bloomberg and serves as a reference only.

**Assets**

As at 31 December 2020, the Group has total assets of RMB1.7 billion comprising current assets of RMB1.2 billion (74.5% of total assets) and non-current assets of RMB426.9 million (25.5% of total assets).

The main current assets of the Group are cash and bank balances of RMB538.1 million (43.1% of current assets), inventories of RMB320.0 million (25.7% of current assets) and trade receivables of RMB297.4 million (23.8% of current assets). We note that the Group has derivative financial instruments amounting to RMB6.6 million as at 31 December 2020. We understand from the Management that these pertains to forward currency contracts for hedging purposes.

The main non-current assets of the Group are PPE of RMB292.6 million (68.5% of non-current assets), right-of-use assets of RMB73.7 million (17.3% of non-current assets) and intangible assets of 37.0 million (8.7% of non-current assets).

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Freehold land, buildings and improvements and construction in progress amounted to RMB209.9 million representing approximately 71.7% of total PPE. We understand from the Management that these consist primarily of industrial land and buildings amounting to approximately RMB180.0 million used in the operations of the Group in its ordinary course of business and as at the Latest Practicable Date, the Group does not have any current plans for an imminent material disposal and/or conversion of the use of the Group's assets and/or material change in the nature of the Group's business. Accordingly, no adjustments have been made to the NAV or NTA of the Group in this regard. Plant and machinery amounted to RMB67.8 million whereas office equipment and fittings amounted to RMB12.0 million representing 23.2% and 4.1% of total PPE respectively. The remaining PPE pertains to motor vehicles.

Right-of-use assets comprise leasehold land, leasehold properties and leased office premises, machinery and equipment and motor vehicles.

Intangible assets comprise development costs, customer relationship, technical know-how, patent and trademark, domain and online content, non-compete agreement and goodwill. Goodwill is tested for impairment annually and whenever there is an indication that the cash-generating unit may be impaired. Other intangible assets with finite lives are amortised on a straight-line basis over the estimated economic useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. Other intangible assets with indefinite useful lives or not yet available for use are tested for impairment annually or more frequently if the events or changes in circumstances indicate that the carrying value may be impaired either individually or at the cash-generating unit level.

### *Liabilities and equity*

As at 31 December 2020, the Group has total liabilities of RMB645.9 million, comprising contract liabilities of RMB58.1 million (9.0% of total liabilities), trade payables of RMB130.7 million (20.2% of total liabilities), other payables and accruals of RMB124.3 million (19.2% of total liabilities), current and non-current borrowings of RMB170.7 million (26.4% of total liabilities) and pension liability of RMB83.1 million (12.9% of total liabilities).

Total equity of the Group as at 31 December 2020 was RMB1.0 billion. There is no non-controlling interests. Accordingly, the NAV of the Group as at 31 December 2020 was RMB1.0 billion. After deducting intangible assets of RMB37.0 million, the NTA of the Group was RMB991.2 million as at 31 December 2020.

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

### 7.3.2 Book NTA of the Group

The NAV of a group refers to the aggregate value of all the assets in their existing condition, net of any non-controlling interests and all the liabilities of the Group. The NAV approach may provide an estimate of the value of a group assuming the hypothetical sale of all its assets over a reasonable period of time, the proceeds of which would be first used to settle the liabilities of the Group with the balance available for distribution to its shareholders. Therefore, the net assets of a group are perceived as providing support for the value of the shareholders' equity.

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Notwithstanding the foregoing, Shareholders should note that an analysis based on the NAV of the Group provides an estimate of the value of the Group based on a hypothetical scenario, and such hypothetical scenario is assumed without considering factors such as, *inter alia*, time value of money, market conditions, legal and professional fees, liquidation costs, taxes, contractual obligations, regulatory requirements and availability of potential buyers, which would theoretically lower the NAV that can be realised. While the asset base of the Group can be a basis for valuation, such a valuation does not necessarily imply a realisable market value as the market value of the assets and liabilities may vary depending on prevailing market and economic conditions. Furthermore, the NAV approach is more relevant in circumstances where the business is to cease operations or where the profitability of the business being valued is not sufficient to sustain an earnings-based valuation.

We note that the Group has intangible assets amounting to RMB37.0 million (comprising technical know-how, patent, trademark, research and development costs, domain and online content, non-compete agreement and goodwill) which represent in aggregate approximately 2.2% of total assets as at 31 December 2020. Based on the Group's latest audited financial statements as at 31 December 2020, the NTA of the Group amounted to approximately RMB991.2 million or S\$0.563<sup>2</sup> per Share, based on 356,536,000 Shares in issue as at 31 December 2020. We note that the Final Offer Price represents a discount of approximately 22.7% against the NTA per Share of S\$0.563<sup>2</sup> as at 31 December 2020. Accordingly, the Price-to-NTA ("**P/NTA**") ratio of the Group implied by the Final Offer Price would be approximately 0.773 times as at 31 December 2020.

The Group recorded cash and bank balances of RMB538.1 million as at 31 December 2020. After deducting for current and non-current borrowings, the Group has net cash of RMB367.4 million (or net cash of S\$0.209<sup>2</sup> per Share) accounting for 37.1% of the NTA of the Group as at 31 December 2020. As the net cash represents a significant percentage of the NTA of the Group, we also have considered the Group's ex-cash NTA against the Final Offer Price. The ex-cash NTA of the Group as at 31 December 2020 was approximately RMB623.9 million or S\$0.354<sup>2</sup> per Share (the "**Ex-Cash NTA per Share**") after adjusting the net cash of RMB367.4 million from the NTA. Accordingly, the Final Offer Price as adjusted for net cash per Share of S\$0.209<sup>2</sup>, is S\$0.226 (the "**Ex-Cash Final Offer Price**") and represents a discount of 36.2% to the Ex-Cash NTA per Share of S\$0.354<sup>2</sup>.

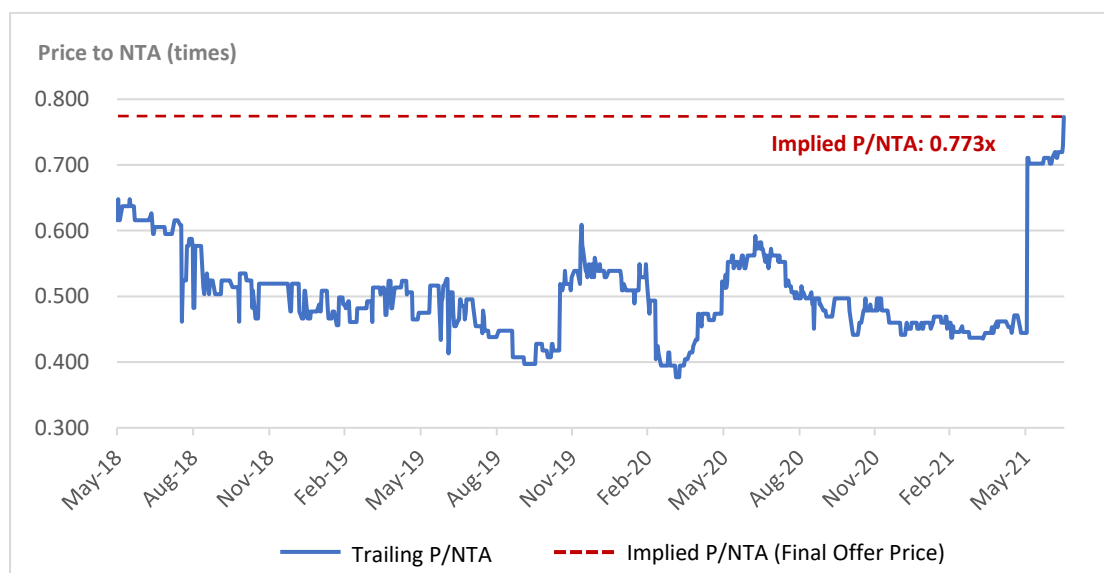
### *Historical trailing P/NTA ratio of the Shares*

We have compared the P/NTA ratio of the Shares as implied by the Final Offer Price against the historical trailing P/NTA ratio of the Shares (based on the daily closing prices of the Shares and the Group's trailing NTA per Share), from 29 May 2018 (being the 3-year period up to and including the Last Trading Day) up to and including the Latest Practicable Date.

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<sup>2</sup> Based on the exchange rate of RMB1 to S\$0.2024 as at 31 December 2020. The exchange rate is extracted from Bloomberg and serves as a reference only.

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Source: Bloomberg L.P. and the Company's results announcement

The average, minimum and maximum of the historical trailing P/NTA ratio of the Shares for the various periods during the 36-month period up to and including 28 May 2021, being the last full trading day prior to the release of the Offer Announcement Date, and for the period after the release of the Offer Announcement Date up to the Latest Practicable Date are set out below:

	Historical trailing P/NTA ratio (times)		
	Minimum	Maximum	Average
<b>Periods prior to the Offer Announcement Date</b>			
Last 36 months	0.377	0.648	0.495
Last 24 months	0.377	0.609	0.478
Last 12 months	0.435	0.592	0.486
Last 6 months	0.435	0.497	0.456
Last 3 months	0.435	0.471	0.449
Last one month	0.444	0.471	0.458
<b>Period after the Offer Announcement Date and up to the Latest Practicable Date</b>			
Period between and including 2 June 2021 and up to the Offer Revision Announcement Date	0.702	0.729	0.709
Latest Practicable Date	0.773	0.773	0.773

Source: Bloomberg L.P. and the Company's results announcement

We note the Shares had consistently traded on the SGX-ST at a discount to the NTA per Share during the last 36-month period up to and including the Last Trading Day. The average P/NTA ratio ranged from 0.449 times for the 3-month period up to and including the Last Trading Day to 0.495 times for the 36-month period up to and including the Last Trading Day. During the 36-month period up to and including the Last Trading Day, the minimum and maximum P/NTA ratios were 0.377 times and 0.648 times respectively.

In contrast, the P/NTA ratio as implied by the Final Offer Price of 0.773 times is higher than the maximum P/NTA ratio during the 36-month period up to and including the Last Trading Day.

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### *Confirmation by the Company*

In our evaluation of the financial terms of the Offer, we have also considered whether there is any other asset which should be valued at an amount that is materially different from that as recorded in the statement of financial position of the Group as at 31 December 2020 and whether there are any factors which have not been otherwise disclosed in the financial statements of the Group that may have a material impact on the audited NTA of the Group as at 31 December 2020.

We noted that as disclosed in section 8.3 of the Offer Document, the Offeror currently has no plans to: (a) make any major changes to the business of the Company; (b) re-deploy the fixed assets of the Company; or (c) discontinue the employment of the existing employees of the Group save as disclosed in Offer Document and other than in the ordinary course of business. However, the Offeror retains the flexibility at any time to consider any options in relation to the Company which may present themselves and which the Offeror may regard to be in the interest of the Group.

In respect of section 7.3.1 and 7.3.2 of this Supplemental IFA Letter, the Directors have confirmed that as at the Latest Practicable Date and to the best of their knowledge and belief:

- (a) they are not aware of any material difference between the estimated market value of the assets held by the Group and its associates *vis-à-vis* their respective book values recorded in the audited statements of financial position of the Group as at 31 December 2020;
- (b) they are not aware of any circumstances which may cause the NTA of the Group as at the Latest Practicable Date to be materially different from that recorded in the audited statement of financial position of the Group as at 31 December 2020;
- (c) there have been no material disposals or acquisitions of assets by the Group between 31 December 2020 and the Latest Practicable Date, and the Group does not have any plans for such impending material disposal or acquisition of assets, conversion of the use of the Group's material assets or material change in the nature of the Group's business;
- (d) there are no indicators of impairment on the intangible assets that would require the Group to perform further impairment tests;
- (e) there are no contingent liabilities, bad or doubtful debts or impairment losses or material events at as the Latest Practicable Date which are likely to have a material impact on the NAV of the Group as at 31 December 2020;
- (f) there are no litigation, claim or proceedings pending or threatened against the Group or of any fact likely to give rise to any proceedings as at the Latest Practicable Date which would have a material impact on the financial position of the Group as at 31 December 2020; and
- (g) there are no other intangible assets as at the Latest Practicable Date which ought to be disclosed in the statement of financial position of the Group in accordance with the Singapore Financial Reporting Standards (International) and which have not been disclosed that would have a material impact on the NTA of the Group as at 31 December 2020.

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### 7.4 Comparison of Valuation Statistics of Companies Broadly Comparable to the Group

In considering what may be regarded as a reasonable range of valuation for the purpose of assessing the financial terms of the Offer, we have referred to selected listed companies on various stock exchanges which business activities are broadly comparable with those of the Group to give an indication of the current market expectations with regard to the perceived valuation of these businesses.

The Company is an SGX-listed company and is principally engaged in: (a) the design and manufacture of ATM safes, fire-resistant commercial safes, safes for storage of weapons and other security products (the “**High Security Segment**”); and (b) the provision of business solutions by designing, engineering, manufacturing and assembling electro-mechanical equipment, ticketing and vending machines (including intelligent terminals) and modules, precision engineering parts, semi-conductor instruments and other modules products (the “**Business Solutions Segment**”). In light of the lack of direct comparable companies on the SGX-ST, we have, in consultation with the Management, used the following companies listed on the regional Asian exchanges which are engaged in businesses that are similar to either the High Security Segment or the Business Solutions Segment (the “**Comparable Companies**”) to get an indication of the current market expectations with regard to the perceived valuation of the Group.

We wish to highlight that the Comparable Companies are not exhaustive and there is no listed company or group which may be considered identical to the Group in terms of, *inter alia*, business activities, market capitalisation, scale of operations, risk profile, geographical spread, operating and financial leverage, accounting policies, adherence to accounting standards, tax factors, track record and future prospects. In addition, each of the Comparable Companies may engage in other separate business activities which are not related to the principal business of the Group. As such, any comparison made herein is strictly limited in scope and merely serves as an illustrative guide to Shareholders.

Details on the Comparable Companies, including their business descriptions and selected key financial and valuation statistics, are set out below and in Annex A to this Supplemental IFA Letter:

- (a) Nihon ISK Co Ltd;
- (b) PT Lion Metal Works Tbk;
- (c) Takamisawa Cybernetics Company, Ltd; and
- (d) Odawara Auto-Machine Manufacturing Co Ltd.

In assessing the financial terms of the Offer, we have used the following valuation parameters in our analysis:



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<b>Valuation parameter</b>	<b>Description</b>
Price-earnings ratio (“ <b>PER</b> ”)	<p>The historical PER, which illustrates the ratio of the market price of a company’s shares relative to its historical consolidated earnings per share, is commonly used for the purpose of illustrating the profitability, and hence valuation, of a company.</p> <p>We have considered the historical PERs of the Comparable Companies based on their respective last transacted prices on the Latest Practicable Date and trailing 12 months earnings per share <i>vis-à-vis</i> the corresponding historical PER of the Group based on the Final Offer Price and the audited earnings per Share for FY2020 as adjusted for certain non-recurring expenses as stated in section 7.2 of this Supplemental IFA Letter.</p>
Price-to-NAV (“ <b>P/NAV</b> ”) ratio or Price-to-NTA (“ <b>P/NTA</b> ”) ratio	<p>The NAV/NTA-based approach is useful to illustrate the extent that the value of each share is backed by assets, and would be more relevant in the case where the group were to change the nature of its business or realise or convert the use of all or most of its assets. The NAV/NTA-based approach may provide an estimate of the value of a company or group assuming the hypothetical sale of all its assets over a reasonable period of time at the aggregate value of the assets used in the computation of the NAV/NTA, with the balance to be distributed to its shareholders after the settlement of all the liabilities and obligations of the company or group.</p> <p>We have considered the historical P/NTA ratios of the Comparable Companies based on their respective last transacted prices on the Latest Practicable Date and latest announced NTA per share as at the end of the relevant financial year/period (as adjusted for any corporate activities which were undertaken after the latest available balance sheet date that may affect the NTA per share, where relevant), <i>vis-à-vis</i> the corresponding historical P/NTA ratio of the Group based on the Final Offer Price and the NTA per Share of the Group as at 31 December 2020.</p>
Ex-cash price-to-NTA (“ <b>Ex-Cash P/NTA</b> ”) ratio	<p>In view of the significant net cash position (i.e. cash and bank balances less borrowings) of the Group as at 31 December 2020, we have also computed the historical P/NTA ratios on an ex-cash basis. In this regard, we have considered the historical Ex-Cash P/NTA ratios of the Comparable Companies based on their respective last transacted prices on the Latest Practicable Date (less net cash per share, if applicable and adjusted for any corporate activities which were undertaken after the latest available balance sheet date that affect the net cash position) and latest available NTA per share (less net cash, if applicable, and adjusted for any corporate activities which were undertaken after the latest available balance sheet date that affect the net cash position or the NTA per share, where relevant) <i>vis-à-vis</i> the corresponding historical Ex-Cash P/NTA ratio of the Group based on the Ex-Cash Final Offer Price and the Ex-Cash NTA per Share as at 31 December 2020.</p>

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Valuation parameter	Description
Enterprise value to EBITDA (“EV/EBITDA”) ratio	The historical EV/EBITDA ratio illustrates the ratio of the market value of a company's business relative to its historical consolidated pre-tax operating cashflow performance, without regard to its capital structure, and provides an indication of current market valuation relative to operating performance. “EV” is the sum of a company's market capitalisation, preferred equity, minority interests, short- and long-term debts less cash and cash equivalents, and represents the actual cost to acquire the entire company. “EBITDA” refers to historical consolidated earnings before interest, tax, depreciation and amortisation expenses. EBITDA can be used to analyse the profitability between companies as it eliminates the effects of financing and accounting decisions.

We have considered the historical EV/EBITDA ratios of the Comparable Companies based on their respective last transacted prices on the Latest Practicable Date, latest available balance-sheet values (as adjusted for any corporate activities which were undertaken after the latest available balance sheet date that may affect the EV, where relevant) and trailing 12 months EBITDA *vis-à-vis* the corresponding historical EV/EBITDA ratio of the Group based on the Final Offer Price and the FY2020 EBITDA of the Group as adjusted for certain non-recurring expenses as stated in section 7.2 of this Supplemental IFA Letter.

### Comparative valuation statistics of the Comparable Companies *vis-à-vis* the Group

The following table sets out the comparative valuation statistics of the Comparable Companies *vis-à-vis* the Group as implied by the Final Offer Price:

Comparable Companies	Historical PER (times)	Historical P/NTA ratio (times)	Historical Ex-Cash P/NTA ratio (times)	Historical EV/EBITDA ratio (times)
Nihon ISK Co Ltd <sup>(1)</sup>	5.8	0.70	0.46	2.0
PT Lion Metal Works Tbk	n.a. <sup>(2)</sup>	0.41	0.08	n.a. <sup>(2)</sup>
Takamisawa Cybernetics Company, Ltd <sup>(1)</sup>	6.0	1.11	1.11 <sup>(3)</sup>	4.2
Odawara Auto-Machine Manufacturing Co Ltd <sup>(1)</sup>	35.3	0.48	0.41	3.9
<b>High</b>	35.3	1.11	1.11	4.2
<b>Mean</b>	15.7	0.68	0.52	3.4
<b>Median</b>	6.0	0.59	0.44	3.9
<b>Low</b>	5.8	0.41	0.08	2.0
<b>Company (Implied by the Final Offer Price)</b>	<b>5.7<sup>(4)</sup></b>	<b>0.77</b>	<b>0.64</b>	<b>1.8<sup>(5)</sup></b>

Source: Bloomberg L.P., annual reports and/or announcements of the respective Comparable Companies and SAC Capital's computations

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### Notes:

- (1) The relevant trailing 12 months net profit attributable to shareholders or trailing 12 months EBITDA have been adjusted for non-recurring and/or extraordinary income or losses.
- (2) PT Lion Metal Works Tbk was loss making in the latest trailing 12 months and the trailing 12 months EBITDA was negative.
- (3) Based on the historical P/NTA ratio as Takamisawa Cybernetics Company, Ltd is in a net debt position as at 31 March 2021.
- (4) Based on the Adjusted FY2020 Net Profit of the Group.
- (5) Based on the FY2020 EBITDA of the Group as adjusted for certain non-recurring expenses as stated in section 7.2 of this Supplemental IFA Letter.

### Historical PER comparison

We note that the historical PER of 5.7 times of the Group as implied by the Final Offer Price is below the range of historical PERs of the Comparable Companies of between 5.8 times and 35.3 times.

### Historical P/NTA ratio comparison

We note that the historical P/NTA ratio of 0.77 times of the Group as implied by the Final Offer Price and the NTA per Share as at 31 December 2020 is:

- (a) within the range of historical P/NTA ratios of the Comparable Companies of between 0.41 times and 1.11 times; and
- (b) at a premium of approximately 13.2% and 30.5% over the mean and median historical P/NTA ratios of the Comparable Companies of 0.68 times and 0.59 times respectively.

### Historical Ex-Cash P/NTA ratio comparison

We note that the historical Ex-Cash P/NTA ratio of 0.64 times of the Group as implied by the Ex-Cash Final Offer Price and the Ex-Cash NTA per Share as at 31 December 2020 is:

- (a) within the range of historical Ex-Cash P/NTA ratios of the Comparable Companies of between 0.08 times and 1.11 times; and
- (b) at a premium of approximately 23.1% and 45.5% over the mean and median historical Ex-Cash P/NTA ratios of the Comparable Companies of 0.52 times and 0.44 times respectively.

### Historical EV/EBITDA ratio comparison

We note that the historical EV/EBITDA ratio of 1.8 times of the Group as implied by the Final Offer Price is below the range of historical EV/EBITDA ratios of the Comparable Companies of between 2.0 times and 4.2 times.

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### 7.5 Comparison with Recent Successful Privatisation Transactions and Delisting Offers of Companies Listed on the SGX-ST

In assessing the reasonableness of the Offer in light of the stated intention of the Offeror to delist the Shares from the Official List of the SGX-ST, we have compared the financial terms of the Offer with: (a) selected recent successful privatisation transactions announced on the SGX-ST during the 12-month period prior to the Offer Announcement Date, whether by way of a general offer under the Code or a scheme of arrangement under Section 210 of the Companies Act where the offeror has stated its intention to delist the target company from the Official List of the SGX-ST; and (b) selected recent completed delisting offers under Rule 1307 of the Listing Manual announced during the 12-month period prior to the Offer Announcement Date (collectively, the “**Take-over Transactions**”). As some of the Take-over Transactions had undertaken revaluations and/or adjustments to their assets which may have a material impact on their last announced book values, we have also, where relevant, compared the financial terms of such offer transactions with the revalued NAV (or revalued NTA where applicable) and/or adjusted NAV (or adjusted NTA where applicable) of the Take-over Transactions where available.

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

- (a) the premium or discount represented by each of the respective offer prices to the last transacted prices and VWAPs over the 1-month, 3-month, 6-month and 12-month periods prior to the announcement of the Take-over Transactions; and
- (b) the premium or discount represented by each of the respective offer prices to the NAV/NTA of the respective target companies, where applicable. We note that certain transactions had undertaken revaluations and/or adjustments to their assets which may have a material impact on their latest announced book values. In this respect, we have compared the offer price with the revalued NAV, revalued NTA or adjusted NAV or adjusted NTA of the Take-over Transactions, where applicable.

We wish to highlight that the Take-over Transactions set out below are by no means exhaustive. In addition, as the Group is not directly comparable to the target companies involved in the Take-over Transactions in terms of business activities, scale of operations, market capitalisation, geographical spread, risk profile, accounting policies, financial performance, operating and financial leverage, track record and future prospects, the comparison merely serves as a general guide to provide an indication of the premia/discounts paid in connection with privatisation transactions and delisting offers of companies listed on the SGX-ST. Each of the Take-over Transactions must be judged on its own commercial and financial merits. Shareholders should also note that the premium (if any) to be paid by an offeror in a privatisation transaction or delisting offer varies in different circumstances depending on, *inter alia*, the offeror’s intentions with regard to the target company, the potential synergy that the offeror can gain from acquiring the target company, the attractiveness of the underlying business, prevailing market expectations and the presence of competing bids. Conclusions drawn from the comparisons made may not reflect any perceived market valuation of the Company.

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Company	Date of offer announcement	Offer price (S\$)	Premium of offer price over					Offer price-to-NAV / NTA ratio (times) <sup>(1)</sup>
			last transacted price	1-month VWAP	3-month VWAP	6-month VWAP	12-month VWAP	
			prior to announcement of offer (%)					
Dynamic Colours Limited	1 June 2020	0.225	13.6	23.0	29.3	27.1	32.4	0.95 <sup>(2)</sup>
Perennial Real Estate Holdings Limited	12 June 2020	0.950	88.1 <sup>(3)</sup>	105.2 <sup>(3)</sup>	124.1 <sup>(3)</sup>	112.5 <sup>(3)</sup>	95.1 <sup>(3)</sup>	0.57 <sup>(4)</sup>
Luzhou Bio-Chem Technology Limited	30 June 2020	0.030	100.0	87.5	130.8	150.0	130.8	n.a. <sup>(5)</sup>
Teckwah Industrial Corporation Limited	12 August 2020	0.650	17.1	23.1	25.0	32.4	38.3	0.81 <sup>(6)</sup>
China Jishan Holdings Limited	20 August 2020	0.350	84.2	101.1	105.9	116.0	83.2	0.78 <sup>(7)</sup>
SK Jewellery Group Limited	2 September 2020	0.150	70.5	89.9	94.8	94.8	80.7	1.31 <sup>(8)</sup>
LCT Holdings Limited	16 September 2020	0.600	39.5	60.9	61.7	61.3	37.6	0.91 <sup>(9)</sup>
Sunningdale Tech Ltd.	9 November 2020	1.650	32.0 <sup>(10)</sup>	39.0 <sup>(10)</sup>	45.0 <sup>(10)</sup>	58.2 <sup>(10)</sup>	42.6 <sup>(10)</sup>	0.79 <sup>(11)</sup>
Sunvic Chemical Holdings Limited	20 November 2020	0.028	27.3 <sup>(12)</sup>	40.0 <sup>(12)</sup>	-3.4 <sup>(12)</sup>	16.7 <sup>(12)</sup>	-12.5 <sup>(12)</sup>	0.16 <sup>(13)</sup>
Hi-P International Limited	18 December 2020	2.000	13.6	23.3	42.5	50.7	62.5	2.60 <sup>(14)</sup>
CEI Limited	11 January 2021	1.150	15.0	18.1	20.5	24.2	28.2	1.93 <sup>(15)</sup>
GL Limited	15 January 2021	0.800	42.9	46.5	52.4	46.3	25.2	0.75 <sup>(16)</sup>
International Press Softcom Limited	28 January 2021	0.045	12.5	25.0	32.4	21.6	28.6	1.09 <sup>(17)</sup>

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Company	Date of offer announcement	Offer price (S\$)	Premium of offer price over					Offer price-to-NAV / NTA ratio (times) <sup>(1)</sup>
			last transacted price	1-month VWAP	3-month VWAP	6-month VWAP	12-month VWAP	
			prior to announcement of offer (%)					
Singapore Reinsurance Corporation Limited	19 March 2021	0.3535	17.8	20.6	20.6	21.9	27.6	0.79 <sup>(18)</sup>
Neo Group Limited	30 March 2021	0.600	20.0	17.9	14.5	15.4	31.0	1.66 <sup>(19)</sup>
Sin Ghee Huat Corporation Ltd	29 April 2021	0.270	25.6 <sup>(20)</sup>	52.5 <sup>(20)</sup>	60.7 <sup>(20)</sup>	66.7 <sup>(20)</sup>	61.7 <sup>(20)</sup>	0.57 <sup>(21)</sup>
Top Global Limited	30 April 2021	0.390	122.9 <sup>(22)</sup>	132.1 <sup>(22)</sup>	146.8 <sup>(22)</sup>	148.4 <sup>(22)</sup>	142.2 <sup>(22)</sup>	0.32 <sup>(23)</sup>
Cheung Woh Technologies Ltd	6 May 2021	0.285	90.0	90.0	92.6	109.6	141.5	1.10 <sup>(24)</sup>

<b>High</b>	<b>122.9</b>	<b>132.1</b>	<b>146.8</b>	<b>150.0</b>	<b>142.2</b>	<b>2.60</b>
<b>Mean</b>	<b>46.3</b>	<b>55.3</b>	<b>60.9</b>	<b>65.2</b>	<b>59.8</b>	<b>1.01</b>
<b>Median</b>	<b>29.7</b>	<b>43.3</b>	<b>48.7</b>	<b>54.5</b>	<b>40.5</b>	<b>0.81</b>
<b>Low</b>	<b>12.5</b>	<b>17.9</b>	<b>-3.4</b>	<b>15.4</b>	<b>-12.5</b>	<b>0.16</b>

<b>Company (Implied by the Final Offer Price)</b>	<b>31 May 2021</b>	<b>0.435</b>	<b>74.0</b>	<b>73.3</b>	<b>74.7</b>	<b>73.3</b>	<b>61.1</b>	<b>0.77<sup>(25)</sup></b>
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Source: Announcements and circulars to shareholders in relation to the respective Take-over Transactions and SAC Capital's computations.

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**Notes:**

- (1) Based on the NAV per share, NTA per share, revalued NAV per share, revalued NTA per share, adjusted NAV per share or adjusted NTA per share as extracted from the independent financial adviser's letters for the respective companies.
- (2) Based on the adjusted NAV per share of Dynamic Colours Limited as at 31 December 2019.
- (3) On 18 May 2020, Perennial Real Estate Holdings Limited announced that certain of its substantial shareholders are review the options in relation to their holdings in the Company. The market premia in the table above were computed based the share prices for the period(s) prior to and including 15 May 2020, being the last Market Day prior to the announcement of the possible transaction.
- (4) Based on the revalued NAV per share of Perennial Real Estate Holdings Limited as at 31 December 2019.
- (5) Luzhou Bio-Chem Technology Limited was at a net tangible liability and revalued net tangible liability position as at 31 December 2019.
- (6) Based on the revalued NAV per share of Teckwah Industrial Corporation Limited as at 30 June 2020.
- (7) Based on the revalued NAV per share of China Jishan Holdings Limited as at 30 June 2020.
- (8) Based on the NAV per share of SK Jewellery Group Limited as at 30 June 2020.
- (9) Based on the adjusted NAV per share of LCT Holdings Limited as at 30 June 2020.
- (10) On 9 September 2020, Sunningdale Tech Ltd. announced that it has been approached in relation to a possible transaction involving its shares. The market premia in the table above were computed based on the share prices for the period(s) prior to and including 9 September 2020, being the last Market Day prior to the announcement of the possible transaction.
- (11) Based on the revalued NTA per share of Sunningdale Tech Ltd. as at 30 September 2020.
- (12) On 8 January 2019, Sunvic Chemical Holdings Limited's shares were halted and subsequently suspended from trading on the SGX-ST on 14 January 2019 as the company was unable to demonstrate that it can continue as a going concern. The market premia in the table above were computed based on the share prices for the period(s) prior to and including 7 January 2019, being the last Market Day prior to the trading halt.
- (13) Based on the NAV per share of Sunvic Chemical Holdings Limited as at 31 December 2019.
- (14) Based on the NAV per share of Hi-P International Limited as at 30 June 2020.
- (15) Based on the revalued NTA per share of CEI Limited as at 31 December 2020.
- (16) Based on the revalued NAV per share of GL Limited as at 31 December 2020.
- (17) Based on the NTA per share of International Press Softcom Limited as at 31 December 2020

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- (18) Based on the NAV per share of Singapore Reinsurance Corporation Limited as at 31 December 2020.
- (19) Based on the revalued NTA per share of Neo Group Limited as at 30 September 2020.
- (20) On 21 April 2021, Sin Ghee Huat Corporation Ltd announced that its controlling shareholders has entered into negotiations with third parties to explore a possible transaction involving its shares which may or may not lead to an offer being made. The market premia in the table above were computed based on the share prices for the period(s) prior to and including 21 April 2021, being the last Market Day prior to the announcement of the possible transaction.
- (21) Based on the revalued NAV per share of Sin Ghee Huat Corporation Ltd as at 31 December 2020.
- (22) On 10 March 2021, an announcement was released on the disclosure of changes in interest in relation to Mdm. Oei Siu Hoa @ Sukmawati Widjaja's ("**Mdm Oei**") acquisition of 26,023,193 shares at S\$0.390 per share by way of an off-market transaction on 10 March 2021. The premia of the offer price were computed based on the share prices for the period(s) prior to and including 9 March 2021, being the last Market Day prior to the disclosure of change in interest announcement. The offeror for Top Global Limited is wholly owned by Mdm Oei.
- (23) Based on the revalued NAV per share of Top Global Limited as at 31 December 2020.
- (24) Based on the revalued NAV per share of Cheung Woh Technologies Ltd as at 28 February 2021.
- (25) Based on the NTA per share of the Group as at 31 December 2020.



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We note that in respect of the Take-over Transactions:

- (a) the premium of the Final Offer Price over the last transacted price of the Shares prior to the Offer Announcement Date of approximately 74.0% is:
  - (i) within the range of the corresponding premia of the Take-over Transactions of between 12.5% and 122.9%; and
  - (ii) above the corresponding mean and median premia of 46.3% and 29.7% of the Take-over Transactions respectively;
- (b) the premium of the Final Offer Price over the VWAP of the Shares for the 1-month period prior to the Offer Announcement Date of approximately 73.3% is:
  - (i) within the range of the corresponding premia of the Take-over Transactions of between 17.9% and 132.1%; and
  - (ii) above the corresponding mean and median premia of 55.3% and 43.3% of the Take-over Transactions respectively;
- (c) the premium of the Final Offer Price over the VWAP of the Shares for the 3-month period prior to the Offer Announcement Date of approximately 74.7% is:
  - (i) within the range of the corresponding (discount) / premium of the Take-over Transactions of between -3.4% and 146.8%; and
  - (ii) above the corresponding mean and median premia of 60.9% and 48.7% of the Take-over Transactions respectively;
- (d) the premium of the Final Offer Price over the VWAP of the Shares for the 6-month period prior to the Offer Announcement Date of approximately 73.3% is:
  - (i) within the range of the corresponding premia of the Take-over Transactions of between 15.4% and 150.0%; and
  - (ii) above the corresponding mean and median premium of 65.2% and 54.5% of the Take-over Transactions respectively;
- (e) the premium of the Final Offer Price over the VWAP of the Shares for the 12-month period prior to the Offer Announcement Date of approximately 61.1% is:
  - (i) within the range of the corresponding (discount) / premium of the Take-over Transactions of between -12.5% and 142.2%; and
  - (ii) above the corresponding mean and median premium of 59.8% and 40.5% of the Take-over Transactions respectively;
- (f) the P/NTA ratio as implied by the Final Offer Price and the NTA per Share as at 31 December 2020 of 0.77 times is:
  - (i) within the range of Price-to-NAV/NTA ratios of the Take-over Transactions of between 0.16 times and 2.60 times; and
  - (ii) at a discount of 23.8% and 4.9% to the mean and median Price-to-NAV/NTA ratios of the Take-over Transactions of 1.01 times and 0.81 times respectively.

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In view that Dutech is a People's Republic of China (“**PRC**”) based group primarily involved in manufacturing, we are of the view that it will be more relevant to compare the financial terms of the Offer with other PRC based manufacturing companies listed on the SGX-ST that have been successfully privatised or delisted. There are only two such privatisation of PRC based manufacturing companies listed on the SGX-ST in the 12-month period prior to the Offer Announcement Date. Hence, for the purpose of our analysis, we have extended our research up to the 36-month period prior to the Offer Announcement Date (the “**PRC Take-over Transactions**”).

Details of the PRC Take-over Transactions are set out below:

Company	Date of offer announcement	Offer price (\$)	Premium of offer price over				
			last transacted price	1-month VWAP	3-month VWAP	6-month VWAP	12-month VWAP
			prior to announcement of offer (%)				
Kingboard Copper Foil Holdings Limited	4 April 2019	0.600	9.1	16.1	25.3	27.4	32.5
Memtech International Ltd.	14 May 2019	1.350	23.9	31.5	31.6	35.7	30.2
Delong Holdings Limited	29 July 2019	7.000	18.2	18.7	19.3	20.5	10.0
Star Pharmaceutical Limited	5 August 2019	0.450	157.1	160.1	176.1	186.6	192.2
Citic Envirotech Ltd	6 November 2019	0.550	48.6	61.8	68.7	65.7	39.6
Luzhou Bio-Chem Technology Limited	30 June 2020	0.030	100.0	87.5	130.8	150.0	130.8
Sunvic Chemical Holdings Limited	20 November 2020	0.028	27.3 <sup>(1)</sup>	40.0 <sup>(1)</sup>	-3.4 <sup>(1)</sup>	16.7 <sup>(1)</sup>	-12.5 <sup>(1)</sup>

<b>High</b>	157.1	160.1	176.1	186.6	192.2
<b>Mean</b>	54.9	59.4	64.1	71.8	60.4
<b>Median</b>	27.3	40.0	31.6	35.7	32.5
<b>Low</b>	9.1	16.1	-3.4	16.7	-12.5

<b>Company (Implied by the Final Offer Price)</b>	<b>31 May 2021</b>	<b>0.435</b>	<b>74.0</b>	<b>73.3</b>	<b>74.7</b>	<b>73.3</b>	<b>61.1</b>
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Source: Announcements and circulars to shareholders in relation to the respective Take-over Transactions and SAC Capital's computations.

**Note:**

- (1) On 8 January 2019, Sunvic Chemical Holdings Limited's shares were halted and subsequently suspended from trading on the SGX-ST on 14 January 2019 as the company was unable to demonstrate that it can continue as a going concern. The market premia in the table above were computed based on the share prices for the period(s) prior to and including 7 January 2019, being the last Market Day prior to the trading halt.

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We note that in respect of the PRC Take-over Transactions:

- (a) the premium of the Final Offer Price over the last transacted price of the Shares prior to the Offer Announcement Date of approximately 74.0% is:
  - (i) within the range of the corresponding premia of the PRC Take-over Transactions of between 9.1% and 157.1%; and
  - (ii) above the corresponding mean and median premia of 54.9% and 27.3% of the PRC Take-over Transactions respectively;
- (b) the premium of the Final Offer Price over the VWAP of the Shares for the 1-month period prior to the Offer Announcement Date of approximately 73.3% is:
  - (i) within the range of the corresponding premia of the PRC Take-over Transactions of between 16.1% and 160.1%; and
  - (ii) above the corresponding mean and median premia of 59.4% and 40.0% of the PRC Take-over Transactions respectively;
- (c) the premium of the Final Offer Price over the VWAP of the Shares for the 3-month period prior to the Offer Announcement Date of approximately 74.7% is:
  - (i) within the range of the corresponding (discount) / premium of the PRC Take-over Transactions of between -3.4% and 176.1%; and
  - (ii) above the corresponding mean and median premia of 64.1% and 31.6% of the PRC Take-over Transactions respectively;
- (d) the premium of the Final Offer Price over the VWAP of the Shares for the 6-month period prior to the Offer Announcement Date of approximately 73.3% is:
  - (i) within the range of the corresponding premia of the PRC Take-over Transactions of between 16.7% and 186.6%; and
  - (ii) above the corresponding mean and median premium of 71.8% and 35.7% of the PRC Take-over Transactions respectively;
- (e) the premium of the Final Offer Price over the VWAP of the Shares for the 12-month period prior to the Offer Announcement Date of approximately 61.1% is:
  - (i) within the range of the corresponding (discount) / premium of the PRC Take-over Transactions of between -12.5% and 192.2%; and
  - (ii) above the corresponding mean and median premium of 60.4% and 32.5% of the PRC Take-over Transactions respectively;

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Company	Date of offer announcement	Offer price (\$)	Offer price-to-NAV/NTA ratio (times) <sup>(1)</sup>	Offer price-earnings ratio (times)
Kingboard Copper Foil Holdings Limited	04 April 2019	0.600	0.877 <sup>(2)</sup>	98.5
Memtech International Ltd.	14 May 2019	1.350	1.088 <sup>(3)</sup>	20.9
Delong Holdings Limited	29 July 2019	7.000	0.599 <sup>(4)</sup>	3.9
Star Pharmaceutical Limited	05 August 2019	0.450	0.705 <sup>(5)</sup>	n.a. <sup>(6)</sup>
Citic Envirotech Ltd	06 November 2019	0.550	1.151 <sup>(7)</sup>	n.a. <sup>(8)</sup>
Luzhou Bio-Chem Technology Limited	30 June 2020	0.030	n.a. <sup>(9)</sup>	n.a. <sup>(10)</sup>
Sunvic Chemical Holdings Limited	20 November 2020	0.028	0.165 <sup>(11)</sup>	0.8

<b>High</b>	1.151	98.5
<b>Mean</b>	0.884 <sup>(12)</sup>	12.4 <sup>(13)</sup>
<b>Median</b>	0.877 <sup>(12)</sup>	12.4 <sup>(13)</sup>
<b>Low</b>	0.165	0.8

<b>Company (Implied by the Final Offer Price)</b>	<b>31 May 2021</b>	<b>0.435</b>	<b>0.773<sup>(14)</sup></b>	<b>5.7<sup>(15)</sup></b>
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Source: Announcements and circulars to shareholders in relation to the respective Take-over Transactions and SAC Capital's computations.

**Notes:**

- (1) Based on the NAV per share, NTA per share, revalued NAV per share, revalued NTA per share, adjusted NAV per share or adjusted NTA per share as extracted from the independent financial adviser's letters for the respective companies.
- (2) Based on the revalued NAV per share and revalued NTA per share of Kingboard Copper Foil Holdings Limited as at 31 December 2018.
- (3) Based on the NAV per share of Memtech International Ltd. as at 31 March 2019.
- (4) Based on the NAV per share of Delong Holdings Limited as at 30 June 2019.
- (5) Based on the revalued NTA per share of Star Pharmaceutical Limited as at 30 June 2019.
- (6) Star Pharmaceutical Limited was loss making for the trailing 12-month period from 1 July 2018 to 30 June 2019.
- (7) Based on the NAV per share of Citic Envirotech Ltd as at 30 September 2019.
- (8) Citic Envirotech Ltd recorded a net after-tax loss attributable to owners of the Company for the trailing 12-month period from 1 October 2018 to 30 September 2019, after taking into account the dividends on the perpetual capital securities.
- (9) Luzhou Bio-Chem Technology Limited was at a net tangible liability and revalued net tangible liability position as at 31 December 2019.
- (10) Luzhou Bio-Chem Technology Limited was loss-making for financial year ended 31 December 2019.
- (11) Based on the NAV per share of Sunvic Chemical Holdings Limited as at 31 December 2019.

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- (12) Excludes Sunvic Chemical Holdings Limited as a statistical outlier in the computations of the mean and median offer price-to-NTA/NAV ratio.
- (13) Excludes Kingboard Copper Foil Holdings Limited and Sunvic Chemical Holdings Limited as statistical outliers in the computations of the offer price-earnings ratio.
- (14) Based on the NTA per share of the Group as at 31 December 2020.
- (15) Based on the Adjusted FY2020 Net Profit of the Group.

We note that in respect of the PRC Take-over Transactions:

- (a) the PER as implied by the Final Offer Price of 5.7 times is:
  - (i) within the range of PERs of the PRC Take-over Transactions of between 0.8 times and 98.5 times; and
  - (ii) at a discount of 54.0% to the mean and median PERs of the PRC Take-over Transactions of 12.4 times.
- (b) the P/NTA ratio as implied by the Final Offer Price and the NTA per Share as at 31 December 2020 of 0.773 times is:
  - (i) within the range of Price-to-NAV/NTA ratios of the PRC Take-over Transactions of between 0.165 times and 1.151 times; and
  - (ii) at a discount of 12.6% and 11.9% to the mean and median Price-to-NAV/NTA ratios of the PRC Take-over Transactions of 0.884 times and 0.877 times respectively.

Based on the mean and median PERs of the PRC Take-over Transactions of 12.4 times and the Adjusted FY2020 Net Profit, the estimated value for the Shares is S\$0.942. We note that three out of the seven companies in the PRC Take-over Transactions were loss making as at the point of their offer announcements. In addition, the PERs of Kingboard Copper Foil Holdings Limited and Sunvic Chemical Holdings Limited were statistical outliers being 98.5 times and 0.8 times respectively, and excluded from the computation of the mean and median PERs. As a result, the mean and median PERs of the PRC Takeover Transactions are derived from a data sample of two PRC companies which is not meaningful as a basis of estimating a range of values for the Shares.

Whereas, based on the mean and median Price-to-NAV/NTA ratios of the PRC Take-over Transactions of 0.884 times and 0.877 times respectively and the NTA per Share as at 31 December 2020, the estimated range of values for the Shares is between S\$0.494 and S\$0.498. In this regard, we are of the view that the range of values for the Shares of S\$0.494 and S\$0.498 represents an approximate fair value for the Shares based on the PRC Take-over Transactions, which had successfully delisted and/or privatised from the SGX-ST. We note that the Final Offer Price of S\$0.435 is below this estimated range.

In deriving a range of values for the Shares, we have relied on the valuation multiples of the PRC Take-over Transactions as these target companies are similarly listed on the SGX-ST, based in the PRC, and are involved in manufacturing. Whereas, while the Comparable Companies under section 7.4 of this Supplemental IFA Letter share some similarities with Dutech in their product range, these Comparable Companies are listed on different stock exchanges, and largely derive their revenue from their respective domestic markets in Japan or Indonesia.

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We wish to highlight that the PRC Take-over Transactions set out above are by no means exhaustive. In addition, as the Group is not directly comparable to the target companies involved in the PRC Take-over Transactions in terms of business activities, scale of operations, market capitalisation, geographical spread, risk profile, accounting policies, financial performance, operating and financial leverage, track record and future prospects, the comparison merely serves as a general guide to provide an indication of the premia/discounts and valuations paid in connection with privatisation transactions and delisting offers of PRC companies listed on the SGX-ST. Each of the PRC Take-over Transactions must be judged on its own commercial and financial merits. Shareholders should also note that the premium and valuation paid by an offeror in a privatisation transaction or delisting offer varies in different circumstances depending on, *inter alia*, the offeror's intentions with regard to the target company, the potential synergy that the offeror can gain from acquiring the target company, the attractiveness of the underlying business, prevailing market expectations and the presence of competing bids.

The range of values for the Shares drawn from the comparisons made with the PRC Take-over Transactions serves only as an illustrative guide to Shareholders and does not reflect any perceived market valuation of the Company. In the absence of suitable direct comparable companies for which a valuation can be derived from the use of valuation multiples, a discounted cash flow valuation will be the most appropriate approach. In this regard, we understand from the Management that the Company does not prepare any long-term cash flow projections, and hence we were unable to perform a discounted cash flow valuation.

### 7.6 Comparison with Precedent Acquisition Transactions of Companies Broadly Comparable to the Group

For the purpose of our evaluation of the financial terms of the Offer, we have also attempted to compare the relevant valuation statistics implied by the Final Offer Price *vis-a-vis* recently completed mergers and/or acquisition transactions involving acquisition of companies which are in the High Security Segment or Business Solutions Segment (the "**Precedent M&A Transaction**"). However, publicly available information on these Precedent M&A Transaction may be limited and may not include the relevant financial information necessary for our comparison purposes.

We wish to highlight that the Precedent M&A Transaction set out below is by no means exhaustive. In addition, as the Group is not directly comparable to the target company involved in the Precedent M&A Transaction in terms of business activities, scale of operations, market capitalisation, geographical spread, risk profile, accounting policies, financial performance, operating and financial leverage, track record and future prospects, the comparison merely serves as a general guide to provide an indication of the valuation paid in connection with the acquisition transaction.

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Please refer to section 7.4 for the valuation parameters used in our analysis. A brief description of the Precedent M&A Transaction is set out below:

Completion date	Target company	Description and background
10 December 2020	Gunnebo Actiebolag ("Gunnebo AB")	<p>Gunnebo AB provides security products and services. The company offers gates and fence systems, access control, vaults, cash management, and electronic security solutions. Gunnebo AB serves customers worldwide.</p> <p>Altor Fund Manager AB and Stena Adactum AB, through GB HoldCo AB acquired 74.0% of Gunnebo AB for approximately SEK1.77 billion (approximately S\$279.8<sup>3</sup> million) through a public cash offer submitted on 28 September 2020. The offer was completed on 10 December 2020, and Gunnebo AB was delisted from Nasdaq Stockholm.</p>

Source: Bloomberg L.P., relevant announcements by Gunnebo AB and SAC Capital's computations

### Valuation ratios of Precedent M&A Transaction

Company	Acquirer company	Announcement date	PER (times)	Historical P/NAV ratio (times)	Historical EV/EBITDA ratio (times)
Gunnebo AB	GB HoldCo AB	27 Sep 2020	n.a. <sup>(1)</sup>	1.85 <sup>(2)</sup>	10.9
<b>Company (Implied by the Final Offer Price)</b>	<b>TSI Metals HK Limited</b>	<b>31 May 2021</b>	<b>5.7<sup>(3)</sup></b>	<b>0.75</b>	<b>1.8<sup>(4)</sup></b>

Source: Relevant announcements by Gunnebo AB and SAC Capital's computations

### Notes:

- (1) Gunnebo AB was loss making for the trailing 12-month period from 1 July 2019 to 30 June 2020.
- (2) Gunnebo AB had a negative NTA as at 30 June 2020, being the date of the latest condensed consolidated balance sheet as at the announcement date of the acquisition.
- (3) Based on the Adjusted FY2020 Net Profit of the Group.
- (4) Based on the FY2020 EBITDA of the Group as adjusted for certain non-recurring other expenses as stated in section 7.2 of this Supplemental IFA Letter.

We note that the historical P/NAV ratio of 0.75 times and historical EV/EBITDA ratio of 1.8 times of the Company, as implied by the Final Offer Price and the NAV per Share as at 31 December 2020 is below that of the Precedent M&A Transaction.

<sup>3</sup> Based on the exchange rate of SEK1 to S\$0.1582 as at 10 December 2020. The exchange rate is extracted from Bloomberg and serves as a reference only.

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### 7.7 Other Relevant Considerations

#### 7.7.1 Outlook of the Group

We note that the Group had, in the FY2020 results announcement, included a commentary on the significant trends and competitive conditions of the industry in which the Group operates and any known factors or events that may affect the Group for the next reporting period and the next 12 months which is reproduced in *italics* below:

*“The COVID-19 outbreak has negatively impacted our business operations, supply chains and logistics with negative impacts to the Group’s revenue and results, particularly with our European operations. This is projected to continue in 2021.*

*Management expects trading conditions to remain challenging. Steady appreciation of Renminbi against US dollar, rising raw materials prices, a shrinking ATM market with ebanking and other fintech solutions, and labour cost challenges will remain as head winds for our business. On-going trade and political issues between China and the US will also bring uncertainties to the Group’s future performance.”*

#### 7.7.2 Historical dividend yields of the Company

We set out below an analysis of the dividends declared and the dividend payout ratio for the last three financial years ended 31 December, and the implied dividend yield based on the closing price of the Shares on the final cum-dividend date:

<b>(S\$)</b>	<b>FY2018</b>	<b>FY2019</b>	<b>FY2020</b>
Interim dividend per Share	0.010	0.010	0.010
Final dividend per Share	-	-	-
Total dividend per Share	0.010	0.010	0.010
Dividend payout ratio (%)	33.0	22.8	24.3
Share price on final cum-dividend date <sup>(1)</sup>	S\$0.295	S\$0.230	S\$0.270
Total dividend yield (%)	3.39	4.35	3.70

Sources: Bloomberg L.P., Company’s announcements on the SGXNET and SAC Capital’s computations.

**Note:**

(1) Based on the closing market prices of the Company as at the final cum-dividend date in respect of the interim dividends declared for each of the respective financial years.

Notwithstanding the past dividend payouts, the Directors have confirmed that the Company does not have a fixed dividend policy. Shareholders should note that past dividend payouts should not be in any way relied upon as an indication or promise of the Company’s future dividend payouts. There is no assurance that the Company will maintain the level of dividends paid in the past financial years after the completion of the Offer.

The quantum of dividends paid by the Company in any period would depend upon various factors including but not limited to the financial position of the Group, retained earnings, results of operation and cash flow, the Group’s expected working capital requirements and capital expenditure, future expansion and investment plans, funding requirements, general economic conditions and other internal or external factors that may have an impact on the business or financial performance and position of the Group.



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### 7.7.3 No further revision of the Final Offer Price

We note that as set out in the Offer Revision Announcement, the Offeror does not intend to revise the Final Offer Price. Therefore, in accordance with Rule 20.2 of the Code, the Offeror will not be allowed to increase the Final Offer Price subsequently, except in wholly exceptional circumstances or where the right to do so has been specifically reserved.

### 7.7.4 Offer is unconditional in all respects

As the Offer is unconditional in all respects, Shareholders who accept the Offer are assured of receiving the Final Offer Price in respect of all their acceptances of the Offer with no transaction costs involved.

### 7.7.5 Absence of alternative or competing offers

As at the Latest Practicable Date, other than the Offer, there is no publicly available evidence of an alternative or competing offer for the Shares from any other party. We note that the likelihood of an alternative take-over offer is remote in view that as at the Latest Practicable Date, the total number of Shares owned, controlled or agreed to be acquired by the Offeror and the Offeror's concert parties and together with valid acceptances of the Offer amount to an aggregate of 281,763,193 Shares, representing approximately 79.03% of the total number of Shares.

In addition, the Directors have confirmed that as at the Latest Practicable Date, apart from the Offer, they have not received any alternative or competing offer for the Shares from any other party.

### 7.7.6 Statutory control of the Company by the Offeror

As at the Latest Practicable Date, the Offeror and its concert parties have an aggregate direct and indirect interest in 281,763,193 Shares (including Shares agreed to be acquired by the Offeror and its concert parties and valid acceptances of the Offer), representing approximately 79.03% of the total number of issued Shares<sup>4</sup>.

Accordingly, the Offeror and its concert parties will be in a position to exercise statutory control of the Company which will allow the Offeror the ability to pass all ordinary and special resolutions on matters in which the Offeror and its related parties do not have an interest in at general meetings of Shareholders.

### 7.7.7 Offeror's intention for the listing status of the Company and loss of public float

The Offeror has stated the intention not to maintain the listing status of the Company. Accordingly, the Offeror, if and when entitled, intends to exercise its rights of compulsory acquisition under Section 215(1) of the Companies Act and does not intend to take any step for the public float to be restored and/or for any trading suspension of the Shares by the SGX-ST to be lifted in the event that, *inter alia*, less than 10% of total Shares (excluding any Shares held in treasury) are held in public hands.

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<sup>4</sup> On 21 July 2021, the Company announced a disclosure on the change in interest with regards to Mr Robert Alexander Stone, who has ceased to be a substantial Shareholder. Mr Robert Alexander Stone had accepted the Offer in respect of the 23,059,900 Shares held by him and as result, his direct interest in the Shares has fallen from 6.47% to nil.

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As disclosed in section 8.3 of the Offer Document, the Offeror also reserves the right to seek a voluntary delisting of the Company from the SGX-ST pursuant to Rules 1307 and 1309 of the Listing Manual (collectively, the "**Voluntary Delisting Rules**"). The SGX-ST will generally consider waiving compliance imposed on a voluntary delisting if: (a) an offer is fair and reasonable (and the independent financial adviser to the relevant company has opined that the offer is fair and reasonable); and (b) the offeror has received acceptances from independent shareholders at the close of the offer that represent a majority of at least 75% of the total number of issued shares held by independent shareholders. In this regard, please refer to section 8 of this Supplemental IFA Letter for our opinion on the Offer.

**As announced by the Company on 16 July 2021, based on the information in the Offer Revision Announcement and taking into account the records and information available to the Company, the percentage of Shares held by the public as at 6.00 p.m. on 15 July 2021 is approximately 5.66%. Therefore, the Company has lost the minimum free float requirement of 10% and the SGX-ST may suspend the trading of the Shares at any time. In the event that the Offeror is unable to exercise its rights of compulsory acquisition or the Company is unable to meet the requirements set out in the Voluntary Delisting Rules, the trading of the Shares may be subjected to a prolonged period of suspension.**

Saved as disclosed in the Offer Document and other than in the ordinary course of business, the Offeror currently has no plans to: (a) make any major changes to the business of the Company; (b) re-deploy the fixed assets of the Company; or (c) discontinue the employment of the existing employees of the Group. However, the Offeror retains the flexibility at any time to consider any options in relation to the Company which may present themselves and which the Offeror may regard to be in the interest of the Group.

### 7.7.8 Directors' intentions in relation to the Offer

As set out in Appendix B to the Circular, the Company's announcement on 30 June 2021 relating to the changes in interest in the Shares held by Mr Graham Macdonald Bell, and the Supplemental Letter, the following Directors who have direct or deemed interests in the Shares have informed the Company of their intentions in respect of the Offer, as follows:

- (a) Spectacular Bright Corp ("**Spectacular**") has provided an irrevocable undertaking to, *inter alia*: (i) accept the Offer in respect of all Shares held by it; and (ii) accept the Offer in respect of any other Shares or securities in the capital of the Company that it may acquire, or which may be allocated and issued to it, on or after the date of the irrevocable undertaking. Dr Johnny Liu is deemed interested in the 152,438,956 Shares held by Spectacular, by virtue of his shareholding in Spectacular. Dr Johnny Liu has informed the Company that Spectacular had so accepted the Offer on 22 June 2021;
- (b) Willalpha International Limited ("**Willalpha**") has provided an irrevocable undertaking to, *inter alia*: (i) accept the Offer in respect of all Shares held by it; and (ii) accept the Offer in respect of any other Shares or securities in the capital of the Company that it may acquire, or which may be allocated and issued to it, on or after the date of the irrevocable undertaking. Mr Liu Bin is deemed interested in the 56,282,864 Shares held by Willalpha, by virtue of his shareholding in Willalpha. Mr Liu Bin has informed the Company that Willalpha had so accepted the Offer on 25 June 2021;
- (c) Dr Hedda Juliana im Brahm-Droege and Mr Christoph Hartmann have informed the Company that Droege Capital GmbH intends to reject the revised Offer based on the Final Offer Price of S\$0.435 per Offer Share in respect of Droege Capital GmbH's Shares. As at the Latest Practicable Date, Droege Capital GmbH holds 31,509,000 Shares, representing approximately 8.84%; and

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- (d) Mr Graham Macdonald Bell has informed the Company that he intends to accept the Offer in respect of his Shares and he had so accepted the Offer on 29 June 2021.

### 7.7.9 Implications of delisting or suspension for Shareholders

Shareholders who do not accept the Offer should note the following implications or consequences which may arise as a result of any suspension, and/or delisting of the Shares:

- (a) shares of unquoted companies are generally valued at a discount to the shares of comparable listed companies as a result of lack of marketability;
- (b) it is likely to be difficult for Shareholders to sell their Shares in the absence of a public market for the Shares as there is no arrangement for such Shareholders to exit their investments in the Shares. If the Company is delisted, even if such Shareholders were subsequently able to sell their Shares, they may receive a lower price than that of the Final Offer Price;
- (c) assuming that the relevant thresholds are met, time will be taken for the Offeror to exercise its right to compulsorily acquire the remaining Shares or for Dissenting Shareholders to exercise any rights they may have to compel the Offeror to acquire their Shares under Section 215(3) of the Companies Act. Accordingly, the settlement date on compulsory acquisition is likely to be later than the settlement date had the Offer been accepted;
- (d) as an unlisted company, the Company will no longer be obligated to comply with the listing requirements of the SGX-ST, in particular, the continued corporate disclosure requirements under Chapter 7 and the relevant Appendices of the Listing Manual. Shareholders will no longer enjoy the same level of protection, transparency and accountability afforded by the Listing Manual. Nonetheless, as a company incorporated in Singapore, the Company will still need to comply with the Companies Act and its Constitution and the interests of Shareholders who do not accept the Offer will be protected to the extent provided for by the Companies Act which includes, *inter alia*, the entitlement to be sent a copy of the profit and loss accounts and balance sheet at least 14 days before each annual general meeting, at which the accounts will be presented; and
- (e) there is no assurance that the Company will maintain its historical dividend payments in the future should the Shares be suspended or delisted.

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### 8 OUR OPINION AND ADVICE

#### 8.1 Key Considerations of the Offer

In arriving at our opinion and advice in respect of the Offer, we have taken into account, and reviewed the following key considerations, which we consider to be pertinent in our assessment of the Offer. The follow should be read in conjunction with, and in the context of, the full text of this Supplemental IFA Letter:

- (a) an assessment of the market quotation and trading liquidity of the Shares as follows:
  - (i) in relation to Share prices:
    - (aa) the closing prices of the Shares being below the Final Offer Price for the 12-month period up to and including the Last Trading Day;
    - (bb) the Final Offer Price representing a premium of approximately 81.3% and 45.0% over the lowest and highest closing prices of the Shares during the 12-month period up to and including the Last Trading Day respectively;
    - (cc) the Final Offer Price representing a premium of approximately 61.1%, 73.3%, 74.7% and 73.3% over the VWAP of the Shares for the 12-, 6-, 3- and 1-month periods up to and including the Last Trading Day respectively;
    - (dd) the Final Offer Price representing a premium of approximately 74.0% over the closing price of the Shares of S\$0.250 on the Last Trading Day;
    - (ee) the Final Offer Price represents a premium of 9.3% to the VWAP of the Shares for the period after the Offer Announcement Date and up to the Offer Revision Announcement Date; and
    - (ff) the Final Offer Price is equal to the closing price of the Shares as at the Latest Practicable Date;
  - (ii) in relation to trading liquidity of the Shares:
    - (aa) the average daily trading volume of the Shares as a percentage of free float ranged between 0.03% and 0.07% for the 12-, 6-, 3- and 1-month periods up to and including the Last Trading Day; and
    - (bb) the average daily trading volume of the Shares as a percentage of the free float was approximately 0.36% and 0.94% for the period after the Offer Announcement Date and up to the Offer Revision Announcement Date and the Latest Practicable Date respectively;
- (b) historical financial performance of the Group, as set out in section 7.2 of this Supplemental IFA Letter;
- (c) a comparison with the NTA of the Group as follows:
  - (i) the Final Offer Price representing a discount of approximately 22.7% to the NTA per Share of S\$0.563 as at 31 December 2020;

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- (ii) the Final Offer Price of S\$0.226, as adjusted for net cash per share of S\$0.209, representing a discount of approximately 36.2% to the Ex-Cash NTA per Share of S\$0.354 as at 31 December 2020; and
  - (iii) the P/NTA ratio as implied by the Final Offer Price of approximately 0.773 times being higher than the maximum P/NTA ratio for the Shares during the 36-month period up to and including the Last Trading Day;
- (d) a comparison with the valuation statistics of the Comparable Companies as follows:
- (i) the historical PER of 5.7 times of the Group as implied by the Final Offer Price being below the range of historical PERs of the Comparable Companies of between 5.8 times and 35.3 times;
  - (ii) the historical P/NTA ratio of 0.77 times of the Group as implied by the Final Offer Price and the NTA per Share as at 31 December 2020 being (aa) within the range of historical P/NTA ratios of the Comparable Companies of between 0.41 times and 1.11 times and (bb) at a premium of approximately 13.2% and 30.5% over the mean and median historical P/NTA ratios of the Comparable Companies of 0.68 times and 0.59 times respectively;
  - (iii) the historical Ex-Cash P/NTA ratio of 0.64 times of the Group as implied by the Ex-Cash Final Offer Price and the Ex-Cash NTA per Share as at 31 December 2020 being (aa) within the range of historical Ex-Cash P/NTA ratios of the Comparable Companies of between 0.08 times and 1.11 times, (bb) at a premium of approximately 23.1% and 45.5% over the mean and median historical Ex-Cash P/NTA ratios of the Comparable Companies of 0.52 times and 0.44 times respectively; and
  - (iv) the historical EV/EBITDA ratio of 1.8 times of the Group as implied by the Final Offer Price being below the range of historical EV/EBITDA ratios of the Comparable Companies of between 2.0 times and 4.2 times;
- (e) a comparison with recent successful privatisation transactions and delisting offers of companies listed on the SGX-ST as follows:
- (i) the premium of the Final Offer Price over the last transacted price of the Shares prior to the Offer Announcement Date of approximately 74.0% being (aa) within the range of the corresponding premia of the Take-over Transactions of between 12.5% and 122.9% and (bb) above the corresponding mean and median premia of 46.3% and 29.7% of the Take-over Transactions respectively;
  - (ii) the premium of the Final Offer Price over the VWAP of the Shares for the 1-month, 3-month, 6-month and 12-month periods prior to the Offer Announcement Date of approximately 73.3%, 74.7%, 73.3% and 61.1% respectively being (aa) within the range of the corresponding premia of the Take-over Transactions and (bb) above the corresponding mean and median premia of the Take-over Transactions respectively;
  - (iii) the P/NTA ratio as implied by the Final Offer Price and the NTA per Share at 31 December 2020 of 0.77 times being (aa) within the range of Price-to-NAV/NTA ratios of the Take-over Transactions of between 0.16 times and 2.60 times and (bb) at a discount of approximately 23.8% and 4.9% over the corresponding mean and median Price-to-NAV/NTA ratios of the Take-over Transactions of 1.01 times and 0.81 times respectively;

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- (iv) the premium of the Final Offer Price over the last transacted price of the Shares prior to the Offer Announcement Date of approximately 74.0% being (aa) within the range of the corresponding premia of the PRC Take-over Transactions of between 9.1% and 157.1% and (bb) above the corresponding mean and median premia of 54.9% and 27.3% of the PRC Take-over Transactions respectively;
- (v) the premium of the Final Offer Price over the VWAP of the Shares for the 1-month, 3-month, 6-month and 12-month periods prior to the Offer Announcement Date of approximately 73.3%, 74.7%, 73.3% and 61.1% respectively being (aa) within the range of the corresponding premia of the PRC Take-over Transactions and (bb) above the corresponding mean and median premia of the PRC Take-over Transactions respectively; and
- (vi) the P/NTA ratio as implied by the Final Offer Price and the NTA per Share at 31 December 2020 of 0.773 times being (aa) within the range of Price-to-NAV/NTA ratios of the PRC Take-over Transactions of between 0.165 times and 1.151 times and (bb) at a discount of approximately 12.6% and 11.9% over the corresponding mean and median Price-to-NAV/NTA ratios of the Take-over Transactions of 0.884 times and 0.877 times respectively;
- (f) a comparison with recently completed mergers and/or acquisition transactions as follows:
  - (i) the historical P/NAV ratio of 0.75 times of the Group as implied by the Final Offer Price and the NAV per Share as at 31 December 2020 was lower than the historical P/NAV ratio of 1.85 times for the Precedent M&A Transaction; and
  - (ii) the historical EV/EBITDA ratio of 1.8 times of the Group as implied by the Final Offer Price was lower than the historical EV/EBITDA ratio of 10.9 times for the Precedent M&A Transaction;
- (g) other relevant considerations as follows:
  - (i) the outlook of the Group, as set out in section 7.7.1 of this Supplemental IFA Letter;
  - (ii) that notwithstanding the consistent dividend payout over the last 3 years, there is no assurance that the Company will maintain the level of dividends paid in the past financial years after the completion of the Offer, as set out in section 7.7.2 of this Supplemental IFA Letter;
  - (iii) that there will be no further revision of the Final Offer Price, as set out in section 7.7.3 of this Supplemental IFA Letter;
  - (iv) the Offer being unconditional in all respects and accordingly, Shareholders who accept the Offer are assured of receiving the Final Offer Price in respect of all their acceptances of the Offer with no transaction costs involved, as set out in section 7.7.4 of this Supplemental IFA Letter;
  - (v) the absence of alternative take-over offers from third parties as at the Latest Practicable Date and the likelihood of an alternative take-over being remote in view that the Offeror and its concert parties held an aggregate direct and indirect interest of approximately 79.03% of the issued Shares as at the Latest Practicable Date (including Shares agreed to be acquired by the Offeror and its Concert Parties and valid acceptances of the Offer), as set out in section 7.7.5 of this Supplemental IFA Letter;

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- (vi) that as the Offeror and its concert parties holds approximately 79.03% of the issued Shares as at the Latest Practicable Date (including Shares agreed to be acquired by the Offeror and its Concert Parties and valid acceptances of the Offer), the Offeror and its concert parties will be in a position to exercise statutory control of the Company which will allow the Offeror the ability to pass all ordinary and special resolutions on matters in which the Offeror and its related parties do not have an interest in at general meetings of Shareholders, as set out in section 7.7.6 of this Supplemental IFA Letter;
- (vii) the Offeror's intention not to maintain the listing status of the Company and the loss of public float as at 15 July 2021. In the event that the Offeror is unable to exercise its rights of compulsory acquisition or the Company is unable to meet the requirements set out in the Voluntary Delisting Rules, the trading of the Shares may be subjected to a prolonged period of suspension, as set out in section 7.7.7 of this Supplemental IFA Letter;
- (viii) the Directors' intentions in relation to the Offer to accept or reject the Offer as set out in section 7.7.8 of this Supplemental IFA Letter; and
- (ix) the implications of delisting or suspension for Shareholders, as set out in section 7.7.9 of this Supplemental IFA Letter.

### 8.2 Assessment of the Offer

For the purpose of evaluating the Offer, we have adopted the approach that the term "fair" and "reasonable" are regarded as two different concepts. The term "fair" relates to an opinion on the value of the offer price against the value of the securities subject to the offer (the "**Securities**"), and an offer is "fair" if the price offered is equal to or greater than the value of the Securities. In considering whether an offer is "reasonable", other matters as well as the value of the Securities are taken into consideration. Such other matters include, but are not limited to, existing voting rights in the company held by an offeror and its concert parties or the market liquidity of the relevant securities.

#### 8.2.1 Assessment of Fairness of the Offer

In determining the fairness of the Offer, we have considered, *inter alia*, the following pertinent factors:

- (a) based on the NAV approach, which provides an estimate of the value of a group assuming the hypothetical sale of all its assets over a reasonable period of time, the value of the Group's assets as represented by the NTA per Share of S\$0.563 is significantly higher than the Final Offer Price of S\$0.435;
- (b) after adjusting for net cash of S\$0.209 per Share, the value of the Group's assets that is not cash and bank balances amounted to S\$0.354, which is significantly higher than the Ex-Cash Final Offer Price of S\$0.226;
- (c) the historical PER and EV/EBITDA ratio as implied by the Final Offer Price did not compare favourably against those of the Comparable Companies;
- (d) the P/NTA ratio as implied by the Final Offer Price and the NTA per Share as at 31 December 2020 of 0.77 times did not compare favourably against the mean and median Price-to-NAV/NTA ratios for the Take-over Transactions;

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- (e) the P/NTA ratio as implied by the Final Offer Price and the NTA per Share as at 31 December 2020 of 0.773 times did not compare favourably against the mean and median Price-to-NAV/NTA ratios for the PRC Take-over Transactions and that the Final Offer Price being below the estimated range of values for the Shares of S\$0.494 and S\$0.498; and
- (f) the P/NAV Ratio as implied by the Final Offer Price and the NAV per Share as at 31 December 2020 and the EV/EBITDA ratio as implied by the Final Offer Price did not compare favourably against the Precedent M&A Transaction.

In view of the above, we are of the opinion that the Offer is **NOT FAIR**.

### 8.2.2 Assessment of Reasonableness of the Offer

In determining the reasonableness of the Offer, we have considered, *inter alia*, the following pertinent factors:

- (a) the Final Offer Price is at a premium of 74.0% over the closing price of the Shares on the Last Trading Day;
- (b) the Final Offer Price represents a premium of 61.1%, 73.3%, 74.7% and 73.3% over the VWAP of the Shares for the 12-, 6-, 3- and 1-month periods up to and including the Last Trading Day respectively;
- (c) the Shares are thinly traded with the average daily trading volume as a percentage of free float for the 12-month period up to and including the Last Trading Day being 0.07%;
- (d) notwithstanding that the Final Offer Price is at a discount to the Group NTA per Share as at 31 December 2020, the P/NTA ratio as implied by the Final Offer Price of 0.773 times is higher than the maximum P/NTA ratio of 0.648 times for the 36-month period up to and including the Last Trading Day;
- (e) the P/NTA ratio as implied by the Final Offer Price is at a premium to the mean and median P/NTA ratio of the Comparable Companies;
- (f) the Ex-Cash P/NTA ratio as implied by the Ex-Cash Final Offer Price is at a premium to the mean and median Ex-Cash P/NTA ratio of the Comparable Companies;
- (g) the premia implied by the Final Offer Price over the historical transacted price and VWAP are higher than the mean and median premia of the Take-over Transactions and the PRC Take-over Transactions;
- (h) the Group's operations, in particular its European operations have been negatively impacted by the COVID-19 outbreak. Steady appreciation of the Renminbi against the US dollar, rising raw material prices, a shrinking ATM market with ebanking and other fintech solutions, as well as labour cost challenges will continue to act as head winds for the business;
- (i) as at the Latest Practicable Date, apart from the Offer made by the Offeror, no alternative offer or proposal has been received by the Company; and
- (j) the Offeror already has statutory control over the Company which places the Offeror in a position to pass all ordinary and special resolutions on matters which the Offeror and its related parties do not have an interest in.



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In view of the above, we are of the opinion that the Offer is REASONABLE.

In conclusion, we are of the opinion that the financial terms of the Offer (based on the Final Offer Price) are not fair but reasonable. Based on our opinion, we advise the Independent Directors to recommend that Shareholders accept the Offer, unless Shareholders are able to obtain a price higher than the Final Offer Price on the open market, taking into account all transaction costs in connection with open market transaction.

We would advise the Independent Directors to consider highlighting to the Shareholders that there is no assurance that the market prices of the Shares after the close of the Offer may be maintained at current levels prevailing as at the Latest Practicable Date.

In rendering our opinion and advice, we have not had regard to the specific investment objectives, financial situation, tax position or individual circumstances of any Shareholder or any specific group of Shareholders. We recommend that any individual Shareholder or specific group of Shareholders who may require specific advice in relation to his or their investment portfolio(s) should consult his or their legal, financial, tax or other professional adviser.

Our opinion and advice are addressed to the Independent Directors for their benefit and for the purposes of their consideration of the Offer. The recommendation to be made by them to the Shareholders in respect of the Offer shall remain the responsibility of the Independent Directors. Whilst a copy of this Supplemental IFA Letter may be reproduced in the Supplemental Letter, no other person may reproduce, disseminate or quote this Supplemental IFA Letter (or any part thereof) for any purpose at any time and in any manner without the prior written consent of SAC Capital in each specific case, except for the purpose of the Offer.

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

Yours faithfully  
For and on behalf of  
**SAC CAPITAL PRIVATE LIMITED**

Bernard Lim  
Executive Director

Foo Siang Sheng  
Partner

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Annex A

Company	Stock exchange	Business description (as extracted from Bloomberg)	Share price as at the Latest Practicable Date	Market capitalisation as at the Latest Practicable Date (million)	Financial year end	Latest full financial year	
						Revenue (million)	Net profit/(loss) after tax attributable to shareholders (million)
Nihon ISK Co Ltd	Tokyo Stock Exchange	Nihon ISK Co Ltd manufactures fire-resistant safes, fire extinguishers, personal lockers, electronic cash registers, computer software and hardware, and dental equipment.	JPY1,395	JPY2,394.6	31 December	JPY5,001.0	JPY279.7 <sup>(1)</sup>
PT Lion Metal Works Tbk	Jakarta Stock Exchange	PT Lion Metal Works Tbk manufactures office, hospital, file storage and security equipment such as filing cabinets, office tables and chairs, medicine boxes, steel cabinets, safe deposit boxes and others. The company also manufactures warehouse equipment such as steel shelves and pallets, cable ladders, and other steel products as well as building materials.	IDR348	IDR181,015.7	31 December	IDR298,552.9	IDR(9,571.3)
Takamisawa Cybernetics Company, Ltd	Tokyo Stock Exchange	Takamisawa Cybernetics Company, Ltd manufactures and markets electronic control instruments. The company's products include ticket dispenser machines for IC (integrated circuit) cards and cash transaction machines at railroad stations.	JPY912	JPY4,011.5	31 March	JPY12,749.4	JPY663.5 <sup>(1)</sup>
Odawara Auto-Machine Manufacturing Co Ltd	Tokyo Stock Exchange	Odawara Auto-Machine Manufacturing Co Ltd develops, produces, and sells fare machines for buses. The company also manufactures magnetic and contactless IC card readers as well as other bus transportation-related equipment such as ticket-issuing machines and digital electronic displays. Odawara Auto-Machine Mfg also performs maintenance and repair services for its machines.	JPY551	JPY1,713.1	31 December	JPY4,780.3	JPY135.3 <sup>(1)</sup>

Source: Bloomberg L.P., annual reports and/or announcements of the respective companies

**Note:**

(1) Adjusted for non-recurring and/or extraordinary income or losses.