

CIRCULAR DATED 24 JUNE 2014

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

This Circular is issued by Oniontech Limited (the “**Company**”, and together with its subsidiaries, the “**Group**”). If you are in any doubt about the contents of this Circular or the action you should take, you should consult your bank manager, stockbroker, solicitor, accountant or other professional adviser immediately.

If you have sold or transferred all your ordinary shares in the capital of the Company held through The Central Depository (Pte) Limited (“**CDP**”), you need not forward this Circular to the purchaser or transferee as arrangements will be made by CDP for a separate Circular to be sent to the purchaser or transferee. If you have sold or transferred all your shares which are not deposited with the CDP, you should immediately hand this Circular to the purchaser or transferee or to the bank, stockbroker or agent through whom you effected the sale or transfer, for onward transmission to the purchaser or transferee.

A listing and quotation notice has been obtained from the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”) for the listing and quotation of the New Shares (as defined herein) on the Catalist Board of the SGX-ST. The listing and quotation notice in respect of the New Shares is not to be taken as an indication of the merits of, *inter alia*, the New Shares, the Proposed Transactions (as defined herein), the Company, its subsidiaries and their securities.

This Circular has been prepared by the Company and its contents have been reviewed by the Company’s sponsor, SAC Capital Private Limited (the “**Sponsor**”), for compliance with the relevant rules of the SGX-ST. The Sponsor has not independently verified the contents of this Circular. The contact person for the Sponsor is Ms. Alicia Kwan (Telephone: +65 6221 5590) at 1 Robinson Road, #21-02 AIA Tower, Singapore 048542.

This 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.



(Incorporated in the Republic of Singapore)
(Company Registration Number 200411873E)

CIRCULAR TO SHAREHOLDERS

in relation to:

- (I) **THE PROPOSED PLACEMENT OF 195,000,000 ORDINARY SHARES AND GRANT OF A CALL OPTION TO SUBSCRIBE FOR 195,000,000 ORDINARY SHARES TO B&L GROUP PTE. LTD.;**
- (II) **THE PROPOSED PLACEMENT OF 15,000,000 ORDINARY SHARES AND GRANT OF A CALL OPTION TO SUBSCRIBE FOR 15,000,000 ORDINARY SHARES TO MR CHOO UIHWAN;**
- (III) **THE PROPOSED ISSUANCE OF UP TO 10,000,000 ORDINARY SHARES TO MR WON DAE RO;**
- (IV) **THE WHITEWASH RESOLUTION IN CONNECTION WITH THE PROPOSED PLACEMENT OF 195,000,000 ORDINARY SHARES TO B&L GROUP PTE. LTD.;**
- (V) **THE PROPOSED APPOINTMENT OF MR ONG BOON CHUAN AS A DIRECTOR OF THE COMPANY;**
- (VI) **THE PROPOSED DIVERSIFICATION OF THE COMPANY’S BUSINESS TO INCLUDE PROPERTY DEVELOPMENT; AND**
- (VII) **THE PROPOSED CHANGE OF THE COMPANY’S NAME.**

Financial Adviser



SAC CAPITAL PRIVATE LIMITED
(Incorporated in the Republic of Singapore)
(Company Registration Number 200401542N)

Independent Financial Adviser in relation to the Whitewash Resolution

ASIAN CORPORATE ADVISORS PTE. LTD.

(Incorporated in the Republic of Singapore)
(Company Registration Number 200310232R)

IMPORTANT DATES AND TIMES:-

Last date and time for lodgement of Proxy Form	:	14 July 2014 at 11.00 a.m.
Date and time of Extraordinary General Meeting	:	16 July 2014 at 11.00 a.m.
Venue of Extraordinary General Meeting	:	NTUC Centre, 1 Marina Boulevard, Level 9, Room 902, One Marina Boulevard, Singapore 018989

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DEFINITIONS

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

“Arrangement Shares”	:	Has the meaning ascribed to it in Section 1.1(c) of this Circular.
“Arranger”	:	Mr Won Dae Ro.
“Audit Committee”	:	The audit committee of the Company for the time being, unless otherwise stated.
“Board”	:	The board of directors of the Company for the time being, unless otherwise stated.
“B&L Group”	:	B&L Group Pte. Ltd.
“Call Option Shares”	:	The Call Option 1 Shares and the Call Option 2 Shares collectively.
“Call Option 1”	:	Has the meaning ascribed to it in Section 1.1(a)(ii) of this Circular.
“Call Option 1 Shares”	:	Has the meaning ascribed to it in Section 1.1(a)(ii) of this Circular.
“Call Option 2”	:	Has the meaning ascribed to it in Section 1.1(b)(ii) of this Circular.
“Call Option 2 Shares”	:	Has the meaning ascribed to it in Section 1.1(b)(ii) of this Circular.
“Catalist”	:	The Catalist Board of the SGX-ST.
“Catalist Rules”	:	Section B of the SGX-ST Listing Manual: Rules of Catalist, as amended, modified and supplemented from time to time.
“CDP”	:	The Central Depository (Pte) Limited.
“Circular”	:	This circular to Shareholders dated 24 June 2014.
“Companies Act”	:	The Companies Act (Chapter 50) of Singapore as amended, modified and supplemented from time to time.
“Company”	:	Oniontech Limited.
“Consultancy Agreement”	:	Has the meaning ascribed to it in Section 1.1(c) of this Circular.
“controlling interest”	:	The interest of a Controlling Shareholder.
“Controlling Shareholder”	:	A person who: (a) holds directly or indirectly 15% or more of the nominal amount of all voting shares in the Company (unless the SGX-ST determines that such person is not a controlling shareholder); or (b) in fact exercises control over the Company.

DEFINITIONS

“Directors”	:	The directors of the Company as at the Latest Practicable Date, and “Director” means any one of them.
“EGM”	:	The extraordinary general meeting of the Company to be convened, notice of which is set out on pages N-1 to N-4 of this Circular.
“Executive Directors”	:	The executive directors of the Company, namely Mr Jang Jong Jung, Mr Hur Jung Young and Mr Lee Jei Hoon.
“Financial Adviser”	:	SAC Capital Private Limited, in its capacity as the financial adviser appointed by the Company in connection with the Proposed Transactions.
“Group”	:	The Company and its subsidiaries, and “Group Company” means any one of them.
“IFA”	:	Asian Corporate Advisors Pte. Ltd., the independent financial adviser appointed by the Company in connection with the Whitewash Resolution.
“IFA Letter”	:	The letter from the IFA to the Non-interested Directors dated 24 June 2014 in relation to the Whitewash Resolution, as set out in Appendix II of this Circular.
“Independent Shareholders”	:	The Shareholders who are considered independent for the purpose of the Whitewash Resolution.
“Korean Management”	:	Mr Jang Jong Jung, Mr Hur Jung Young and Mr Lee Jei Hoon.
“Latest Practicable Date”	:	13 June 2014, being the latest practicable date prior to the printing of this Circular.
“Listing and Quotation Notice”	:	The listing and quotation notice for the listing and quotation of the New Shares on Catalist.
“Listing Approval Date”	:	The date of the Listing and Quotation Notice.
“Market Day”	:	A day on which the SGX-ST is open for trading of securities.
“Mr Choo”	:	Mr Choo Uihwan.
“Mr Ong”	:	Mr Ong Boon Chuan.
“Net Proceeds”	:	Has the meaning ascribed to it in Section 6 of this Circular.
“New Shares”	:	The Placement Shares, the Call Option Shares and the Arrangement Shares collectively.
“Non-interested Directors”	:	The directors of the Company who are considered independent for the purpose of making a recommendation on the Whitewash Resolution, namely, Mr Jang Jong Jung, Mr Hur Jung Young, Mr Lee Jei Hoon, Mr Lim Yit Keong and Mr Cheam Heng Haw.

All the Directors are independent for the purpose of the Whitewash Resolution.

DEFINITIONS

“Notice of EGM”	:	The notice of EGM as set out on pages N-1 to N-4 of this Circular.
“Placement and Call Option Agreements”	:	Placement and Call Option 1 Agreement and Placement and Call Option 2 Agreement collectively.
“Placement and Call Option 1 Agreement”	:	Has the meaning ascribed to it in Section 1.1(a) of this Circular.
“Placement and Call Option 2 Agreement”	:	Has the meaning ascribed to it in Section 1.1(b) of this Circular.
“Placement Shares”	:	The Placement 1 Shares and the Placement 2 Shares collectively.
“Placement 1”	:	Has the meaning ascribed to it in Section 1.1(a)(i) of this Circular.
“Placement 1 Price”	:	Has the meaning ascribed to it in Section 2.1 of this Circular.
“Placement 1 Shares”	:	Has the meaning ascribed to it in Section 1.1(a)(i) of this Circular.
“Placement 2”	:	Has the meaning ascribed to it in Section 1.1(b)(i) of this Circular.
“Placement 2 Price”	:	Has the meaning ascribed to it in Section 3.1 of this Circular.
“Placement 2 Shares”	:	Has the meaning ascribed to it in Section 1.1(b)(i) of this Circular.
“Proceeds”	:	Has the meaning ascribed to it in Section 6 of this Circular.
“Property Development”	:	The development of real estate in Singapore or elsewhere for the sale of such real estate, usually prior to the completion of such real estate.
“Property Development Business”	:	The business of Property Development.
“Property Development Director”	:	Has the meaning ascribed to it in Section 2.9 of this Circular.
“Proposed Appointment of Director”	:	The proposed appointment of Mr Ong as a director of the Company.
“Proposed Call Options”	:	Call Option 1 and Call Option 2 collectively.
“Proposed Change of Name”	:	Has the meaning ascribed to it in Section 1.1(g) of this Circular.
“Proposed Diversification of Business”	:	Has the meaning ascribed to it in Section 1.1(f) of this Circular.
“Proposed Placement and Call Option 1”	:	Has the meaning ascribed to it in Section 1.1(a) of this Circular.

DEFINITIONS

“Proposed Placement and Call Option 2”	:	Has the meaning ascribed to it in Section 1.1(b) of this Circular.
“Proposed Placements”	:	Placement 1 and Placement 2 collectively.
“Proposed Resolutions”	:	Has the meaning ascribed to it in Section 1.2 of this Circular.
“Proposed Transactions”	:	The proposed transactions of this Circular, comprising: <ul style="list-style-type: none">(a) the Proposed Placements;(b) the Proposed Call Options;(c) the proposed allotment and issuance of Arrangement Shares;(d) the Proposed Appointment of Director;(e) the Proposed Diversification of Business; and(f) the Proposed Change of Name.
“Record Date”	:	In relation to any dividend, right, allotment or other distributions, the date as at the close of business, on which members of the Company must be registered in order to participate in such dividend, right, allotment or other distributions.
“Securities Account”	:	Securities account maintained by a securities account holder with CDP (but does not include a sub-account of a sub-account holder maintained with a Depository Agent).
“SFA”	:	The Securities and Futures Act (Chapter 289) of Singapore as amended, modified and supplemented from time to time.
“SGXNET”	:	The Singapore Exchange Network, the corporate announcement system maintained by the SGX-ST for the submission of announcements by listed companies.
“SGX-ST”	:	Singapore Exchange Securities Trading Limited.
“Shareholders”	:	Registered holders of Shares in the register of members of the Company or, where CDP is the registered holder, the term “Shareholders” shall, in relation to such Shares, mean the persons whose direct Securities Accounts maintained with CDP are credited with the Shares.
“Shares”	:	Ordinary shares in the issued and paid-up share capital of the Company.
“SIC”	:	The Securities Industry Council.
“S\$” and “cents”	:	Singapore dollars and cents, respectively, being the lawful currency of Singapore.
“Takeover Code”	:	The Singapore Code on Take-overs and Mergers.

DEFINITIONS

“ TG Group ”	:	TG Corporation Holdings Pte. Ltd. and its subsidiaries and associated companies.
“ US\$ ”	:	United States dollars, being the lawful currency of the United States of America.
“ VWAP ”	:	Volume weighted average price.
“ Whitewash Conditions ”	:	Has the meaning ascribed to it in Section 10.3 of this Circular.
“ Whitewash Resolution ”	:	The resolution to be approved by way of a poll by a majority of the Independent Shareholders present and voting at the EGM to waive their rights to receive a general offer from B&L Group and/or its concert parties, pursuant to Rule 14 of the Takeover Code.
“ % ” or “ per cent. ”	:	Per centum or percentage.

The terms “**Depositor**”, “**Depository Agent**” and “**Depository Register**” shall have the meanings ascribed to them respectively in Section 130A of the Companies Act or any statutory modification thereof, as the case may be.

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

The headings in this Circular are inserted for convenience only and shall be ignored in construing this Circular.

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

References to “**you**”, “**your**”, and “**yours**” in this Circular are, as the context so determines, to Shareholders (including persons whose Shares are deposited with CDP or who have purchased Shares on the SGX-ST).

Any reference in this Circular to any statute or enactment is a reference to that statute or enactment as for the time being amended or re-enacted. Any word defined under the Companies Act or the Catalist Rules or any statutory or regulatory modification thereof and not otherwise defined in this Circular shall have the meaning ascribed to it under the Companies Act or the Catalist Rules or any statutory or regulatory modification, unless the context otherwise requires.

The expressions “**subsidiary**” and “**related corporations**” shall have the meanings ascribed to them respectively in Sections 5 and 6 of the Companies Act.

The terms “**acting in concert**” and “**concert parties**” shall have the meanings ascribed to them respectively in the Takeover Code.

Any reference to a time of day in this Circular shall be a reference to Singapore time.

CAUTIONARY NOTE ON FORWARD-LOOKING STATEMENTS

All statements other than statements of historical facts included in this Circular are or may be forward-looking statements. Forward-looking statements include but are not limited to those using words such as “expect”, “anticipate”, “believe”, “estimate”, “intend”, “project”, “plan”, “strategy”, “forecast” and similar expressions or future or conditional verbs such as “if”, “will”, “would”, “should”, “could”, “may” and “might”. These statements reflect the Company’s current expectations, beliefs, hopes, intentions or strategies regarding the future and assumptions in light of currently available information. Such forward-looking statements are not guarantees of future performance or events and involve known and unknown risks and uncertainties. Accordingly, actual results may differ materially from those described in such forward-looking statements. Shareholders should not place undue reliance on such forward-looking statements, and the Company disclaims any responsibility to update publicly or revise any forward-looking statements to reflect future developments, events or circumstances for any reason, even if such information becomes available or other events occur in the future, subject to compliance with all applicable laws and regulations and/or the rules of the SGX-ST and/or any other regulatory or supervisory body or agency.

LETTER TO SHAREHOLDERS

ONIONTECH LIMITED

(Incorporated in the Republic of Singapore)
(Company Registration Number 200411873E)

Board of Directors of Company:

Jang Jong Jung (*Chairman and Chief Executive Officer*)
Hur Jung Young (*Chief Technological Officer*)
Lee Jei Hoon (*Chief Financial Officer*)
Lim Yit Keong (*Lead Independent Director*)
Cheam Heng Haw (*Independent Director*)

Registered Office:

80 Robinson Road
#02-00
Singapore 068898

24 June 2014

To: The Shareholders of Oniontech Limited

Dear Sir/Madam

- (I) THE PROPOSED PLACEMENT OF 195,000,000 ORDINARY SHARES AND GRANT OF A CALL OPTION TO SUBSCRIBE FOR 195,000,000 ORDINARY SHARES TO B&L GROUP PTE. LTD.;
- (II) THE PROPOSED PLACEMENT OF 15,000,000 ORDINARY SHARES AND GRANT OF A CALL OPTION TO SUBSCRIBE FOR 15,000,000 ORDINARY SHARES TO MR CHOO UIHWAN;
- (III) THE PROPOSED ISSUANCE OF UP TO 10,000,000 ORDINARY SHARES TO MR WON DAE RO;
- (IV) THE WHITEWASH RESOLUTION IN CONNECTION WITH THE PROPOSED PLACEMENT OF 195,000,000 ORDINARY SHARES TO B&L GROUP PTE. LTD.;
- (V) THE PROPOSED APPOINTMENT OF MR ONG BOON CHUAN AS A DIRECTOR OF THE COMPANY;
- (VI) THE PROPOSED DIVERSIFICATION OF THE COMPANY'S BUSINESS TO INCLUDE PROPERTY DEVELOPMENT; AND
- (VII) THE PROPOSED CHANGE OF THE COMPANY'S NAME.

1. INTRODUCTION

1.1 On 21 February 2014, the Company announced the following:

- (a) pursuant to a placement and call option agreement (the "**Placement and Call Option 1 Agreement**") dated 21 February 2014 between the Company and B&L Group:
 - (i) the Company has agreed to allot and issue, and B&L Group has agreed to subscribe for, 195,000,000 new Shares (the "**Placement 1 Shares**") at an issue price of S\$0.03 for each Placement 1 Share ("**Placement 1**"); and
 - (ii) the Company has granted to B&L Group an option to subscribe for an additional 195,000,000 Shares (the "**Call Option 1 Shares**") at an option exercise price of S\$0.03 for each Call Option 1 Share ("**Call Option 1**"),

on the terms and subject to the conditions of the Placement and Call Option 1 Agreement (the "**Proposed Placement and Call Option 1**");

LETTER TO SHAREHOLDERS

- (b) pursuant to a placement and call option agreement (the “**Placement and Call Option 2 Agreement**”) dated 21 February 2014 between the Company and Mr Choo:
- (i) the Company has agreed to allot and issue, and Mr Choo has agreed to subscribe for, 15,000,000 new Shares (the “**Placement 2 Shares**”) at an issue price of S\$0.03 for each Placement 2 Share (“**Placement 2**”); and
 - (ii) the Company has granted to Mr Choo an option to subscribe for an additional 15,000,000 Shares (the “**Call Option 2 Shares**”) at an option exercise price of S\$0.03 for each Call Option 2 Share (“**Call Option 2**”),

on the terms and subject to the conditions of the Placement and Call Option 2 Agreement (the “**Proposed Placement and Call Option 2**”);

- (c) in connection with the Proposed Placement and Call Option 1, the Company had on 21 February 2014 entered into an agreement (the “**Consultancy Agreement**”) with Mr Won Dae Ro (the “**Arranger**”) in relation to the Arranger introducing Mr Ong Boon Chuan (“**Mr Ong**”) to the Company on the terms and subject to the conditions of the Consultancy Agreement. Mr Ong, a director and shareholder of B&L Group, will participate in the Proposed Placement and Call Option 1 through B&L Group. The commission payable to the Arranger in respect of the introduction is an amount up to S\$300,000, which will be satisfied by the allotment and issue to the Arranger of up to 10,000,000 Shares credited as fully paid (the “**Arrangement Shares**”);
- (d) the SIC had on 2 October 2013 granted a waiver of the requirement for Mr Ong (or his nominees) to make a mandatory general offer for the Company under Rule 14 of the Takeover Code in the event Mr Ong (or his nominees) increases his shareholdings in the Company to 30% or more as a result of acquiring the Placement 1 Shares under Placement 1, subject to conditions as set out in the SIC conditional waiver approval (including but not limited to the approval of the Whitewash Resolution). On 1 December 2013, the Company notified the SIC that Mr Ong will participate in the Proposed Placement and Call Option 1 through B&L Group, an investment holding company owned by Mr Ong and his spouse, Mdm Kok Lee Kuen;
- (e) in connection with the Proposed Placement and Call Option 1, Mr Ong will, subject to approval of the Shareholders, be appointed as a Director of the Company;
- (f) in connection with the Proposed Placements and the Proposed Call Options, the Company proposes to diversify the scope of the existing business of the Group (the “**Proposed Diversification of Business**”) to include Property Development; and
- (g) in connection with the Proposed Placement and Call Option 1, the Company intends to change the name of the Company from “Oniontech Limited” to “Edition Ltd.” (the “**Proposed Change of Name**”).

1.2 The Company is convening the EGM to be held on 16 July 2014 for the purpose of considering and if thought fit, passing the resolutions to approve the Proposed Placement and Call Option 1, the Proposed Placement and Call Option 2, the allotment and issuance of the Arrangement Shares, the Whitewash Resolution, the Proposed Appointment of Director, the Proposed Diversification of Business and the Proposed Change of Name (collectively, the “**Proposed Resolutions**”).

1.3 The purpose of this Circular is to explain the reasons for, and to provide the Shareholders with information pertaining to, the Proposed Resolutions to be tabled at the forthcoming EGM, notice of which is set out in this Circular.

LETTER TO SHAREHOLDERS

- 1.4 Shareholders should note that the Proposed Placements and Proposed Call Options are conditional upon the approval by Shareholders of the Proposed Resolutions in their entirety. Further, as the issue of the Arrangement Shares is conditional upon the issue of the Placement 1 Shares and the Call Option 1 Shares to B&L Group, the New Shares cannot be issued if the approval of Shareholders is not obtained in respect of all the Proposed Transactions as well as the Whitewash Resolution.

2. PROPOSED PLACEMENT OF SHARES AND GRANT OF CALL OPTION TO B&L GROUP

2.1 Placement 1

Subject to the terms and conditions of the Placement and Call Option 1 Agreement, the Company has agreed to allot and issue, and B&L Group has agreed to subscribe for, 195,000,000 Placement 1 Shares at an issue price of S\$0.03 (the “**Placement 1 Price**”) for each Placement 1 Share.

As a result of the completion of the Proposed Placements and the issue of 50% of the Arrangement Shares, there will be a transfer of controlling interest in the Company. B&L Group will be the single largest shareholder of the Company, holding 52.4% of the enlarged issued share capital of the Company. Further details on the shareholding changes pursuant to the Proposed Transactions are set out in Section 7 of this Circular.

2.2 Conditions Precedent to Placement 1

Under the terms of the Placement and Call Option 1 Agreement, the completion of Placement 1 is conditional upon, *inter alia*, the following:

- (a) the completion by B&L Group of a financial, business and legal due diligence on the Company, and the results of such exercise being reasonably satisfactory to B&L Group;
- (b) the completion by the Company of a background due diligence exercise on B&L Group, and the results of such exercise being reasonably satisfactory to the Company;
- (c) the approval of the Board for the Proposed Transactions (save for the Proposed Appointment of Director);
- (d) the approval by the Shareholders of the Proposed Resolutions (save for the Proposed Appointment of Director);
- (e) the provision of an undertaking by Mr Jang Jong Jung, Mr Hur Jung Young and Mr Lee Jei Hoon (the “**Korean Management**”) in favour of B&L Group to indemnify B&L Group from and against any losses, liabilities, costs (including legal costs on a full indemnity basis), claims, charges, expenses, proceedings, actions or demands (“**Liabilities**”) which B&L Group may suffer, pay or incur or which may be made against it or its employees or agents in connection with or arising out of any breach by the Company of any warranty, representation or undertaking set out in the Placement and Call Option 1 Agreement, any misrepresentation by the Company, and any failure by the Company to perform any of its obligations under the Placement and Call Option 1 Agreement;
- (f) the provision of an undertaking by the Korean Management in favour of the Company to indemnify the Company from and against any Liabilities which the Company may suffer, pay or incur or which may be made against it or its employees or agents (save for the Korean Management) to the extent that such Liabilities (a) are in connection with or arising out of the Placement and Call Option 1 Agreement, and (b) are attributable to the acts, neglect, defaults or omissions of the Korean Management (or any one of them); and

LETTER TO SHAREHOLDERS

- (g) the Listing and Quotation Notice being obtained from the SGX-ST and not having been revoked or amended and, where such notice is subject to conditions (which are not normally imposed by the SGX-ST for a transaction of a similar nature), such conditions being acceptable to B&L Group and, to the extent that any conditions for the listing and quotation of the Placement 1 Shares on Catalist are required to be fulfilled on or before the completion of Placement 1 under the Placement and Call Option 1 Agreement, they are so fulfilled.

If any of the conditions precedent in the Placement and Call Option 1 Agreement is not satisfied (or otherwise waived in accordance with the Placement and Call Option 1 Agreement) within three (3) calendar months from the date of the Placement and Call Option 1 Agreement or such other date as the parties may agree in writing, the Placement and Call Option 1 Agreement shall *ipso facto* cease and determine thereafter and none of the parties thereto shall have any claim against the other for costs, expenses, damages, losses, compensation or otherwise, save as provided in the Placement and Call Option 1 Agreement.

On 21 May 2014, the Company announced that by mutual agreement, the Company and B&L Group had agreed to extend the period for satisfying the conditions precedent for the completion of Placement 1 to 20 August 2014.

2.3 Issue Date for the Placement 1 Shares

Subject to all the conditions precedent in the Placement and Call Option 1 Agreement being satisfied, fulfilled or waived (as the case may be), the Placement 1 Shares shall be allotted and issued to B&L Group on the date falling ten (10) Market Days after the later of the Listing Approval Date or the date on which Shareholders' approval for the allotment and issue of the Placement Shares and the Call Option Shares is obtained, or such other date as the Company and B&L Group may agree to in writing.

2.4 Call Option 1

Subject to the terms and conditions of the Placement and Call Option 1 Agreement, B&L Group has the option, exercisable at any time during the period commencing from the 1st anniversary of the date of the Placement and Call Option 1 Agreement and ending on the 4th anniversary of the date of the Placement and Call Option 1 Agreement (the "**Call Option 1 Period**"), to subscribe for all (and not part of) 195,000,000 Call Option 1 Shares at an exercise price of S\$0.03 for each Call Option 1 Share (the "**Call Option 1 Exercise Price**").

Call Option 1 may be exercised by B&L Group by serving written notice (the "**Call Option 1 Notice**") on the Company during the Call Option 1 Period in accordance with the Placement and Call Option 1 Agreement. The Call Option 1 Shares shall be issued by the Company within ten (10) Market Days after receipt of the Call Option 1 Notice by the Company or such other date as the Company and B&L Group may agree in writing.

Call Option 1 shall automatically lapse and become null and void if it is not exercised in accordance with the terms of the Placement and Call Option 1 Agreement on or before the expiry of the Call Option 1 Period. The Company shall (a) release an announcement on SGXNET and (b) send a notice of expiry of Call Option 1 to B&L Group at least one (1) month before the expiry of the Call Option 1 Period.

Neither B&L Group nor the Company shall be entitled to assign the benefit of the Placement and Call Option 1 Agreement (including but not limited to Call Option 1) and any action in connection therewith and all or part of its rights or transfer all or part of its obligations under the Placement and Call Option 1 Agreement, unless agreed in writing between B&L Group and the Company.

If the Company is liquidated or wound up for any reason, Call Option 1 (if not exercised prior to such liquidation or winding up) shall lapse and shall cease to be valid for any purpose.

LETTER TO SHAREHOLDERS

2.5 Adjustments to Call Option 1

On or subsequent to the grant of Call Option 1 and subject to the terms and conditions of the Placement and Call Option 1 Agreement, the Call Option 1 Exercise Price and number of Call Option 1 Shares to be issued on the exercise of Call Option 1 may be subject to adjustments from time to time by the Directors. Details of such adjustments can be found in Appendix I.

Save where alterations are made pursuant to the terms and conditions of the Placement and Call Option 1 Agreement, the Company shall obtain Shareholders' approval before making any material alteration to the terms of Call Option 1 to the advantage of B&L Group.

2.6 Issue Price for the Placement 1 Shares and Exercise Price for the Call Option 1 Shares

The Placement 1 Price and the Call Option 1 Exercise Price were determined through negotiations between the Company and B&L Group on a commercial and willing buyer and willing seller basis. During the negotiations on the Proposed Placement and Call Option 1, the parties had mainly taken into consideration the transactions of the Shares in the one-year period prior to the time of such negotiations and the VWAP of the Shares for such one-year period of S\$0.0302.

Each of the Placement 1 Price and the Call Option 1 Exercise Price of S\$0.03 is at a premium of 11.1% over the VWAP of the Shares of S\$0.0270 based on the trades done on the SGX-ST on 17 February 2014, being the last full market day on which the Shares were traded immediately preceding the execution of the Placement and Call Option 1 Agreement.

2.7 Ranking of the Placement 1 Shares and the Call Option 1 Shares

The Placement 1 Shares shall be issued free from all claims, charges, liens and other encumbrances whatsoever and shall rank *pari passu* in all respects with and carry all rights similar to the existing issued Shares (not being treasury Shares), except for any dividend, right, allotment or other distributions, the Record Date for which falls on or before the completion of the issuance of the Placement 1 Shares under the Placement and Call Option 1 Agreement.

The Call Option 1 Shares (when issued) shall be issued free from all claims, charges, liens and other encumbrances whatsoever and shall rank *pari passu* in all respects with and carry all rights similar to the then existing issued Shares (not being treasury Shares), except for any dividend, right, allotment or other distributions, the Record Date for which falls on or before the completion of the issuance of the Call Option 1 Shares under the Placement and Call Option 1 Agreement.

2.8 Moratorium

Pursuant to the Placement and Call Option 1 Agreement, B&L Group undertakes that, for a period of six (6) months commencing from the date of the issue of the Placement Shares ("**First Moratorium Period**"), it will not directly or indirectly, offer, sell, contract to sell, realise, transfer, assign, pledge, grant any option or right to purchase, grant any security over, encumber or otherwise dispose of, any part of its shareholdings in the Company to below 100% of the Placement 1 Shares to be issued to B&L Group and in the six (6) months after the First Moratorium Period, it will not directly or indirectly, offer, sell, contract to sell, realise, transfer, assign, pledge, grant any option or right to purchase, grant any security over, encumber or otherwise dispose of any part of its shareholdings in the Company to below 50% of the Placement 1 Shares to be issued to B&L Group. In support of B&L Group's moratorium undertaking, Mr Ong and Mdm Kok Lee Kuen, being the shareholders of B&L Group, shall undertake that, for a period of twelve (12) months commencing from the date of the issue of the Placement 1 Shares, they will not directly or indirectly, offer, sell, contract to sell, realise, transfer, assign, pledge, grant any option or right to purchase, grant any security over, encumber or otherwise dispose of, any part of their respective shareholdings in B&L Group.

For the avoidance of doubt, the Placement 2 Shares, the Call Option Shares and the Arrangement Shares shall not be subject to any moratorium on sale, encumbrance or disposal.

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2.9 Appointment of Directors

Pursuant to the Placement and Call Option 1 Agreement, B&L Group shall have the right to nominate up to two (2) persons as executive Directors of the Company for the management of the Property Development Business (each, a “**Property Development Director**”). B&L Group proposes to nominate Mr Ong as one of the Property Development Directors and will seek to nominate the other Property Development Director as soon as practicable. The Company also intends to appoint an independent director who has the relevant experience in the real estate industry to assist the Board as the Group diversifies its business into the Property Development Business.

Pursuant to the Placement and Call Option 1 Agreement, the Company shall procure that Mr Lee Jei Hoon remains as an executive director of the Company and that Mr Jang Jong Jung and Mr Hur Jung Young resign from the Board. Notwithstanding the change in the composition of the Board, the Company shall procure that Mr Jang Jong Jung, Mr Hur Jung Young and Mr Lee Jei Hoon, being the key members of the management team of the current business, shall continue to manage the relevant companies in the Group on such terms and conditions to be agreed upon between each of them and the Company, prior to the completion of Placement 1.

2.10 Background of B&L Group

(The information in this section relating to B&L Group is based on information provided by and/or representations made by B&L Group. The Directors have not conducted an independent review or verification of the accuracy of the statements and information below.)

B&L Group is a limited exempt private company incorporated in Singapore on 19 November 2013 as a special purpose vehicle for the holding of Shares issued in connection with the Proposed Placement and Call Option 1. B&L Group has an issued share capital of S\$100 comprising 100 shares, of which 70 shares are held directly by Mr Ong and 30 shares are held by Mr Ong’s spouse, Mdm Kok Lee Kuen as a nominee for Mr Ong. The directors of B&L Group are Mr Ong and Mdm Kok Lee Kuen. Please refer to Section 12.2 of this Circular for more information on Mr Ong.

B&L Group is not a person in the categories set out in Rule 812(1) of the Catalist Rules. None of the Directors or, to the best of the Directors’ knowledge, substantial Shareholders of the Company have any prior connection (including business relationship) with B&L Group (or its directors or substantial shareholders).

3. PROPOSED PLACEMENT OF SHARES AND GRANT OF CALL OPTION TO MR CHOO UIHWAN

3.1 Placement 2

Subject to the terms and conditions of the Placement and Call Option 2 Agreement, the Company has agreed to allot and issue, and Mr Choo has agreed to subscribe for, 15,000,000 Placement 2 Shares at an issue price of S\$0.03 (the “**Placement 2 Price**”) for each Placement 2 Share.

3.2 Conditions Precedent to Placement 2

Under the terms of the Placement and Call Option 2 Agreement, the completion of Placement 2 is conditional upon, *inter alia*, the following:

- (a) the approval of the Board for the Proposed Transactions (save for the Proposed Appointment of Director);
- (b) the approval by the Shareholders of the Proposed Resolutions (save for the Proposed Appointment of Director); and
- (c) the Listing and Quotation Notice being obtained from the SGX-ST and not having been revoked or amended and, where such notice is subject to conditions (which are not normally imposed by the SGX-ST for a transaction of a similar nature), such conditions being acceptable to Mr Choo and, to the extent that any conditions for the listing and quotation of the Placement 2 Shares on Catalist are required to be fulfilled on or before the completion of Placement 2 under the Placement and Call Option 2 Agreement, they are so fulfilled.

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If any of the conditions precedent in the Placement and Call Option 2 Agreement is not satisfied (or otherwise waived in accordance with the Placement and Call Option 2 Agreement) within three (3) calendar months from the date of the Placement and Call Option 2 Agreement or such other date as the parties may agree in writing, the Placement and Call Option 2 Agreement shall *ipso facto* cease and determine thereafter and none of the parties thereto shall have any claim against the other for costs, expenses, damages, losses, compensation or otherwise, save as provided in the Placement and Call Option 2 Agreement.

On 21 May 2014, the Company announced that by mutual agreement, the Company and Mr Choo had agreed to extend the period for satisfying the conditions precedent for the completion of Placement 2 to 20 August 2014.

3.3 Issue Date for the Placement 2 Shares

Subject to all the conditions precedent in the Placement and Call Option 2 Agreement being satisfied, fulfilled or waived (as the case may be), the Placement 2 Shares shall be allotted and issued to Mr Choo on the date falling ten (10) Market Days after the later of the Listing Approval Date or the date on which Shareholders' approval for the allotment and issue of the Placement Shares and the Call Option Shares is obtained, or such other date as the Company and Mr Choo may agree to in writing.

3.4 Call Option 2

Subject to the terms and conditions of the Placement and Call Option 2 Agreement, Mr Choo has the option, exercisable at any time during the period commencing from the date of the Placement and Call Option 2 Agreement and ending on the 2nd anniversary of the date of the Placement and Call Option 2 Agreement (the "**Call Option 2 Period**"), to subscribe for all (and not part of) 15,000,000 Call Option 2 Shares at an exercise price of S\$0.03 for each Call Option 2 Share (the "**Call Option 2 Exercise Price**"), provided however that the exercise of Call Option 2 at any time shall not cause the then shareholdings of any of the shareholders of the Company to fall below 50% of the entire issued share capital of the Company.

Call Option 2 may be exercised by Mr Choo by serving written notice (the "**Call Option 2 Notice**") on the Company during the Call Option 2 Period in accordance with the Placement and Call Option 2 Agreement. The Call Option 2 Shares shall be issued by the Company within ten (10) Market Days after receipt of the Call Option 2 Notice by the Company or such other date as the Company and Mr Choo may agree in writing.

Call Option 2 shall automatically lapse and become null and void if it is not exercised in accordance with the terms of the Placement and Call Option 2 Agreement on or before the expiry of the Call Option 2 Period. The Company shall (a) release an announcement on SGXNET and (b) send a notice of expiry of Call Option 2 to Mr Choo at least one (1) month before the expiry of the Call Option 2 Period.

Neither Mr Choo nor the Company shall be entitled to assign the benefit of the Placement and Call Option 2 Agreement (including but not limited to Call Option 2) and any action in connection therewith and all or part of his or its rights or transfer all or part of his or its obligations under the Placement and Call Option 2 Agreement, unless agreed in writing between Mr Choo and the Company.

If the Company is liquidated or wound up for any reason, Call Option 2 (if not exercised prior to such liquidation or winding up) shall lapse and shall cease to be valid for any purpose.

3.5 Adjustments to Call Option 2

On or subsequent to the grant of Call Option 2 and subject to the terms and conditions of the Placement and Call Option 2 Agreement, the Call Option 2 Exercise Price and number of Call Option 2 Shares to be issued on the exercise of Call Option 2 may be subject to adjustments from time to time by the Directors. Details of such adjustments can be found in Appendix I.

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Save where alterations are made pursuant to the terms and conditions of the Placement and Call Option 2 Agreement, the Company shall obtain Shareholders' approval before making any material alteration to the terms of Call Option 2 to the advantage of Mr Choo.

3.6 Issue Price for the Placement 2 Shares and Exercise Price for the Call Option 2 Shares

The Placement 2 Price and the Call Option 2 Exercise Price were determined through negotiations between the Company and Mr Choo on a commercial and willing buyer and willing seller basis. During the negotiations on the Proposed Placement and Call Option 2, the parties had mainly taken into consideration the transactions of the Shares in the one-year period prior to the time of such negotiations and the VWAP of the Shares for such one-year period of S\$0.0302.

Each of the Placement 2 Price and the Call Option 2 Exercise Price of S\$0.03 is at a premium of 11.1% over the VWAP of the Shares of S\$0.0270 based on the trades done on the SGX-ST on 17 February 2014, being the last full market day on which the Shares were traded immediately preceding the execution of the Placement and Call Option 2 Agreement.

3.7 Ranking of the Placement 2 Shares and the Call Option 2 Shares

The Placement 2 Shares shall be issued free from all claims, charges, liens and other encumbrances whatsoever and shall rank *pari passu* in all respects with and carry all rights similar to the existing issued Shares (not being treasury Shares), except for any dividend, right, allotment or other distributions, the Record Date for which falls on or before the completion of the issuance of the Placement 2 Shares under the Placement and Call Option 2 Agreement.

The Call Option 2 Shares (when issued) shall be issued free from all claims, charges, liens and other encumbrances whatsoever and shall rank *pari passu* in all respects with and carry all rights similar to the then existing issued Shares (not being treasury Shares), except for any dividend, right, allotment or other distributions, the Record Date for which falls on or before the completion of the issuance of the Call Option 2 Shares under the Placement and Call Option 2 Agreement.

3.8 Background of Mr Choo

(The information in this section relating to Mr Choo is based on information provided by and/or representations made by Mr Choo. The Directors have not conducted an independent review or verification of the accuracy of the statements and information below.)

Mr Choo is the managing director of a steel wire distribution company based in the Republic of Korea and was introduced by Mr Lee Jei Hoon, an executive Director of the Company. Mr Choo is investing in the Company purely for financial investment purposes.

Mr Choo is not a person in the categories set out in Rule 812(1) of the Catalist Rules. None of the Directors or, to the best of the Directors' knowledge, substantial Shareholders of the Company have any prior connection (including business relationship) with Mr Choo.

4. PROPOSED ISSUE OF ARRANGEMENT SHARES

4.1 Referral

The Arranger was engaged by the Company to introduce investors to the Company (i) for an investment in the Company through the placement of new Shares or the grant of options for the subscription of new Shares and (ii) to bring in new business to the Company.

Mr Ong was referred to the Company by the Arranger on the terms and subject to the conditions of the Consultancy Agreement. The Arranger was involved in introducing, arranging and facilitating the negotiations between B&L Group and the Company on the Placement 1, Call Option 1 and the Proposed Diversification of Business.

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4.2 Commission for Referral

In consideration for the Arranger referring Mr Ong to the Company, the Company has agreed to pay to the Arranger a commission of up to S\$300,000 (the “**Commission**”) under the terms and subject to the conditions of the Consultancy Agreement. The Commission will be satisfied by the allotment and issue by the Company of up to 10,000,000 new Shares credited as fully paid-up to the Arranger. The allotment and issue of the Arrangement Shares is on a “success basis”, and as such is subject to and conditional upon the allotment and issuance of the Placement 1 Shares and Call Option 1 Shares to B&L Group.

The Arrangement Shares will be issued in two (2) tranches as follows:

- (a) 5,000,000 Arrangement Shares upon the issuance of the Placement 1 Shares to B&L Group by the Company; and
- (b) 5,000,000 Arrangement Shares upon the issuance of the Call Option 1 Shares to B&L Group pursuant to the exercise of Call Option 1 by B&L Group.

The allotment and issue of the Arrangement Shares will be subject to the approval of Shareholders at the EGM and is inter-conditional with the approval of the Proposed Placement and Call Option 1.

Other than the allotment and issue of Arrangement Shares, no fees or commissions will be payable by the Company for the Proposed Placements and Proposed Call Options.

4.3 Background of Arranger

(The information in this section relating to the Arranger is based on information provided by and/or representations made by the Arranger. The Directors have not conducted an independent review or verification of the accuracy of the statements and information below.)

The Arranger has more than ten (10) years of experience in private equity investments and is engaged in business consultancy activities. He is not a concert party to B&L Group or Mr Ong and is not a person in the categories set out in Rule 812(1) of the Catalist Rules. None of the Directors or, to the best of the Directors’ knowledge, substantial Shareholders of the Company have any prior connection (including business relationship) with the Arranger.

5. SHAREHOLDER APPROVALS AND LISTING AND QUOTATION NOTICE FOR THE NEW SHARES

5.1 Transfer of Controlling Interest

Pursuant to Rule 803 of the Catalist Rules, an issue of securities to a person resulting in that person becoming a controlling shareholder of the Company requires the approval of the Shareholders at a general meeting of the Shareholders. Accordingly, Shareholders’ approval for the transfer of controlling interest in the Company to B&L Group as a result of Placement 1 will be sought at the forthcoming EGM.

5.2 Issue of Placement Shares and Arrangement Shares

Pursuant to Section 161 of the Companies Act and Rule 805(1) of the Catalist Rules, an issuer must obtain the prior approval of its shareholders in general meeting for, *inter alia*, an issue of shares, except where the shares are issued pursuant to a general mandate obtained from shareholders in general meeting. Accordingly, Shareholders’ approval for the allotment and issuance of the Placement Shares and the Arrangement Shares will be sought at the forthcoming EGM.

5.3 Issue of Call Option Shares

Pursuant to Rule 824 of the Catalist Rules, every issue of company warrants or other convertible securities (including but not limited to call options) not covered under a general mandate must be specifically approved by shareholders in general meeting. Pursuant to Section 161 of the

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Companies Act, the directors of a company shall not, without the prior approval of the company in a general meeting, exercise any power of the company to issue shares. Accordingly, Shareholders' approval for the grant of the Proposed Call Options and the allotment and issuance of Call Option Shares (and any additional Call Option Shares to be issued pursuant to an adjustment under the terms of the respective Placement and Call Option Agreements) upon the exercise of the respective Proposed Call Options will be sought at the forthcoming EGM.

5.4 Listing and Quotation Notice

On 26 May 2014, an application was made by the Company to the SGX-ST, through the Company's continuing sponsor, for the listing of and quotation for the New Shares (including, for the avoidance of doubt, any additional Call Option Shares to be issued pursuant to an adjustment under the terms of the respective Placement and Call Option Agreements) on the Catalist of the SGX-ST. On 11 June 2014, the Listing and Quotation Notice was obtained from the SGX-ST for the listing of and quotation for the New Shares on the Catalist of the SGX-ST, subject to (i) shareholders' approval for the issuance of the New Shares; and (ii) compliance with the SGX-ST's listing requirements.

The Listing and Quotation Notice is not to be taken as an indication of the merits of, *inter alia*, the New Shares, the Proposed Transactions, the Company, its subsidiaries and their securities.

6. RATIONALE AND USE OF PROCEEDS

The current operating environment for the Company's existing businesses remains challenging. With the injection of funds from B&L Group and Mr Choo, the Company intends to diversify its revenue streams and venture into the Property Development Business. The Company believes that it will be able to tap on the experience, expertise and business contacts of Mr Ong in its exploration of the real estate development business, so as to enhance Shareholder value. Please refer to Section 11.2 of this Circular for more details on the rationale for the Proposed Diversification of Business.

After deducting expenses of approximately S\$0.3 million incurred by the Company in connection with the Proposed Transactions, the net proceeds from the issue of the Placement Shares ("**Net Proceeds**") will be approximately S\$6.0 million. The Company intends to use 90% of the Net Proceeds for the exploration of the Property Development Business and the remaining 10% for general working capital purposes. Assuming that the Proposed Call Options are exercised by both B&L Group and Mr Choo, additional gross proceeds of S\$6.3 million will be raised ("**Additional Proceeds**"). The Company intends to use 90% of the Additional Proceeds for the exploration of the Property Development Business and the remaining 10% for general working capital purposes.

Pending deployment of the Net Proceeds and Additional Proceeds (collectively, the "**Proceeds**") for the purposes mentioned above, the Proceeds may be placed as deposits with financial institutions and/or invested in short term money market or debt instruments or for any other purpose on a short term basis as the Directors may in their absolute discretion deem appropriate in the interests of the Group.

The Company will make periodic announcements on the utilisation of the Proceeds as and when they are materially disbursed, and provide a status report on the use of the Proceeds in the Company's interim and full-year financial statements issued under Rule 705 of the Catalist Rules and in the Company's annual report.

7. SHAREHOLDING EFFECTS OF THE ISSUANCE OF THE NEW SHARES

The maximum aggregate number of New Shares to be issued and allotted by the Company, assuming full exercise of the Proposed Call Options, is 430,000,000 Shares. This represents approximately 273.2% of the Company's issued share capital (excluding treasury Shares) as at the Latest Practicable Date and 73.2% of the enlarged share capital of the Company (excluding treasury Shares).

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As at the Latest Practicable Date, there are no other share options, warrants or convertible securities under which the Company has an obligation to issue additional Shares.

The shareholding changes in the Company pursuant to the issuance of the New Shares are set out below:

Shareholders	Current		After issuance of Placement Shares and 50% of the Arrangement Shares		Scenario 1: Assuming B&L Group and Mr Choo both exercise the Proposed Call Options		Scenario 2: Assuming only B&L Group exercises the Proposed Call Option 1	
	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
B&L Group	–	–	195,000,000	52.4	390,000,000	66.4	390,000,000	68.1
Choo Uihwan	–	–	15,000,000	4.0	30,000,000	5.1	15,000,000	2.6
Won Dae Ro	–	–	5,000,000	1.3	10,000,000	1.7	10,000,000	1.7
Directors								
Jang Jong Jung	25,200,000	16.0	25,200,000	6.8	25,200,000	4.3	25,200,000	4.4
Hur Jung Young	2,374,000	1.5	2,374,000	0.6	2,374,000	0.4	2,374,000	0.4
Lee Jei Hoon	816,100	0.5	816,100	0.2	816,100	0.1	816,100	0.1
Lim Yit Keong	–	–	–	–	–	–	–	–
Cheam Heng Haw	–	–	–	–	–	–	–	–
Substantial Shareholders (other than Directors)								
O,W&W Investments II Limited (In Liquidation – Members' Voluntary Winding Up)	13,636,350	8.7	13,636,350	3.7	13,636,350	2.3	13,636,350	2.4
Lange Capital Limited ⁽¹⁾	13,636,350 ⁽¹⁾	8.7 ⁽¹⁾	13,636,350 ⁽¹⁾	3.7 ⁽¹⁾	13,636,350 ⁽¹⁾	2.3 ⁽¹⁾	13,636,350 ⁽¹⁾	2.4 ⁽¹⁾
Lim Joo Boon ⁽¹⁾	13,636,350 ⁽¹⁾	8.7 ⁽¹⁾	13,636,350 ⁽¹⁾	3.7 ⁽¹⁾	13,636,350 ⁽¹⁾	2.3 ⁽¹⁾	13,636,350 ⁽¹⁾	2.4 ⁽¹⁾
Vision Capital Private Limited	12,000,000	7.6	12,000,000	3.2	12,000,000	2.0	12,000,000	2.1
Leong Hong Kah	8,198,000	5.2	8,198,000	2.2	8,198,000	1.4	8,198,000	1.4
Other Shareholders								
Existing Shareholders who are not Directors or substantial Shareholders	95,183,500	60.5	95,183,500	25.6	95,183,500	16.2	95,183,500	16.6
Total	157,407,950	100.0	372,407,950	100.0	587,407,950	100.0	572,407,950	100.0

Note:

(1) Deemed interest in the Shares held by O,W&W Investments II Limited pursuant to Section 7 of the Companies Act.

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8. FINANCIAL EFFECTS OF THE ISSUANCE OF THE NEW SHARES

The financial effects of the Proposed Placements, the Proposed Call Options and the proposed issue of Arrangement Shares are set out below strictly for illustrative purposes and do not necessarily reflect the actual financial performance and position of the Group following the issuance of the New Shares.

The effects of the issuance of the Placement Shares, the Call Option Shares (assuming the full exercise of the Proposed Call Options) and the Arrangement Shares on the Company's issued and paid-up share capital as at the Latest Practicable Date are as follows:

Share capital	As at Latest Practicable Date ⁽¹⁾	After issue of Placement Shares and 50% of Arrangement Shares	After issue of Placement Shares, Call Option Shares and Arrangement Shares in full
Number of Shares	157,407,950	372,407,950	587,407,950

Note:

- (1) As at the Latest Practicable Date, the Company has 12,374,000 treasury Shares. The above computation does not include the treasury Shares.

Based on the Group's audited financial statements for the financial year ended 31 December 2013 ("FY2013"), for illustrative purposes, the financial effects of the issuance of the Placement Shares, the Call Option Shares (assuming full exercise of the Proposed Call Options) and the Arrangement Shares on the Group are set out as follows:

(a) NTA and NTA per Share

	As at 31 December 2013	After issue of Placement Shares and 50% of Arrangement Shares	After issue of Placement Shares, Call Option Shares and Arrangement Shares in full
NTA (US\$'000)	7,574	12,298 ⁽¹⁾	17,259 ⁽²⁾
Number of Shares	157,407,950	372,407,950	587,407,950
NTA per Share (US cents)	4.81	3.30	2.94

Notes:

- (1) After adjusting for the net proceeds from the issuance of 210,000,000 Placement Shares at an issue price of S\$0.03 and converted at an assumed exchange rate of US\$1:S\$1.27. There are no proceeds from the issue of the Arrangement Shares.
- (2) After adjusting for the net proceeds from the issuance of 210,000,000 Placement Shares and 210,000,000 Call Option Shares at an issue price of S\$0.03, and converted at an assumed exchange rate of US\$1:S\$1.27. There are no proceeds from the issue of the Arrangement Shares. Expenses which may be incurred in connection with the issuance of the Call Option Shares pursuant to the exercise of the Proposed Call Options have not been factored into the above computation.

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(b) Loss and Loss per Share

	FY2013	After issue of Placement Shares and 50% of Arrangement Shares	After issue of Placement Shares, Call Option Shares and Arrangement Shares in full
Net loss after tax (US\$'000)	(2,664)	(2,664)	(2,664)
Number of Shares	157,407,950	372,407,950	587,407,950
Loss per Share (US cents)	(1.69)	(0.72)	(0.45)

(c) Gearing

	As at 31 December 2013	After issue of Placement Shares and 50% of Arrangement Shares	After issue of Placement Shares, Call Option Shares and Arrangement Shares in full
Total debts (US\$'000)	5,737	5,737	5,737
Total equity (US\$'000)	7,603	12,327 ⁽¹⁾	17,288 ⁽²⁾
Gearing ratio (times)	0.75	0.47	0.33

Notes:

- (1) After adjusting for the net proceeds from the issuance of 210,000,000 Placement Shares at an issue price of S\$0.03 and converted at an assumed exchange rate of US\$1:S\$1.27. There are no proceeds from the issue of the Arrangement Shares.
- (2) After adjusting for the net proceeds from the issuance of 210,000,000 Placement Shares and 210,000,000 Call Option Shares at an issue price of S\$0.03, and converted at an assumed exchange rate of US\$1:S\$1.27. There are no proceeds from the issue of the Arrangement Shares. Expenses which may be incurred in connection with the issuance of the Call Option Shares pursuant to the exercise of the Proposed Call Options have not been factored into the above computation.

9. DIRECTORS' OPINION ON WORKING CAPITAL

As at the Latest Practicable Date, the Directors are of the opinion, after taking into consideration the Group's present bank facilities, that the working capital of the Group is sufficient to meet its present requirements. Notwithstanding the above, the Company is proposing to undertake the Proposed Placements and Proposed Call Options to raise additional funding in connection with the Company's proposal to diversify the scope of the existing business of the Group to include the Property Development Business.

The Directors are of the opinion, after taking into consideration the Group's present bank facilities and the Net Proceeds, that the working capital of the Group is sufficient to meet its present requirements.

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10. THE PROPOSED WHITEWASH RESOLUTION

10.1 General Offer Requirements under the Takeover Code

Under Rule 14.1 of the Takeover Code, where (a) any person who acquires, whether by a series of transactions over a period of time or not, Shares which (taken together with Shares held or acquired by persons acting in concert with him) carry 30% or more of the voting rights in the Company; or (b) any person who, together with persons acting in concert with him, holds not less than 30% but not more than 50% of the voting rights in the Company and such person, or any person acting in concert with him, acquires in any period of six (6) months additional Shares carrying more than 1% voting rights, he is required to make a mandatory general offer for all the Shares in the Company which he does not already own or control.

10.2 Shareholdings and Concert Parties

As at the Latest Practicable Date, the Company has a total number of 157,407,950 Shares (excluding treasury Shares). The details of the shareholdings of the Directors and the substantial Shareholders as set out in the Register of Directors and the Register of Substantial Shareholders of the Company respectively, are set out in Section 14 of this Circular.

There are no share options, convertible securities or other instruments convertible into Shares under which the Company has an obligation to issue additional Shares, as at the Latest Practicable Date.

As at the Latest Practicable Date, B&L Group and/or its concert parties do not hold any Shares or instruments convertible into, rights to subscribe for and options in respect of the Shares.

Upon the allotment and issue of the Placement Shares and 50% of the Arrangement Shares, (a) the existing Shareholders (excluding B&L Group, Mr Choo and the Arranger) shall have their ownership diluted to 42.3% of the enlarged share capital of the Company; and (b) B&L Group shall hold approximately 52.4% of the enlarged share capital of the Company.

Pursuant to Rule 14 of the Takeover Code and Section 139 of the SFA, B&L Group and/or its concert parties will be required to make a general offer for all the remaining issued Shares not owned, controlled or agreed to be acquired by B&L Group and/or its concert parties at the highest price paid or agreed to be paid by B&L Group and/or its concert parties for the Shares in the past six (6) months from the date the Placement 1 Shares are issued to B&L Group, unless such obligation is waived by SIC.

10.3 Conditional Waiver of the General Offer Requirement by SIC

SIC had, on 2 October 2013, exempted Mr Ong and his nominees from the requirement under Rule 14 of the Takeover Code to make a mandatory offer for the Company in the event that Mr Ong and/or his concert parties increase their percentage of total voting rights in the Company to 30% or more based on its enlarged issued capital as a result of Mr Ong and/or his concert parties acquiring the Placement 1 Shares under Placement 1, subject to the following conditions (the “**Whitewash Conditions**”):

- (a) a majority of the holders of voting rights of the Company present and voting at a general meeting, held before Placement 1, approve by way of a poll, a resolution to waive their rights to receive a general offer from Mr Ong and/or his concert parties;
- (b) the Whitewash Resolution is separate from other resolutions;
- (c) Mr Ong, parties acting in concert with him and parties not independent of him as well as Mr Choo and the Arranger abstain from voting on the Whitewash Resolution;

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- (d) Mr Ong and his concert parties did not acquire or are not to acquire any Shares or instruments convertible into and options in respect of Shares (other than subscriptions for, rights to subscribe for, instruments convertible into or options in respect of the new Shares which have been disclosed in this Circular):
 - (i) during the period between the date of the announcement of Placement 1 (the “**Announcement**”) and the date Shareholders’ approval is obtained for the Whitewash Resolution; and
 - (ii) in the six (6) months prior to the date of the Announcement but subsequent to negotiations, discussions or the reaching of understandings or agreements with the Directors in relation to Placement 1;
- (e) the Company appoints an independent financial adviser to advise the Independent Shareholders on the Whitewash Resolution;
- (f) the Company sets out clearly in its circular to Shareholders:
 - (i) details of Placement 1, including Call Option 1;
 - (ii) the possible dilution effect to existing holders of voting rights of the acquisition of the Placement 1 Shares by Mr Ong (or his nominee, as the case may be) under Placement 1;
 - (iii) the number and percentage of voting rights in the Company as well as the number of instruments convertible into, rights to subscribe for and options in respect of Shares held by Mr Ong (or his nominee, as the case may be) and his concert parties as at the Latest Practicable Date;
 - (iv) the number and percentage of voting rights to be issued to Mr Ong (or his nominee, as the case may be) as a result of his acquisition of the Placement 1 Shares under Placement 1;
 - (v) that shareholders, by voting for the Whitewash Resolution, are waiving their rights to a general offer from Mr Ong (or his nominee, as the case may be) at the highest price paid by Mr Ong and his concert parties for Shares in the past 6 months preceding the commencement of the offer; and
 - (vi) that the acquisition of the Placement 1 Shares by Mr Ong (or his nominee, as the case may be) under Placement 1 will result in Mr Ong (or his nominee, as the case may be) and his concert parties holding Shares carrying over 49% of the voting rights of the Company based on its enlarged issued capital and the fact that Mr Ong and his concert parties will be free to acquire further Shares without incurring any obligation under Rule 14 of the Takeover Code to make a general offer;
- (g) the circular by the Company to its Shareholders states that the waiver granted by SIC to Mr Ong (or his nominee, as the case may be) from the requirement to make a general offer under Rule 14 of the Takeover Code is subject to the conditions stated in sub-paragraphs (a) to (f) above;
- (h) the Company obtains the SIC’s approval in advance for those parts of the circular that refer to the Whitewash Resolution; and
- (i) to rely on the Whitewash Resolution, the acquisition by Mr Ong (or his nominee, as the case may be) of the Placement 1 Shares under Placement 1 must be completed within three (3) months of the date of approval of the Whitewash Resolution.

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On 1 December 2013, the Company notified the SIC that Mr Ong will participate in the Proposed Placement and Call Option 1 through B&L Group, an investment holding company owned by Mr Ong and his wife, Mdm Kok Lee Kuen. Accordingly, the Whitewash Conditions referred to above shall be complied with by B&L Group, being the nominee of Mr Ong.

As at the Latest Practicable Date, all the above conditions imposed by the SIC, except for the conditions in (a), (c), (d)(i) and (i), have been satisfied.

10.4 The Whitewash Resolution

The Independent Shareholders are requested to vote by way of poll, the Whitewash Resolution set out as Ordinary Resolution 4 in the Notice of EGM attached to this Circular, waiving their rights to receive a general offer from B&L Group and/or its concert parties for the remaining Shares not owned or agreed to be acquired by B&L Group and/or its concert parties.

The Independent Shareholders should also note that by voting in favour of the Whitewash Resolution, they will be waiving their rights to a general offer from B&L Group and/or its concert parties at the highest price paid or agreed to be paid by B&L Group and/or its concert parties for Shares in the six (6) months preceding the date of the allotment and issuance of the Placement 1 Shares.

The Independent Shareholders should further note that the allotment and issuance of the Placement 1 Shares will result in B&L Group and/or its concert parties carrying over 49% of the voting rights of the Company (based on the enlarged share capital of the Company), and that B&L Group and/or its concert parties will be free to acquire further Shares without incurring any obligation under Rule 14 of the Takeover Code to make a general offer.

The Independent Shareholders should note that the passing of the ordinary resolutions relating to the Proposed Transactions are conditional upon the Whitewash Resolution being approved by the Independent Shareholders, as the Whitewash Resolution is a condition precedent in the Placement and Call Option 1 Agreement.

10.5 Advice of the Independent Financial Adviser

Pursuant to the Whitewash Conditions, Asian Corporate Advisors Pte. Ltd. was appointed as the IFA to advise the Non-interested Directors and the Independent Shareholders in relation to the Whitewash Resolution. A copy of the letter from the IFA to the Non-interested Directors dated 24 June 2014 setting out the IFA's advice in full, is set out in Appendix II to this Circular (the "IFA Letter").

The IFA's opinion can be found in Section 7 of the IFA Letter and has been extracted and reproduced below in italics. Unless otherwise defined or the context otherwise requires, all terms defined in the IFA Letter shall have the same meaning therein.

"7. OUR OPINION

In arriving at our recommendation in respect of the Whitewash Resolution, we have taken into account, inter alia, the following factors summarised below as well as others elaborated elsewhere in our Letter. Our recommendation or opinion is by no means an indication of the merits of the prospects, financial performance and position of the Company and the Group or the prices at which the Shares would trade after the completion of the Proposed Transactions or the prospects the Property Development Business or the expected returns or profit from the Property Development Business. The following should be read in conjunction with, and in the context of, the full text of this Letter.

- (a) *The rationale of the Proposed Transactions as described in Section 6 of the Circular and the Executive Directors' Representation as described in Section 5.1 of this Letter. We note from Section 6 of the Circular that the current operating environment for the Company's existing businesses remains challenging. With the injection of funds from B&L Group, the Company intends to diversify its revenue streams and venture into the Property Development Business*

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which the Company believes it will be able to tap on the experience, expertise and business contacts of Mr Ong in its exploration of the real estate development business, so as to enhance Shareholders' value.

- (b) *The current weak financial position and performance of the Group. The Group has been in the loss making position since FY2007 (save for FY2011 where the Group recorded profit after tax of US\$147 thousand due mainly to gain on disposal of AFS of approximately US\$2.1 million) with significant decline in its core activities (in terms of revenue) since FY2011, the Group's weak financial position with declining shareholders' equity and relatively high gearing ratio (as compared to the Selected Comparable Companies), as well as the matters highlighted in the AR2013 and AR2012 pertaining to, inter alia, going concern assumptions. The Group reported a net loss after tax attributable to equity holders of the Company of approximately US\$2.7 million in FY2013, which is substantially higher than the net loss after tax attributable to equity holders of the Company of approximately US\$1.0 million in FY2012. In addition, the Group's operating profit of approximately US\$0.9 million in FY2013 is insufficient to cover the operating expenses of approximately US\$4.0 million. The Group's total borrowings to shareholders' equity ratio increased from approximately 0.2 times as at 31 December 2012 to approximately 0.8 times as at 31 December 2013.*

Notwithstanding the relatively weak financial position, the Group may not be in financial distress given its positive net working capital of approximately US\$1.9 million as at 31 December 2013, the representation from the Management that no principal repayment is required for its borrowing of approximately US\$5.3 million until December 2020, as well as the fact that the shareholders' equity of the Group of approximately US\$7.6 million as at 31 December 2013 is approximately 2.9 times of the loss after tax in FY2013.

The Directors confirmed that as at the Latest Practicable Date and save for matters disclosed in this Letter, the Circular and the audited financial statements for the Group for FY2013, there has been no material changes to the Group's assets and liabilities, financial position, condition and performance.

- (c) *The matters highlighted in note 4 to the financial statements for both FY2013 and FY2012 pertaining to, inter alia, the Group's going concern assumptions.*
- (d) *The historical financial performance and position of the Group appear to be weaker than the Selected Comparable Companies which operate in the same industry that the Group operates in.*
- (e) *The Placement 1 Price or the Call Option 1 Price (as set out in Section 5 of this Letter) after taking into account, inter alia, the following factors:-*
- (i) *The Placement 1 Price represents a discount of approximately 50.3% and 50.1% from the Group's NAV per Share and NTA per Share as at 31 December 2013 respectively. Correspondingly, if the cash and cash equivalents per Share is deducted from the Placement 1 Price and likewise from the Group's NAV and NTA per Share, the Placement 1 Price less cash and cash equivalents per Share represents a discount of approximately 60.7% and 60.5% from the Group's NAV per Share and NTA per Share Price less cash and cash equivalents per Share respectively as at 31 December 2013.*
- (ii) *The Revalued NAV per Share and Revalued NTA per Share of the Group would be approximately S\$0.0905 and S\$0.0902 respectively and the Placement 1 Price represents a discount of approximately 66.84% and 66.75% to the Revalued NAV per Share and Revalued NTA per Share of the Group respectively. The Directors represented to us that there is a restriction to sell the Subject Properties for the period of 10 years from 11 September 2013 and that in the event of default, the Company may be able to obtain the relevant approval from the local government for disposal at no profit (or at the purchase price). Assuming that the Subject Properties are disposed at the purchase price of approximately US\$6.3 million (which is equivalent to its book*

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value as at 31 December 2013), the Placement 1 Price represents a discount of approximately 55.3% and 55.1% to the Revalued NAV per Share and Revalued NTA per Share of the Group respectively.

Non-interested Directors are advised to assess the discount implied by the Placement 1 Price from the Group's NAV and NTA per Share as at 31 December 2013 as well as the Group's Revalued NAV and NTA per Share in conjunction with the fact that while the Group has been in the loss making position since FY2007 (save for FY2011 where the Group recorded profit after tax of US\$147 thousand) with significant decline in its core activities (in terms of revenue) since FY2011 and its financial position is relatively weak (with declining shareholders' equity and relatively high gearing ratio as compared to the Selected Comparable Companies), the Group may not be in financial distress given its positive net working capital of approximately US\$1.9 million as at 31 December 2013, the representation from the Management that no principal repayment is required for its borrowing of approximately US\$5.3 million until December 2020, as well as the fact that the shareholders' equity of the Group of approximately US\$7.6 million as at 31 December 2013 is approximately 2.9 times of the loss after tax in FY2013.

- (iii) The Placement 1 Price represents only a small premium of approximately 6.7% from the aggregate amount of the cash and cash equivalents and AFS per Share as at 31 December 2013 (which represents the liquid assets of the Group) or a discount of approximately 13.9% from the aggregate amount of the cash and cash equivalents as at 31 December 2013 and the market value of the listed security under the AFS per Share as at the Latest Practicable Date (which represents the liquid assets of the Group).
- (iv) The Placement 1 Price represents a premium of approximately 11.1% over the last transacted price of S\$0.027 per Share on the SGX-ST on 17 February 2014 (being the last Trading Day for the Shares prior to the Announcement Date).
- (v) The Placement 1 Price represents a premium of approximately 10.9%, and 11.1% over the VWCP for the Shares for the period 3-month and 1-month prior to and including the Announcement Date.
- (vi) The Placement 1 Price represents a discount of approximately 16.7% and 22.9% from the VWCP for the Shares for the period 12-month and 6-month prior to and including the Announcement Date.
- (vii) The Placement 1 Price represents a discount of approximately 23.1% from the VWCP for the Shares for the period commencing after the Announcement Date and ending on the Latest Practicable Date.
- (viii) The Placement 1 Price represents a discount of approximately 33.3% from the last transacted price of S\$0.045 per Share on 11 June 2014, being the last Trading Day prior to the Latest Practicable Date.
- (ix) The valuation of the Group as implied by the Placement 1 Price and the last transacted price on 11 June 2014, being the last Trading Day prior to the Latest Practicable Date, in terms of PER and EV/EBITDA ratios are not meaningful due to the losses incurred for FY2013 and the poor financial performance of the Group for FY2013. In addition, the valuation of the Group as implied by the Placement 1 Price in terms of P/NAV and P/NTA are lower than any of the Selected Comparable Companies (save for Captii for P/NAV).

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The less favourable pricing for the Group in terms of P/NAV and P/NTA as compared to the Selected Comparable Companies should be assessed in the context of the Group's substantially weaker financial performance and position as compared to the Selected Comparable Companies with losses since FY2007 (save for FY2011, where the Group recorded small profit) and declining core business activities (in terms of revenue) since FY2011, and the matters highlighted in the AR2013 and AR2012 pertaining to, inter alia, going concern assumptions. On the other hand, it is noted that upon issuance of Placement Shares, Call Option 1 Shares and Arrangement Shares in full (and on the assumption only B&L Group exercises the Call Option 1), B&L Group's interest in the Company will increase to approximately 68.1% hence it involves the B&L Group acquiring control of the Company while the trading statistics for the shares of the Selected Comparable Companies are based on transactions which do not result in acquisition of control.

The Placement 1 Price does not appear to accord any premiums that would normally be expected from a possible acquisition of control as the Placement 1 may result in the B&L Group obtaining statutory control of the Company and the valuation of the Group as implied by the Placement 1 Price appears to be on the low end when considered in the context of the discount implied by the Placement 1 Price from the Group's Revalued NAV and NTA per Share as well as the aggregate amount of the cash and cash equivalents as at 31 December 2013 and the market value of the listed security under the AFS per Share as at the Latest Practicable Date (which are the liquid assets of the Group).

- (x) Comparison with the Selected Comparable Transactions which show that whilst the Placement 1 Price to Revalued NTA multiple of 0.33 time or 0.45 time (on the assumption that the Subject Properties are disposed at the purchase price) for the Group is within the range but substantially lower than both the simple average and median for the Selected Comparable Transactions, the premium of approximately 11.11% as implied by the Placement 1 Price from the last transacted price for the Shares prior to the Announcement Date is within the range of premiums over and discounts from the Selected Comparable Transactions and more favourable as compared to the simple average and the median for the Selected Comparable Transactions, which is at discount of approximately 16.75% and 20.95% respectively. The relatively better pricing of the Placement 1 in terms of the comparison with the last transacted price for the Shares prior to the Announcement Date should be assessed in the context of the low liquidity for the Shares for the period 1 year prior to the Announcement Date (the Shares were only traded on 26 Trading Days out of the total 252 Market Days). It is generally accepted that the less actively traded the shares, the lesser the reliance on market prices as a determination of the fair value of the shares between willing buyer and willing seller. Hence, the historically transacted prices for the Shares may not be a meaningful indicator of its financial value.*
- (xi) Comparison with the 2011 Subscription. Notwithstanding, the Placement 1 Price is lower than the Subscription Price (in nominal terms), the Placement 1 is relatively in line with the 2011 Subscription in terms of comparison to the respective NTA and is more favourable than the 2011 Subscription in terms of comparison with the last transacted price prior to the respective announcement.*
- (f) The Call Option 1 Exercise Price is at a premium of approximately 11.1% over the last transacted price of S\$0.027 per Share on 17 February 2014 (being the last Trading Day immediately preceding the Announcement Date), which means the Call Option 1 would have been out-of-the-money had they been granted at that time. The intrinsic value of the Call Option 1 as at the Latest Practicable Date is approximately S\$0.015 for each Call Option Share.*

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- (g) *The theoretical value of the Call Option 1 as at the Announcement Date and as at the Latest Practicable Date of approximately S\$0.0040 and S\$0.0191 respectively. The Call Option 1 will be issued free to the B&L Group pursuant to the Placement and Call Option Agreement 1 and in complementary to the Placement 1 notwithstanding the theoretical value inherent in the Call Option 1. We wish to highlight that in the event the theoretical market value of the Call Option 1 of approximately S\$0.0040 as at the Announcement Date and approximately S\$0.0191 are deducted from the Placement Price 1, the adjusted Placement Price 1 would be approximately S\$0.0260 (as at the Announcement Date), which represents a discount of approximately 71.2% discount from the Group's Revalued NTA, and approximately S\$0.0109 (as at the Latest Practicable Date), which represents a discount of approximately 87.9% discount from the Group's Revalued NTA. As highlighted in Section 5.3 of this Letter, the Directors represented to us that there is a restriction to sell the Subject Properties for the period of 10 years from 11 September 2013 and that in the event of default, the Company may be able to obtain the relevant approval from the local government for disposal at no profit (or at the purchase price). Assuming that the Subject Properties are disposed at the purchase price of approximately US\$6.3 million (which is equivalent to its book value as at 31 December 2013), the Revalued NTA per Share would be approximately US\$0.054 (or equivalent to S\$0.067) and the adjusted Placement 1 Price represents a discount of approximately 61.1% (as at the Announcement Date) and a discount of approximately 83.7% discount (as at the Latest Practicable Date) from the Group's Revalued NTA.*

In addition, the adjusted Placement 1 Price of approximately S\$0.0260 (as at the Announcement Date) and approximately S\$0.0109 (as at the Latest Practicable Date) represents a discount of approximately 7.5% and 61.2% from the aggregate amount of the cash and cash equivalents and the listed security under AFS per Share as at 31 December 2013 (which are the liquid assets of the Group).

- (h) *The pro-forma financial effects of the Proposed Transactions as outlined in Section 8 of the Circular is unfavourable for the Group's NTA per Share, but favourable for loss per Share and gearing ratio for the Group, which we have viewed in the context that the approval of the Whitewash Resolution will allow the Company to raise net proceeds of up to approximately S\$12.3 million (after deducting estimated expenses incurred in connection with the Proposed Transactions) and providing the Group with an opportunity to explore the Property Development Business and diversify the Group's revenue stream in view of the Group's loss making position and significant decline in its core activities (in terms of revenue). Independent Shareholders should note that the financial effects on the Group's NTA per Share and loss per Share have not taken into account the expected return from the deployment of the net proceeds from the issuance of the Placement Shares and the exercise of the Proposed Call Options (which the Company intends to use 90% of the total proceeds for the exploration of the Property Development Business and the remaining 10% for general working capital purposes).*
- (i) *The dilutive impact of the Proposed Transactions, set out in Section 6.2 of this Letter, on the percentage of shareholding interest of the existing Shareholders and the significant reduction in the voting interest in the Company pursuant to the Proposed Transactions which we view in conjunction with the substantial discount of the Placement 1 Price from the Group's Revalued NAV and NTA.*
- (j) *The Directors have confirmed that whilst significant efforts have been made by the Directors and Management to source for alternative offer for investment in the Company or reverse takeover with better pricing, as at the Latest Practicable Date, they are not aware of any alternative offers for investment in the Company or reverse takeover from other parties, which is comparable in nature, size and scope to the Proposed Transactions and with injection of cash proceeds into the Group which would strengthen the Group's financial position and provide the opportunity to diversify its revenue stream, and venture into the Property Development Business (tapping on the experience, expertise and business contacts of Mr Ong in its exploration of the real estate development business), so as to enhance Shareholders' value.*

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- (k) *Completion of the Proposed Transactions is, inter alia, conditional on the approval of the Whitewash Resolution. Accordingly, if the Whitewash Resolution is not passed by a majority of the Shareholders, the Proposed Transactions may not take place.*
- (l) *Other relevant considerations as set out in Section 6 of this Letter.*

*In summary, having regard to our analysis and the consideration in this Letter (including its limitation and constraints) and after having considered carefully the information available to us and based on market, economic and other relevant conditions prevailing as at the Latest Practicable Date, save for the prospect of the Property Development Business or the expected returns or profit from the Property Development Business, and subject to our terms of reference, **we are of the opinion that the Whitewash Resolution when considered in the context of the financial terms of the Placement 1 is prejudicial to the interests of the Company and the Independent Shareholders.***

Notwithstanding the Company's intention to diversify its revenue stream, the Executive Directors' Representation, and the Directors' confirmation and representation that there is no alternative offers for investment in the Company or reverse takeover with better pricing, despite significant efforts have been made to source for alternative offers for investment or reverse takeover, we consider the financial terms of the Whitewash Resolution to be prejudicial to the interests of the Company and the Independent Shareholders in the context of the following:-

- (a) *While the Group has been in the loss making position since FY2007 (save for FY2011 where the Group recorded profit after tax of US\$147 thousand due mainly to gain on disposal of AFS of approximately US\$2.1 million) with significant decline in its core activities (in terms of revenue) since FY2011 and its financial position is relatively weak with declining shareholders' equity and relatively high gearing ratio (as compared to the Selected Comparable Companies), the Group may not be in financial distress given its positive net working capital of approximately US\$1.9 million as at 31 December 2013, the representation from the Management that no principal repayment is required for its borrowing of approximately US\$5.3 million until December 2020, as well as the fact that the shareholders' equity of the Group of approximately US\$7.6 million as at 31 December 2013 is approximately 2.9 times of the loss after tax in FY2013.*
- (b) *The Placement 1 Price does not accord any premiums that would normally be expected from a possible acquisition of control as the Placement 1 may result in the B&L Group obtaining statutory control of the Company and the valuation of the Group as implied by the Placement 1 Price appears to be on the low end when considered in the context of the discount implied by the Placement 1 Price from the Group's NAV and NTA as at 31 December 2013, the Group's Revalued NAV and NTA as well as the relatively lower pricing of the Group in terms of P/NTA as compared to the Selected Comparable Companies and the Selected Comparable Transactions.*
- (c) *The Placement 1 Price represents only a small premium of approximately 6.7% from the aggregate amount of the cash and cash equivalents and the listed AFS per Share as at 31 December 2013 (which represents the liquid assets of the Group) or a discount of approximately 13.9% from the aggregate amount of the cash and cash equivalents as at 31 December 2013 and the market value of the listed security under the AFS per Share as at the Latest Practicable Date (which represents the liquid assets of the Group).*
- (d) *The dilutive impact of the Proposed Transactions on the percentage of shareholding interest of the existing Shareholders and the significant reduction in the voting interest in the Company pursuant to the Proposed Transactions which we view in conjunction with the substantial discount of the Placement 1 Price from the Group's Revalued NAV and NTA.*

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- (e) *The Call Option 1 will be issued free to the B&L Group pursuant to the Placement and Call Option Agreement 1 and in complementary to the Placement 1 notwithstanding the theoretical market value inherent in the Call Option 1. In the event the theoretical market value of the Call Option 1 is deducted from the Placement Price 1, the adjusted Placement 1 Price of approximately S\$0.0260 (as at the Announcement Date) and approximately S\$0.0109 (as at the Latest Practicable Date) represents a discount of approximately 71.2% and 87.9% respectively or a discount of approximately 61.1% and 83.7% respectively (assuming that the Subject Properties are disposed at the purchase price) from the Group's Revalued NTA and a discount of approximately 7.5% and 61.2% respectively from the aggregate amount of the cash and cash equivalents and the listed security under AFS per Share as at 31 December 2013 (which are the liquid assets of the Group).*

However we note based on the confirmation from the Directors and Management that as at the Latest Practicable Date, the Placement 1 is the only alternative available to the Company and that the Proposed Transactions and Placement 1 for which shareholders' approval is being sought, were the culmination of numerous discussions with prospective investors including the B&L Group and that amongst the proposals and initiatives reviewed, the Placement 1 is the alternative that has been deemed most appropriate given the Company's and Group's continued weak financial position and erosion of its shareholders' equity base.

Recommendation

*Based on our assessment of the Whitewash Resolution as set out above, from a financial point of view, we advise the Non-interested Directors to recommend that Independent Shareholders vote **against** the Whitewash Resolution to be proposed at the EGM. We advise the Non-interested Directors to highlight to Independent Shareholders the matters as stated in our Letter, including, inter alia, our limitation in evaluating the prospects and financial impacts of the Property Development Business to the Group in view of the absence of information on specific property development projects to be undertaken (including but not limited to type of properties, geographical coverage, size and timing), and to exercise caution in their decision in voting in favour of or against the Whitewash Resolution.*

Shareholders, after taking into account the above, should note the following:

- (a) *As at the Latest Practicable Date, the Executive Directors do not foresee any material positive developments for the Group in terms of its existing core business in the provision of software solutions, financial performance and financial position.*
- (b) *Considering the significant decline in the Group's existing core business with no certainty of any material improvement in terms of profitability, the Executive Directors are of the view that the the Group's performance going forward is dependent to a large extent on the rental income from its property lease and the proceeds from disposing of its investment in listed security (which is subject to the trading performance of the said security and the then prevailing market and economic condition).*
- (c) *The Directors' confirmation and representation that the Placement 1 is currently the only alternative available that has been deemed most appropriate given the Company's and Groups' continued weak financial position and erosion of its shareholders' equity base and that there is no assurance that there will be any alternative offers or reverse takeovers with more favourable terms available in the near term.*

In the event that Shareholders who, despite the consideration as mentioned above, and who hold a favourable view and are confident on the prospects of the Property Development Business under the leadership of Mr Ong (albeit without the detailed plans in the Circular on the proposed strategy for the Property Development Business), and after taking into account the statement and confirmation from the Directors that the Placement 1 is currently the only alternative available that has been deemed most appropriate given the Company's and Groups' continued weak financial

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position and erosion of its shareholders' equity base, the Executive Directors' Representation that, inter alia, no material positive developments are foreseen in terms of the Group's existing core business, financial performance, condition and position, as well as the uncertainties pertaining to the Group's performance going forward, and hold a view that the Proposed Transactions would enhance the shareholders' value (despite the dilution of voting and economic interest in the Company), may consider voting in favour of the Whitewash Resolution while noting the matters, limitations and our views as stated in our Letter.

In performing our evaluation, we have not been provided with, and have not had access to, any financial projections or future plans or corporate actions (if any) of the Company or the Group or the Property Development Business. The opinion set forth herein is based solely on publicly available information and information provided by the Directors and the Management and therefore does not reflect any projections or future financial performance of the Company after the completion of the Proposed Transactions and is based on the economic and market conditions prevailing as of the date of this opinion. Our advice is solely confined to our views on the Whitewash Resolution.

Matters to highlight

We would also wish to highlight the following matters which may affect the decisions or actions of Independent Shareholders:

- (1) Independent Shareholders should note that by voting in favour of the Whitewash Resolution, they will be waiving their rights to a general offer from B&L Group and/or its concert parties at the highest price paid or agreed to be paid by B&L Group and/or its concert parties for Shares in the six (6) months preceding the date of the allotment and issuance of the Placement 1 Shares.*

Independent Shareholders should further note that the allotment and issuance of the Placement 1 Shares will result in the B&L Group and/or its concert parties carrying over 49% of the voting rights of the Company (based on the enlarged Share capital of the Company), and that B&L Group and/or its concert parties will be free to acquire further Shares without incurring any obligation under Rule 14 of the Takeover Code to make a general offer.

- (2) Independent Shareholders should note that the passing of the ordinary resolutions relating to the Proposed Transactions are conditional upon the Whitewash Resolution being approved by Independent Shareholders, as the Whitewash Resolution is a condition precedent in the Placement and Call Option 1 Agreement.*
- (3) Our scope does not require us and we have not made any independent evaluation or appraisal of the assets and liabilities (including without limitation, property, plant and equipment) or contracts entered or to be entered into by the Company or the Group and we have not been furnished with any such evaluation and appraisal in respect of assets and liabilities (if any) held or contracts entered into by the Group, save for the Valuation Report issued by the Independent Valuer, in respect of the Subject Properties. With respect to such valuation, we are not experts in the evaluation or appraisal of assets and liabilities (including without limitation, property, plant and equipment) including, inter alia the contracts or agreements that the Group has embarked upon or are about to embark upon and have relied on the opinion of the Directors and the financial statements (audited and unaudited), where applicable for the assessment.*

The Directors are of the opinion that the values of the assets and liabilities as well as the financial performance or condition of the Company and the Group as reflected in the full year audited financial statements for the Company and the Group as at 31 December 2013 are true and fair.

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The Directors further confirmed that as at the Latest Practicable Date and save for matters disclosed in this Letter and the audited financial statements for the Group for FY2013, there has been no material changes to the assets and liabilities, financial position, condition and performance.

- (4) *Our scope does not require us to express and we do not express, a view on the future growth prospects of the Company or the Group before and after the transactions stipulated in the Circular or the Whitewash Resolution or the prospects of the Property Development Business or the expected returns or profit from the Property Development Business. In the absence of information on specific property development projects to be undertaken (including but not limited to type of properties, geographical coverage, size and timing), we are unable to comment on the prospects and financial impacts of the Property Development Business to the Group and to evaluate whether the Property Development Business would be beneficial to the Shareholders. Independent Shareholders should note that the Group does not currently have any definitive commitment for the Property Development Business.*

Specific Objectives

In rendering our advice, we have not had regard to the specific investment objectives, financial situation, tax position, risk profiles or particular or individual needs and constraints of any individual Independent Shareholder. As each Independent Shareholder or group of Independent Shareholders would have different investment objectives and profiles, we would advise the Non-interested Directors to advise any individual Shareholder or group of Shareholders who may require specific advice in the context of investments or his or their specific investment objectives or portfolio should consult his or their stockbroker, bank manager, solicitor, accountant, tax adviser, or other professional adviser immediately.”

Shareholders are advised to read the IFA Letter in full and consider carefully the recommendation of the Non-interested Directors for the Whitewash Resolution contained in Section 15 of this Circular.

11. THE PROPOSED DIVERSIFICATION OF BUSINESS

11.1 Background

The principal business of the Group (the “**Current Core Business**”) comprises the provision, production and development of software solutions (such as Ring Back Tone (“**RBT**”) solutions and 3G Voice Messaging System) in the mobile telecommunications industry in Korea and Japan (the “**Software Solutions Business**”).

Under the Software Solutions Business, the Group offers a broad range of solutions including RBT solutions and 3G Voice Messaging System. The RBT solution is the Group’s flagship product and it enables subscribers to customise ring back tones using music, comical voice messages, customised recorded messages and various sound effects, so that callers will hear a customised ring back tone instead of the traditional ringing tone. Currently, the Group is working on projects such as software solutions for a tax refund system for foreign travelers to obtain tax refunds conveniently and applications and an internet site for tours to Seoul.

On 24 April 2014, approval was given by the Shareholders for the diversification of the Company’s core business to include investments in quoted and/or unquoted securities (the “**Securities Investment Business**”). As at the Latest Practicable Date, save for its existing investments, the Company does not have any pipeline of investments in relation to the Securities Investment Business. However, the Company is actively exploring various business opportunities in relation to the Securities Investment Business and will tap on the business network and contacts of the key management of the Company in this regard.

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The Group intends to expand its core business further to include the Property Development Business in order to expand and diversify its portfolio and improve its future growth prospects. The Company intends to embark on the Property Development Business but does not plan to restrict the Property Development Business to any specific market as each project and investment would be evaluated and assessed by the Board on its merits.

Please refer to Sections 11.2 and 11.5 below for the rationale for and risks associated with the Proposed Diversification of Business.

11.2 Rationale

The Company intends to expand the scope of existing business of the Group to include the Property Development Business having considered, *inter alia*, the following:

(a) Declining sales and eroding profit margins

The Group's Current Core Business saw declining sales and eroding profit margins amidst stiff competition in the market and reduction of sales orders from certain major customers. Since FY2007, the Group had been incurring losses from its Current Core Business. For FY2013, the Group achieved revenue of US\$2.9 million and incurred a net loss of US\$2.7 million. Taking into account the foregoing, the Board is of the opinion that there is a need to rejuvenate the Group's performance by diversifying the business activities of the Group.

(b) New income stream

The proposed diversification into the Property Development Business is one of the Group's strategies to diversify and increase its revenue streams. The Board believes that this will enable the Group to enhance its profitability, Shareholder value and returns and improve its growth prospects.

(c) New strategic investor

The Property Development Business will be spearheaded by Mr Ong Boon Chuan, a veteran in the area of property development in Singapore, having over 30 years of experience in the real estate development and construction business. With Mr Ong coming on board and personally invested in the Company, it represents an opportunity to establish new income streams for the Group. The Group will be able to tap on the experience, knowledge and business network of Mr Ong in its foray into the Property Development Business. Such experience and knowledge will also provide the Group with a better understanding of the investments it proposes to undertake in the Property Development Business as it would be better able to evaluate the potential returns and business prospects of such investments before making them.

For the avoidance of doubt, Mr Ong will not be injecting his existing assets in the Private Group (as defined in section 12.3 of this Circular and which includes the TG Group) into the Company and intends to undertake new projects through the Company and grow the Company's Property Development Business.

(d) Approval is not required from Shareholders for Major Transactions that do not change the Group's risk profile

Following the Proposed Diversification of Business, the Group will generally be able to enter into any transaction relating to the Property Development Business in its normal course of business without the need for further Shareholders' approval even though such transaction may constitute a major transaction under Chapter 10 of the Catalist Rules (but provided that such transaction does not change the risk profile of the Group and provided that such transaction does not constitute a very substantial acquisition or reverse takeover under Chapter 10 of the Catalist Rules). This substantially reduces the administrative time and

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expenses in convening separate general meetings to seek Shareholders' approval and consequently, facilitates the Group's pursuit of its corporate objectives and increases the Group's responsiveness to property development business opportunities that avail to the Group.

11.3 Prospects and Future Plans for the Property Development Business

The following discussions about the Group's prospects include forward-looking statements that involve risks and uncertainties. Actual results could differ materially from those that may be projected in these forward looking statements. Please also refer to the section entitled "Cautionary Note on Forward-Looking Statements" of this Circular¹.

The Company is optimistic about the Proposed Diversification of Business due to the overall property outlook in Singapore. The Singaporean economy has achieved a steady growth of 4.1% in 2013 and is expected to achieve a growth of 2.0% to 4.0% in 2014². Additionally, the 4th Quarter 2013 real estate statistics released by the Urban Redevelopment Authority showed that while the prices of private residential properties decreased by 0.9% in 4th Quarter 2013, the property price index for residential, commercial and industrial property had increased on a year-on-year basis³. The price decline in private residential properties in 1st Quarter 2014 was 1.3%⁴.

The Directors note that while there may be some uncertainty over the direction of the Singapore property market in the short-term, the growth and continued prospects of the Singapore property market over the mid to long-term should remain upbeat, due to the continued demand for residential, commercial and industrial property as well as Singapore's position as an attractive real estate market for investment in Asia for both local and international investors.

The Group may venture into the following Property Development Business activities as and when suitable opportunities arise:

- (i) undertake property development activities in the residential, commercial and industrial sectors by actively acting as a developer for property development projects or by way of an investment in a property development project through joint ventures or strategic alliances;
- (ii) acquire property-related assets, including buying, selling, acquiring or developing land and/or properties for the purposes of undertaking the Property Development Business; and
- (ii) work with local or overseas strategic investors to participate in other projects under its Property Development Business as and when suitable opportunities arise.

Notes:

- 1 The information in this section is obtained from the respective sources as set out in the notes below. Each of the Ministry of Trade and Industry of Singapore and the Urban Redevelopment Authority of Singapore has not consented to the inclusion of the information set out in this section of this Circular and is therefore not liable for the relevant information. While the Directors have taken reasonable action to ensure that the information above has been reproduced in their proper form and context and that such information is extracted accurately and fairly from the sources set out below, they have not conducted an independent review of the contents or independently verified the accuracy thereof.
- 2 Information and statistics were extracted from the press release dated 20 February 2014 issued by the Ministry of Trade and Industry of Singapore. The press release can be viewed at http://www.mti.gov.sg/ResearchRoom/SiteAssets/Pages/Economic-Survey-of-Singapore-2013/PR_4Q2013.pdf.
- 3 Information and statistics were extracted from the press release dated 24 January 2014 issued by the Urban Redevelopment Authority of Singapore. The press release can be viewed at <http://www.ura.gov.sg/uol/media-room/news/2014/jan/pr14-07.aspx>.
- 4 Information and statistics were extracted from the press release dated 25 April 2014 issued by the Urban Redevelopment Authority of Singapore. The press release can be viewed at <http://www.ura.gov.sg/uol/media-room/news/2014/apr/pr14-29.aspx>.

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It is intended that the development of properties under the Property Development Business would be mainly for sale, usually prior to the completion of such developments. For the avoidance of doubt, the Group may acquire properties for redevelopment purposes and rental income may be derived from such properties pending execution of the redevelopment plans. The Group may also hold unsold units of its development projects for rental income pending the sale of such units.

The Group does not currently have any definitive commitment for the Property Development Business, but will not restrict itself to any particular country and will consider all countries that present growth opportunities for the Property Development Business. However, it is highly likely that the early projects under the Property Development Business would come from the Asia Pacific region.

Before entering into a new venture within the Property Development Business, the Group will consider, *inter alia*, the projected investment amount, the projected rate of return, the required funding, the required resources and associated costs, the location and the prevailing market conditions. Where necessary, the Board will also seek the advice of reputable consultants and/or other experts. The Group will only undertake projects approved by the Board.

Please refer to Section 11.7 of this Circular for further details on the procedures that will be put in place by the Group for projects under its Property Development Business.

11.4 Compliance with the Catalist Rules

As the Property Development Business will involve new business areas which are substantially different from the Group's Current Core Business, it is envisaged that the Proposed Diversification of Business will change the existing risk profile of the Group. Accordingly, the EGM will be convened by the Company to seek the Shareholders' approval for the Proposed Diversification of Business.

Upon the approval by Shareholders of the Proposed Diversification of Business, any acquisition which is in, or in connection with, the Property Development Business may be deemed to be in the ordinary course of business and therefore not fall within the definition of a "transaction" under Chapter 10 of the Catalist Rules.

However, Practice Note 10A of the Catalist Rules requires the Company to seek Shareholders' approval if an acquisition will change the Company's risk profile. The following factors will be considered in determining whether the risk profile of the Company will change:

- (a) whether the acquisition is a very substantial acquisition which will increase the scale of the Company's existing operations significantly such that any of the relative figures computed on the bases set out in Rule 1006(c) and 1006(d) is 100% or more. Rule 1015 requires Shareholders' approval to be obtained for such an acquisition regardless of whether the acquisition is treated as in the Company's ordinary course of business. Such an acquisition may be treated as a very substantial acquisition;
- (b) whether the acquisition will result in a change of control of the Company. Rule 1015 requires Shareholders' approval to be obtained if the acquisition will result in a change in control of the Company regardless of whether the acquisition is treated as in the Company's ordinary course of business. Such an acquisition may be treated as a reverse takeover;
- (c) whether the acquisition will have a significant adverse impact on the Company's earnings, working capital and gearing;
- (d) the extent to which the acquisition will result in an expansion of the Company's business to a new geographical market and/or a new business sector; and
- (e) the extent to which the intended expansion has been foreshadowed and investors have had an opportunity to vote at previous general meetings on (i) the Company's proposal, or (ii) waiving their rights to approve the Company's proposal.

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Practice Note 10A of the Catalist Rules further provides that the above factors in determining whether an acquisition would change the Company's risk profile are neither exhaustive nor conclusive.

For the avoidance of doubt, in respect of an acquisition (whether or not the acquisition is deemed in the Group's ordinary course of business) where any of the relative figures as computed on the bases set out in Rule 1006 of the Catalist Rules exceeds 100% or results in a change in control of the Company, Rule 1015 of the Catalist Rules will still apply to such transactions and such transactions will, amongst others, be made conditional upon the approval by Shareholders at a general meeting.

Where the proposed Property Development Business would involve an interested person transaction as defined under the Catalist Rules, the Company will also comply with the provisions of Chapter 9 of the Catalist Rules.

11.5 Risk Factors

The Group could be affected by a number of risks that may relate to the Property Development Business or risks that may relate to the markets in which the Property Development Business is intended to be engaged. Risks may arise from, *inter alia*, economic, business, market and political factors, including the risks set out below.

The Group has set out below all the risk factors that are known to the Directors and which are material to Shareholders in making an informed decision on the proposed diversification into the Property Development Business. Shareholders should carefully consider and evaluate each of the following considerations and all other information contained in this Circular.

If any of the factors and/or uncertainties described below develops into actual events affecting the Property Development Business, this may have a material and adverse impact on the Property Development Business and consequently, the overall results of operations, financial condition and prospects of the Group could be similarly impacted.

The risks described below are not intended to be exhaustive. New risk factors emerge from time to time, and it is not possible for the management to predict all risk factors, nor can the Group assess the impact of all factors on the Property Development Business or the extent to which any factor, or combination of factors, may affect the Property Development Business. There may also be other risks associated with the proposed entry into the Property Development Business and with the markets in which the Property Development Business is intended to be engaged which are not presently known to the Group, or which the Group may currently deem immaterial and as such have not been included in the discussion below.

(a) Risks relating specifically to the Property Development Business and the Property Development Industry

Economic situation and property industry

The performance of the proposed Property Development Business depends largely on the economic situation and the performance of the property industry in the specific countries within the region. Should the economy or the property market experience a downturn, due to reasons such as government regulations or global economic conditions, the performance of the proposed Property Development Business and investments made thereunder may be adversely affected. Dampened general sentiments in the regional or the relevant local economy may also erode profit margins for property development projects due to lower demand. In addition, as the gestation period for a property development project is long, typically between two (2) to three (3) years, any downturn in the economy or the property market, or changes in government regulations, during the course of a development project may affect the profitability of such development project, thereby adversely affecting the Group's financial performance.

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Capital investments

Projects undertaken pursuant to the proposed Property Development Business will require substantial capital investments and cash outlay. While the Company will carry out assessments including the availability and cost of financing prior to undertaking any projects, there is no assurance that financing, either on a short-term or a long-term basis, will be made available or, if available, that such financing will be obtained on commercially reasonable terms. The Group's ability to obtain adequate financing for land acquisitions or property developments with a commercially acceptable rate of return is dependent on many factors, some of which may be beyond its control, such as general economic conditions, the terms of credit offered by financial institutions and the availability of other sources of equity or debt financing. The Group will face significant financial risks before it can realise any benefits from its future investments in the Property Development Business.

In addition, any additional debt funding may restrict the Group's freedom to operate its business as it may have conditions that:

- (a) limit the Group's ability to pay dividends or require the Group to seek consents for the payment of dividends;
- (b) increase the Group's vulnerability to general adverse economic and industry conditions;
- (c) require the Group to dedicate a portion of the Group's cash flow from operations to repayments of its debt, thereby reducing the availability of the Group's cash flow for capital expenditures, working capital and other general corporate purposes; and
- (d) limit the Group's flexibility in planning for, or reacting to, changes in the Group's businesses and industry.

Further, an issue of Shares or other securities to raise funds will dilute Shareholders' equity interests and may, in the case of a rights issue, require additional investments by Shareholders. An issue of Shares below the then prevailing market price will also affect the value of Shares then held by investors. Dilution in Shareholders' equity interests will occur even if the issue of Shares is at a premium to the market price.

Interest rate movements

The Group may from time to time take loans from financial institutions in connection with the Property Development Business to finance developments and the cost of building materials, equipment and supplies in its operations. Accordingly, fluctuations in interest rate movements may affect the Group's financial performance and cash flow. Changes in interest rates will affect the Group's interest income and interest expense from short-term deposits and other interest-bearing financial assets and liabilities which could have a material and adverse effect on net profits. An increase in interest rates would also adversely affect the willingness and ability of prospective customers to purchase properties, the Group's ability to service loans and its ability to raise and service long-term debt.

Risks associated with acquisitions, joint ventures and strategic alliances

Depending on available opportunities, feasibility and market conditions, the Group's expansion into the Property Development Business may involve acquisitions, joint ventures or strategic alliances with third parties in Singapore as well as overseas markets that the Group intends to focus on. However, there is no assurance that such acquisitions, joint ventures or strategic alliances will be successful. If disputes arise out of such acquisitions, joint ventures or strategic alliances with the relevant joint venture or investment partner, the relevant business objectives may not be achieved and may lead to an adverse effect on the operations and financial position of the Group.

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In addition, such joint venture partners or parties may (i) have economic or business interests or goals that are inconsistent with that of the Group's; (ii) take actions contrary to the Group's instructions, requests, policies or objectives; (iii) be unable or unwilling to fulfill their obligations; (iv) have financial difficulties; or (v) have disputes with the Group as to the scope of their responsibilities and obligations. Any of these and other factors may materially and adversely affect the performance of the Group's Property Development Business, which may in turn have a material adverse effect on the Group's revenue, financial performance, prospects and profitability.

Government regulation

The property development industry in countries in which the Group may operate is subject to significant government regulation. In particular, regulatory approvals may be required for, among other things, land and title acquisition or divestment, development planning and design, construction, renovation and asset enhancement, and mortgage financing and refinancing. Such approvals may stipulate, among other things, maximum periods for the commencement of development of land. Some of these countries may also restrict the level, percentage and manner of foreign ownership and investment in real estate. Some of these laws and regulations are at times ambiguous, and their interpretations and applications can be inconsistent or uncertain, making compliance with them challenging, which may be potentially detrimental to the Group. If the Group fails to obtain the relevant approvals or comply with the applicable laws and regulations, the Group may be subject to penalties, have its licences or approvals revoked, or lose its right to own, develop or manage its properties and businesses, among other things, any or all of which could have a material and adverse impact on the Group's business, financial condition, results of operations and prospects.

In addition, in countries in which the Group may operate, in order to develop and complete a property development, a property developer may be required to obtain various permits, licences, certificates and other approvals ("**Permits**") from the relevant administrative authorities at various stages of the property development process, including but not limited to, land use rights certificates, planning permits, construction permits, pre-sale permits and certificates or confirmation of completion and acceptance. Such Permits are dependent on the satisfaction of certain conditions; in some circumstances, the Group may apply or may have applied for Permits in parallel with preliminary construction activities. The Group cannot give assurance that it is able to fulfil the conditions required for obtaining the Permits, especially as new laws, regulations or policies may come into effect from time to time with respect to the real estate industry in general or the particular processes with respect to the granting of Permits. If the Group fails to obtain relevant Permits for the Property Development Business, any proposed investment may not proceed as scheduled, and the Group's business, financial condition, results of operations and prospects may be adversely affected.

Further, any changes in applicable laws and regulations could result in higher compliance costs and adversely affect the operations of the Group. There is no assurance that any changes in the applicable laws and regulations will not have an adverse effect on the financial performance of the Group.

Pre-sale policies

The practice of pre-sales (that is, selling properties under construction prior to the receipt of construction completion and examination certificate) is dependent upon local legislation in such jurisdiction in which the Group is developing its property permitting such pre-sales. Should pre-sales not be permitted under such local legislation, the ability of the Group to earn income prior to the receipt of construction completion and examination certificate may be impeded. This may adversely affect the Group's revenue and profitability. It may also add greater stress to the Group's cash-flow position from time to time.

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Should pre-sales be permitted under local legislation, the Group may be exposed to certain risks relating to the pre-sale of properties. In the event of a failure or delay in the delivery of pre-sold properties to purchasers, the Group may be liable for potential losses that purchasers may suffer as a result. There is no guarantee that these losses will not exceed the purchase price paid in respect of the pre-sold units. Failure to complete a property development on time may be attributed to factors such as the time taken and costs involved in completing construction, which are in turn adversely affected by factors such as delays in fitting out works, shortages of labour, adverse weather conditions or natural disasters. If the delay in delivery extends beyond the contractually specified period, the purchasers may also be entitled to terminate the pre-sale agreements and claim refunds of monies paid, damages and/or compensation for late delivery. There is no assurance that there will be no circumstances which will result in liabilities arising from pre-sale arrangements which have experienced significant delays in completion or delivery, resulting in the Group having to compensate purchasers for late delivery, or refund of monies paid in situations where purchasers have terminated the sale and purchase agreements. This will adversely affect the Group's business and financial performance.

Unsold properties

Real estate assets, such as the properties developed and land sites acquired by the Group, are relatively illiquid. The illiquidity of the Group's real estate assets may limit the Group's ability to convert these assets into cash on short notice and thereby limit the Group's ability to vary its portfolio of property held for sale in response to changes in economic, political, social or regulatory conditions in a timely manner.

Such illiquidity may also have a negative effect in determining the selling prices of its unsold completed property development assets in the future in the event that the Group requires an urgent sale of these assets. In the event that the Group is required to effect an urgent sale of such assets, the sale prices may be significantly lower than the costs of these assets. Should such an event occur, the Group's financial performance will be adversely affected.

Late payment or non-payment by its customers

The Group faces uncertainties over the timeliness of its customers' or clients' payments and their solvency or creditworthiness in respect of purchases of the Group's development properties. There is no assurance that the Group will be able to collect payments on a timely basis, or at all.

In the event that there are defaulting purchasers or a significant delay in collecting progress payments from purchasers, the Group may face stress on its cash flow and a material increase in bad and doubtful debts, which will have an adverse impact on the Group's financial performance and financial position.

Reliance on third party contractors

The Group may rely on third party contractors to construct its development projects under the proposed Property Development Business. Accordingly, the Group is subject to construction risks such as the failure of third party contractors to carry out their contractual obligations, failure of third party contractors to bear cost overruns, and any other unforeseen circumstances which may have an adverse impact on its financial performance. Furthermore, the contractors engaged may experience financial or other difficulties that may affect their ability to carry out the work, thus delaying the completion of or failing to complete the development projects and resulting in additional costs or exposures to the risk of liquidated damages to the Group.

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Claims for delays and defective works

The time required to complete a property development project depends on various factors, including the size of the project, prevailing market conditions and availability of resources. Delays may arise due to various factors, including adverse weather conditions, natural calamities, power failure, machinery and equipment breakdown, shortage of construction materials, shortage of labour, accidents, cessation of the Group's contractors, disputes with contractors and unexpected delay in obtaining required approvals. Such delays may result in cost overruns and increased financing costs and accordingly, affect the Group's profitability or lead to claims for liquidated damages from the purchasers of the properties.

The Group may face claims from purchasers and management corporations relating to delays and defective works under the proposed Property Development Business. Claims may also be made against the Group by owners or occupiers of neighbouring properties in respect of the use of such properties. As such, the Group's business and financial position will be affected if the Group has to pay significant amounts of compensation or spend significant amounts of resources in legal costs in the event of legal proceedings. The Group's reputation may also be affected as a result of such proceedings.

Fluctuations in property prices and availability of suitable land sites

The performance of the Group may be subject to fluctuations in property prices as well as the availability of suitable land sites. Should property market prices suffer a downward trend, the Group's earnings may be adversely affected as the Group may have to postpone the sale of such property development project units to a later date, when market conditions improve. The Group may also have to sell its property development projects at lower prices, which in turn would adversely affect the Group's sales revenue and profit margin. If the Group is not able to procure suitable land sites to carry out its property development projects, property development projects on less favourable locations may not be as marketable, resulting in the Group's sales volume and profitability being adversely affected. There is competition with other property developers for new land sites and there is no assurance that suitable sites will always be available for the purposes of the proposed Property Development Business of the Group. The Group's inability to identify and acquire attractive land sites at commercially acceptable prices could impair its ability to compete with other property developers and materially and adversely affect the Group's ability to grow the Property Development Business.

Intense competition

The proposed Property Development Business is highly competitive, with strong competition from established industry participants who may have larger financial resources or a stronger track record. The Group may not be able to respond more quickly to market trends than future or existing competitors who may have larger financial resources and stronger track records. Purchasers may opt for property development projects of future or existing competitors over the Group's property development projects, thereby resulting in the Group's sales, business, financial position and performance being adversely affected.

Change in the business environment of a property development project

The length of a property development project can typically last two (2) to three (3) years, depending on the size of the development. Consequently, changes in the business environment during the length of the Group's projects may affect the revenue and cost of the development which will directly depress the profit margin of such projects. Changes in the business environment for jurisdictions in which the Group operates can include delays in procuring the necessary relevant approvals, licenses or certificates from government bodies, changes in laws, regulations and policies in relation to the property development project, fluctuations in demand for properties, delays in construction schedules due to poor weather

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conditions, labour disputes and fluctuation in costs of construction materials and other costs of development. Such delays will result in the Group incurring additional costs, such as additional labour cost, thus affecting the profitability of the Group.

Property valuations and decline in property values

Valuations of the Group's properties conducted by professional valuers are based on certain assumptions and are not intended to be a prediction of, and may not accurately reflect, the actual values of these assets. The inspections of the properties and other works undertaken in connection with a valuation exercise may not identify all material defects, breaches of contracts, laws and regulations, and other deficiencies and factors that could affect the valuation.

In addition, unfavourable changes to the economic or regulatory environment or other relevant factors may negatively affect the premises upon which the valuations are based and hence, the conclusions of such valuations may be adversely affected. As such, the properties of the Group may not retain the price at which they may be valued or be realised at the valuations or property values which were recorded.

The Group may apply fair value accounting standards in valuing its properties. The value of the properties of the Group may fluctuate from time to time due to market and other conditions. Such adjustments to the Group's shares of the fair value of the properties in the Group's portfolio could have an adverse effect on the net asset value and profitability of the Group.

Material defects, breaches of laws and regulations and other deficiencies

There is no assurance that the reviews, surveys or inspections (or the relevant review, survey or inspection reports on which the Group would rely on) would have revealed all defects or deficiencies affecting properties that the Group has interests in. In particular, there is no assurance as to the absence of latent or undiscovered defects or deficiencies or inaccuracies in such review, survey or inspection reports, any of which may have a material adverse impact on the business, financial condition and results of operations of the Group in relation to such properties. As such, the Group may be exposed to risks of incurring additional costs to carry out repairs to rectify such deficiencies or litigation suits from third parties. For example, repair works carried out on tenanted units to rectify such latent defects may obstruct businesses of tenants, who may suffer losses as a result of such obstruction, and may seek to claim such losses from the Group.

Uninsured losses

While the Group will obtain insurance policies to cover losses in respect of its properties, the insurance obtained may not be sufficient to cover all potential losses. Examples of such potential losses include losses arising out of extraordinary events such as fires or riots. Losses arising out of damage to the Group's properties not covered by insurance policies or in excess of the amount it is insured would affect the Group's profitability. Committing additional costs to the relevant project for its completion in the event there are uninsured damages would also adversely affect the financial performance of the Group.

No assurance that the Group's future plans for the Property Development Business will be successful

As part of the Group's future business plans for the Property Development Business, the Group intends to acquire land sites for development into residential, commercial or industrial property. For further details on the future plans of the Group in relation to the Property Development Business, please refer to Section 11.3 of this Circular. These expansion plans will involve significant investments as well as additional working capital requirements. Such expansion plans may also divert the management's attention and expose the Group's business to unforeseen risks associated with entering into new markets. There is no

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assurance that such expansion plans will be commercially successful or that the Group's profitability will increase or that the Group will not incur losses due to a potential increase in the Group's operating costs incurred to finance the growth and expansion.

The Group may also not be successful in integrating any acquired businesses and might not achieve the anticipated synergies or cost benefits. If the Group fails to achieve a sufficient level of revenue or if the Group's expansion plans result in performance problems with an acquired company, potential dilutive issuance of equity securities or the incurrence of debt, contingent liabilities, possible impairment charges related to goodwill or other intangible assets or any other unanticipated events or circumstances, the Group's future financial position and performance will be materially and adversely affected.

Exposure to potential liability arising from damages, injury or death due to accidents

Due to the nature of the operations of the Property Development Business, there is a risk of accidents occurring to either the Group's employees or employees of subcontractors on the project sites. These accidents may occur due to various reasons or as a result of non-compliance with safety rules and regulations. Depending on the severity of such accidents, the Group may be subject to inquiries and investigations by the relevant authorities and/or be issued stop work orders. In the event that the Group is found to be liable for such accidents, penalties or damages may be imposed against the Group. If any accidents are not covered by the Group's insurance policies, if claims arising from such accidents are in excess of the Group's insurance coverage or if any of the Group's insurance claims are contested by any insurance company, the Group may be required to pay for such compensation, which may have a material and adverse impact on the Group's financial performance. In addition, the payment by the Group's insurers of such insurance claims may result in increases in future premiums payable by the Group for such insurances. This will also increase the costs of the Group's operations and may adversely affect the Group's financial performance.

Outbreak of communicable diseases

An outbreak of infectious disease in the markets where the operations of the Group's Property Development Business are based may have an adverse impact on the Group's operations and the Group's financial performance. Market sentiment and consumer confidence could be affected and may lead to a deterioration of economic conditions. Further, in the event that the Group's employees or those of the Group's contractors or subcontractors are infected or suspected of being infected with any communicable disease, the Group may be required by health authorities to temporarily shut down the affected project sites and quarantine the relevant workers to prevent the spread of the disease. This will result in project delay and have an adverse impact on the Group's business and financial performance.

Potential for involvement in legal or other proceedings arising from the Group's operations in the Property Development Business

The Group may be involved from time to time in disputes with various parties involved in the property development projects that the Group undertakes. These parties include contractors, subcontractors, suppliers, construction companies, purchasers and other partners. These disputes may lead to legal and other proceedings. The Group may also have disagreements with regulatory bodies and these may subject the Group to administrative proceedings. In the event that unfavourable decrees are determined by the courts or the regulatory bodies, the Group may suffer not only financial losses but also a delay in the construction or completion of the Group's property development projects. In addition, as the main contractor of residential developments such as condominium development projects and commercial development projects, the Group is exposed to the risk of legal suits, by either the management corporation or the Group's clients who in turn are being sued by the management corporation in respect of defective works in common areas and common property. In such an event, the Group may be liable for damages and incur legal costs, which will have an adverse effect on the Group's financial performance and financial condition.

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Potential growth of the Property Development Business

The Group has not identified or formalised any definitive plans in connection with any other projects in the Property Development Business. While the Group will actively seek opportunities for new projects in the Property Development Business, there is no assurance that it will be able to identify projects which suit its risk and returns profile. In the event that the Group is not able to identify suitable projects, it will not undertake any projects in the Property Development Business. Further, there is no assurance that such projects undertaken will be profitable or successful.

Social and political instability

The Property Development Business is dependent on the social and political stability of the countries in which the Group operates. Wars, unsettled political conditions, social or civil unrest, riots, terrorist attacks and indiscriminate government actions such as the compulsory acquisition of property may materially and adversely affect the Group's operations and financial performance. The Group has no control over such conditions and developments and there is no assurance that such conditions and developments will not occur and adversely affect its business operations.

The Group may also be affected by sudden changes in the political leadership and/or government policies in such countries. Changes in laws arising from such upheaval may be unforeseeable and unpredictable and may in some instances introduce conditions that will increase the costs of doing business and adversely affect the Group's financial performance.

Fluctuations in foreign exchange rates that could result in the Group incurring foreign exchange losses

Depending on available opportunities, feasibility and market conditions, the Group's expansion into the Property Development Business may involve acquisitions, joint ventures or strategic alliances with third parties in Singapore as well as overseas markets that the Group intends to focus on. Any depreciation in foreign exchange rates against the Company's functional or presentation currency may affect the Group's profitability and financial position. For example, revenue derived from the sale of property units overseas which is denominated in foreign currencies may have an adverse impact on the Group's operating results if there is an unfavourable fluctuation of the relevant foreign currencies against its functional and presentation currency.

- (b) Risks facing the Group on an overall basis as a result of the Proposed Diversification of Business

No proven track record in the Property Development Business and uncertainties associated with entry into a new business area

The Group does not have a proven track record in the carrying out or implementation of the Property Development Business. There is no assurance that the Group will be able to derive sufficient revenue to offset the capital and start-up costs as well as operating costs arising from the Property Development Business.

The Property Development Business involves business risks including the financial costs of setting up new operations, capital investment and maintaining working capital requirements. If the Group does not derive sufficient revenue from or does not manage the costs of the Property Development Business effectively, the overall financial position and profitability of the Group may be adversely affected.

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Additionally, there is no assurance that the Group's foray into the Property Development Business will be commercially successful. The Group will also be exposed to the risks associated with a different competitive landscape and a different operating environment. In particular, the Group will be affected by factors affecting the property market in the region, as well as the trends and developments affecting the building and construction industry in general. The building and construction industry in turn is affected by general economic conditions such as changes in interest rates and relevant government policies and measures.

The Group's future plans with regard to the Property Development Business may not be profitable, may not achieve sales levels and profitability that justify the investments made or may take a long period of time before the Group could realise any return. The Group's property development activities may entail financial and operational risks, including diversion of management attention, and difficulty in recruiting suitable personnel.

Dependence on key personnel for the success of the Property Development Business

The Group's ability to successfully diversify into the Property Development Business is dependent upon its ability to leverage on Mr Ong's expertise and knowledge derived from years of experience in the Property Development Business and its ability to retain and motivate Mr Ong in his proposed management role.

The loss of the services of Mr Ong without suitable and timely replacement, or the inability to attract and retain other qualified personnel, would have an adverse impact on the Group's prospects, operations and financial performance.

Dependence on the recruitment and retention of qualified employees and consultants for the operations and profitability of the Property Development Business

As the Group's existing management team does not have direct experience and expertise in the Property Development Business, the Group may have to depend on the expertise of certain individuals (including Mr Ong) to provide guidance and/or its investment partners to jointly undertake the projects coming within the Property Development Business. In relation to the Property Development Business outside Singapore, the Group will evaluate the manpower and expertise necessary for such ventures and will, as and when required, recruit suitably qualified personnel or engage industry experts, external consultants and professionals. The growth of the Property Development Business will be dependent on the Group's ability to identify, recruit, train and retain qualified employees to form a relevant and strong management team with the requisite technical expertise to oversee the operations of the Property Development Business. The competition for qualified personnel in the Property Development Business is intense, and the loss of services of one or more of such individuals without adequate replacement, or the inability to attract qualified personnel at a reasonable cost could have a material adverse effect on the prospects, operations and financial performance of the Property Development Business.

11.6 Management

Although the proposed Property Development Business is different from the Group's existing business, the Board is of the view that the relevant experience and expertise required can be acquired and developed by the Group over time as it progresses in the Property Development Business.

The Property Development Business and related project management work will be primarily managed by Mr Ong, who is proposed to be appointed as a Director of the Company subject to Shareholders' approval at the forthcoming EGM. Please refer to Section 12.2 of this Circular for more information on Mr Ong. B&L Group will also seek to nominate the other Property Development Director as soon as practicable.

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The Company also intends to appoint an independent director who has the relevant experience in the real estate industry to assist the Board as the Group diversifies its business into the Property Development Business.

In addition, the Group will, as and when necessary, evaluate the manpower and expertise necessary for the proposed Property Development Business and will, as and when required, hire suitably qualified personnel, industry experts, external consultants and professionals for the proposed Property Development Business.

Should the Shareholders approve the Proposed Diversification of Business, the Company will set up specialised management, investment and business teams consisting of individuals with the relevant skills and capabilities in relation to the proposed Property Development Business.

If necessary, the Group may also foster partnerships with various other third parties in the building, construction and property development industries to assist it in undertaking the Property Development Business more effectively and efficiently. Such partnerships may be on a case-by-case basis or on a term basis. Where necessary, work may be outsourced to third parties who have expertise in the relevant area(s) in relation to the projects concerned. In selecting its partners, the Group will take into account the specific expertise and competencies necessary for the project(s) in question and the experience, track record and financial standing of the party and/or parties concerned.

11.7 Internal Control and Risk Management

The Board recognises the importance of internal control and risk assessment for the smooth running of the Group's business, including the Property Development Business. In order to better manage the Group's external and internal risks resulting from the Proposed Diversification of Business, the Group will implement a set of operations and compliance procedures.

The Board will review each new project prior to entering into any agreement. In evaluating new projects for the Property Development Business, the Board will conduct risk and returns assessments and where the need arises, engage and consult professionals before a business decision is taken. The Board will also assess and consider, *inter alia*, (i) the internal rate of return, cash-flow and financial models of such a project; (ii) whether the Group has sufficient financial resources to invest in the project and the gearing ratios of the Group as a result of undertaking such a project; (iii) whether the management team has the relevant experience and expertise to manage such a project and whether any lack of such experience can be supplemented by professional advisors; (iv) whether the project will be able to generate revenue for the Group and optimise risk-adjusted returns to Shareholders; and (v) the prevailing market conditions in general.

Additionally, the functions of the Audit Committee will be expanded to include (i) reviewing, with the management and the external and internal auditors, the adequacy and effectiveness of the Company's internal control procedures addressing financial, operational and compliance risks relating to the Property Development Business, (ii) commissioning and reviewing the findings of internal investigations into matters where there is any suspected fraud or irregularity, or failure of internal controls or infringement of any law, rule or regulation which has or is likely to have a material impact on the Group's operating results and/or financial position. As and when property development projects are proposed to be undertaken in new jurisdictions, such projects will be reviewed by the Audit Committee before being undertaken by the Group.

The Board will also periodically review the internal control and risk management systems of the Company to ensure that there are sufficient guidelines and procedures in place to monitor its operations. The scope of the annual internal audit will be extended to include the review and evaluation of specific matters arising from the Property Development Business. The Board, together with the Audit Committee will also opine on an annual basis whether there are in place adequate internal controls and risk management systems within the Group addressing financial, operational and compliance risks relating to the Property Development Business as at the end of each financial year.

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11.8 Financing for the Property Development Business

The Group intends to raise the Proceeds of up to S\$12.3 million (after deducting expenses) through the proposed issue of the Placement Shares and Call Option Shares. The Company intends to use 90% of the Proceeds for the Property Development Business. Please refer to Section 6 of this Circular for further information on the use of the Proceeds.

In addition to the Proceeds, to finance the Property Development Business, the Company may use its internal resources or the proceeds from the pre-sales of units, raise funds through the issuance of Shares, options, warrants or other convertible securities, and/or obtain financing from financial institutions, through the issue of financial instruments and/or such other sources as may be deemed appropriate by the Board.

The amount of financing required will depend on the type and number of new projects undertaken by the Group. The Company will remain prudent and take into account the financial condition of the Group in deciding the types of property development projects it undertakes, and the amounts thereof. The Group does not currently have any specific plans or identified projects in the Property Development Business.

11.9 Financial Reporting

For the purposes of reporting the financial performance of the Group, in accordance with the applicable accounting standards and the Catalist Rules, where the financial results of the Property Development Business is material, it will be accounted for and disclosed as a separate segment in the Group's financial statements. The Group's financial statements, including the financial results of the Property Development Business, will be periodically announced in accordance with the requirements set out in Chapter 7 of the Catalist Rules.

12. APPOINTMENT OF DIRECTOR

12.1 Introduction

In connection with the Proposed Placement and Call Option 1 and the Proposed Diversification of Business, it is proposed that Mr Ong be appointed as a Director, with effect from the date on which the Placement 1 Shares are issued. B&L Group will seek to nominate the other Property Development Director as soon as practicable. The Company also intends to appoint an independent director who has the relevant experience in the real estate industry to assist the Board as the Group diversifies its business into the Proposed Development Business.

12.2 Information on Mr Ong

The particulars of Mr Ong are as follows:

Name	Age	Residential address	Proposed position in Company	Country of principal residence
Ong Boon Chuan	58	36A Oxley Road Singapore 238664	Executive Director	Singapore

Mr Ong has over 30 years of experience in the real estate development and construction business. Upon graduation in 1978, he started his career in the real estate construction business as a foreman in the employment of Econ Engineering Construction Pte. Ltd.

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In 1987, he established TG Development Pte. Ltd., and played an active role in the company's maiden foray into the real estate development industry in Singapore. In 1992, he expanded the TG Group with the incorporation of Thye Chuan Engineering Construction Co. Pte Ltd, the construction wing of the TG Group. Under the management and leadership of Mr Ong, the TG Group has grown substantially over the years and has become an active player within the real estate development industry in Singapore. As an illustration of Mr Ong's experience and accomplishments, the Private Group's completed developments over the years include The Balmoral Spring, The Mondrian, SkyPark @ Somerset, The Oliv, St. Patrick's Residences (through a joint venture with OCBC Capital Investment I Pte Ltd), and projects launched but currently under development include The Peak @ Cairnhill I and the Peak @ Cairnhill II (both through a joint venture with TEE Development Pte Ltd), Skies Miltonia (through a joint venture with Master Contract Services Pte Ltd) and Lloyd Sixtyfive. For the avoidance of doubt, Mr Ong will not be injecting his existing assets in the Private Group into the Company and intends to undertake new projects through the Company and grow the Company's Property Development Business.

Mr Ong graduated from Singapore Polytechnic with a Technical Diploma in Building in 1978.

Mr Ong does not have experience as a director of a public listed company in Singapore but has undertaken the relevant training in Singapore to familiarise himself with the rules and responsibilities of a director of a public listed company in Singapore.

In 2005, Mr Ong was convicted of elbowing an individual and outraging the modesty of his wife by hurling vulgarities at her (collectively, "**Plaintiffs**"). The matter arose in connection with a purported queue-jumping incident at a petrol kiosk at Frankel Avenue by Mr Ong. The Plaintiffs lodged seven summons via a magistrate compliant. The judge dismissed five of the summons and found Mr Ong guilty of two offences, namely, section 323 (voluntarily causing hurt) and section 509 (word and gesture intended to insult the modesty of a woman) of the Penal Code (Chapter 224) of Singapore. Mr Ong was fined \$500 for each offence. An appeal by the Plaintiffs was halted by the Attorney General's Chambers. The matter has been resolved and there are no further actions against Mr Ong.

On 22 November 2007 and 1 February 2008, a mention slip and a summons were issued to the directors of Tong Garden Holdings Pte Ltd, which included Mr Ong, for the failure to hold its annual general meeting on 27 April 2004 and lodge its annual return by 27 May 2004. Tong Garden Holdings Pte Ltd later held its annual general meeting and lodged its annual return. No further action was taken by the authorities. Based on Mr Ong's representation, he was not and will not be involved in the management of Tong Garden Holdings Pte Ltd.

On 28 March 2011, an action was initiated by Sharikat Logistics Pte. Ltd. against (i) its joint venture partner, TG Development Pte. Ltd. ("**TG Development**"), for minority oppression; (ii) TG Development's executive chairman and chief executive officer, Mr Ong, for breach of fiduciary duties, and (iii) its other joint venture partner, Kok Yin Leong, and the joint venture company, TG-SN Pte. Ltd., for assisting and abetting the minority oppression. The case is currently awaiting judgement.

There were also various family disputes involving Mr Ong and his siblings over the shareholding interest in and management control of Tong Guan Food Products Pte Ltd ("**Tong Guan Food Products**") and its subsidiaries (collectively, the "**Tong Garden Group**") which resulted in the filing of several legal suits. These civil suits have all been concluded and there was no criminal suit arising from these matters. Save for the legal suit between Mr Ong and his sister, Ms Ong Siew Lay ("**Ms Ong**"), all of the legal suits brought against Mr Ong by his siblings have either been concluded in Mr Ong's favour or settled out of court satisfactorily.

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In the aforementioned legal suit between Mr Ong and his sister, Ms Ong, Ms Ong claimed \$2 million from Mr Ong, being the purchase price of some shares in Tong Guan Food Products, said to be held by their mother, Mdm Chai Ah Chee @ Chua Ah Chee (“**Mdm Chai**”), in trust for Ms Ong. Mdm Chai passed away in 1999 and the suit was commenced in 2007. Mr Ong disputed the claim on the basis that Mdm Chai had owned the shares all the while and contended that Mdm Chai sold the shares to him prior to her death, and that the payment for such shares had already been made by him to Mdm Chai who subsequently lent the money back to him. The judgement was awarded in favour of Ms Ong.

The members of the nominating committee of the Company (the “**Nominating Committee**”), namely Mr Jang Jong Jung, Mr Cheam Heng Haw and Mr Lim Yit Keong, have reviewed the curriculum vitae of Mr Ong. Having considered his credentials, background and experience and the nature of the legal disputes above, the Nominating Committee (with the concurrence of the Board) is of the opinion that there is no cause for it to doubt the suitability of Mr Ong as an executive director of the Company and has approved the appointment of Mr Ong as an executive director of the Company after taking the following factors into consideration:

- (a) Mr Ong has more than 30 years of experience in the property development and construction business and has the necessary level of experience and expertise to act as a Director of the Company and to manage the Company’s proposed Property Development Business. Mr Ong will also contribute to the building of Company’s Property Development Business with his established network of relationships with developers, customers, consultants, architects and contractors within the real estate industry;
- (b) Mr Ong has undertaken the relevant training in Singapore to familiarise himself with the rules and responsibilities of a director of a public listed company in Singapore in connection with the proposed listing of TG Corporation Holdings Ltd. in 2012;
- (c) Mr Ong has never been barred or prohibited to act as a director of a company in Singapore; and
- (d) save as disclosed above, there are no new litigation proceedings that would have a bearing on his suitability to act as a director of a listed company and Mr Ong has also confirmed that he is not aware of any proceedings pending or threatened against him which might materially affect him or have any bearing on his reputation or suitability to act as a director of a listed company.

12.3 Managing Potential Conflicts of Interests

In connection with the Proposed Diversification of Business, Mr Ong has entered into a deed of undertaking dated 21 February 2014 (the “**Deed of Undertaking**”) pursuant to which, among other things, he undertakes to the Group that for so long as he and/or his associates (including B&L Group and excluding the Company and its subsidiaries) (the “**Private Group**”) are controlling shareholder(s) and/or director(s) of the Company, he (and he shall take reasonable efforts to ensure that his associates (including B&L Group and excluding the Company and its subsidiaries)) (a) shall not engage in Property Development or have any interest, whether direct or indirect, in any business in Property Development which is in direct or indirect competition with the Group, and (b) shall limit the Private Group’s real estate activities to property investment, i.e. acquiring land and properties (including any associated construction or refurbishment of properties) for the main purpose of the Private Group’s investment portfolio with a view to deriving capital gains or investment income (the “**Non-Competition Undertaking**”).

The Non-Competition Undertaking shall take effect immediately upon the earlier of (i) the appointment of Mr Ong or his associates as a director on the Board, or (ii) the completion of the subscription of the Placement 1 Shares in accordance with the terms and conditions of the Placement and Call Option 1 Agreement (such date on which the Non-Competition Undertaking shall take effect hereinafter referred to as the “**Effective Date**”).

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Mr Ong further undertakes that where the Private Group enters into any agreement or arrangement or embark upon any plans for Property Development after the date of the Deed of Undertaking but prior to the Effective Date, such agreements, arrangements or plans shall be subject to a right of first refusal (the “**Right of First Refusal**”) granted by the Private Group in favour of the Company. Mr Ong shall notify the Company of such agreements, arrangements or plans on the Effective Date and the Company shall have the right within ninety (90) days after the Effective Date to exercise its rights to participate in such projects (in whole or in part as determined by the Company in its sole discretion) at the same cost that was or is to be incurred by the Private Group (and on terms no less favourable than those extended to the Private Group).

Mr Ong shall take reasonable efforts to procure that his associates, including all companies in which the Private Group collectively has control (but excluding the Company and its subsidiaries) (the “**Associated Companies**”), comply with and observe the undertakings set out in the Deed of Undertaking. For the avoidance of doubt, the undertakings under the Deed of Undertaking shall cease to be valid and binding upon any Associated Company once Mr Ong and/or his associates collectively cease to have the capacity to dominate decision making (whether as controlling shareholders and/or directors of the relevant company) directly or indirectly, in relation to the financial and operating policies of such Associated Company.

For the avoidance of doubt, the Non-Competition Undertaking shall not be applicable to existing property development projects that Mr Ong, in his personal capacity or through the TG Group, had embarked on or entered into prior to the Effective Date, save where the Private Group enters into any agreement or arrangement for property development after the date of the Deed of Undertaking but prior to the Effective Date, the Private Group shall inform the Company and the Company has the right to exercise the Right of First Refusal.

The Company and Mr Ong will ensure that there will be segregation of the employees (including and not limited to any director) of the Private Group and the employees (including and not limited to any director) of the Group and further that no employees (including and not limited to any director, but apart from Mr Ong) shall be employed by both the Private Group and the Group at the same time. In the event that there are resources or any services provided by the Private Group to the Group or *vice versa*, Mr Ong shall ensure that such transactions are subject to the relevant provisions as prescribed under Chapter 9 of the Catalist Rules.

13. PROPOSED CHANGE OF NAME

13.1 Rationale

In connection with the Proposed Diversification of Business, the Board proposes to change the Company’s name to “Edition Ltd.” to better reflect the diversification of the Group’s business to include the Property Development Business.

Please refer to Section 11 of this Circular for further details on the Proposed Diversification of Business.

13.2 Approvals

An application was made to the ACRA on 10 April 2014 to reserve the name “Edition Ltd.”. The application was approved on 15 April 2014 and the name has been reserved by the Company until 8 August 2014.

The Proposed Change of Name is subject to Shareholders’ approval and will be tabled as a special resolution at the EGM to be convened on 16 July 2014 at 11.00 a.m..

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Upon receipt of Shareholders' approval for the Proposed Change of Name and registration by the ACRA, the Company shall adopt "Edition Ltd." as its new name with effect from the registration of such name with the ACRA, and the name "Edition Ltd." shall replace all references to "Oniontech Limited" wherever it appears in the Company's memorandum and articles of association. Apart from the substitution of the Company's name as aforesaid, there will be no other amendments made to the Company's memorandum and articles of association. The Company will make the necessary announcement(s) when its change of name takes effect.

13.3 Existing Share Certificates

Shareholders should note that notwithstanding the Proposed Change of Name, the Company will not recall any existing share certificates bearing the current name of the Company and such share certificates will continue to be *prima facie* evidence of legal title. No further action is required on the part of Shareholders in respect of their existing share certificates.

14. INTERESTS OF DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

14.1 Interests in the Company

The interests of the Directors and substantial Shareholders in the Shares as at the Latest Practicable Date, as recorded in the Register of Directors' shareholdings and the Register of Substantial Shareholders maintained under the provisions of the Companies Act as at the Latest Practicable Date, are as follows:-

Directors	Direct Interest	Number of Shares		
		% ⁽¹⁾	Deemed Interest	% ⁽¹⁾
Jang Jong Jung	25,200,000	16.0	—	—
Hur Jung Young	2,374,000	1.5	—	—
Lee Jei Hoon	816,100	0.5	—	—
Lim Yit Keong	—	—	—	—
Cheam Heng Haw	—	—	—	—

Substantial Shareholders (other than the Directors)	Direct Interest	Number of Shares		
		% ⁽¹⁾	Deemed Interest	% ⁽¹⁾
O,W&W Investments II Limited (In Liquidation – Members' Voluntary Winding Up)	13,636,350	8.7%	—	—
Lange Capital Limited ⁽²⁾	—	—	13,636,350 ⁽²⁾	8.7%
Lim Joo Boon ⁽²⁾	—	—	13,636,350 ⁽²⁾	8.7%
Vision Capital Private Limited	12,000,000	7.6%	—	—
Leong Hong Kah	8,198,000	5.2%	—	—

Notes:

- (1) The percentage of Shares is computed based on 157,407,950 Shares, being the total number of issued voting shares of the Company (excluding treasury Shares) as at the Latest Practicable Date.
- (2) Deemed interest in the Shares held by O,W&W Investments II Limited pursuant to Section 7 of the Companies Act.

Please refer to Section 7 of this Circular for further details of the interests of the Directors and the substantial Shareholders (i) after the issuance of the Placement Shares and 50% of the Arrangement Shares, (ii) after the issuance of the Placement Shares, Arrangement Shares and Call Option 1 Shares, and (iii) after the issuance of the New Shares in full.

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14.2 Interests in the Proposed Resolutions

Save as disclosed in this Circular, none of the Directors, and to the best of the Directors' knowledge, none of the controlling Shareholders of the Company have any interest, direct or indirect, in the Proposed Resolutions.

15. DIRECTORS' RECOMMENDATIONS

Shareholders should read and consider carefully this Circular in its entirety before giving their approval pertaining to the Proposed Resolutions.

15.1 Executive Directors' Recommendations on the Proposed Transactions and the Whitewash Resolution

The Executive Directors have considered the opinion and advice of the IFA in relation to the Whitewash Resolution. The Executive Directors, who do not have any interest in the Proposed Transactions and the Whitewash Resolution save in their capacity as Shareholders, are nonetheless of the view that the Proposed Transactions and the Whitewash Resolution are in the best interests of the Company based on the following considerations:

- (a) the Group's revenue has been deteriorating significantly from US\$15.0 million in FY2007 to US\$2.9 million in FY2013. During the last 3 financial years, the Group's revenue decreased from US\$5.9 million in FY2011 to US\$2.9 million in FY2013, representing a decline of 50.6% over the period;
- (b) the Group's core business in the provision of software solutions has been loss-making since FY2007 (save for the after-tax profit of US\$0.1 million in FY2011 which was due mainly to the gain on disposal of financial assets), recording after-tax losses of between US\$0.1 million and US\$2.7 million from FY2007 to FY2013;
- (c) the Group recorded negative net operating cashflow of US\$1.0 million and US\$0.8 million in FY2012 and FY2013 respectively;
- (d) the shareholders' equity of the Company declined from US\$10.5 million in FY2011 to US\$7.6 million in FY2013;
- (e) the business conditions in the industry where the Group operates continue to be challenging and competitive. In particular, as at the Latest Practicable Date, the Executive Directors do not foresee any material positive developments for the Group in terms of its existing core business in the provision of software solutions, financial performance and financial position;
- (f) considering the significant decline in the Group's core business of provision of software solutions with no certainty of improvement in financial performance, the Group's performance going forward is dependent to a large extent on the rental income from its property lease and the proceeds from disposing of its investment in listed security (which is subject to the trading performance of the said security and the then prevailing market and economic condition);
- (g) whilst significant efforts have been made by the Executive Directors to source for alternative offer(s) for investment in the Company, they are not aware of any alternative offer(s) for investment in the Company as at the Latest Practicable Date; and
- (h) the new business in property development which B&L Group would bring (taking into account Mr Ong's track record in property development), with its attendant potential business opportunities available to the Group.

Accordingly, the Executive Directors recommend that (i) the Shareholders vote in favour of the Proposed Transactions; and (ii) the Independent Shareholders vote in favour of the Whitewash Resolution.

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15.2 Independent Directors' Recommendations on the Proposed Transactions and the Whitewash Resolution

The independent Directors of the Company, namely, Mr Lim Yit Keong and Mr Cheam Heng Haw (the "**Independent Directors**"), having reviewed and considered the opinion and advice of the IFA in respect of the Whitewash Resolution, concur with the opinion and advice of the IFA in respect of the Whitewash Resolution. Accordingly, the Independent Directors recommend the Independent Shareholders to vote against the Whitewash Resolution.

The Independent Directors have also taken into consideration that Placement 1 is inter-conditional with the Whitewash Resolution and the other Proposed Transactions are conditional on Placement 1 being approved. As such, even if the resolutions relating to the Proposed Transactions (being ordinary resolutions 1, 2, 3, 5, 6, and special resolution 1) are passed during the EGM, but the Whitewash Resolution is not passed, the Proposed Transactions will not proceed. Accordingly, the Independent Directors recommend the Shareholders to vote against the Proposed Transactions.

Shareholders who, despite the considerations mentioned in the IFA Letter:

- (i) hold a favourable view and are confident on the prospects of the Property Development Business under the leadership of Mr Ong (albeit without detailed plans in the Circular on the proposed strategy for the Property Development Business),
- (ii) have considered that Placement 1 is currently the only alternative available that has been deemed most appropriate given the Company's and Group's continued weak financial position and erosion of the Shareholders' equity base,
- (iii) have taken into account the representations and recommendations of the Executive Directors as set out in paragraph 15.1 of this Circular, and/or
- (iv) hold a view that the Proposed Transactions would enhance the Shareholders' value (despite the dilution of voting and economic interest in the Company),

may consider voting in favour of the Whitewash Resolution and the Proposed Transactions, while noting the matters, limitations and the IFA's views as stated in the IFA Letter.

15.3 No Regard to Specific Objectives

In making their recommendations, the Directors have not had regard to the specific investment objectives, financial situation, tax status, risk profiles or unique needs and constraints of any individual Shareholder. Accordingly, the Directors recommend that any individual Shareholder or groups of Shareholders who may require advice in the context of his or their specific investment objectives or portfolio should consult his or their stockbroker, bank manager, solicitor, accountant, tax adviser or other professional adviser immediately.

16. EXTRAORDINARY GENERAL MEETING

The EGM, notice of which is set out on pages N-1 to N-4 of this Circular, will be held at NTUC Centre, 1 Marina Boulevard, Level 9, Room 902, One Marina Boulevard, Singapore 018989 on 16 July 2014 at 11.00 a.m., for the purpose of considering and, if thought fit, passing with or without modifications, the ordinary resolutions and special resolution set out in the Notice of EGM.

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17. ACTION TO BE TAKEN BY SHAREHOLDERS

17.1 Appointment of Proxies

Shareholders who are unable to attend the EGM and wish to appoint a proxy to attend and vote at the EGM on their behalf will find attached to this Circular, a Proxy Form which they are requested to complete, sign and return in accordance with the instructions printed thereon as soon as possible and in any event so as to arrive at the registered office of the Company not less than 48 hours before the time fixed for the EGM. The completion and lodgement of the Proxy Form by a Shareholder does not preclude him from attending and voting in person at the EGM if he subsequently wishes to do so. 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.

17.2 When Depositor regarded as Shareholder

A Depositor will not be regarded as a member of the Company 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.

18. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this Circular and confirm after making all reasonable enquiries that, to the best of their knowledge and belief, this Circular constitutes full and true disclosure of all material facts about the Proposed Transactions, the Whitewash Resolution, the Company and its subsidiaries, and the Directors are not aware of any facts the omission of which would make any statement in this Circular misleading.

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

19. FINANCIAL ADVISER'S RESPONSIBILITY STATEMENT

To the best of the Financial Adviser's knowledge and belief, this Circular constitutes full and true disclosure of all material facts about the Proposed Transactions, the Whitewash Resolution, the Company and its subsidiaries, and the Financial Adviser is not aware of any facts the omission of which would make any statement in this Circular misleading.

20. CONSENTS

The Financial Adviser has given and has not withdrawn its written consent to the issue of this Circular with the inclusion of its name and all references thereto in the form and context in which they appear in this Circular.

The IFA has given and has not withdrawn its written consent to the issue of this Circular with the inclusion of its name and the IFA Letter and all references thereto in the form and context in which they appear in this Circular.

LETTER TO SHAREHOLDERS

21. DOCUMENTS AVAILABLE FOR INSPECTION

The following documents are available for inspection at the registered office of the Company at 80 Robinson Road, #02-00, Singapore 068898 during normal business hours from the date of this Circular up to the date of the EGM:

- (a) the memorandum and articles of association of the Company;
- (b) the Placement and Call Option 1 Agreement;
- (c) the Placement and Call Option 2 Agreement;
- (d) the Consultancy Agreement;
- (e) the Deed of Undertaking;
- (f) the annual report of the Company for the financial year ended 31 December 2013;
- (g) the electronic approval from ACRA dated 19 April 2014 in respect of the Proposed Change of Name; and
- (h) the letters of consent referred to in Section 20 of this Circular.

Yours faithfully

For and on behalf of the Board of Directors of
ONIONTECH LIMITED

Lee Jei Hoon
Executive Director / Chief Financial Officer

APPENDIX I – SUMMARY OF ADJUSTMENT CONDITIONS UNDER CALL OPTION 1 AND CALL OPTION 2

Unless otherwise defined or the context otherwise requires, all capitalised terms herein shall bear the same meanings as used in the Circular.

1. Definitions

1.1 In this Appendix, the following expressions shall have the following meanings:

“**Adjustment Conditions**” means the adjustment conditions set out in this Appendix;

“**Auditors**” means the auditors of the Company;

“**Exercise Shares**” means, from time to time, the Call Option Shares to be issued upon the exercise of Call Option 1 or Call Option 2, as the case may be;

“**Last Dealt Price**” means, in relation to a Share on a relevant Market Day, the volume weighted average price per Share (being a Share carrying full entitlement to dividend) on Catalist for the five (5) consecutive Market Days ending on such date, Provided That if at any time during the said 5 Market Day period, the Shares shall have been quoted ex-dividend and during some other part of that period, the Shares shall have been quoted cum-dividend then:

- (a) if the Shares to be issued in such circumstances do not rank for dividend in question, the quotations of the dates on which the Shares shall have been quoted cum-dividend shall for the purpose of this definition be deemed to be the amount thereof reduced by an amount equal to the amount of that dividend per Share; or
- (b) if the Shares to be issued in such circumstances rank for the dividend in question, the quotations on the dates on which the Shares shall have been quoted ex-dividend shall for the purpose of this definition be deemed to be the amount thereof increased such similar amount,

and provided further that if the Shares on each of the said 5 Market Days have been quoted cum-dividend in respect of a dividend which has been declared or announced but the Shares to be issued do not rank for that dividend, the quotations on each of such dates shall for the purpose of this definition be deemed to be the amount thereof reduced by an amount equal to the amount of that dividend per Share;

“**Option Exercise Price**” means Call Option 1 Exercise Price or the Call Option 2 Exercise Price, as the case may be;

“**Relevant Agreement**” means the Placement and Call Option 1 Agreement or the Placement and Call Option 2 Agreement, as the case may be; and

“**Relevant Placee**” means B&L Group or Mr Choo, as the case may be.

2. Adjustments

The Option Exercise Price and/or the number of Exercise Shares shall from time to time be adjusted by the Directors in consultation with, and with the concurrence of, the Auditors. The Exercise Price and the number of Exercise Shares shall, subject to these Adjustment Conditions, from time to time be adjusted as provided in these Adjustment Conditions and the Relevant Agreement in all or any of the following cases:-

- (a) any consolidation, subdivision or conversion of the Shares;

**APPENDIX I – SUMMARY OF ADJUSTMENT CONDITIONS
UNDER CALL OPTION 1 AND CALL OPTION 2**

- (b) an issue of Shares credited as fully paid by way of capitalisation of profits or reserves (whether of a capital or income nature) to the Shareholders (other than an issue of Shares to Shareholders who elect to receive Shares in lieu of cash or other dividend);
- (c) a Capital Distribution (as defined in Adjustment Condition 3.3) made by the Company to its Shareholders whether on a reduction of capital or otherwise;
- (d) an offer or invitation made by the Company to its Shareholders whereunder they may acquire or subscribe for Shares by way of rights; or
- (e) an issue of Shares by the Company (otherwise than pursuant to a rights issue available to all Shareholders requiring an adjustment under Adjustment Condition 2(d), and other than an issue of Shares in respect of which Shareholders may elect to receive Shares in lieu of cash or other dividend) where the Total Effective Consideration (as defined in Adjustment Condition 3.5) for each Share is less than ninety per cent. (90%) of the Last Dealt Price on the Market Day immediately preceding the date on which the issue price of such Share is determined (calculated as provided below).

3. Rules for Adjustments

Subject to these Adjustment Conditions (and in particular Adjustment Conditions 4 and 5) and the Relevant Agreement, the Exercise Price and the number of Exercise Shares shall from time to time be adjusted in accordance with the following provisions (but so that if the event giving rise to any such adjustment shall be capable of falling within any two (2) or more of Adjustment Conditions 2(a) to 2(e) or if such event is capable of giving rise to more than one (1) adjustment, the adjustment shall be made in such manner as the Directors in consultation with, and with the concurrence of, the Auditors shall determine):

- 3.1 Consolidation, Subdivision or Conversion: If and whenever consolidation or subdivision or conversion of the Shares occurs, the Option Exercise Price shall be adjusted in the following manner:

$$\text{New Exercise Price} = \frac{A}{B} \times P$$

and the number of Exercise Shares shall be adjusted in the following manner:

$$\text{Adjusted Number of Exercise Shares} = \frac{B}{A} \times W$$

where:

- A = the aggregate number of issued and fully paid-up Shares immediately before such consolidation or subdivision or conversion;
- B = the aggregate number of issued and fully paid-up Shares immediately after such consolidation or subdivision or conversion;
- P = the existing Option Exercise Price; and
- W = the number of Exercise Shares that would have been issued had the Call Option been exercised immediately before such consolidation or subdivision or conversion.

**APPENDIX I – SUMMARY OF ADJUSTMENT CONDITIONS
UNDER CALL OPTION 1 AND CALL OPTION 2**

3.2 Capitalisation Issues: If and whenever the Company shall make any issue of Shares to its Shareholders credited as fully paid, by way of capitalisation of profits or reserves (whether of a capital or income nature, other than an issue of Shares to Shareholders who elect to receive Shares in lieu of cash or other dividend), the Option Exercise Price shall be adjusted in the following manner:

$$\text{New Exercise Price} = \frac{A}{A + B} \times P$$

and the number of Exercise Shares shall be adjusted in the following manner:

$$\text{Adjusted Number of Exercise Shares} = \frac{A + B}{A} \times W$$

where:

A = the aggregate number of issued and fully paid-up Shares immediately before such capitalisation issue;

B = the aggregate number of Shares to be issued pursuant to any allotment to Shareholders (other than an issue of Shares to Shareholders who elect to receive Shares in lieu of cash or other dividend) credited as fully paid by way of capitalisation of profits or reserves (whether of a capital or income nature);

P = the existing Option Exercise Price; and

W = the number of Exercise Shares that would have been issued had the Call Option been exercised immediately before such capitalisation issue.

Such adjustments will be effective (if appropriate, retroactively) from the commencement of the Market Day next following the Record Date for such issue.

3.3 Capital Distributions and Rights Issue: If and whenever:

(a) the Company shall make a Capital Distribution to Shareholders whether on a reduction of capital or otherwise; or

(b) the Company shall make any offer or invitation to its Shareholders whereunder they may acquire or subscribe for Shares by way of rights at an issue price less than 90 per cent. of the Last Dealt Price on the last Market Day the Shares carry full entitlement to participate in the rights,

then, in respect of each such case, the Option Exercise Price shall be adjusted in the following manner:

$$\text{New Exercise Price} = \frac{C - D}{C} \times P$$

and the number of Exercise Shares shall be adjusted in the following manner:

$$\text{Adjusted Number of Exercise Shares} = \frac{C}{C - D} \times W$$

**APPENDIX I – SUMMARY OF ADJUSTMENT CONDITIONS
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where:

- C = the Last Dealt Price on the Market Day immediately preceding the date on which the Capital Distribution is publically announced to Catalist or (failing any such announcement) immediately preceding the date of the Capital Distribution or, in the case of any offer or invitation referred to in Adjustment Condition 3.3(b), the Last Dealt Price on the Market Day where the Shares carry full entitlement to participate in the rights;
- D = (i) in the case of an offer or invitation to acquire or subscribe for Shares by way of rights under Adjustment Condition 3.3(b), the value of the rights attributable to one (1) Share (as defined below); or (ii) in the case of any other transaction falling within Adjustment Condition 3.3, the fair market value, as determined by the Directors in consultation with, and with the concurrence of, the Auditors of that portion of the Capital Distribution or of the “nil-paid” rights attributable to one (1) Share;
- P = the existing Option Exercise Price; and
- W = the number of Exercise Shares that would have been issued had the Call Option been exercised immediately preceding the closing date of the Capital Distribution or the offer or invitation to acquire or subscribe for Shares by way of rights.

For the purpose of definition (i) of “D” above, the value of the rights attributable to one (1) Share shall be calculated in accordance with the following formula:

$$\frac{C - E}{F + 1}$$

where:

- C = as in C above;
- E = the subscription price for (1) additional Share under the offer or invitation to acquire or subscribe for Shares by way of rights; and
- F = the number of Shares which it is necessary to hold in order to be offered or invited to acquire or subscribe for one (1) additional Share by way of rights.

For the purpose of Adjustment Conditions 2(c) and 3.3(a), “**Capital Distribution**” shall (without prejudice to the generality of that expression) include distributions in cash or specie (other than dividends) or by way of issue of Shares (not falling under Adjustment Condition 3.2) or other securities credited as fully or partly paid up by way of capitalisation of profits or reserves (other than an issue of Shares in respect of which Shareholders may elect to receive Shares in lieu of cash or other dividend).

Such adjustments will be effective (if appropriate, retroactively) from:

- (i) in the case of Adjustment Condition 3.3(a), the commencement of the Market Day next following the Record Date for such transactions; and
- (ii) in the case of Adjustment Condition 3.3(b), the commencement of the Market Day next following the closing date for such offer or invitation.

For the purposes of this Adjustment Condition 3, “**closing date**” shall mean the date by which acceptance and payment for the Shares is to be made under the terms of such offer or invitation.

**APPENDIX I – SUMMARY OF ADJUSTMENT CONDITIONS
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3.4 Concurrent Capitalisation Issue and Rights Issue: If and whenever the Company makes any allotment to its Shareholders as provided in Adjustment Condition 3.2 and also makes any offer or invitation to its Shareholders as provided in Adjustment Condition 3.3(b) and the Record Date for the purpose of the allotment is also the Record Date for the purpose of the offer or invitation, the Option Exercise Price and the number of Exercise Shares shall be adjusted in the following manner:

$$\text{New Exercise Price} = \frac{(G \times J) + (H \times E)}{(G + H + B) \times J} \times P$$

$$\text{Adjusted Number of Exercise Shares} = \frac{(G + H + B) \times J}{(G \times J) + (H \times E)} \times W$$

where:

- B = the aggregate number of Shares to be issued pursuant to any allotment to Shareholders (other than an issue of Shares to Shareholders who elect to receive Shares in lieu of cash or other dividend) credited as fully paid by way of capitalisation of profits or reserves (whether of a capital or income nature);
- E = the subscription price for (1) additional Share under the offer or invitation to acquire or subscribe for Shares by way of rights;
- G = the aggregate number of issued and fully paid Shares on the Record Date;
- H = the aggregate number of new Shares to be issued under an offer or invitation to acquire or subscribe for Shares by way of rights;
- J = the Last Dealt Price on the Market Day immediately preceding the date on which the capitalisation issue and the offer or invitation is publically announced to Catalyst or (failing any such announcement), immediately preceding the date of the capitalisation issue and the offer or invitation;
- P = the existing Option Exercise Price; and
- W = the number of Exercise Shares that would have been issued had the Call Option been exercised immediately preceding the closing date of the capitalisation issue and the offer or invitation.

Such adjustments will be effective (if appropriate, retroactively) from the commencement of the Market Day next following the closing date for the above transactions.

For the purpose of this paragraph, “**closing date**” shall mean the date by which acceptance of and payment for the Shares is to be made under the terms of such offer or invitation.

APPENDIX I – SUMMARY OF ADJUSTMENT CONDITIONS UNDER CALL OPTION 1 AND CALL OPTION 2

- 3.5 Issues at Discount other than by way of Rights: If and whenever the Company shall issue any Shares (otherwise than pursuant to a rights issue available to all Shareholders alike and requiring an adjustment under Adjustment Conditions 3.3(b) or 3.4 and other than an issue of Shares in respect of which Shareholders may elect to receive Shares in lieu of cash or other dividend) and the Total Effective Consideration for each Share (as defined below) is less than ninety per cent. (90%) of the Last Dealt Price on the full Market Day immediately preceding the date on which the issue price of such Shares is determined, or, if such price is determined either before the close of business on Catalist for that day or on a day which is not a Market Day, on the immediately preceding Market Day, the Option Exercise Price shall be adjusted in the following manner:

$$\text{New Exercise Price} = \frac{M + N}{M + O} \times P$$

- M = the number of Shares in issue at the close of business on Catalist on the Market Day immediately preceding the date on which the relevant adjustment becomes effective;
- N = the number of Shares which the Total Effective Consideration would have purchased at the Last Dealt Price on the Market Day immediately preceding the date on which the issue price of such Shares is determined (exclusive of expenses);
- O = the aggregate number of Shares so issued; and
- P = the existing Option Exercise Price.

Each such adjustment will be effective (if appropriate, retroactively) from the close of business on Catalist on the Market Day immediately preceding the date on which the issue is announced, or (failing any such announcement) immediately preceding the date on which the Company determines the offering price of such Shares.

For the purpose of Adjustment Conditions 2(e) and 3.5, the “**Total Effective Consideration**” shall be determined by the Directors with the concurrence of the Auditors and shall be the aggregate consideration receivable by the Company on payment in full for such Shares, without any deduction of any commissions, discounts or expenses paid, allowed or incurred in connection with the issue thereof, and the “**Total Effective Consideration for each Share**” shall be the Total Effective Consideration divided by the number of Shares issued as aforesaid.

4. **No Adjustments under Certain Circumstances**

Notwithstanding any of the provisions herein before contained, no adjustment to the Option Exercise Price or the number of Exercise Shares will be required in respect of:

- (a) an issue by the Company of Shares to officers, including directors, or employees of the Company or any of its subsidiaries pursuant to any employee share scheme on purchase and/or option for Shares that has been approved by the Shareholders in general meeting; or
- (b) any issue by the Company of Shares pursuant to the exercise or conversion of any other options or any convertible securities, as the case maybe, previously issued by the Company.

5. **Extension to Relevant Placee of Offers to Shareholders**

If any offer or invitation for Shares is made otherwise than by the Company to the Shareholders, then the Company shall, so far as it is able, procure that at the same time an offer or invitation is made to the Relevant Placee as if its rights to subscribe for New Shares has been exercised the day immediately preceding the date on which as at the close of business Shareholders must be registered in order to participate in such offer or invitation on the basis then applicable, provided always that the failure by the Company to procure that an offer or invitation is so made as aforesaid shall not be a breach by the Company of its obligations under these Adjustment Conditions or the Relevant Agreement.

APPENDIX I – SUMMARY OF ADJUSTMENT CONDITIONS UNDER CALL OPTION 1 AND CALL OPTION 2

6. Adjustments Relating to the Option Exercise Price

Any adjustment to the Option Exercise Price will be rounded down to the nearest S\$0.00001 and in no event shall any adjustment (otherwise than upon the consolidation of Shares) involve an increase in the Option Exercise Price. No adjustment to the Option Exercise Price shall be made unless it has been certified to be in accordance with Adjustment Condition 3 by the Auditors. No adjustment will be made to the Option Exercise Price in any case in which the amount by which the same would be reduced would be less than one per cent of the Option Exercise Price unless the Company deems it necessary. Any adjustment not made will be carried forward and taken into account appropriately in any subsequent adjustment.

7. Adjustments Relating to Number of Exercise Shares

Any adjustment to the number of Exercise Shares will be rounded downwards to the nearest whole Exercise Share. No adjustment to the number of Exercise Shares shall be made unless (a) it has been certified to be in accordance with Adjustment Condition 3 by the Auditors; and (b) approval in principle has been granted by the SGX-ST for the listing of and quotation for such additional Exercise Shares as may be issued on the exercise of the Call Option.

8. Readjustments

If for any reason an event giving rise to an adjustment (“**First Adjustment**”) made to the Option Exercise Price or the number of Exercise Shares pursuant to these Adjustment Conditions is cancelled, revoked or not completed, the Option Exercise Price or the number of Exercise Shares may, at the discretion of the Company, be readjusted to the amount and number prevailing immediately prior to the First Adjustment with effect from such date and in such manner as the Directors in consultation with, and with the occurrence of, the Auditors may consider appropriate.

9. Modification to Adjustments

Notwithstanding the provisions referred to in Adjustment Condition 2, in any circumstances where the Directors consider that any adjustments to the Option Exercise Price and/or the number of Exercise Shares provided under the said provisions should not be made or should be calculated on a different basis or date or should take effect on a different date or that an adjustment to the Option Exercise Price and/or the number of Exercise Shares should be made notwithstanding that no such adjustment is required or contemplated under the said provisions, the Company may at its discretion appoint the Auditors to consider whether for any reason whatsoever the adjustment to be made (or the absence of an adjustment) or the adjustment to be made in accordance with the provisions of these Adjustment Conditions is appropriate or inappropriate, as the case may be, and, if the Auditors shall consider the adjustment to be appropriate or inappropriate, as the case may be, the adjustment shall be modified or nullified or an adjustment made instead of no adjustment in such manner as shall be considered by the Auditors to be in their opinion appropriate.

10. Notice to Relevant Placee and Auditors’ Certificate

Whenever there is an adjustment as herein provided, the Company shall give notice to the Relevant Placee in accordance with the Relevant Agreement that the Option Exercise Price and/or the number of Exercise Shares has/have been adjusted and setting forth the event giving rise to the adjustment, the Option Exercise Price and/or the number of Exercise Shares in effect prior to such adjustment, the adjusted Option Exercise Price and/or the number of Exercise Shares and the effective date of such adjustment and shall at all times thereafter so long as the Call Option remains exercisable make available for inspection at its registered office for the time being:

- (a) a signed copy of the certificate of the Auditors certifying the adjustment to the Option Exercise Price and/or the number of Exercise Shares; and

**APPENDIX I – SUMMARY OF ADJUSTMENT CONDITIONS
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- (b) a certificate signed by a Director setting forth brief particulars of the event giving rise to the adjustment, the Option Exercise Price and/or the number of Exercise Shares prior to such adjustment, the adjusted Option Exercise Price and/or the number of Exercise Shares and the effective date of such adjustment,

and shall, on request and at the expense of the Relevant Placee, send a copy thereof to the Relevant Placee.

11. Dispute as to Adjustment

If the Directors and the Auditors are unable to agree upon any adjustment required under these Adjustment Conditions, the Directors shall refer the adjustment to the decision of another auditor acting as expert and not as arbitrator and whose decision as to such adjustment shall be final and conclusive and no certification by the Auditors shall in such circumstances be necessary.

12. Modification to Rights of Share or Loan Capital

Without prejudice to the generality of Adjustment Condition 9, if the Company shall in any way modify the rights attached to any share or loan capital so as to convert or make convertible such share or loan capital into Shares, or attach thereto any rights to acquire or subscribe for Shares, the Company shall appoint the Auditors to consider whether any adjustment is appropriate and if the Auditors and the Directors shall determine that any adjustment is appropriate, the Option Exercise Price and/or the number of Exercise Shares shall be adjusted accordingly.

13. Auditors Act as Experts

In giving any certificate or making any adjustment hereunder, the Auditors shall be deemed to be acting as experts and not as arbitrators and in the absence of manifest error, their decisions shall be conclusive and binding on the Company and the Relevant Placee.

14. Share Buybacks

If the Company shall purchase or otherwise acquire any classes of shares issued by it pursuant to the provisions of the Companies Act, the Company shall, appoint the Auditors to consider whether any adjustments to the Option Exercise Price and/or the number of Exercise Shares to be issued on the exercise of the Call Option is appropriate and if the Auditors shall determine that any adjustment is appropriate the Option Exercise Price and/or the number of Exercise Shares shall be adjusted accordingly.

APPENDIX II - LETTER FROM ASIAN CORPORATE ADVISORS PTE. LTD. TO THE NON-INTERESTED DIRECTORS OF ONIONTECH LIMITED

ASIAN CORPORATE ADVISORS PTE. LTD.

(Incorporated in the Republic of Singapore)
(Company Registration No: 200310232R)

112 Robinson Road #03-02
Singapore 068902

To:
The Non-interested Directors (as defined herein)
80 Robinson Road
#02-00
Singapore 068898

24 June 2014

THE WHITEWASH RESOLUTION IN CONNECTION WITH THE PROPOSED PLACEMENT OF 195,000,000 ORDINARY SHARES (THE "PLACEMENT 1 SHARES") IN THE SHARE CAPITAL OF ONIONTECH LIMITED AND GRANT OF A CALL OPTION TO SUBSCRIBE FOR 195,000,000 SHARES TO B&L GROUP PTE. LTD. ("PLACEMENT AND CALL OPTION 1 AGREEMENT") AT THE PLACEMENT PRICE OF S\$0.03 FOR EACH PLACEMENT SHARE (THE "PLACEMENT 1")

1. INTRODUCTION

Asian Corporate Advisors Pte. Ltd. ("**ACA**") has been appointed as an independent financial adviser ("**IFA**") to the directors of Oniontech Limited ("**Oniontech**" or the "**Company**"), who as at the Latest Practicable Date (defined later) are considered independent (the "**Non-interested Directors**") for the purposes of making the recommendation to the Independent Shareholders (defined later) in respect of Placement 1 and the whitewash resolution. We note that, as at the Latest Practicable Date the Non-interested Directors comprise Mr Jang Jong Jung, Mr Hur Jung Young, Mr Lee Jei Hoon, Mr Lim Yit Keong and Mr Cheam Heng Haw.

This letter ("**IFA Letter**" or "**Letter**") sets out, *inter alia*, our views and evaluation of the whitewash resolution (the "**Whitewash Resolution**") proposed as Ordinary Resolution 4 in the notice of the Extraordinary General Meeting ("**EGM**") of the Company as set out on page N-3 in the circular ("**Circular**") dated 24 June 2014 to be issued to the registered holders ("**Shareholders**") of the issued ordinary shares ("**Shares**") in the capital of the Company, which if passed by the Shareholders other than (i) Mr Ong Boon Chuan ("**Mr Ong**") (or his nominees); (ii) parties acting in concert with Mr Ong; and (iii) parties not independent of the persons mentioned in (i) and (ii) above ("**Independent Shareholders**"), would result in a waiver by the Independent Shareholders of their rights to receive a mandatory general offer ("**Mandatory Offer**") from Mr Ong and parties acting in concert with them in connection with the issue of the Placement 1 Shares under the Placement 1. Likewise, it contains our recommendations to the Non-interested Directors in relation to the Whitewash Resolution. It is prepared for inclusion in the Circular in connection with, *inter alia*, the Placement 1 and the Whitewash Resolution to be issued by the Company to the Shareholders.

Unless otherwise defined or where the context otherwise requires, definitions used in the Circular shall apply throughout this Letter. Certain of the figures and computations as enumerated or set out in this Letter are based on approximations and its accuracy is subject to rounding.

APPENDIX II - LETTER FROM ASIAN CORPORATE ADVISORS PTE. LTD. TO THE NON-INTERESTED DIRECTORS OF ONIONTECH LIMITED

1.1 Background

On 21 February 2014 (the “**Announcement Date**”), the Board of directors (“**Directors**”) of the Company announced that the Company had entered into placement and call option agreements (the “**Placement and Call Option Agreements**”) with each of B&L Group Pte. Ltd. (“**B&L Group**”) and Mr Choo Uihwan (“**Mr Choo**”) pursuant to which the Company has agreed to issue and allot to B&L Group and B&L Group has agreed to subscribe for 195,000,000 new Shares at a subscription price of S\$0.03 (the “**Placement 1 Price**”) for each Share and the Company will grant to B&L Group a call option to subscribe for 195,000,000 new Shares (the “**Call Option 1 Shares**”) at an option exercise price of S\$0.03 (the “**Call Option 1 Exercise Price**”) for each Share (the “**Call Option 1**”) (collectively, “**Proposed Placement and Call Option 1**”) and Mr Choo will subscribe for 15,000,000 new Shares (the “**Placement 2 Shares**”) at a subscription price of S\$0.03 for each Share (the “**Placement 2**”) and the Company will grant to Mr Choo a call option (the “**Call Option 2**”) to subscribe for 15,000,000 new Shares (the “**Call Option 2 Shares**”) at an option exercise price of S\$0.03 (the “**Call Option 2 Exercise Price**”) for each Share (**Call Option 2**) (collectively, “**Proposed Placement and Call Option 2**”).

In connection with the Proposed Placement and Call Option 1, the Company had on 21 February 2014 entered into an agreement (the “**Consultancy Agreement**”) with Mr Won Dae Ro (the “**Arranger**”) in relation to the Arranger introducing Mr Ong to the Company on the terms and subject to the conditions of the Consultancy Agreement. Mr Ong, a director and shareholder of B&L Group, will participate in the Proposed Placement and Call Option 1 through B&L Group. The commission payable to the Arranger in respect of the introduction is an amount up to S\$300,000, which will be satisfied by the allotment and issue to the Arranger of up to 10,000,000 Shares credited as fully paid (the “**Arrangement Shares**”). Collectively the issuance of the Placement 1, Call Option 1, Placement 2, Call Option 2 and the Arrangement Shares will be termed the “**Proposed Transactions**”.

The Placement 1 Price and Call Option 1 Exercise Price of S\$0.03 represents a premium of approximately 11.1% over the volume-weighted average market price (the “**VWAP**”) of S\$0.0270 for each Share based on the trades done on the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”) sponsor-supervised trading platform (the “**Catalist**”) on 17 February 2014, being the last full market day on which the Shares were traded immediately preceding the execution of the Placement and Call Option Agreements.

The Placement 1 Shares and Placement 2 Shares (the “**Placement Shares**”), the Call Option 1 Shares and Call Option 2 Shares (the “**Call Option Shares**”) and the Arranger Shares (collectively, the “**New Shares**”), when allotted and issued, shall rank *pari passu* in all respects with the existing Shares of the Company, except that they shall not rank for any entitlements, dividends, rights, allotments or other distributions (if any), the record date in respect of which falls on or prior to the date of issue of the New Shares.

1.2 The Whitewash Resolution

Pursuant to Rule 14 of the Singapore Code on Take-overs and Mergers (“**Takeover Code**”), except with the consent from the Securities Industry Council (“**SIC**”), where (a) any person acquires whether by a series of transactions over a period of time or not, shares which (taken together with shares held or acquired by persons acting in concert with him) carry 30% or more of the voting rights of a company; or (b) any person who, together with persons acting in concert with him, holds not less than 30% but not more than 50% of the voting rights and such person, or any person acting in concert with him, acquires in any period of six (6) months additional shares carrying more than 1% of the voting rights, such person must extend offers immediately, on the basis set out in Rule 14 of the Code, to the holders of any class of share capital of the company which carries votes and in which such person, or persons acting in concert with him, hold shares.

APPENDIX II - LETTER FROM ASIAN CORPORATE ADVISORS PTE. LTD. TO THE NON-INTERESTED DIRECTORS OF ONIONTECH LIMITED

As at 13 June 2014 (the “**Latest Practicable Date**”), the Company has a total number of 157,407,950 Shares (excluding treasury Shares) and there are no share options, convertible securities or other instruments convertible into Shares under which the Company has an obligation to issue additional Shares, as at the Latest Practicable Date.

We note from the Circular that as at the Latest Practicable Date, B&L Group and its concert parties do not hold any Shares or instruments convertible into, rights to subscribe for and options in respect of the Shares. Upon the allotment and issue of the Placement Shares and 50% of the Arrangement Shares, the existing Shareholders (excluding B&L Group, Mr Choo and the Arranger) shall have their ownership diluted to 42.3% of the enlarged Share capital of the Company; and B&L Group shall hold approximately 52.4% of the enlarged Share capital of the Company. Pursuant to Rule 14 of the Takeover Code and Section 139 of the SFA, B&L Group and/or its concert parties will be required to make a general offer for all the remaining issued Shares not owned, controlled or agreed to be acquired by B&L Group and/or its concert parties at the highest price paid or agreed to be paid by B&L Group and/or its concert parties for the Shares in the past six (6) months from the date the Placement 1 Shares are issued to B&L Group, unless such obligation is waived by SIC.

SIC had, on 2 October 2013, exempted Mr Ong and his nominees from the requirement under Rule 14 of the Takeover Code to make a mandatory offer for the Company in the event that Mr Ong and/or his concert parties increase their percentage of total voting rights in the Company to 30% or more based on its enlarged issued capital as a result of Mr Ong and/or his concert parties acquiring the Placement 1 Shares under Placement 1, subject to the following conditions (the “**Whitewash Conditions**”):-

- (a) a majority of the holders of voting rights of the Company present and voting at a general meeting, held before Placement 1, approve by way of a poll, a resolution to waive their rights to receive a general offer from Mr Ong and/or his concert parties;
- (b) the Whitewash Resolution is separate from other resolutions;
- (c) Mr Ong, parties acting in concert with him and parties not independent of him as well as Mr Choo and the Arranger abstain from voting on the Whitewash Resolution;
- (d) Mr Ong and his concert parties did not acquire or are not to acquire any Shares or instruments convertible into and options in respect of Shares (other than subscriptions for, rights to subscribe for, instruments convertible into or options in respect of the new Shares which have been disclosed in the Circular):
 - (i) during the period between the date of the announcement of Placement 1 (the “**Announcement**”) and the date Shareholders’ approval is obtained for the Whitewash Resolution; and
 - (ii) in the six (6) months prior to the date of the Announcement but subsequent to negotiations, discussions or the reaching of understandings or agreements with the Directors in relation to Placement 1;
- (e) the Company appoints an independent financial adviser to advise the Independent Shareholders on the Whitewash Resolution;
- (f) the Company sets out clearly in its circular to Shareholders:
 - (i) details of Placement 1, including the Call Option 1;
 - (ii) the possible dilution effect to existing holders of voting rights of the acquisition of the Placement 1 Shares by Mr Ong (or his nominee, as the case may be) under Placement 1;

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- (iii) the number and percentage of voting rights in the Company as well as the number of instruments convertible into, rights to subscribe for and options in respect of Shares held by Mr Ong (or his nominee, as the case may be) and his concert parties as at the Latest Practicable Date;
 - (iv) the number and percentage of voting rights to be issued to Mr Ong (or his nominee, as the case may be) as a result of his acquisition of the Placement 1 Shares under Placement 1;
 - (v) that shareholders, by voting for the Whitewash Resolution, are waiving their rights to a general offer from Mr Ong at the highest price paid by Mr Ong (or his nominee, as the case may be) and his concert parties for Shares in the past 6 months preceding the commencement of the offer;
 - (vi) that the acquisition of the Placement 1 Shares by Mr Ong (or his nominee, as the case may be) under Placement 1 will result in Mr Ong (or his nominee, as the case may be) and his concert parties holding Shares carrying over 49% of the voting rights of the Company based on its enlarged issued capital and the fact that Mr Ong and his concert parties will be free to acquire further Shares without incurring any obligation under Rule 14 of the Takeover Code to make a general offer;
- (g) the circular by the Company to its Shareholders states that the waiver granted by SIC to Mr Ong (or his nominee, as the case may be) from the requirement to make a general offer under Rule 14 of the Takeover Code is subject to the conditions stated in sub-paragraphs (a) to (f) above;
- (h) the Company obtains the SIC's approval in advance for those parts of the circular that refer to the Whitewash Resolution; and
- (i) to rely on the Whitewash Resolution, the acquisition by Mr Ong (or his nominee, as the case may be) of the Placement 1 Shares under Placement 1 must be completed within three (3) months of the date of approval of the Whitewash Resolution.

On 1 December 2013, the Company notified the SIC that Mr Ong will participate in the Proposed Placement and Call Option 1 through B&L Group, an investment holding company owned by Mr Ong and his wife, Mdm Kok Lee Kuen. Accordingly, the Whitewash Conditions referred to above shall be complied with by B&L Group, being the nominee of Mr Ong.

As at the Latest Practicable Date, all the above conditions imposed by the SIC, except for the conditions in (a), (c), (d)(i) and (i), have been satisfied.

Independent Shareholders are requested to vote by way of a poll, on the Whitewash Resolution set out in the Notice of EGM on page N-3 of the Circular, waiving their rights to receive the Mandatory Offer from B&L Group and/or its concert parties for the remaining Shares not owned or agreed to be acquired by B&L Group and/or its concert parties.

We recommend the Non-interested Directors to highlight to the Independent Shareholders that:

- (i) **The Independent Shareholders should note that by voting in favour of the Whitewash Resolution, they will be waiving their rights to a general offer from B&L Group and/or its concert parties at the highest price paid or agreed to be paid by the B&L Group and/or its concert parties for Shares in the six (6) months preceding the date of the allotment and issuance of the Placement 1 Shares.**

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- (ii) The Independent Shareholders should further note that the allotment and issuance of the Placement 1 Shares will result in B&L Group and/or its concert parties carrying over 49% of the voting rights of the Company (based on the enlarged Share capital of the Company), and that B&L Group and/or its concert parties will be free to acquire further Shares without incurring any obligation under Rule 14 of the Takeover Code to make a general offer.
- (iii) The Independent Shareholders should note that the passing of the ordinary resolutions relating to the Proposed Transactions are conditional upon the Whitewash Resolution being approved by the Independent Shareholders, as the Whitewash Resolution is a condition precedent in the Placement and Call Option 1 Agreement.

2. TERMS OF REFERENCE

ACA has been appointed to advise the Non-interested Directors with respect to the Whitewash Resolution in relation to the Placement 1 and the allotment and issuance of the Placement 1 Shares. We were neither a party to the negotiations entered into by the Company in relation to the Proposed Transactions, nor were we involved in the deliberation leading up to the decision on the part of the Directors to enter into the Proposed Transactions, and we do not, by this Letter or otherwise, advise or form any judgement on the merits of the Proposed Transactions contemplated in the Circular or the possibilities or feasibilities of the completion of the Proposed Transactions other than to form an opinion, strictly and solely on the bases set out herein on whether the Whitewash Resolution is prejudicial to the interests of the Independent Shareholders when considered in the context of the issuance of the New Shares under the Proposed Transactions. Our scope does not include determining the independence of the Directors for the purpose of making recommendation in respect of the Whitewash Resolution. We note from the Circular that none of the Directors are interested in the Proposed Transactions.

We have confined our evaluation strictly and solely on the financial terms for the Whitewash Resolution and have not taken into account the commercial/financial risks and/or merits (if any) or the timing for the Proposed Transactions contemplated in the Circular including the structuring or inter-conditionality, of the Proposed Transactions or the validity of any resolution, or the future financial performance or position for the Company and its subsidiaries (the “**Group**”) subsequent to the Proposed Transactions or the possibility/probability that the Group can improve their profitability or such other proposed corporate actions or the proposed diversification of the Company’s business or that the anticipated benefits from the Proposed Transactions can be realised (as the case may be). Such evaluation or comment remains the responsibility of the Directors and management (“**Management**”) of the Company although we may draw upon their views or make such comments in respect thereof (to the extent deemed necessary or appropriate by us) in arriving at our view as set out in this Letter.

In the course of our evaluation, we have held discussions with Directors and Management, *inter alia*, regarding their assessment of the rationale for the Whitewash Resolution as well as the Proposed Transactions and have examined publicly available information collated by us including the audited financial statements as well as information including material information or developments pertaining to the Company and the Group (both written and verbal), provided to us by Directors and Management or where applicable professional advisers of the Company, including its consultants or advisers or solicitors or auditors. We have not independently verified such information but have made such enquiries and used our judgement as we deemed necessary on such information and have found no reason to doubt the reliability of the information. Accordingly, we cannot and do not expressly or impliedly represent or warrant, and do not accept any responsibility for, the accuracy or completeness or adequacy of such information or the manner it has been classified or presented or the basis of any valuations.

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We have relied upon the assurance of the Directors and Management that all statements of fact, belief, opinion and intention made by the Directors and the Management in the Circular as well as their announcements for the financial results have been reasonably made after due and careful enquiry. Accordingly, no representation or warranty, expressed and implied, is made and no responsibility is accepted by us concerning the accuracy or completeness or adequacy of such information or statements of facts or belief or opinion or intention.

Our evaluation is based solely on publicly available information and other information provided by the Company as well as the economic and market conditions prevailing as at the Latest Practicable Date, and therefore does not reflect expected financial performance after the financial year ended 31 December 2013 (“FY2013”) for the Company. Accordingly, we have not commented on or assessed the expected future performance or prospects of the Company or the Group after the completion of the Proposed Transactions stipulated in the Circular.

Our evaluation and opinion and recommendation do not and cannot take into account future or prospective performance of the Company or the Group and neither are we responsible for it. Accordingly, estimates or analysis or evaluation of the merits of the Company or the Group or the Whitewash Resolution, if any, in this IFA Letter are necessarily limited and we do not warrant or represent that it is complete or in entirety.

Our opinion in this IFA Letter is based on economic, market, industry, monetary and other conditions (if applicable) in effect on, and the information provided to us, as of the Latest Practicable Date. Accordingly, the bases or assumptions and likewise our views or opinion or recommendation may and do change in the light of these developments which, *inter alia*, include general as well as company specific or industry specific conditions or sentiments or factors. Non-interested Directors (as well as Independent Shareholders of the Company who would be receiving the Circular and this IFA Letter enclosed with the Circular) should note that our evaluation is based solely on publicly available information, other information provided by the Company, Directors and Management as well as those disclosed in the Circular and economic and market conditions prevailing as at the Latest Practicable Date, and therefore does not reflect expected financial performance after the relevant financial year end for the Company or the Group or developments both macro and company specific and that these factors do and will necessarily affect the evaluation of the Whitewash Resolution and our recommendation or opinion or views. Likewise this Letter outlines some of the matters or bases or factors or assumptions which we have used in our assessment and is a summary. They are by no means exhaustive or a reproduction of all the matters or bases or factors or assumptions etc. which we have used in our assessment.

The Directors have jointly and severally accepted full responsibility, as set out in the Circular, for the truth, accuracy and completeness of the information and representations as provided by the Directors contained therein. The Directors have confirmed to ACA that all material information including but not limited to plans or prospects or proposals or rationale involving the Whitewash Resolution or the Proposed Transactions stipulated in the Circular or issue or changes to its capital structure, available to them and the Management in connection with the Whitewash Resolution or such other parties has been disclosed to ACA and included in the Circular, that such information is true, complete and accurate in all material respects and that there is no other information or fact including the expected future performance or future growth prospects or plans of the Company or the Group, the omission of which would result in the facts stated and the opinions expressed by the Directors in the Circular to be untrue, inaccurate or incomplete in any respect or misleading. Accordingly, no representation or warranty, expressed or implied, is made and no responsibility is accepted by ACA concerning the truth, accuracy, completeness or adequacy of such information or facts.

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Our scope does not require us and we have not made any independent evaluation or appraisal of the assets and liabilities (including without limitation, property, plant and equipment) or contracts entered or to be entered into by the Company or the Group and we have not been furnished with any such evaluation and appraisal in respect of assets and liabilities (if any) held or contracts entered into by the Group, save for valuation report dated 7 April 2014 (the “**Valuation Report**”) issued by Daeil Appraisal Board (the “**Independent Valuer**”), in respect of the appraised value of the Group’s property known as Unit #301, 401, PDCC Building C-Dong, 242 Pangyo-ro, Bundang-gu, Seongnam-si, Gyeonggi-do, Korea, 463-400 (the “**Subject Properties**”). With respect to such valuation, we are not experts in the evaluation or appraisal of assets and liabilities (including without limitation, property, plant and equipment) including, *inter alia* the contracts or agreements that the Group has embarked upon or are about to embark upon and have relied on the opinion of the Directors and the financial statements (audited and unaudited), where applicable for the assessment.

The Directors are of the opinion that the values of the assets and liabilities as well as the financial performance or condition of the Company and the Group as reflected in the full year audited financial statements for the Company and the Group as at 31 December 2013 are true and fair. The Directors have also confirmed that to the best of its knowledge, nothing has come to their attention which may render the audited financial statements for FY2013 to be false or misleading in any material aspect. In addition, the Directors confirmed that to the best of their knowledge and belief, such information is true, complete and accurate in all respects and that there is no other information or fact *inter alia* the valuation or appraisal of assets and liabilities including, *inter alia* the contracts or agreements that the Group has embarked upon or are about to embark upon, the omission of which would render those statements or information or our analysis or information presented in this Letter to be untrue, inaccurate, incomplete or misleading. Our views, opinion and recommendations are thus limited and subject to these matters as well as others mentioned in the Letter.

The Directors further confirmed that as at the Latest Practicable Date and save for matters disclosed in the Circular, this Letter and the audited financial statements for the Group for FY2013, there has been no material changes to the assets and liabilities, financial position, condition and performance.

The scope of our appointment does not require us to express, and we do not express, a view on the future growth prospects of the Company or the Group before and after the transactions stipulated in the Circular or the Whitewash Resolution as well as the legality or the effects on the rules on the purchases made by the B&L Group and its concert parties. We are therefore not expressing any view herein as to the prices at which the Shares may trade upon completion or rejection of the Whitewash Resolution or the Proposed Transactions or resolutions stipulated in the Circular or the returns that the Independent Shareholders may have owning the Shares or voting for or voting against the Whitewash Resolution or the Proposed Transactions or resolutions stipulated in the Circular or on the future financial performance of the Company or the Group or the plans (if any) for each of them.

In rendering our opinion and giving our recommendation, we have not had regard to the general or specific investment objectives, financial situation, tax position, risk profiles or unique needs and constraints of any individual Independent Shareholder. As different Independent Shareholders would have different investment profiles and objectives, we would advise the Non-interested Directors to recommend that any individual Independent Shareholder who may require advice in the context of his specific investment portfolio, including his investment in the Company, consult his stockbroker, bank manager, solicitor, accountant, tax adviser or other professional adviser immediately.

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Accordingly, any factor or assumption or basis as well as the relative emphasis on any matter set out in this IFA Letter or the Whitewash Resolution or the Company or the Group or the Shares or the New Shares which we used or may have used may differ from the relative emphasis accorded by any individual Independent Shareholder or Non-interested Director. As such Non-interested Directors are advised to highlight to Independent Shareholders as well as note for themselves that any reliance on our opinion or view or assessment, is subject to the contents of this IFA Letter in its entirety. In addition, ACA will not be responsible or required to provide an updated assessment or opinion or views of the Whitewash Resolution or its recommendation, following the date of the issue of this IFA Letter.

Accordingly, our IFA Letter or opinion or views or recommendation should not be used or relied by anyone for any other purposes and should only be used by the Non-interested Directors, subject to our terms of reference and the contents of this IFA Letter as one of the basis for their opinion or views or recommendation. In addition, any references to our IFA Letter or opinion or views or recommendation, should not be made except with our prior consent in writing and even if made with our prior consent in writing, shall be subject to the contents of this IFA Letter in its entirety *inter alia* the matters, conditions, assumptions, limitations, factors and bases as well as our terms of reference for this IFA Letter.

3. THE PROPOSED PLACEMENT OF SHARES AND GRANT OF CALL OPTION TO B&L GROUP

Details on the Placement 1 and Call Option 1 are set out in Section 2 of the Circular. Non-interested Directors should advise Independent Shareholders to read the terms and conditions contained therein carefully. A summary of the key terms of Placement 1 and Call Option 1 are as follows:

3.1 The Placement 1

Pursuant to the Placement and Call Option 1 Agreement, the Company had agreed to allot and issue to B&L Group 195,000,000 Placement Shares, and B&L Group agreed to subscribe and pay for the Placement 1 Shares, at the Placement 1 Price for an aggregate consideration of S\$5.85 million.

3.2 Conditions Precedent to Placement 1

The conditions precedent to the Placement 1 is set out in Section 2.2 of the Circular. The conditions precedent have been extracted from the Circular and are set out in italics below. We recommend that Independent Shareholders read those pages of the Circular carefully. Unless otherwise defined or the context otherwise requires, all terms defined in the Circular shall have the same meaning herein.

“2.2 Conditions Precedent to Placement 1

Under the terms of the Placement and Call Option 1 Agreement, the completion of Placement 1 is conditional upon, inter alia, the following:

- (a) the completion by B&L Group of a financial, business and legal due diligence on the Company and the results of such exercise being reasonably satisfactory to B&L Group;*
- (b) the completion, by the Company of a background due diligence exercise on B&L Group, and the results of such exercise being reasonably satisfactory to the Company;*
- (c) the approval of the Board for the Proposed Transactions (save for the Proposed Appointment of Director);*
- (d) the approval by the Shareholders of the Proposed Resolutions (save for the Proposed Appointment of Director);*

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- (e) *the provision of an undertaking by Mr Jang Jong Jung, Mr Hur Jung Young and Mr Lee Jei Hoon (the “Korean Management”) in favour of B&L Group to indemnify B&L Group from and against any losses, liabilities, costs (including legal costs on a full indemnity basis), claims, charges, expenses, proceedings, actions or demands (“Liabilities”) which B&L Group may suffer, pay or incur or which may be made against it or its employees or agents in connection with or arising out of any breach by the Company of any warranty, representation or undertaking set out in the Placement and Call Option 1 Agreement, any misrepresentation by the Company, and any failure by the Company to perform any of its obligations under the Placement and Call Option 1 Agreement;*
- (f) *the provision of an undertaking by the Korean Management in favour of the Company to indemnify the Company from and against any Liabilities which the Company may suffer, pay or incur or which may be made against it or its employees or agents (save for the Korean Management) to the extent that such Liabilities (a) are in connection with or arising out of the Placement and Call Option 1 Agreement, and (b) are attributable to the acts, neglect, defaults or omissions of the Korean Management (or any one of them); and*
- (g) *the Listing and Quotation Notice being obtained from the SGX-ST and not having been revoked or amended and, where such notice is subject to conditions (which are not normally imposed by the SGX-ST for a transaction of a similar nature), such conditions being acceptable to B&L Group and, to the extent that any conditions for the listing and quotation of the Placement 1 Shares on Catalist are required to be fulfilled on or before the completion of Placement 1 under the Placement and Call Option 1 Agreement, they are so fulfilled.*

If any of the conditions precedent in the Placement and Call Option 1 Agreement is not satisfied (or otherwise waived in accordance with the Placement and Call Option 1 Agreement) within three (3) calendar months from the date of the Placement and Call Option 1 Agreement or such other date as the parties may agree in writing, the Placement and Call Option 1 Agreement shall ipso facto cease and determine thereafter and none of the parties thereto shall have any claim against the other for costs, expenses, damages, losses, compensation or otherwise, save as provided in the Placement and Call Option 1 Agreement.

On 21 May 2014, the Company announced that by mutual agreement, the Company and B&L Group had agreed to extend the period for satisfying the conditions precedent for the completion of Placement 1 to 20 August 2014.”

3.3 Issue date for the Placement 1 Shares

Subject to all the conditions precedent in the Placement and Call Option 1 Agreement being satisfied, fulfilled or waived (as the case may be), the Placement 1 Shares shall be allotted and issued to B&L Group on the date falling ten (10) Market Days after the later of the Listing Approval Date or the date on which Shareholders’ approval for the allotment and issue of the Placement 1 Shares and the Call Option 1 Shares is obtained, or such other date as the Company and B&L Group may agree to in writing.

3.4 Call Option 1 and adjustments to Call Option 1

Subject to the terms and conditions of the Placement and Call Option 1 Agreement, B&L Group has the option, exercisable at any time during the period commencing from the 1st anniversary of the date of the Placement and Call Option 1 Agreement and ending on the 4th anniversary of the date of the Placement and Call Option 1 Agreement, to subscribe for all (and not part of) 195,000,000 Call Option 1 Shares at an exercise price of S\$0.03 for each Call Option 1 Share.

The Call Option 1 may be exercised by B&L Group by serving written notice on the Company during the Call Option 1 period (the “Call Option 1 Period”) in accordance with the Placement and Call Option 1 Agreement. The Call Option 1 Shares shall be issued by the Company within ten (10) Market Days after receipt of the Call Option 1 notice by the Company or such other date as the Company and B&L Group may agree in writing.

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Call Option 1 shall automatically lapse and become null and void if it is not exercised in accordance with the terms of the Placement and Call Option 1 Agreement on or before the expiry of the Call Option 1 Period. The Company shall release an announcement on SGXNET and send a notice of expiry of Call Option 1 to B&L Group at least one (1) month before the expiry of the Call Option 1 Period.

Neither B&L Group nor the Company shall be entitled to assign the benefit of the Placement and Call Option 1 Agreement (including but not limited to Call Option 1) and any action in connection therewith and all or part of its rights or transfer all or part of its obligations under the Placement and Call Option 1 Agreement, unless agreed in writing between B&L Group and the Company.

If the Company is liquidated or wound up for any reason, Call Option 1 (if not exercised prior to such liquidation or winding up) shall lapse and shall cease to be valid for any purpose.

On or subsequent to the grant of Call Option 1 and subject to the terms and conditions of the Placement and Call Option 1 Agreement, the Call Option 1 Exercise Price and number of Call Option 1 Shares to be issued on the exercise of Call Option 1 may be subject to adjustments from time to time by the Directors. Details of such adjustments can be found in Appendix I of the Circular.

Save where alterations are made pursuant to the terms and conditions of the Placement and Call Option 1 Agreement, the Company shall obtain Shareholders' approval before making any material alteration to the terms of Call Option 1 to the advantage of B&L Group.

3.5 Issue price for the Placement 1 Shares and exercise price for the Call Option 1 Shares

The Placement 1 Price and the Call Option 1 Exercise Price were determined through negotiations between the Company and B&L Group on a commercial and willing buyer and willing seller basis. During the negotiations on the Proposed Placement and Call Option 1, the parties had mainly taken into consideration the transactions of the Shares in the one-year period prior to the time of such negotiations and the VWAP of the Shares for such one-year period of S\$0.0302.

Each of the Placement 1 Price and the Call Option 1 Exercise Price of S\$0.03 is at a premium of 11.1% over the VWAP of the Shares of S\$0.0270 based on the trades done on the SGX-ST on 17 February 2014, being the last full market day on which the Shares were traded immediately preceding the execution of the Placement and Call Option 1 Agreement.

3.6 Ranking of the Placement 1 Shares and Call Option 1 Shares

The Placement 1 Shares shall be issued free from all claims, charges, liens and other encumbrances whatsoever and shall rank *pari passu* in all respects with and carry all rights similar to the existing issued Shares (not being treasury Shares), except for any dividend, right, allotment or other distributions, the Record Date for which falls on or before the completion of the issuance of the Placement 1 Shares under the Placement and Call Option 1 Agreement.

The Call Option 1 Shares (when issued) shall be issued free from all claims, charges, liens and other encumbrances whatsoever and shall rank *pari passu* in all respects with and carry all rights similar to the then existing issued Shares (not being treasury Shares), except for any dividend, right, allotment or other distributions, the record date for which falls on or before the completion of the issuance of the Call Option 1 Shares under the Placement and Call Option 1 Agreement.

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3.7 Moratorium

Pursuant to the Placement and Call Option 1 Agreement, B&L Group undertakes that, for a period of six (6) months commencing from the date of the issue of the Placement 1 Shares, it will not directly or indirectly, offer, sell, contract to sell, realise, transfer, assign, pledge, grant any option or right to purchase, grant any security over, encumber or otherwise dispose of, any part of its shareholdings in the Company to below 100% of the Placement 1 Shares to be issued to B&L Group and in the six (6) months after the first moratorium period, it will not directly or indirectly, offer, sell, contract to sell, realise, transfer, assign, pledge, grant any option or right to purchase, grant any security over, encumber or otherwise dispose of any part of its shareholdings in the Company to below 50% of the Placement 1 Shares to be issued to B&L Group. In support of B&L Group's moratorium undertaking, Mr Ong and Mdm Kok Lee Kuen, being the shareholders of B&L Group, shall undertake that, for a period of twelve (12) months commencing from the date of the issue of the Placement 1 Shares, they will not directly or indirectly, offer, sell, contract to sell, realise, transfer, assign, pledge, grant any option or right to purchase, grant any security over, encumber or otherwise dispose of, any part of their respective shareholdings in B&L Group.

For the avoidance of doubt, the Placement 2 Shares, the Call Option Shares and the Arrangement Shares shall not be subject to any moratorium on sale, encumbrance or disposal.

3.8 Appointment of Directors

Pursuant to the Placement and Call Option 1 Agreement, B&L Group shall have the right to nominate up to two (2) persons as executive Directors of the Company for the management of the Property Development Business (the "**Property Development Directors**"). B&L Group proposes to nominate Mr Ong as one of the Property Development Directors and will seek to nominate the other Property Development Director as soon as practicable. The Company also intends to appoint an independent director who has the relevant experience in the real estate industry to assist the Board as the Group diversifies its business into the Property Development Business.

Pursuant to the Placement and Call Option 1 Agreement, the Company shall procure that Mr Lee Jei Hoon remains as an executive director of the Company and that Mr Jang Jong Jung and Mr Hur Jung Young resign from the Board.

Notwithstanding the change in the composition of the Board, the Company shall procure that Mr Jang Jong Jung, Mr Hur Jung Young and Mr Lee Jei Hoon, being the key members of the management team of the current business, shall continue to manage the relevant companies in the Group on such terms and conditions to be agreed upon between each of them and the Company, prior to the completion of Placement 1.

4. INFORMATION ON B&L GROUP

Information on the B&L Group and Mr. Ong is set out in Section 2.10 and 12.2 of the Circular. We recommend that Independent Shareholders read those pages of the Circular carefully.

5. EVALUATION OF THE WHITEWASH RESOLUTION

In assessing the financial terms of the Placement 1 for the sole purpose of the Whitewash Resolution, we have taken into account the following pertinent factors as well as others in the Letter, which we consider will have a significant bearing on our assessment:

- (i) Rationale for the Proposed Transactions and use of proceeds;
- (ii) Financial performance and position of the Group;
- (iii) The Group's net asset value ("**NAV**") and net tangible assets ("**NTA**");
- (iv) Market quotation and trading activity of the Shares;

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- (v) Relative valuation analysis;
- (vi) Analysis of comparable transactions;
- (vii) Theoretical value of the Call Option 1;
- (viii) Proforma financial effects of the Proposed Transactions described in the Circular; and
- (ix) Other relevant considerations.

These factors are discussed in greater detail in the ensuing paragraphs.

In our assessment of the Placement 1, we have applied certain valuation ratios in assessing the reasonableness of the Placement 1. The Placement 1 Price and the exercise price for Call Option 1 is similar and at S\$0.03 for each New Share (and will be termed “**Placement/Call Option Exercise Price**”). A brief description of such valuation ratios are as follows:–

- (i) **EV/EBITDA**

“**EV**” or “**Enterprise Value**” is defined as the sum of a company’s market capitalisation, preferred equity, minority interests, short term and long term debts less its cash and cash equivalents. “**EBITDA**” stands for earnings before interest, tax, depreciation and amortisation but after share of associates’ and joint ventures’ income but excluding exceptional items.

The “**EV/EBITDA**” multiple is an earnings-based valuation methodology that does not take into account the capital structure of a company as well as its interest, taxation, depreciation and amortisation charges. Therefore, it serves as an illustrative indicator of the current market valuation of the business of a company relative to its pre-tax operating cash flow and performance.
- (ii) **Price-to-Earnings (“PER”)**

The PER is a widely used earnings-based valuation methodology that illustrates the ratio of the current market price of a company’s shares relative to its net earnings per share. Unlike the EV/EBITDA multiple, the PER is based on the net earnings attributable to shareholders after interest, taxation, depreciation and amortisation expenses. As such, the PER is affected by the capital structure of a company, tax position as well as its depreciation and goodwill policies.
- (iii) **Price-to-NTA (“P/NTA”)**

The P/NTA ratio is the ratio of the relevant prices of the shares to the net tangible asset value of the relevant companies. It is an asset-based valuation methodology that illustrates the ratio of the current market valuation of a company relative to its asset backing as measured in terms of its NTA value. The NTA of a company provides an estimate of its value assuming a hypothetical sale of all its tangible assets, the proceeds of which are first used to repay the liabilities and obligations of that company with the balance available for distribution to its shareholders.

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The NTA-based approach is widely used for valuing the shares of property-based companies as their tangible asset backings are perceived as providing support for the value of their shares.

(iv) **Price-to-NAV (“P/NAV”)**

The P/NAV ratio is the ratio of the relevant prices of the shares to the net asset value of the relevant companies. It is an asset based valuation methodology that illustrates the ratio of the current market valuation of a company relative to its tangible and intangible asset backing as measured in terms of its NAV value.

The NAV of a company provides an estimate of its value assuming a hypothetical sale of all its tangible and intangible assets, the proceeds of which are first used to repay the liabilities and obligations of that company with the balance available for distribution to its shareholders.

In assessing the financial terms of Placement 1, we have taken into account the following pertinent factors (as well as others in this Letter), which we consider will have a significant bearing on our assessment.

5.1 Rationale for the Proposed Transactions and use of proceeds

The rationale for the Proposed Transactions and use of proceeds has been extracted from Section 6 of the Circular and are set out in italics below. We recommend that Non-interested Directors advise Independent Shareholders to read this section of the Circular carefully. All terms and expressions used in the extract below shall have the same meaning as those defined in the Circular, unless otherwise stated:–

“6. RATIONALE AND USE OF PROCEEDS

The current operating environment for the Company’s existing businesses remains challenging. With the injection of funds from B&L Group and Mr Choo, the Company intends to diversify its revenue streams and venture into the Property Development Business. The Company believes that it will be able to tap on the experience, expertise and business contacts of Mr Ong in its exploration of the real estate development business, so as to enhance Shareholders’ value. Please refer to Section 11.2 of this Circular for more details on the rationale for the Proposed Diversification of Business.

*After deducting expenses of approximately S\$0.3 million incurred by the Company in connection with the Proposed Transactions, the net proceeds from the issue of the Placement Shares (“**Net Proceeds**”) will be approximately S\$6.0 million. The Company intends to use 90% of the Net Proceeds for the exploration of the Property Development Business and the remaining 10% for general working capital purposes. Assuming that the Proposed Call Options are exercised by both B&L Group and Mr Choo, additional gross proceeds of S\$6.3 million will be raised (“**Additional Proceeds**”). The Company intends to use 90% of the Additional Proceeds for the exploration of the Property Development Business and the remaining 10% for general working capital purposes.*

*Pending deployment of the Net Proceeds and Additional Proceeds (collectively, the “**Proceeds**”) for the purposes mentioned above, the Proceeds may be placed as deposits with financial institutions and/or invested in short term money market or debt instruments or for any other purpose on a short term basis as the Directors may in their absolute discretion deem appropriate in the interests of the Group.*

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The Company will make periodic announcements on the utilisation of the Proceeds as and when they are materially disbursed, and provide a status report on the use of the Proceeds in the Company's interim and full-year financial statements issued under Rule 705 of the Catalyst Rules and in the Company's annual report."

We note that gross proceeds from the issuance of Placement 1 Shares pursuant to Placement 1 will amount to approximately S\$5.85 million and forms the majority of the gross proceeds from the issue of the Placement Shares. In addition, in the event that Call Option 1 is exercised, the proceeds from the exercise of Call Option 1 will amount to approximately S\$5.85 million and forms the majority of the Additional Proceeds.

We note from Section 15.1 of the Circular that the executive Directors ("**Executive Directors**"), comprising Mr Jang Jong Jung, Mr Hur Jung Young and Mr Lee Jei Hoon, who do not have any interest in the Proposed Transactions and the Whitewash Resolution save in their capacity as Shareholders, are of the view that the Proposed Transactions and the Whitewash Resolution are in the best interests of the Company and that the Whitewash Resolution is in the best interests of the Company and is not prejudicial to the interests of the Independent Shareholders based on the following considerations:-

- (a) The Group's revenue has been deteriorating significantly from US\$15.0 million in FY2007 to US\$2.9 million in FY2013. During the last 3 financial years, the Group's revenue decreased from US\$5.9 million in FY2011 to US\$2.9 million in FY2013, representing a decline of 50.6% over the period;
- (b) The Group's core business in the provision of software solutions has been loss-making since FY2007 (save for the after-tax profit of US\$0.1 million in FY2011 which was due mainly to the gain on disposal of financial assets), recording after-tax losses of between US\$0.1 million and US\$2.7 million from FY2007 to FY2013;
- (c) The Group recorded negative net operating cashflow of US\$1.0 million and US\$0.8 million in FY2012 and FY2013 respectively;
- (d) The shareholders' equity of the Company declined from US\$10.5 million in FY2011 to US\$7.6 million in FY2013;
- (e) The business conditions in the industry where the Group operates continue to be challenging and competitive. In particular, as at the Latest Practicable Date, the Executive Directors do not foresee any material positive developments for the Group in terms of its existing core business in the provision of software solutions, financial performance and financial position;
- (f) Considering the significant decline in the Group's core business of provision of software solutions with no certainty of improvement in financial performance, the Group's performance going forward is dependent to a large extent on the rental income from its property lease and the proceeds from disposing of its investment in listed security (which is subject to the trading performance of the said security and the then prevailing market and economic condition);
- (g) Whilst significant efforts have been made by the Executive Directors to source for alternative offer(s) for investment in the Company, they are not aware of any alternative offer(s) for investment in the Company as at the Latest Practicable Date; and
- (h) The new business in property development which B&L Group would bring (taking into account Mr Ong's track record in property development), with its attendant potential business opportunities available to the Group.

(collectively, the "**Executive Directors' Representation**")

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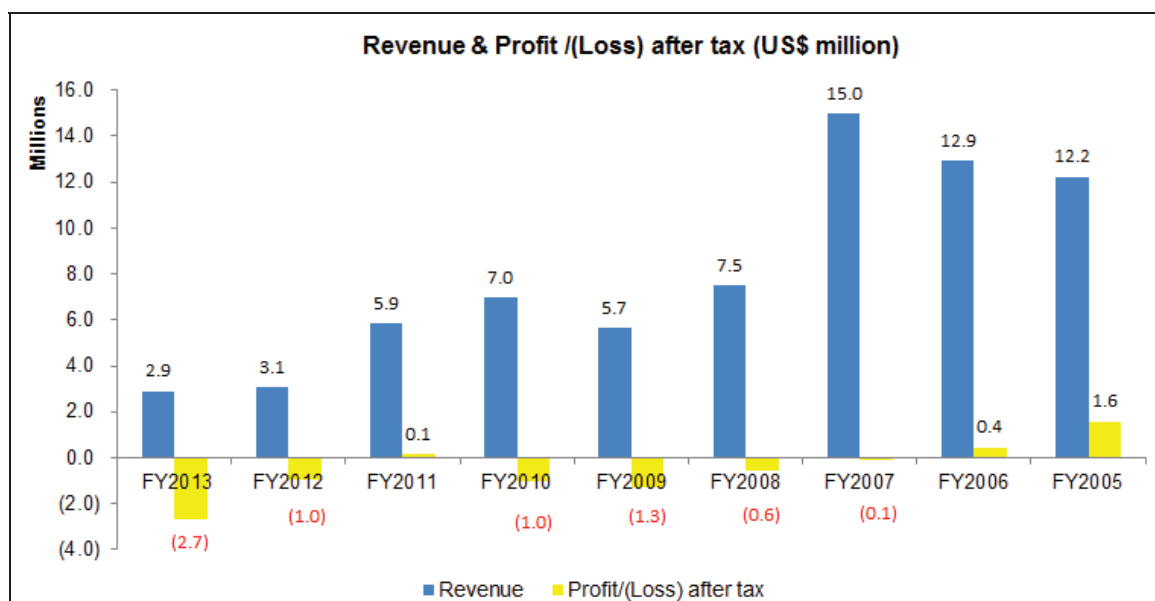
In view of the above, the Executive Directors recommend the Shareholders to vote in favour of the Proposed Transactions and the Independent Shareholders to vote in favour of the Whitewash Resolution.

As at 31 December 2013 and based on the information available to us, we note that the Group's shareholders' equity is in the positive region of approximately US\$7.6 million with positive net working capital of approximately US\$1.9 million as at 31 December 2013, no principal repayment is required for its borrowing of approximately US\$5.3 million until December 2020, and that the rental income from the Group's investment property is sufficient to cover the interest expense for the borrowing. We also note from the AR2013 that the independent auditors of the Company did not issue an emphasis of matter pertaining to going concern or disclaimer of opinion or qualification.

In the event that there is no restructuring or introduction of new initiatives to improve the existing business model of the Group's existing core business and given the Executive Directors' Representation, the Group's source of income or source to enhanced return to shareholders will come mainly from the rental income, which is short term in nature (as the rental agreement is only for two years period) and is subject to the local property market condition, and the proceeds from disposing its investment in listed security (which is subject to the trading performance of the said security and the then prevailing market and economic condition). As such the Group's profitability and NTA may decline further. However, we do note that the shareholders' equity of the Group of approximately US\$7.6 million as at 31 December 2013 is approximately 2.9 times of the loss after tax in FY2013.

5.2 Financial performance and positions of the Group

We observed that since the initial public offering ("IPO") in November 2005, the Group's revenue has deteriorated and the revenue in the last six financial years were substantially lower than those recorded in FY2005, FY2006 and FY2007. In addition, during the last nine financial years after the IPO (FY2005 to FY2013), the Group has been in the loss making position, save for FY2005, FY2006 and FY2011 where the Group recorded a profit after tax of approximately US\$1.6 million, US\$446 thousand and US\$147 thousand respectively. We note that the profit after tax in FY2011 of approximately US\$147 thousand was mainly attributable to gain on disposal of financial assets, available-for-sale.



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A summary of the audited consolidated financial statements of the Group for FY2013, FY2012 and FY2011 are set out below.

Review of Financial Performance

Consolidated Statement of Income

Figures in US\$'000	Audited FY2013	Audited FY2012	Audited FY2011
Revenue	2,897	3,081	5,865
Other Income	169	1,321	2,447
Operating expenses	(3,979)	(5,243)	(8,037)
Operating Profit	(913)	(841)	275
Share of Associates	(181)	(50)	(14)
Impairment loss on investments in associates	(1,586)	(19)	–
Profit/(Loss) before tax	(2,680)	(910)	261
Profit/(Loss) after tax	(2,664)	(994)	147
Profit/(Loss) after tax attributable to equity holders of the Company	(2,664)	(994)	147

Note: Figures and computation presented in this section are subject to rounding

FY2013 vs. FY2012

The Group reported a decline in revenue of approximately US\$0.2 million or 6.0%, from approximately US\$3.1 million in FY2012 to approximately US\$2.9 million in FY2013, mainly due to slow economy and competition.

Other income decreased by approximately US\$1.2 million from approximately US\$1.3 million in FY2012 to approximately US\$0.2 million in FY2013 mainly due, *inter alia*, to the absence of the gain on disposal of property, plant and equipment as compared to approximately US\$0.5 million recorded in FY2012; a loss from disposal of equity investment in FY2013 of approximately US\$0.1 million (FY2012:nil) and a lower gain of US\$0.2 million on disposal of available-for-sale financial assets (“AFS”) in FY2013 as compared to the gain of US\$0.7 million in the preceding period.

The Group’s operating expenses (comprising employee compensation, rental expense, depreciation, amortisation and impairment charges, subcontractors’ fees, finance expenses and other expenses) amounted to approximately US\$4.0 million in FY2013 as compared to approximately US\$5.2 million in FY2012. The decline in operating expenses in FY2013 as compared to FY2012, was mainly attributable to a decrease in depreciation, amortisation and impairment charges of approximately US\$1.0 million (arising from the impairment of loan receivables from I&I Associate in FY2012) and decrease in other expenses of approximately US\$0.3 million (arising mainly from, *inter alia*, decrease in commission expenses of approximately US\$0.2 million and the impairment loss on transferable club membership of approximately US\$0.2 million recorded for FY2012). We note that the Group’s finance costs decreased from approximately US\$78 thousand in FY2012 to approximately US\$35 thousand in FY2013 due to a reduction in interest expense from bank borrowings.

Whilst revenue and other income for the Group declined in aggregate by approximately US\$1.3 million to approximately US\$3.1 million in FY2013, operating expenses for the Group (before share of results of associates and impairment loss on investments in associated companies) declined by approximately US\$1.3 million to approximately US\$4.0 million in FY2013, resulting in the Group registering a slight increase in operating loss of approximately US\$72 thousand (FY2013 as compared to FY2012) to US\$0.9 million in FY2013.

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The Group reported an increase in impairment loss on investments in associated companies of approximately US\$1.6 million from approximately US\$19 thousand in FY2012 to approximately US\$1.6 million in FY2013 due to an impairment charge recognised on the continuous loss incurred by T.S. Investment Corp, notwithstanding the fact that T.S. Investment Corp has been loss making since 2011.

The Group reported an increase in share of loss of approximately US\$0.1 million from approximately US\$50 thousand in FY2012 to approximately US\$0.2 million in FY2013 arising from the investments in associated companies, namely T.S. Investment Corp.

With higher losses from associates (including impairment charges) of approximately US\$1.8 million and increase in operating loss of approximately US\$72 thousand, loss before income tax, increased from approximately US\$0.9 million in FY2012 to approximately US\$2.7 million in FY2013 (an increase in loss before income tax of approximately US\$1.8 million).

The Group reported an income tax credit of approximately US\$16 thousand in FY2013 as compared to an income tax expense of approximately US\$84 thousand in FY2012 mainly due to the absence of expenses not deductible for tax purposes and adjustments for taxes in FY2013.

As a result of *inter alia*, lower revenue and other income which has been offset by lower operating expenses from loan receivables, the increase in impairment charges recorded in FY2013, the Group reported a net loss after tax attributable to equity holders of the Company of approximately US\$2.7 million in FY2013, as compared to a net loss after tax attributable to equity holders of the Company of approximately US\$1.0 million in FY2012.

FY2012 vs. FY2011

The Group reported a decline in revenue of approximately US\$2.8 million or 47.5%, from approximately US\$5.9 million in FY2011 to approximately US\$3.1 million in FY2012, mainly due to a decrease in System Integration sales resulting from loss of sales from a major customer.

Other income decreased by approximately US\$1.1 million from approximately US\$2.4 million in FY2011 to approximately US\$1.3 million in FY2012 largely due to lower gains on disposal of AFS of approximately US\$1.4 million in FY2012; however this was cushioned by the gain of approximately US\$0.5 million for disposal of property, plant and equipment (FY2011:nil).

The Group's operating expenses (comprising employee compensation, rental expense, depreciation, amortisation and impairment charges, sales promotion and advertising, subcontractors' fees, finance expenses and other expenses) amounted to approximately US\$5.2 million in FY2012 as compared to approximately US\$8.0 million in FY2011. The decline in operating expenses of approximately US\$2.8 million in FY2012 as compared to FY2011 was mainly attributable to, *inter alia*, a decrease in employees compensation of approximately US\$2.1 million), a decrease in sales promotion and advertising of approximately US\$0.3 million (none in FY2012) and a decrease in subcontractors' fees of approximately US\$1.5 million (due to decrease in revenue). This was offset by an increase in depreciation, amortisation and impairment charges of approximately US\$1.0 million (arising from impairment loss on receivables). The Group's finance costs decreased from approximately US\$136 thousand to approximately S\$78 thousand in FY2012 due to a reduction in interest expense from bank borrowings.

With declines in revenue and other income for the Group of approximately US\$3.9 million as compared to the preceding period, and notwithstanding the reduction in operating expenses for the Group (before share of results of associates and impairment loss on investments in associated companies) of approximately US\$2.8 million, the Group registered an operating loss of approximately US\$0.8 million in FY2012 as compared to an operating profit of approximately US\$0.3 million posted in FY2012.

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Coupled with the losses from associates as well as impairment loss in associated companies of US\$69 thousand in FY2012, the Group registered a loss before income tax of approximately US\$0.9 million as compared to the profit before income tax of approximately US\$0.3 million recorded in FY2011.

Due to the losses incurred for FY2012, the Group reported a decline in income tax expense of approximately US\$30 thousand from approximately US\$114 thousand in FY2011 as compared to an income tax expense of approximately US\$84 thousand in FY2012 due to loss before income tax which was offset by increases in expenses not deductible for tax purposes and other adjustments.

As a result of lower revenues and net income which has been offset by lower operating expenses in FY2012, the Group incurred a net loss after tax attributable to equity holders of the Company of approximately US\$1.0 million as compared to a new profit of approximately US\$0.1 million generated in FY2011.

The following table summarises the gross profit, profit before and after tax margins for the Group:-

Profitability Margins	Audited FY2013	Audited FY2012	Audited FY2011
Profit/(Loss) before tax margin	(92.5)%	(29.5)%	4.5%
Profit/(Loss) after tax margin	(92.0)%	(32.3)%	2.5%
Profit/(Loss) after tax attributable to equity holders of the Company	(92.0)%	(32.3)%	2.5%

From the table above, we note that profitability for the Group had declined significantly for the last three financial years, with both profit before and after tax margins declining substantially to a negative margin in FY2012 and FY2013.

Review of Financial Position

Consolidated Statement of Financial Position

Figures in US\$'000	Audited FY2013	Audited FY2012	Audited FY2011
Non-current assets	11,555	12,130	11,497
Current assets	2,977	1,974	3,235
Non-current liabilities	5,881	464	1,274
Current liabilities	1,048	2,975	2,928
Total borrowings	5,737	2,513	2,282
Total equity	7,603	10,665	10,530
Net working capital	1,929	(1,001)	307

FY2013 vs. FY2012

Assets

The Group's total assets increased marginally by approximately US\$0.4 million or 3.0% from approximately US\$14.1 million as at 31 December 2012 to approximately US\$14.5 million as at 31 December 2013.

About 79.5% of the Group's total assets are non-current in nature and the major constituents are investment property of approximately US\$4.4 million (a reclassification from property, plant and equipment in FY2012 because of the completion of the construction of the new office premise); AFS of approximately US\$2.4 million; investment in associated companies of approximately US\$2.1 million; and property, plant and equipment of about US\$2.1 million. We also note that for the investment properties that are mostly tenanted out since January 2014, the rental income will amount to approximately US\$0.3 million per year.

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The total long-term and short-term AFS of approximately US\$ 2.7 million (FY 2012: US\$4.0 million) declined due to lower purchases and greater disposals effected during the year. In addition, there was a fair value loss of US\$0.7 million recognised in FY2013 as compared to the fair value gain of US\$0.5 million recognised in FY2012. Approximately 82.2% of the AFS comprised of only 1 listed security, namely System and Application Technologies Co Ltd (“SAT Tech”).

On the current assets, there is an increase in cash and cash equivalents of approximately US\$0.5 million from approximately US\$0.8 million as at 31 December 2012 to approximately US\$1.3 million as at 31 December 2013. The higher cash balances were due to the net proceeds raised from the disposal of some of the AFS assets. There is a decline of about US\$1.8 million in investment in associated companies from about US\$3.9 million as at 31 December 2012 to about US\$2.1 million as at 31 December 2013 mainly due to an impairment of the investment in T.S. Investment Corp.

Despite the decline in the revenue, trade and other receivables increased from approximately US\$1.2 million as at 31 December 2012 to approximately US\$1.3 million as at 31 December 2013 mainly due to an increase in year-end sales to the Group’s customers.

Liabilities

The Group’s total liabilities increased by approximately US\$3.5 million or 101.5% from approximately US\$3.4 million as at 31 December 2012 to approximately US\$6.9 million as at 31 December 2013. The non-current liabilities constituted about 84.9% of the total liabilities base as at 31 December 2013 as compared to 13.5% in the previous period. The sharp increase in non-current liabilities from approximately US\$0.5 million as at 31 December 2012 to approximately US\$5.9 million as at 31 December 2013 was attributable to the additional term borrowings of about US\$5.2 million withdrawn in 2013 for the construction of the new office premise as aforementioned. Part of these term borrowings were previously classified as short-term borrowings, but were converted into construction loan. As such, the current borrowings of about US\$2.5 million as at December 2012 were reduced significantly to about US\$0.5 million as at December 2013. On a net basis, the Group’s total borrowings increased by about US\$3.2 million.

Because of the much higher total borrowings and coupled with a lower equity base, the gearing ratio increased from approximately 0.2 times as at 31 December 2012 to approximately 0.8 times as at 31 December 2013. The decline in shareholders’ equity of approximately US\$3.1 million is due to an increase in accumulated losses and reduction in other reserves of approximately US\$2.7 and US\$0.4 million respectively.

The Group had a positive net working capital of approximately US\$1.9 million as at 31 December 2013 as compared to a negative net working capital of approximately US\$1.0 million as at 31 December 2012. The improvement in the net working capital position was mainly due to an increase in current assets of approximately US\$1.0 million (comprising of trade and other receivables, AFS and cash and cash equivalents) while current liabilities declined by approximately US\$1.9 million due to a decrease in current borrowings (arising from the conversion of current borrowings to long term borrowings).

FY2012 vs. FY2011

Assets

The Group’s total assets declined by approximately US\$0.6 million or 4.3% from approximately US\$14.7 million as at 31 December 2011 to approximately US\$14.1 million as at 31 December 2012.

About 86.0% of the Group’s total assets as at December 2012 are non-current in nature as compared to about 78.0% as at 31 December 2011. The major constituents are AFS of approximately US\$4.0 million; (FY 2011: US\$3.5 million); investment in associated companies of approximately US\$3.9 million ; and property, plant and equipment of about US\$3.6 million (FY 2011: US\$3.1 million). Approximately 87.4% of the AFS comprised of SAT Tech and another other two listed securities.

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The slight increase in non-current assets of approximately US\$0.6 million as at 31 December 2012, was mainly due to, *inter alia*, an increase in property, plant and equipment of approximately US\$0.5 million from approximately US\$3.1 million as at 31 December 2011 to approximately US\$3.6 million as at 31 December 2012 (due to increase in construction in progress of building), an increase in AFS of approximately US\$0.4 million from approximately US\$3.5 million as at 31 December 2011 to approximately US\$4.0 million as at 31 December 2012, an increase in investment in associated companies of approximately US\$0.1 million from approximately US\$3.7 million as at 31 December 2011 to approximately US\$3.9 million as at 31 December 2012 (mainly due to currency translation differences of approximately US\$0.2 million offset by losses from share of losses and impairment losses), offset by a decline in deferred income tax assets of approximately US\$0.3 million from approximately US\$0.4 million as at 31 December 2011 to approximately US\$0.1 million as at 31 December 2012 and decline in transferable club memberships of approximately US\$0.1 million from approximately US\$0.3 million as at 31 December 2011 to approximately US\$0.2 million as at 31 December 2012 (mainly due to impairment loss).

The decline in current assets of approximately US\$1.3 million as at 31 December 2012, was mainly due to a decline in trade and other receivables of approximately US\$0.6 million from approximately US\$1.8 million as at 31 December 2011 to approximately US\$1.2 million as at 31 December 2012 (mainly due to a decrease in sales to the Group's customers and higher allowance for impairment of other receivables), a decrease in AFS of approximately US\$0.5 million as at 31 December 2011 (nil as at 31 December 2012) and a decrease in cash and cash equivalents of approximately US\$0.1 million from approximately US\$0.9 million as at 31 December 2011 to approximately US\$0.8 million as at 31 December 2012.

Liabilities

The Group's total liabilities decreased by approximately US\$0.8 million or 18.2% from approximately US\$4.2 million as at 31 December 2011 to approximately US\$3.4 million as at 31 December 2012. Approximately 86.5% or US\$3.0 million of the total liabilities are short-term in nature, with bank borrowings constituting the majority of the current liabilities (about 83.4% of the total current liabilities).

Non-current liabilities declined by approximately US\$0.8 million or 63.6% from approximately US\$1.3 million as at 31 December 2011 to approximately US\$0.5 million as at 31 December 2012, while the current liabilities increased by approximately US\$47 thousand or 1.6% from approximately US\$2.9 million as at 31 December 2011 to approximately US\$3.0 million as at 31 December 2012.

The decline in non-current liabilities of approximately US\$0.8 million as at 31 December 2012, was mainly attributable to decline in borrowings of approximately US\$0.5 million from approximately US\$0.5 million as at 31 December 2011 to approximately US\$32 thousand as at 31 December 2012, a decline in retirement benefits of approximately US\$0.2 million from approximately US\$0.6 million as at 31 December 2011 to approximately US\$0.4 million as at 31 December 2012, and a decline in deferred income tax liabilities of approximately US\$128 thousand from approximately US\$128 thousand as at 31 December 2011 to nil as at 31 December 2012.

The current liabilities maintained constant at about US\$3.0 million for both FY 2013 and FY 2012, with no significant changes in movement save for the bank borrowings which increased from about US\$1.7 million as at December 2012 to about US\$2.5 million as at 31 December 2012. Offsetting the increase in the bank borrowings were the reduction in payables to non-related parties of approximately US\$0.6 million for the period under review.

The Group's total borrowings to shareholders' equity ratio remained at approximately 0.2 times as at 31 December 2012 and as at 31 December 2011 because both the total borrowings and the equity base was maintained at the same level for both the two financial periods.

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The Group's negative net working capital worsened from a positive of approximately US\$0.3 million as at 31 December 2011 to a negative of approximately US\$1.0 million as at 31 December 2012. The deterioration in the net working capital was mainly due to a decrease in current assets of approximately US\$1.3 million (comprising of trade and other receivables, AFS and cash and cash equivalents) while current liabilities remained constant at approximately US\$3.0 million.

Going concern assumption

The ensuing paragraphs set out in italics below are extracted from note 4 to the audited financial statements of the Group for FY2013 (page 55 of the annual report for the Group for FY2013 ("AR2013")) and FY2012 (page 51 of the annual report for the Group for FY2012 ("AR2012")). We recommend that Non-interested Directors advise Shareholders to read these sections of the AR2013 and AR2012 carefully:-

Relevant Extracts from AR2013

"As at 31 December 2013, the Group has negative operating cash flows of USD808,000 (2012: USD1,004,000) and incurred a net loss of USD2,664,000 (2012: USD994,000) for the financial year ended on that date. These conditions indicate a material uncertainty that may cast significant doubt on the Group's ability to continue as going concerns.

Notwithstanding these conditions, the financial statements are prepared on a going concern basis as the Group has the ability to generate sufficient cash from its operation to meet its obligation as and when they fall due."

Relevant Extracts from AR2012

"As at 31 December 2012, the Group's current liabilities exceeded its current assets by approximately USD1,001,000 (2011: net current assets USD307,000), negative operating cash flows of approximately USD1,004,000 (2011: positive operating cash flows USD577,000) and incurred a net loss of USD994,000 for the financial year ended on that date. These conditions indicate a material uncertainty that may cast significant doubt on the Group's ability to continue as going concerns.

Notwithstanding these conditions, the Directors is of the view that the preparation of the financial statements of the Group for the financial year ended 31 December 2012 on the going concern basis is appropriate as the Group has the ability to generate sufficient cash from its operation to meet its obligation as and when they fall due."

We note from the financial statements for FY2013 and FY2012, the Group's negative operating cash flows for FY2013 and FY2012 and loss before income taxes for the last 2 financial years totalling approximately US\$3.6 million, reduction in total equity by approximately US\$3.0 million from 31 December 2011 to 2013 and increased reliance on borrowings to finance its operations of approximately US\$3.5 million from 31 December 2011 to 2013.

5.3 The Group's NAV and NTA

NAV and NTA Analysis

The NAV based approach of valuing a company or group is based on the aggregate value of all the assets of the company in their existing condition, after deducting the sum of all liabilities of the company and minorities' interests. The NAV based approach is meaningful as it shows the extent to which the value of each share is backed by both tangible and intangible assets and would be relevant in the event that the company or group decides to realise or convert the use of all or most of its assets. The NAV based approach in valuing a company may provide an estimate of the value of a company or group assuming the hypothetical sale of all its assets (including any intangible assets including but not limited to goodwill, trademarks and brand names) in an orderly manner or over a reasonable period of time and at the aggregate value of the assets used in the computation of the NAV, the proceeds of which are used to settle the liabilities, minority interest and obligation

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of the company or group with the balance to be distributed to its shareholders. However the NAV approach does not take into account or consideration the hypothetical sale of assets in a non-orderly manner or over a short period of time. It does not illustrate the values at which assets may actually be realized or disposed of.

The NTA based approach of valuing a company or group is based on the aggregate value of all the assets of the company in their existing condition, after deducting the sum of all liabilities and intangible assets of the company. The NTA based approach is meaningful as it shows the extent to which the value of each share is backed by tangible assets and would be relevant in the event that the company or group decides to realise or convert the use of all or most of its assets. The NTA based approach in valuing a company may provide an estimate of the value of a company or group assuming the hypothetical sale of all its assets (other than intangible assets) in an orderly manner over a reasonable period of time at the aggregate value of the assets used in the computation of the NTA, the proceeds of which are used to settle the liabilities, minority interest and obligation of the company or group, with the balance to be distributed to its shareholders. However the NTA based approach does not take into account or consideration the presence of any intangible assets including but not limited to land use rights, goodwill, trademarks and brand names nor does it take into account the hypothetical sale of assets in a non-orderly manner or over a short period of time. It does not illustrate the values of which assets may actually be realized or disposed of.

NAV and NTA of the Group

In assessing the Placement 1 Price and Call Option 1 Exercise Price of S\$0.03 for each Placement 1 Share and Call Option 1 Share, in relation to the NAV and NTA per Share of the Group as at 31 December 2013, we have reviewed the audited statement of financial position of the Group as at 31 December 2013 to determine whether there are any assets that are of an intangible nature and as such would not appear in a valuation based on the NTA approach, but would be included in the NAV approach. Save as disclosed in the audited balance sheet of the Group as at 31 December 2013 and in the Circular, the Directors have confirmed, that as at the Latest Practicable Date, to the best of their knowledge and based on disclosures made available to them, there are no other intangible assets or tangible assets which ought to be disclosed in such audited statement of financial position as at 31 December 2013 in accordance with Singapore Financial Reporting Standards and which have not been so disclosed and where such intangible or tangible assets would have had a material impact on the overall financial position of the Group as at Latest Practicable Date.

The Directors have also confirmed that as at the Latest Practicable Date, there were no material contingent liabilities, bad or doubtful debts or unrecorded earnings or expenses or assets or liabilities which could have a material impact on the NAV or NTA of the Group as at 31 December 2013, save as disclosed in the audited financial statement of the Group as at 31 December 2013 as well as the Circular. In addition, the Directors are of the opinion that save as disclosed in the Circular, the values of the assets (other than those for which valuation has been conducted, where applicable), and liabilities as well as financial performance or condition of the Group as disclosed and reflected in the audited financial statements of the Group as at 31 December 2013 are true and fair. Lastly, the Directors confirmed that to the best of their knowledge or belief that such information is true, complete and accurate in all respects and that there is no other information or fact, the omission of which would render those statements or information, including our references, as well as analysis of such information to be untrue, inaccurate or incomplete in any respect or misleading.

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NON-INTERESTED DIRECTORS OF ONIONTECH LIMITED**

Consolidated Audited Balance Sheet as at 31 December 2013 ⁽¹⁾	US\$'000
Non-Current Assets	
Property, plant and equipment ("PPE")	2,021
Intangible assets	29
Investment in associated companies	2,064
AFS	2,358
Transferable club memberships (cost)	69
Other receivables	284
Deferred income tax assets	303
Investment property	4,427
	11,555
Current Assets	
Trade and other receivables	1,307
AFS	367
Cash and cash equivalents	1,303
	2,977
Non-Current Liabilities	
Borrowings	5,263
Retirement benefits	554
Other payables	64
	5,881
Current Liabilities	
Trade and other payables	574
Borrowings	474
	1,048
Net assets value ("NAV")	7,603
Non-controlling Interest	–
NAV attributable to equity holders of the Company	7,603
Less: Intangible assets	(29)
	7,574
Net Tangible Assets ("NTA") as at 31 December 2013	
NAV per Share (US\$) ⁽²⁾	0.0483
NAV per Share (S\$) ^{(2) (3)}	0.0603
NTA per Share (US\$) ⁽²⁾	0.0481
NTA per Share (S\$) ^{(2) (3)}	0.0601
Placement 1 Price or Call Option 1 Exercise Price (S\$)	0.030
Discount of Placement 1 Price or Call Option 1 Exercise Price from the Group's NAV per Share	(50.3%)
Discount of Placement 1 Price or Call Option 1 Exercise Price from the Group's NTA per Share	(50.1%)
Cash and cash equivalents (US\$'000)	1,303
Cash and cash equivalents per Share (US\$) ⁽²⁾	0.008
Cash and cash equivalents per Share (S\$) ^{(2) (3)}	0.010

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Consolidated Audited Balance Sheet as at 31 December 2013 ⁽¹⁾	US\$'000
Placement 1 Price or Call Option 1 Exercise Price less cash and cash equivalents per Share (S\$)	0.020
NAV per Share less cash and cash equivalents per Share (S\$)	0.0500
NTA per Share less cash and cash equivalents per Share (S\$)	0.0498
Discount of Placement 1 Price or Call Option 1 Exercise Price less cash and cash equivalents per Share from the Group's NAV per Share less cash and cash equivalents per Share	(60.7)%
Discount of Placement 1 Price or Call Option 1 Exercise Price less cash and cash equivalents per Share from the Group's NTA per Share less cash and cash equivalents per Share	(60.5)%

Notes:

- (1) *The figures above are based on the Group's audited financial statement for financial year ended 31 December 2013. The figures and computations above are subject to rounding.*
- (2) *The figures are computed based on the Company's issued Share capital of 157,407,950 Shares as at the Latest Practicable Date.*
- (3) *US\$:S\$ exchange rate 1.249 as at Latest Practicable Date.*

For illustrative purposes only, the Placement 1 Price or Call Option 1 Exercise Price represents a discount of approximately 50.3% and 50.1% from the Group's NAV per Share and NTA per Share as at 31 December 2013 respectively. In the event that cash and cash equivalents per Share is deducted from the Placement 1 Price or Call Option 1 Exercise Price as well as the Group's NAV per Share and Group's NTA per Share, the Placement 1 Price or Call Option 1 Exercise Price represents discounts of approximately 60.7% and 60.5% from the Group's NAV per Share and NTA per Share after deducting cash and cash equivalents as at 31 December 2013.

We wish to highlight that the aggregate amount of the cash and cash equivalents and the listed security under the AFS as at 31 December 2013 amounted to approximately US\$3.5 million or US\$0.023 per Share (equivalent to approximately S\$0.028 per Share). The Placement 1 Price or Call Option 1 Exercise Price represents a small premium of approximately 6.7% from the aggregate amount of the cash and cash equivalents and the listed security under the AFS per Share as at 31 December 2013.

Revalued NAV and NTA of the Group

In our evaluation of the Placement 1 Price and the Call Option 1 Exercise Price, we have also considered whether there are any assets which should be valued at an amount that is materially different from that which recorded in the audited balance sheet of the Group as at 31 December 2013. We understand from the Directors that the Company has commissioned the Independent Valuer, to provide market valuation of the Subject Properties as at 7 April 2014.

We note that the net book value of the Subject Properties is approximately US\$6.3 million as at 31 December 2013, which is lower than the appraised value as ascribed by the Independent Valuer of approximately KRW9,455 million or approximately US\$9.3 million (based on the exchange rate of US\$1 : KRW1,017.35 as at the Latest Practicable Date).

In addition, we note that the Group holds investments (which is booked under the AFS) in listed security (SAT Tech) and unlisted securities amounted to approximately US\$2.7 million in aggregate (or approximately 18.8% of the Group's total assets) as at 31 December 2013. We understand from the Directors that the market value of its investment in listed security of SAT Tech amounted to approximately US\$3.09 million as at the Latest Practicable Date, which is higher than its net book value of approximately US\$2.2 million as at 31 December 2013.

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For illustrative purpose only, the revaluation surplus has been calculated and presented in the table below assuming a hypothetical sale of the listed security under AFS and the Subject Properties as at 31 December 2013, at the values as ascertained by the Independent Valuer and Directors (for the market prices for the listed security that comprises the AFS as at the Latest Practicable Date). It is assumed that there will be no deferred tax liability on the listed securities under AFS and the revalued Subject Properties. The Directors and the Management have also represented to us that there is no potential tax liability if the AFS and the Subject Properties which are subject to valuation were to be sold at the amount of the valuation.

Revalued NAV and NTA ⁽¹⁾	(US\$'000)
Market value of the Subject Properties	9,294
Less: net book value of land, building and investment property – as at 31 December 2013	(6,347)
Revaluation surplus (a)	2,947
Market value of listed securities under AFS as at the Latest Practicable Date	3,090
Less: net book value of the listed securities under AFS as at 31 December 2013	(2,239)
Revaluation surplus (b)	851
Aggregate revaluation surplus (a)+(b)	3,798
NAV as at 31 December 2013	7,603
Add: Aggregate revaluation surplus	3,798
Revalued NAV	11,401
Revalued NAV per Share (US\$) ⁽²⁾	0.0724
Revalued NAV per Share (S\$) ⁽³⁾	0.0905
NTA as at 31 December 2013	7,574
Add: revaluation surplus	3,798
Revalued NTA	11,372
Revalued NTA per Share (US\$) ⁽²⁾	0.0722
Revalued NTA per Share (S\$) ⁽³⁾	0.0902
Discount of the Placement 1 Price or Call Option 1 Exercise Price from the Revalued NAV per Share	(66.84%)
Discount of the Placement 1 Price or Call Option 1 Exercise Price from the Revalued NTA per Share	(66.75%)
Discount of the Placement 1 Price or Call Option 1 Exercise Price from the Revalued NAV per Share ⁽⁴⁾	(55.3%)
Discount of the Placement 1 Price or Call Option 1 Exercise Price from the Revalued NTA per Share ⁽⁴⁾	(55.1%)

Notes:

- (1) For the purpose of computing the Revalued NAV and NTA, the revaluation surplus has been calculated and presented in the table above assuming a hypothetical sale of the listed security under AFS and the Subject Properties as at 31 December 2013 and that there is no deferred tax liability on the listed security under AFS and the revalued Subject Properties. The Revalued NAV and NTA shown above include revaluation surplus on the listed security under AFS and the Subject Properties. Independent Shareholders should note that the Group has not realised the surplus on such assets as at the Latest Practicable Date, and that there is no assurance that the revaluation surplus eventually recorded by the Group on the revalued assets as described above (in the event that the investment is disposed) will be the same as that indicated above.

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- (2) *The figures are computed based on the Company's issued Share capital of 157,407,950 Shares as at the Latest Practicable Date.*
- (3) *US\$:S\$ exchange rate 1.249 as at the Latest Practicable Date.*
- (4) *On the assumption that the Subject Properties are disposed at the purchase price of approximately S\$6.3 million, which is equivalent to the book value of the Subject Properties as at 31 December 2013.*

Based on the table above, the Placement 1 Price or the Call Option 1 Exercise Price represents a discount of approximately 66.84% and 66.75% from the Revalued NAV per Share and Revalued NTA per Share of the Group respectively.

In addition, we understand from the Directors that subsequent to 31 December 2013, the Company has acquired additional investment in two listed securities for aggregate purchase consideration of approximately US\$497.1 thousand and subsequently, the Company sold certain portion of its investment in these two listed securities with a minimum gain of less than US\$1 thousand. We understand from the Management that there is a revaluation deficit of approximately US\$6.4 thousand arising from the remaining shares held in these two listed securities (based on their respective market value as at the Latest Practicable Date).

In the event the revaluation deficit and gain in respect of the two listed securities acquired after FY2013 is considered, the revalued NAV and NTA would be approximately US\$0.0724 per Share (equivalent to approximately S\$0.0904 per Share) and US\$0.0722 per Share (equivalent to approximately S\$0.0902 per Share) respectively and the discount of the Placement 1 Price or Call Option 1 Exercise Price from the Revalued NAV and NTA would be approximately 66.8% and 66.7% respectively.

We wish to highlight that although the Revalued NAV and NTA shown above include revaluation surplus on the listed securities under AFS and the Subject Properties, Independent Shareholders should note that the Group has not realised the surplus on such assets as at the Latest Practicable Date, and that there is no assurance that the revaluation surplus eventually recorded by the Group on the revalued assets as described above (in the event that the investment is disposed) will be the same as that indicated above. The Directors and the Management have also confirmed that in accordance with the land purchase agreement with the local government, the Company is not able to sell the Subject Properties for the period of 10 years from the date of acquisition, being 11 September 2013. Based on the recent precedent cases for the defaulters (please refer to Section 6.8 of this Letter for further details), in the event of default, the Company may be able to obtain the relevant approval from the local government for disposal at no profit (or at the purchase price). Assuming that the Subject Properties are disposed at the purchase price of approximately US\$6.3 million (which is equivalent to its book value as at 31 December 2013), the discount of the Placement 1 Price or Call Option 1 Exercise Price from the Group's Revalued NAV per Share and Revalued NTA per Share would be approximately 55.3% and 55.1% respectively.

Non-interested Directors are advised to assess the discount implied by the Placement 1 Price or Call Option 1 Exercise Price from the Group's NAV and NTA per Share as at 31 December 2013 as well as the Group's Revalued NAV and NTA per Share in conjunction with the fact that the Group has been in the loss making position since FY2007 (save for FY2011 where the Group recorded profit after tax of US\$147 thousand due mainly to gain on disposal of AFS of approximately US\$2.1 million) with significant decline in its core activities (in terms of revenue) since FY2011, the Group's weak financial position with declining shareholders' equity and relatively high gearing ratio (as compared to the Selected Comparable Companies (defined later)), the restricted sale of the Subject Properties for the period of 10 years from 11 September 2013, as well as the matters highlighted in the AR2013 and AR2012 pertaining to, *inter alia*, going concern assumptions.

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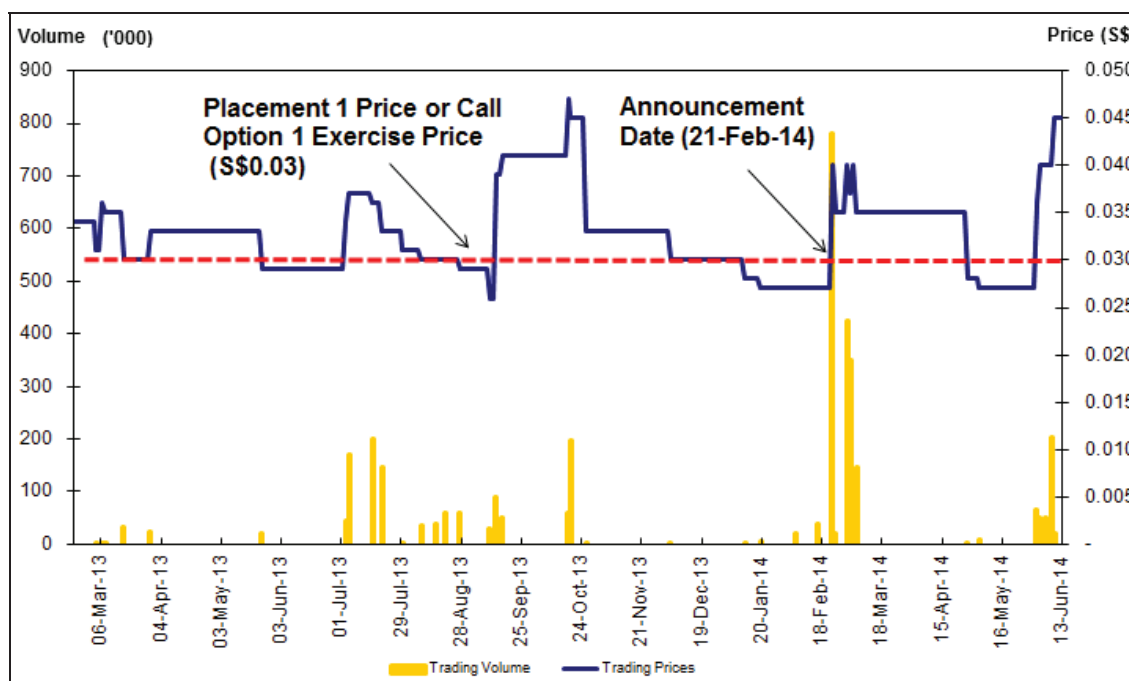
Notwithstanding the relatively weak financial position, the Group may not be in financial distress given its positive net working capital of approximately US\$1.9 million as at 31 December 2013, the representation from the Management that no principal repayment is required for its borrowing of approximately US\$5.3 million until December 2020, as well as the fact that the shareholders' equity of the Group of approximately US\$7.6 million as at 31 December 2013 is approximately 2.9 times of the loss after tax in FY2013. Non-interested Directors should note that the Placement 1 Price or Call Option 1 Exercise Price represents only a small premium of approximately 6.7% from the aggregate amount of the cash and cash equivalents and the listed security under the AFS per Share as at 31 December 2013 (which represents the liquid assets of the Group) or a discount of approximately 13.9% from the aggregate amount of the cash and cash equivalents as at 31 December 2013 and the market value of the listed security under the AFS per Share as at the Latest Practicable Date (which represents the liquid assets of the Group).

The above computations and analysis are meant as an illustration and it does not necessary mean or imply that the net realisable value of the Group is as stated above. It also does not imply that the assets or properties of the Group can be disposed of at the estimated value indicated above and that after payment of all liabilities and obligations, the values or amounts as indicated for the respective types of NTA and is realisable or distributable to the Shareholders of the Group or the Company.

It should be noted that the NTA basis of valuation provides an estimate of the value of a hypothetical sale of all its tangible assets over a reasonable period of time and is only relevant in the event that the Group decides to change the nature of its business or to release or convert the uses of all its assets. The NTA basis of valuation, however, does not necessarily reflect the value of the Group as a going concern nor can it capture or illustrate any value for the Group's goodwill or branding. In addition, it does not illustrate the values at which the assets may actually be realized or disposed.

5.4 Market quotation and trading activities for the Shares

The historical price chart for the Shares (based on the closing prices and the number of Shares traded on a daily basis) during the period commencing from 22 February 2013 (being the Market Day 12 months prior to the Announcement Date) and ending on the Latest Practicable is set out below:—



Source: SGX-ST

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For the period commencing from 22 February 2013 and ending on 21 February 2014, being the Announcement Date (both dates inclusive), we note that closing prices for the Shares were above the Placement 1 Price or the Call Option 1 Exercise Price on 136 Market Days out of the total 252 Market Days, below the Placement 1 Price or the Call Option 1 Exercise Price on 69 Market Days out of the total 252 Market Days and in line with the Placement 1 Price or the Call Option 1 Exercise Price on 47 Market Days out of the total 252 Market Days. For the said period, the highest transacted prices for the Shares were S\$0.047, which is above the Placement 1 Price or the Call Option 1 Exercise Price and prices for the Shares declined by approximately 20.6% from 22 February 2013 to 21 February 2014. We note that subsequent to the Announcement and after the market closed on the 21 February 2014 being the Announcement Date, the Share price rose substantially from S\$0.027 to close at S\$0.040 on the Market Day immediately after the Announcement Date.

For the period commencing from 24 February 2014 (being the Market Day immediately after the Announcement Date) till 13 June 2014 being the Latest Practicable Date), we note that the closing prices for the Shares were above the Placement 1 Price or the Call Option 1 Exercise Price on 54 Market Days out of the total 77 Market Days and below the Placement 1 Price or the Call Option 1 Exercise Price on 23 Market Days out of the total 77 Market Days. We further note that prices for the Shares increased by approximately 66.7% from 24 February 2014 to 11 June 2014, being the last Trading Day prior to the Latest Practicable Date. The Share price closed at S\$0.045 per Share on 11 June 2014, being the last Trading Day preceding the Latest Practicable Date.

As a general market comparison and observation, the FTSE Straits Times Catalist Index ("**FTSE ST Catalist**") declined by approximately 13.7% for the period commencing from 22 February 2013 and ending on 21 February 2014, being the Announcement Date and subsequently declined by approximately 3.0% from 21 February 2014 to the Latest Practicable Date. The Shares have underperformed the FTSE ST Catalist for the period commencing from 22 February 2013 and ending on the Announcement Date, and subsequently outperformed the FTSE ST Catalist for the period commencing from the market day immediately after the Announcement Date till the Latest Practicable Date.

The above chart and the analysis below is presented for illustrative purposes only, and they are by no means representative of the future trading performance or prices for the Shares.

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The volume-weighted closing price (“**VWCP**”), the highest and lowest transacted prices and the average daily trading volume for the Shares, for the period commencing from 22 February 2013 to the Latest Practicable Date are set out below:-

	VWCP per Share⁽¹⁾ (S\$)	Premium/ (Discount) of the Placement 1 Price or the Call Option 1 Exercise Price over/ from VWCP per Share (%)	Lowest transacted price (S\$)	Highest transacted price (S\$)	Average daily trading volume⁽²⁾ (Shares)	Average daily trading volume as % of free-float⁽³⁾ (%)
For the period prior to and including the Announcement Date (21-March-2014)						
Last 12 months	0.0360	(16.7)%	0.026	0.047	5,274	0.006%
Last 6 months	0.0389	(22.9)%	0.026	0.047	4,297	0.005%
Last 3 months	0.0271	10.9%	0.027	0.033	1,063	0.001%
Last 1 month	0.0270	11.1%	0.027	0.027	2,727	0.003%
Last transacted price on 17 February 2014 (being the last Trading Day immediately preceding the Announcement Date) ⁽⁴⁾	0.0270	11.1%	0.027	0.027	40,000	0.042%
For the period after the Announcement Date to the Latest Practicable Date						
Till the Latest Practicable Date	0.0390	(23.1)%	0.027	0.045	35,967	0.038%
Last transacted price on 11 June 2014 (being the last Trading Day immediately preceding the Latest Practicable Date) ⁽⁵⁾	0.0450	(33.3)%	0.045	0.045	20,000	0.021%

Source: SGX-ST

Notes:

- (1) The VWCP had been weighted based on the last transacted prices of the Shares and traded volumes for the relevant trading days for each of the periods.
- (2) The average daily trading volume of the Shares is calculated based on the total number of Shares traded during the period divided by the number of Market Days during that period.
- (3) Public Shareholders float refers to the approximately 95,183,500 Shares or approximately 60.47% of the issued Shares held by Shareholders (other than the substantial Shareholders, B&L Group and its concert parties, Mr Choo, Mr Won and Directors) as at the Latest Practicable Date and as enumerated in the Circular.
- (4) This represents the last transacted price instead of VWCP for the Shares on 17 February 2014, being the last Trading Day preceding the Announcement Date.
- (5) This represents the last transacted price instead of VWCP and trading volume for the Shares on 11 June 2014, being the last Trading Day immediately preceding the Latest Practicable Date. The Shares were not traded on the Latest Practicable Date.

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Based on a general observation of the chart above and after taking into account the summary of the transacted prices for the Shares, we note that the Placement 1 Price or the Call Option 1 Exercise Price represents:

- (i) a premium of approximately 11.1% over the last transacted price of S\$0.027 per Share on the SGX-ST on 17 February 2014 (being the last Trading Day for the Shares prior to the Announcement Date);
- (ii) a discount of approximately 16.7% and 22.9% from the VWCP for the Shares for the period 12-month and 6-month prior to and including the Announcement Date;
- (iii) a premium of approximately 10.9%, and 11.1% over the VWCP for the Shares for the period 3-month and 1-month prior to and including the Announcement Date;
- (iv) a discount of approximately 23.1% from the VWCP for the Shares for the period commencing after the Announcement Date and ending on the Latest Practicable Date; and
- (v) a discount of approximately 33.3% from the last transacted price of S\$0.045 per Share on 11 June 2014, being the last Trading Day prior to the Latest Practicable Date.

For illustrative purpose only, based on the number of Shares traded on a daily basis during the period commencing from 22 February 2013 and ending on the Latest Practicable Date, we note that:-

- (i) from 22 February 2013 to 21 February 2014, being the Market Day prior to and including the Announcement Date (both dates inclusive), the Shares were traded on 26 Trading Days out of the total 252 Market Days during the period, with the total number of Shares traded being approximately 1.3 million Shares and an average daily trading volume of approximately 5,274 Shares for the period, which represents approximately 0.003% of the issued Share capital as at the Latest Practicable Date or approximately 0.006% of the issued Share capital held by Shareholders other than the substantial Shareholders, the B&L Group and its concert parties, Mr Choo, Mr Won and the Directors as at the Latest Practicable Date.
- (ii) for the period commencing from 24 February 2014, being the Market Day after the Announcement Date, till the Latest Practicable Date (both dates inclusive), Shares were traded on 13 Trading Days out of the total 77 Market Days during the period, with the total number of Shares traded being approximately 2.2 million Shares and an average daily trading volume of approximately 35,967 Shares, which represents approximately 0.02% of the issued Share capital as at the Latest Practicable Date or approximately 0.04% of the issued Share capital held by Shareholders other than the substantial Shareholders, the B&L Group and its concert parties, Mr Choo, Mr Won and the Directors as at the Latest Practicable Date.
- (iii) We note that trading volume for the Shares were exceptionally high for the following dates: 24 February 2014 being the Market Day immediately after the Announcement Date (approximately 782 thousand Shares), 3 March 2014 (approximately 424 thousand Shares) after the Company's announcement of unaudited full year financial years for FY2013 on the 28 February 2014, 4 March 2014 (approximately 350 thousand Shares) following the Company's announcement on 3 March 2013 pertaining the voluntary liquidation of its 50%-owned associated company, Menta System Co., Ltd, and 10 June 2014 (approximately 202 thousand Shares). In the event that the number of traded Shares for the above dates were excluded, the discounts implied by the Placement 1 Price from the VWCP for the Shares for the period after the Announcement Date till the Latest Practicable Date would have been lower, at approximately 19.7%.

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We note that trading for the Shares is erratic and that the number of Shares traded for the 1 year period prior to the Announcement Date, is substantially low as compared to the number of issued Shares as at the Latest Practicable Date. For the 1 year period prior to the Announcement Date, the Shares were only traded on 26 Trading Days out of the total 252 Market Days. It is generally accepted that the more actively traded the shares, the greater the reliance on market prices as a determination of the fair value of the shares between willing buyer and willing seller.

We also note that the number of Shares that were traded on a daily basis for the period commencing after the Announcement Date till the Latest Practicable Date is significantly higher than the number of Shares that were traded on a daily basis during the 1 year period prior to the Announcement Date.

We observed that the Share price has increased significantly by 66.7% from the closing price as at 17 February 2014 (being the Market Day immediately preceding the Announcement Date) to close at S\$0.045 on the Latest Practicable Date. As mentioned earlier, the prices for the Shares had, from the Announcement Date till the Latest Practicable Date, outperformed the FTSE ST Catalist. Subsequent to the Announcement Date, the prices for the Shares appear to be generally higher than the Placement 1 Price or the Call Option 1 Exercise Price.

The higher traded prices for Shares subsequent to the Announcement Date and the increase in average daily trading volume subsequent to the Announcement Date as compared to the 1-year period prior to the Announcement Date may have been supported by the Announcement and the Proposed Transactions. As such, there is no assurance that the observed increase in the average number of Shares traded on a daily basis will be maintained or that the transacted prices for the Shares will be the same and at the levels prevailing during the period commencing from the Announcement Date and ending on the Latest Practicable Date in the event that the Proposed Transactions lapse.

Non-interested Directors should also note that the past trading performance for the Shares may not be relied upon as an indication or promise of its future trading performance.

5.5 Relative valuation analysis

In evaluating the Placement 1 Price, we have considered the financial performance, financial position and valuation statistics of Selected Comparable Companies that may, in our view, be broadly comparable to the core businesses of the Group, which are in the provision, production and development of software solutions and content-related services for valued added services (the “**Selected Comparable Companies**”).

The Selected Comparable Companies have been identified after a search was carried out on the SGX-ST, the National Stock Exchange of India (“**NSE**”), the Korean Stock Exchange (“**KRX**”) and the Bursa Malaysia and evaluation of the companies operating in the same industry as the Group. We have had discussions with the Directors and Management about the suitability and reasonableness of these Selected Comparable Companies acting as a basis for comparison with the core businesses of the Group. Relevant information has been extracted from the annual reports and/or public announcements of the Selected Comparable Companies. The Selected Comparable Companies may or may not have similar business operations or similar assets as the Group, accounting policies with respect to the values for which the assets or the revenue and cost are recorded or the relevant financial period compared may differ from the Group.

We advise Non-interested Directors to note that there may not be any company listed on any relevant stock exchange that is directly comparable to the Group in terms of size, diversity of business activities and products/services, branding, geographical spread, track record, prospects, operating and financial leverage, risk profile, quality of earnings and accounting, listing status and such other relevant criteria. We wish to highlight that it may be difficult to place reliance on the comparison of valuation statistics for the Selected Comparable Companies as the business of the Selected Comparable Companies, its capital structures, growth rates, operating and financial

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leverage, taxation and accounting policies as well as the liquidity of these shares and the demand/supply conditions for these shares and that of the Group may differ. As such, any comparison made herein is necessarily limited and serves only as an illustrative guide and any conclusion drawn from the comparison may not necessarily reflect the perceived or implied market valuation (as the case may be) of the Group as at the Latest Practicable Date.

Non-interested Directors should note that the prices at which shares trade include factors other than historical financial performance, and some of these, *inter alia*, include prospects real or perceived of financial performance or historical share price performance or demand and supply conditions of the shares as well as the relative liquidity and the market capitalisation or the relative sentiments of the market for the shares.

Selected Comparable Companies	Market capitalisation (\$ million)	Principal activities
Captii Limited (“ Captii ”) (formerly known as Unified Communications Holdings Limited) <i>Listed on the SGX-ST</i>	10.5	The group is engaged in the provision of management services. The company operates in segments which include mobile value-added-services business unit (VAS BU), mobile technology business unit (TECH BU) and operation support systems business unit (OSS BU).
Uangel Corporation (“ Uangel ”) <i>Listed on the KRX</i>	64.2	The group is engaged in the provision of wireless telecommunication solutions. The company operates in two business divisions: wireless Internet division and core network division.
OnMobile Global Limited (“ OnMobile ”) <i>Listed on the NSE</i>	70.9	The group is engaged in the provision of data and value added services (VAS) for mobile, landline and media service providers. The company offers a range of products in Mobile Entertainment, Search and Discovery and Mobile Cloud services.
DVM Technology Berhad (“ DVM ”) <i>Listed on the Bursa Malaysia</i>	14.7	The group is engaged in the provision of communications systems integration and solutions, data network, data communications solutions, business and operational support systems.

Source: Bloomberg, SGX-ST, Bursa Malaysia, KRX, NSE and respective companies' website

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The following tabulates the salient ratios for comparative financial performance and position for the Selected Comparable Companies:-

Selected Comparable Companies	ROE ⁽¹⁾ (%)	Net profit margin ⁽²⁾ (%)	Asset turnover ⁽³⁾ (times)	Total liabilities ^{(4)/ shareholder equity⁽⁵⁾ (times)}	Total borrowings ^{(6)/ shareholder equity⁽⁵⁾ (times)}
Captii	3.0%	5.8%	0.4	0.2	No borrowings
Uangel	Negative	Negative	0.7	0.1	0.05
OnMobile	Negative	Negative	0.7	0.6	0.11
DVM	Negative	Negative	0.4	0.3	0.003
MAXIMUM	3.0%	5.8%	0.7	0.6	0.11
MINIMUM	3.0%	5.8%	0.4	0.1	0.003
MEDIAN	3.0%	5.8%	0.5	0.2	0.05
AVERAGE	3.0%	5.8%	0.6	0.3	0.06
The Group⁽⁷⁾	Negative	Negative	0.2	0.9	0.8

Source: The latest annual reports or announced unaudited full year financial statements of respective companies. The ratios for Captii, Uangel and DVM are based on the audited financial statements for the financial year ended 31 December 2013. For OnMobile, the ratios are computed based on the audited financial statements for the financial year ended on 31 March 2014. For the Group, the ratios are computed based on the audited financial statements for the financial year period ended 31 December 2013.

Notes:

- (1) The return on equity ("ROE") is based on the ratio of the consolidated net profits after tax attributable to the equity holders to the consolidated equity holders excluding minority interest of the respective companies.
- (2) Net profit margin is the ratio of the consolidated net profits after tax attributable to equity holders to the total consolidated revenue of the respective companies.
- (3) Asset turnover is the ratio of the total consolidated revenue to the total consolidated assets of the respective companies.
- (4) Total liabilities include all the liabilities of the respective companies but exclude any contingent liabilities.
- (5) Shareholders' equity is the consolidated shareholders' funds excluding minority interest of the respective companies as at the respective financial year end of the Selected Comparable Companies and the Group.
- (6) Total borrowings include all bank loans and borrowings as well as hire purchase obligations and interest bearing debts.
- (7) The Group incurred a loss after tax attributable to equity holders of the Company of approximately US\$2.7 million for FY2013. Hence, the Group's ROE and net profit margin are negative and not meaningful.

Relative Performance of the Group

For illustrative purposes only, we note the following:

The Group incurred a loss after tax attributable to equity holders of approximately US\$2.7 million for FY2013. Hence, the Group's ROE and net profit margin ratios are negative and not meaningful. In comparison, save for Captii, the Selected Comparable Companies were all loss making for the period under review. For illustrative purpose only, the Group's negative ROE and negative net profit margin of approximately 35.0% and 92.0% respectively are worse off than Uangel (negative ROE of approximately 5.5% and negative net profit margin of approximately 7.4%), OnMobile (negative ROE of approximately 17.2% and negative net profit margin of approximately 15.2%) and DVM (negative ROE of approximately 5.5% and negative net profit margin of approximately 11.0%). We note that save for FY2011, (where the Group recorded a profit after tax of approximately US\$0.1 million), the Group has been in the loss making position since FY2007 with significant decline in its core business (in terms of revenue) since FY2011.

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The Group's asset turnover ratio for FY2013 is significantly lower and less favourable than any of the Selected Comparable Companies. In terms of financial position, the Group's ratio for total liabilities to shareholders' equity and total borrowings to shareholders' equity are significantly higher and less favourable than any of the Selected Comparable Companies.

In summary, the historical financial performance of the Group as reflected by the ROE and net profit margin appear to be less favourable than any of the Selected Comparable Companies. In addition, the Group's asset turnover, financial position in terms of financial leverage as reflected by the ratios of total liabilities to shareholders' equity and total borrowings to shareholders' equity are significantly less favourable than any of the Selected Comparable Companies.

The following valuation statistics for the Selected Comparable Companies are based on their respective closing prices as at the Latest Practicable Date, while those for the Group are based on the prices as implied by the last transacted price on 11 June 2014, being the last Trading Day prior to the Latest Practicable Date and the Placement 1 Price. All the valuation statistics are computed on a historical basis using financial data and information obtained from their latest publicly available unaudited financial statements or audited financial statements from their annual reports or result announcements.

The following table tabulates the comparative valuation statistics for the Selected Comparable Companies and the Group and should be evaluated in the context of their relative financial performance.

Selected Comparable Companies	Financial Year End	Market capitalisation (S\$ million)	EV/ EBITDA (times)	PER ⁽¹⁾ (times)	P/NAV ⁽²⁾ (times)	P/NTA ⁽³⁾ (times)	Premium/ (discount) over/ from NTA (%)
Captii	31-Dec-13	10.5	0.2	10.3	0.3	0.6	(40.8)%
Uangel	31-Dec-13	64.2	n.m.	n.m.	0.8	0.9	(14.7)%
OnMobile	31-Mar-14	70.9	12.8	n.m.	0.4	0.5	(46.6)%
DVM	31-Dec-13	14.7	5.6	n.m.	0.8	0.8	(17.2)%
MAXIMUM		70.9	12.8	10.3	0.8	0.9	(14.7)%
MINIMUM		10.5	0.2	10.3	0.3	0.5	(46.6)%
MEDIAN		39.4	5.6	10.3	0.6	0.7	(29.0)%
AVERAGE		40.1	6.2	10.3	0.6	0.7	(29.8)%
The Group							
Placement 1 Price ⁽⁴⁾	31-Dec-13	4.7	Negative	Negative	0.3	0.3	(66.8)%
Latest Practicable Date ⁽⁵⁾	31-Dec-13	7.1	Negative	Negative	0.5	0.5	(50.1)%

Notes:

- (1) The PERs for the Selected Comparable Companies are based on the earnings per share as reflected in their latest announced unaudited full year financial statements or audited financial statements from their annual reports as at the respective financial year end.
- (2) The P/NAV ratios for the Selected Comparable Companies are based on their respective NAV values as set out in their latest available announced unaudited full year financial statements or audited financial statements from their annual reports.
- (3) The P/NTA ratios for the Selected Comparable Companies are based on their respective NTA values as set out in their latest available announced unaudited full year financial statements or audited financial statements from their annual reports.

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- (4) *For the Group, the computations for PER, EV/EBITDA, P/NTA and P/NAV ratios are based on the Placement 1 Price, the Group's Revalued NAV and NTA (please refer to Section 5.3 of this Letter).*
- (5) *For the Group, the computations for PER, EV/EBITDA, P/NTA and P/NAV ratios are based on the market capitalisation based on the last transacted price for the Shares as at the Latest Practicable Date, the Group's Revalued NAV and NTA (please refer to Section 5.3 of this Letter).*

For illustrative purposes only, we note the following:

- (i) The market capitalisation of the Group as implied by the last transacted price on 11 June 2014, being the last Trading Day prior to the Latest Practicable Date and Placement 1 Price is lower than any of the Selected Comparable Companies. We note that trading statistics for companies with higher market capitalisation may be different than those with lower market capitalisation and this may be attributable to the relative liquidity in terms of number or value of shares traded as well as relative interest in the shares of companies with larger market capitalisations.
- (ii) In FY2013, the Group reported a loss after tax of approximately US\$2.7 million and EBITDA was negative of approximately US\$2.6 million, hence the Group's PER and EV/EBITDA ratios are negative and not meaningful. For comparison purpose only, the Selected Comparable Companies (save for Captii) were all loss making during the period under review, hence their PER ratios are negative and not meaningful (save for Captii, which is traded at PER of approximately 10.3 times). The Selected Comparable Companies (save for Uangel) are traded at EV/EBITDA of between approximately 0.2 time to 12.8 times.
- (iii) The valuation of the Group in terms of P/NAV (as implied by the last transacted price on 11 June 2014, being the last Trading Day prior to the Latest Practicable Date and the Group's Revalued NAV per Share) is within the range but slightly lower than both the simple average and median for the Selected Comparable Companies.
- (iv) The valuation of the Group in terms of P/NAV (as implied by the Placement 1 Price and the Group's Revalued NAV per Share) is in line with the minimum and substantially lower than both the simple average and median for the Selected Comparable Companies.
- (v) The valuation of the Group in terms of P/NTA (as implied by the last transacted price on 11 June 2014, being the last Trading Day prior to the Latest Practicable Date and the Group's Revalued NTA per Share) is in line with the minimum and lower than both the simple average and median for the Selected Comparable Companies.
- (vi) The valuation of the Group in terms of P/NTA (as implied by the Placement 1 Price and the Group's Revalued NTA per Share) is lower and less favourable than any of the Selected Comparable Companies.

As highlighted in Section 5.3 of this Letter, the Placement 1 Price represents a discount of approximately 66.8% from the Group's Revalued NTA per Share and this discount is higher than any of the Selected Comparable Companies whose shares are traded, on average, at a discount to NTA of approximately 29.8%. As highlighted in Section 5.3 of this Letter, the Directors represented to us that there is a restriction to sell the Subject Properties for the period of 10 years from 11 September 2013 and that in the event of default, the Company may be able to obtain the relevant approval from the local government for disposal at no profit (or at the purchase price). Assuming that the Subject Properties are disposed at the purchase price of approximately US\$6.3 million (which is equivalent to its book value as at 31 December 2013), the Placement 1 Price represents a discount of approximately 55.1% from the Group's Revalued NTA per Share and this discount is still higher than any of the Selected Comparable Companies.

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In summary, the valuation of the Group as implied by the Placement 1 Price and the last transacted price on 11 June 2014, being the last Trading Day prior to the Latest Practicable Date, in terms of PER and EV/EBITDA ratios are not meaningful due to the losses incurred for FY2013 and the poor financial performance of the Group for FY2013. In addition, the valuation of the Group as implied by the Placement 1 Price in terms of P/NAV and P/NTA are lower than any of the Selected Comparable Companies (save for Captii for P/NAV).

Non-interested Directors are advised to review the Placement 1 and valuation ratios in conjunction with the Group's substantially weaker financial performance and position as compared to the Selected Comparable Companies with losses since FY2007 (save for FY2011, where the Group recorded small profit) and declining core business activities (in terms of revenue) since FY2011, and the matters highlighted in the AR2013 and AR2012 pertaining to, *inter alia*, going concern assumptions. On the other hand, it is noted that upon issuance of Placement Shares, Call Option 1 Shares and Arrangement Shares in full (and on the assumption only B&L Group exercises the Call Option 1), B&L Group's interest in the Company will increase to approximately 68.1% hence it involves the B&L Group acquiring control of the Company while the trading statistics for the shares of the Selected Comparable Companies are based on transactions which do not result in acquisition of control.

The Placement 1 Price does not appear to accord any premiums that would normally be expected from a possible acquisition of control as the Placement 1 may result in the B&L Group obtaining statutory control of the Company and the valuation of the Group as implied by the Placement 1 Price appears to be on the low end when considered in the context of the discount implied by the Placement 1 Price from the Group's Revalued NAV and NTA per Share as well as the aggregate amount of the cash and cash equivalents as at 31 December 2013 and the market value of the of the listed security under the AFS per Share as at the Latest Practicable Date (which are the liquid assets of the Group).

We also wish to highlight that the NAV and NTA based approach of valuing a company is dependent on factors that may differ for each selected company including, *inter alia*, factors such as depreciation policies. As such, the comparison of the Revalued NTA of Group with those for Selected Comparable Companies is necessarily limited and such comparison is made for illustrative purposes only. In addition, as all the ratios and tools used invariably uses the price of the shares, they may or may not take into account any relative or perceived or actual risk premiums or demand and supply conditions for those shares which may or may not have been fundamentally justified. In addition, as these are tools or ratios that are based on historical financial performance or position, they may or may not reflect the anticipated financial performance and the mix of its activities or the relative contributions in terms of assets, financial performance may differ.

Non-interested Directors should note that the prices at which shares trade include factors other than historical financial performance, and some of these, *inter alia*, include prospects real or perceived of financial performance or historical share price performance or demand and supply conditions of the shares as well as the relative liquidity of the shares and the market capitalisation or the relative sentiments of the market for the shares.

5.6 Analysis of comparable transactions

In our assessment of the reasonableness of the Placement 1 Price to NTA, the premium over/discount from the last transacted prices prior to Announcement Date as implied by the Placement 1 Price and the effects of the dilution on the voting rights for Independent Shareholders, we have reviewed transactions which involves issuance of shares for cash by companies listed on the SGX-ST, wherein a whitewash resolution was sought from shareholders (the "**Selected Comparable Transactions**") and similar to the Whitewash Resolution sought.

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We have tabulated the Selected Comparable Transactions to illustrate the typical issue or placement price to NTA, premium/discount represented by the issue or placement price to the last traded price for the relevant share on the market day immediately preceding the date of the relevant announcement, wherein the shares were last traded. Shareholders should note that some of these Selected Comparable Transactions are more than 3 years old and as such references or observation made herein is necessarily limited.

Company	Date of announcement	Resultant shareholding of incoming shareholder in the company	Issue/ placement Price (S\$)	Premium over/ (discount to) last transacted price prior to announcement (%)	Placement Price to NTA ⁽¹⁾ (times)
China New Town Development Company Limited	5-Mar-09	From 32.03% to 49.24%	0.0510	45.70	0.32
Auswin Holdings Limited	24-Jul-09	From 14.66% to 67.90%	0.0500	(9.10)	1.53
Superior Fastening Technology Limited	5-Aug-09	From 0% to 75.00%	0.0350	(53.70)	0.19
DMX Technologies Group Ltd	10-Sep-09	From 0% to 50.10%	0.3200	4.92	0.93
K Plas Holdings Limited	16-Nov-09	From 0% to 50.25%	0.0600	0.00	1.15
Dayen Environmental Limited	21-Dec-09	From 0% to 51.0%	0.0626	25.20	1.07
China Fashion Holdings Limited	29-Nov-10	From 0% to 70.53%	0.0200	(20.00)	n.m. ⁽²⁾
CarrierNet Global Ltd	26-May-11	From 0% to 33.32%	0.0070	(30.00)	n.m. ⁽²⁾
Sitra Holdings (International) Limited	4-Nov-11	From 4.94% to 36.89%	0.0600	7.10	1.58
GSH Corporation Limited	30-Mar-12	From 14.99% to 57.76%	0.0070	(36.50)	0.48
Scintronix Corporation Limited	17-Sep-12	From 0% to 53.31%	0.0135	(35.71)	0.56
Metax Engineering Corporation Limited	25-Oct-12	From 0% to 41.00%	0.0530	(41.11)	1.92
CarrierNet Global Ltd	25-Feb-13	From 33.32% to 53.72%	0.0110	(38.89)	4.11
China New Town Development Company Limited	18-Jan-13	From 0% to 54.32%	0.0437	(44.03)	0.35
KLW Holdings Limited	15-Nov-13	From 0% to 50.6%	0.0200	(20.00)	2.06

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Company	Date of announcement	Resultant shareholding of incoming shareholder in the company	Issue/ placement Price (S\$)	Premium over/ (discount to) last transacted price prior to announcement (%)	Placement Price to NTA⁽¹⁾ (times)
Chinavision Media Group Limited	11-Mar-14	From 0% to 59.83%	HK\$0.50	(21.90)	2.54
MAXIMUM				45.70	4.11
MINIMUM				(53.70)	0.19
MEDIAN				(20.95)	1.11
AVERAGE				(16.75)	1.34
The Group	21-Feb-14	From 0% to up to 68.13%	0.03	11.11	0.33⁽³⁾

Source: Circulars for the respective companies

Notes:

- (1) *The NTA of the respective companies are based on their respective NTA values as set out in their respective circular for their above mentioned transactions.*
- (2) *Not Meaningful as both China Fashion Holdings Limited and Carriernet Global Ltd were in net liabilities position based on their respective circulars for the above mentioned transactions.*
- (3) *The Placement Price to NTA for the Group is computed based on the Placement 1 Price to the Group's Revalued NTA per Share as highlighted in section 5.3 of this Letter.*

For illustrative purposes only, we note that the Placement 1 Price to Revalued NTA multiple of 0.33 time for the Group is within the range but substantially lower than both the simple average and median for the Selected Comparable Transactions. As highlighted in Section 5.3 of this Letter, the Directors represented to us that there is a restriction to sell the Subject Properties for the period of 10 years from 11 September 2013 and that in the event of default, the Company may be able to obtain the relevant approval from the local government for disposal at no profit (or at the purchase price). Assuming that the Subject Properties are disposed at the purchase price of approximately US\$6.3 million (which is equivalent to its book value as at 31 December 2013), the Placement 1 Price is approximately 0.45 time of the Revalued NTA for the Group and this is still within the range but substantially lower than both the simple average and median for the Selected Comparable Transactions.

However, we wish to highlight that the premium of approximately 11.11% as implied by the Placement 1 Price from the last transacted price for the Shares prior to the Announcement Date is within the range of premiums over and discounts from the Selected Comparable Transactions and more favourable as compared to the simple average and the median for the Selected Comparable Transactions, which is at discount of approximately 16.75% and 20.95% respectively. The relatively better pricing of the Placement 1 in terms of the comparison with the last transacted price for the Shares prior to the Announcement Date should be assessed in the context of the low liquidity for the Shares for the period 1 year prior to the Announcement Date (the Shares were only traded on 26 Trading Days out of the total 252 Market Days). It is generally accepted that the less actively traded the shares, the lesser the reliance on market prices as a determination of the fair value of the shares between willing buyer and willing seller. Hence, the historically transacted prices for the Shares may not be a meaningful indicator of its financial value.

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Independent Shareholders should note that as the circumstances for each of the companies listed and the transactions outlined above are unique and as the companies may not be identical to the Group in terms of business activities, size of operations, market capitalisation, asset base, risk profile, track record, future prospects and other relevant criteria, the analysis is limited. Further, the list of Selected Comparable Transactions is by no means exhaustive and information relating to the said companies was compiled from publicly available information. Accordingly, any comparison between the Placement 1 and the Selected Comparable Transactions serves as an illustrative guide only.

5.7 Theoretical value of the Call Option 1

We note that the Call Option 1 to be granted to the B&L Group may be exercised at any time during the period commencing from the first anniversary of the Placement and Call Option 1 Agreement and ending on the fourth anniversary of the date of the Placement and Call Option 1 Agreement to subscribe for all (and not part of) the 195,000,000 Call Option 1 Shares at the Call Option 1 Exercise Price.

Last transacted price based on	Closing price per Share (S\$)	Premium/discount of the Placement 1 Price over/from the closing price (%)	Value of the Call Option 1	Intrinsic value per Call Option 1 ⁽¹⁾ (S\$)
Prior to Announcement Date	0.027	11.1%	Out-of-the-money	n.m.
As at Latest Practicable Date	0.045	(33.3)%	In-the-money	0.015

Note:

(1) The intrinsic value is the difference between the last transacted price (prior to Announcement Date and as at Latest Practicable Date) and the Call Option 1 Exercise Price.

We note that the Call Option 1 Exercise Price of S\$0.03 represents a premium of approximately 11.1% over the last transacted price of S\$0.027 per Share on 17 February 2014 (being the last Trading Day immediately preceding the Announcement Date), which means the Call Option 1 would have been out-of-the-money had they been granted at that time. In addition, the Call Option 1 Exercise Price of S\$0.03 represents a discount of approximately 33.3% from the last transacted price of S\$0.045 per Share on 11 June 2014, being the last Trading Day preceding the Latest Practicable Date, which implies that the Call Option 1 would have been in-the-money had they been granted at that time and have an intrinsic value (being the difference between the last transacted price as at the Latest Practicable Date and the Call Option 1 Exercise Price) of approximately S\$0.015 for each of the Call Option 1 or for an aggregate of S\$2.93 million for all the 195 million Call Option 1 Shares (or approximately 41.3% of the Company's market capitalisation as at the Latest Practicable Date).

We note that the gross proceeds from the Placement 1 of approximately S\$5.85 million less the intrinsic value of the Call Option 1 as at 11 June 2014 (being the last Trading Day preceding the Latest Practicable Date) of approximately S\$2.93 million amounts to approximately S\$2.93 million.

Call options have a theoretical market value (being the hypothetical value or "fair value" of the call option computed based on models such as Black-Scholes or Binomial model based on several assumptions (as described in the following sections)) which is dependent on, *inter alia*, the exercise price vis-à-vis the current price of the underlying Shares, the length of the exercise period, the price volatility of the underlying Shares and the risk-free interest rate. We have considered the valuation of the Call Option 1 using the theoretical value of the Call Option 1 based on the Black-Scholes model, which is a common methodology used in the calculation of call options. Notwithstanding the theoretical market value, the Call Option 1 is to be issued to the B&L Group at no additional consideration.

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Our key assumptions used for computing the theoretical market value of the options are as follow:

- (i) Grant date: Announcement Date and the Latest Practicable Date
- (ii) Volatility estimation: Using historical prices of the Shares for the 1 year period prior to the Announcement Date and the 1 year period prior to the Latest Practicable Date to estimate the volatility of the Shares;
- (iii) Risk-free rate: The 4-year yield of the benchmark Singapore Government Securities Treasury Bonds;
- (iv) Time to expiration: Approximately four (4) years; and
- (v) No dividend.

Last transacted price based on	Theoretical market value (S\$)	Total consideration (based on the theoretical market value) (S\$ million)	Market capitalisation (S\$ million)	Total consideration as percentage of market capitalisation (%)
Announcement Date	0.0040	0.8	4.3	18.4
As at Latest Practicable Date	0.0191	3.7	7.1	52.6

Based on the above key assumptions, we have derived theoretical market value of approximately S\$0.0040 as at the Announcement Date for each of the Call Option 1 with 4 year's term and the total consideration for the grant of the Call Option 1 is approximately S\$0.8 million (or approximately 18.4% of the Company's market capitalisation of approximately S\$4.3 million as at the Announcement Date). Meanwhile, the theoretical market value of the Call Option 1 would be S\$0.0191 as at the Latest Practicable Date for each of the Call Option 1 with 4 year's term and the total consideration for the grant of the Call Option 1 would thus be approximately S\$3.7 million (or approximately 52.6% of the Company's market capitalisation of approximately S\$7.1 million as at the Latest Practicable Date).

We note that the estimated amount of proceeds from the exercise of the Call Option 1 Shares (assuming that all the Call Option 1 Shares are exercised) is approximately S\$5.85 million.

Last transacted price based on	Theoretical market value (S\$)	Placement 1 Price (S\$)	Adjusted Placement 1 Price (S\$)	Discount of the adjusted Placement 1 Price from the Group's Revalued NTA (%)
Announcement Date	0.0040	0.03	0.0260	(71.2)%
As at Latest Practicable Date	0.0191	0.03	0.0109	(87.9)%

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We note that the Call Option 1 will be issued free to the B&L Group pursuant to the Placement and Call Option Agreement 1 and in complementary to the Placement 1 notwithstanding the theoretical value inherent in the Call Option 1. We wish to highlight that in the event the theoretical market value of the Call Option 1 of approximately S\$0.0040 as at the Announcement Date and approximately S\$0.0191 are deducted from the Placement Price 1, the adjusted Placement 1 Price would be approximately S\$0.0260 (as at the Announcement Date), which represents a discount of approximately 71.2% from the Group's Revalued NTA, and approximately S\$0.0109 (as at the Latest Practicable Date), which represents a discount of approximately 87.9% discount from the Group's Revalued NTA. As highlighted in Section 5.3 of this Letter, the Directors represented to us that there is a restriction to sell the Subject Properties for the period of 10 years from 11 September 2013 and that in the event of default, the Company may be able to obtain the relevant approval from the local government for disposal at no profit (or at the purchase price). Assuming that the Subject Properties are disposed at the purchase price of approximately US\$6.3 million (which is equivalent to its book value as at 31 December 2013), the Revalued NTA per Share would be approximately US\$0.054 (or equivalent to S\$0.067) and the adjusted Placement 1 Price represents a discount of approximately 61.1% (as at the Announcement Date) and a discount of approximately 83.7% discount (as at the Latest Practicable Date) from the Group's Revalued NTA. We wish to highlight that the adjusted Placement 1 Price of approximately S\$0.0260 (as at the Announcement Date) and approximately S\$0.0109 (as at the Latest Practicable Date) represents a discount of approximately 7.5% and 61.2% from the aggregate amount of the cash and cash equivalents and the listed security under AFS per Share as at 31 December 2013 (which are the liquid assets of the Group) or a discount approximately 25.4% and 68.7% from the aggregate amount of the cash and cash equivalents as at 31 December 2013 and the market value of the listed security under the AFS per Share as at the Latest Practicable Date (which represents the liquid assets of the Group).

Non-interested Directors should note that the estimation of the theoretical market values of the Call Option 1 as set out in this section is dependent on various assumptions, including but not limited to the date of grant, Call Option 1 Exercise Price, exercise period, risk free rate, and expected volatility as well as the proposed Rights Issue. Thus, the estimation of the theoretical market value of the Call Option 1 as set out in this section is necessarily limited and serves only as an illustrative guide.

5.8 Proforma financial effects of the issuance of the New Shares

The proforma financial effects of the Proposed Transactions as well as the underlying assumptions are set out in Section 8 of the Circular. We recommend that the Non-interested Directors advise the Independent Shareholders to read those pages of the Circular carefully.

The following is an extract from the Circular and is set out in italics below. Unless otherwise defined or the context otherwise requires, all terms defined in the Circular shall have the same meaning herein.

“8. FINANCIAL EFFECTS OF THE ISSUANCE OF THE NEW SHARES

The financial effects of the Proposed Placements, the Proposed Call Options and the proposed issue of Arrangement Shares are set out below strictly for illustrative purposes and do not necessarily reflect the actual financial performance and position of the Group following the issuance of the New Shares.

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The effects of the issuance of the Placement Shares, the Call Option Shares (assuming the full exercise of the Proposed Call Options) and the Arrangement Shares on the Company's issued and paid-up share capital as at the Latest Practicable Date are as follows:

Share capital	As at Latest Practicable Date⁽¹⁾	After issue of Placement Shares and 50% of Arrangement Shares	After issue of Placement Shares, Call Option Shares and Arrangement Shares in full
Number of Shares	157,407,950	372,407,950	587,407,950

Note:

(1) As at the Latest Practicable Date, the Company has 12,374,000 treasury Shares. The above computation does not include the treasury Shares.

Based on the Group's audited financial statements for the financial year ended 31 December 2013 ("FY2013"), for illustrative purposes, the financial effects of the issuance of the Placement Shares, the Call Option Shares (assuming full exercise of the Proposed Call Options) and the Arrangement Shares on the Group are set out as follows:

(a) NTA and NTA per Share

	As at 31 December 2013	After issue of Placement Shares and 50% of Arrangement Shares	After issue of Placement Shares, Call Option Shares and Arrangement Shares in full
NTA (US\$'000)	7,574	12,298 ⁽¹⁾	17,259 ⁽²⁾
Number of Shares	157,407,950	372,407,950	587,407,950
NTA per Share (US cents)	4.81	3.30	2.94

Notes:

(1) After adjusting for the net proceeds from the issuance of 210,000,000 Placement Shares at an issue price of S\$0.03 and converted at an assumed exchange rate of US\$1:S\$1.27. There are no proceeds from the issue of the Arrangement Shares.

(2) After adjusting for the net proceeds from the issuance of 210,000,000 Placement Shares and 210,000,000 Call Option Shares at an issue price of S\$0.03, and converted at an assumed exchange rate of US\$1:S\$1.27. There are no proceeds from the issue of the Arrangement Shares. Expenses which may be incurred in connection with the issuance of the Call Option Shares pursuant to the exercise of the Proposed Call Options have not been factored into the above computation.

(b) Loss and Loss per Share

	FY2013	After issue of Placement Shares and 50% of Arrangement Shares	After issue of Placement Shares, Call Option Shares and Arrangement Shares in full
Net loss after tax (US\$'000)	(2,664)	(2,664)	(2,664)
Number of Shares	157,407,950	372,407,950	587,407,950
Loss per Share (US cents)	(1.69)	(0.72)	(0.45)

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(c) Gearing

	As at 31 December 2013	After issue of Placement Shares and 50% of Arrangement Shares	After issue of Placement Shares, Call Option Shares and Arrangement Shares in full
Total debts (US\$'000)	5,737	5,737	5,737
Total equity (US\$'000)	7,603	12,327 ⁽¹⁾	17,288 ⁽²⁾
Gearing ratio (times)	0.75	0.47	0.33

Notes:

- (1) After adjusting for the net proceeds from the issuance of 210,000,000 Placement Shares at an issue price of S\$0.03 and converted at an assumed exchange rate of US\$1:S\$1.27. There are no proceeds from the issue of the Arrangement Shares.
- (2) After adjusting for the net proceeds from the issuance of 210,000,000 Placement Shares and 210,000,000 Call Option Shares at an issue price of S\$0.03, and converted at an assumed exchange rate of US\$1:S\$1.27. There are no proceeds from the issue of the Arrangement Shares. Expenses which may be incurred in connection with the issuance of the Call Option Shares pursuant to the exercise of the Proposed Call Options have not been factored into the above computation."

For illustrative purposes only, the NTA per Share of the Group would be expected to decrease from approximately 4.81 US cents as at 31 December 2013 to approximately 3.30 US cents (after issuance of the Placement Shares and 50% of the Arrangement Shares) and to 2.94 US cents (after issuance of the Placement Shares, Call Option Shares and Arrangement Shares in full). In addition, we note that the Proposed Transactions will lower the gearing ratio for the Group from approximately 0.75 times (as at 31 December 2013) to approximately 0.47 times (after issuance of the Placement Shares and 50% of the Arrangement Shares) and approximately 0.33 times (after issuance of the Placement Shares, Call Option Shares and Arrangement Shares in full). Furthermore, the Group's loss per Share will be reduced from approximately 1.69 US cents (as at 31 December 2013) to approximately 0.72 US cents (after issuance of the Placement Shares and 50% of the Arrangement Shares) and approximately 0.45 US cents (after issuance of the Placement Shares, Call Option Shares and Arrangement Shares in full). We understand from the Directors and the Management that the above computation for the financial effects on the Group's NTA per Share and loss per Share have not taken into account the expected return from the deployment of the net proceeds from the issuance of the Placement Shares and the exercise of the Proposed Call Options (which the Company intends to use 90% of the total proceeds for the exploration of the Property Development Business and the remaining 10% for general working capital purposes).

The approval of the Whitewash Resolution will allow the Company to raise net proceeds of up to approximately S\$12.3 million (after deducting estimated expenses incurred in connection with the Proposed Transactions) with less favourable financial effects on the Group's NTA per Share but favourable impact on loss per Share and gearing for the Group as outlined in the Circular and reproduced above for ease of reference as well as providing the Group with an opportunity to explore the Property Development Business and diversify its revenue stream (which we view in the context of the fact that save for FY2011, the Group has been in the loss making position since FY2007 with significant decline in its core activities in terms of revenue since FY2011).

6. OTHER RELEVANT CONSIDERATIONS

6.1 No alternative offers to the Proposed Placements

The Directors have confirmed that whilst significant efforts have been made by the Directors and Management to source for alternative offer for investment in the Company or reverse takeover with better pricing, as at the Latest Practicable Date, they are not aware of any alternative offers for

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investment in the Company or reverse takeover from other parties, which is comparable in nature, size and scope to the Proposed Transactions and with injection of cash proceeds into the Group which would strengthen the Group's financial position and provide the opportunity to diversify its revenue stream, and venture into the Property Development Business (tapping on the experience, expertise and business contacts of Mr Ong in its exploration of the real estate development business), so as to enhance Shareholders' value.

6.2 Dilution Impact

It is important to note that upon completion of the Proposed Transactions, the shareholdings of the existing Shareholders will be diluted significantly. In evaluating the dilution impact of the Proposed Transactions on existing Shareholders, we have considered the following:

	As at the Latest Practicable Date		After issuance of Placement Shares and 50% of Arrangement Shares		Scenario 1: Assuming B&L Group and Mr Choo both exercise the Proposed Call Options		Scenario 2: Assuming only B&L Group exercises the Proposed Call Option 1	
	Total Interests	%	Total Interests	%	Total Interests	%	Total Interests	%
Placees								
B&L Group	–	0.00%	195,000,000	52.36%	390,000,000	66.39%	390,000,000	68.13%
Choo Uihwan	–	0.00%	15,000,000	4.03%	30,000,000	5.11%	15,000,000	2.62%
Arranger								
Won Dae Ro	–	0.00%	5,000,000	1.34%	10,000,000	1.70%	10,000,000	1.74%
Directors								
Jang Jong Jung	25,200,000	16.01%	25,200,000	6.77%	25,200,000	4.29%	25,200,000	4.40%
Hur Jung Young	2,374,000	1.51%	2,374,000	0.64%	2,374,000	0.40%	2,374,000	0.41%
Lee Jei Hoon	816,100	0.52%	816,100	0.22%	816,100	0.14%	816,100	0.14%
Lim Yit Keong	–	0.00%	–	0.00%	–	0.00%	–	0.00%
Cheam Heng Haw	–	0.00%	–	0.00%	–	0.00%	–	0.00%
Substantial Shareholders (excluding Directors)								
O,W&W Investments II Limited (In Liquidation – Members' Voluntary Winding Up)	13,636,350	8.66%	13,636,350	3.66%	13,636,350	2.32%	13,636,350	2.38%
Lange Capital Limited ⁽²⁾	13,636,350	8.66%	13,636,350	3.66%	13,636,350	2.32%	13,636,350	2.38%
Lim Joo Boon ⁽²⁾	13,636,350	8.66%	13,636,350	3.66%	13,636,350	2.32%	13,636,350	2.38%
Vision Capital Private Limited	12,000,000	7.62%	12,000,000	3.22%	12,000,000	2.04%	12,000,000	2.10%
Leong Hong Kah	8,198,000	5.21%	8,198,000	2.20%	8,198,000	1.40%	8,198,000	1.43%
Existing Shareholders	157,407,950	100.0%	157,407,950	42.27%	157,407,950	26.80%	157,407,950	27.50%
Existing Public Shareholders	95,183,500	60.47%	95,183,500	25.56%	95,183,500	16.20%	95,183,500	16.63%
TOTAL	157,407,950	100%	372,407,950	100%	587,407,950	100%	572,407,950	100%

Notes:

- (1) Based on the total issued share capital of the Company comprising 157,407,950 Shares as at the Latest Practicable Date.
- (2) Deemed interest in the Shares held by O,W&W Investments II Limited pursuant to Section 7 of the Companies Act.

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As stated in the Circular, B&L Group and/or its concert parties do not hold any Shares or instruments convertible into, rights to subscribe for and options in respect of the Shares as at the Latest Practicable Date. Based on the illustration above, we note that upon issuance of the Placement 1 Shares, Placement 2 Shares and 50% of the Arrangement Shares, B&L Group's interest in the Company will increase from nil to approximately 52.4% and Mr Choo's interest in the Company will increase from nil to approximately 4.0%. Existing Shareholders will collectively suffer a reduction of approximately 57.7% of their percentage shareholding interests in the Company and their collective voting rights in the Company would hence be correspondingly reduced. As the percentage of the shareholding held by the existing Shareholders (other than the existing Directors and substantial Shareholders) ("**Existing Public Shareholders**") will decline from approximately 60.5% to approximately 25.6%, the collective interest of the Existing Public Shareholders to vote on certain matters will be significantly affected.

Upon issuance of Placement Shares, Call Option Shares and Arrangement Shares in full (and on the assumption both B&L Group and Mr Choo exercise the Proposed Call Options), B&L Group's interest in the Company will increase to approximately 66.4% and Mr Choo's interest in the Company will increase to approximately 5.1%. Under this scenario, the existing Shareholders will collectively suffer a reduction of approximately 73.2% of their percentage shareholding interests in the Company as at the Latest Practicable Date and the Existing Public Shareholders' interest in the Company will be reduced to approximately 16.2% from approximately 60.5% as at the Latest Practicable Date.

Upon issuance of Placement Shares, Call Option 1 Shares and Arrangement Shares in full (and on the assumption only B&L Group exercises the Call Option 1), B&L Group's interest in the Company will increase to approximately 68.1% and Mr Choo's interest in the Company will be approximately 2.6%. Under this scenario, the existing Shareholders will collectively suffer a reduction of approximately 72.5% of their percentage shareholding interests in the Company as at the Latest Practicable Date and the Existing Public Shareholders' interest in the Company will be reduced to approximately 16.6% from approximately 60.5% as at the Latest Practicable Date.

We note that the existing Shareholders' and the Existing Public Shareholders' ability to influence the outcome of resolutions will be significantly reduced after issuance of Placement Shares, and this is irrespective of whether the Proposed Call Options are exercised.

The Independent Shareholders should note that by voting in favour of the Whitewash Resolution, they will be waiving their rights to a general offer from B&L Group and/or its concert parties at the highest price paid or agreed to be paid by B&L Group and/or its concert parties for Shares in the six (6) months preceding the date of the allotment and issuance of the Placement 1 Shares.

The Independent Shareholders should further note that the allotment and issuance of the Placement 1 Shares will result in the B&L Group and/or its concert parties carrying over 49% of the voting rights of the Company (based on the enlarged Share capital of the Company), and that B&L Group and/or its concert parties will be free to acquire further Shares without incurring any obligation under Rule 14 of the Takeover Code to make a general offer.

The Independent Shareholders should note that the passing of the ordinary resolutions relating to the Proposed Transactions are conditional upon the Whitewash Resolution being approved by the Independent Shareholders, as the Whitewash Resolution is a condition precedent in the Placement and Call Option 1 Agreement.

6.3 Inter-conditionality of the Proposed Transactions and the Whitewash Resolution

We note that the completion of the Proposed Transactions is, *inter alia*, conditional on the approval of the Whitewash Resolution. Accordingly, if the Whitewash Resolution is not passed by a majority of the Shareholders, the Proposed Transactions may not take place.

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6.4 Proposed Diversification of Business

As set out in Section 6 of the Circular, the Company intends to use 90% of the Net Proceeds and the Additional Proceeds for the exploration of the Property Development Business and the remaining 10% for general working capital purposes.

We would like to highlight that our scope does not require us to express, and we do not express, a view on the track record of Mr Ong, including whether he can perform or achieve similar results based on his previous track record, given the minimum disclosure or details about his plans for the Company in the Property Development Business.

The rationale for the Proposed Diversification of Business and the prospects and future plans for the Property Development Business have been extracted from Section 11.2 and 11.3 of the Circular and are set out below in italics. We recommend that Independent Shareholders read those pages of the Circular carefully. Unless otherwise defined or the context otherwise requires, all terms defined in the Circular shall have the same meaning herein.

“11.2 Rationale

The Company intends to expand the scope of existing business of the Group to include the Property Development Business having considered, inter alia, the following:

(a) *Declining sales and eroding profit margins*

The Group's Current Core Business saw declining sales and eroding profit margins amidst stiff competition in the market and reduction of sales orders from certain major customers. Since FY2007, the Group had been incurring losses from its Current Core Business. For FY2013, the Group achieved revenue of US\$2.9 million and incurred a net loss of US\$2.7 million. Taking into account the foregoing, the Board is of the opinion that there is a need to rejuvenate the Group's performance by diversifying the business activities of the Group.

(b) *New income stream*

The proposed diversification into the Property Development Business is one of the Group's strategies to diversify and increase its revenue streams. The Board believes that this will enable the Group to enhance its profitability, Shareholder value and returns and improve its growth prospects.

(c) *New strategic investor*

The Property Development Business will be spearheaded by Mr Ong Boon Chuan, a veteran in the area of property development in Singapore, having over 30 years of experience in the real estate development and construction business. With Mr Ong coming on board and personally invested in the Company, it represents an opportunity to establish new income streams for the Group. The Group will be able to tap on the experience, knowledge and business network of Mr Ong in its foray into the Property Development Business. Such experience and knowledge will also provide the Group with a better understanding of the investments it proposes to undertake in the Property Development Business as it would be better able to evaluate the potential returns and business prospects of such investments before making them.

For the avoidance of doubt, Mr Ong will not be injecting his existing assets in the Private Group (as defined in section 12.3 of this Circular and which includes the TG Group) into the Company and intends to undertake new projects through the Company and grow the Company's Property Development Business.

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- (d) Approval is not required from Shareholders for Major Transactions that do not change the Group's risk profile

Following the Proposed Diversification of Business, the Group will generally be able to enter into any transaction relating to the Property Development Business in its normal course of business without the need for further Shareholders' approval even though such transaction may constitute a major transaction under Chapter 10 of the Catalist Rules (but provided that such transaction does not change the risk profile of the Group and provided that such transaction does not constitute a very substantial acquisition or reverse takeover under Chapter 10 of the Catalist Rules). This substantially reduces the administrative time and expenses in convening separate general meetings to seek Shareholders' approval and consequently, facilitates the Group's pursuit of its corporate objectives and increases the Group's responsiveness to property development business opportunities that avail to the Group.

11.3 Prospects and Future Plans for the Property Development Business

The following discussions about the Group's prospects include forward-looking statements that involve risks and uncertainties. Actual results could differ materially from those that may be projected in these forward looking statements. Please also refer to the section entitled "Cautionary Note on Forward-Looking Statements" of this Circular ⁽¹⁾.

The Company is optimistic about the Proposed Diversification of Business due to the overall property outlook in Singapore. The Singaporean economy has achieved a steady growth of 4.1% in 2013 and is expected to achieve a growth of 2.0% to 4.0% in 2014⁽²⁾. Additionally, the 4th Quarter 2013 real estate statistics released by the Urban Redevelopment Authority showed that while the prices of private residential properties decreased by 0.9% in 4th Quarter 2013, the property price index for residential, commercial and industrial property had increased on a year-on-year basis ⁽³⁾. The price decline in private residential properties in 1st Quarter 2014 was 1.3%⁽⁴⁾.

The Directors note that while there may be some uncertainty over the direction of the Singapore property market in the short-term, the growth and continued prospects of the Singapore property market over the mid to long-term should remain upbeat, due to the continued demand for residential, commercial and industrial property as well as Singapore's position as an attractive real estate market for investment in Asia for both local and international investors.

The Group may venture into the following Property Development Business activities as and when suitable opportunities arise:

- (i) undertake property development activities in the residential, commercial and industrial sectors by actively acting as a developer for property development projects or by way of an investment in a property development project through joint ventures or strategic alliances;
- (ii) acquire property-related assets, including buying, selling, acquiring or developing land and/or properties for the purposes of undertaking the Property Development Business; and

Notes:

- (1) The information in this section is obtained from the respective sources as set out in the notes below. Each of the Ministry of Trade and Industry of Singapore and the Urban Redevelopment Authority of Singapore has not consented to the inclusion of the information set out in this section of this Circular and is therefore not liable for the relevant information. While the Directors have taken reasonable action to ensure that the information above has been reproduced in their proper form and context and that such information is extracted accurately and fairly from the sources set out below, they have not conducted an independent review of the contents or independently verified the accuracy thereof.
- (2) Information and statistics were extracted from the press release dated 20 February 2014 issued by the Ministry of Trade and Industry of Singapore. The press release can be viewed at http://www.mti.gov.sg/ResearchRoom/SiteAssets/Pages/Economic-Survey-of-Singapore-2013/PR_4Q2013.pdf
- (3) Information and statistics were extracted from the press release dated 24 January 2014 issued by the Urban Redevelopment Authority of Singapore. The press release can be viewed at <http://www.ura.gov.sg/uol/media-room/news/2014/jan/pr14-07.aspx>.
- (4) Information and statistics were extracted from the press release dated 25 April 2014 issued by the Urban Redevelopment Authority of Singapore. The press release can be viewed at <http://www.ura.gov.sg/uol/media-room/news/2014/apr/pr14-29.aspx>.

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- (iii) *work with local or overseas strategic investors to participate in other projects under its Property Development Business as and when suitable opportunities arise.*

It is intended that the development of properties under the Property Development Business would be mainly for sale, usually prior to the completion of such developments. For the avoidance of doubt, the Group may acquire properties for redevelopment purposes and rental income may be derived from such properties pending execution of the redevelopment plans. The Group may also hold unsold units of its development projects for rental income pending the sale of such units.

The Group does not currently have any definitive commitment for the Property Development Business, but will not restrict itself to any particular country and will consider all countries that present growth opportunities for the Property Development Business. However, it is highly likely that the early projects under the Property Development Business would come from the Asia Pacific region.

Before entering into a new venture within the Property Development Business, the Group will consider, inter alia, the projected investment amount, the projected rate of return, the required funding, the required resources and associated costs, the location and the prevailing market conditions. Where necessary, the Board will also seek the advice of reputable consultants and/or other experts. The Group will only undertake projects approved by the Board.

Please refer to Section 11.7 of this Circular for further details on the procedures that will be put in place by the Group for projects under its Property Development Business.”

The background information on Mr Ong has been extracted from Section 12.2 of the Circular and is set out below in italics. We recommend that Independent Shareholders read those pages of the Circular carefully. Unless otherwise defined or the context otherwise requires, all terms defined in the Circular shall have the same meaning herein.

“12.2 Information on Mr Ong

The particulars of Mr Ong are as follows:

Name	Age	Residential address	Proposed position in Company	Country of principal residence
<i>Ong Boon Chuan</i>	<i>58</i>	<i>36A Oxley Road Singapore 238664</i>	<i>Executive Director</i>	<i>Singapore</i>

Mr Ong has over 30 years of experience in the real estate development and construction business. Upon graduation in 1978, he started his career in the real estate construction business as a foreman in the employment of Econ Engineering Construction Pte. Ltd.

In 1987, he established TG Development Pte. Ltd., and played an active role in the company's maiden foray into the real estate development industry in Singapore. In 1992, he expanded the TG Group with the incorporation of Thye Chuan Engineering Construction Co. Pte Ltd, the construction wing of the TG Group. Under the management and leadership of Mr Ong, the TG Group has grown substantially over the years and has become an active player within the real estate development industry in Singapore. As an illustration of Mr Ong's experience and accomplishments, the Private Group's completed developments over the years include The Balmoral Spring, The Mondrian, SkyPark @ Somerset, The Oliv, St. Patrick's Residences (through a joint venture with OCBC Capital Investment I Pte Ltd), and projects launched but currently under development, include The Peak @ Cairnhill I and the Peak @ Cairnhill II (both through a joint venture with TEE Development Pte Ltd), Skies Miltonia (through a joint venture with Master Contract Services Pte Ltd) and Lloyd Sixtyfive . For the avoidance of doubt, Mr Ong will not be injecting his existing assets in the Private Group into the Company and intends to undertake new projects through the Company and grow the Company's Property Development Business.

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Mr Ong graduated from Singapore Polytechnic with a Technical Diploma in Building in 1978.

Mr Ong does not have experience as a director of a public listed company in Singapore but has undertaken the relevant training in Singapore to familiarise himself with the rules and responsibilities of a director of a public listed company in Singapore.

*In 2005, Mr Ong was convicted of elbowing an individual and outraging the modesty of his wife by hurling vulgarities at her (collectively, "**Plaintiffs**"). The matter arose in connection with a purported queue jumping incident at a petrol kiosk at Frankel Avenue by Mr Ong. The Plaintiffs lodged seven summons via a magistrate compliant. The judge dismissed five of the summons and found Mr Ong guilty of two offences, namely, section 323 (voluntarily causing hurt) and section 509 (word and gesture intended to insult the modesty of a woman) of the Penal Code (Chapter 224) of Singapore. Mr Ong was fined \$500 for each offence. An appeal by the Plaintiffs was halted by the Attorney General's Chambers. The matter has been resolved and there are no further actions against Mr Ong.*

On 22 November 2007 and 1 February 2008, a mention slip and a summons were issued to the directors of Tong Garden Holdings Pte Ltd, which included Mr Ong, for the failure to hold its annual general meeting on 27 April 2004 and lodge its annual return by 27 May 2004. Tong Garden Holdings Pte Ltd later held its annual general meeting and lodged its annual return. No further action was taken by the authorities. Based on Mr Ong's representation, he was not and will not be involved in the management of Tong Garden Holdings Pte Ltd.

*On 28 March 2011, an action was initiated by Sharikat Logistics Pte. Ltd. against (i) its joint venture partner, TG Development Pte. Ltd. ("**TG Development**"), for minority oppression; (ii) TG Development's executive chairman and chief executive officer, Mr Ong, for breach of fiduciary duties, and (iii) its other joint venture partner, Kok Yin Leong, and the joint venture company, TG-SN Pte. Ltd., for assisting and abetting the minority oppression. The case is currently awaiting judgement.*

*There were also various family disputes involving Mr Ong and his siblings over the shareholding interest in and management control of Tong Guan Food Products Pte Ltd ("**Tong Guan Food Products**") and its subsidiaries (collectively, the "**Tong Garden Group**") which resulted in the filing of several legal suits. These civil suits have all been concluded and there was no criminal suit arising from these matters. Save for the legal suit between Mr Ong and his sister, Ms Ong Siew Lay ("**Ms Ong**"), all of the legal suits brought against Mr Ong by his siblings have either been concluded in Mr Ong's favour or settled out of court satisfactorily.*

*In the aforementioned legal suit between Mr Ong and his sister, Ms Ong, Ms Ong claimed \$2 million from Mr Ong, being the purchase price of some shares in Tong Guan Food Products, said to be held by their mother, Mdm Chai Ah Chee @ Chua Ah Chee ("**Mdm Chai**"), in trust for Ms Ong. Mdm Chai passed away in 1999 and the suit was commenced in 2007. Mr Ong disputed the claim on the basis that Mdm Chai had owned the shares all the while and contended that Mdm Chai sold the shares to him prior to her death, and that the payment for such shares had already been made by him to Mdm Chai who subsequently lent the money back to him. The judgement was awarded in favour of Ms Ong.*

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The members of the nominating committee of the Company (the “Nominating Committee”), namely Mr Jang Jong Jung, Mr Cheam Heng Haw and Mr Lim Yit Keong, have reviewed the curriculum vitae of Mr Ong. Having considered his credentials, background and experience and the nature of the legal disputes above, the Nominating Committee (with the concurrence of the Board) is of the opinion that there is no cause for it to doubt the suitability of Mr Ong as an executive director of the Company and has approved the appointment of Mr Ong as an executive director of the Company after taking the following factors into consideration:

- (a) Mr Ong has more than 30 years of experience in the property development and construction business and has the necessary level of experience and expertise to act as a Director of the Company and to manage the Company’s proposed Property Development Business. Mr Ong will also contribute to the building of Company’s Property Development Business with his established network of relationships with developers, customers, consultants, architects and contractors within the real estate industry;*
- (b) Mr Ong has undertaken the relevant training in Singapore to familiarise himself with the rules and responsibilities of a director of a public listed company in Singapore in connection with the proposed listing of TG Corporation Holdings Ltd. in 2012;*
- (c) Mr Ong has never been barred or prohibited to act as a director of a company in Singapore; and*
- (d) save as disclosed above, there are no new litigation proceedings that would have a bearing on his suitability to act as a director of a listed company and Mr Ong has also confirmed that he is not aware of any proceedings pending or threatened against him which might materially affect him or have any bearing on his reputation or suitability to act as a director of a listed company.”*

We understand from the discussion with the Directors and the Management that TG Corporation Holdings Ltd, a company whereby Mr Ong is the executive chairman and chief executive officer, had on 29 June 2012 lodged a preliminary offer document with the SGX-ST in connection with the proposed listing of TG Corporation Holdings Ltd on the Catalist board of the SGX-ST and has obtained the eligibility-to-list letter from the SGX-ST but it was subsequently withdrawn due to market conditions. It is noted that the preliminary offer document did not disclose any details on pricing (in terms of issue price) or the amount to be raised from the proposed listing of TG Corporation Holdings Ltd.

For illustrative purpose only, we tabulate below certain salient audited combined financial figures of TG Corporation Holdings Pte. Ltd. and its subsidiaries for the financial year ended 31 December 2009, 2010 and 2011.

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	FY2011 S\$000	FY2010 S\$000	FY2009 S\$000
Revenue	42,042	16,735	34,857
Cost of Sales	(28,653)	(10,071)	(30,170)
Gross Profit	13,389	6,664	4,687
Net Profit attributable to owners of the company	13,923	12,280	5,290
Gross Profit Margin	31.8%	39.8%	13.4%
Net Profit Margin	33.1%	73.4%	15.2%
Total Assets	508,951	310,581	244,208
Total Liabilities	461,674	279,162	223,699
Equity attributable to owners of the company	45,451	30,128	19,577
NTA	45,313	30,122	19,576
ROE	30.6%	40.8%	27.0%
ROA	2.7%	4.0%	2.2%

Source: _Preliminary offer document of TG Corporation Holdings Ltd dated 29 June 2012

For the avoidance of doubt, we note from Section 12.2 of the Circular that Mr Ong will not be injecting his existing assets in the Private Group (defined below) into the Company and intends to undertake new projects through the Company and grow the Company's Property Development Business.

The information on the undertaking provided by Mr Ong in relation to the potential conflict of interest has been extracted from Section 12.3 of the Circular and is set out below in italics. We recommend that Independent Shareholders read those pages of the Circular carefully. Unless otherwise defined or the context otherwise requires, all terms defined in the Circular shall have the same meaning herein.

"12.3 Managing Potential Conflicts of Interests

*In connection with the Proposed Diversification of Business, Mr Ong has entered into a deed of undertaking dated 21 February 2014 (the "**Deed of Undertaking**") pursuant to which, among other things, he undertakes to the Group that for so long as he and/or his associates (including B&L Group and excluding the Company and its subsidiaries) (the "**Private Group**") are controlling shareholder(s) and/or director(s) of the Company, he (and he shall take reasonable efforts to ensure that his associates (including B&L Group and excluding the Company and its subsidiaries)) (a) shall not engage in Property Development or have any interest, whether direct or indirect, in any business in Property Development which is in direct or indirect competition with the Group, and (b) shall limit the Private Group's real estate activities to property investment, i.e. acquiring land and properties (including any associated construction or refurbishment of properties) for the main purpose of the Private Group's investment portfolio with a view to deriving capital gains or investment income (the "**Non-Competition Undertaking**").*

*The Non-Competition Undertaking shall take effect immediately upon the earlier of (i) the appointment of Mr Ong or his associates as a director on the Board, or (ii) the completion of the subscription of the Placement 1 Shares in accordance with the terms and conditions of the Placement and Call Option 1 Agreement (such date on which the Non-Competition Undertaking shall take effect hereinafter referred to as the "**Effective Date**").*

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*Mr Ong further undertakes that where the Private Group enters into any agreement or arrangement or embark upon any plans for Property Development after the date of the Deed of Undertaking but prior to the Effective Date, such agreements, arrangements or plans shall be subject to a right of first refusal (the “**Right of First Refusal**”) granted by the Private Group in favour of the Company. Mr Ong shall notify the Company of such agreements, arrangements or plans on the Effective Date and the Company shall have the right within ninety (90) days after the Effective Date to exercise its rights to participate in such projects (in whole or in part as determined by the Company in its sole discretion) at the same cost that was or is to be incurred by the Private Group (and on terms no less favourable than those extended to the Private Group).*

*Mr Ong shall take reasonable efforts to procure that his associates, including all companies in which the Private Group collectively has control (but excluding the Company and its subsidiaries) (the “**Associated Companies**”), comply with and observe the undertakings set out in the Deed of Undertaking. For the avoidance of doubt, the undertakings under the Deed of Undertaking shall cease to be valid and binding upon any Associated Company once Mr Ong and/or his associates collectively cease to have the capacity to dominate decision making (whether as controlling shareholders and/or directors of the relevant company) directly or indirectly, in relation to the financial and operating policies of such Associated Company.*

For the avoidance of doubt, the Non-Competition Undertaking shall not be applicable to existing property development projects that Mr Ong, in his personal capacity or through the TG Group, had embarked on or entered into prior to the Effective Date, save where the Private Group enters into any agreement or arrangement for property development after the date of the Deed of Undertaking but prior to the Effective Date, the Private Group shall inform the Company and the Company has the right to exercise the Right of First Refusal.

The Company and Mr Ong will ensure that there will be segregation of the employees (including and not limited to any director) of the Private Group and the employees (including and not limited to any director) of the Group and further that no employees (including and not limited to any director, but apart from Mr Ong) shall be employed by both the Private Group and the Group at the same time. In the event that there are resources or any services provided by the Private Group to the Group or vice versa, Mr Ong shall ensure that such transactions are subject to the relevant provisions as prescribed under Chapter 9 of the Catalyst Rules.”

Our scope does not require us to express and we do not express, a view on the future growth prospects of the Company or the Group before and after the transactions stipulated in the Circular or the Whitewash Resolution or the prospects of the Property Development Business or the expected returns or profit from the Property Development Business. In the absence of information on specific property development projects to be undertaken (including but not limited to type of properties, geographical coverage, size and timing), we are unable to comment on the prospects and financial impacts of the Property Development Business to the Group and to evaluate whether the Property Development Business would be beneficial to the Shareholders. Independent Shareholders should note that the Group does not currently have any definitive commitment for the Property Development Business.

Non-interested Directors should note and highlight to the Independent Shareholders that while the Group has been in the loss making position since FY2007 (save for FY2011 where the Group recorded profit after tax of US\$147 thousand due mainly to gain on disposal of AFS of approximately US\$2.1 million) with significant decline in its core activities and its financial position is relatively weak (with declining shareholders' equity and relatively high gearing ratio as compared to the Selected Comparable Companies), the Group may not be in financial distress given its positive net working capital of approximately US\$1.9 million as at 31 December 2013, the representation from the Management that no principal repayment is required for its borrowing of approximately US\$5.3 million until December 2020, as well as the fact that the shareholders' equity of the Group of approximately US\$7.6 million as at 31 December 2013 is approximately 2.9 times of the loss after tax in FY2013.

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Lastly, information on the risk factors pertaining to, *inter alia*, the Property Development Business can be found in Section 11.5 of the Circular. Should any of the considerations and uncertainties highlighted in the aforementioned risk factors develop into actual events, the business, financial condition or results of the operations of the Company and the Group could be materially adversely affected. We advise Non-interested Directors to note for themselves that section and also highlight the section to Independent Shareholders.

6.5 No assurance of profitability or prices for Shares

We would also like to highlight that there is no assurance that the injection of new funds from the proceeds of the Proposed Transactions and/or the steps taken or to be taken by the Company subsequent to the Proposed Transactions to improve the profitability and to improve Shareholders' value, including, *inter alia*, diversification of its revenue streams and venturing into the Property Development Business, will be successful or would result in an enhancement of Shareholder value.

Information on the risk factors pertaining to, *inter alia*, the Property Development Business can be found in Section 11.5 of the Circular. Should any of the considerations and uncertainties highlighted in the aforementioned risk factors develop into actual events, the business, financial condition or results of the operations of the Company and the Group could be materially adversely affected. We advise Non-interested Directors to note for themselves that section and also highlight the section to Independent Shareholders.

6.6 Implication of B&L Group's controlling interest in the Company

Shareholders should note that after passing of all the ordinary resolution(s) for the Proposed Transaction and Whitewash Resolution during the EGM, B&L Group's interest in the Company will increase from nil to approximately 52.4% (upon issuance of the Placement 1 Shares, Placement 2 Shares and 50% of the Arrangement Shares), or approximately 66.4% (upon issuance of Placement Shares, Call Option Shares and Arrangement Shares in full and on the assumption both B&L Group and Mr Choo exercise the Proposed Call Options) or approximately 68.1% (upon issuance of Placement Shares, Call Option 1 Shares and Arrangement Shares in full and on the assumption only B&L Group exercises the Call Option 1). In such event, B&L Group and its concert parties will be in a position to exercise statutory control of the Company. Statutory control will put B&L Group and its concert parties in a position to be able to pass all ordinary resolutions on matters in which the B&L Group and its concert parties do not have an interest in and which are tabled for Shareholders' approval at general meetings to be convened by the Company.

6.7 Moratorium

We note from Section 2.8 of the Circular, that pursuant to the Placement and Call Option 1 Agreement, B&L Group undertakes that, for a period of six (6) months commencing from the date of the issue of the Placement Shares ("**First Moratorium Period**"), it will not directly or indirectly, offer, sell, contract to sell, realise, transfer, assign, pledge, grant any option or right to purchase, grant any security over, encumber or otherwise dispose of, any part of its shareholdings in the Company to below 100% of the Placement 1 Shares to be issued to B&L Group and in the six (6) months after the First Moratorium Period, it will not directly or indirectly, offer, sell, contract to sell, realise, transfer, assign, pledge, grant any option or right to purchase, grant any security over, encumber or otherwise dispose of any part of its shareholdings in the Company to below 50% of the Placement 1 Shares to be issued to B&L Group. In support of B&L Group's moratorium undertaking, Mr Ong and Mdm Kok Lee Kuen, being the shareholders of B&L Group, shall undertake that, for a period of twelve (12) months commencing from the date of the issue of the Placement 1 Shares, they will not directly or indirectly, offer, sell, contract to sell, realise, transfer, assign, pledge, grant any option or right to purchase, grant any security over, encumber or otherwise dispose of, any part of their respective shareholdings in B&L Group.

For the avoidance of doubt, the Placement 2 Shares, the Call Option Shares and the Arrangement Shares shall not be subject to any moratorium on sale, encumbrance or disposal.

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6.8 Contingent Liabilities

We understand from page 90 of the AR2013, that a subsidiary of the Company, Oniontech Co., Ltd (“**OTK**”), joined the Pankyo Digital Contents Consortium (“**PDCC**”) to build an office premise. The PDCC comprises of 27 companies. The PDCC members have jointly and separately issued corporate guarantees to bank for borrowings to be drawn down for construction purposes. The construction of office premise has been completed in September 2013 and it was allocated to the participants proportionately.

The borrowings relating to this building is also allocated to OTK proportionately. The allocated portion of office premises was registered as the Group’s investment property in December 2013.

However, the disposal of land and building is prohibited for 10 years from September 2013 in accordance with land purchase agreement with local government.

As at 31 December 2013, 3 companies of PDCC defaulted on their share of borrowings and hence the Group is potentially liable for a proportionate allotted charge of 5.35% amounting to approximately USD440 thousand. As at the date of these financial statements, the banks have not requested payment from OTK. PDCC obtained approval from the local government to dispose two of the defaulters’ share of the land and building on 20 March 2014 and the disposal was completed on 31 March 2014. The proceeds from the disposal is sufficient to repay the Group’s share of the potential liability and there was no shortfall.

Meanwhile, another defaulter’s share of the land and building is in the process of obtaining approval from the local government to dispose. The Group’s share of the potential liability for this portion of land and building is approximately US\$66 thousand.

Based on the above, the Directors are of the opinion that no provision is required for this contingent liability as it is remote and unlikely that OTK will be liable for this.

6.9 Comparison with contemplated subscription in 2011

The Company had announced on 30 December 2011 that it had entered into, *inter alia*, a subscription agreement (the “**2011 Subscription**”) with a strategic investor, Mr Shen Le En, a citizen of the People’s Republic of China (the “**Subscriber**”), pursuant to which the Subscriber agrees to subscribe for up to 156,000,000 new Shares at an issue price of S\$0.0330 for each new Share (“**Subscription Price**”) with 78,000,000 free attached warrants (“**Warrants**”), each Warrant carrying the right to subscribe for one new Share and may be exercised within three years from the date of issue. The exercise price for the Warrant is fixed at S\$0.0330 for each new Share (“**Warrants Exercise Price**”). The new Shares to be issued (including the new Shares arising from the exercise of the Warrants) represents approximately 64.6% of the enlarged Share capital of the Company.

In addition, the Company had on the same day announced the proposed disposal of up to 60% of the total issued and paid up share capital of Oniontech Co., Ltd. (“**Oniontech Korea**”) comprising the proposed disposal of 45% of the total issued and paid up share capital of Oniontech Korea (the “**Proposed Disposal**”) for a consideration of S\$5.4 million (the “**Consideration**”). The Consideration shall be satisfied by cash of S\$1.0 million in cash and balance of S\$4.4 million shall be satisfied by setting off the cancellation of an aggregate of 54,033,000 Shares collectively owned by certain purchasers (which shall be done via a selective capital reduction). We note that certain purchasers had also granted a right to the Company to dispose an additional 15% of the total issued and paid up share capital of Oniontech Korea (the “**Put Option**”) at the aggregate amount of S\$1.8 million in cash.

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The Company also announced on the same day to that it proposes to undertake a renounceable non-underwritten rights issue of up to 170,624,970 rights shares at an issue price of S\$0.01 (“**Rights Issue Price**”) each, with up to 85,312,485 free rights warrants, each rights warrants carrying the right to subscribe for one new rights warrant share at the rights warrant exercise price of S\$0.01 (“**Rights cum Warrants Issue**”).

We note from the announcement dated 30 December 2011 that proposed transactions including, *inter alia*, the 2011 Subscription, Proposed Disposal, Put Option and Rights cum Warrants Issue shall be inter-conditional upon one another. The Company intends to use 70% of the proceeds from the 2011 Subscription, the Proposed Disposal and the Rights cum Warrants Issue for the exploration of a new business in rubber recycling (leveraging on the Subscriber’s experience in the rubber tyre industry) and 30% for general working capital.

The Company announced on 26 April 2012 that one of the conditions precedent for the legal completion of the proposed transactions is the receipt and non-withdrawal of the approval of the SIC granted to the Subscriber and parties acting in concert with him (“**2011 Whitewash Waiver**”) to dispense with the requirements of Rule 14 of the Code to make an offer to the Shareholders arising from the Subscription and/or the Rights cum Warrants Issue. Pursuant to the written reply from the SIC on 20 April 2012, the SIC has decided not to grant the 2011 Whitewash Waiver, as the selective capital reduction is regarded by the SIC as disqualifying the Subscriber and parties acting in concert with him from the 2011 Whitewash Waiver. On 4 September 2012, the Company announced the termination of the proposed transactions including, *inter alia*, the 2011 Subscription, Proposed Disposal, Put Option and Rights cum Warrants Issue shall be inter-conditional upon one another.

Despite the 2011 Subscription was lapsed, we tabulate below the comparison between the Placement 1 and the 2011 Subscription:-

Transactions	No of placement/ subscription shares	Placement / Subscription price	% of the enlarged shares	Premium/ discount over the last transacted price prior to announcement	P/NTA (times)	Gross proceeds
2011 Subscription	156 million new Shares with 78 million free Warrants	S\$0.033 per new Share and S\$0.033 for exercise of Warrants	54.9% (or 64.6% assuming Warrants are fully exercised)	(30.7%)	0.4 ⁽¹⁾	Up to S\$7.7 million (S\$5.1 million from placement and up to S\$2.6 million from exercise of warrants)
Placement 1	195 million Placement Shares with Call Options 1 for 195 million Call Option Shares	S\$0.03 per Placement Share and S\$0.03 for exercise of Call Options	52.4% (or 66.4% assuming Call Options are fully exercised)	11.1%	0.5 ⁽²⁾	Up to S\$11.7 million (S\$5.85 million from the Placement 1 and up to S\$5.85 million from exercise of call option)

Notes:

(1) Based on the Group’s audited NTA for FY2010 adjusted with the selective capital reduction and the Proposed Disposal of 45% interest in Oniontech Korea as announced on 30 December 2011 by the Company.

(2) Based on the Group’s audited NTA for FY2013.

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We note that the Subscription Price is higher than the Placement 1 Price in nominal terms. It is also noted that the Subscription Price is approximately 0.4 time of the Group's NTA per Share as at 31 December 2010 (adjusted with the selective capital reduction and the Proposed Disposal), while the Placement 1 Price is approximately 0.5 time of the Group's audited NTA per Share as at 31 December 2013 or approximately 0.3 time of the Group's Revalued NTA per Share.

Notwithstanding, the Placement 1 Price is lower than the Subscription Price (in nominal terms), the Placement 1 is relatively in line with the 2011 Subscription in terms of comparison to the respective NTA and is more favourable than the 2011 Subscription in terms of comparison with the last transacted price prior to the respective announcement.

Shareholders should note that the 2011 Subscription was lapsed and as the circumstances (including the purpose) for the 2011 Subscription Agreement outlined above including but not limited to the business and market conditions as at the time of announcement of the 2011 Subscription Agreement may be different from those for the Placement 1, the analysis is necessarily limited. Accordingly, any comparison between the Placement 1 and the 2011 Subscription Agreement serves as an illustrative guide only.

7. OUR OPINION

In arriving at our recommendation in respect of the Whitewash Resolution, we have taken into account, *inter alia*, the following factors summarised below as well as others elaborated elsewhere in our Letter. Our recommendation or opinion is by no means an indication of the merits of the prospects, financial performance and position of the Company and the Group or the prices at which the Shares would trade after the completion of the Proposed Transactions or the prospects the Property Development Business or the expected returns or profit from the Property Development Business. The following should be read in conjunction with, and in the context of, the full text of this Letter.

- (a) The rationale of the Proposed Transactions as described in Section 6 of the Circular and the Executive Directors' Representation as described in Section 5.1 of this Letter. We note from Section 6 of the Circular that the current operating environment for the Company's existing businesses remains challenging. With the injection of funds from B&L Group, the Company intends to diversify its revenue streams and venture into the Property Development Business which the Company believes it will be able to tap on the experience, expertise and business contacts of Mr Ong in its exploration of the real estate development business, so as to enhance Shareholders' value.
- (b) The current weak financial position and performance of the Group. The Group has been in the loss making position since FY2007 (save for FY2011 where the Group recorded profit after tax of US\$147 thousand due mainly to gain on disposal of AFS of approximately US\$2.1 million) with significant decline in its core activities (in terms of revenue) since FY2011, the Group's weak financial position with declining shareholders' equity and relatively high gearing ratio (as compared to the Selected Comparable Companies), as well as the matters highlighted in the AR2013 and AR2012 pertaining to, *inter alia*, going concern assumptions. The Group reported a net loss after tax attributable to equity holders of the Company of approximately US\$2.7 million in FY2013, which is substantially higher than the net loss after tax attributable to equity holders of the Company of approximately US\$1.0 million in FY2012. In addition, the Group's operating profit of approximately US\$0.9 million in FY2013 is insufficient to cover the operating expenses of approximately US\$4.0 million. The Group's total borrowings to shareholders' equity ratio increased from approximately 0.2 times as at 31 December 2012 to approximately 0.8 times as at 31 December 2013.

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Notwithstanding the relatively weak financial position, the Group may not be in financial distress given its positive net working capital of approximately US\$1.9 million as at 31 December 2013, the representation from the Management that no principal repayment is required for its borrowing of approximately US\$5.3 million until December 2020, as well as the fact that the shareholders' equity of the Group of approximately US\$7.6 million as at 31 December 2013 is approximately 2.9 times of the loss after tax in FY2013.

The Directors confirmed that as at the Latest Practicable Date and save for matters disclosed in this Letter, the Circular and the audited financial statements for the Group for FY2013, there has been no material changes to the Group's assets and liabilities, financial position, condition and performance.

- (c) The matters highlighted in note 4 to the financial statements for both FY2013 and FY2012 pertaining to, *inter alia*, the Group's going concern assumptions.
- (d) The historical financial performance and position of the Group appear to be weaker than the Selected Comparable Companies which operate in the same industry that the Group operates in.
- (e) The Placement 1 Price or the Call Option 1 Price (as set out in Section 5 of this Letter) after taking into account, *inter alia*, the following factors:-
 - (i) The Placement 1 Price represents a discount of approximately 50.3% and 50.1% from the Group's NAV per Share and NTA per Share as at 31 December 2013 respectively. Correspondingly, if the cash and cash equivalents per Share is deducted from the Placement 1 Price and likewise from the Group's NAV and NTA per Share, the Placement 1 Price less cash and cash equivalents per Share represents a discount of approximately 60.7% and 60.5% from the Group's NAV per Share and NTA per Share Price less cash and cash equivalents per Share respectively as at 31 December 2013.
 - (ii) The Revalued NAV per Share and Revalued NTA per Share of the Group would be approximately S\$0.0905 and S\$0.0902 respectively and the Placement 1 Price represents a discount of approximately 66.84% and 66.75% to the Revalued NAV per Share and Revalued NTA per Share of the Group respectively. The Directors represented to us that there is a restriction to sell the Subject Properties for the period of 10 years from 11 September 2013 and that in the event of default, the Company may be able to obtain the relevant approval from the local government for disposal at no profit (or at the purchase price). Assuming that the Subject Properties are disposed at the purchase price of approximately US\$6.3 million (which is equivalent to its book value as at 31 December 2013), the Placement 1 Price represents a discount of approximately 55.3% and 55.1% to the Revalued NAV per Share and Revalued NTA per Share of the Group respectively.

Non-interested Directors are advised to assess the discount implied by the Placement 1 Price from the Group's NAV and NTA per Share as at 31 December 2013 as well as the Group's Revalued NAV and NTA per Share in conjunction with the fact that while the Group has been in the loss making position since FY2007 (save for FY2011 where the Group recorded profit after tax of US\$147 thousand) with significant decline in its core activities (in terms of revenue) since FY2011 and its financial position is relatively weak (with declining shareholders' equity and relatively high gearing ratio as compared to the Selected Comparable Companies), the Group may not be in financial distress given its positive net working capital of approximately US\$1.9 million as at 31 December 2013, the representation from the Management that no principal repayment is required for its borrowing of approximately US\$5.3 million until December 2020, as well as the fact that the shareholders' equity of the Group of approximately US\$7.6 million as at 31 December 2013 is approximately 2.9 times of the loss after tax in FY2013.

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- (iii) The Placement 1 Price represents only a small premium of approximately 6.7% from the aggregate amount of the cash and cash equivalents and AFS per Share as at 31 December 2013 (which represents the liquid assets of the Group) or a discount of approximately 13.9% from the aggregate amount of the cash and cash equivalents as at 31 December 2013 and the market value of the listed security under the AFS per Share as at the Latest Practicable Date (which represents the liquid assets of the Group).
- (iv) The Placement 1 Price represents a premium of approximately 11.1% over the last transacted price of S\$0.027 per Share on the SGX-ST on 17 February 2014 (being the last Trading Day for the Shares prior to the Announcement Date).
- (v) The Placement 1 Price represents a premium of approximately 10.9%, and 11.1% over the VWCP for the Shares for the period 3-month and 1-month prior to and including the Announcement Date.
- (vi) The Placement 1 Price represents a discount of approximately 16.7% and 22.9% from the VWCP for the Shares for the period 12-month and 6-month prior to and including the Announcement Date.
- (vii) The Placement 1 Price represents a discount of approximately 23.1% from the VWCP for the Shares for the period commencing after the Announcement Date and ending on the Latest Practicable Date.
- (viii) The Placement 1 Price represents a discount of approximately 33.3% from the last transacted price of S\$0.045 per Share on 11 June 2014, being the last Trading Day prior to the Latest Practicable Date.
- (ix) The valuation of the Group as implied by the Placement 1 Price and the last transacted price on 11 June 2014, being the last Trading Day prior to the Latest Practicable Date, in terms of PER and EV/EBITDA ratios are not meaningful due to the losses incurred for FY2013 and the poor financial performance of the Group for FY2013. In addition, the valuation of the Group as implied by the Placement 1 Price in terms of P/NAV and P/NTA are lower than any of the Selected Comparable Companies (save for Captii for P/NAV).

The less favourable pricing for the Group in terms of P/NAV and P/NTA as compared to the Selected Comparable Companies should be assessed in the context of the Group's substantially weaker financial performance and position as compared to the Selected Comparable Companies with losses since FY2007 (save for FY2011, where the Group recorded small profit) and declining core business activities (in terms of revenue) since FY2011, and the matters highlighted in the AR2013 and AR2012 pertaining to, *inter alia*, going concern assumptions. On the other hand, it is noted that upon issuance of Placement Shares, Call Option 1 Shares and Arrangement Shares in full (and on the assumption only B&L Group exercises the Call Option 1), B&L Group's interest in the Company will increase to approximately 68.1% hence it involves the B&L Group acquiring control of the Company while the trading statistics for the shares of the Selected Comparable Companies are based on transactions which do not result in acquisition of control.

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The Placement 1 Price does not appear to accord any premiums that would normally be expected from a possible acquisition of control as the Placement 1 may result in the B&L Group obtaining statutory control of the Company and the valuation of the Group as implied by the Placement 1 Price appears to be on the low end when considered in the context of the discount implied by the Placement 1 Price from the Group's Revalued NAV and NTA per Share as well as the aggregate amount of the cash and cash equivalents as at 31 December 2013 and the market value of the listed security under the AFS per Share as at the Latest Practicable Date (which are the liquid assets of the Group).

- (x) Comparison with the Selected Comparable Transactions which show that whilst the Placement 1 Price to Revalued NTA multiple of 0.33 time or 0.45 time (on the assumption that the Subject Properties are disposed at the purchase price) for the Group is within the range but substantially lower than both the simple average and median for the Selected Comparable Transactions, the premium of approximately 11.11% as implied by the Placement 1 Price from the last transacted price for the Shares prior to the Announcement Date is within the range of premiums over and discounts from the Selected Comparable Transactions and more favourable as compared to the simple average and the median for the Selected Comparable Transactions, which is at discount of approximately 16.75% and 20.95% respectively. The relatively better pricing of the Placement 1 in terms of the comparison with the last transacted price for the Shares prior to the Announcement Date should be assessed in the context of the low liquidity for the Shares for the period 1 year prior to the Announcement Date (the Shares were only traded on 26 Trading Days out of the total 252 Market Days). It is generally accepted that the less actively traded the shares, the lesser the reliance on market prices as a determination of the fair value of the shares between willing buyer and willing seller. Hence, the historically transacted prices for the Shares may not be a meaningful indicator of its financial value.
- (xi) Comparison with the 2011 Subscription. Notwithstanding, the Placement 1 Price is lower than the Subscription Price (in nominal terms), the Placement 1 is relatively in line with the 2011 Subscription in terms of comparison to the respective NTA and is more favourable than the 2011 Subscription in terms of comparison with the last transacted price prior to the respective announcement.
- (f) The Call Option 1 Exercise Price is at a premium of approximately 11.1% over the last transacted price of S\$0.027 per Share on 17 February 2014 (being the last Trading Day immediately preceding the Announcement Date), which means the Call Option 1 would have been out-of-the-money had they been granted at that time. The intrinsic value of the Call Option 1 as at the Latest Practicable Date is approximately S\$0.015 for each Call Option Share.
- (g) The theoretical value of the Call Option 1 as at the Announcement Date and as at the Latest Practicable Date of approximately S\$0.0040 and S\$0.0191 respectively. The Call Option 1 will be issued free to the B&L Group pursuant to the Placement and Call Option Agreement 1 and in complementary to the Placement 1 notwithstanding the theoretical value inherent in the Call Option 1. We wish to highlight that in the event the theoretical market value of the Call Option 1 of approximately S\$0.0040 as at the Announcement Date and approximately S\$0.0191 are deducted from the Placement Price 1, the adjusted Placement Price 1 would be approximately S\$0.0260 (as at the Announcement Date), which represents a discount of approximately 71.2% discount from the Group's Revalued NTA, and approximately S\$0.0109 (as at the Latest Practicable Date), which represents a discount of approximately 87.9% discount from the Group's Revalued NTA. As highlighted in Section 5.3 of this Letter, the Directors represented to us that there is a restriction to sell the Subject Properties for the

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period of 10 years from 11 September 2013 and that in the event of default, the Company may be able to obtain the relevant approval from the local government for disposal at no profit (or at the purchase price). Assuming that the Subject Properties are disposed at the purchase price of approximately US\$6.3 million (which is equivalent to its book value as at 31 December 2013), the Revalued NTA per Share would be approximately US\$0.054 (or equivalent to S\$0.067) and the adjusted Placement 1 Price represents a discount of approximately 61.1% (as at the Announcement Date) and a discount of approximately 83.7% discount (as at the Latest Practicable Date) from the Group's Revalued NTA.

In addition, the adjusted Placement 1 Price of approximately S\$0.0260 (as at the Announcement Date) and approximately S\$0.0109 (as at the Latest Practicable Date) represents a discount of approximately 7.5% and 61.2% from the aggregate amount of the cash and cash equivalents and the listed security under AFS per Share as at 31 December 2013 (which are the liquid assets of the Group).

- (h) The pro-forma financial effects of the Proposed Transactions as outlined in Section 8 of the Circular is unfavourable for the Group's NTA per Share, but favourable for loss per Share and gearing ratio for the Group, which we have viewed in the context that the approval of the Whitewash Resolution will allow the Company to raise net proceeds of up to approximately S\$12.3 million (after deducting estimated expenses incurred in connection with the Proposed Transactions) and providing the Group with an opportunity to explore the Property Development Business and diversify the Group's revenue stream in view of the Group's loss making position and significant decline in its core activities (in terms of revenue). Independent Shareholders should note that the financial effects on the Group's NTA per Share and loss per Share have not taken into account the expected return from the deployment of the net proceeds from the issuance of the Placement Shares and the exercise of the Proposed Call Options (which the Company intends to use 90% of the total proceeds for the exploration of the Property Development Business and the remaining 10% for general working capital purposes).
- (i) The dilutive impact of the Proposed Transactions, set out in Section 6.2 of this Letter, on the percentage of shareholding interest of the existing Shareholders and the significant reduction in the voting interest in the Company pursuant to the Proposed Transactions which we view in conjunction with the substantial discount of the Placement 1 Price from the Group's Revalued NAV and NTA.
- (j) The Directors have confirmed that whilst significant efforts have been made by the Directors and Management to source for alternative offer for investment in the Company or reverse takeover with better pricing, as at the Latest Practicable Date, they are not aware of any alternative offers for investment in the Company or reverse takeover from other parties, which is comparable in nature, size and scope to the Proposed Transactions and with injection of cash proceeds into the Group which would strengthen the Group's financial position and provide the opportunity to diversify its revenue stream, and venture into the Property Development Business (tapping on the experience, expertise and business contacts of Mr Ong in its exploration of the real estate development business), so as to enhance Shareholders' value.
- (k) Completion of the Proposed Transactions is, *inter alia*, conditional on the approval of the Whitewash Resolution. Accordingly, if the Whitewash Resolution is not passed by a majority of the Shareholders, the Proposed Transactions may not take place.
- (l) Other relevant considerations as set out in Section 6 of this Letter.

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In summary, having regard to our analysis and the consideration in this Letter (including its limitation and constraints) and after having considered carefully the information available to us and based on market, economic and other relevant conditions prevailing as at the Latest Practicable Date, save for the prospect of the Property Development Business or the expected returns or profit from the Property Development Business, and subject to our terms of reference, **we are of the opinion that the Whitewash Resolution when considered in the context of the financial terms of the Placement 1 is prejudicial to the interests of the Company and the Independent Shareholders.**

Notwithstanding the Company's intention to diversify its revenue stream, the Executive Directors' Representation, and the Directors' confirmation and representation that there is no alternative offers for investment in the Company or reverse takeover with better pricing, despite significant efforts have been made to source for alternative offers for investment or reverse takeover, we consider the financial terms of the Whitewash Resolution to be prejudicial to the interests of the Company and the Independent Shareholders in the context of the following:-

- (a) While the Group has been in the loss making position since FY2007 (save for FY2011 where the Group recorded profit after tax of US\$147 thousand due mainly to gain on disposal of AFS of approximately US\$2.1 million) with significant decline in its core activities (in terms of revenue) since FY2011 and its financial position is relatively weak with declining shareholders' equity and relatively high gearing ratio (as compared to the Selected Comparable Companies), the Group may not be in financial distress given its positive net working capital of approximately US\$1.9 million as at 31 December 2013, the representation from the Management that no principal repayment is required for its borrowing of approximately US\$5.3 million until December 2020, as well as the fact that the shareholders' equity of the Group of approximately US\$7.6 million as at 31 December 2013 is approximately 2.9 times of the loss after tax in FY2013.
- (b) The Placement 1 Price does not accord any premiums that would normally be expected from a possible acquisition of control as the Placement 1 may result in the B&L Group obtaining statutory control of the Company and the valuation of the Group as implied by the Placement 1 Price appears to be on the low end when considered in the context of the discount implied by the Placement 1 Price from the Group's NAV and NTA as at 31 December 2013, the Group's Revalued NAV and NTA as well as the relatively lower pricing of the Group in terms of P/NTA as compared to the Selected Comparable Companies and the Selected Comparable Transactions.
- (c) The Placement 1 Price represents only a small premium of approximately 6.7% from the aggregate amount of the cash and cash equivalents and the listed AFS per Share as at 31 December 2013 (which represents the liquid assets of the Group) or a discount of approximately 13.9% from the aggregate amount of the cash and cash equivalents as at 31 December 2013 and the market value of the listed security under the AFS per Share as at the Latest Practicable Date (which represents the liquid assets of the Group).
- (d) The dilutive impact of the Proposed Transactions on the percentage of shareholding interest of the existing Shareholders and the significant reduction in the voting interest in the Company pursuant to the Proposed Transactions which we view in conjunction with the substantial discount of the Placement 1 Price from the Group's Revalued NAV and NTA.

APPENDIX II - LETTER FROM ASIAN CORPORATE ADVISORS PTE. LTD. TO THE NON-INTERESTED DIRECTORS OF ONIONTECH LIMITED

- (e) The Call Option 1 will be issued free to the B&L Group pursuant to the Placement and Call Option Agreement 1 and in complementary to the Placement 1 notwithstanding the theoretical market value inherent in the Call Option 1. In the event the theoretical market value of the Call Option 1 is deducted from the Placement Price 1, the adjusted Placement 1 Price of approximately S\$0.0260 (as at the Announcement Date) and approximately S\$0.0109 (as at the Latest Practicable Date) represents a discount of approximately 71.2% and 87.9% respectively or a discount of approximately 61.1% and 83.7% respectively (assuming that the Subject Properties are disposed at the purchase price) from the Group's Revalued NTA and a discount of approximately 7.5% and 61.2% respectively from the aggregate amount of the cash and cash equivalents and the listed security under AFS per Share as at 31 December 2013 (which are the liquid assets of the Group).

However we note based on the confirmation from the Directors and Management that as at the Latest Practicable Date, the Placement 1 is the only alternative available to the Company and that the Proposed Transactions and Placement 1 for which shareholders' approval is being sought, were the culmination of numerous discussions with prospective investors including the B&L Group and that amongst the proposals and initiatives reviewed, the Placement 1 is the alternative that has been deemed most appropriate given the Company's and Group's continued weak financial position and erosion of its shareholders' equity base.

Recommendation

Based on our assessment of the Whitewash Resolution as set out above, from a financial point of view, we advise the Non-interested Directors to recommend that Independent Shareholders vote **against** the Whitewash Resolution to be proposed at the EGM. We advise the Non-interested Directors to highlight to Independent Shareholders the matters as stated in our Letter, including, *inter alia*, our limitation in evaluating the prospects and financial impacts of the Property Development Business to the Group in view of the absence of information on specific property development projects to be undertaken (including but not limited to type of properties, geographical coverage, size and timing), and to exercise caution in their decision in voting in favour of or against the Whitewash Resolution.

Shareholders, after taking into account the above, should note the following:

- (a) As at the Latest Practicable Date, the Executive Directors do not foresee any material positive developments for the Group in terms of its existing core business in the provision of software solutions, financial performance and financial position.
- (b) Considering the significant decline in the Group's existing core business with no certainty of any material improvement in terms of profitability, the Executive Directors are of the view that the the Group's performance going forward is dependent to a large extent on the rental income from its property lease and the proceeds from disposing of its investment in listed security (which is subject to the trading performance of the said security and the then prevailing market and economic condition).
- (c) The Directors' confirmation and representation that the Placement 1 is currently the only alternative available that has been deemed most appropriate given the Company's and Groups' continued weak financial position and erosion of its shareholders' equity base and that there is no assurance that there will be any alternative offers or reverse takeovers with more favourable terms available in the near term.

APPENDIX II - LETTER FROM ASIAN CORPORATE ADVISORS PTE. LTD. TO THE NON-INTERESTED DIRECTORS OF ONIONTECH LIMITED

In the event that Shareholders who, despite the consideration as mentioned above, and who hold a favourable view and are confident on the prospects of the Property Development Business under the leadership of Mr Ong (albeit without the detailed plans in the Circular on the proposed strategy for the Property Development Business), and after taking into account the statement and confirmation from the Directors that the Placement 1 is currently the only alternative available that has been deemed most appropriate given the Company's and Groups' continued weak financial position and erosion of its shareholders' equity base, the Executive Directors' Representation that, *inter alia*, no material positive developments are foreseen in terms of the Group's existing core business, financial performance, condition and position, as well as the uncertainties pertaining to the Group's performance going forward, and hold a view that the Proposed Transactions would enhance the shareholders' value (despite the dilution of voting and economic interest in the Company), may consider voting in favour of the Whitewash Resolution while noting the matters, limitations and our views as stated in our Letter.

In performing our evaluation, we have not been provided with, and have not had access to, any financial projections or future plans or corporate actions (if any) of the Company or the Group or the Property Development Business. The opinion set forth herein is based solely on publicly available information and information provided by the Directors and the Management and therefore does not reflect any projections or future financial performance of the Company after the completion of the Proposed Transactions and is based on the economic and market conditions prevailing as of the date of this opinion. Our advice is solely confined to our views on the Whitewash Resolution.

Matters to highlight

We would also wish to highlight the following matters which may affect the decisions or actions of Independent Shareholders:

- (1) Independent Shareholders should note that by voting in favour of the Whitewash Resolution, they will be waiving their rights to a general offer from B&L Group and/or its concert parties at the highest price paid or agreed to be paid by B&L Group and/or its concert parties for Shares in the six (6) months preceding the date of the allotment and issuance of the Placement 1 Shares.

Independent Shareholders should further note that the allotment and issuance of the Placement 1 Shares will result in the B&L Group and/or its concert parties carrying over 49% of the voting rights of the Company (based on the enlarged Share capital of the Company), and that B&L Group and/or its concert parties will be free to acquire further Shares without incurring any obligation under Rule 14 of the Takeover Code to make a general offer.

- (2) Independent Shareholders should note that the passing of the ordinary resolutions relating to the Proposed Transactions are conditional upon the Whitewash Resolution being approved by Independent Shareholders, as the Whitewash Resolution is a condition precedent in the Placement and Call Option 1 Agreement.
- (3) Our scope does not require us and we have not made any independent evaluation or appraisal of the assets and liabilities (including without limitation, property, plant and equipment) or contracts entered or to be entered into by the Company or the Group and we have not been furnished with any such evaluation and appraisal in respect of assets and liabilities (if any) held or contracts entered into by the Group, save for the Valuation Report issued by the Independent Valuer, in respect of the Subject Properties. With respect to such valuation, we are not experts in the evaluation or appraisal of assets and liabilities (including without limitation, property, plant and equipment) including, *inter alia* the contracts or agreements that the Group has embarked upon or are about to embark upon and have relied on the opinion of the Directors and the financial statements (audited and unaudited), where applicable for the assessment.

APPENDIX II - LETTER FROM ASIAN CORPORATE ADVISORS PTE. LTD. TO THE NON-INTERESTED DIRECTORS OF ONIONTECH LIMITED

The Directors are of the opinion that the values of the assets and liabilities as well as the financial performance or condition of the Company and the Group as reflected in the full year audited financial statements for the Company and the Group as at 31 December 2013 are true and fair.

The Directors further confirmed that as at the Latest Practicable Date and save for matters disclosed in this Letter and the audited financial statements for the Group for FY2013, there has been no material changes to the assets and liabilities, financial position, condition and performance.

- (4) Our scope does not require us to express and we do not express, a view on the future growth prospects of the Company or the Group before and after the transactions stipulated in the Circular or the Whitewash Resolution or the prospects of the Property Development Business or the expected returns or profit from the Property Development Business. In the absence of information on specific property development projects to be undertaken (including but not limited to type of properties, geographical coverage, size and timing), we are unable to comment on the prospects and financial impacts of the Property Development Business to the Group and to evaluate whether the Property Development Business would be beneficial to the Shareholders. Independent Shareholders should note that the Group does not currently have any definitive commitment for the Property Development Business.

Specific Objectives

In rendering our advice, we have not had regard to the specific investment objectives, financial situation, tax position, risk profiles or particular or individual needs and constraints of any individual Independent Shareholder. As each Independent Shareholder or group of Independent Shareholders would have different investment objectives and profiles, we would advise the Non-interested Directors to advise any individual Shareholder or group of Shareholders who may require specific advice in the context of investments or his or their specific investment objectives or portfolio should consult his or their stockbroker, bank manager, solicitor, accountant, tax adviser, or other professional adviser immediately.

8. ACTIONS TO BE TAKEN BY SHAREHOLDERS

Shareholders who are unable to attend the EGM and wishes to appoint a proxy to attend and vote at the EGM on their behalf will find attached to the Circular, a proxy form which they are requested to complete, sign and return in accordance with the instructions printed thereon as soon as possible and in any event so as to arrive at the registered office of the Company not less than 48 hours before the time fixed for the EGM. The completion and lodgement of the proxy form by a Shareholder does not preclude him from attending and voting in person at the EGM if he subsequently wishes to do so. 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.

A Depositor will not be regarded as a member of the Company 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.

In addition, Independent Shareholders are advised to read Section 17 of the Circular and Notice of the EGM which has been enclosed with the Circular carefully so that the appropriate election on voting for or voting against can be made.

APPENDIX II - LETTER FROM ASIAN CORPORATE ADVISORS PTE. LTD. TO THE NON-INTERESTED DIRECTORS OF ONIONTECH LIMITED

This Letter is addressed to the Non-interested Directors in connection with and for the sole purpose of their evaluation of the financial terms of the Whitewash Resolution and is not meant or intended to be an evaluation of the other resolutions to be proposed or alternatives. Whilst a copy of this Letter may be included in the Circular, neither the Company nor the Directors nor any other party, may reproduce, disseminate or quote this Letter (or any part thereof) for any other purpose at any time and in any manner without the prior written consent of ACA in each specific case, except at the forthcoming EGM and for the sole purpose of the Whitewash Resolution. This opinion is governed by, and construed in accordance with, the laws of Singapore, and is strictly limited to the matters and the scope of our appointment stated herein and does not apply by implication to any other matter. Nothing herein shall confer or be deemed or is intended to confer any right of benefit to any third party and the Contracts (Rights of Third Parties) Act Chapter 53B and any re-enactment thereof shall not apply.

The recommendations made by the Non-interested Directors to the Independent Shareholders in relation to the Whitewash Resolution as well as other resolutions referred to in the Circular and the issue of the Circular shall remain the sole responsibility of the Non-interested Directors and the Directors respectively.

Yours faithfully,
For and on behalf of
ASIAN CORPORATE ADVISORS PTE. LTD.

H.K. LIAU
MANAGING DIRECTOR

FOO QUEE YIN
MANAGING DIRECTOR

NOTICE OF EXTRAORDINARY GENERAL MEETING

ONIONTECH LIMITED

(Incorporated in the Republic of Singapore)
(Company Registration Number 200411873E)

Unless otherwise defined, all capitalised terms used herein shall bear the same meaning as used in the circular dated 24 June 2014 issued by Oniontech Limited (the "Circular").

NOTICE IS HEREBY GIVEN that an Extraordinary General Meeting of **ONIONTECH LIMITED** (the "**Company**") will be held at NTUC Centre, 1 Marina Boulevard, Level 9, Room 902, One Marina Boulevard, Singapore 018989 on 16 July 2014 at 11.00 a.m. for the purpose of considering and, if thought fit, passing, with or without modifications, the following resolutions, which will be proposed as ordinary and special resolutions (the "**Resolutions**"):

ORDINARY RESOLUTION 1

The Proposed Placement of 195,000,000 Ordinary Shares and Grant of a Call Option to Subscribe for 195,000,000 Ordinary Shares to B&L Group Pte. Ltd.

THAT, subject to and contingent upon Ordinary Resolutions 2, 3, 4 and 6 and Special Resolution 1 being passed:

- (a) approval be and is hereby given to the Company to allot and issue to B&L Group 195,000,000 new Shares at an issue price of S\$0.03 per Placement 1 Share on the terms and subject to the conditions of the Placement and Call Option 1 Agreement;
- (b) pursuant to Rule 803 of the Catalist Rules, approval be and is hereby given for the transfer of controlling interest in the Company to B&L Group pursuant to the issue of the Placement 1 Shares;
- (c) approval be and is hereby given for the grant by the Company of Call Option 1 to B&L Group, carrying the right to subscribe for 195,000,000 new Shares at the exercise price of S\$0.03 per Call Option 1 Share, on the terms and subject to the conditions of the Placement and Call Option 1 Agreement;
- (d) approval be and is hereby given for the allotment and issue of 195,000,000 new Shares upon the exercise of Call Option 1 on the terms and subject to the conditions of the Placement and Call Option 1 Agreement, whereby such Call Option 1 Shares shall rank *pari passu* in all respects with the then existing Shares of the Company except that such Call Option 1 Shares shall not be entitled to any dividends, rights, allotments or other distributions, the Record Date of which is on or before the date of issuance of the Call Option 1 Shares, and will be admitted to listing on the Catalist;
- (e) approval be and is hereby given for the adjustment to the exercise price of Call Option 1 and/or the allotment and issue of additional Call Option 1 Shares as may be required or permitted under the terms of the Placement and Call Option 1 Agreement, whereby such additional Call Option 1 Shares shall rank *pari passu* in all respects with the then existing Shares of the Company except that such additional Call Option 1 Shares shall not be entitled to any dividends, rights, allotments or other distributions, the Record Date of which is on or before the date of issuance of the Call Option 1 Shares, and will be admitted to listing on the Catalist; and
- (f) the Directors and each of them be and are hereby authorised to complete and to do any and all such acts and things (including making such amendments to the terms and conditions of the Placement and Call Option 1 Agreement and executing all such documents as may be required) as they or he may consider necessary, desirable or expedient to give effect to the Placement and Call Option 1 Agreement and this Ordinary Resolution 1.

NOTICE OF EXTRAORDINARY GENERAL MEETING

ORDINARY RESOLUTION 2

The Proposed Placement of 15,000,000 Ordinary Shares and Grant of a Call Option to Subscribe for 15,000,000 Ordinary Shares to Mr Choo Uihwan

THAT, subject to and contingent upon Ordinary Resolutions 1, 3, 4 and 6 and Special Resolution 1 being passed:

- (a) approval be and is hereby given to the Company to allot and issue to Mr Choo 15,000,000 new Shares at an issue price of S\$0.03 per Placement 2 Share on the terms and subject to the conditions of the Placement and Call Option 2 Agreement;
- (b) approval be and is hereby given for the grant by the Company of Call Option 2 to Mr Choo, carrying the right to subscribe for 15,000,000 new Shares at the exercise price of S\$0.03 per Call Option 2 Share, on the terms and subject to the conditions of the Placement and Call Option 2 Agreement;
- (c) approval be and is hereby given for the allotment and issue of 15,000,000 new Shares upon the exercise of Call Option 2 on the terms and subject to the conditions of the Placement and Call Option 2 Agreement, whereby such Call Option 2 Shares shall rank *pari passu* in all respects with the then existing Shares of the Company except that such Call Option 2 Shares shall not be entitled to any dividends, rights, allotments or other distributions, the Record Date of which is on or before the date of issuance of the Call Option 2 Shares, and will be admitted to listing on the Catalist;
- (d) approval be and is hereby given for the adjustment to the exercise price of Call Option 2 and/or the allotment and issue of additional Call Option 2 Shares as may be required or permitted under the terms of the Placement and Call Option 2 Agreement, whereby such additional Call Option 2 Shares shall rank *pari passu* in all respects with the then existing Shares of the Company except that such additional Call Option 2 Shares shall not be entitled to any dividends, rights, allotments or other distributions, the Record Date of which is on or before the date of issuance of the Call Option 2 Shares, and will be admitted to listing on the Catalist; and
- (e) the Directors and each of them be and are hereby authorised to complete and to do any and all such acts and things (including making such amendments to the terms and conditions of the Placement and Call Option 2 Agreement and executing all such documents as may be required) as they or he may consider necessary, desirable or expedient to give effect to the Placement and Call Option 2 Agreement and this Ordinary Resolution 2.

ORDINARY RESOLUTION 3

The Proposed Issuance of up to 10,000,000 Ordinary Shares to Mr Won Dae Ro

THAT, subject to and contingent upon Ordinary Resolution 1 being passed:

- (a) approval be and is hereby given to the Company to allot and issue to the Arranger:
 - (i) 5,000,000 Arrangement Shares upon the issuance of the Placement 1 Shares to B&L Group by the Company; and
 - (ii) 5,000,000 Arrangement Shares upon the issuance of the Call Option 1 Shares to B&L Group pursuant to the exercise of Call Option 1 by B&L Group,

on the terms and subject to the conditions of the Consultancy Agreement; and

NOTICE OF EXTRAORDINARY GENERAL MEETING

- (b) the Directors and each of them be and are hereby authorised to complete and to do any and all such acts and things (including making such amendments to the terms and conditions of the Consultancy Agreement and executing all such documents as may be required) as they or he may consider necessary, desirable or expedient to give effect to the Consultancy Agreement and this Ordinary Resolution 3.

ORDINARY RESOLUTION 4

The Whitewash Resolution

THAT subject to and contingent upon Ordinary Resolution 1 being passed and the satisfaction of all the conditions as set out in the letter from the Securities Industry Council dated 2 October 2013, the shareholders of the Company who are independent of B&L Group and/or its concert parties, on a poll taken, do hereby unconditionally and irrevocably waive their right to receive a general offer for all the Shares held by them to be made by B&L Group and/or its concert parties at the highest price paid or agreed to be paid by B&L Group and/or its concert parties in the six (6) months prior to B&L Group and/or its concert parties incurring the general offer obligation under Rule 14 of the Takeover Code, as a result of the acquisition by B&L Group and/or its concert parties of 30% or more of the voting rights in the Company pursuant to the allotment and issuance of the Placement 1 Shares.

ORDINARY RESOLUTION 5

The Proposed Appointment of Mr Ong Boon Chuan as a Director of the Company

THAT, subject to and contingent upon Ordinary Resolution 1 being passed and Placement 1 being completed in accordance with the Placement and Call Option 1 Agreement (the date of such completion being the “**Placement 1 Completion Date**”) and subject further to his individual consent to act, Mr Ong Boon Chuan be appointed as a Director of the Company with effect from the Placement 1 Completion Date.

ORDINARY RESOLUTION 6

The Proposed Diversification of the Company’s Business to Include Property Development

THAT, subject to and contingent upon Ordinary Resolution 1 being passed and Placement 1 being completed in accordance with the Placement and Call Option 1 Agreement:

- (a) the Current Core Business of the Group be and is hereby expanded to include the Property Development Business;
- (b) the Company be and is hereby authorised to invest in, purchase or otherwise acquire or dispose of, from time to time any such assets, investments and shares/interests in any entity that is in the Property Development Business on such terms and conditions as the Directors deem fit, and such Directors be and are hereby authorised to take such steps and exercise such discretion and do all such acts or things as they deem desirable, necessary or expedient or give effect to any such investment, purchase, acquisition or disposal; and
- (c) the Directors and each of them be and are hereby severally authorised to do all acts and things (including executing all such documents as may be required) as they or each of them deem desirable, necessary or expedient to give effect to the matters referred to in this Ordinary Resolution 6 as they or each of them may in their absolute discretion deem fit in the interest of the Company.

NOTICE OF EXTRAORDINARY GENERAL MEETING

SPECIAL RESOLUTION 1

The Proposed Change of the Company's Name

THAT subject to and contingent upon Ordinary Resolutions 1 and 5 being passed:

- (a) the name of the Company be changed from "Oniontech Limited" to "Edition Ltd." and that the name "Edition Ltd." be substituted for "Oniontech Limited" wherever the latter name appears in the memorandum of association and articles of association of the Company; and
- (b) any Director and/or officer of the Company be and is/are hereby authorised to complete and do all such acts and things (including executing or amending all such documents as may be required) as he may consider expedient or necessary or appropriate to give effect to this Special Resolution 1.

By Order of the Board
ONIONTECH LIMITED

Lee Jei Hoon
Executive Director/Chief Financial Officer

Singapore
24 June 2014

Notes:-

- (1) Save as provided in the Articles of Association, a member entitled to attend and vote at the Extraordinary General Meeting is entitled to appoint up to two proxies to attend and vote in his stead. A proxy need not be a member of the Company.
- (2) If the appointer is a corporation, the instrument appointing the proxy or proxies must be executed either under its seals or under the hand of its officer or attorney duly authorised.
- (3) The instrument appointing a proxy must be deposited at the registered office of the Company at 80 Robinson Road, #02-00, Singapore 068898 not less than 48 hours before the time appointed for holding the above Extraordinary General Meeting.

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PROXY FORM

ONIONTECH LIMITED

(Incorporated in the Republic of Singapore)
(Company Registration Number 200411873E)

PROXY FORM

IMPORTANT:

1. For investors who have used their CPF monies to buy shares in the capital of Oniontech Limited, 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 intents and purposes if used or purported to be used by them.
3. CPF Investors who wish to vote should contact their CPF approved Nominees.

*I/We _____ (Name) _____ (NRIC/Passport No.)

of _____ (Address)

being * a member/members of Oniontech Limited (the “**Company**”), hereby appoint

Name	Address	NRIC/ Passport No.	Proportion of shareholdings to be represented by proxy (%)

*and/or

--

or failing *him/them, the Chairman of the Extraordinary General Meeting as *my/our *proxy/proxies to attend and 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 NTUC Centre, 1 Marina Boulevard, Level 9, Room 902, One Marina Boulevard, Singapore 018989 on 16 July 2014 at 11.00 a.m. and at any adjournment thereof.

*I/we direct *my/our *proxy/proxies to vote for or against the Ordinary Resolutions and the Special Resolution to be proposed at the Extraordinary General Meeting as indicated with an “X” in the spaces provided hereunder. If no specific directions as to voting are given or in the event of any other matter arising at the Extraordinary General Meeting and at any adjournment thereof, the *proxy/proxies will vote or abstain from voting at *his/their discretion.

No.	Ordinary Resolutions relating to ⁽³⁾ :	To be used on a show of hands ⁽¹⁾		To be used in the event of a poll ⁽²⁾	
		For	Against	Number of votes For	Number of votes Against
1.	The proposed placement of 195,000,000 Shares and grant of a call option to subscribe for 195,000,000 Shares to B&L Group Pte. Ltd.				
2.	The proposed placement of 15,000,000 Shares and grant of a call option to subscribe for 15,000,000 Shares to Mr Choo Uihwan				
3.	The proposed issuance of up to 10,000,000 Shares to Mr Won Dae Ro				
4.	The Whitewash Resolution (by poll only)				
5.	The proposed appointment of Mr Ong Boon Chuan as a director of the Company				
6.	The proposed diversification of the Company's business to include Property Development				
Special Resolution relating to⁽³⁾:					
1.	The proposed change of the Company's name				



PROXY FORM

Notes:

- (1) Please indicate your vote "For" or "Against" with an "X" within the box provided.
- (2) If you wish to exercise all your votes "For" or "Against", please indicate with an "X" in the box provided. Otherwise, please indicate the number of votes as appropriate.
- (3) Capitalised terms used in this Proxy Form shall bear the meanings ascribed to them in the Circular to Shareholders dated 24 June 2014 unless otherwise defined herein or where the context otherwise requires. Please note that the short descriptions given above of the Resolutions to be passed do not in any way whatsoever reflect the intent and purpose of the Resolutions. The short descriptions have been inserted for convenience only. Shareholders are encouraged to refer to the Notice of Extraordinary General Meeting for the full purpose and intent of the Resolutions to be passed.

Dated this _____ day of _____ 2014

Total Number of Shares Held in	No. of Shares
(a) CDP Register	
(b) Register of Members	

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

** Delete accordingly*

IMPORTANT. Please read notes below**Notes:**

1. A member of the Company entitled to attend and vote at the Extraordinary General Meeting is entitled to appoint not more than two proxies to attend and vote in his stead. Such proxy need not be a member of the Company.
2. Where a member of the Company appoints two proxies, he shall specify the proportion of his shareholding (expressed as a percentage of the whole) to be represented by each such proxy.
3. The instrument appointing a proxy or proxies must be under the hand of the appointor or his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed under its common seal or under the hand of its attorney or duly authorised officer.
4. A corporation which is a member of the Company 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 its Articles of Association and Section 179 of the Companies Act, Chapter 50 of Singapore .
5. The instrument appointing proxy or proxies, together with the power of attorney or other authority (if any) under which it is signed, or notarially certified copy thereof, must be deposited at the registered office of the Company at 80 Robinson Road, #02-00, Singapore 068898 not later than 48 hours before the time set for the Extraordinary General Meeting.
6. A member should insert the total number of Shares held. If the member has Shares entered against his name in the Depository Register (as defined in Section 130A of the Companies Act, Chapter 50 of Singapore), he should insert that number of Shares. If the member has Shares registered in his name in the Register of Members of the Company, he should insert that number of Shares. If the member has Shares entered against his name in the Depository Register and Shares registered in his name in the Register of Members of the Company, he should insert the aggregate number of Shares. If no number is inserted, this form of proxy will be deemed to relate to all the Shares held by the member of the Company.
7. The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of members of the Company whose Shares are entered against their names in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if such members are not shown to have Shares entered against their names in the Depository Register 48 hours before the time appointed for holding the Extraordinary General Meeting as certified by The Central Depository (Pte) Limited to the Company.
8. A Depositor shall not be regarded as a member of the Company entitled to attend the Extraordinary General Meeting and to speak and vote thereat unless his name appears on the Depository Register 48 hours before the time set for the Extraordinary General Meeting.

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