

CIRCULAR DATED 5 NOVEMBER 2014

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

IF YOU ARE IN ANY DOUBT AS TO THE ACTION YOU SHOULD TAKE, YOU SHOULD CONSULT YOUR STOCKBROKER, BANK MANAGER, SOLICITOR, ACCOUNTANT, TAX ADVISER OR OTHER PROFESSIONAL ADVISER IMMEDIATELY.

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

This Circular has been prepared by the Company and its contents have been reviewed by the Company's Sponsor, RHT Capital Pte. Ltd., for compliance with the relevant rules of the Singapore Exchange Securities Trading Limited (the "**SGX-ST**"). The Company's Sponsor has not independently verified the contents of this Circular. The contact person for the Sponsor is Mr Tan Chong Huat, Registered Professional, RHT Capital Pte. Ltd. Address: Six Battery Road #10-01, Singapore 049909, Tel: 6381 6757.

The Circular has not been examined or approved by the SGX-ST and the SGX-ST assumes no responsibility for the contents of this Circular, including the correctness of any of the statements or opinions made or reports contained in this Circular.



JUBILEE INDUSTRIES HOLDINGS LTD.

(Incorporated in the Republic of Singapore)
(Company Registration Number: 200904797H)

CIRCULAR TO SHAREHOLDERS

in relation to

- (1) THE PROPOSED ACQUISITION OF THE ENTIRE ISSUED AND PAID-UP SHARE CAPITAL OF WE COMPONENTS PTE. LTD. CONSISTING OF 9,276,797 ORDINARY SHARES BY THE COMPANY ("PROPOSED ACQUISITION");**
- (2) THE PROPOSED JUBILEE SHARE AWARD SCHEME; AND**
- (3) THE PROPOSED NEW SHARE ISSUE MANDATE.**

Independent Financial Adviser to the Independent Directors in relation to the Proposed Acquisition



PROVENANCE CAPITAL PTE. LTD.

(Incorporated in the Republic of Singapore)
(Company Registration Number: 200309056E)

IMPORTANT DATES AND TIMES:-

Last date and time for lodgement of Proxy Form	:	19 November 2014 at 10 a.m.
Date and time of Extraordinary General Meeting	:	21 November 2014 at 10 a.m.
Place of Extraordinary General Meeting	:	No. 2 Woodlands Sector 1 #01-35 Woodlands Spectrum 1 Singapore 738068

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DEFINITIONS

Unless otherwise stated, the following definitions will apply throughout this Circular:

Companies, Organisations and Agencies

“ACRA”	:	The Accounting and Corporate Regulatory Authority of Singapore
“CDP”	:	The Central Depository (Pte) Limited
“Company” or “Jubilee”	:	Jubilee Industries Holdings Ltd.
“Group”	:	The Company and its subsidiaries collectively
“IFA”	:	Provenance Capital Pte. Ltd., the independent financial adviser to the Independent Directors in relation to the Proposed Acquisition
“SGX-ST”	:	Singapore Exchange Securities Trading Limited
“SIC”	:	Securities Industry Council of Singapore

General

“Act” or “Companies Act”	:	The Companies Act, Chapter 50 of Singapore, as amended or modified from time to time
“Announcement”	:	The announcement released by the Company on 18 July 2014 in relation to, <i>inter alia</i> , the Proposed Acquisition
“Associate”	:	(a) in relation to any director, chief executive officer, substantial shareholder or controlling shareholder (being an individual) means:- (i) his immediate family; (ii) the trustees of any trust of which he or his immediate family is a beneficiary or, in the case of a discretionary trust, is a discretionary object; and (iii) any company in which he and his immediate family together (directly or indirectly) have an interest of 30% or more. (b) in relation to a substantial shareholder or a controlling shareholder (being a company) means any other company which is its subsidiary or holding company or is a subsidiary of such holding company or one in the equity of which it and/or such other company or companies taken together (directly or indirectly) have an interest of 30% or more.
“Audit Committee”	:	The audit committee of the Company
“Business Day”	:	A day (excluding Saturday and Sunday) on which banks are open for business in Singapore
“Catalist Rules”	:	Listing Manual (Section B: Rules of Catalist) of the SGX-ST, as amended, modified or supplemented from time to time
“CEO”	:	Chief executive officer

DEFINITIONS

“Circular”	:	This circular dated 5 November 2014
“Code” or the “Takeover Code”	:	The Singapore Code on Take-overs and Mergers, and all practice notes, rules and guidelines thereunder, as amended or modified from time to time
“Completion”	:	The completion of the Proposed Acquisition on and subject to the terms and conditions of the SPA and as defined
“Completion Date”	:	Has the meaning ascribed to it in Section 4.8 of this Circular
“Conditions Precedent”	:	The conditions of the SPA that have to be fulfilled or waived on or before the Long Stop Date for the Completion of the SPA
“Consideration”	:	The purchase consideration payable by the Company for the acquisition of the Sale Shares as referred to in Section 2.1 of this Circular
“Directors” or “Board of Directors”	:	The directors of the Company as at the Latest Practicable Date
“EGM”	:	The extraordinary general meeting of the Company to be held on 21 November 2014, notice of which is set out on page N-1 of this Circular (or any adjournment thereof)
“EPS”	:	Earnings per Share
“Excluded Properties”	:	Has the meaning ascribed to it in Section 4.5 of this Circular
“Executive Directors”	:	The executive Directors of the Company as at the Latest Practicable Date
“FP”	:	Financial Period
“FRS”	:	Financial Reporting Standards issued by the Accounting Standards Council of Singapore
“FY”	:	Financial year ended or ending
“IFA Letter”	:	The letter dated 5 November 2014 from the Independent Financial Adviser to the Independent Directors in relation to the Proposed Acquisition, a copy of which is set out in Appendix I of this Circular
“Independent Corporate Valuation Report”	:	The independent corporate valuation report of WEC dated 16 October 2014 issued by the Valuer as set out in Appendix II of this Circular
“Independent Directors”	:	Directors who are considered independent for the purposes of making the recommendation in relation to the Proposed Acquisition, namely, Foo Say Tun, Pao Kiew Tee and Low Chee Chiew
“JSAS Committee” or “Committee”	:	The Remuneration Committee of the Company, or such other committee comprising Directors of the Company duly authorised and appointed by the Board to administer the Proposed JSAS

DEFINITIONS

“ Latest Practicable Date ”	:	30 October 2014, being the latest practicable date prior to the printing of this Circular
“ Long Stop Date ”	:	Has the meaning ascribed to it in Section 4.6 of this Circular
“ Market Day ”	:	A day on which the SGX-ST is open for securities trading
“ NAV ”	:	Net asset value
“ NTA ”	:	Net tangible asset
“ Parties ”	:	The Vendor and the Company, and each a “ Party ”, in relation to the SPA
“ Proposed Acquisition ”	:	Has the meaning ascribed to it in Section 2.1 of this Circular
“ Proposed JSAS ”	:	Has the meaning ascribed to it in Section 10.1 of this Circular
“ Rights Cum Warrants Issue ”	:	The renounceable non-underwritten rights cum warrants issue of up to 117,364,622 new ordinary shares (“ Rights Shares ”) in the issued and paid-up capital of the company at an issue price of S\$0.06 for each rights share, with up to 117,364,622 free detachable warrants (“ Warrants ”), each Warrant carrying the right to subscribe for one (1) new ordinary share in the capital of the company (“ New Share ”) at an exercise price of \$0.06 for each New Share, on the basis of one (1) Rights Share with one (1) Warrant for every two (2) existing ordinary shares in the capital of the company, held by the shareholders of the Company as at the books closure date
“ Share Awards ”	:	The contingent award of Shares granted under the Proposed JSAS
“ Sale Shares ”	:	The entire issued and paid-up share capital in WEC consisting of 9,276,797 ordinary shares wholly owned by the Vendor
“ Securities Account ”	:	A securities account maintained by a Depositor with CDP
“ Shareholder(s) ”	:	Registered holders of Shares, except that, where the registered holder is CDP, the term “ Shareholders ” shall, where the context admits, mean the Depositors whose Securities Accounts are credited with the Shares
“ Shares ”	:	Ordinary shares in the share capital of the Company
“ SPA ”	:	Sale and purchase agreement as dated 18 July 2014
“ Supplemental Agreement ”	:	Supplemental agreement to the SPA dated 8 October 2014
“ WEC ” or “ Target Company ”	:	WE Components Pte. Ltd.
“ WEC Group ” or “ Target Group ”	:	Has the meaning ascribed to it in Section 3.1 of this Circular
“ Valuer ”	:	BDO Advisory Pte Ltd
“ Vendor ”	:	WE Holdings Ltd.

DEFINITIONS

“2014 AGM Share Issue Mandate” : The share issue mandate granted by Shareholders at the Annual General Meeting of the Company held on 28 April 2014 pursuant to Section 161 of the Companies Act and Rule 806(2) of the Catalist Rules

Currencies, Units and Others

“S\$” or “cents” : Singapore dollars and cents respectively, the lawful currency of the Republic of Singapore

“US\$” or “USD” : United States dollars, the lawful currency of the United States of America

“%” or “per cent.” : Per centum or percentage

The expressions **“associated company”**, **“related entity”**, **“related corporation”**, **“subsidiary”**, **“Controlling Shareholders”** and **“Substantial Shareholder”** shall have the meaning ascribed to them respectively in the Fourth Schedule to the Securities and Futures (Offers of Investment) (Shares and Debentures) Regulations 2005, the Companies Act and the Catalist Rules.

The terms **“Depositor”**, **“Depository Agent”** and **“Depository Register”** shall have the meanings ascribed to them respectively in Section 130A of the Companies Act.

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

Any reference in this Circular to any enactment is a reference to that enactment for the time being amended or re-enacted. Any word defined under the Companies Act, the Securities and Futures (Offers of Investments) (Shares and Debentures) Regulations 2005 and the Catalist Rules or any modification thereof and used in this Circular shall, where applicable, have the meaning ascribed to it under the Companies Act, the Securities and Futures (Offers of Investments) (Shares and Debentures) Regulations 2005 and the Catalist Rules or modification as the case may be.

Any reference to a time of day in this Circular shall be a reference to Singapore time unless otherwise stated. All discrepancies in the tables included herein between the listed amounts and totals thereof are due to rounding.

The exchange rate used is US\$1.00 : S\$1.242 as at 18 July 2014, being the date of the SPA.

The exchange rate used by the Valuer in Section 2.3 and Appendix II of this Circular is US\$1.00 : S\$1.249 as at 31 August 2014 being the valuation date.

LETTER TO SHAREHOLDERS

JUBILEE INDUSTRIES HOLDINGS LTD.

(Incorporated in Singapore)
(Company Registration No. 200904797H)

Board of Directors:

Foo Say Tun (Non-Executive Chairman and Independent Director)
Tea Yeok Kian Terence (Executive Director and CEO)
Pao Kiew Tee (Independent Director)
Low Chee Chiew (Independent Director)

Registered Office:

No. 2 Woodlands Sector 1
#01-35 Woodlands Spectrum 1
Singapore 738068

5 November 2014

To: The Shareholders of Jubilee Industries Holdings Ltd.

Dear Sir/Madam

1. INTRODUCTION

1.1 The Directors are convening the EGM to be held on 21 November 2014 to seek Shareholders' approval in respect of the following:

- (a) the Proposed Acquisition of the entire issued and paid-up share capital of WEC by the Company;
- (b) the Proposed Jubilee Share Award Scheme; and
- (c) the Proposed New Share Issue Mandate.

1.2 The purpose of this Circular is to provide Shareholders with relevant information pertaining to the Proposed Acquisition (as defined herein), the Proposed Jubilee Share Award Scheme and the Proposed New Share Issue Mandate and to seek Shareholders' approval for the resolutions in respect thereof to be tabled at the EGM, notice of which is set out on page N-1 of this Circular.

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

2. PROPOSED ACQUISITION

2.1 Background

On 18 July 2014, the Directors of the Company announced that the Company had entered into a SPA with the Vendor, for the acquisition of the Sale Shares in the Target Company from the Vendor, for an aggregate consideration of US\$8,393,000 (equivalent to approximately S\$10,424,106 based on the exchange rate of US\$1.00 : S\$1.242) ("**Consideration**") (the "**Proposed Acquisition**").

The aggregate Consideration payable by the Company to the Vendor is US\$8,393,000 (equivalent to approximately S\$10,424,106 based on the exchange rate of US\$1.00 : S\$1.242), constituting 30.2% of the latest audited NTA of the Group of S\$34,553,443 as at 31 December 2013.

Supplemental Agreement

On 8 October 2014, the Directors of the Company announced that the Company had entered into a supplemental agreement dated 8 October 2014 (the "**Supplemental Agreement**") to clarify the terms of the SPA and the Proposed Acquisition. The Parties have agreed that pursuant to the Proposed Acquisition, the Company will be acquiring:

- (i) the Sale Shares;
- (ii) the Target Company's subsidiaries comprising WE Components (Shanghai) Co Ltd, WE Components Co Ltd., WE Components (Hong Kong) Limited, Kin Wai Technology Ltd., WE Microelectronics Pte. Ltd. and WE Components India Pvt Ltd;

LETTER TO SHAREHOLDERS

- (iii) the inventory of the WEC Group as at completion ("**Inventory**");
- (iv) all plant, machinery, tools, equipment, vehicles and other chattels owned by each of the WEC Group of companies as at completion for the purpose of its business;
- (v) all current contracts and engagements of each of the WEC Group of companies in relation to its business, including without limitation, contracts entered into between each of the WEC Group of companies and their respective suppliers and customers; and
- (vi) such (i) amounts deposited by the WEC Group of companies with banks and financial institutions for purposes of establishing standby securing letters of credits issued in favour of their respective suppliers and remain outstanding as at completion; (ii) all deposits by the WEC Group of companies to secure services; and (iii) all prepayment by the WEC Group of companies ("**Deposits**"),

(collectively, "**Sale Assets**")

and shall exclude:

- (a) the Target Company's subsidiaries, comprising Plexus Electronics Inc., WE Technology (HK) Ltd and Plexus Technology Taiwan Co., Ltd;
- (b) the Excluded Properties;
- (c) the aggregate cash balance of the WEC Group of companies as at completion (other than the Deposits), based on the Completion Accounts (as defined below);
- (d) all trade and other payables or other amounts owing by the WEC Group of companies to their creditors in connection with their respective businesses as at completion including all bank loans, trust receipts and bills payable as shown in the Completion Accounts (as defined below) ("**Accounts Payables**");
- (e) all amounts owing to the WEC Group of companies by their debtors in connection with their respective businesses as at completion as shown in the Completion Accounts (as defined below) ("**Accounts Receivables**");
- (f) all income tax recoverable and deferred expenses, accruing and payable to the WEC Group of companies for the period up to the Completion Date, as assessed and determined by the relevant tax authorities ("**Income Tax Recoverable**");
- (g) all deferred tax liabilities and income tax payables, accruing and payable by the WEC Group of companies for the period up to the Completion Date, as assessed and determined by the relevant tax authorities ("**Deferred Tax Liabilities / Income Tax Payables**"); and
- (h) all other assets and liabilities of each of the WEC Group of companies, other than the Sale Assets.

(collectively, "**Excluded Items**").

Sale of Excluded Properties

The Excluded Properties shall be disposed to the Vendor by the Target Company for an aggregate consideration of US\$5,617,000 (equivalent to approximately S\$6,976,314 based on the exchange rate of US\$1.00 : S\$1.242) ("**Excluded Properties Consideration**"). The Excluded Properties Consideration is equivalent to the audited net book value of the Excluded Properties as at 31 March 2014 being the last financial year end of the WEC Group of companies.

Completion Accounts

A consolidated balance sheet of the Target Company as at the date of completion shall be prepared jointly by the Company and the Vendor ("**Completion Accounts**").

LETTER TO SHAREHOLDERS

Increase in Consideration and Set-Off

The Consideration shall be increased by US\$5,617,000 (equivalent to approximately S\$6,976,314 based on the exchange rate of US\$1.00 : S\$1.242) (being an amount equivalent to the Excluded Properties Consideration) from US\$8,393,000 (equivalent to approximately S\$10,424,106 based on the exchange rate of US\$1.00 : S\$1.242) to US\$14,010,000 (equivalent to approximately S\$17,400,420 based on the exchange rate of US\$1.00 : S\$1.242).

Pursuant to the terms of the Supplemental Agreement, it is a condition to completion of the Proposed Acquisition that the Vendor, the Company and the Target Company shall enter into a deed of assignment wherein the Target Company shall assign the right to receive the Excluded Properties Consideration to the Company and that the Company and the Vendor shall agree to set-off the Excluded Properties Consideration against the Consideration.

Additionally, a sum equivalent to the aggregate value of the Deposits (based on the Completion Accounts) shall be payable by the Company to the Vendor on the date falling six (6) months after completion.

Inventory Put Option

The Vendor shall grant to the Company an option to procure the Vendor to acquire all of the Inventory as at completion ("**Completion Inventory**") still held by the WEC Group of companies on the date falling 6 months from completion ("**Remaining Inventory**") at a price equivalent to the net book value (as at completion) of the Remaining Inventory.

In addition, the Parties agreed that in the event the Company shall have sold or otherwise disposed of any Completion Inventory within a period of 6 months from completion, and such Completion Inventory was sold or disposed at an aggregate consideration ("**Inventory Disposal Consideration**") which is less than the aggregate net book value of such Completion Inventory ("**Disposed Inventory Value**"), the Vendor shall pay to the Company the difference between the Disposed Inventory Value and the Inventory Disposal Consideration.

Accounts Receivables and Accounts Payables

- (a) In the event the Accounts Payables shall exceed the Accounts Receivables, the Vendor shall:
- (i) simultaneous with the payment of the Final Payment by the Company to the Vendor, pay to the Company such amount of the Accounts Payables in excess of the Accounts Receivables; and
 - (ii) within seven (7) business days from the date falling six (6) months from Completion, pay to the Company such amount of the Accounts Receivables which has not been received by the Company, if any.
- (b) In the event the Accounts Receivables shall exceed the Accounts Payables and on the date falling six (6) months from completion ("**Cut-off Date**"):
- (i) the aggregate amount of Accounts Receivables received by the WEC Group of companies ("**Collected AR**") shall exceed the Accounts Payables (as set out in the Completion Accounts), the Company shall, within seven (7) business days from the Cut-off Date, pay to the Vendor such amount equivalent to the difference between the Collected AR and the Accounts Payables; or
 - (ii) the Collected AR shall be less than the Accounts Payables, the Vendor shall, within seven (7) Business Days from the Cut-off Date, pay to the Company the amount equivalent to the difference between the Accounts Payables (as set out in the Completion Accounts) and the Collected AR.

LETTER TO SHAREHOLDERS

In the event the WEC Group of companies receive any outstanding Accounts Receivables after the Cut-off Date (“**Received ARs**”), the Company shall pay to the Vendor such amount equivalent to the Received ARs, within seven (7) Business Days from the date such Received AR is received and recovered.

- (c) The Vendor irrevocably and unconditionally authorises the Company to procure the WEC Group of companies to collect the Accounts Receivables for and on behalf of the Vendor, and thereafter to retain and apply such Accounts Receivables received by the WEC Group of companies towards payment and satisfaction, for and on behalf of the Vendor, of the Accounts Payables.

Income Tax Recoverable and Deferred Tax Liabilities / Income Tax Payables

The Company shall, within seven (7) business days from the date any Income Tax Recoverable shall be received and recovered by the WEC Group of companies, pay to the Vendor such amount equivalent to the Income Tax Recoverable received and recovered.

The Vendor shall, within seven (7) business days from the date any Deferred Tax Liabilities/Income Tax Payables shall become due, pay to the Company such amount equivalent to the Deferred Tax Liabilities/Income Tax Payables which is due.

Interested Person Transaction

The Vendor is a Controlling Shareholder of the Company, holding an aggregate of 62,903,000 Shares, constituting 26.8% of the Company’s issued share capital. As such, the Vendor is an interested person as defined under Rule 904(4) of the Catalyst Rules.

The aggregate Consideration (excluding the Excluded Properties Consideration) payable by the Company to the Vendor is US\$8,393,000 (equivalent to approximately S\$10,424,106 based on the exchange rate of US\$1.00 : S\$1.242), constituting 30.2% of the latest audited NTA of the Group of S\$34,553,443 as at 31 December 2013. Therefore, the Proposed Acquisition is subject to the prior approval of the Shareholders under Rule 906 of the Catalyst Rules.

The aggregate Consideration (including the Excluded Properties Consideration) payable by the Company to the Vendor under the Supplemental Agreement is US\$14,010,000 (equivalent to approximately S\$17,400,420 based on the exchange rate of US\$1.00 : S\$1.242), constituting approximately 50.4% of the latest audited NTA of the Group of S\$34,553,443 as at 31 December 2013.

The aggregate Consideration (including the Excluded Properties Consideration and book value of the Deposits of US\$2,386,000 (equivalent to approximately S\$2,963,412 based on the exchange rate of US\$1.00 : S\$1.242)) payable by the Company to the Vendor under the Supplemental Agreement is US\$16,396,000 (equivalent to approximately S\$20,363,832 based on the exchange rate of US\$1.00 : S\$1.242), constituting approximately 59.0% of the latest audited NTA of the Group of S\$34,553,443 as at 31 December 2013.

In view of the above, the Company will be seeking the approval of its Shareholders for the Proposed Acquisition under Rule 906(1) at the EGM to be convened.

The Group has not entered into any other interested person transactions with the Vendor or any other interested person in the current financial year FY2014.

2.2 Independent Financial Adviser

Provenance Capital Pte. Ltd. has been appointed as the independent financial adviser (the “**IFA**”) to advise the Independent Directors on whether the Proposed Acquisition is on normal commercial terms and is not prejudicial to the interests of the Company and its minority Shareholders (“**Minority Shareholders**”).

LETTER TO SHAREHOLDERS

Please refer to Appendix I of this Circular for the IFA's letter to the Independent Directors.

2.3 **The Independent Corporate Valuation Report**

The Company appointed BDO Advisory Pte Ltd, as the valuer ("**Valuer**"), to value WEC. The Valuer estimated the fair market of WEC to be between US\$8.5 million (equivalent to approximately S\$10.6 million based on the exchange rate of US\$1.00 : S\$1.249) and US\$9.0 million (equivalent to approximately S\$11.2 million based on the exchange rate of US\$1.00 : S\$1.249) on a controlling basis.

Basis of evaluation

Fair market value is defined as the amount at which the share would change hands between a knowledgeable willing buyer and a knowledgeable willing seller, neither being under a compulsion to buy.

Valuation Approaches

In the Valuer's assessment of the fair market value of WEC, the Valuer has adopted the discounted cash flow ("**DCF**") approach as their primary valuation methodology, because a hypothetical purchaser would acquire WEC on the expectation of future earnings and cash flows. The Valuer has used the market approach as a cross check.

The income approach or the DCF approach estimates the present value of the projected future cash flows to be generated from the business and are theoretically available (though not necessarily paid) to the capital providers of the company.

The market approach estimates a sustainable level of future earnings for a business and applies an appropriate multiple to those earnings, capitalising them to a value for the business.

Financial Performance

A summary of the audited profit and loss statements of WEC Group for the 15-month period from 1 January 2011 to 31 March 2012 ("**FP2012**"), and the financial years ended 31 March 2013 ("**FY2013**") and 2014 ("**FY2014**") and the unaudited interim profit and loss statements for the five-month period ended 31 August 2014 ("**5M2015**") are set out below:

	FP2012⁽¹⁾ (audited) S\$'000	FY2013 (audited) S\$	FY2014 (audited) S\$	5M2015 (unaudited) S\$
Revenue	70,684	52,273	55,897	29,596
Gross profit	5,953	3,230	2,511	2,082
Net (loss) / Profit	(1,809)	(1,206)	(3,760)	1,508

Note:

- (1) For FP2012, WEC Group's reported financial results are for the 15-month period from 1 January 2011 to 31 March 2012 as a result of the change in the financial year end from 31 December to 31 March.

Based on the audited financial results of WEC for the period ended 31 March 2012, financial years ended 31 March 2013 and 2014 and the unaudited results for the three months period from 1 April 2014 to 30 June 2014, the Valuer is of the view that WEC's earnings over the last three financial years have been variable due to the impact of provision for impairment of trade debtors.

During the first quarter of FY2015, the business of WEC has improved significantly due to the non-exclusive distributorship signed towards the end of FY2014 with a global key electronics components manufacturer to purchase and distribute high-tech electronics and mechanical

LETTER TO SHAREHOLDERS

components in the Southeast Asia region. The rights allow WEC to leverage on their products with an established customer base. The Company shall also benefit from better cost-savings and time management to effectively scale up its operations.

A summary of the audited financial position of WEC Group as at 31 March 2014 and the unaudited financial statements as at 31 August 2014 and the adjusted balance sheet as at the transaction date are set out below:

	As at 31 March 2014 (audited) S\$'000	As at 31 August 2014 (unaudited) S\$'000	Adjusted S\$'000
Total assets	32,850	28,723	8,277
Total liabilities	(28,601)	(23,140)	(2,694)
Shareholders' Funds	<u>4,249</u>	<u>5,583</u>	<u>5,583</u>

WEC Group NTA as at 31 August 2014 is S\$5.6 million. The adjusted balance reflects (i) the assets consisting of Plant and Equipment of approximately S\$0.6 million and Inventories of S\$7.7 million and (ii) the other payables relating to the net amount due to the Vendor of approximately S\$2.7 million arising from the novation and assignment of the Excluded Items agreed to be transferred to the Company as per the SPA as amended by the Supplemental Agreement.

Valuation of the WEC Group

Subject to the limitations and reliance on information detailed in Section 2 and the assumptions adopted in the preparation of the projections detailed in section 5 of the Independent Corporate Valuation Report, the valuation of WEC derived from the DCF approach and the market approach produces a range of values of between US\$5.2 million (equivalent to approximately S\$6.5 million based on the exchange rate of US\$1.00 : S\$1.249) and US\$10.4 million (equivalent to approximately S\$13.0 million based on the exchange rate of US\$1.00 : S\$1.249).

The Valuer has relied on the DCF approach as their primary valuation methodology. They have estimated a value of WEC between US\$8.0 million (equivalent to approximately S\$10.0 million based on the exchange rate of US\$1.00 : S\$1.249) and US\$9.3 million (equivalent to approximately S\$11.6 million based on the exchange rate of US\$1.00 : S\$1.249) based on revenue growth sensitivities, and between US\$8.0 million (equivalent to approximately S\$10.0 million based on the exchange rate of US\$1.00 : S\$1.249) and US\$9.7 million (equivalent to approximately S\$12.1 million based on the exchange rate of US\$1.00 : S\$1.249) based on discount rate sensitivities, with a base case value of US\$8.6 million (equivalent to approximately S\$10.7 million based on the exchange rate of US\$1.00 : S\$1.249).

They have also performed a cross check on their DCF valuation using a market approach. This gives a value of WEC between US\$5.2 million (equivalent to approximately S\$6.5 million based on the exchange rate of US\$1.00 : S\$1.249) and US\$8.2 million (equivalent to approximately S\$10.2 million based on the exchange rate of US\$1.00 : S\$1.249). The Valuer noted that this range is below the base to low case DCF valuation, and considered that the DCF approach most accurately reflects the future expectations of the Company's performance and the inherent risks associated with future cash flows.

They estimated the fair market value of WEC to be between US\$8.5 million (equivalent to approximately S\$10.6 million based on the exchange rate of US\$1.00 : S\$1.249) and US\$9.0 million (equivalent to approximately S\$11.2 million based on the exchange rate of US\$1.00 : S\$1.249), on a controlling basis.

A copy of the Independent Corporate Valuation Report is attached to this Circular as Appendix II.

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3. OVERVIEW OF THE PROPOSED ACQUISITION

3.1 WEC

WEC is a limited exempt private company incorporated in Singapore on 31 October 1997 and has an issued and paid-up share capital of S\$9,450,000 consisting of 9,276,797 ordinary shares. WEC carried on the business of distribution of passive components in the electronics industry, including electrolyte capacitors, multi-layer chip capacitors and chip resistors since its incorporation. From a distributor of passive components, WEC grew into a regional distributor and manufacturer's representative of a wide range of electronic components. In addition, WEC provides value added services to its customers in the form of design-in and development services, which in turn enhances the demand for WEC's product offerings. WEC's principals and customers span across Asia, namely India, China, Thailand and Malaysia.

Upon becoming a subsidiary of the Vendor in 2010, following a reverse takeover exercise, WEC also became a distributor of passive components and semiconductor and power solutions. WEC in turn owns seven (7) wholly-owned subsidiaries, an associate company and a sub-subsidiary ("**WEC Group**"), details are as follow:-

(a) Wholly-owned subsidiaries

- (i) WE Components (Shanghai) Co Ltd, People's Republic of China
- (ii) WE Components Co Ltd, Thailand
- (iii) Plexus Electronics Inc., United States of America
- (iv) WE Components (Hong Kong) Limited, Hong Kong
- (v) Kin Wai Technology Ltd, British Virgin Island
- (vi) WE Technology (HK) Ltd, Hong Kong
- (vii) WE Microelectronics Pte Ltd, Singapore

(b) Associate company

- (i) Plexus Technology Taiwan Co., Ltd, Taiwan

(c) Sub-subsidiary

- (i) WE Components India Pvt Ltd, India, (subsidiary of WE Microelectronics Pte Ltd)

The WEC Group is principally engaged in the provision and distribution of electronic components and products, services and solutions to industrial and commercial users.

3.2 Consideration for the Proposed Acquisition under the SPA as amended by the Supplemental Agreement

The total Consideration for the Sale Shares to be paid by the Company to the Vendor shall be US\$14,010,000 (equivalent to approximately S\$17,400,420 based on the exchange rate of US\$1.00 : S\$1.242) (inclusive of US\$5,617,000 (equivalent to approximately S\$6,976,314 based on the exchange rate of US\$1.00 : S\$1.242) for the Excluded Properties Consideration). The Consideration shall be satisfied in cash in three (3) tranches, in the following manner:

- (a) an amount of US\$4,196,500 (equivalent to approximately S\$5,212,053 based on the exchange rate of US\$1.00 : S\$1.242) shall be payable by the Company to the Vendor in cash as deposit upon the execution of the SPA ("**First Payment**");

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- (b) subject to such adjustments as set out in Section 4.1 below, an amount of US\$2,478,500 (equivalent to approximately S\$3,078,297 based on the exchange rate of US\$1.00 : S\$1.242) shall be payable by the Company to the Vendor in cash on Completion (“**Second Payment**”); and
- (c) subject to such adjustments as set out in Section 4.1 below, an amount of US\$7,335,000 (equivalent to approximately S\$9,110,070 based on the exchange rate of US\$1.00 : S\$1.242) shall be payable by the Company to the Vendor in cash on or before 31 December 2014 (“**Final Payment**”) or such other date as the Parties may mutually agree in writing (“**Final Payment Date**”).

As stated in Paragraph 2.1 above, the Consideration shall be increased by US\$5,617,000 (equivalent to approximately S\$6,976,314 based on the exchange rate of US\$1.00 : S\$1.242) (being an amount equivalent to the Excluded Properties Consideration) from US\$8,393,000 (equivalent to approximately S\$10,424,106 based on the exchange rate of US\$1.00 : S\$1.242) to US\$14,010,000 (equivalent to approximately S\$17,400,420 based on the exchange rate of US\$1.00 : S\$1.242). Pursuant to the terms of the Supplemental Agreement, it is a condition precedent to completion of the Proposed Acquisition that the Vendor, the Company and WEC shall enter into a deed of assignment wherein WEC shall assign absolutely the right to receive the Excluded Properties Consideration to the Company.

The aggregate Consideration (including the Excluded Properties Consideration and book value of the Deposits of US\$2,386,000 (equivalent to approximately S\$2,963,412 based on the exchange rate of US\$1.00 : S\$1.242)) payable by the Company to the Vendor under the Supplemental Agreement is US\$16,396,000 (equivalent to approximately S\$20,363,832 based on the exchange rate of US\$1.00 : S\$1.242), constituting approximately 59.0% of the latest audited NTA of the Group of S\$34,553,443 as at 31 December 2013.

The Consideration was arrived at arm’s length, on a willing-buyer-willing-seller basis after taking into account the business prospects of the WEC Group, and NTA value of the WEC Group’s plant, equipment and inventories of US\$6,675,000 (equivalent to approximately S\$8,290,350 based on the exchange rate of US\$1.00 : S\$1.242) as at 31 March 2014. The Vendor intends to transfer certain inventory and fixed assets to the Company and as the Vendor’s reporting currency is in USD, the terms of the acquisition are in USD. The Consideration shall be subject to such adjustments as set out in Paragraph 4.1 below.

In effect, the Company will be acquiring the plant, equipment and inventories of WEC Group and will be paying a premium of US\$1,718,000 (equivalent to approximately S\$2,133,756 based on the exchange rate of US\$1.00 : S\$1.242) above the NTA of these acquired assets under the SPA as amended by the Supplemental Agreement.

The Company intends to fund the Proposed Acquisition through internal resources or fund raising exercises to be carried out by the Company.

4. SALIENT TERMS UNDER THE SPA AS AMENDED BY THE SUPPLEMENTAL AGREEMENT

4.1 Adjustment to Consideration

The Company and the Vendor shall as soon as practicable and in any event no later than the Final Payment Date or thirty (30) days after Completion, whichever is earlier, jointly:

- (a) complete a stock count on the Inventory (“**Stock Count**”) to determine the net tangible asset value (“**Verified Inventory NTA Value**”) of the Inventory as at Completion (“**Completion Inventory**”). The Parties agree that the Verified Inventory NTA Value as determined by the Company pursuant to the Stock Count, acting reasonably and in good faith, shall be final and binding on the Parties; and

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- (b) procure the finalisation and issue of the Completion Accounts. The cost of the preparation of the Completion Accounts shall be borne as to one half by the Vendor, and as to the other half by the Company.

If, following such Stock Count and issue of the Completion Account, it is determined that:

- (a) the Verified Inventory NTA Value shall be less than the Initial Inventory NTA Value, such difference (the “**Reduction Amount**”) shall be deducted from the Final Payment and any excess Reduction Amount thereof shall be paid by the Vendor to the Company by way of cashier’s order or banker’s draft drawn on a Singapore bank within seven (7) Business Days from the Final Payment Date; or
- (b) the Verified Inventory NTA Value shall be more than the Initial Inventory NTA Value, the Consideration shall accordingly be increased by the difference thereof (the “**Additional Consideration**”). The Additional Consideration shall be paid by the Company on the Final Payment Date by way of cashier’s order or banker’s draft drawn on a Singapore bank.

4.2 Inventory Put Option

In consideration of the Company’s agreement to purchase the Sale Shares (together with the Sale Assets), the Vendor hereby grants to the Company an option (“**Put Option**”) to procure the Vendor to acquire all of the Remaining Inventory at a price equivalent to the aggregate net book value of the Remaining Inventory (“**Put Option Consideration**”). The Put Option shall be exercised by way of written notice (“**Put Option Exercise Notice**”) by the Company to the Vendor indicating the Remaining Inventory and the Put Option Consideration, and the Vendor shall, within seven (7) Business Days from the date of the Put Option Exercise Notice, pay to the Company the Put Option Consideration by way of cashier’s order or banker’s draft drawn on a Singapore bank.

The Parties agree that in the event the Company shall have sold or otherwise disposed of any Completion Inventory within a period of six (6) months from Completion, and such Completion Inventory were sold or disposed at an aggregate consideration (“**Disposal Consideration**”) less than the Disposed Inventory Value, the Vendor shall, within seven (7) Business Days from the date of notice thereof is issued by the Company to the Vendor, pay to the Company the difference between the Disposal Consideration and the Disposed Inventory Value by way of cashier’s order or banker’s draft drawn on a Singapore bank.

4.3 Repayment of Deposits

The Parties agreed that the Company shall pay to the Vendor by way of cashier’s order or banker’s draft drawn on a Singapore bank such amount equivalent to the aggregate value of the Deposits as shown in the Completion Accounts within six (6) months from the date of Completion.

4.4 Accounts Receivables and Accounts Payables

Please refer to Paragraph 2.1 of this Circular for details.

4.5 Exclusion and Lease Back of Real Property

The sale and purchase of the Sale Shares pursuant to the Proposed Acquisition shall exclude the following real properties currently held by WEC situated at:

- (a) 52 Ubi Avenue 3, #01-28/29/30, The Frontier, Singapore 408867; and
- (b) 10 Ubi Crescent, Ubi Techpark Lobby E, #03-94/95/96, Singapore 408564

(collectively, the “**Excluded Properties**”).

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The Vendor shall procure the sale and/or transfer of the Excluded Properties from the relevant companies in the WEC Group to itself or its nominees within three (3) months from Completion. Thereafter, the WEC Group shall lease the Excluded Properties back from the Vendor (or its nominees) in accordance with such terms and conditions to be mutually agreed upon between the Parties prior to the Long Stop Date (as defined below), based on prevailing market rates.

Please refer to Paragraph 2.1 of this Circular for details.

4.6 **Conditions Precedent**

Completion of the sale and purchase of the Sale Shares by the Company and the Vendor is conditional on the fulfilment of the following conditions on or before the date falling four (4) months from the date of the SPA, or such other period as the Parties may agree in writing ("**Long Stop Date**"):

- (a) all the warranties contained in the SPA being true, accurate and not misleading as at Completion;
- (b) the Vendor having performed or complied with all its obligations and undertakings in Clause 5 and Schedule 3 of the SPA except for such non-performance or non-compliance that would not result in a Material Adverse Change (as defined in the SPA);
- (c) the Company and/or the Vendor (as applicable) obtaining all relevant corporate, governmental and regulatory approvals for the purchase of the Sale Shares in accordance with the terms and conditions of the SPA and the transactions contemplated under the SPA, including without limitation, the approval of the shareholders of each of the Company and the Vendor, if required under applicable law and regulations (including the listing rules of the SGX-ST);
- (d) the results of the financial, operational and legal due diligence on the WEC Group being satisfactory to the absolute discretion of the Company;
- (e) the Company and the Vendor having mutually agreed in writing on the terms and conditions of such sale and transfer of the Excluded Properties from the relevant companies in the WEC Group to the Vendor or its nominee(s) at the consideration amounting to of US\$5,617,000 (equivalent to approximately S\$6,976,314 based on the exchange rate of US\$1.00 : S\$1.242), and the manner in which the foregoing is to be carried out; provided that the Vendor shall, at its own cost and expense, procure the sale and/or transfer of the Excluded Properties from the relevant company in the WEC Group to itself or its nominees within three (3) months from Completion, and if required by the Banks, the Vendor or its nominees continuing to provide third party security by way of mortgage over the Excluded Properties, to the Banks, in relation to the Bank Loans;
- (f) the Parties and WEC, having entered into a deed of assignment, for the assignment of WEC's rights in respect of the Excluded Properties Consideration from WEC to the Company and for the Company and the Vendor to agree to set-off the Excluded Properties Consideration against the Consideration, the deed of assignment to be in such form and substance mutually acceptable to the Company and the Vendor; and
- (g) the Parties having mutually agreed in writing on the form and substance of the lease agreements to be entered into between the relevant company in the WEC Group and the Vendor (or its nominees) for the lease of the Excluded Properties (as defined in the SPA) from the Vendor (or its nominees) by the relevant company in the WEC Group for a period of three (3) years.

In the event that any of the Conditions Precedent has not been fulfilled or waived on or before the Long Stop Date, the SPA shall automatically terminate and neither Party shall have any claim against the other Party thereafter (save in respect of claims arising out of any antecedent breach of the SPA).

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4.7 **Termination and Refund of Deposit**

If the SPA is terminated:

- (a) by no fault of either Party, the full amount of the Deposit shall be returned by the Vendor to the Company, free of interest;
- (b) by the Company due to the Vendor breaching the terms of the SPA, the full amount of the Deposit shall be returned by the Vendor to the Company, together with interest charges for an amount of S\$80,000; or
- (c) by the Vendor due to the Company breaching the terms of the SPA, the Deposit shall be returned by the Vendor to the Company, less an amount of S\$80,000 which shall be forfeited by the Vendor.

4.8 **Completion**

Completion of the SPA shall take place seven (7) calendar days after the satisfaction or waiver of the Conditions Precedent or such other date as may be mutually agreed to by the Parties (the "**Completion Date**").

5. **THE RENTAL OF EXCLUDED PROPERTIES**

Pursuant to the SPA as amended by the Supplemental Agreement, the Company intends to enter into a lease agreement ("**Proposed Lease Agreement**") with the Vendor, to lease the Excluded Properties (with the exception of 10 Ubi Crescent, Ubi Techpark Lobby E, #03-94 Singapore 408564), to continue the operations of WEC. It is intended that the duration of the Proposed Lease Agreement shall be one year with the option to renew the lease at market rate for another year. The Company will obtain an independent valuation (the "**Rental Agreement**") on the terms of the Proposed Lease Agreement.

Rule 906 of the Catalist Rules provides, *inter alia*, that an issuer must obtain shareholder approval for any interested person transaction of a value equal to or more than (a) 5% of the group's latest audited net tangible assets or (b) 5% of the group's latest audited net tangible assets, when aggregated with other transactions entered into with the same interested person during the same financial year. However, Rule 916(1) of the Catalist Rules provides that the entering into, or renewal of lease or tenancy of real property of not more than 3 years, if the terms are supported by independent valuation, is not required to comply with Rule 906, based on the above, the Company is not required to obtain shareholder approval for the Proposed Lease Agreement.

The Audit Committee will ensure that the terms of the lease are on normal commercial terms and are not prejudicial to the interests of the Company and its Minority Shareholders.

6. **RATIONALE FOR THE PROPOSED ACQUISITION**

6.1 In FY2013, the Group recorded a 36.4% decrease in revenue to S\$25.3 million in FY2013 from S\$39.8 million in FY2012, mainly due to lower orders received from customers. The Company is currently facing pricing pressures from competitors, uncertainties in the global economic outlook and increasing costs of operations, especially labour costs. To turnaround in this competitive market, the Company is looking to enter into new business or diversification by undertaking merger and acquisition exercises or forming of any strategic alliances. With regard to such a prospect, the Company intends to move towards the direction of being known as one of South East Asia's leading electronic manufacturing service companies.

6.2 The Company believes that the Proposed Acquisition will instil synergy for all parties. The forward integration of the WEC Group completes the entire supply value chain which enables the Company to eliminate uncertainties from outsourced suppliers, reducing the overall production costs and eliminating unnecessary wastage. By centralising the entire supply chain into one company, it signifies faster information flow, distribution and response speed to the constantly evolving markets.

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- 6.3** With the Proposed Acquisition, the Group hopes to be able to act as an international procurement centre, which will consolidate all existing procurement of components under one roof with greater bargaining power and enjoying economies of scales. The WEC Group will supply components to the Company, or design-in to suit the needs of the customer, which in turn could pass the end products to the Group to complete the plastic injection moulding process. This one-stop solution service brings convenience to customers, providing a competitive edge and adding value to customers. Existing in such highly competitive markets with homogeneous products, the market is one whereby price is elastic and sensitive with buyers having better bargaining power. The Proposed Acquisition completes the supply chain, which in turn adds value to customers and puts the Group in a better position to negotiate with customers.
- 6.4** Particularly, the Company has decided to acquire the WEC Group because it believes the strengths of the WEC Group to be as follows:
- 6.4.1** the WEC Group possesses strong design-in capabilities, with its own product design and development team, which constantly introduces and creates value added services to its principals and customers;
- 6.4.2** the WEC Group has a wide and established business presence. The WEC Group is headquartered in Singapore and is well-represented in Asia. The WEC Group enjoys a strong business relationship with its customers and has been particularly successful in the following segments: communications, consumer electronics, computer peripherals and industrial applications. By strategically locating its offices in the region, the WEC Group is able to respond promptly to its customers' needs;
- 6.4.3** the WEC Group has a strong and diverse customer base, and has been in the electronic components distribution business for 16 years. The WEC Group believes that it has an established track record and reputation amongst its customers, with a diversified customer base from a variety of industries, including electronic manufacturing services and consumer electronics; and
- 6.4.4** the WEC Group has established relationship with principals as a result of its ability to provide value-added services and promote the products of such principals in the various industries it serves.
- 6.5** The Proposed Acquisition allows for the sharing of client base, distribution channels, manufacturing facilities, sales offices, resources, talents, knowledge and expertise, and market intelligence between the Company and the WEC Group. Sharing of client base would enable increase and greater market share, resulting in greater economies of scale and bargaining power. This in turn would lead to lower cost and such benefits can be transferred not only to the Group but also that of the end-customer who may be encouraged to place larger orders. Sharing of market intelligence allows the Group to tap on opportunities and avoid market disasters faster than its competitors, thereby giving it greater speed in reacting to market changes.

7. SHAREHOLDERS' APPROVAL FOR THE PROPOSED ACQUISITION

7.1 Chapter 9 of the Catalist Rules

Under Chapter 9 of the Catalist Rules, where a listed company or any of its subsidiaries or associated companies that are defined as an "entity at risk" proposes to enter into a transaction with an "interested person", an immediate announcement or an immediate announcement and shareholders' approval is required in respect of that transaction if its value is equal to, or more than, certain financial thresholds.

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In particular, an immediate announcement is required where:

- (a) the transaction is of a value equal to, or more than, 3% of the group's latest audited NTA; or
- (b) the aggregate value of all transactions entered into with the same interested person during the same financial year amounts to 3% or more of the group's latest audited NTA.

Further, shareholders' approval (in addition to an immediate announcement) is required where:

- (a) the transaction is of a value equal to, or more than, 5% of the group's latest audited NTA; or
- (b) the aggregate value of all transactions entered into with the same interested person during the same financial year amounts to 5% or more of the group's latest audited NTA.

The above requirements for immediate announcement and/or for shareholders' approval do not apply to any transaction below S\$100,000, and certain transactions which, by reason of the nature of such transactions, are not considered to put the listed company at risk, and hence, excluded from the ambit of Chapter 9 of the Catalist Rules.

7.2 The Proposed Acquisition as an Interested Person Transaction

The Vendor is a Controlling Shareholder of the Company, holding an aggregate of 62,903,000 Shares, representing 26.8% of the issued and paid-up share capital of the Company. As such, the Vendor is an interested person as defined under Rule 904(4) of the Catalist Rules.

The aggregate Consideration (excluding the Excluded Properties Consideration) payable by the Company to the Vendor is US\$8,393,000 (equivalent to approximately S\$10,424,106 based on the exchange rate of US\$1.00 : S\$1.242), constituting 30.2% of the latest audited NTA of the Group of S\$34,553,443 as at 31 December 2013. Therefore, the Proposed Acquisition is subject to the prior approval of the Shareholders under Rule 906 of the Catalist Rules,

The aggregate Consideration (including the Excluded Properties Consideration) payable by the Company to the Vendor under the Supplemental Agreement is US\$14,010,000 (equivalent to approximately S\$17,400,420 based on the exchange rate of US\$1.00 : S\$1.242), constituting approximately 50.4% of the latest audited NTA of the Group of S\$34,553,443 as at 31 December 2013.

The aggregate Consideration (including the Excluded Properties Consideration and book value of the Deposits of US\$2,386,000 (equivalent to approximately S\$2,963,412 based on the exchange rate of US\$1.00 : S\$1.242)) payable by the Company to the Vendor under the Supplemental Agreement is US\$16,396,000 (equivalent to approximately S\$20,363,832 based on the exchange rate of US\$1.00 : S\$1.242), constituting approximately 59.0% of the latest audited NTA of the Group of S\$34,553,443 as at 31 December 2013.

In view of the above, the Company will be seeking the approval of its Shareholders for the Proposed Acquisition under Rule 906(1) at the EGM.

The Group has not entered into any other interested person transactions with the Vendor or any other interested person in the current financial year.

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7.3 Proposed Acquisition as a Major Transaction

The relative figures in relation to the Proposed Acquisition pursuant to Rule 1006 of the Catalyst Rules, using the latest audited accounts of the Group as at 31 December 2013, are:

(a)	Net asset value of assets to be disposed of, compared with the Group's net asset value. This basis is not applicable for acquisition of assets.	Not applicable
(b)	Net loss ⁽¹⁾ attributable to the Proposed Acquisition compared with the Group's net loss.	79% ⁽¹⁾
(c)(i)	Aggregate value of the consideration (excluding the Excluded Properties Consideration) given or received of S\$10,424,106, compared with the Company's market capitalisation as at 17 July 2014 (S\$23,590,289) based on the total number of issued Shares excluding treasury shares.	44.1%
(c)(ii)	Aggregate value of the consideration (including the Excluded Properties Consideration) given or received of S\$17,400,420 compared with the Company's market capitalisation as at 17 July 2014 (S\$23,590,289) based on the total number of issued Shares excluding treasury shares.	73.8%
(c)(iii)	Aggregate value of the consideration (including the Excluded Properties Consideration and book value of the Deposits of US\$2,386,000) given or received of S\$20,363,832 compared with the Company's market capitalisation as at 17 July 2014 (S\$23,590,289) based on the total number of issued Shares excluding treasury shares.	86.3%
(d)	Number of equity securities issued by the issuer as consideration for an acquisition, compared with the number of equity securities previously in issue.	Not applicable

Note:

- (1) Under Rule 1006 of the Catalyst Rules, "net profits" means profit or loss before income tax, minority interests and extraordinary items. Figures are based on the Group's audited net loss as at 31 December 2013 of S\$4,098,056, as compared to the WEC Group's audited net loss as at 31 March 2014 of US\$2,607,000 (equivalent to S\$3,237,894 at the exchange rate of US\$1.00 : S\$1.242)

As the relative figures under Rule 1006 (b) exceeds 75%, the Proposed Acquisition is a major transaction as defined in Chapter 10 of the Catalyst Rules. Therefore, the Proposed Acquisition is subject to the approval of Shareholders pursuant to Chapter 10 of the Catalyst Rules.

8. FINANCIAL EFFECTS OF THE PROPOSED ACQUISITION

The financial effects of the Proposed Acquisition on the NTA, EPS, gearing and share capital of the Group in respect of FY2013 have been prepared based on the following assumptions:

- (a) The financial effects of the Proposed Acquisition are based on the terms of the Proposed Acquisition as at the date of this Circular;
- (b) The financial effects of the Proposed Acquisition are purely for illustrative purposes and should not be taken as an indication of the actual financial performance of the Group following the Proposed Acquisition nor a projection of the future financial performance or position of the Group after the Completion;

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- (c) The financial effects of the Proposed Acquisition are based on the Group's audited financial statements for FY2013 and on WEC's audited financial statements for FY2014;
- (d) No adjustments have been made to align any differences that may result from the adoption of different financial period, accounting standards and policies by the Group and WEC;
- (e) The carrying value of the net assets being acquired in Target Company has been assumed to approximate fair value. In addition, no impairment assessment of any resultant goodwill has been performed. Any goodwill arising thereon from the Proposed Acquisition will be accounted for in accordance with the accounting policies of the Group and assessed for impairment as appropriate;
- (f) For the purpose of computing the NTA and gearing of the Group after the Proposed Acquisition, it is assumed that the Proposed Acquisition was completed on 31 December 2013; and
- (g) For the purpose of computing the net profit attributable to Shareholders and basic EPS of the Group after the Proposed Acquisition, it is assumed that the Proposed Acquisition was completed on 1 January 2013.

8.1 NTA per Share

The effects of the Proposed Acquisition on the NTA of the Group, assuming that the Proposed Acquisition has been completed at the end of FY2013 are as follows:

	As at 31 December 2013	
	Before the Acquisition	After the Acquisition
NTA	S\$34,553,443	S\$32,406,337
Number of Shares	234,729,245	234,729,245
NTA per Share (Singapore cents)	15	14

8.2 (Loss) per Share ("LPS")

The effects of the Proposed Acquisition on the LPS of the Group, assuming that the Proposed Acquisition has been completed at the beginning of FY2013 are as follows:

	For financial year ended 31 December 2013	
	Before the Acquisition	After the Acquisition
Net loss attributable to Shareholders	S\$(5,692,779)	S\$(9,452,197)
Weighted Average number of Shares	169,162,418	169,162,418
Basic LPS (Singapore cents)	(3.37)	(5.59)

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8.3 **Gearing**

The effects of the Proposed Acquisition on the gearing of the Group, assuming that the Proposed Acquisition has been completed at the end of FY2013 are as follows:

	As at 31 December 2013	
	Before the Acquisition	After the Acquisition
Total Debt ⁽¹⁾	S\$19,000,020	S\$19,000,020
Total Equity attributable to owners of the Company	S\$34,823,416	S\$34,823,416
Gearing ratio (%)	0.55	0.55

Note:

- (1) Gearing means the ratio of total debt to equity attributable to the owners of the Company. Total debt means the aggregate amount of liabilities arising from banks and financial institutions, shareholder loans, trade and other payables and other liabilities.

9. **RISKS RELATING TO THE PROPOSED ACQUISITION**

The Proposed Acquisition may not proceed as planned or achieve our Group management's future plans

The Proposed Acquisition is subject to, *inter alia*, approval by Shareholders at an EGM and other conditions precedent that the Company does not have full control over. Accordingly, there is a risk that the Proposed Acquisition may not be completed. If the Proposed Acquisition is completed, there is a possibility that WEC may not achieve our Group management's intended performance goals and plans, such as lower costs of production and receiving larger orders from end-customers. This may have an impact on our businesses and financial performance.

Risks, uncertainties and problems in a new area of business

As the Proposed Acquisition introduces the Group into a new area of business, the Group will face commonly encountered risks, uncertainties and problems associated with the entry into any new business. These risks, uncertainties and problems include the inability to manage operations and costs, maintaining and/or increasing customer base, and retaining qualified personnel to manage operations.

WEC is susceptible to the political, social, legal and economic conditions of the countries that it operates in

WEC operates and deals with customers in, *inter alia*, Singapore, Thailand, India and the PRC. Any adverse changes in the political, social, legal and economic conditions in these countries, including the outbreak of communicable diseases, political unrest, labour strikes and war may affect the business and financial performance of WEC.

WEC is subject to the cyclical nature of the electronics industry

WEC is a distributor of passive components in the electronics industry. The electronics industry turnover rate is dependent on the state of the industry which has historically been characterised by fluctuations in product demand and supply, production over-capacity and subsequent accelerated erosion of average selling prices which can last for more than a year. Accordingly, any cyclical fluctuations experienced by any sector within the industry will most likely have a significant impact on WEC's businesses and financial performance.

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WEC does not have an exclusive distributorship with most of its principals

Most of WEC's distributorship arrangements are non-exclusive. There are other distributors in the market which distribute the same principals' products and compete with the Group in the same markets. There is no assurance that there will be a good relationship between WEC and these principals. Any loss of key principals or appointment of additional distributors for key products that WEC distributes will affect its sales and profitability.

Ability to retain major customers

WEC's performance is dependent on its ability to retain its major customers. If its major customers cease or significantly reduce their purchase of WE Components' products and WEC is unable to attract other customers to make up for such losses, WEC's businesses and financial performance will be adversely affected.

Risk of inventory obsolescence and market price erosion

The volatile nature of the global electronics industry and the rapid pace of technological changes lead to shorter product life cycles and the constant introduction of new products. As a result of rapid product developments, competition among electronic manufacturers has intensified and has often resulted in price erosion of products. The introduction of new products may also render obsolete certain existing electronic components, including those within WEC's product range.

WEC is also susceptible to the risks of price erosion arising from, *inter alia*, product upgrades and migration technology. An overestimation of projected demand from customers may result in excessive inventories. In such an event, WEC may have to sell these electronic components at reduced prices which will affect its average profit margin and operating profits.

WEC is exposed to credit risks

WEC is exposed to payment defaults or delays by its customers who are granted credit terms, and the risk of bad debts. Additionally, WEC is exposed to credit risks due to inherent uncertainties in its customers' business environment. These include political, social, legal, economic and foreign exchange risks, as well as those arising from unanticipated events or circumstances. As a result, WEC may encounter customers who may have cash flow problems and/or are unable to pay it on time or at all. This may have an adverse impact on WEC's businesses and financial performance.

WEC is exposed to foreign exchange risk

WEC's revenue and purchases are principally denominated in S\$, US\$ and other currencies. The foreign exchange risks faced by WEC arise mainly from a mismatch between the currency of its sales and the currency of its purchases and net expenses. Accordingly, WEC may incur foreign exchange losses if there are any significant fluctuations in currency exchange rates between the time of its purchases and sales and the payments and receipts in foreign currencies.

WEC is dependent on its management team and key employees

WEC is dependent on its management team and key employees. The success of WEC is attributable to the contributions and expertise of its management team. The continued success of WEC will be dependent to a large extent on its ability to retain the services of WEC's executive officers and key employees as well as attract and retain new skilled employees. A departure of these individuals, and other senior members of the management team and experienced personnel, without timely and qualified implementation of succession plans, will adversely affect operations and hence, the business and financial results of WEC.

WEC is reliant on its principals as the source of the products which it distributes

WEC's revenue is mainly derived from the distribution of its principal products. Accordingly, the continued growth of WEC is dependent on its ability to retain its existing principals as well as to secure new distributorship or agency rights. In the event that WEC is unable to continue with its agreements with its existing principals or if WEC is unable to secure new distributorship or agency rights, its business may be adversely affected.

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10. PROPOSED JUBILEE SHARE AWARD SCHEME

10.1 Background

Currently, the Company has in place an existing employee share option scheme which was adopted on 26 April 2012 (the “**Jubilee Employee Share Option Scheme**”). The purpose of the Jubilee Employee Share Option Scheme is to provide an opportunity for employees and certain Directors to participate in the equity of the Company so as to motivate them to greater dedication, loyalty and higher standards of performance, and to give recognition to those who have contributed to the success and development of the Company and/or Group. As at the Latest Practicable Date, there are no outstanding options exercisable arising from the Scheme.

The Company has undertaken a comprehensive review of employee remuneration and benefits and wishes to introduce a new compensation plan to complement the Jubilee Employee Share Option Scheme that will increase the Company’s flexibility and effectiveness in its continuing efforts to reward, retain and motivate employees to improve their performance. In line with this, the Company believes that an additional share plan to complement the Jubilee Employee Share Option Scheme needs to be introduced to strengthen the overall effectiveness of performance-based compensation schemes.

Under the new plan, which is to be called the Jubilee Share Award Scheme (“**JSAS**”), the award of fully-paid Shares, free of charge, to selected participants of the Group is intended to be a more attractive form of bonus from the Company than Jubilee Employee Share Option Scheme. In addition, the Company believes that the JSAS will be more effective than cash bonuses in motivating employees as it gives them a stake in the ownership of the Company.

On 29 October 2014, the Company received the listing and quotation notice from the SGX-ST for the new shares arising from the Proposed JSAS, subject to the following conditions:

- (i) compliance with the SGX-ST’s listing requirements; and
- (ii) approval of Shareholders for the Proposed JSAS at the EGM.

The listing and quotation notice granted by the SGX-ST is not to be taken as an indication of the merits of the Proposed JSAS, the new shares arising from the Proposed JSAS, the Company, its subsidiaries and their securities.

The following words that are capitalised and relating to the Proposed JSAS shall have their meanings defined in Rule 2 of Appendix III.

The proposed adoption of the Jubilee Share Award Scheme is subject to the approval of the Shareholders and will be proposed as an ordinary resolution at the EGM.

10.2 Rationale for the Proposed JSAS

The Proposed JSAS will give the Group greater flexibility to align the interests of employees, especially key executives, with those of the Shareholders by providing target-specific Share Awards. Such target-based Share Awards are also intended to provide incentives, reward, retain and motivate employees to achieve superior performance which in turn creates and enhances economic value for the Shareholders.

Unlike the Jubilee Employee Share Option Scheme whereby participants are required to pay the exercise price of the Options, the award of fully-paid Shares under the Performance Share Plan, free of charge, to the Participants is intended to incentivise Participants to achieve certain specific Performance Targets and be a more attractive form of bonus from the Company to the Participants.

The objectives of the Proposed JSAS are as follows:

- (a) to motivate the Selected Persons to achieve Performance Targets and to maintain a high level of contribution to the Group;

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- (b) to retain key employees whose contributions are essential to the long term growth and profitability of the Group;
- (c) to instil loyalty to, and a stronger identification by the Selected Persons with the long-term prosperity of, the Group;
- (d) to give recognition to the contribution of the Selected Persons to the success of the Group and motivate them to continue to contribute and grow with the Group;
- (e) to attract potential employees with relevant skills to contribute to the Group and to create value for the Shareholders;
- (f) to align the interests of the Selected Persons with the interests of the Shareholders; and
- (g) to inculcate in all Selected Persons a stronger and more lasting sense of identification with the Group.

The Proposed JSAS, which forms an integral and important component of a compensation plan, is designed as an additional incentive tool to reward and retain the Participants whose services are vital to the well-being and success of the Group.

The Share Awards given to a Selected Person will be determined at the discretion of the JSAS Committee. The JSAS Committee will take into account factors such as the Selected Person's capability, scope of responsibility, skill and his vulnerability to leaving the employment of the Group. In deciding on a Share Award to be granted to a Selected Person, the JSAS Committee will also consider all aspects of the compensation and/or benefits given to the Selected Person and such other share-based incentive schemes of the Company, if any. The JSAS Committee may also set specific criteria and performance targets for each of its business units, taking into account factors such as the business goals and directions of the Company and the Group for each financial year, the actual job scope and responsibilities of the Selected Person and the prevailing economic conditions.

10.3 Overview of the Proposed JSAS

The Proposed JSAS is designed to reward its Participants by the issue and/or transfer of fully-paid Shares according to the extent to which they complete certain time-based service conditions and/or achieve their Performance Targets over set performance periods.

Share Awards granted under the Proposed JSAS may be time-based and/or performance-related, and in each instance, shall vest only:

- (a) where the Share Award is time-based, after the satisfactory completion of time-based service conditions, that is, after the Participant has served the Group for a specified number of years (such Share Awards being "**Time-based Awards**"); or
- (b) where the Share Award is performance-related, after the Participant achieves a predetermined Performance Target (such Share Awards being "**Performance-related Awards**").

A Time-based Award may be granted, for example, as a supplement to the cash component of the remuneration packages of senior executive officers, whom the Company seeks to attract and recruit. A Performance-related Award may be granted, for example, with a Performance Target based on the successful completion of a project or the successful achievement of certain quantifiable Performance Targets, such as sales growth or productivity enhancement.

The Share Awards given to a Selected Person will be determined at the discretion of the JSAS Committee. The JSAS Committee will take into account factors such as the Selected Person's capability, scope of responsibility, skill and his vulnerability to leaving the employment of the Group. In deciding on a Share Award to be granted to a Selected Person, the JSAS Committee will also

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consider all aspects of the compensation and/or benefits given to the Selected Person and such other share-based incentive schemes of the Company, if any. The JSAS Committee may also set specific criteria and performance targets for each of its business units, taking into account factors such as the business goals and directions of the Company and the Group for each financial year, the actual job scope and responsibilities of the Selected Person and the prevailing economic conditions.

10.4 Summary of the Proposed JSAS

A summary of the principal terms of the Proposed JSAS is set out below and the detailed rules of the Proposed JSAS are set out in Appendix III of this Circular.

10.4.1 Eligibility

The following persons shall be eligible to participate in the Proposed JSAS:

- (a) Group Employees who have attained the age of 21 years on or before the Date of Grant;
- (b) Group Executive Directors; and
- (c) Group Non-Executive Directors (including independent directors of the Group)

who, in the opinion of the JSAS Committee, have contributed or will contribute to the success of the Group.

Group Employees, Group Executive Directors and Group Non-Executive Directors who are also Controlling Shareholders or Associates of a Controlling Shareholder are also eligible to participate in the Proposed JSAS provided that the terms of each grant and the actual number of Share Awards granted under the Proposed JSAS to a Selected Person who is a Controlling Shareholder or an Associate of a Controlling Shareholder are approved by the independent Shareholders in a separate resolution.

The participation of such eligible Controlling Shareholders or Associates of a Controlling Shareholder is subject to the following:

- (a) the aggregate of the number of Shares comprising the Share Awards granted to Controlling Shareholders or Associate(s) of a Controlling Shareholders under the Proposed JSAS shall not exceed 25.0% of the aggregate of the total number of Shares (comprised in Share Awards) which may be granted under the Proposed JSAS; and
- (b) the number of Shares available to be granted to each Controlling Shareholder or Associate(s) of a Controlling Shareholder shall not exceed 10.0% of the total number of Shares (comprised in Share Awards) which may be granted under the Proposed JSAS.

Directors and employees of the Company's subsidiaries are eligible to participate in the Proposed JSAS provided that (i) each grant to such Selected Person, if the number of Share Awards to be granted, together with Share Awards already granted to such person under the Proposed JSAS, represents 5.0% or more of the total number of Share Awards available to the aforesaid category of directors and employees; and (ii) the aggregate number of Share Awards to be made available for grant to all directors and employees of the aforesaid category, shall be approved by the independent Shareholders in a separate resolution.

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10.4.2 Share Awards

Share Awards represent the right of a Selected Person to receive fully paid Shares free of charge, upon the Selected Person achieving Performance Targets. Performance Targets set under the Proposed JSAS are intended to be based on medium-term corporate objectives covering market competitiveness, quality of returns, business growth and productivity growth. The Performance Targets are stretched targets aimed at sustaining long-term growth. Examples of Performance Targets to be set include targets based on criteria such as sales growth, EPS, share price and return on investment.

The selection of a Selected Person and the number of Shares which are the subject of each Share Award shall be determined at the absolute discretion of the JSAS Committee, and criteria such as the rank, job performance, years of service and potential for future development of the Selected Person, his contribution to the success and development of the Group, and the extent of effort required to achieve the Performance Targets within the performance period shall be taken into account.

The JSAS Committee shall decide, in relation to each Share Award to be granted to a Selected Person:

- (a) the date on which the Share Award is to be vested;
- (b) the number of Shares which are the subject of the Share Award;
- (c) the Performance Targets;
- (d) the prescribed Vesting Periods;
- (e) the performance period during which the Performance Targets are to be satisfied;
- (f) the extent to which the Shares under that Share Award shall be released on the Performance Targets being satisfied (whether fully or partially) or exceeded, as the case may be, at the end of the prescribed performance period and upon the expiry of the prescribed Vesting Period. No Shares under the Share Award shall be released for the portion of the Performance Targets which is not satisfied by the Selected Person at the end of the prescribed performance period and upon the expiry of the prescribed Vesting Period; and
- (g) such other conditions which the JSAS Committee may determine in relation to that Share Award.

Share Awards may be granted at any time in the course of a financial year. A Share Award letter confirming the Share Award and specifying, *inter alia*, in relation to the Share Award, the number of Shares which are the subject of the Share Award, the Performance Targets and the performance period during which the Performance Targets are to be satisfied, and the Vesting Period (the length of which will be determined on a case-by-case basis by the JSAS Committee), will be sent to each Selected Person as soon as reasonably practicable after the making of a Share Award.

Special provisions for the vesting and lapsing of Share Awards apply in certain circumstances, including the following:

- (a) the termination of the employment of a Selected Person;
- (b) the ill health, injury, disability or death of a Selected Person;
- (c) the bankruptcy of a Selected Person;
- (d) the misconduct of a Selected Person; or
- (e) a take-over, winding-up or reconstruction of the Company.

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10.4.3 Administration of Proposed JSAS

The Proposed JSAS will be administered by the JSAS Committee who will have the power, from time to time, to make rules and regulations or impose terms and conditions necessary, desirable or expedient for it to administer and give full effect to the JSAS.

In accordance with Rule 848 of the Catalist Rules, a member of the JSAS Committee who is also a Selected Person must not be involved in its deliberations in respect of Share Award to be granted to or held by him.

10.4.4 Size and Duration of the Proposed JSAS

The aggregate number of Shares to be delivered pursuant to the vesting of the Share Awards on any date, when added to the number of Shares issued and/or issuable under any other share-based incentive plans of the Company, shall not exceed 15.0% of the total number of issued Shares of the Company (excluding treasury shares) on the day preceding that date.

The Directors are of the view that the size of the Proposed JSAS is sufficient to give the JSAS Committee flexibility to grant Share Awards in view of the likely number of Selected Persons, the total number of Shares in the capital of the Company and the duration of the Proposed JSAS. The size of the Proposed JSAS allows a larger pool of persons to participate in the Proposed JSAS and gives greater flexibility to the Company in the structuring of incentive packages. The number of Selected Persons is expected to grow over the years as the Company has a long-term expansion plan where more employees may be employed and be eligible to participate in the Proposed JSAS. In addition, the Group, in line with its goal of ensuring sustainable growth, is constantly reviewing its position and considering the expansion of its talent pool.

The Proposed JSAS shall continue to be in force at the discretion of the JSAS Committee, subject to a maximum period of ten (10) years commencing on the date the Proposed JSAS is adopted by the Company in a general meeting, provided always that the Proposed JSAS may continue beyond the above stipulated period with the approval of the Shareholders by ordinary resolution in a general meeting and of any relevant authorities which may then be required.

Notwithstanding the expiry or termination of the Proposed JSAS, any Share Awards made to Selected Persons prior to such expiry or termination will continue to remain valid.

10.5 Operation of the Proposed JSAS

Subject to prevailing legislation and rules, guidelines and measures issued by the SGX-ST for the time being in force, the Company will (as it deems fit in its sole and absolute discretion) have the flexibility to deliver Shares to Selected Persons upon the vesting of their Share Awards by the following means:

- (a) the allotment and issue to each Selected Person of the number of Share Award Shares, deemed to be fully paid or credited upon their allotment and issuance;
- (b) delivering existing Shares to the Selected Person, whether such existing Shares are acquired pursuant to a share purchase mandate or (to the extent permitted by law) held as treasury shares or otherwise; and/or
- (b) payment of the aggregate Market Price of the Shares in cash in lieu of allotment or transfer.

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In determining whether to issue Share Award Shares, deliver existing Shares and/or pay the aggregate Market Price in cash to Selected Persons upon release of their Share Awards, the Company shall take into account factors including but not limited to the amount of cash available, the number of Shares to be delivered, the prevailing Market Price of the Shares and the cost to the Company of the various modes of settlement.

New Shares allotted and issued on the release of a Share Award shall rank in full for all entitlements, including dividends or other distributions declared or recommended in respect of the then existing Shares, the record date for which is on or after the relevant vesting date, and shall in all other respects rank *pari passu* with other existing Shares then in issue.

The “**aggregate Market Price**” of the Shares to be paid to a Selected Person in lieu of allotment or transfer, shall be calculated in accordance with the following formula:

$$A = B \times C$$

Where:

A is the aggregate Market Price of the Shares to be paid to the Selected Person in lieu of all or some of the Shares to be issued or transferred upon the release of a Share Award;

B is the Market Price of each Share; and

C is such number of Shares (as determined by the JSAS Committee in its sole and absolute discretion) to be issued or transferred to a Selected Person upon the release of a Share Award in accordance with the rules of the Proposed JSAS.

The JSAS Committee shall have the discretion to amend or waive the Performance Targets, the prescribed performance period and the prescribed Vesting Period or any of them in respect of any Share Award and the JSAS Committee shall notify the Selected Person of such amendment or waiver (but accidental omission to give notice to any Selected Person(s) shall not invalidate any such amendment or waiver).

10.6 Variation of Capital

If a variation in the issued ordinary share capital of the Company (whether by way of a capitalisation of profits or reserves or rights issue, reduction, subdivision, consolidation or distribution) shall take place, then:

- (a) the class and/or number of Shares which are the subject of a Share Award to the extent not yet vested; and/or
- (b) the class and/or number of Shares over which future Share Awards may be granted under the Proposed JSAS,

shall be adjusted in such manner as the JSAS Committee may determine to be appropriate and which will not result in a Selected Person receiving a benefit that a Shareholder does not receive.

Unless the JSAS Committee considers an adjustment to be appropriate:

- (a) the issue of securities as consideration for an acquisition or a private placement of securities;
- (b) the increase in the number of issued Shares as a consequence of the exercise of options or other convertibles entitling holders of such options or convertibles to acquire Shares in the capital of the Company;

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- (c) the cancellation of issued Shares purchased or acquired by the Company by way of a market purchase of such Shares undertaken by the Company on the SGX-ST during the period when a share purchase mandate granted by Shareholders (including any renewal of such mandate) is in force; and
- (d) the increase in the issued share capital of the Company as a consequence of the delivery of Share Award Shares pursuant to the vesting of the Share Awards from time to time by the Company or through any other share-based incentive schemes implemented by the Company,

shall not normally be regarded as a circumstance requiring adjustment.

Any adjustment (except in relation to a capitalisation issue) must be confirmed in writing by the auditors of the Company (acting only as experts and not arbitrators) to be, in their opinion, fair and reasonable.

10.7 Modifications or Alterations to the Proposed JSAS

The rules of the Proposed JSAS may be modified and/or altered from time to time by a resolution of the JSAS Committee, subject to compliance with the Catalist Rules and such other applicable regulations by any authority as may be necessary.

However, no modification and/or alteration shall adversely affect the rights attached to the Share Awards granted prior to such modification or alteration except with the written consent of such number of Selected Persons under the Proposed JSAS who, if their Share Awards were released to them, would thereby become entitled to not less than three-quarters in number of all the Shares which would be issued in full pursuant to all outstanding Share Awards under the Proposed JSAS.

No modification and/or alteration shall be made to the rules of the Proposed JSAS to the advantage of the Selected Persons except with the prior approval of Shareholders in a general meeting and any adjustment (except in relation to a capitalisation issue) must be confirmed in writing by the auditors of the Company (acting only as experts and not as arbitrators) to be in their opinion, fair and reasonable.

11. FINANCIAL EFFECTS OF THE PROPOSED JSAS

11.1 Share Capital

The Proposed JSAS will result in an increase in the Company's issued share capital only if the new Shares are issued to Selected Persons. The number of new Shares issued will depend on, *inter alia*, the size of the Share Awards granted under the Proposed JSAS. However, if existing Shares are purchased for delivery to Selected Persons in lieu of issuing new Shares to Selected Persons, the Proposed JSAS will have no impact on the Company's issued share capital.

11.2 NTA

As explained in Paragraph 11.5 below, the Proposed JSAS will result in a charge to the income statement of the Company and the Group equal to the market value at which the new Shares are issued or the existing Shares are purchased to meet delivery under the Share Awards. If new Shares are issued under the Proposed JSAS, the NTA of the Group and the Company would decrease by the amount charged. If existing Shares are purchased for delivery to Selected Persons, the NTA of the Group and the Company would decrease by the amount charged.

Although the Proposed JSAS will result in a charge to the income statement of the Company and the Group, it should be noted that the Share Awards are granted only on a selective basis and will be granted to Selected Persons whom the Company believes would have contributed or will contribute significant value in its success including financial performance. In particular, the grant of Share Awards and delivery of Shares to Selected Persons of the Proposed JSAS, are contingent

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upon the Selected Persons meeting Performance Targets. Therefore, the Selected Persons would have added or will add value to the NTA of the Company and the Group before the Share Awards are granted and Shares delivered.

11.3 EPS

The Proposed JSAS will result in a charge to earnings equivalent to the market value at which the existing Shares are purchased or the market value on the date at which new Shares are issued under the Share Awards. Although the Proposed JSAS will have a dilutive impact (to the extent that new Shares are issued pursuant to the Proposed JSAS) on the EPS of the Company and the Group, it should again be noted that the delivery of Shares to Selected Persons under the Proposed JSAS will generally be contingent upon the Selected Persons meeting the Performance Targets and conditions. Accordingly, the earnings of the Company and the Group should have grown before the Share Awards are granted and the Shares delivered.

11.4 Dilutive impact

It is expected that any dilutive impact of the Proposed JSAS on the NTA and the EPS would not be significant.

11.5 Potential Cost of Share Awards

As Shares will be issued to the Selected Persons free of charge under the Proposed JSAS, such grant of Share Awards will have a financial effect on the Company.

All financial statements of the Company for the financial year beginning 1 January 2005 has to comply with the FRS 102 issued by the Accounting Standards Council on Corporate Disclosure and Governance. It is a requirement under the FRS 102 to recognise the Share Awards granted under the Proposed JSAS as an expense. The expenses will be based on the fair value of the Share Awards at the date of the grant and will be recognised over the expected Vesting Period. However, no expense will ultimately be recognised for any Share Awards granted that do not vest because of a failure to satisfy the vesting conditions.

In accordance with paragraph 14 of the FRS 102 relating to “share-based payment”, the Company shall during the Vesting Period, account for the grant of award with a corresponding increase in equity. Pursuant to paragraph 19 of FRS 102, on a cumulative basis, no amount will be recognised for services received if the equity instruments granted do not vest because of a failure to satisfy a vesting condition. Also, pursuant to paragraph 20 of the FRS 102, the Company shall recognise an amount for the services received during the Vesting Period based on the best available estimate of such number of equity instruments that are expected to be vested and, if necessary, the Company shall revise that estimate. In this way, the grant of a Share Award will be recognised under the income statement of the Company over the expected Vesting Period. If an employee leaves before the end of the Vesting Period, the Company is required to revise the estimated number of equity instruments that are expected to be vested.

12. RATIONALE FOR PARTICIPATION OF SELECTED PERSONS

12.1 Rationale for Participation by Executive Directors and Group Employees

It is desired that the Company should have a performance share plan which caters to the directors and employees of the Company and/or its subsidiaries as well as persons who are not employed within the Company and/or its subsidiaries but work closely with the Company and/or its subsidiaries and who, by reason of their relationship with the Company and/or its subsidiaries, are in a position to input and contribute their experience, knowledge and expertise to the development and prosperity of the Group. Such other persons include the directors and employees of any associated companies.

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The Proposed JSAS allows the Group to have a fair and equitable system to reward executive directors and employees who have made and who continue to make contributions to the long-term growth of the Group. The success of the Group's business is dependent on the Group's ability to attract and retain good personnel and the Company believes that the Proposed JSAS will be an essential part of the Group's strategy for the recruitment and retention of capable personnel.

The Directors recognise that it is important to the well-being and stability of the Group that the Company acknowledges the services and contributions made by the categories of persons described above, and that the Group continues to receive their support and contributions. By implementing the Proposed JSAS, the Company will have a means of providing for those who, while they are not directors or employees of the Company and/or its subsidiaries, are nonetheless closely associated with the Group as well as the performance of the Company through participation in the equity of the Company. It is hoped that by doing so, the Company will also strengthen its working relationships with the directors and employees of the associated companies by inculcating in them a stronger and more lasting sense of identification with the Group.

12.2 Rationale for Participation of the Non-Executive Directors of the Group

While the Proposed JSAS caters principally to the Group Employees, it is recognised that there are other persons who make significant contributions to the Group through their close working relationships with the Group, even though they are not employed within the Group. Such persons include the Group Non-Executive Directors.

The Group Non-Executive Directors, being persons from different professions and working backgrounds, bring to the Group their wealth of knowledge, business expertise and contacts in the business community. They play an important role in helping the Group shape its business strategy by allowing the Group to draw on the backgrounds and diverse working experience of these individuals. It is desirable that the Group Non-Executive Directors be allowed to participate in the Proposed JSAS to incentivise and retain them and to further align their interests with that of the Group.

The Directors (excluding the Group Non-Executive Directors) are of the view that including the Group Non-Executive Directors in the Proposed JSAS will show the Company's appreciation for their contribution, and further motivate them to work, towards the success of the Group. However, as their services and contributions cannot be measured in the same way as the full-time employees of the Group, while it is desired that participation in the Proposed JSAS be made open to the Group Non-Executive Directors, any Share Awards that may be granted to any such Group Non-Executive Directors would be intended only as a token of the Company's appreciation.

For the purpose of assessing the contributions of the Group Non-Executive Directors, the JSAS Committee will propose a performance framework comprising mainly non-financial performance measurement criteria such as the extent of involvement and responsibilities shouldered by the Group Non-Executive Directors. In addition, the JSAS Committee will also consider the nature and extent of their input, the assistance and expertise rendered by them to the Board and the impact thereof on the growth, success and development of the Group. The JSAS Committee may, where it considers relevant, take into account other factors such as the economic conditions and the Company's performance. The JSAS Committee may also decide that no Share Awards shall be made in any financial year.

It is envisaged that the vesting of the Share Awards, and hence the number of Shares to be delivered to the Group Non-Executive Directors based on the criteria set out above will be relatively small, in terms of frequency and numbers. Further, although the Group Non-Executive Directors may be appointed as members of the JSAS Committee, the rules of the Proposed JSAS provide that a member is not to be involved in its deliberations in respect of the grant of Share Awards to himself/herself. Based on these, the Directors (excluding the Group Non-Executive Directors) are of the view that the participation by the Group Non-Executive Directors in the Proposed JSAS will not compromise their independent status.

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12.3 Rationale for Participation of Controlling Shareholders and their Associates

Although the Controlling Shareholders of the Company or their Associates may already have shareholding interests in the Company, the extension of the Proposed JSAS to include them ensures that they are equally entitled, together with other eligible directors and employees of the Group and associated companies who are not Controlling Shareholders of the Company or their associates, to take part and benefit from this system of remuneration. The Company is of the view that the Company should have a fair and equitable system to reward the eligible directors and employees who have made and continue to make important contributions to the long-term growth of the Group and associated companies notwithstanding that they are Controlling Shareholders of the Company or their associates.

Specific approval of independent Shareholders is required for the participation of Controlling Shareholders of the Company or their associates as well as the actual number of Shares to be awarded under the Proposed JSAS. In seeking such independent Shareholders' approval, clear justification as to their participation and the number of Share Awards to be granted to the Controlling Shareholders or their associates will be provided. Accordingly, the Directors are of the view that there are sufficient safeguards against any abuse of the Proposed JSAS resulting from the participation of Controlling Shareholders of the Company or their associates.

13. DISCLOSURES IN ANNUAL REPORT

The following disclosures (as applicable) will be made by the Company in its annual report for so long as the Proposed JSAS continues in operation:

- (a) the names of the members of the JSAS Committee administering the Proposed JSAS;
- (b) in respect of the following Selected Persons of the Proposed JSAS:
 - (i) Directors of the Company;
 - (ii) Controlling Shareholders and their Associates; and
 - (iii) Selected Persons (other than those in paragraphs (i) and (ii) above) who have received Shares pursuant to the vesting of Share Awards granted under the Proposed JSAS which, in aggregate, represent 5.0% or more of the total number of Share Award Shares available under the Proposed JSAS,

the following information:

- (1) name of the Selected Person;
- (2) the aggregate number of Shares comprised in Share Awards granted to such Selected Person under the Proposed JSAS during the financial year under review;
- (3) the aggregate number of Shares comprised in Share Awards granted to such Selected Person under the Proposed JSAS since the commencement of the Proposed JSAS to the end of the financial year under review;
- (4) the aggregate number of Shares comprised in Share Awards granted to such Selected Person under the Proposed JSAS which have vested during the financial year under review and in respect of such Share Awards, the proportion of Shares issued or transferred upon the release of the vested Share Awards; and
- (5) the aggregate number of Shares comprised in Share Awards granted to such Selected Person under the Proposed JSAS which have not been released as at the end of the financial year under review;

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- (c) in relation to the Proposed JSAS, the following particulars:
 - (i) the aggregate number of Shares comprised in Share Awards vested since the commencement of the Proposed JSAS to the end of the financial year under review;
 - (ii) the aggregate number of Share Award Shares issued which are comprised in Share Awards vested during the financial year under review; and
 - (iii) the aggregate number of Shares comprised in Share Awards which have not been released as at the end of the financial year under review; and
- (d) such other information as may be required by the Catalist Rules or the Act.

14. PROPOSED NEW SHARE ISSUE MANDATE

14.1 The Proposed New Share Issue Mandate

On 12 August 2014, the Company announced, *inter alia*, the Rights Cum Warrants Issue and that the Rights Cum Warrants Issue will be undertaken pursuant to 2014 AGM Share Issue Mandate. As at the Latest Practicable Date, the Company anticipated that the Rights Cum Warrants Issue would be fully subscribed and the 2014 AGM Share Issue Mandate would have been fully utilised for the Rights Cum Warrants Issue.

The Company will be seeking Shareholders' approval at the EGM for the New Share Issue Mandate (which will be the first share issue mandate to be sought after the 2014 AGM, but before the next annual general meeting of the Company) to be given to the Directors to issue new Shares and convertible securities of the Company of up to 100% of the total number of issued shares in the capital of the Company excluding treasury shares as at the date of the EGM, of which the aggregate number of shares and convertible securities to be issued other than on a pro-rata basis to Shareholders shall not exceed 50% of the total number of issued shares in the capital of the Company excluding treasury shares as at the date of the EGM.

The New Share Issue Mandate, if approved by Shareholders at the EGM, will supercede and replace the 2014 Share Issue Mandate, to the extent that the 2014 Share Issue Mandate has not yet been utilised, and shall take force and effect from the date of the EGM, and the 2014 Share Issue Mandate to the extent that the 2014 Share Issue Mandate has not yet been utilised, shall correspondingly be deemed revoked with effect from the date of the EGM.

The New Share Issue Mandate will be tabled as an ordinary resolution at the EGM. Subject as aforesaid, the New Share Issue Mandate will take effect from the passing of the said resolution and shall continue in force until the next annual general meeting of the Company, unless prior thereto, the New Share Issue Mandate is carried out to the full extent mandated or the New Share Issue Mandate is revoked or varied by the Company in a general meeting. Subject to its continued relevance to the Company, the New Share Issue Mandate will be put to Shareholders for renewal at subsequent annual general meetings of the Company.

On 3 October 2014, the Company announced a change of its financial year end from 31 December to 31 March. Accordingly, the next AGM is anticipated to be held in July 2015.

14.2 Rationale of the Proposed New Share Issue Mandate

As at the 2014 AGM, the Company had an issued share capital of 234,729,245 Shares. On 12 August 2014, the Company announced, *inter alia*, the Rights Cum Warrants Issue and that the Rights Cum Warrants Issue will be undertaken pursuant to 2014 AGM Share Issue Mandate. As at the Latest Practicable Date, the Company has utilised its 2014 AGM Share Issue Mandate.

The Proposed New Share Issue Mandate will provide an expeditious avenue for the Company to raise additional funds for the purposes of funding the growth and expansion of the Group through acquisitions and investments and general working capital.

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The Directors are of the opinion that a general (as opposed to a specific) approval for the Directors to issue new Shares or convertible securities of the Company under the New Share Issue Mandate will enable the Company to have greater flexibility and scope in negotiating with third parties in potential fund raising exercises or other arrangements or transactions involving the capital of the Company. The expense and delay of otherwise having to convene further general meetings of the Company in excess of the 2014 AGM Share Issue Mandate and thereby inconveniencing the Shareholders would also be avoided.

15. INTERESTS OF DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, none of the Directors have any direct or indirect interests in the issued and paid-up share capital of the Company as per the Register of Directors' Shareholdings maintained pursuant to Section 164 of the Companies Act.

The interests of Substantial Shareholders in the issued and paid-up share capital of the Company as recorded in the Register of Substantial Shareholders maintained pursuant to Section 88 of the Companies Act are as follows:

Name	Direct Interest		Deemed Interest	
	Number of Shares	% of total issued Shares	Number of Shares	% of total issued Shares
WE Holdings Ltd	62,903,000	26.8	–	–

Mr Terence Tea Yeok Kian, the Executive Director and Chief Executive Officer of the Company, is also the Executive Chairman of the Vendor. Therefore, Mr Terence Tea Yeok Kian is deemed to be interested in the Proposed Acquisition.

Save as disclosed above, none of the Directors and substantial Shareholders of the Company has any interests, direct or indirect, in the Proposed Acquisition, other than in his capacity as Director or Shareholder of the Company.

16. ADVICE OF THE IFA TO THE INDEPENDENT DIRECTORS

Chapter 9 of the Catalist Rules provides that, where Shareholders' approval is required for a transaction, the Circular must include an opinion from an independent financial adviser as to whether or not such transaction is on normal commercial terms and if it is prejudicial to the interests of the Company and its Minority Shareholders.

Accordingly, the IFA has been appointed to advise the Independent Directors on the Proposed Acquisition.

Taking into consideration the factors set out in its letter dated 5 November 2014 to the Independent Directors ("**IFA Letter**"), the IFA is of the opinion that the Proposed Acquisition as an Interested Person Transaction is on normal commercial terms and is not prejudicial to the interests of the Company and its Minority Shareholders.

The IFA Letter is set out as Appendix I of this Circular. **Shareholders are advised to read the IFA Letter carefully.**

17. STATEMENT OF THE AUDIT COMMITTEE

The Audit Committee comprises Mr Pao Kiew Tee (Chairman), Mr Foo Say Tun and Mr Low Chee Chiew. The Audit Committee, having reviewed, *inter alia*, the terms, the rationale and benefits of the Proposed Acquisition, and after considering the advice of the IFA as set out in the IFA Letter, is of the view that the Proposed Acquisition is on normal commercial terms and is not prejudicial to the interests of the Company and its Minority Shareholders.

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18. DIRECTORS' RECOMMENDATION

The Independent Directors, having considered the terms of the Proposed Acquisition, the rationale for entering into the Proposed Acquisition and the recommendations given by the IFA as contained in the IFA Letter, are of the view that the Proposed Acquisition is in the best interest of the Company and, accordingly, recommend that Shareholders vote in favour of the ordinary resolution relating to the Proposed Acquisition at the EGM.

The Directors, having considered and reviewed, amongst other things, the terms of the Proposed Jubilee Share Award Scheme and the Proposed New Share Issue Mandate and all other relevant facts set out in this Circular, the Directors are of the opinion that the Proposed Jubilee Share Award Scheme and the Proposed New Share Issue Mandate are in the interest of the Company, and accordingly, they recommend that Shareholders vote in favour thereof.

19. EXTRAORDINARY GENERAL MEETING

The EGM, notice of which is set out on page N-1 of this Circular ("**Notice of EGM**"), is to be held at No. 2 Woodlands Sector 1, #01-35 Woodlands Spectrum 1, Singapore 738068, on 21 November 2014 at 10 a.m. for the purpose of considering and, if thought fit, passing with or without any amendments the ordinary resolutions set out in the Notice of EGM.

A Depositor shall not be regarded as a Shareholder entitled to attend the EGM and to speak and vote thereat unless he is shown to have Shares entered against his name in the Depository Register, as certified by the CDP as at 48 hours before the EGM.

20. ACTION TO BE TAKEN BY SHAREHOLDERS

20.1 Appointment of proxies

Shareholders who are unable to attend the EGM and who wish to appoint a proxy to attend and vote on their behalf, should complete, sign and return the attached proxy form in accordance with the instructions printed thereon as soon as possible and in any event so as to arrive at the registered office of the Company on 19 November 2014 at 10 a.m., not less than forty-eight (48) hours before the time fixed for the EGM. The completion and lodgement of a proxy form by a Shareholder does not preclude him from attending and voting in person at the EGM in place of his proxy if he so wishes. However, any appointment of a proxy or proxies by such Shareholder shall be deemed to be revoked if the Shareholder attends the EGM in person, and in such event, the Company reserves the right to refuse to admit any person or persons appointed under the instrument of proxy, to the EGM.

20.2 When Depositor regarded as a Shareholder

A Depositor shall not be regarded as a Shareholder entitled to attend the EGM and to speak and vote thereat unless he is shown to have Shares entered against his name in the Depository Register, as certified by CDP, at least forty-eight (48) hours before the time fixed for the EGM.

21. ABSTENTION FROM VOTING

In accordance with Chapter 9 of the Catalist Rules, the Vendor and its associates shall abstain from voting on the resolution approving the Proposed Acquisition. Furthermore, the Vendor and its associates shall not act as proxies in relation to this resolution unless voting instructions have been given by a Shareholder.

Mr Terence Tea Yeok Kian, the Executive Director and Chief Executive Officer of the Company, is also the Executive Chairman of the Vendor. Therefore, Mr Terence Tea Yeok Kian is deemed to be interested in the Proposed Acquisition. Accordingly, he shall abstain from voting on the resolution approving the Proposed Acquisition.

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All Directors and their associates who are entitled to participate in the Proposed Jubilee Share Award Scheme will abstain from voting in respect of their holdings of Shares (if any) at the EGM in respect of Ordinary Resolution 3 and shall not accept appointments as proxies for voting at the EGM in respect of the aforesaid the aforesaid Ordinary Resolution 3 unless specific instructions have been given in the proxy instrument on how the Shareholders wish their votes to be cast for Ordinary Resolution 3.

Any Shareholder who is eligible to participate in the Proposed Jubilee Share Award Scheme, together with their Associates, must abstain from voting on the Ordinary Resolutions relating to the Proposed Jubilee Share Award Scheme at the EGM and should not accept appointments as proxies for any Shareholder to vote in respect of each of the said Ordinary Resolutions unless the Shareholder concerned have given specific instructions in his proxy form as to the manner in which his votes are to be cast in respect of such Ordinary Resolutions.

Save as disclosed herein, none of the Directors or Substantial Shareholders of the Company has any interest, direct or indirect, in the Proposed Acquisition, Proposed Jubilee Share Award Scheme and the Proposed New Share Issue Mandate.

22. CONSENTS

Both the IFA and the Valuer have given and have not withdrawn their consent to the issue of this Circular with the inclusion of their name and all references to their name in the form and context in which it appears in this Circular.

23. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this Circular and confirm, after making all reasonable enquiries, that to the best of their knowledge and belief, this Circular constitutes full and true disclosure of all material facts about the Proposed Acquisition, the Proposed Jubilee Share Award Scheme and the Proposed New Share Issue Mandate, the Company and its subsidiaries, and the Directors are not aware of any facts the omission of which would make any statement in this Circular misleading. Where information in this Circular has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of the Directors has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in this Circular in its proper form and context.

24. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the registered office of the Company during normal business hours from the date of this Circular up to and including the date of the EGM:

- (a) the Sale & Purchase Agreement dated 18 July 2014;
- (b) the Supplemental Agreement dated 9 October 2014;
- (c) the IFA Letter, dated 5 November 2014;
- (d) Independent Corporate Valuation Report dated 16 October 2014;
- (e) the letter of consent from the IFA dated 5 November 2014;
- (f) the letter of consent from the Valuer dated 5 November 2014;

LETTER TO SHAREHOLDERS

- (g) the Memorandum & Articles of Association of the Company; and
- (h) rules of the Proposed JSAS.

Yours faithfully,
For and on behalf of the Board of Directors of
Jubilee Industries Holdings Ltd.

Foo Say Tun
Non-Executive Chairman and Independent Director
5 November 2014

APPENDIX I – LETTER FROM THE INDEPENDENT FINANCIAL ADVISER TO THE INDEPENDENT DIRECTORS

PROVENANCE CAPITAL PTE. LTD.

(Company Registration Number: 200309056E)
(Incorporated in the Republic of Singapore)
96 Robinson Road #13-01 SIF Building
Singapore 068899

5 November 2014

To: The Independent Directors of Jubilee Industries Holdings Ltd.
(deemed to be independent in respect of the Proposed Acquisition)

Mr Foo Say Tun	(Non-Executive Chairman and Independent Director)
Mr Low Chee Chiew	(Independent Director)
Mr Pao Kiew Tee	(Independent Director)

Dear Sirs,

THE PROPOSED ACQUISITION OF WE COMPONENTS PTE. LTD. AS AN INTERESTED PERSON TRANSACTION

Unless otherwise defined or the context otherwise requires, all terms used herein have the same meanings as defined in the circular to the Shareholders of the Company dated 5 November 2014 (“Circular”). For the purpose of our IFA Letter, where applicable, we have used the foreign exchange rate of US\$1.00:S\$1.242 on 18 July 2014, being the announcement date of the SPA. The above foreign exchange rate is extracted from Bloomberg L.P. and is provided solely for information.

1. INTRODUCTION

1.1 On 11 July 2014, the Board of Directors (“**Board**” or “**Directors**”) of Jubilee Industries Holdings Ltd. (“**Company**”, together with its subsidiaries, “**Group**”) announced, *inter alia*, that it had entered into a non-binding memorandum of understanding (“**MOU**”) with WE Holdings Ltd. (“**WEH**” or “**Vendor**”), for the acquisition of the entire issued and paid-up share capital, consisting of 9,276,797 ordinary shares (“**Sale Shares**”) of WE Components Pte. Ltd. (“**WEC**” or “**Target Company**”) from the Vendor (“**Proposed Acquisition**”).

WEC, together with its subsidiaries (“**WEC Group**” or “**Target Group**”), is engaged in the provision and distribution of electronic components and products, services and solutions to industrial and commercial users. The Target Group is the electronics component business of the Vendor, a company listed on the SGX-Catalist. The sale of the Target Group will enable the Vendor to streamline its businesses and focus on its fast growing commodities businesses and its Myanmar investments, while the purchase of the Target Group by the Company will enable the Group to become a one-stop service provider to its customers from the procurement of components to the manufacture of the end products for its customers.

Pursuant to the MOU, the consideration for the Proposed Acquisition shall be paid in cash (“**Consideration**”) which shall be based on the net tangible asset value (“**NTA**”) of the inventories, plant and equipment of the Target Group based on the audited accounts of the Target Group for the financial year ended 31 March 2014 (“**FY2014**”) plus a premium to be agreed upon between the Company and the Vendor.

1.2 On 18 July 2014, the Company announced that it had entered into a sale and purchase agreement with the Vendor for the Proposed Acquisition (“**SPA**”) for an aggregate consideration of US\$8,393,000 (or S\$10.4 million) (“**Consideration**”). We understand that the Consideration is based on an agreed premium (“**Premium**”) of US\$1,718,000 above the NTA of the plant, equipment and inventories to be acquired which amounted to US\$6,675,000 as at 31 March 2014. The Consideration is to be adjusted, *inter alia*, after a stock count of the plant, equipment and inventories of the Target Group as at an agreed cut-off date, to determine the NTA value of these assets as at the cut-off date. In addition, the Proposed Acquisition will exclude the real properties (“**Excluded Properties**”) currently held by the

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Target Company. Thereafter, the Target Group will lease certain of the Excluded Properties back from the Vendor based on prevailing market rates.

- 1.3 On 8 October 2014, the Company announced that it had entered into a supplemental agreement (“**Supplemental Agreement**”) with the Vendor to supplement and clarify the terms of the SPA and the Proposed Acquisition. The Supplemental Agreement sets out the agreement that the SPA shall be amended in its entirety and replaced entirely with the sale and purchase agreement annexed to the Supplemental Agreement and dated the same as the SPA. Pursuant to the Supplemental Agreement, there are provisions for the increase in the Consideration to US\$14,010,000 and set-off as well as post-Acquisition adjustments, including the increase in Consideration by US\$5,617,000 in relation to the Excluded Properties and certain deposits (“**Deposits**”) which will only be determined based on the consolidated balance sheet of the Target Group at Completion (“**Completion Accounts**”). We understand that this is to facilitate the exclusion of certain assets and liabilities which the Company and the Vendor have agreed shall not be transferred to the Company, as the Company will be acquiring the entire Sale Shares of the Target Company.

In effect, the Company will be acquiring the plant, equipment and inventories of the Target Group and will be paying a Premium of US\$1,718,000 above the NTA of these acquired assets in accordance with the key terms of the SPA as announced on 18 July 2014.

However, the gross amount payable for the Proposed Acquisition pursuant to the Supplemental Agreement will be much higher than US\$8,393,000 as mentioned in paragraph 1.2 above.

As an illustration, based on the audited accounts of the Target Group for FY2014 which are reported in S\$ and read in conjunction with the audited consolidated accounts of the Vendor for FY2014 which are reported in US\$, the aggregate NTA of the plant, equipment and inventories of the Target Group and those items which are related to the electronics components business to be sold to the Company is US\$6,675,000, the NTA of the Excluded Properties is US\$5,617,000 and the book value of the Deposits is US\$2,386,000. The gross amount payable for the Proposed Acquisition (including the Premium of US\$1,718,000) will be US\$16,396,000.

- 1.4 As at the Latest Practicable Date, the Vendor is the controlling shareholder of the Company, holding an aggregate of 62,903,000 ordinary shares of the Company (“**Shares**”), representing 26.8% of the Company’s total issued Shares. As such, the Vendor is deemed an interested person (“**Interested Person**”, and together with its respective associates, “**Interested Persons**”) as defined under Rule 904(4) of the SGX-ST Listing Manual, Section B: Rules of the Catalist (“**Catalist Rules**”) and the Proposed Acquisition is deemed an interested person transaction (“**Interested Person Transaction**” or “**IPT**”).

- 1.5 In accordance with Rule 906 of the Catalist Rules, Shareholders’ approval must be obtained for any Interested Person Transaction of a value equal to, or more than 5.0% of the Group’s latest audited NTA or when aggregated with other IPTs during the same financial period, the value is equal to or more than 5.0% of the Group’s latest audited NTA. In obtaining such approval, pursuant to Rule 919 of the Catalist Rules, the Interested Person and its associates are required to abstain from voting on the resolution approving the Interested Person Transaction.

Based on the Group’s latest audited accounts for the financial year ended 31 December 2013, the Group’s audited NTA is approximately S\$34.6 million as at 31 December 2013. As the gross amount payable for the Proposed Acquisition of US\$16.4 million (or S\$20.4 million) represents approximately 59.0% of the Group’s latest audited NTA, pursuant to the Catalist Rules, the Proposed Acquisition is subject to the approval of the Company’s independent shareholders (“**Independent Shareholders**” or “**Minority Shareholders**”) at an extraordinary general meeting (“**EGM**”) to be convened.

The Vendor and its associates will abstain from voting on the Proposed Acquisition at the EGM in respect of their entire shareholdings in the Company.

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- 1.6 In compliance with the requirements of Chapter 9 of Catalist Rules, Provenance Capital Pte. Ltd. (“**Provenance Capital**”) has been appointed as the independent financial adviser (“**IFA**”) to render an opinion on whether the Proposed Acquisition, as an Interested Person Transaction, is on normal commercial terms and is not prejudicial to the interests of the Company and its Minority Shareholders.
- 1.7 Mr Terence Tea Yeok Kian, the Executive Director and Chief Executive Officer of the Company, is also the Executive Chairman and the Managing Director of the Vendor. As such, Mr Terence Tea Yeok Kian is deemed to be interested in the Proposed Acquisition. Save for Mr Terence Tea Yeok Kian, who will abstain from making any recommendation on the Proposed Acquisition as a Director of the Company, the remaining Directors, namely, Mr Foo Say Tun, Mr Low Chee Chiew and Mr Pao Kiew Tee, are deemed to be independent for the purpose of the Proposed Acquisition (“**Independent Directors**”).
- 1.8 This letter (“**Letter**”) is addressed to the Independent Directors and sets out, *inter alia*, our evaluation and opinion on the Proposed Acquisition as an Interested Person Transaction. This Letter forms part of the Circular to Shareholders which provides, *inter alia*, the details of the Proposed Acquisition and the recommendation of the Independent Directors thereon.

2. TERMS OF REFERENCE

We have been appointed as the IFA to advise the Independent Directors in respect of the Proposed Acquisition as an Interested Person Transaction. We are not and were not involved or responsible, in any aspect, of the negotiations in relation to the Proposed Acquisition nor were we involved in the deliberations leading up to the decision on the part of the Directors to propose the Proposed Acquisition, and we do not, by this Letter, warrant the merits of the Proposed Acquisition other than to express an opinion on whether the Proposed Acquisition as an Interested Person Transaction is on normal commercial terms and is not prejudicial to the interests of the Company and its Minority Shareholders.

It is not within our terms of reference to evaluate or comment on the legal, strategic, commercial and financial merits and/or risks of the Proposed Acquisition or to compare their relative merits *vis-à-vis* alternative transactions previously considered by the Company (if any) or that may otherwise be available to the Company currently or in the future, and we have not made such evaluation or comment. Such evaluation or comment, if any, remains the sole responsibility of the Directors and/or the management of the Company (“**Management**”) although we may draw upon the views of the Directors and/or the Management or make such comments in respect thereof (to the extent deemed necessary or appropriate by us) in arriving at our opinion as set out in this Letter.

In the course of our evaluation, we have held discussions with the Directors and Management and/or their professional advisers and have examined and relied on publicly available information collated by us as well as information provided and representations made to us, both written and verbal, by the Directors, the Management and the professional advisers of the Company, including information contained in the Circular. We have not independently verified such information or representations, whether written or verbal, and accordingly cannot and do not make any representation or warranty, express or implied, in respect of, and do not accept any responsibility for the accuracy, completeness or adequacy of such information or representations.

The Directors (including those who may have delegated detailed supervision of the Circular) have confirmed that, having made all reasonable enquiries, to the best of their respective knowledge and belief, information and representations as provided by the Directors and Management are accurate and have confirmed to us that, upon making all reasonable enquiries and to their best knowledge and beliefs, all material information available to them in connection with the Proposed Acquisition, the Company and the Group have been disclosed to us, that such information is true, complete and accurate in all material respects and that there is no other information or fact, the omission of which would cause any information disclosed to us or the facts of or in relation to the Proposed Acquisition or the Group stated in

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the Circular to be inaccurate, incomplete or misleading in any material respect. The Directors have jointly and severally accepted full responsibility for such information described herein.

We have not independently verified and have assumed that all statements of fact, belief, opinion and intention made by the Directors in the Circular in relation to the Proposed Acquisition have been reasonably made after due and careful enquiry. Whilst care has been exercised in reviewing the information on which we have relied on, we have not independently verified the information but nevertheless have made such reasonable enquiries and judgment as were deemed necessary and have found no reason to doubt the accuracy of the information and representations.

Save as disclosed, we would like to highlight that all information relating to the Proposed Acquisition, the Company, the Group and the Target Group that we have relied upon in arriving at our recommendation or advice has been obtained from publicly available information and/or from the Directors and 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 companies involved in the Proposed Acquisition, the Company, the Group or the Target Group at any time or as at 30 October 2014, being the Latest Practicable Date.

The scope of our appointment does not require us to conduct a comprehensive independent review of the business, operations or financial condition of the companies involved in the Proposed Acquisition, the Company and/or the Group, or to express, and we do not express, a view on the future growth prospects, value and earnings potential of the Company and/or the Group after the Proposed Acquisition. Such review or comment, if any, remains the responsibility of the Directors and the Management, although we may draw upon their views or make such comments in respect thereof (to the extent required by the Listing Manual and/or deemed necessary or appropriate by us) in arriving at our advice as set out in this Letter. We have not obtained from the Company and/or the Group any projection of the future performance including financial performance of the Target Group, the Company and/or the Group and further, we did not conduct discussions with the Directors and the Management on, and did not have access to, any business plan and financial projections of the Target Group, the Company and/or the Group. In addition, we are not expressing any view herein as to the prices at which the Shares may trade or the future value, financial performance or condition of the Company and/or the Group, upon or after the Proposed Acquisition.

We have not made an independent evaluation or appraisal of the assets and liabilities of the Target Group, the Company and/or the Group (including without limitation, property, plant and equipment). We have, however, been furnished with the business valuation report on the Target Group dated 16 October 2014 ("**Valuation Report**") prepared by BDO Advisory Pte Ltd ("**Valuer**"), being the independent valuer appointed by the Company for the purpose of the Proposed Acquisition, on which we have placed reliance on for such valuation. The Valuer had carried out an independent valuation of the Target Group as at 31 August 2014 ("**Valuation Date**") for the purpose of the Proposed Acquisition. A copy of the Valuation Report dated 16 October 2014 is set out in Appendix II to the Circular.

Our view as set out in this Letter is based upon the market, economic, industry, monetary and other conditions (if applicable) prevailing as of the Latest Practicable Date and the information provided and representations provided to us as of the Latest Practicable Date. In arriving at our view, with the consent of the Directors or the Company, we have taken into account certain other factors and have been required to make certain assumptions as set out in this Letter. We assume no responsibility to update, revise or reaffirm our opinion in light of any subsequent development after the Latest Practicable Date that may affect our opinion contained herein. Shareholders should further take note of any announcements relevant to Proposed Acquisition which may be released by the Company after the Latest Practicable Date.

In rendering our advice and giving our recommendations, we did not have regard to the specific investment objectives, financial situation, tax position, risk profiles or unique needs

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and constraints of any Independent Shareholder or any specific group of the Independent Shareholders. As each Independent Shareholder would have different investment objectives and profiles, we recommend that any individual Independent Shareholder or group of the Independent Shareholders who may require specific advice in relation to his or their investment portfolio(s) or objective(s) consult his or their stockbroker, bank manager, solicitor, accountant, tax adviser or other professional adviser immediately.

We have prepared this Letter for the use of the Independent Directors in connection with their consideration of the Proposed Acquisition and their advice to the Independent Shareholders arising thereof. The recommendations made to the Independent Shareholders in relation to the Proposed Acquisition remain the sole responsibility of the Independent Directors.

Our opinion in relation to the Proposed Acquisition should be considered in the context of the entirety of this Letter and the Circular.

3. THE PROPOSED ACQUISITION

The details of the Proposed Acquisition are set out in Sections 1, 2 and 3 of the Circular. The salient terms of the SPA are set out below:

3.1 Sale Assets

The Proposed Acquisition involves the acquisition of entire issued and paid-up share capital of the Target Company, consisting of 9,276,797 Sale Shares.

However, the Company and the Vendor have agreed on certain assets of the Target Group to be acquired by the Company and certain items to be excluded from the Target Group, and hence these excluded items are to be effectively transferred back to the Vendor. For clarity, the assets of the Target Group to be acquired by the Company and the excluded items to be effectively transferred back to the Vendor are listed out in the Supplemental Agreement and in the Circular, and are described below for your reference:

Assets / Items of the Target Group agreed to be acquired by the Company (“Sale Assets”)

(a) *The Target Company’s subsidiaries*

As at the last audited accounts for FY2014, the Target Company had seven (7) wholly-owned subsidiaries, an associated company and a sub-subsidiary. For the purpose of the Proposed Acquisition, it is the intention of the Company to keep only five (5) of the wholly-owned subsidiaries and the sub-subsidiary. As at the Latest Practicable Date, the remaining two (2) wholly-owned subsidiaries and the 20%-owned associated company are in the process of being transferred out from the Target Group to the Vendor. These entities to be transferred out from the Target Group are dormant or inactive companies.

The entities to be retained in the Target Group and which are all wholly-owned or ultimately wholly-owned by the Target Company are:

- (i) WE Components (Shanghai) Co Ltd, incorporated in the PRC;
- (ii) WE Components Co Ltd., incorporated in Thailand;
- (iii) WE Components (Hong Kong) Limited, incorporated in Hong Kong;
- (iv) Kin Wai Technology Ltd., incorporated in British Virgin Island;
- (v) WE Microelectronics Pte. Ltd., incorporated in Singapore; and
- (vi) WE Components India Pvt Ltd, incorporated in India, and held through WE Microelectronics Pte. Ltd.

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(b) *The inventories of the Target Group as at Completion*

As the intention of the Vendor is to divest its electronics components business to the Company, all its remaining inventories that relate to the electronics components business which are currently held by the Vendor and are not held in the Target Group will be transferred to the Target Group for the purpose of the Proposed Acquisition.

As an illustration, based on the last audited accounts for FY2014, the Vendor Group has inventories in relation to the electronics components business amounting to US\$6,237,000 whereas the Target Group's inventories totalled only S\$5,506,525 (US\$4,433,595) as at 31 March 2014. For the purpose of the Proposed Acquisition, the amount of inventories that the Company will acquire from the Vendor will be based on US\$6,237,000.

However, as the business of the Target Group is on-going and inventories level are expected to change from time to time and could vary from the above amount of US\$6,237,000. Hence, for the purpose of the Proposed Acquisition, the Company and the Vendor have agreed that the consideration to be paid for the inventories will be based on the net book value of the inventories as at Completion.

In addition, to give assurance to the Company that the inventories as at Completion will be fully realisable at their then net book values:

- (i) the Vendor shall grant to the Company an option to require the Vendor to acquire all the remaining inventories which are still unsold six (6) months after Completion at a price equivalent to the then net book value at Completion; and
- (ii) the Vendor shall pay the Company the shortfall in the realisable value of the inventories sold, being the difference between the net book value at Completion of the inventories sold and the actual realisable value of the inventories sold during the six (6) months period after Completion.

(c) *Plant and equipment comprising all plant, machinery, tools, equipment, vehicles and other chattels owned by the Target Group as at Completion for the purpose of its business*

As with the Sale Assets, the consideration to be paid for these plant and equipment will be based on the net book value as per the Completion Accounts. The Purchaser and the Vendor shall procure the finalisation and issue of the Completion Accounts which are the consolidated balance sheet of the Target Company at the date of the Completion.

(d) *All current contracts and engagements of each of the Target Group companies in relation to its business, including without limitation, contracts entered into between each of the Target Group companies and its respective suppliers and customers*

As the Company is acquiring the Target Group as a going concern business, it is logical for all existing contracts, in particular, contracts with the Target Group's customers and suppliers, to continue with the Target Group post-Completion.

(e) *The Deposits of the Target Group, including: (i) amounts deposited by the Target Group with banks and financial institutions for purposes of establishing or securing standby letters of credits issued in favour of their respective suppliers and remain outstanding as at Completion; (ii) all deposits by the Target Group to secure services; and (iii) all prepayments by the Target Group*

We understand that the above Deposits are necessary for the continuity of the business operation of the Target Group, in particular, the bank facilities which are extended to the Target Group for its working capital needs.

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The amount payable for the Deposits will be based on the Completion Accounts. However, the Company shall pay such amount only six (6) months after Completion according to the terms of the Supplemental Agreement.

3.2 Excluded Items

Assets / Items of the Target Group which are agreed to be excluded for the purpose of the Proposed Acquisition (“Excluded Items”)

The Excluded Items are:

- (a) *The two (2) wholly-owned subsidiaries and an associated company of the Target Group, which are all dormant or inactive companies, as mentioned in paragraph 3.1(a) above (“Excluded Entities”), namely:*
- (i) *WE Technology (HK) Ltd., a wholly-owned subsidiary incorporated in Hong Kong;*
 - (ii) *Plexus Electronics Inc., a wholly-owned subsidiary incorporated in the United States of America; and*
 - (iii) *Plexus Technology Taiwan Co., Ltd, a 20%-owned associated company incorporated in Taiwan.*

As at the Latest Practicable Date, the Excluded Entities are in the process of being transferred out from the Target Group to the Vendor. As these are dormant or inactive companies, the exclusion of these Excluded Entities has no significant impact on the Proposed Acquisition or on the Consideration for the Proposed Acquisition.

- (b) *The following Excluded Properties which shall be retained by the Vendor:*
- (i) *52 Ubi Avenue 3, Units #01-28, #01-29 and #01-30, The Frontier, Singapore 408867; and*
 - (ii) *10 Ubi Crescent, Ubi Techpark Lobby E, Units #03-94, #03-95 and #03-96 Singapore 408564.*

These Excluded Properties are currently being occupied and used for the electronics components business of the Target Group. Other than Unit #03-94 at Ubi Techpark Lobby E, which is not necessary for the operations of the Target Group, the Company intends to enter into a lease agreement with the Vendor to lease the remaining Excluded Properties so that the Target Group can continue to operate at the existing premises. It is intended for the duration of the lease agreement to be one year with an option to renew the lease at market rates for another year. The Company will obtain an independent valuation of the market rental for the lease agreement.

To effect the Excluded Properties, the Target Company will dispose the Excluded Properties to the Vendor for an aggregate consideration of US\$5,617,000 which is equivalent to the audited net book value of the Excluded Properties as at 31 March 2014, being the last financial year end of the Target Group. The Target Company shall simultaneously assign the right to receive the consideration of US\$5,617,000 to the Company. The Company and the Vendor shall then set-off the above consideration of US\$5,617,000 against the gross amount payable for the Proposed Acquisition. Please see paragraph 3.3 below for illustrative computation of the gross amount payable for the Proposed Acquisition.

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- (c) *The aggregate cash balance of the Target Group as at Completion (other than the Deposits) based on the Completion Accounts*

As mentioned in paragraph 3.1(e) above, the Deposits are necessary for the continuity of the business operation of the Target Group. Apart from the Deposits, the remaining cash balance, to be determined at Completion based on the Completion Accounts, is to be transferred out from the Target Group.

- (d) *All trade and other payables or other amounts owing by the Target Group to their creditors in connection with their respective businesses as at Completion including all bank loans, trust receipts and bills payable as shown in the Completion Accounts (“**Accounts Payables**”) and all amounts owing to the Target Group by their debtors in connection with their respective businesses as at Completion as shown in the Completion Accounts (“**Accounts Receivables**”)*

The Company and the Vendor have agreed that the Accounts Receivables and Accounts Payables are not part of the assets and liabilities of the Target Group to be acquired by the Company. As the Company is acquiring the Sale Shares of the Target Company, these assets and liabilities are an integral part of the Target Group. To effect the exclusion of these Accounts Receivables and Accounts Payables, the Company and the Vendor have agreed on the following arrangements:

- (i) The Vendor authorises the Company to collect the Accounts Receivables and thereafter apply the collections towards the payment of the Accounts Payables on its behalf;
- (ii) At Completion, if the Accounts Payables are more than the Accounts Receivables, the Vendor shall pay to the Company the amount in excess of the Accounts Receivables; and if the Accounts Receivables are not fully collected six (6) months after Completion, the Vendor will also pay to the Company the shortfall in the Accounts Receivables; and
- (iii) At Completion, if the Accounts Receivables exceed the Accounts Payables, the Company has six months after Completion (“**Cut-Off Date**”) to pay the Vendor the amount that the Accounts Receivables is in excess of the Accounts Payables. This will allow time for the Company to realise as much of the Accounts Receivables as possible before settling the excess payment to the Vendor. However, should the Accounts Receivables turn out to be less than the Accounts Payable, the Vendor will have to pay the Company the difference. However, if the Company subsequently manages to collect the Accounts Receivables after the Cut-Off Date, for example, where the Accounts Receivables were initially considered as impaired at the Cut-Off Date but the Company manages to collect it after the Cut-Off Date, then the Company will have to pay such amount collected to the Vendor.
- (e) *All income tax recoverable and deferred expenses, accruing and payable to the Target Group for the period up to the Completion Date, as assessed and determined by the relevant tax authorities (“**Income Tax Recoverable**”) and all deferred tax liabilities and income tax payables, accruing and payable by the Target Group for the period up to the Completion Date, as assessed and determined by the relevant tax authorities (“**Deferred Tax Liabilities / Income Tax Payables**”)*

If the Target Group should receive or recover any Income Tax Recoverable, the Company will have to pay the same equivalent amount to the Vendor. Likewise, if the Target Group should incur or pay for any of the Deferred Tax Liabilities / Income Tax Payable, the Vendor will have to pay the same equivalent amount to the Company. However, as such Income Tax Recoverable and Deferred Tax Liabilities / Income Tax Payables are to be assessed and determined by the relevant tax authorities, the above is unlikely to be settled by Completion as such tax matters could take some time to finalise. We understand from the Company that it has agreed with the Vendor

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that there is no long stop date for the above settlement. Each party has, however, agreed to pay within seven (7) business days from the date when each of the tax matters is assessed and determined by the relevant tax authorities.

- (f) *All other assets and liabilities of each of the Target Group, other than the Sale Assets*

This is a catch-all provision to clarify that the Company will only be acquiring the Sale Assets and aside from this, the other assets and liabilities of the Target Group will not be payable or borne by the Company. Based on the audited balance sheet of the Target Group as at 31 March 2014, all the assets and liabilities as itemised in the balance sheet of the Target Group appear to have been accounted for in the Supplemental Agreement.

3.3 Consideration for the Proposed Acquisition

SPA as announced on 18 July 2014

Pursuant to the SPA as announced on 18 July 2014, the aggregate Consideration for the Proposed Acquisition is US\$8,393,000 (or S\$10.4 million), which we understand is based on an agreed Premium of US\$1,718,000 above the NTA of the plant, equipment and inventories to be acquired which amounted to US\$6,675,000 as at 31 March 2014. The Consideration is to be adjusted, *inter alia*, after a stock count of the plant, equipment and inventories of the Target Group as at an agreed cut-off date, to determine the NTA value of these assets as at the cut-off date.

The Consideration for the Proposed Acquisition of US\$8,393,000 shall be in cash in three tranches:

- (a) the first payment of US\$4,196,500 (“**First Payment**”) which has already been paid to the Vendor as a deposit upon the execution of the SPA;
- (b) the second payment of US\$2,478,500 (“**Second Payment**”) shall be payable to the Vendor on Completion, subject to adjustments to the Consideration; and
- (c) the final payment of US\$1,718,000 (“**Final Payment**”) shall be payable to the Vendor on or before 31 December 2014, subject to further adjustments to the Consideration.

Supplemental Agreement

Pursuant to the Supplemental Agreement, there are provisions for the increase in the Consideration and set-off as well as post-Acquisition adjustments, including the increase in Consideration by US\$5,617,000 in relation to the Excluded Properties and the Deposits which will only be determined based on the Completion Accounts. We understand that this is to facilitate the exclusion of certain assets and liabilities of the Target Group which the Company and the Vendor have agreed shall not be transferred to the Company, as the Company will be acquiring the entire Sale Shares of the Target Company.

As a result, the gross amount payable for the Proposed Acquisition will be much higher than the Consideration of US\$8,393,000 mentioned in the SPA above. Other than the Excluded Properties which are based on their net book values as at 31 March 2014, the Sale Assets which are agreed to be acquired by the Company are based on the Completion Accounts which may be different from their book values as at 31 March 2014. This gives rise to the adjustments to the Consideration to be paid for the Second Payment. In addition, as certain Excluded Items are given up to six months from Completion to ascertain the realisable amount, further adjustments to the Consideration are necessary to determine the Final Payment. Pursuant to the Supplemental Agreement, the Final Payment is payable on or before 31 December 2014 or such other date as the Company and the Vendor may mutually agree in writing, and the Consideration is revised to US\$14,010,000 from US\$8,393,000. However, this takes into account only the Excluded Properties of US\$5,617,000 and does not include the Deposits.

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Computation of gross amount payable for the Proposed Acquisition

As an illustration, we have computed the gross amount payable for the Proposed Acquisition based on the audited accounts of the Target Group for FY2014 and read in conjunction with the audited consolidated accounts of the Vendor for FY2014 which are reported in US\$, as the Completion Accounts of the Target Group are not available as at the Latest Practicable Date.

Target Group	As at 31 March 2014 US\$'000 equivalent
Plant and equipment	438 ⁽¹⁾
Inventories	6,237 ⁽¹⁾
Total plant and equipment, and inventories	6,675
Premium for the Proposed Acquisition	1,718 ⁽²⁾
Consideration as per the SPA	8,393
Add: Excluded Properties	5,617 ⁽³⁾
Add: Deposits	2,386 ⁽³⁾
Gross amount payable for the Proposed Acquisition	16,396
Less: Set-Off at Completion	(5,617) ⁽³⁾
Net amount payable for the Proposed Acquisition	10,779

Notes:

- (1) Based on the plant and equipment, and inventories balance in the books of the Vendor as it is the Vendor's intention to dispose these plant and equipment, and inventories which are related to the electronics components business to the Company;
- (2) A goodwill premium as derived based on the Consideration in the SPA of US\$8,393,000 minus the net book values of the plant, equipment and inventories of the Target Group of US\$6,675,000 to be acquired by the Company; and
- (3) Based on the increase in Consideration and set-off pursuant to the Supplemental Agreement.

As described in paragraph 3.2(b) of this Letter, to effect the transfer of the Excluded Properties, the Company will pay as part of the Consideration for the Proposed Acquisition the net book value of the Excluded Properties of US\$5,617,000. On Completion, the Consideration for the Proposed Acquisition will then be set-off by the assignment by the Target Company to the Company the right to receive the consideration from the sale of the Excluded Properties from the Vendor.

With respect to the Deposits, as described in paragraph 3.1(e) of this Letter, bulk of the Deposits amounting to S\$2.9 million (US\$2.3 million) is in relation to bank balance held by banks to cover bank facilities granted to the Target Group. It is in the interest of the Target Group to continue with the existing bank facilities for its operations. With the sale of the Target Group, the payment for the Deposits would mean that the Company will be providing the financial support to the Target Group to secure the bank facilities and the Vendor will be released of its obligations accordingly.

In effect, the Company will be acquiring the plant, equipment and inventories of the Target Group and will be paying a Premium of US\$1,718,000 above the NTA of these acquired assets as set out in the Completion Accounts in accordance with the key terms of the SPA.

The Premium represents the goodwill for the Target Group's business, its existing network of customers and suppliers, and the continuation of the existing management of the Target

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Group. We understand that Mr Terence Tea Yeok Kian, the Executive Chairman and the Managing Director of the Vendor, and Mr Kwek Swee Leng Jonathan, the General Manager, who are the key management of the Target Group, will continue to manage and drive the business of the Target Group post-Acquisition.

The Company intends to fund the Proposed Acquisition through internal resources and/or fund raising exercises to be carried out by the Company. As at the Latest Practicable Date, the Company is carrying out a fund raising exercise by way of a rights-cum-warrants issue to Shareholders to raise funds of up to S\$6.9 million.

4. SELECTED FINANCIAL INFORMATION ON THE TARGET GROUP

4.1 Review of Operating Results

We set out below a summary of the audited profit and loss statements of the Target Group for the 15-month period from 1 January 2011 to 31 March 2012 (“**FP2012**”), and the financial years ended 31 March 2013 (“**FY2013**”) and 2014 (“**FY2014**”) and the unaudited interim profit and loss statements for the five-month period ended 31 August 2014 (“**5M2015**”) which have been prepared in accordance with the Singapore Financial Reporting Standards (“**FRS**”):

S\$	<-----	Audited	----->	Unaudited
	FP2012 ⁽¹⁾	FY2013	FY2014	5M2015
Revenue	70,683,817	52,273,712	55,896,858	29,596,005
Gross profit	5,953,216	3,230,313	2,511,159	2,082,070
Net (loss) / Profit	(1,807,893)	(1,207,003)	(3,759,418)	1,508,627 ⁽²⁾

Source: Vendor

Notes:

- (1) For FP2012, the Target Group’s reported financial results are for the 15-month period from 1 January 2011 to 31 March 2012 as a result of the change in the financial year end from 31 December to 31 March; and
- (2) Includes a reversal of doubtful debts of approximately S\$0.7 million.

FP2012 to FY2014

Revenue for the Target Group had remained relatively flat for the last three financial years from FP2012 to FY2014 after adjusting for the pro-rated revenue for FP2012. Gross profit margin had shown a declining trend during this period. We note that this was due mainly to the weak economic climate and stiff price competition that had affected the electronics industry. As a result, the Target Group had suffered net losses during this period.

5M2015

Revenue for 5M2015 accounted for 52.9% of the full year revenue for FY2014. This was due mainly to the non-exclusive distributorship signed with a key electronics components manufacturer for the Southeast Asia region. Gross profit margin achieved for 5M2015 was 7.0%, which was higher than the gross profit margin of 4.5% recorded for FY2014. The Target Group turnaround its loss-making position to record a net profit of S\$1.5 million for 5M2014.

We understand that the better performance in 5M2015 was due to the incumbent management team which took over the management of the Target Group in March 2013. Under the new management team which is headed by Mr Terence Tea Yeok Kian, the Target Group had secured new distributorships and implemented cost-cutting measures.

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4.2 Review of Financial Position

A summary of the latest available unaudited financial position of the Target Group as at 31 August 2014 is set out below:

S\$'000	31 August 2014
<i>Non-current Assets</i>	
Plant and equipment	7,179
<i>Current Assets</i>	
Inventories	8,792
Trade and other receivables	7,178
Other current assets	122
Cash and cash equivalents	5,452
Total Assets	28,723
<i>Non-current Liabilities</i>	
Deferred tax liabilities	704
Other financial liabilities	1,668
<i>Current Liabilities</i>	
Current income tax liability	58
Trade and other payables	20,584
Other financial liabilities	126
Total Liabilities	23,140
<i>Equity</i>	
Share capital	9,450
Other reserves	2,628
Retained earnings	(6,495)
Total equity	5,583

Source: Vendor

The Target Group's NTA as at 31 August 2014 is S\$5.6 million. However, pursuant to the terms of the Proposed Acquisition, the Company is effectively acquiring only the Sale Assets and shall exclude the Excluded Items. As such, the review of the financial position of the Target Group as at 31 August 2014 is not meaningful for the following reasons:

- (a) only the agreed Sale Assets will be acquired and paid for by the Company and the amount payable is based on the net book values of these assets/liabilities as reflected in the Completion Accounts; and
- (b) as detailed in paragraphs 3.1 and 3.2 of this Letter, adjustments are provided for post-Completion to ensure that, *inter alia*, the Excluded Items are accounted for and are realisable at their net book values as reflected in the Completion Accounts.

5. VALUATION OF THE TARGET GROUP

The Valuer had carried out an independent valuation of the Target Group as at 31 August 2014, being the Valuation Date, for the purpose of the Proposed Acquisition. The Valuation Report dated 16 October 2014 is attached as Appendix II to the Circular.

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The Valuer had estimated the fair market value of the Target Group to be between **US\$8.5 million and US\$9.0 million** on a controlling basis.

Basis of evaluation

The Target Group had been valued at fair market value, which the Valuer has defined as the amount at which Sale Shares would be expected to change hands between a knowledgeable willing buyer and a knowledgeable willing seller, neither of whom is under any compulsion to buy or sell.

Valuation approach

In the Valuer's assessment of the fair market value of the Target Group, they have adopted the income approach or discounted cash flow approach as their primary valuation methodology, because a hypothetical purchaser would acquire the Target Group on the expectation of future earnings and cash flows. They consider that the DCF approach most accurately reflects the future expectations of Target Group's performance and the inherent risks associated with future cash flows. Further, they have also used the market approach as a cross check. More information on these two approaches is detailed below:

- (a) Income approach: The income approach, or the discounted cash flow ("DCF") approach, estimates the present value of the projected future cash flows to be generated from the business and are theoretically available (though not necessarily paid) to the capital providers of the company.

The DCF approach is the favoured method whereby there is an erratic cash flow pattern, abnormal growth pattern or large variations in capital expenditure. It is also commonly used when businesses are able to forecast cash flows for a number of years.

A discount rate is applied to the projected future cash flows, generating a net present value for the forecast cash flow stream of the business. The forecast period should be of such a length as to enable the business to achieve a stabilised level of earnings.

A terminal value at the end of the explicit forecast period is then determined, the resulting value is then discounted back to the present date and added to the net present value of the forecast cash flow stream to give an overall value for the business. In calculating the terminal value of the business at the end of the explicit forecast period, regard must be had to the business' potential for future growth and/or expected life.

The discount rate is intended to reflect all risks of ownership and the associated risks of realising the stream of projected future cash flows. It can also be interpreted as the rate of return that would be required by providers of capital to the company to compensate them for the time value of their money, as well as the risk inherent in the particular investment.

- (b) Market approach: The market approach estimates a sustainable level of future earnings for a business and applies an appropriate multiple to those earnings, capitalising them into a value for the business.

In considering the maintainable earnings of the business being valued factors to be taken into account include, *inter alia*, the historical performance of the business, the expected level of future operating performance and expected changes in the operating environment of the business.

The multiples applied in a market approach valuation are generally based on data from listed companies and transactions in a comparable sector to the subject company, with adjustments made for business specific characteristics.

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Valuation of the Target Group

Using the DCF approach, the Valuer had estimated a value of the Target Group of between US\$8.0 million and US\$9.3 million based on the revenue growth sensitivities and between US\$8.0 million and US\$9.7 million based on discount rate sensitivities, with a base case value of US\$8.6 million.

Using the market approach as a cross check, the Valuer arrived a value of Target Group of between US\$5.2 million and US\$8.2 million, which is below the base to low case of the DCF valuation.

The Valuer has the view that the DCF approach most accurately reflects the future expectations of the Target Group's performance and inherent risks associated with future cash flows. Accordingly, the Valuer had estimated the fair market value of the Target Group to be between **US\$8.5 million and US\$9.0 million** on a controlling basis.

6. EVALUATION OF THE PROPOSED ACQUISITION

In our evaluation of the Proposed Acquisition, we have given due consideration to, *inter alia*, the following key factors:

- (a) rationale for the Proposed Acquisition;
- (b) analysis of the terms of the Proposed Acquisition;
- (c) analysis of selected financial information of the Target Group;
- (d) independent valuation of the Target Group; and
- (e) financial effects of the Proposed Acquisition.

6.1 Rationale for the Proposed Acquisition

It is not within our terms of reference to comment or express an opinion on the merits of the Proposed Acquisition or the future prospects of the Group after the Proposed Acquisition. Nevertheless, we have reviewed the rationale for the Proposed Acquisition set out in Section 6 of the Circular.

We note that the Company is looking to expand its service offerings via merger and acquisitions of companies and by forming new strategic alliances with its principals. The Proposed Acquisition will allow the Company to expand its existing manufacturing business to include the electronics components business to become a one-stop supply chain to its customers, enabling the Company to eliminate uncertainties from outsourced suppliers, reduce the overall production costs and eliminate unnecessary wastage. This adds values for the Company's customers and allows the Group to better negotiate with its customers.

6.2 Analysis of the terms of the Proposed Acquisition

Pursuant to the Proposed Acquisition, the Company is acquiring all the Sale Shares of the Target Company. However, the Company and the Vendor have agreed on certain assets of the Target Group to be acquired by the Company and certain items to be excluded from the Target Group, and hence these excluded items are to be effectively transferred back to the Vendor. As a result, the terms of the Proposed Acquisition include provisions for the increase in the Consideration and set-off as well as post-Acquisition adjustments to facilitate the exclusion of the certain assets and liabilities of the Target Group.

We have set out in detail in paragraph 3 of this Letter the terms and our evaluation of the Proposed Acquisition, in particular the Sale Assets to be acquired (paragraph 3.1) and the

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Excluded Items to be excluded (paragraph 3.2) and the computation of the gross amount payable for the Proposed Acquisition (paragraph 3.3).

In effect, the Company will be acquiring the plant, equipment and inventories of the Target Group and will be paying a Premium of US\$1,718,000 above the NTA of these acquired assets as set out in the Completion Accounts in accordance with the key terms of the SPA.

The Premium represents the goodwill for the Target Group's business, its existing network of customers and suppliers, and the continuation of the existing management of the Target Group. We understand that Mr Terence Tea Yeok Kian, the Executive Chairman and the Managing Director of the Vendor, and Mr Kwek Swee Leng Jonathan, the General Manager, who are the key management of the Target Group, will continue to manage and drive the business of the Target Group post-Acquisition.

The agreed Sale Assets will be acquired and paid for by the Company and the amount paid is based on the net book values of these assets/liabilities as reflected in the Completion Accounts. In addition, as detailed in paragraphs 3.1 and 3.2 of this Letter, there are adjustments to be made post-Completion to ensure that the Excluded Items are accounted for and are realisable at their net book values as reflected in the Completion Accounts.

6.3 Analysis of selected financial information of the Target Group

Price-earnings ratio ("PER")

In our assessment of the Consideration for the Proposed Acquisition, we have attempted to consider evaluating the historical PER implied by the Consideration for the Proposed Acquisition based on the historical full year results. However, in view of the financial results of the Target Group for FP2012, FY2013 and FY2014 which are all loss-making, assessment based on the PER matrix is not meaningful.

We note, however, that the Target Group has returned to profitability for 5M2015 and the key management of the Target Group will continue to drive the business after the Proposed Acquisition.

Premium above NAV of the Target Group

We have also attempted to assess the Consideration based on price-to-NTA value ("**P/NTA**").

The NTA of the Target Group shows the extent to which the value of the Sale Shares is backed by tangible assets net of liabilities. However, even though the Company is acquiring the Sale Shares, it is not acquiring all of the Target Group's NTA. As a result, assessment based on P/NTA matrix is also not meaningful.

As mentioned in paragraphs 3.3 and 6.2 of this Letter, in effect, the Company is paying a Premium or goodwill of US\$1,718,000 above the NTA of the Sale Assets, notwithstanding that the Target Group had shown a downward trend in its financial performance for FP2012, FY2013 and FY2014.

We understand from the Company that the Premium was determined based on the following:

- (i) negotiation between the Company and the Vendor on a willing seller, willing buyer basis;
- (ii) the Proposed Acquisition will provide the opportunity for the Company to expand its existing manufacturing business into the electronics components business to become a one-stop supply chain to its customers, as set out in the rationale for the Proposed Acquisition in paragraph 6.1 of this Letter and Section 6 of the Circular;
- (iii) the existing management of the Target Group, in particular, the key management namely Mr Terence Tea Yeok Kian, the Executive Chairman and the Managing

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Director of the Vendor, and Mr Kwek Swee Leng Jonathan, the General Manager, will continue to drive the business of the Target Group. For 5M2015, the Target Group had achieved profitability under the existing management; and

- (iv) the Vendor has assisted the Company to make the relevant notifications to the key suppliers for the proposed change in the shareholding of the Target Group and, thus far, have not met with any objections from these key suppliers on the proposed change in shareholding control of the Target Group.

Peer Comparison

We have had discussions with the Management about the appropriateness of evaluating the Proposed Acquisition against peer companies listed on the SGX-ST which are comparable with the Target Group, that is, listed companies that are engaged in the trading and distribution of electronics related products. In view of the losses incurred by the Target Group for FP2012, FY2013 and FY2014, albeit having achieved profitability for FP2015, comparison on a historical PER basis with the listed peer companies is not meaningful.

Comparison of the Target Group on a P/NTA basis with the listed peer companies would also not be appropriate as the Company is acquiring the Sale Assets and not acquiring the Excluded Items, even though it is acquiring all the Sale Shares of the Target Company. In addition, the listed peer companies are generally much larger in size than the Target Group, in terms of revenue, asset size and/or market capitalisation.

6.4 Independent valuation of the Target Group

As disclosed in paragraph 5 of this Letter, the Valuer had estimated the fair market value of the Target Group to be between **US\$8.5 million and US\$9.0 million** on a controlling basis based on the unaudited management accounts of the Target Group for the five-month period ended 31 August 2014.

The unaudited NTA of the Target Group as at 31 August 2014 is approximately S\$5.6 million (or US\$4.5 million).

Based on the above fair market value range of between US\$8.5 million and US\$9.0 million, the implied premium over the NTA of Target Group of US\$4.5 million as at 31 August 2014 would be between US\$4.0 million and US\$4.5 million.

As mentioned in paragraphs 3.3 and 6.2 of this Letter, the Premium for the Proposed Acquisition is US\$1,718,000. The Premium is well within the range of the implied premium as derived from the above independent valuation by the Valuer.

6.5 Financial effects of the Proposed Acquisition

Details on the financial effects of the Proposed Acquisition on the Group are set out in Section 8 of the Circular and are based on the financial statements of the Group for the financial year ended 31 December 2013 and of the Target Group for FY2014 and various assumptions. In summary, the Proposed Acquisition would result in the following financial effects for the Group:

- (a) NTA of the Group will decrease due mainly to the Premium of US\$1,718,000 paid for the Proposed Acquisition as the Premium is regarded as goodwill or intangible asset which will be deducted in arriving at the NTA of the enlarged Group;
- (b) the financial results of the enlarged Group will be adversely affected by the losses incurred by the Target Group for FY2014; and
- (c) there is no impact on share capital as the Proposed Acquisition is intended to be paid in cash and not through an issuance of new Shares to the Vendor. However, we note that the Company is carrying out a fund raising exercise by way of a rights-cum-

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warrants issue to Shareholders to raise funds of up to S\$6.9 million. As at the Latest Practicable Date, the rights-cum-warrants issue has not been completed.

7. OUR OPINION

In arriving at our opinion in respect of the Proposed Acquisition, we have reviewed and examined all factors which we consider to be pertinent in our assessment, including the following key considerations:

- (a) rationale for the Proposed Acquisition;
- (b) analysis of the terms of the Proposed Acquisition;
- (c) analysis of selected financial information of the Target Group;
- (d) independent valuation of the Target Group; and
- (e) financial effects of the Proposed Acquisition.

Overall, having considered the above and the information available to us as at the Latest Practicable Date, we are of the opinion that the Proposed Acquisition as an Interested Person Transaction is on normal commercial terms and is not prejudicial to the interests of the Company and its Minority Shareholders.

Our opinion, as disclosed in this Letter, is based solely on publicly available information and information provided by the Directors and the Management and does not reflect any projections of future financial performance of the Company or the Group after the completion of the Proposed Acquisition. In addition, our opinion is based on the economic and market conditions prevailing as at the Latest Practicable Date and is solely confined to our views on the Proposed Acquisition.

This Letter is addressed to the Independent Directors for their benefit and for the purpose of their consideration of the Proposed Acquisition. The recommendation to be made by the Independent Directors to the Shareholders shall remain the sole responsibility of the Independent Directors. Whilst a copy of this Letter may be reproduced in the Circular, neither the Company, the Directors nor any other person may reproduce, disseminate or quote this Letter (or any part thereof) for any other purpose other than for the purpose of the EGM and for the purpose of the Proposed Acquisition, at any time and in any manner without the prior written consent of Provenance Capital in each specific case.

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

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

Wong Bee Eng
Chief Executive Officer



WE COMPONENTS PTE LTD

INDEPENDENT CORPORATE
VALUATION

16 October 2014

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16 October 2014

The Board of Directors
JUBILEE INDUSTRIES HOLDINGS LTD
2 Woodlands Sector 1
#01-35 Woodlands Spectrum
Singapore 738068

Dear Sirs,

Re: INDEPENDENT CORPORATE VALUATION

Dear Sirs

In accordance with your instructions, confirmed in our engagement letter dated 27 August 2014, we have undertaken an independent valuation of WE Components Pte Ltd (“WEC” or the “Company”) as at 31 August 2014.

This report is intended solely for the use of Jubilee Industries Holdings Ltd (“Jubilee”) and the Independent Financial Advisor for the acquisition of WEC. It should not be disclosed to any other person without our prior written consent. We accept no duty of care to any third party for this report. Accordingly, regardless of the form of action, whether in contract, tort or otherwise, and to the extent permitted by applicable law, BDO accepts no liability of any kind to any third party and disclaims all responsibility for the consequences of any third party acting or refraining to act in reliance on the report.

The information used by BDO in preparing this report has been obtained from a variety of sources as indicated within the report. While our work has involved analysis of financial information and accounting records, it has not included an audit in accordance with generally accepted auditing standards. Accordingly we assume no responsibility and make no representations with respect to the accuracy or completeness of any information provided to us by and on your behalf.

The management of Jubilee has reviewed a draft version of this report and has confirmed that the information provided to us is accurate and that no significant information essential to our report has been withheld.

Budgets/forecasts/projections relate to future events and are based on assumptions which may not remain valid for the whole of the relevant period. Consequently, they cannot be relied upon to the same extent as information derived from audited accounts for completed accounting periods. For these reasons we express no opinion as to how closely the actual results achieved will correspond to those budgeted/forecasted/projected.

By its very nature, valuation work cannot be regarded as an exact science and the conclusions arrived at in many cases will of necessity be subjective and dependent on the exercise of individual judgement. For each intangible asset there is, therefore, no indisputable single value and we normally

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express our opinion as falling within a likely range. Although our conclusions are in our opinion reasonable and defensible, others might wish to argue for a different value.

If you require any clarification or further information, please do not hesitate to contact us.

Yours faithfully

BDO Advisory Pte Ltd

1 Executive Summary

We set out below a summary of our assessment of the fair market value of WEC:

	DCF		Market Multiples	
	Low	High	Low	High
Implied equity value of WEC (SGD'000)	9,189	12,983	6,433	10,187
Implied equity value of WEC (USD'000)	7,356	10,393	5,150	8,155

Source: BDO Analysis

We have relied upon the DCF approach as our primary valuation methodology. We have estimated the fair market value of WEC to be between USD 8.5 million and USD 9.0 million, on a controlling basis. A USD/SGD conversion rate of USD 1 = SGD 1.249 has been applied.

Our DCF valuation is based on an annual revenue growth rate of 5% from FY2016 onwards. It is assumed based on the historical revenue growth trends and management's view on the future business plan.

We set out below a sensitivity analysis which demonstrates the impact on our valuation of a change to the forecast revenue growth rate:

'000	4.5%	5%	5.5%
Present value of forecasted cash flows from FY2015 to FY2019	1,156	1,276	1,394
Terminal value	11,497	12,180	12,873
Enterprise value	12,653	13,456	14,267
Less: non-operating liabilities	(2,694)	(2,694)	(2,694)
Equity value (SGD'000)	9,959	10,762	11,573
Equity value (USD'000)	7,972	8,615	9,264

Source: BDO Analysis

Valuation of WEC

We have assessed the value of WEC by determining the value of WEC as a whole, on a controlling interest basis.

We have relied upon the DCF approach as our primary valuation methodology. We have estimated a value of WEC between USD 8.0 million and USD 9.3 million based on the revenue growth sensitivities, and between USD 8.0 million and USD 9.7 million based on discount rate sensitivities, with a base case value of USD 8.6 million.

We have performed a cross check on our DCF valuation using a market approach. This gives a value of WEC between USD 5.2 million and USD 8.2 million. We note that this range is below the base to low

case DCF valuation, we consider that the DCF approach most accurately reflects the future expectations of the Company’s performance and the inherent risks associated with future cash flows.

We have estimated the fair market value of WEC to be between USD 8.5 million and USD 9.0 million, on a controlling basis.

Fair market value is defined as the amount at which the share would change hands between a knowledgeable willing buyer and a knowledgeable willing seller, neither being under a compulsion to buy or sell.

We have based our expectations of WEC’s forecast cash flows on a number of key assumptions. We have arrived at these assumptions following a review of the historical performance of WEC, forecasts prepared by management and third party market data. The key assumptions adopted in the preparation of the projections are provided in Section 5 of this report.

Sensitivity Analysis

In our base case DCF valuation, we have assumed a discount rate of 11.09% and a terminal growth rate of 3%.

The table below presents a sensitivity analysis of the equity value of WEC based on a range of terminal growth rates and discount rates:

Terminal Growth Rate	Equity value in USD’000		
	Discount Rate		
	10.5%	11.09%	11.5%
2.5%	9,355	8,365	7,759
3.0%	9,683	8,615	8,878
3.5%	10,038	8,878	8,176

Source: BDO Analysis

2 Scope of the report

Purpose of the report

BDO has been engaged by Jubilee to provide an independent valuation of the Company as at 31 August 2014. We have not undertaken any due diligence or audit of the information provided to us. The accuracy of such information is the sole responsibility of the Directors. Our estimation of the value of WEC is based on the Company's existing operations and likely future expansion plans only, and does not take into account any fundamentally different business that management may pursue in the foreseeable future.

Basis of evaluation

The shares have been valued at fair market value, which we have defined as the amount at which the shares would be expected to change hands between a knowledgeable willing buyer and a knowledgeable willing seller, neither of whom is under any compulsion to buy or sell. Special purchasers may be willing to pay higher prices, to reduce or eliminate competition, to ensure a source of material supply or sales, or to achieve cost savings or other synergies arising on business combinations, which could only be enjoyed by the special purchaser. Our valuation of WEC has not been premised on the existence of a special purchaser.

Our valuation is based on market data as at 31 August 2014. We were provided with the management accounts for the financial period from 1 April to 31 August 2014.

Limitations and reliance on information

The opinion of BDO is based on economic, market and other conditions prevailing at the date of this report. Such conditions can change significantly over relatively short periods of time.

Our procedures and enquiries do not include verification work nor constitute an audit in accordance with Singapore Standards on Auditing ("SSA"), nor do they constitute a review in accordance with SSA2400 applicable to review engagements.



3 Profile of WEC

COMPANY OVERVIEW

WEC is a wholly-owned subsidiary of WE Holdings Ltd (“WEH”). WEC represents internationally renowned principals with an extensive array of active, passive and electromechanical products. These include memory devices, radio frequency modules, power management integrated circuits, microcontrollers, transistors, mosfets, capacitors, inductors, resistors, crystal, oscillators and connectors. In addition, it provides high end industrial power solutions, design-in services and integration to meet customers’ specific requirements.

WEC’s customers are mainly Original Design Manufacturer, Original Equipment Manufacturer and Electronics Manufacturer from diverse market segments throughout the Asia-Pacific region.

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FINANCIAL PERFORMANCE

The audited financial results of WEC for the financial period from 1 Jan 2011 to 31 March 2012, financial years ended 31 March 2013 and 2014 and the unaudited results for the five months period from 1 April to 31 August 2014 are summarised in the table below:

(SGD'000)	FP2012	FY2013	FY2014	FP2015
Income				
Sales	70,684	52,273	55,897	29,596
COGS	(64,731)	(49,043)	(53,386)	(27,514)
Gross profit	5,953	3,230	2,511	2,082
Gross margin	8%	6%	4%	7%
Expense				
Marketing and distribution	(821)	(486)	(562)	(218)
Administrative expenses	(5,562)	(3,681)	(2,910)	(1,107)
Total operating expense	(6,383)	(4,167)	(3,472)	(1,346)
Normalised EBITDA	(430)	(937)	(961)	757
Interest income	16	41	92	20
Finance costs	(795)	(564)	(601)	(162)
Other credits	82	1,448	1,383	439
Other charges	(298)	(948)	(3,498)	520
Depreciation	(135)	(209)	(175)	(65)
(Loss)/Profit before tax	(1,560)	(1,169)	(3,760)	1,509
Tax expense	(249)	(37)	-	(1)
(Loss)/Profit from continuing operations	(1,809)	(1,206)	(3,760)	1,508
Gain on property revaluation	2,592	618	322	-
Exchange difference	(285)	(199)	88	-
Total comprehensive income/(Loss)	498	(787)	(3,350)	1,508

Source: audited financial statements and unaudited interim accounts.

WEC's earnings over the last three financial years have been variable due to the impact of provision for impairment of trade debtors.

During the first five months of FY2015, the business of WEC has improved significantly due to the non-exclusive distributorship signed towards the end of FY2014 with a global key electronics components manufacturer to purchase and distribute high-tech electronics and mechanical components in the Southeast Asia region. The rights allow WEC to leverage on their products with an established customer base. The Company shall also benefit from better cost-savings and time management to effectively scale up its operations.

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FINANCIAL POSITION

The audited financial statements as at 31 March 2013 and 2014 and the unaudited balance sheet of WEC as at 31 August 2014 are summarised in the table below, the adjusted balance sheet as at transaction date is also shown below:

(SGD'000)	31 Mar 13	31 Mar 14	31 Aug 14	Adjusted
ASSETS				
<i>Non-current Assets</i>				
Plant and equipment	6,830	7,255	7,179	543
<i>Current Assets</i>				
Inventories	3,259	5,506	8,792	7,734
Trade and other receivables	14,555	13,536	7,178	-
Other current assets	113	180	122	-
Cash and cash equivalents	6,158	6,373	5,452	-
Total Current Assets	24,085	25,595	21,544	7,734
Total Assets	30,915	32,850	28,723	8,277
LIABILITIES AND EQUITY				
<i>Non-current Liabilities</i>				
Deferred tax liabilities	638	704	704	-
Other financial liabilities	1,843	1,723	1,668	-
	2,481	2,427	2,372	-
<i>Current Liabilities</i>				
Current income tax liability	57	18	58	-
Trade and other payables	12,523	25,438	20,584	2,694
Other financial liabilities	8,257	718	126	-
Total Current Liabilities	20,837	26,174	20,768	2,694
Total Liabilities	23,318	28,601	23,140	2,694
<i>Equity</i>				
Share capital	9,450	9,450	9,450	9,450
Other reserves	2,391	2,801	2,628	2,628
Retained earnings	(4,243)	(8,002)	(6,495)	(6,495)
Total Equity	7,598	4,249	5,583	5,583
Total Liability and Equity	30,916	32,850	28,723	8,277

Source: audited financial statements and unaudited interim accounts

Property, plant and equipment comprise mainly leasehold buildings, and plant and equipment. Leasehold buildings are measured at revalued amounts being its fair value at the date of revaluation, less any subsequent accumulated depreciation and accumulated impairment loss.

Other financial liabilities include bank loans which are secured against the leasehold industrial properties of the Company, corporate guarantee provided by WE Holdings Ltd. and cash and cash equivalents.

Other reserves relate to revaluation reserve arising from the properties and foreign currency translation reserve.

The adjusted balance sheet as at valuation date reflects the assets agreed to be transferred to Jubilee as per the Sales and Purchase Agreement. The other payables relate to net amount due to WE Holdings Limited arising from the novation or assignment of the following in accordance with the Sales and Purchase Agreement:

- 1) Leasehold and buildings, and plant and equipment;
- 2) Trade and other receivables;
- 3) Other current assets;
- 4) Cash and cash equivalents;
- 5) Deferred tax liabilities;
- 6) Other financial liabilities;
- 7) Current tax liabilities; and
- 8) Trade and other payables.

4 Valuation approaches and methodologies

GENERAL PRINCIPLES

There are two bases on which to determine the value of a company: going concern and liquidation. In the case of a company that is expected to continue operating into the future, the prospective investor will evaluate the risks and expected returns of the investment on a going concern basis. If for any reason the company choose to liquidate, liquidation values for the assets, as well as costs associated with the liquidation, would prevail.

All methodologies applied to the valuation of a company may be broadly classified into the asset based, income or market approaches.

ASSET BASED APPROACH

The asset based approach to value is applicable when the underlying asset values constitute the prime determinant of corporate worth. The application of this approach depends on the nature of the company's operations (such as an investment or real estate holding company) and/or if the outlook for a particular company's earnings is somewhat uncertain, or returns based on earnings are insufficient to justify the investment in assets.

This approach focuses on individual asset and liability values from the company's balance sheet, which are adjusted to fair market value. In addition, the asset based approach can be applied in situations where liquidation is imminent.

INCOME APPROACH

The income approach, or the discounted cash flow ("DCF") approach, estimates the present value of the projected future cash flows to be generated from the business and are theoretically available (though not necessarily paid) to the capital providers of the company.

The DCF approach is the favoured method whereby there is an erratic cash flow pattern, abnormal growth pattern or large variations in capital expenditure. It is also commonly used when businesses are able to forecast cash flows for a number of years.

A discount rate is applied to the projected future cash flows, generating a net present value for the forecast cash flow stream of the business. The forecast period should be of such a length as to enable the business to achieve a stabilised level of earnings.

A terminal value at the end of the explicit forecast period is then determined, the resulting value is then discounted back to the present date and added to the net present value of the forecast cash flow stream to give an overall value for the business. In calculating the terminal value of the business at the end of the explicit forecast period, regard must be had to the business' potential for future growth and/or expected life.

The discount rate is intended to reflect all risks of ownership and the associated risks of realising the stream of projected future cash flows. It can also be interpreted as the rate of return that would be

required by providers of capital to the company to compensate them for the time value of their money, as well as the risk inherent in the particular investment.

MARKET APPROACH

The market approach estimates a sustainable level of future earnings for a business (“maintainable earnings”) and applies an appropriate multiple to those earnings, capitalising them into a value for the business.

In considering the maintainable earnings of the business being valued factors to be taken into account include, inter alia, the historical performance of the business, the expected level of future operating performance and expected changes in the operating environment of the business.

The multiples applied in a market approach valuation are generally based on data from listed companies and transactions in a comparable sector to the subject company, with adjustments made for business specific characteristics.

VALUATION APPROACH APPLIED

In our assessment of the fair market value of WEC we have adopted the DCF approach as our primary valuation methodology, because a hypothetical purchaser would acquire the Company on the expectation of future earnings and cash flows. We have used the market approach as a cross check.

5 Valuation of WEC

VALUATION OF WEC

Fair market value is defined as the amount at which the share would change hands between a knowledgeable willing buyer and a knowledgeable willing seller, neither being under a compulsion to buy or sell.

In determining this amount, we have estimated the fair market value of WEC using the DCF approach for all business activities. We have then used the asset based approach and the market approach as a cross check.

DCF APPROACH

The DCF approach applies a discount rate to a company’s projected future cash flows, generating a net present value for the forecast cash flow stream of the business.

The steps for the discounted cash flow are the following:

	Forecasted or projected EBIT	
Less	Income taxes	
	After taxes cash flow	
Less	Working capital requirement	
Less	Capital expenditures net of tax shield	
Plus	Depreciation expenses	
	Maintainable cash flow	
Discounted	Rate of return	
	Present Value of future cash flow	
Plus	Present value of the terminal value	
	Value of Discounted Cash Flow (Entreprise Value)	
Less	Interest bearing debt	
Plus	Cash and other surplus assets	
	Fair Market Value (Equity Value)	

Surplus assets are those assets owned by a company which are surplus to its main operating activities, such as unused property, loans or investments. Such assets should be valued separately from the main operating activities of the company, after adjusting operating results to remove the net income or expense provided by the surplus assets.

We have not identified or been informed of any assets held by WEC that may be considered to be surplus assets.

ASSESSMENT OF THE FORECAST AND PROJECTED CASH FLOWS

We have based WEC's expected forecast cash flows on a number of key assumptions. We have arrived at these assumptions following a review of the historical performance of WEC, forecasts prepared by management and third party market data. We have also held discussions with WEC's management concerning their views on the future expectations of the business. The key assumptions we have adopted in the preparation of the projections are as follows:

- Revenue will increase at 27% in FY2015 due the new distribution contracts signed with a global key electronics components manufacturer and will increase at 5% from FY2016 onwards to FY2019.
- Gross profit margin will remain unchanged at the current level of around 7%.
- Marketing and distribution expenses will grow in tandem with the revenue growth.
- Administrative expenses will grow at 3% based on inflation as Management believes that the growth in revenue shall come from new products sold to the current customer bases, hence significant expansion in administrative function will not be required.
- WEC will lease the office from WEH after the acquisition, the rental will be charged based on the current market price of SGD2.5 psf.
- No major capital expenditure will be incurred in the future as the Company does not require heavy equipment to operate.
- Trade and other receivable turnover days will remain around 82 days based on the historical average.
- Inventory turnover days will remain at 27 days based on historical average.
- Trade payable turnover days will remain at 86 days based on historical average.

We have assumed that our projected cash flows are based on what a controlling owner would expect to receive, and therefore our cash flows already include an implied premium for control.

We have not undertaken a review of the projections in accordance with Singapore Standards on Auditing ("SSA"), nor do they constitute a review in accordance with SSA2400 applicable to review engagements. However, nothing has come to our attention as a result of our analysis that suggests that the assumptions on which the projections are based have not been prepared on a reasonable basis.

Terminal Value

We have projected our forecast cash flows to FY2019. We have thereafter assumed that the business will have reached a stabilised level of earnings and have applied a terminal value. We have calculated a terminal value into perpetuity based on the projected cash flows in FY2019 and an appropriate growth factor to reflect the potential for future growth in the business.

DETERMINATION OF THE REQUIRED RATE OF RETURN (DISCOUNT RATE)

The discount rate is the required rate of return derived from the weighted average cost of capital ("WACC").

The WACC represents a weighted average of after-tax cost of debt and cost of equity. The weighting is based on a target debt/equity ratio of its listed peers. We have determined the WACC for the business based on the following variables:

Cost of Debt

We have estimated the cost of debt as the effective interest rate of WEC's bank borrowings as at 31 March 2014.

Cost of Equity

Cost of equity has been calculated using the capital asset pricing model ("CAPM") method. The assumptions applied in the CAPM include the following:

- **Risk-free rate:** The risk-free rate equals the prevailing rate of return on long-term government bonds as at the Valuation Date;
- **Equity risk premium:** The equity risk premium equals the prevailing rate of return on common share of public companies. It represents the average additional return (over and above the risk-free rate) on the historical return on the stock exchange. It is based on studies of historical return;
- **Beta:** the beta of a stock is a number describing the volatility of an asset in relation to the volatility of the benchmark that it is compared to; and
- **Size premium:** as WEC is a private company with less diversified business profile than the comparable companies, we have applied a size premium based on Ibbotson's Size Premia report to take into consideration of the excess risk associated with smaller-cap companies.

Debt/Equity Ratio

The cost of debt and cost of equity have been weighted based on the company's historical debt/equity ratio, assuming there is no change in gearing.

Market-Observed WACC

We have also confirmed that our assessment of WACC is consistent with the observed WACC for comparable companies operating within the industry (based on data obtained from Bloomberg).

Hence, we have applied a discount rate to the free cash flows of 11.09%. Our detailed WACC calculations are included in Appendix 3 of this report.

We have added WEC's current surplus assets to the enterprise value assessed above to arrive at a fair market value of WEC's equity.

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DCF VALUATION SUMMARY

Based on the assumptions above, the fair market value of WEC using the WACC range identified is summarised below:

Present value of forecasted cash flows from FY2015 to FY2019 (SGD'000)	1,276
Terminal value (SGD'000)	12,180
Enterprise value (SGD'000)	13,456
Less: Non-operating liabilities (SGD'000)	(2,694)
Equity value (SGD'000)	10,762
Equity value (USD'000)	8,615

Source: BDO analysis

Sensitivity Analysis

We have also performed a sensitivity analysis considering different assumptions on the following key inputs:

- Terminal growth on the terminal value;
- Discount rate; and
- Revenue growth rate.

Our DCF valuation is based on a discount rate of 11.09% and a terminal growth rate of 3%. The table below shows the fair market value of WEC based on a wider range of terminal growth and discount rates:

Terminal Growth Rate	Equity value in USD'000		
	Discount Rate		
	10.5%	11.09%	11.5%
2.5%	9,355	8,365	7,759
3.0%	9,683	8,615	8,878
3.5%	10,038	8,878	8,176

Source: BDO Analysis

Our DCF valuation is based on an annual revenue growth rate of 5% from FY2016 onwards. It is assumed based on the historical revenue growth trends and management's view on the future business plan.

We set out below a sensitivity analysis which demonstrates the impact on our valuation of a change to the forecast revenue growth rate:

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'000	4.5%	5.0%	5.5%
Present value of forecasted cash flows from FY2015 to FY2019	1,156	1,276	1,394
Terminal value	11,497	12,180	12,873
Enterprise value	12,653	13,456	14,267
Less: non-operating liabilities	(2,694)	(2,694)	(2,694)
Equity value (SGD'000)	9,959	10,762	11,573
Equity value (USD'000)	7,972	8,615	9,264

Source: BDO Analysis

MARKET APPROACH VALUATION

We have also used the market approach as a cross check to the DCF valuation. As outlined in section 4, the market approach estimates future maintainable earning and applies an appropriate multiple to those earnings, capitalising them into a value for the business.

We have selected earnings before interest, tax, depreciation and amortisation (EBITDA) as an appropriate measure of earnings for WEC, as EBITDA multiples are less sensitive to different financing structures, depreciation accounting policies and effective tax rates of the comparable companies.

We have also considered a profit after tax (“PAT”) measure of earnings.

EBITDA Multiple

In estimating WEC’s future maintainable EBITDA, we have considered the one year forward normalised EBITDA of SGD 1.45 million derived from the projected cash flows.

We have assessed EBITDA multiples for companies comparable to WEC, as summarised in the following table:

Name	Enterprise Value Reporting currency million	EBITDA Reporting currency million	EV/EBITDA times
Karin Technology	491	84	5.8
Howteh Technology	589	44	13.4
Answer Technology	2,183	185	11.8
Serial System	185	22	8.4
Excelpoint Technology	81	10	8.5
Willas-Array Electronics	699	69	10.1

Source: BDO analysis and Bloomberg.

The companies selected above are similar to WEC in terms of business activities. However we have also recognised that WEC has a less diversified business profile as compared with the comparable companies. It is indicated that the median EV/EBITDA multiple is 9. Due to the less diversified business profile and lack of marketability of WEC shares, we have applied a 20% to 30% discount to the multiple.

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As a result, we have selected an EV/EBITDA multiple of between 6.3 and 7.2 times to be applied to WEC's business.

The value of WEC using the EBITDA multiple approach is summarised below:

'000	Low	High
Maintainable EBITDA (SGD'000)	1,449	1,449
Selected EBITDA multiple	6.3	7.2
Enterprise value (SGD'000)	9,127	10,431
Less: net debt (SGD'000)	(2,694)	(2,694)
Equity value (SGD'000)	6,433	7,737
Equity value (USD'000)	5,150	6,194

Source: BDO analysis

Our analysis indicates that the fair market value of WEC is in the range of USD 5.2 million to USD 6.2 million.

PAT Multiple ("P/E multiple")

We have estimated WEC's future maintainable PAT based on one year forward PAT derived from our projected cash flows. We do not consider the trailing 12 months results to be representative of future expected earnings. We have assessed future maintainable PAT of SGD 1.16 million.

We have assessed the P/E multiples for companies comparable to WEC, as summarised in the following table:

Name	Market capitalisation Reporting currency million	PAT Reporting currency million	P/E Multiple (forward +1) times
Karin Technology	410	40	10.3
Howteh Technology	740	33	22.7
Answer Technology	2,165	146	14.8
Serial System	100	11	8.7
Excelpoint Technology	53	6	8.9
Willas-Array Electronics	365	29	12.6

Source: BDO analysis and Bloomberg.

It is indicated that the median P/E multiple is 11. Due to the less diversified business and lack of marketability of WEC shares, we have applied a 20% to 30% discount to the multiple. As a result, we have selected an P/E multiple of between 7.7 and 8.8 times to apply to WEC's business. The value of WEC using the P/E multiple approach is summarised below:

	Low	High
Maintainable PAT (SGD'000)	1,158	1,158
Selected P/E multiple	7.7	8.8
Equity value (SGD'000)	8,914	10,187
Equity value (USD'000)	7,136	8,155

Source: BDO analysis

Our analysis above indicates a fair market value for WEC of between USD 7.1 million and USD 8.2 million.

SUMMARY OF MARKET APPROACH VALUATION

The valuation of WEC derived from the market approach is summarised in the following table:

	EV/EBITDA		P/E	
	Low	High	Low	High
Implied equity value of WEC (SGD'000)	6,433	7,737	8,914	10,187
Implied equity value of WEC (USD'000)	5,150	6,194	7,136	8,155

Our analysis indicates that the fair market value of WEC is in the range of USD 5.2 million to USD 8.2 million based on the range of market multiple approaches.

APPENDIX II – INDEPENDENT CORPORATE VALUATION REPORT

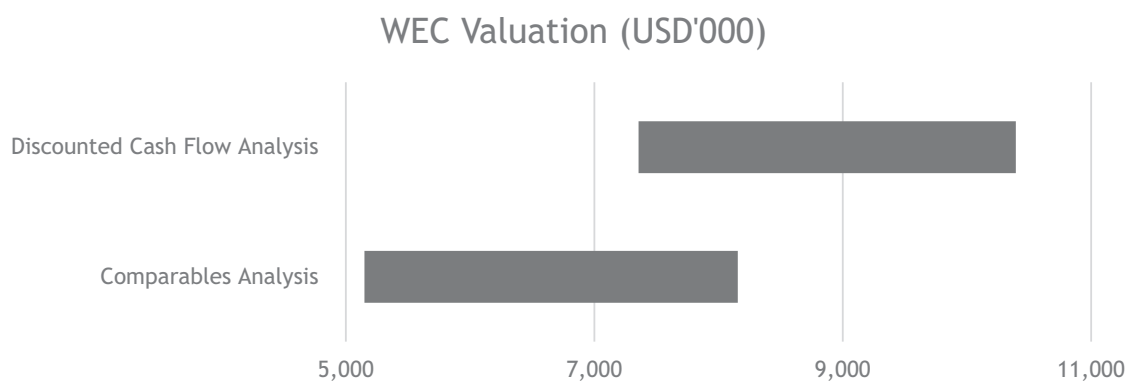
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CONCLUSION

The valuation of WEC derived from the DCF approach and the market approach produces a range of values of between USD 5.2 million and USD 10.4 million as follows:

	DCF		Market Multiples	
	Low	High	Low	High
Implied equity value of WEC (SGD'000)	9,189	12,983	6,433	10,187
Implied equity value of WEC (USD'000)	7,356	10,393	5,150	8,155

Source: BDO analysis



Source: BDO analysis

We have relied on the DCF approach as our primary valuation methodology. We have estimated a value of WEC between USD 8.0 million and USD 9.3 million based on revenue growth sensitivities, and between USD 8.0 million and USD 9.7 million based on discount rate sensitivities, with a base case value of USD 8.6 million.

We have also performed a cross check on our DCF valuation using a market approach. This gives a value of WEC between USD 5.2 million and USD 8.2 million. We note that this range is below the base to low case DCF valuation, we consider that the DCF approach most accurately reflects the future expectations of the Company's performance and the inherent risks associated with future cash flows.

We have estimated the fair market value of WEC to be between USD 8.5 million and USD 9.0 million, on a controlling basis.



Appendix 1: Glossary

Reference	Definition
Valuation Date	31 August 2014
BDO	BDO LLP
CAPM	Capital Asset Pricing Model
DCF	Discounted Cashflow
EBIT	Earnings before interest and tax
EBITDA	Earnings before interest, tax, depreciation and amortisation
FP	Financial Period
FY	Financial Year
Group	WEC and its subsidiaries
NPBT	Net profit before tax
SGD	Singapore Dollar
SSA	Singapore Standards on Auditing
WACC	Weighted Average Cost of Capital

Appendix 2: List of comparable companies

<u>List of Comparable Companies</u>		Business Description
Company	Ticker	
Karin Technology	KTH SP	Karin Technology Holdings Limited provides electronic components, integrated circuit software, and information technology infrastructure solutions. The Company distributes components from various suppliers, provides integrated circuit application design, and information technology infrastructure to customers in Hong Kong and PRC.
Howteh Technology	3114 TT	Howteh Technology Co., Ltd. Is an electronic component and equipment distributor. The Company distributes connectors, electronic passive components, memories, IC active components, and printed circuit board processing equipment. Howteh also provides system integration services.
Answer Technology	3528 TT	Answer Technology Company Ltd. distributes electronic components. The Company distributes semiconductor integrated circuits manufactured by other companies
Serial System	SERL SP	Serial System Limited trades computer peripherals and components and provided board level integration services and solutions. The Company also designs, develops, and manufactures consumer digital appliances, integrated circuits, and related electronic components.
Excelpoint Technology	EXLP SP	Excelpoint technology Limited distributes and trades electronics and electrical components and accessories. The Company also provides field application, design and development, and support services.
Willas-Array Electronics	WAE SP	Willas-Array Electronics (Holding) Limited distributes active and passive electronics components for use in the audio and video, telecommunications, industrial, consumer and computer segments. The Company also provided value added services such as technical advice, application and development support and failure analysis.

Appendix 3: WACC

Target Capital Structure	
Debt-to-Total Capitalisation ⁽⁶⁾	44.75%
Equity-to-Total Capitalisation	55.25%
Cost of Debt	
Cost of Debt ⁽⁷⁾	5.00%
Tax Rate	17.0%
After-tax Cost of Debt	4.15%
Cost of Equity	
Risk-free Rate ⁽¹⁾	2.27%
Market Risk Premium ⁽²⁾	6.00%
Levered Beta	0.78
Size Premium ⁽³⁾	9.74%
Cost of Equity	16.71%
WACC	11.09%

Company	Predicted Levered Beta ⁽⁴⁾	Market Value of Debt	Market Value of Equity	Debt/Equity	Marginal Tax Rate	Unlevered Beta
Karin Technology	0.40	167.99	410.46	40.93%	17.00%	0.30
Howteh Technology	0.76	150.00	740.00	20.27%	17.00%	0.65
Answer Technology	0.64	227.00	2,165.00	10.48%	17.00%	0.59
Serial System	0.82	129.00	99.70	129.39%	17.00%	0.39
Excelpoint Technology	0.96	45.88	53.35	86.00%	17.00%	0.56
Willas-Array Electronics	0.86	725.51	364.70	198.93%	16.50%	0.32
Mean	0.74	240.90	638.87	81%	0.17	0.47
Median	0.79	159.00	387.58	63%	0.17	0.48
Relevered Beta			0.47	81%	17.0%	0.78

- (1) 10-year Singapore Government Bond Rate. Source: Bloomberg at 31 August 2014
- (2) Market Risk Premium for Singapore and regional markets is assumed based on Country Default Spreads published by New York University.
- (3) Estimated from the Ibbotson Risk Premia Report for 2013.
- (4) Adjusted beta coefficients based on 5-year historical weekly data at 31 August 2014. Source: Bloomberg
- (5) The tax rate is the country tax rate in year 2014. Source: KPMG tax report
- (6) Based on the target debt/equity ratio of public comparable companies, measured at market level.
- (7) Cost of debt is based on the current loan interest rate enjoyed by the company. Source: Audited Report FY2014.

Appendix 4: Sources of information

In preparing this report we have had access to the following principal sources of information:

- Audited financial statements for WEC for the financial period/years ended 31 March 2012 to 2014.
- Management accounts for financial period from 1 April to 31 August 2014.
- Special audit report for the financial period from 1 April to 30 June 2014.
- 2014 to 2019 business plan, forecast and financial model.
- Publicly available information on comparable companies and market transactions.
- Other publicly available information, media releases and brokers reports on the palm oil industry/sectors.

In addition, we have had discussions in relation to the above information and to current operations and prospects and correspondence with certain directors and executives of WEC, including:

- Mr Kelvin Loh, Chief Financial Officer

APPENDIX III – RULES OF THE JUBILEE SHARE AWARD SCHEME

1. NAME OF THE SCHEME

The scheme shall be called the “**Jubilee Share Award Scheme**” (hereinafter, “**Proposed JSAS**”).

2. DEFINITIONS

2.1 Except where the context otherwise requires, the following expressions in the Rules shall have the following meanings:

“**Act**” means the Companies Act, Chapter 50 of Singapore, as modified, supplemented or amended from time to time;

“**Adoption Date**” means the date on which the Proposed JSAS is adopted by the Company in a general meeting;

“**Associate**” shall have the same meaning as defined in the Catalist Rules or any other publication prescribing rules or regulations for corporations admitted to Catalist, as modified, supplemented or amended from time to time;

“**associated company**” is a company in which at least 20% but not more than 50% of its shares are held by the Company and/or its subsidiaries, or a subsidiary of such company, and over whose management the Company has control over;

“**Auditors**” means the auditors of the Company for the time being;

“**Board**” means the board of Directors of the Company from time to time;

“**Catalist**” means the sponsor-supervised listing platform of the SGX-ST;

“**Catalist Rules**” means the Listing Manual (Section B: Rules of Catalist) of the SGX-ST, as amended, modified or supplemented from time to time;

“**CDP**” means the Central Depository (Pte) Limited;

“**CPF**” means the Central Provident Fund;

“**Company**” means Jubilee Industries Holdings Ltd.;

“**Controlling Shareholder**” shall have the same meaning as defined in the Catalist Rules;

“**Date of Grant**” means, in relation to a Share Award, the date on which the Shares are granted to a Selected Person;

“**Directors**” or “**Board of Directors**” or “**Board**” means the directors of the Company;

“**Group Employee**” means a full-time employee of the Group (including any Group Executive Director);

“**Group Executive Director**” means a director of any of the Company, its subsidiaries and/or its associated companies, as the case may be, who performs an executive function;

“**Group Non-Executive Director**” means a director of any of the Company, its subsidiaries and/or its associated companies (including an independent director), as the case may be, other than a Group Executive Director;

“**Financial Year**” or “**FY**” means the financial year of the Company ended 31 December or as the case may be;

“**Group**” means the Company and its subsidiaries collectively;

APPENDIX III – RULES OF THE JUBILEE SHARE AWARD SCHEME

“**JSAS Committee**” means the Remuneration Committee of the Company, or such other committee comprising Directors of the Company duly authorised and appointed by the Board to administer the Proposed JSAS;

“**Jubilee Share Award Scheme**” or “**JSAS**” or “**Proposed JSAS**” means the Jubilee Share Award Scheme, as the same may be modified or altered from time to time;

“**Market Day**” is a day on which the SGX-ST is open for trading of securities;

“**Market Price**” is the average of the last dealt prices for the Shares on the SGX-ST for the five consecutive Market Days immediately preceding the relevant date of grant for which there was trading in the Shares;

“**month**” means calendar month;

“**Performance Targets**” are the performance targets prescribed by the JSAS Committee to be fulfilled by a Selected Person for any particular period under the Proposed JSAS;

“**Record Date**” means the date as at the close of business on which Shareholders of the Company must be registered in order to participate in any dividends, rights, allotments or other distributions;

“**Rules**” means the rules of the Proposed JSAS, as the same may be amended from time to time;

“**Selected Person**” means a person who is selected by the JSAS Committee to participate in the Proposed JSAS in accordance with the provisions of the Proposed JSAS;

“**SGX-ST**” means Singapore Exchange Securities Trading Limited;

“**Shareholders**” means the registered holders of the Shares or in the case of depositors, depositors who have Shares entered against their names in the Depository Register;

“**Share Awards**” means the contingent award of Shares under the Proposed JSAS;

“**Shares**” means the ordinary shares in the capital of the Company;

“**subsidiary**” shall have the same meaning in relation to the Company as defined in the Act;

“**Vesting Period**” means, in relation to a Share Award, a period or periods, the duration of which is to be determined by the JSAS Committee at the Date of Grant;

“**%**” means percentage or per centum; and

“**\$**” or “**S\$**” is Singapore dollars.

- 2.2** The terms “**Depositor**” and “**Depository Agent**” shall have the meanings ascribed to them respectively by Section 130A of the Act.
- 2.3** Any reference in the Proposed JSAS to any enactment is a reference to that enactment as for the time being amended or re-enacted. Any word defined under the Act and used in these Rules shall have the meaning assigned to it under the Act.
- 2.4** Words importing the singular number shall include the plural number where the context admits and vice versa. Words importing the masculine gender shall include the feminine gender where the context admits.
- 2.5** Any reference to a time of day shall be a reference to Singapore time.

APPENDIX III – RULES OF THE JUBILEE SHARE AWARD SCHEME

3. OBJECTIVES

- 3.1 The purpose of the Proposed JSAS is to provide an opportunity for the Group Employees and directors of the Group, who have met the Performance Targets to be remunerated not just through cash bonuses but also by an equity stake in the Company. The Proposed JSAS is also extended to the Group Non-Executive Directors.
- 3.2 The Proposed Directors believe that the retention of outstanding employees within the Group is paramount to the Group's long-term objective of pursuing continuous growth and expansion in its business and operations. The Group also acknowledges that it is important to preserve financial resources for future business developments and to withstand difficult times. As such, one of the Group's strategies is to contain the remuneration of its employees and executives that is a major component of the Group's operating costs.
- 3.3 The Proposed JSAS is formulated with those objectives in mind. It is hoped that through the Proposed JSAS, the Group would be able to remain an attractive and competitive employer and better able to manage its fixed overhead costs without compromising on performance standards and efficiency.

4. ELIGIBILITY

- 4.1 The following persons (provided that such persons are not undischarged bankrupts at the relevant time) shall be eligible to participate in the Proposed JSAS at the absolute discretion of the JSAS Committee:
- (a) Group Employees who have attained the age of 21 years on or before the Date of Grant;
 - (b) Group Executive Directors; and
 - (c) Group Non-Executive Directors (including independent directors).
- 4.2 Group Employees, Group Executive Directors and Group Non-Executive Directors who are also Controlling Shareholders or Associates of a Controlling Shareholder are also eligible to participate in the Proposed JSAS provided that the terms of each grant and the actual number of Share Awards granted under the Proposed JSAS to a Selected Person who is a Controlling Shareholder or an Associate of a Controlling Shareholder shall be approved by the independent Shareholders in a separate resolution.
- 4.3 Directors and employees of the Company's subsidiaries are eligible to participate in the Proposed JSAS provided that (a) the aggregate number of Awards to be made available for grant to all such Selected Persons shall be approved by Shareholders in a separate resolution; and (b) the terms of each grant to a Selected Person, if the number of Awards together with Awards already granted to such person under the Proposed JSAS, represents 5% or more of the total number of Awards available to the aforesaid category of directors and employees, shall be approved by the independent Shareholders in a separate resolution.
- 4.4 The participation of the Controlling Shareholders or Associates of a Controlling Shareholder is subject to the following:
- (a) the aggregate of the number of Shares comprised in Share Awards granted to Controlling Shareholders or Associate(s) of a Controlling Shareholders under the Proposed JSAS shall not exceed 25.0% of the aggregate of the total number of Shares (comprised in Share Awards) which may be granted under the Proposed JSAS; and
 - (a) the number of Shares available to be granted to each Controlling Shareholder or Associate(s) of a Controlling Shareholder shall not exceed 10.0% of the total number of Shares (comprised in Share Awards) which may be granted under the Proposed JSAS.

APPENDIX III – RULES OF THE JUBILEE SHARE AWARD SCHEME

- 4.5 For the purposes of paragraph 4.1(a) above, the secondment of a Group Employee to another company within the Group shall not be regarded as a break in his employment or his having ceased by reason only of such secondment to be a full-time employee of the Group.
- 4.6 There shall be no restriction on the eligibility of any Selected Person to participate in any other share option or share incentive schemes implemented by the Company or any other company within the Group.
- 4.7 Subject to the Act and any requirement of the SGX-ST, the terms of eligibility for participation in the Proposed JSAS may be amended from time to time at the absolute discretion of the JSAS Committee.

5. LIMITATIONS UNDER THE PROPOSED JSAS

- 5.1 The aggregate number of Shares to be delivered pursuant to the vesting of the Share Awards on any date, when added to the number of Shares issued and/or issuable under such other share-based incentive plans of the Company, shall not exceed 15.0% of the total number of issued Shares (excluding treasury shares) on the day preceding that date.
- 5.2 Share Awards may only be vested, and consequently any Shares comprised in such Share Awards shall only be delivered, upon the JSAS Committee being satisfied that the Selected Person has achieved the Performance Targets.

6. DATE OF GRANT

The JSAS Committee may grant Share Awards at any time during the Financial Year of the Company provided that in the event that an announcement on any matter of an exceptional nature involving unpublished price sensitive information is imminent, Share Awards may only be vested and any Shares comprised in such Share Awards may only be delivered on or after the second Market Day from the date on which the aforesaid announcement is made.

7. SHARE AWARDS

- 7.1 Share Awards are personal to the Selected Person to whom it is given and shall not be transferred (other than to a Selected Person's personal representative on the death of that Selected Person), charged, assigned, pledged or otherwise disposed of, in whole or in part, unless with the prior approval of the JSAS Committee.
- 7.2 The JSAS Committee shall decide, in relation to each Share Award to be granted to a Selected Person:
- (a) the date on which the Share Award is to be vested;
 - (b) the number of Shares which are the subject of the Share Award;
 - (c) the Performance Targets;
 - (d) the prescribed Vesting Periods;
 - (e) the performance period during which the Performance Targets are to be satisfied;
 - (f) the extent to which the Shares under that Share Award shall be released on the Performance Targets being satisfied (whether fully or partially) or exceeded, as the case may be, at the end of the prescribed performance period and upon the expiry of the prescribed Vesting Period. No Shares under the Share Award shall be released for the portion of the Performance Targets which is not satisfied by the Selected Person at the end of the prescribed performance period and upon the expiry of the prescribed Vesting Period; and
 - (g) such other conditions which the JSAS Committee may determine in relation to that Share Award.

APPENDIX III – RULES OF THE JUBILEE SHARE AWARD SCHEME

7.3 Once a Share Award is finalised by the JSAS Committee, the JSAS Committee shall send a Share Award letter to the Selected Person confirming the said Share Award. The said Share Award letter shall specify, *inter alia*, the following:

- (a) the number of Shares which are the subject of the Share Award;
- (b) the Performance Targets for the Selected Person;
- (c) the performance period during which the Performance Targets shall be satisfied;
- (d) the prescribed Vesting Period and the date on which the Share Award shall be vested; and
- (e) any other conditions which the JSAS Committee may determine in relation to that Share Award.

8. VESTING OF THE SHARE AWARDS

8.1 Notwithstanding that a Selected Person may have met his Performance Targets:

- (a) no Share Awards shall be made; or
- (b) any Share Award, to the extent not yet vested, shall forthwith become void and cease to have any effect,

upon the occurrence of any of the following events:

- (a) the bankruptcy of the Selected Person or the happening of any other event which results in him being deprived of the legal or beneficial ownership of such Share Award;
- (b) misconduct on the part of the Selected Person as determined by the JSAS Committee in its absolute discretion;
- (c) if the JSAS Committee shall, at its absolute discretion, deem it appropriate that such Share Award to be given or given, as the case may be, to a Selected Person shall so lapse on the grounds that any of the objectives of the Proposed JSAS (as set out in Rule 3) have not been met; and
- (d) subject to Rule 8.2 below, the Selected Person ceases to be in the employment of or ceases to hold any office in the Group for any reason whatsoever, and in such an event, the Selected Person shall have no claim whatsoever against the Group and its respective directors and employees.

8.2 Where the Selected Person ceases to be employed by or ceases to hold any office in the Group by reason of:

- (a) ill health, injury or disability (in each case, evidenced to the satisfaction of the JSAS Committee);
- (b) redundancy;
- (c) retirement at or after the legal retirement age;
- (d) retirement before the legal retirement age with the consent of the JSAS Committee; or
- (e) any other reason, the cessation of employment is approved by the JSAS Committee,

APPENDIX III – RULES OF THE JUBILEE SHARE AWARD SCHEME

the JSAS Committee may, in its absolute discretion, notwithstanding Rule 8.1(d), preserve all or any part of any Share Award and decide either to give the Share Award to the Selected Person. In exercising its discretion, the JSAS Committee will have regard to all circumstances on a case-by-case basis, including but not limited to the contributions made by the Selected Person, the extent to which the Performance Targets have been fulfilled.

- 8.3** If a Selected Person has fulfilled his Performance Targets but dies before a Share Award is made, the Share Award shall in such circumstances be given to the personal representatives of the Selected Person.

9. TAKE-OVER AND WINDING UP OF THE COMPANY

- 9.1** Notwithstanding Rule 8 but subject to Rule 9.5, in the event of a take-over being made for the Shares, a Selected Person shall be entitled to Share Awards if he has met the Performance Targets within the period commencing on the date on which such offer for a take-over of the Company is made or, if such offer is conditional, the date on which such offer becomes or is declared unconditional, as the case may be, and ending on the earlier of:

- (a) the expiry of six months thereafter, unless prior to the expiry of such six-month period, at the recommendation of the offeror and with the approvals of the JSAS Committee and the SGX-ST, such expiry date is extended to a later date (in either case, being a date falling not later than the last date on which the Performance Targets are to be fulfilled); or
- (b) the date of expiry of the period for which the Performance Targets are to be fulfilled,

provided that if during such period, the offeror becomes entitled or bound to exercise rights of compulsory acquisition under the provisions of the Act and, being entitled to do so, gives notice to the Selected Persons that it intends to exercise such rights on a specified date, the Selected Person shall be obliged to fulfil such Performance Targets until the expiry of such specified date or the expiry date of the Performance Targets relating thereto, whichever is earlier, before a Share Award can be vested.

- 9.2** If under any applicable laws, the court sanctions a compromise or arrangement proposed for the purposes of, or in connection with, a scheme for the reconstruction of the Company or its amalgamation with another company or companies, each Selected Person shall be entitled, notwithstanding Rule 8 but subject to Rule 9.5, to any Share Awards so determined by the JSAS Committee to be vested in him during the period commencing on the date upon which the compromise or arrangement is sanctioned by the court and ending either on the expiry of 60 days thereafter or the date upon which the compromise or arrangement becomes effective, whichever is later.
- 9.3** If an order is made for the winding-up of the Company on the basis of its insolvency, all Share Awards, notwithstanding that they may have been so vested shall be deemed or become null and void.
- 9.4** In the event of a members' voluntary winding-up (other than for amalgamation or reconstruction), the Share Awards shall so vest in the Selected Person for so long as, in the absolute determination by the JSAS Committee, the Selected Person has met the Performance Targets prior to the date that the members' voluntary winding-up shall be deemed to have been commenced or effective in law.
- 9.5** If in connection with the making of a general offer referred to in Rule 9.1 or the scheme referred to in Rule 9.2 or the winding-up referred to in Rule 9.4, arrangements are made (which are confirmed in writing by the Auditors, acting only as experts and not as arbitrators, to be fair and reasonable) for the compensation of Selected Persons, whether by the payment of cash or by any other form of benefit, no Share Award shall be made in such circumstances.

APPENDIX III – RULES OF THE JUBILEE SHARE AWARD SCHEME

10. OPERATION OF THE PROPOSED JSAS

- 10.1 Subject to legislation and rules, guidelines and measures issued by the SGX-ST for the time being in force, such consents or other required action of any competent authority under any regulations or enactments for the time being in force as may be necessary and subject to the compliance with the terms of the Proposed JSAS and the Memorandum and Articles of Association of the Company, the Company will have the flexibility to deliver Shares to Selected Persons upon their vesting of their Share Awards by the following means as it deems fit in its sole and absolute discretion:
- (a) the allotment and issue to each Selected Person of the number of new Shares, deemed to be fully paid or credited upon their allotment and issuance;
 - (b) delivering existing Shares to the Selected Person, whether such existing Shares are acquired pursuant to a share purchase mandate or (to the extent permitted by law) held as treasury shares or otherwise; and/or
 - (c) payment of the aggregate Market Price of the Shares in cash in lieu of allotment or transfer.
- 10.2 The Company shall, within ten (10) Market Days after the vesting of a Share Award, allot the New Shares or transfer the purchased Shares and despatch to CDP the relevant share certificates by ordinary post or such other mode as the JSAS Committee may deem fit. If payment in cash for the aggregate Market Price of the Shares is to be made in lieu of allotment or transfer, the payment shall be made, within ten (10) Market Days after the vesting of a Share Award.
- 10.3 The Company shall, as soon as practicable after such allotment, apply to the SGX-ST for permission to deal in and for quotation of the New Shares.
- 10.4 Shares which are the subject of a Share Award shall be issued in the name of CDP to the credit of the securities account of that Selected Person maintained with CDP, the securities sub-account maintained with a Depository Agent or the CPF investment account maintained with a CPF agent bank.
- 10.5 New Shares issued and allotted upon the vesting of a Share Award shall be subject to all the provisions of the Memorandum and Articles of Association of the Company, and shall rank in full for all entitlements, including dividends or other distributions declared or recommended in respect of the then existing Shares, the Record Date for which falls on or after the relevant vesting date of the Share Award, and shall in all other respects rank *pari passu* with other existing Shares then in issue. “**Record Date**” means the date fixed by the Company for the purposes of determining entitlements to dividends or other distributions to or rights of holders of Shares.
- 10.6 The “**aggregate Market Price**” of the Shares to be paid to a Selected Persons in lieu of allotment or transfer, shall be calculated in accordance with the following formula:

$$A = B \times C$$

Where:

A is the aggregate Market Price of the Shares to be paid to the Selected Person in lieu of all or some of the Shares to be issued or transferred upon the release of a Share Award;

B is the Market Price of each Share; and

C is such number of Shares (as determined by the JSAS Committee in its sole and absolute discretion) to be issued or transferred to a Selected Person upon the release of a Share Award in accordance with the rules of the Proposed JSAS.

APPENDIX III – RULES OF THE JUBILEE SHARE AWARD SCHEME

The JSAS Committee shall have the discretion to amend or waive the Performance Targets, the prescribed performance period and the prescribed Vesting Period or any of them in respect of any Share Award and the JSAS Committee shall notify the Selected Person of such amendment or waiver (but accidental omission to give notice to any Selected Person(s) shall not invalidate any such amendment or waiver).

11. VARIATION OF CAPITAL

11.1 If a variation in the issued ordinary share capital of the Company (whether by way of a capitalisation of profits or reserves or rights issue, reduction, subdivision, consolidation, distribution or otherwise) shall take place:

- (a) the class and/or number of Shares comprised in a Share Award; and/or
- (b) the class and/or number of Shares which may be granted under the Proposed JSAS,

shall be adjusted by the JSAS Committee to give each Selected Person the same proportion of the equity capital of the Company as that to which he was previously entitled and, in doing so, the JSAS Committee shall determine at its own discretion the manner in which such adjustment shall be made.

11.2 Unless the JSAS Committee considers an adjustment to be appropriate:

- (a) the issue of securities as consideration for an acquisition or a private placement of securities;
- (b) the increase in the number of issued Shares as a consequence of the exercise of options or other convertibles entitling holders of such options or convertibles to acquire Shares in the capital of the Company;
- (c) the cancellation of issued Shares purchased or acquired by the Company by way of a market purchase of such Shares undertaken by the Company on the SGX-ST during the period when a share purchase mandate granted by Shareholders (including any renewal of such mandate) is in force; and
- (d) the increase in the issued share capital of the Company as a consequence of the delivery of New Shares pursuant to the vesting of the Share Awards from time to time by the Company or through any other share-based incentive schemes implemented by the Company,

shall not normally be regarded as a circumstance requiring adjustment.

11.3 Notwithstanding the provisions of Rule 11.1:

- (a) no such adjustment shall be made if as a result, the Selected Person receives a benefit that a Shareholder does not receive; and
- (b) any determination by the JSAS Committee as to whether to make any adjustment and if so, the manner in which such adjustment should be made, must (except in relation to a capitalisation issue) be confirmed in writing by the Auditors (acting only as experts and not as arbitrators) to be in their opinion, fair and reasonable.

11.4 Upon any adjustment required to be made pursuant to this Rule 11, the Company shall notify the Selected Person (or his duly appointed personal representatives where applicable) in writing and deliver to him (or his duly appointed personal representatives where applicable) a statement setting forth the class and/or number of Shares thereafter to be issued pursuant to the grant of a Share Award. Any adjustment shall take effect upon such written notification being given.

APPENDIX III – RULES OF THE JUBILEE SHARE AWARD SCHEME

12. ADMINISTRATION OF THE PROPOSED JSAS

- 12.1** The Proposed JSAS shall be administered by the JSAS Committee in its absolute discretion with such powers and duties as are conferred on it by the Board, provided that no member of the JSAS Committee shall participate in any deliberation or decision in respect of Share Awards granted or to be granted to him.
- 12.2** The JSAS Committee shall have the power, from time to time, to make and vary such regulations (not being inconsistent with the Proposed JSAS) for the implementation and administration of the Proposed JSAS as they think fit including, but not limited to:
- (a) imposing restrictions on the number of Share Awards that may be vested within each Financial Year; and
 - (b) amending or waiving the Performance Targets, the prescribed performance period and the prescribed Vesting Period or any of them in respect of any Share Award.
- 12.3** Any decision of the JSAS Committee made pursuant to any provision of the Proposed JSAS (other than a matter to be certified by the Auditors) shall be final and binding (including any decisions pertaining to the number of Shares to be vested) or to disputes as to the interpretation of the Proposed JSAS or any rule, regulation, procedure thereunder or as to any rights under the Proposed JSAS.

13. NOTICES AND ANNUAL REPORT

- 13.1** Any notice required to be given by a Selected Person to the Company shall be sent or made to the registered office of the Company or such other addresses as may be notified by the Company to him in writing.
- 13.2** Any notices or documents required to be given to a Selected Person or any correspondence to be made between the Company and the Selected Person shall be given or made by the JSAS Committee (or such person(s) as it may from time to time direct) on behalf of the Company and shall be delivered to him by hand or sent to him at his home address according to the records of the Company or at the last known address of the Selected Person and if sent by post, shall be deemed to have been given on the day following the date of posting.
- 13.3** The Company shall disclose the following in its annual report:
- (a) the names of the members of the JSAS Committee administering the Proposed JSAS;
 - (b) in respect of the following Selected Persons of the Proposed JSAS:
 - (i) Directors of the Company;
 - (ii) Controlling Shareholders and their Associates; and
 - (iii) Selected Persons (other than those in paragraphs (i) and (ii) above) who have received Shares pursuant to the vesting of Share Awards granted under the Proposed JSAS which, in aggregate, represent 5.0% or more of the total number of New Shares available under the Proposed JSAS, the following information:
 - (1) name of the Selected Person;
 - (2) the aggregate number of Shares comprised in Share Awards granted to such Selected Person under the Proposed JSAS during the financial year under review;

APPENDIX III – RULES OF THE JUBILEE SHARE AWARD SCHEME

- (3) the aggregate number of Shares comprised in Share Awards granted to such Selected Person under the Proposed JSAS since the commencement of the Proposed JSAS to the end of the financial year under review;
 - (4) the aggregate number of Shares comprised in Share Awards granted to such Selected Person under the Proposed JSAS which have vested during the financial year under review and in respect of such Share Awards, the proportion of Shares issued or transferred upon the release of the vested Share Awards; and
 - (5) the aggregate number of Shares comprised in Share Awards granted to such Selected Person under the Proposed JSAS which have not been released as at the end of the financial year under review.
- (c) in relation to the Proposed JSAS, the following particulars:
- (i) the aggregate number of Shares comprised in Share Awards vested since the commencement of the Proposed JSAS to the end of the financial year under review;
 - (ii) the aggregate number of New Shares issued which are comprised in Share Awards vested during the financial year under review;
 - (iii) the aggregate number of Shares comprised in Share Awards which have not been released as at the end of the financial year under review; and
 - (iv) such other information as may be required by the Catalist Rules or the Act.

If any of the above is not applicable, an appropriate negative statement shall be included therein.

14. MODIFICATIONS TO THE PROPOSED JSAS

14.1 Any or all the provisions of the Proposed JSAS may be modified and/or altered at any time and from time to time by resolution of the JSAS Committee, except that:

- (a) any modification or alteration which would be to the advantage of Selected Persons under the Proposed JSAS shall be subject to the prior approval of Shareholders in a general meeting;
- (b) no modification or alteration shall adversely affect the rights attached to Share Awards granted prior to such modification or alteration except with the written consent of such number of Selected Persons under the Proposed JSAS who, if their Share Awards were released to them, would thereby become entitled to not less than three-quarters in number of all the Shares which would be issued in full pursuant to all outstanding Share Awards under the Proposed JSAS; and
- (c) no modification or alteration shall be made without due compliance with the Catalist Rules and such other regulatory authorities as may be necessary.

14.2 The JSAS Committee may at any time by resolution (and without other formality, save for the prior approval of the SGX-ST) amend or alter the rules or provisions of the Proposed JSAS in any way to the extent necessary to cause the Proposed JSAS to comply with any statutory provision or the provision or the regulations of any regulatory or other relevant authority or body (including the SGX-ST).

14.3 Written notice of any modification or alteration made in accordance with this Rule 14 shall be given to all Selected Persons.

APPENDIX III – RULES OF THE JUBILEE SHARE AWARD SCHEME

15. TERMS OF EMPLOYMENT UNAFFECTED

The terms of employment of a Selected Person (who is a Group Employee) shall not be affected by his participation in the Proposed JSAS, which shall neither form part of such terms nor entitle him to take into account such participation in calculating any compensation or damages on the termination of his employment for any reason.

16. DURATION OF THE PROPOSED JSAS

16.1 The Proposed JSAS shall continue to be in force at the discretion of the JSAS Committee, subject to a maximum period of 10 years commencing on the Adoption Date, provided always that the Proposed JSAS may continue beyond the above stipulated period with the approval of the Company's Shareholders by ordinary resolution in general meeting and of any relevant authorities which may then be required.

16.2 The Proposed JSAS may be terminated at any time by the JSAS Committee or by resolution of the Company in general meeting subject to all relevant approvals which may be required and if the Proposed JSAS is so terminated, no further Share Awards shall be vested thereunder.

16.3 The termination of the Proposed JSAS shall not affect Share Awards which have been vested, whether such Shares have been delivered or not.

17. TAXES

All taxes (including income tax) arising from the grant and/or disposal of Shares pursuant to the Share Awards granted to any Selected Person under the Proposed JSAS shall be borne by that Selected Person.

18. COSTS AND EXPENSES

18.1 Each Selected Person shall be responsible for all fees of CDP relating to or in connection with the issue and allotment or transfer of any Shares pursuant to the Share Awards in CDP's name, the deposit of share certificate(s) with CDP, the Selected Person's securities account with CDP, or the Selected Person's securities sub-account with a CDP Depository Agent or CPF investment account with a CPF agent bank (collectively, the "CDP Charges").

18.2 Save for the taxes referred to in Rule 17 and such other costs and expenses expressly provided in the Proposed JSAS to be payable by the Selected Persons, all fees, costs and expenses incurred by the Company in relation to the Proposed JSAS including but not limited to the fees, costs and expenses relating to the allotment, issue, transfer and/or delivery of Shares pursuant to the Share Awards shall be borne by the Company.

19. DISCLAIMER OF LIABILITY

Notwithstanding any provisions herein contained, the Board, the JSAS Committee and the Company shall not under any circumstances be held liable for any costs, losses, expenses and damages whatsoever and howsoever arising in any event, including but not limited to the Company's delay in issuing the Shares or applying for or procuring the listing of the New Shares on the SGX-ST.

20. DISPUTES

Any disputes or differences of any nature arising hereunder shall be referred to the JSAS Committee and its decision shall be final and binding in all respects.

APPENDIX III – RULES OF THE JUBILEE SHARE AWARD SCHEME

21. CONDITION OF SHARE AWARDS

Every Share Award shall be subject to the condition that no Shares would be issued pursuant to the vesting of any Share Award if such issue would be contrary to any law or enactment, or any rules or regulations of any legislative or non-legislative governing body for the time being in force in Singapore or any other relevant country having jurisdiction in relation to the issue of Shares hereto.

22. GOVERNING LAW

The Proposed JSAS shall be governed by, and construed in accordance with, the laws of the Republic of Singapore. The Selected Persons, by accepting Share Awards in accordance with the Proposed JSAS, and the Company irrevocably submit to the exclusive jurisdiction of the courts of the Republic of Singapore.

NOTICE OF EXTRAORDINARY GENERAL MEETING

JUBILEE INDUSTRIES HOLDINGS LTD.

(Incorporated in Singapore)
(Company Registration No. 200904797H)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an Extraordinary General Meeting of Jubilee Industries Holdings Ltd. (the “**Company**”) will be held at No. 2 Woodlands Sector 1, #01-35 Woodlands Spectrum 1, Singapore 738068 on 21 November 2014 at 10 a.m. for the purpose of considering and, if thought fit, passing the following ordinary resolutions, with or without any modifications:

All capitalised terms in this Notice which are not defined herein shall have the same meaning as ascribed to them in the Company’s circular dated 5 November 2014.

ORDINARY RESOLUTIONS:

Resolution 1: The Proposed Acquisition

That:-

- (a) approval be and is hereby given for the acquisition (“**Proposed Acquisition**”) by the Company of the entire issued and paid-up share capital of WE Components Pte. Ltd. consisting of 9,276,797 ordinary shares from WE Holdings Ltd. (the “**Vendor**”) at an aggregate purchase consideration (including the Excluded Properties Consideration of US\$5,617,000 (equivalent to approximately S\$6,976,314 based on the exchange rate of US\$1.00 : S\$1.242) and book value of the Deposits of US\$2,386,000 (equivalent to approximately S\$2,963,412 based on the exchange rate of US\$1.00 : S\$1.242)) of US\$16,396,000 (equivalent to approximately S\$20,363,832 based on the exchange rate of US\$1.00 : S\$1.242) to be satisfied in cash which constitutes an interested person transaction under Chapter 9 and a major transaction under Chapter 10 of the Listing Manual (Section B: Rules of Catalist) of the Singapore Exchange Securities Trading Limited, on the terms and conditions of the sale and purchase agreement dated 18 July 2014 (“**SPA**”) and amended by the Supplemental Agreement dated 8 October 2014 entered into between the Company and the Vendor; and
- (b) the Directors of the Company (other than Tea Yeok Kian Terence who is deemed to be interested in the Proposed Acquisition) and any of them be and are hereby authorised to complete and do any and all such acts and things (including without limitation, executing all such documents as may be required and to approve any amendments, alterations or modifications to any documents) as they or he may consider desirable, expedient or necessary to give effect to the transactions contemplated by this Resolution as they in their absolute discretion deem fit.

Resolution 2: Proposed Jubilee Share Award Scheme

That:-

- (a) the performance share plan to be known as the “Jubilee Share Award Scheme” (“**Proposed JSAS**”), under which awards (“**Awards**”) of shares will be granted, free of charge, to selected employees of the Group, be and is hereby approved; and
- (b) the Board of Directors of the Company be and is hereby authorised:
 - (i) to establish and administer the Proposed JSAS;
 - (ii) to modify and/or amend the Proposed JSAS from time to time provided that such modification and/or amendment is effected in accordance with the provisions of the Proposed JSAS and to do all such acts and to enter into such transactions, arrangements and agreements as may be necessary or expedient in order to give full effect to the Proposed JSAS;

NOTICE OF EXTRAORDINARY GENERAL MEETING

- (iii) to grant Awards in accordance with the provisions of the Proposed JSAS and pursuant to Section 161 of the Companies Act, Cap. 50 of Singapore, to allot and issue from time to time such number of fully paid-up shares in the capital of the Company as may be required to be issued pursuant to the vesting of Awards provided that the aggregate number of shares to be issued or issuable pursuant to the Proposed JSAS and any other share-based schemes of the Company, shall not exceed fifteen per cent. (15.0%) of the issued shares of the Company (excluding any shares held in treasury) from time to time;
- (iv) subject to the same being allowed by law, to apply any shares purchased or acquired under any share purchase mandate and to deliver such existing shares (including any shares held in treasury) towards the satisfaction of Awards granted under the Proposed JSAS; and
- (v) to complete and do all such acts and things (including executing such documents as may be required) as they may consider necessary, expedient, incidental to or in the interests of the Company to give effect to the transactions contemplated and authorised by this Resolution.

Resolution 3: The Proposed New Share Issue Mandate

That:-

Pursuant to Section 161 of the Companies Act, Cap. 50 of Singapore and Rule 806 of the Listing Manual (Section B: Rules of Catalist) of the Singapore Exchange Securities Trading Limited ("**Catalist Rules**") and the Articles of Association of the Company, authority be and is hereby given to the Directors to:

- (a)
 - (i) allot and issue Shares in the capital of the Company (the "**Shares**") whether by way of rights, bonus or otherwise; and/or
 - (ii) make or grant offers, agreements, or options (collectively, "**Instruments**") that might or would require Shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) options, warrants, debentures or other instruments convertible into Shares,

at any time and upon such terms and conditions and for such purposes and to such persons as the Directors may in their absolute discretion deem fit; and

- (b) (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue Shares in pursuant of any Instruments made or granted by the Directors while this Resolution was in force, provided that:
 - (1) the aggregate number of Shares to be issued (including Shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution), does not exceed one hundred per cent. (100%) of the total number of issued Shares (excluding treasury shares) (calculated in accordance with sub-paragraph (2) below), of which the aggregate number of Shares to be issued other than on a pro rata basis to the existing shareholders of the Company (including Shares to be issued in pursuant of Instruments made or granted pursuant to this Resolution) shall not exceed fifty per cent. (50%) of the total number of issued Shares (excluding treasury shares) (calculated in accordance with sub-paragraph (2) below); and
 - (2) (subject to such manner of calculation and adjustments as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of Shares (including Shares to be issued in pursuant of the Instruments, made or granted pursuant to this Resolution) that may be issued under sub-paragraph (1) above, the percentage of issued Shares (excluding treasury shares) shall be based on the Company's total number of issued Shares (excluding treasury shares) at the date of the passing of this Resolution, after adjusting for:
 - (i) new Shares arising from the conversion or exercise of convertible securities;
 - (ii) new Shares arising from exercising share options or vesting of share awards outstanding and/or subsisting at the time of passing of this Resolution, provided that the options or awards were granted in compliance with Part VIII of Chapter 8 of the Catalist Rules; and

NOTICE OF EXTRAORDINARY GENERAL MEETING

- (iii) any subsequent bonus, consolidation or subdivision of Shares.

In exercising the authority conferred by this Resolution, the Company shall comply with the requirements imposed by the SGX-ST from time to time and the provisions of the Catalist Rules for the time being in force (in each case, unless such compliance has been waived by the SGX-ST), all applicable legal requirements under the Companies Act, and otherwise, the Memorandum and Articles of Association for the time being of the Company.

Unless previously revoked or varied by the Company in general meeting, such authority conferred by this Resolution shall continue in force until the conclusion of the next annual general meeting of the Company or the date by which the next annual general meeting of the Company is required by law to be held, whichever is the earlier.

- (c) the Directors of the Company be and are hereby authorised to any and all acts which they deem necessary and expedient in connections with paragraphs (a) and (b) above.

By Order of the Board

Foo Say Tun
Non-Executive Chairman and Independent Director
Singapore, 5 November 2014

Notes:-

- (1) A Shareholder entitled to attend and vote at a meeting of the Company is entitled to appoint one or more proxies to attend and vote in his stead. A proxy need not be a Shareholder of the Company.
- (2) Where a Shareholder appoints two proxies, the Company may treat the appointment as invalid unless the Shareholder specifies the proportion of his shareholding (expressed as a percentage of the whole) to be represented by each proxy.
- (3) The instrument appointing a proxy or proxies must be deposited at the Company's registered office at No. 2 Woodlands Sector 1, #01-35 Woodlands Spectrum 1, Singapore 738068 not less than 48 hours before the time appointed for holding the Extraordinary General Meeting.
- (4) The instrument appointing a proxy or proxies must be under the hand of the appointer or his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its seal or under the hand of an officer or attorney duly authorised.

Personal Data Privacy

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

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JUBILEE INDUSTRIES HOLDINGS LTD.

(Incorporated in Singapore)
(Company Registration No. 200904797H)

PROXY FORM

EXTRAORDINARY GENERAL MEETING

IMPORTANT:

1. For investors who have used their CPF monies to buy shares in Jubilee Industries Holdings Ltd., this Circular is forwarded to them at the request of their CPF Approved Nominees and is sent solely FOR INFORMATION ONLY.
2. This Proxy Form is not valid for use by CPF Investors and shall be ineffective for all intends and purposes if used or purported to be used by them.
3. CPF Investors who wish to attend the Extraordinary General Meeting as OBSERVERS have to submit their requests through their respective Agent banks so that their Agent Banks may register with the Company Secretary of Jubilee Industries Holdings Ltd.

I/We, _____ NRIC/Passport No. _____

of _____

being a member/members of **Jubilee Industries Holdings Ltd.** hereby appoint:-

Name	Address	NRIC/Passport No.	Number of Shares Represented

and/or (delete as appropriate)

Name	Address	NRIC/Passport No.	Number of Shares Represented

as my/our proxy/proxies to attend and to vote for me/us on my/our behalf and, if necessary, to demand a poll at the Extraordinary General Meeting of the Company to be held at No. 2 Woodlands Sector 1, #01-35 Woodlands Spectrum 1, Singapore 738068, on 21 November 2014 at 10 a.m. and at any adjournment thereof.

(Please indicate with an "X" in the spaces provided whether you wish your vote(s) to be cast for or against the resolutions as set out in the Notice of Extraordinary General Meeting. In the absence of specific directions, the proxy/proxies will vote or abstain as he/they may think fit, as he/they will on any other matter arising at the Extraordinary General Meeting).

NO.	ORDINARY RESOLUTIONS:-	TO BE USED ON A SHOW OF HANDS		TO BE USED IN THE EVENT OF A POLL	
		FOR*	AGAINST*	Number of Votes For**	Number of Votes Against**
1.	To approve the Proposed Acquisition				
2.	To approve the Proposed Jubilee Share Award Scheme				
3.	To approve the Proposed New Share Issue Mandate				

* Please indicate your vote "For" or "Against" with a tick within the box provided.

** If you wish to exercise all your votes "For" or "Against", please tick within the box provided. Alternatively, please indicate the number of votes as appropriate.

Dated this _____ day of _____ 2014

	No. of Shares
CDP Register	
Register of Members	

Signature(s) of Member(s) or Common Seal

IMPORTANT: PLEASE READ NOTES OVERLEAF



Notes:-

- (1) Please insert the total number of Shares held by you. If you have Shares entered against your name in the Depository Register (as defined in Section 130A of the Companies Act, Cap. 50 of Singapore), you should insert the number of Shares. If you have Shares registered in your name in the Register of Members of the Company, you should insert that number of Shares. If you have Shares entered against your name in the Depository Register and Shares registered in your name in the Register of Members, you should insert the aggregate number of Shares. If no number is inserted, this instrument of proxy will be deemed to relate to all the Shares held by you.
- (2) A Shareholder entitled to attend and vote at a meeting of the Company is entitled to appoint one or two proxies to attend and vote on his behalf. A proxy need not be a Shareholder of the Company.
- (3) The instrument appointing a proxy or proxies must be deposited at the Company's registered office at No. 2 Woodlands Sector 1, #01-35 Woodlands Spectrum 1, Singapore 738068 not less than 48 hours before the time appointed for holding the Extraordinary General Meeting.
- (4) Where a Shareholder appoints two proxies, the appointment shall be invalid unless he specifies the proportion of his shareholding (expressed as a percentage of the whole) to be represented by each proxy.
- (5) The instrument appointing a proxy or proxies must be under the hand of the appointer or his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its common seal or under the hand of any officer or attorney duly authorised.
- (6) Where an instrument appointing a proxy or proxies is signed on behalf of the appointer by an attorney, the power of attorney (or other authority) or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the instrument of proxy, failing which the instrument may be treated as invalid.
- (7) A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Extraordinary General Meeting, in accordance with Section 179 of the Companies Act, Cap. 50 of Singapore.
- (8) The Company shall be entitled to reject this instrument of proxy if it is incomplete, improperly completed, illegible or where the true intentions of the appointer are not ascertainable from the instructions of the appointer specified in the instrument of proxy. In addition, in the case of Shares entered in the Depository Register, the Company may reject an instrument of proxy lodged if such Shareholder is not shown to have Shares entered against his name in the Depository Register as at 48 hours before the time appointed for holding the Extraordinary General Meeting, as certified by The Central Depository (Pte) Limited to the Company.

Personal Data Privacy

By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of Extraordinary General Meeting dated 5 November 2014.

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