

CIRCULAR DATED 29 JUNE 2020

THIS CIRCULAR IS ISSUED BY THE COMPANY. THIS CIRCULAR IS IMPORTANT AS IT CONTAINS THE RECOMMENDATION OF THE INDEPENDENT DIRECTORS AND THE ADVICE OF THE INDEPENDENT FINANCIAL ADVISER. THIS CIRCULAR REQUIRES YOUR IMMEDIATE ATTENTION. PLEASE READ IT CAREFULLY.

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

If you have sold or transferred all your shares in the capital of the Company held through 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 in the capital of the Company represented by physical share certificate(s), you should at once hand this Circular to the purchaser or transferee or to the bank, stockbroker or agent through whom you effected the sale or transfer, for onward transmission to the purchaser or transferee.

The Singapore Exchange Securities Trading Limited assumes no responsibility for the correctness of any of the statements made, reports contained or opinions expressed in this Circular.

CIRCULAR TO SHAREHOLDERS

in relation to the

VOLUNTARY CONDITIONAL CASH OFFER

by

UNITED OVERSEAS BANK LIMITED

(Company Registration No.: 193500026Z)

(Incorporated in Singapore)

for and on behalf of

DYNAMIC TECHNOLOGY PTE. LTD.

(Company Registration No.: 202009775C)

(Incorporated in Singapore)

to acquire all the issued and paid-up ordinary shares in the share capital of



DYNAMIC COLOURS LIMITED

(Company Registration No.: 199304233Z)

(Incorporated in Singapore)

other than those held, directly or indirectly, by Dynamic Technology Pte. Ltd as at the date of the Offer

Independent Financial Adviser to the Independent Directors of the Company



Xandar Capital Pte. Ltd.

(Company Registration No. 200002789M)

(Incorporated in Singapore)

**SHAREHOLDERS SHOULD NOTE THAT ACCEPTANCE MUST BE RECEIVED BY
THE CLOSE OF THE OFFER AT 5.30 P.M. (SINGAPORE TIME) ON 27 JULY 2020**

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DEFINITIONS

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

“Business Day”	:	A day other than Saturday, Sunday or a public holiday on which banks are open for business in Singapore
“CDP”	:	The Central Depository (Pte) Limited
“Circular”	:	This circular to Shareholders dated 29 June 2020 in relation to the Offer, enclosing, <i>inter alia</i> , the IFA Letter
“Code”	:	The Singapore Code on Take-overs and Mergers
“Companies Act”	:	The Companies Act (Chapter 50 of Singapore)
“Company”	:	Dynamic Colours Limited
“Company Securities”	:	(a) Shares; (b) securities which carry voting rights in the Company; and (c) Convertible Securities, Warrants, Options and Derivatives in respect of (a) or (b)
“Constitution”	:	The constitution of the Company
“Convertible Securities”	:	Securities convertible or exchangeable into new Shares or existing Shares
“CPF”	:	Central Provident Fund
“CPFIS”	:	CPF Investment Scheme
“Directors”	:	The directors of the Company as at the Latest Practicable Date
“Derivatives”	:	Includes any financial product whose value in whole or in part is determined directly or indirectly by reference to the price of an underlying security or securities
“FAA”	:	Form of Acceptance and Authorisation for Offer Shares which forms part of the Offer Document and which is issued to Shareholders whose Shares are deposited with the CDP
“FAT”	:	Form of Acceptance and Transfer for Offer Shares which forms part of the Offer Document and which is issued to Shareholders whose Shares are not deposited with the CDP
“Final Closing Date”	:	5.30 p.m. (Singapore time) on 27 July 2020
“FY”	:	Financial year ended or ending 31 December
“Group”	:	The Company and its subsidiaries
“IFA Letter”	:	Shall have the meaning ascribed to it in Section 11.1 of this Circular

DEFINITIONS

“Independent Directors”	:	The Directors who are considered independent for the purposes of the Offer, being Chong Yee Siew Sebastian, Law Cheong Yan, Tan Lye Huat and Shabbir s/o Hakimuddin Hassanbhai
“Independent Financial Adviser” or “IFA”	:	Xandar Capital Pte. Ltd., the independent financial adviser to the Independent Directors in connection with the Offer
“Interested Person”	:	As defined in Note to Rule 24.6 of the Code and read with Note to Rule 23.12 of the Code, an interested person, in relation to a company, is: (a) a director, chief executive officer, or Substantial Shareholder of the company; (b) the immediate family of a director, the chief executive officer, or a Substantial Shareholder (being an individual) of the company; (c) the trustees, acting in their capacity as such trustees, of any trust of which a director, the chief executive officer, or a Substantial Shareholder (being an individual) and his immediate family is a beneficiary; (d) any company in which a director, the chief executive officer, or a Substantial Shareholder (being an individual) together and his immediate family together (directly or indirectly) have an interest of 30% or more; (e) any company that is the subsidiary, holding company or fellow subsidiary of the Substantial Shareholder (being a company); or (f) any company in which a Substantial Shareholder (being a company) and any of the companies listed in (e) above together (directly or indirectly) have an interest of 30% or more
“Irrevocable Undertakings”	:	The irrevocable undertakings from each of the Undertaking Parties to, <i>inter alia</i> , accept the Offer in respect of all Shares held by each of them respectively
“Latest Practicable Date”	:	22 June 2020, being the latest practicable date prior to the printing of this Circular
“Market Day”	:	A day on which the SGX-ST is open for trading of securities
“Offer”	:	The voluntary conditional cash offer made by UOB, for and on behalf of the Offeror on the Offer Announcement Date, to acquire all the Offer Shares on the terms and subject to the conditions set out in the Offer Document, the FAA and the FAT, as such offer may be amended, extended and revised from time to time by or on behalf of the Offeror
“Offer Announcement”	:	Shall have the meaning ascribed to it in Section 1.1 of this Circular

DEFINITIONS

“Offer Announcement Date”	:	1 June 2020
“Offer Document”	:	The offer document dated 15 June 2020, including the FAA and FAT, and any supplemental documents issued by or on behalf of the Offeror from time to time
“Offeror”	:	Dynamic Technology Pte. Ltd.
“Offeror Securities”	:	(a) shares in the capital of the Offeror; (b) any other securities which carry voting rights in the Offeror; and (c) any other Convertible Securities, Warrants, Options and Derivatives in respect of (a) or (b)
“Offer Price”	:	S\$0.225 in cash for each Offer Share
“Offer Shares”	:	Issued and paid-up ordinary shares in the capital of the Company (including all the Shares owned, controlled or agreed to be acquired by persons acting in concert with the Offeror in connection with the Offer) other than those Shares held, directly or indirectly, by the Offeror as at the Offer Announcement Date
“Options”	:	Options to subscribe for new Shares or purchase existing Shares
“Overseas Person”	:	Shall have the meaning ascribed to it in Section 12.1 of this Circular
“Relevant Acceptance Forms”	:	The FAA and/or the FAT (as the case may be)
“Relevant Period”	:	The period commencing on 1 March 2020, being the date falling three months prior to the Offer Announcement Date, and ending on the Latest Practicable Date
“Securities and Futures Act”	:	The Securities and Futures Act (Chapter 289 of Singapore)
“SGXNET”	:	A system network used by listed companies to send information and announcements to the SGX-ST or any other system networks prescribed by the SGX-ST
“SGX-ST”	:	Singapore Exchange Securities Trading Limited
“Shareholder(s)”	:	Holder(s) of Shares (including persons whose/which Shares are deposited with CDP or who/which have purchased Shares on the SGX-ST)
“Share Registrar”	:	Tricor Barbinder Share Registration Services (a division of Tricor Singapore Pte. Ltd.), which is located at 80 Robinson Road #02-00 Singapore 068898
“Shares”	:	Issued and paid-up ordinary shares in the share capital of the Company
“SIC”	:	Securities Industry Council of Singapore

DEFINITIONS

“Sponsors”	:	Goh Seok Eng and Yeo Hock Leng
“SRS”	:	Supplementary Retirement Scheme
“SRS Investors”	:	Investors who have purchased Shares using their SRS contributions pursuant to the SRS
“Substantial Shareholder”	:	A person who has an interest in not less than 5% of the total number of issued voting Shares
“S\$” and “cents”	:	Singapore dollars and cents respectively, being the lawful currency of Singapore
“Unconditional Announcement”	:	The announcement issued on 22 June 2020 by UOB, for and on behalf of the Offeror, <i>inter alia</i> , declaring the Offer unconditional in all respects and extending the closing date of the Offer to the Final Closing Date
“Undertaking Parties”	:	Yeo Hock Leng, Goh Seok Eng, Intraco Limited, Lee Low Meng, Syn Chung Wah/Quek Soh Mui Lucy, Tay Giok Siang, Hoe Puay Choo, Ma Fat Ying, and Chia Su Hoong Jennifer
“UOB”	:	United Overseas Bank Limited
“US\$” or “USD”	:	United States dollars, being the lawful currency of the United States of America
“Warrants”	:	Right to subscribe for new Shares or purchase existing Shares
“%” or “per cent.”	:	Percentage or per centum

Acting in Concert. The expression “**acting in concert**” shall have the meaning ascribed to it in the Code.

Announcements and Notices. References to the making of an announcement or the giving of notice by the Company shall include the release of an announcement by the Company or its agents, for and on behalf of the Company, to the press or the delivery of or transmission by telephone, telex, facsimile, SGXNET or otherwise of an announcement to the SGX-ST. An announcement made otherwise than to the SGX-ST shall be notified to the SGX-ST simultaneously.

Capitalised Terms in Extracts. Statements which are reproduced in their entirety from the Offer Document, the Unconditional Announcement, the IFA Letter and the Constitution are set out in this Circular within quotes and italics, and capitalised terms used within these reproduced statements and not defined herein shall bear the same meanings as attributed to them in the Offer Document, the Unconditional Announcement, the IFA Letter and the Constitution respectively.

Depository Related Terms. The terms “depositor”, “depository agent” and “depository register” shall have the meanings ascribed to them respectively in Section 81SF of the Securities and Futures Act.

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

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

DEFINITIONS

Rounding. Any discrepancies in the tables in this Circular between the listed amounts and the totals thereof are due to rounding. Accordingly, figures shown as totals in this Circular may not be an arithmetic aggregation of the figures that precede them.

Shareholders. References to “you”, “your” and “yours” in this Circular are, as the context so determines, to Shareholders.

Statutes. Any reference in this Circular to any enactment or statutory provision is a reference to that enactment or statutory provision for the time being amended, modified or re-enacted. Any word defined in the Companies Act, the Code, the Securities and Futures Act or any modification thereof and not otherwise defined in this Circular shall, where applicable, have the meaning assigned to that word under the Companies Act, the Code, the Securities and Futures Act or that modification, as the case may be, unless the context otherwise requires.

Subsidiary, Related Corporation. References to “subsidiary” and “related corporation” shall have the meanings ascribed to them respectively in Sections 5 and 6 of the Companies Act.

Time and Date. Any reference to a time of day and date in this Circular shall be a reference to Singapore time and date, unless otherwise specified.

Total Number of Shares and Percentage as at the Latest Practicable Date. In this Circular, the total number of Shares is a reference to a total of 209,971,310 Shares in issue as at the Latest Practicable Date (excluding treasury Shares) based on a search conducted at the Accounting and Corporate Regulatory Authority of Singapore (“**ACRA**”), unless the context otherwise requires. Unless otherwise specified, all references to a percentage shareholding in the capital of the Company in this Circular are based on 209,971,310 Shares in issue as at the Latest Practicable Date (excluding treasury Shares) based on a search conducted at the ACRA.

CAUTIONARY NOTE ON FORWARD-LOOKING STATEMENTS

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 “aim”, “seek”, “expect”, “anticipate”, “estimate”, “believe”, “intend”, “project”, “plan”, “strategy”, “forecast” and similar expressions or future and conditional verbs such as “will”, “would”, “should”, “could”, “may” and “might”. These statements reflect the Offeror’s current expectations, beliefs, hopes, intentions or strategies regarding the future and assumptions in light of information available as at the Latest Practicable Date. 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 and other investors of the Company and shareholders and other investors of the Offeror should not place undue reliance on such forward-looking statements. The Offeror does not guarantee any future performance or event or undertakes any obligation to update publicly or revise any forward-looking statements.

INDICATIVE TIMETABLE

Date of despatch of Offer Document : 15 June 2020

Date of despatch of this Circular : 29 June 2020

Final Closing Date : **5.30 p.m. (Singapore time) on 27 July 2020**

The Offeror has stated that it does not intend to extend the Offer beyond the Final Closing Date. Accordingly the Offer will not be open for acceptance beyond 5.30 p.m. (Singapore time) on the Final Closing Date

Date of settlement of consideration for valid acceptance of the Offer⁽¹⁾ : (a) in respect of acceptances of the Offer which are complete and valid in all respects and are received on or before the date on which the Offer becomes or is declared to be unconditional in all respects, within seven (7) Business Days of that date; or

(b) in respect of acceptances of the Offer which are complete and valid in all respects and are received after the Offer becomes or is declared to be unconditional in all respects, but before the Offer closes, within seven (7) Business Days of the date of such receipt.

Note:

(1) Please also refer to Appendix IV to the Offer Document for further details.

LETTER TO SHAREHOLDERS

DYNAMIC COLOURS LIMITED

(Company Registration No.: 199304233Z)
(Incorporated in Singapore)

Directors:

Goh Seok Eng, *Executive Chairman*
Yeo Hock Leng, *Group Executive Officer and Alternative Director to Goh Seok Eng*
Chong Yee Siew Sebastian, *Lead Independent Director*
Law Cheong Yan, *Independent Director*
Tan Lye Huat, *Independent Director*
Shabbir s/o Hakimuddin Hassanbhai, *Non-Executive Director*

Registered Office:

21 Woodlands Close
#09-12 Primz Bizhub
Singapore 737854

29 June 2020

To: The Shareholders of Dynamic Colours Limited

Dear Sir / Madam,

VOLUNTARY CONDITIONAL CASH OFFER BY UOB, FOR AND ON BEHALF OF THE OFFEROR, FOR THE OFFER SHARES

1. INTRODUCTION

- 1.1 **Offer Announcement.** On the Offer Announcement Date, UOB announced, for and on behalf of the Offeror, that the Offeror intends to make the Offer for the Offer Shares in accordance with Rule 15 of the Code (the “**Offer Announcement**”). A copy of the Offer Announcement is available on the website of the SGX-ST at www.sgx.com.
- 1.2 **Offer Document.** Shareholders should by now have received a copy of the Offer Document and the Relevant Acceptance Forms, which set out, *inter alia*, the terms and conditions of the Offer. The principal terms and conditions of the Offer are set out on pages 6-8 of the Offer Document. A copy of the Offer Document is available on the website of the SGX-ST at www.sgx.com.
- 1.3 **Unconditional Announcement.** On 22 June 2020, UOB issued the Unconditional Announcement, for and on behalf of the Offeror, announcing that the Offer has been declared unconditional in all respects. In addition, it states that the Offeror does not intend to extend the Offer beyond the Final Closing Date and accordingly, that the Offer will not be open for acceptance beyond 5.30 p.m. (Singapore time) on the Final Closing Date. Acceptances received after 5.30 p.m. (Singapore time) on the Final Closing Date will be rejected. The Unconditional Announcement also contained details on the Offeror’s intention to exercise its right of compulsory acquisition in respect of the remaining Offer Shares. A copy of the Unconditional Announcement is available on the website of the SGX-ST at www.sgx.com.

Shareholders are advised to read the terms and conditions of the Offer contained in the Offer Document, as supplemented by the Unconditional Announcement, carefully.

- 1.4 **Purpose of this Circular.** The purpose of this Circular is to provide Shareholders with relevant information pertaining to the Company and the Offer, and to set out the advice of the IFA to the Independent Directors and the recommendation of the Independent Directors in respect of the Offer.

Shareholders should read the Offer Document, this Circular and the IFA Letter carefully and consider the recommendation of the Independent Directors and the advice of the IFA to the Independent Directors on the Offer before deciding on whether to accept or reject the Offer.

LETTER TO SHAREHOLDERS

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

2. THE OFFER

- 2.1 **Terms of the Offer.** The Offer is made by UOB, for and on behalf of the Offeror, on the principal terms set out in Section 2 of the Offer Document, extracts of which are set out below. Unless otherwise defined, all terms and expressions used in the extracts below shall have the same meanings as those defined in the Offer Document.

Since the despatch of the Offer Document, UOB has issued the Unconditional Announcement on behalf of the Offeror announcing that:-

- (a) the Offer has become unconditional in all respects; and
- (b) the Offeror does not intend to extend the Offer beyond the Final Closing Date and that the Offer will not be open for acceptance beyond 5.30 p.m. (Singapore time) on the Final Closing Date, and accordingly that acceptances received after 5.30 p.m. (Singapore time) on the Final Closing Date will be rejected.

“2. THE OFFER”

2.1 Offer Shares

The Offer is extended, on the same terms and conditions, to all the Shares (including, for the avoidance of doubt, all the Shares owned, controlled or agreed to be acquired by persons acting in concert with the Offeror in connection with the Offer), other than those Shares held, directly or indirectly, by the Offeror.

*For the purposes of the Offer, the expression the “**Offer Shares**” will include all such Shares.*

2.2 Consideration

For each Offer Share: S\$0.225 in cash (the “Offer Price**”).**

2.3 No Encumbrances

*The Offer Shares will be acquired (a) fully paid-up; (b) free from all liens, mortgages, charges, encumbrances, rights of pre-emption and other security or third party rights and interests of any nature whatsoever (the “**Encumbrances**”); and (c) together with all rights, benefits and advantages attached thereto as at the Offer Announcement Date and thereafter attaching thereto (including the right to receive and retain all dividends, rights, other distributions and return of capital, if any, which may be announced, declared, paid or made thereon by the Company on or after the Offer Announcement Date).*

*Without prejudice to the generality of the foregoing, the Offer Price has been determined on the basis that the Offer Shares will be acquired with the right to receive any dividends that may be declared, made or paid by the Company on or after the Offer Announcement Date (including the final one-tier tax exempt dividend of S\$0.010 per Share for the financial year ended 31 December 2019 proposed by the directors of the Company (the “**FY19 Dividend**”)).*

In the event that any dividend (including the FY19 Dividend) has been paid or is payable by the Company to a Shareholder who accepts the Offer, the Offer Price payable to such accepting Shareholder shall be reduced by an amount which is equal to the amount of such dividend paid by the Company to such accepting Shareholder.

LETTER TO SHAREHOLDERS

Accordingly, the following will apply if any dividend (including the FY19 Dividend) is declared, made or paid by the Company on or after the Offer Announcement Date:

- (a) if the settlement date in respect of the Offer Shares accepted pursuant to the Offer falls on or before the record date for the determination of entitlements to the dividend (the “**Record Date**”), the Offeror will pay the relevant accepting Shareholders the Offer Price of S\$0.225 in cash for each Offer Share, as the Offeror will receive the dividend in respect of those Offer Shares from the Company; and
- (b) if the settlement date in respect of the Offer Shares accepted pursuant to the Offer falls after the Record Date, the amount of the dividend in respect of such Offer Shares will be deducted from the Offer Price of S\$0.225 in cash for each Offer Share payable for such Offer Shares, as the Offeror will not receive the dividend in respect of those Offer Shares from the Company.

In respect of the FY19 Dividend, the Record Date has been announced by the Company to be 29 June 2020. As such, if the settlement date in respect of the Offer Shares accepted pursuant to the Offer by a Shareholder falls after such Record Date, the amount of the FY19 Dividend in respect of such accepted Offer Shares will be deducted from the Offer Price such that the accepting Shareholder will receive the net Offer Price of S\$0.215 in cash for each accepted Offer Share.

2.4 Conditional Offer

The Offer will be conditional upon the Offeror having received, by the close of the Offer, valid acceptances in respect of such number of Offer Shares which, when taken together with the Shares owned, controlled or agreed to be acquired by the Offeror (whether before or during the Offer and pursuant to the Offer or otherwise), will result in the Offeror holding not less than 90% of the voting rights attributable to the total number of issued Shares (excluding any Shares held in treasury) as at the close of the Offer (the “**Acceptance Condition**”).

Accordingly, the Offer will not become or be capable of being declared unconditional as to acceptances unless at any time prior to the close of the Offer, the Offeror has received valid acceptances in respect of such Offer Shares which, when taken together with the Shares owned, controlled or agreed to be acquired by the Offeror (whether before or during the Offer and pursuant to the Offer or otherwise), will result in the Offeror holding such number of Shares carrying not less than 90% of the voting rights attributable to the total number of issued Shares.

The Offeror reserves the right to reduce the Acceptance Condition to a lower minimum acceptance level below 90% but above 50% of the voting rights attributable to the total number of issued Shares (excluding any Shares held in treasury), provided that such revision may only be made after obtaining the consent of the SIC. In the event that the Acceptance Condition is revised, the revised Offer shall remain open for another 14 days following the date of the posting of the notification of the revision and Shareholders who have accepted the Offer will be permitted to withdraw their acceptances within eight (8) days of the date of the posting of the notification of such revision of the Acceptance Condition.

Save for the Acceptance Condition, the Offer will be unconditional in all other respects.

LETTER TO SHAREHOLDERS

2.5 Warranty

Acceptance of the Offer will be deemed to constitute an unconditional and irrevocable warranty by the accepting Shareholder that each Offer Share tendered in acceptance of the Offer is sold by the accepting Shareholder, as or on behalf of the beneficial owner(s) thereof, (a) fully paid-up; (b) free from Encumbrances; and (c) together with all rights, benefits and advantages attached thereto as at the Offer Announcement Date and thereafter attaching thereto (including the right to receive and retain all dividends, rights, other distributions and return of capital, if any, which may be announced, declared, paid or made thereon by the Company on or after the Offer Announcement Date)."

As stated in the Unconditional Announcement, the Offeror had on 22 June 2020 received valid acceptances in respect of such number of Offer Shares which, when taken together with the Shares owned, controlled or agreed to be acquired by the Offeror (whether before or during the Offer and pursuant to the Offer or otherwise), result in the Offeror holding not less than 90% of the voting rights attributable to the total number of issued Shares (excluding any Shares held in treasury). Accordingly, the Offer has become unconditional as to acceptances and has been declared unconditional in all respects on the date of the Unconditional Announcement.

- 2.2 Duration of Offer.** The duration of the Offer is set out in Section 1 of Appendix IV to the Offer Document, the extract of which is set out below.

"1. DURATION OF THE OFFER

(a) Closing Date

Except insofar as the Offer may be withdrawn with the consent of the SIC and every person released from any obligation incurred thereunder, the Offer will remain open for acceptances for a period of at least 28 days from the date of posting of this Offer Document.

The Offer will close at 5.30 p.m. (Singapore time) on 13 July 2020 or such later date(s) as may be announced from time to time by or on behalf of the Offeror.

(b) Offer to remain open for 14 days after being declared unconditional as to acceptances

Pursuant to Rule 22.6 of the Code, if the Offer becomes or is declared to be unconditional as to acceptances, the Offer will remain open for acceptance for not less than 14 days after the date on which it would otherwise have closed, in order to give those Shareholders who have not accepted the Offer the opportunity to do so. This requirement does not apply if, before the Offer becomes or is declared to be unconditional as to acceptances, the Offeror has given notice in writing to the Shareholders at least 14 days before the specified Closing Date that the Offer will not be open for acceptance beyond that date, provided that such notice may not be given, or if already given, shall not be capable of being enforced in a competitive situation.

(c) Final day rule

Pursuant to Rule 22.9 of the Code, the Offer (whether revised or not) will not be capable of becoming or being declared to be unconditional as to acceptances after 5.30 p.m. (Singapore time) on the 60th day after the date of posting of this Offer Document or of being kept open after the expiry of such period, unless it has previously become or been declared to be unconditional as to acceptances, except with the prior approval of the SIC. The SIC will consider granting such permission in circumstances including but not limited to, where a competing offer has been announced.

LETTER TO SHAREHOLDERS

(d) **Revision**

Pursuant to Rule 20.1 of the Code, the Offer, if revised, will remain open for acceptance for a period of at least 14 days from the date of despatch of the written notification of the revision to Shareholders. In any case, where the terms are revised, the benefit of the Offer (as so revised) will be made available to each of the Shareholders including those who had previously accepted the Offer.

(e) **Subsequent closing date(s)**

If there is an extension of the Offer, pursuant to Rule 22.4 of the Code, any announcement of an extension will state the next closing date or if the Offer is unconditional as to acceptances, a statement may be made that the Offer will remain open until further notice. In the latter case, those Shareholders who have not accepted the Offer will be notified in writing at least 14 days before the Offer is closed.

(f) **No obligation to extend Offer**

The Offeror is not obliged to extend the Offer if the Acceptance Condition is not fulfilled by the Closing Date(s)."

As stated in the Unconditional Announcement, the Offeror had on 22 June 2020 declared that the Offer has become unconditional in all respects and the Offeror does not intend to extend the Offer beyond the Final Closing Date. Accordingly the Offer will not be open for acceptance beyond 5.30 p.m. (Singapore time) on the Final Closing Date, and acceptances received after 5.30 p.m. (Singapore time) on the Final Closing Date will be rejected.

- 2.3 **Details of the Offer.** The details of the Offer relating to (a) the settlement of the consideration for the Offer; (b) the requirements relating to the announcement of the level of acceptances of the Offer; and (c) the right of withdrawal of acceptances of the Offer are set out in Sections 2, 3 and 4 of Appendix IV to the Offer Document, extracts of which are set out below.

"2. SETTLEMENT FOR THE OFFER

Subject to the Offer becoming or being declared to be unconditional in all respects in accordance with its terms and the receipt by the Offeror from accepting Shareholders of valid acceptances, complete in all respects and in accordance with the instructions given in this Offer Document and the FAA, the FAT and/or the terms and conditions for Electronic Acceptance (as the case may be) and in the case of a depositor, the receipt by the Offeror of confirmation satisfactory to it that the relevant number of Offer Shares are standing to the credit of the "Free Balance" of the depositor's Securities Account at the relevant time(s), remittances in the form of S\$ cheques drawn on a bank in Singapore for the appropriate amounts will be despatched, pursuant to Rule 30 of the Code, to the accepting Shareholder (or, in the case of a Shareholder holding share certificate(s) which is not deposited with CDP, his designated agent (if any)) by ordinary post and at the risk of the accepting Shareholder or in such manner as he may have agreed with CDP for payment of any cash distribution as soon as practicable but in any event:

- (a) in respect of acceptances of the Offer which are complete and valid in all respects and are received on or before the date on which the Offer becomes or is declared to be unconditional in all respects, within seven (7) business days of that date; or*
- (b) in respect of acceptances of the Offer which are complete and valid in all respects and are received after the Offer becomes or is declared to be unconditional in all respects, but before the Offer closes, within seven (7) business days of the date of such receipt.*

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3. **ANNNOUCEMENTS**

- (a) Pursuant to Rule 28.1 of the Code, by 8.00 a.m. (Singapore time) on the dealing day (the “**Relevant Day**”) immediately after the day on which the Offer is due to expire, or becomes or is declared to be unconditional as to acceptances, or is revised or extended (if applicable), the Offeror will announce and simultaneously inform the SGX-ST of the total number of Shares (as nearly as practicable):
- (i) in respect of which valid acceptances of the Offer have been received;
 - (ii) held by the Offeror and any person acting in concert with it before the Offer Period; and
 - (iii) acquired or agreed to be acquired by the Offeror and any person acting in concert with it during the Offer Period,
- and will specify the respective percentages of the total number of Shares represented by such numbers.
- (b) Under Note 5 to Rule 28.1 of the Code, purchases made through the SGX-ST by the Offeror and persons acting in concert with it with no pre-agreement or collusion between the parties to such transactions or their agents, may be counted towards satisfying the Acceptance Condition. All other purchases by the Offeror and persons acting in concert with it (i.e. off market purchases) may only be counted when fully completed and settled.
- (c) Under Rule 28.2 of the Code, if the Offeror is unable, within the time limit, to comply with paragraph 3(a) above, the SIC will consider requesting the SGX-ST to suspend dealings in the Shares until the relevant information is given.
- (d) In this Offer Document, references to the making of any announcement or the giving of notice by the Offeror include the release of an announcement by UOB or advertising agents, for and on behalf of the Offeror, to the press or the delivery of or transmission by telephone or facsimile or through an announcement on the website of the SGX-ST. An announcement made otherwise than to the SGX-ST shall be notified simultaneously to the SGX-ST.
- (e) In computing the number of Offer Shares represented by acceptances, the Offeror will at the time of making an announcement take into account acceptances which are valid in all respects.

4. **RIGHT OF WITHDRAWAL**

- (a) Except as expressly provided in this Offer Document and the Code, acceptances of the Offer shall be irrevocable.
- (b) If the Offer has become or been declared unconditional as to acceptances, but the Offeror fails to comply with any of the requirements of Rule 28.1 of the Code by 3.30 p.m. (Singapore time) on the Relevant Day, then immediately thereafter:
- (i) any Shareholder holding Offer Shares which are deposited with CDP and accepting the Offer will be entitled to withdraw his acceptance by giving written notice to Dynamic Technology Pte. Ltd. c/o The Central Depository (Pte) Limited, Robinson Road Post Office, P.O. Box 1984, Singapore 903934 or via CDP email services (asksgx@sgx.com); and

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- (ii) *any Shareholder holding Offer Shares which are not deposited with CDP and accepting the Offer will be entitled to withdraw his acceptance by giving written notice to Dynamic Technology Pte. Ltd. c/o Tricor Barbinder Share Registration Services, 80 Robinson Road, #02-00, Singapore 068898.*

Such notice of withdrawal shall be effective only if signed by the accepting Shareholder and when actually received by the Offeror.

- (c) *Subject to Rule 22.9 of the Code, this right of withdrawal may be terminated not less than eight (8) days after the Relevant Day by the Offeror confirming (if that be the case) that the Offer is still unconditional as to acceptances and by complying with Rule 28.1 of the Code. For the purpose of Rule 22.6 of the Code, the period of 14 days referred to therein will run from the date of such confirmation, or the date on which the Offer would otherwise have expired, whichever is later.*
- (d) *A Shareholder who has tendered acceptances under the Offer will be entitled to withdraw his acceptance after 14 days from the first Closing Date, if the Offer has not by then become unconditional as to acceptances. Such entitlement to withdraw will be exercisable until the Offer becomes or is declared to be unconditional as to acceptances.*
- (e) *In a competitive situation, if one (1) offer becomes unconditional as to acceptances, then Shareholders who have tendered their acceptances for the competing offer (the “**Unsuccessful Offer**”) can, if they wish, immediately withdraw their acceptances for the Unsuccessful Offer.*
- (f) *A Shareholder who has tendered acceptances under the Offer may withdraw his acceptances within eight (8) days of the date of posting of the notification of any revision of the Acceptance Condition.”*

2.4 **Procedure for Acceptance.** The procedures for acceptance are set out in Appendix V to the Offer Document.

2.5 **Closing Date.** As announced by UOB in the Unconditional Announcement, for and on behalf of the Offeror, the Offeror has on 22 June 2020 received valid acceptances in respect of such number of Offer Shares which, when taken together with the Shares owned, controlled or agreed to be acquired by the Offeror (whether before or during the Offer and pursuant to the Offer or otherwise), result in the Offeror holding not less than 90% of the voting rights attributable to the total number of issued Shares (excluding any Shares held in treasury). **Accordingly, the Offer has become unconditional as to acceptances and has been declared unconditional in all respects on the date of the Unconditional Announcement.**

Shareholders should note that pursuant thereto, the closing date of the Offer has been extended to 5.30 p.m. (Singapore time) on 27 July 2020.

The Offeror has stated that it does not intend to extend the Offer beyond the Final Closing Date and has given notice that the Offer will not be open for acceptance beyond 5.30 p.m. (Singapore time) on 27 July 2020. Acceptances received after 5.30 p.m. (Singapore time) on the Final Closing Date will be rejected.

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3. INFORMATION ON THE OFFEROR

Section 3 of the Offer Document sets out certain information on the Offeror, extracts of which are set out below. Additional information on the Offeror extracted from Appendix I to the Offer Document is set out in **Appendix C** to this Circular.

"3. INFORMATION ON THE OFFEROR

3.1 Information on the Offeror

*The Offeror is an investment holding company incorporated under the laws of Singapore on 25 March 2020. As at the Latest Practicable Date: (a) the Offeror has an issued and paid-up share capital of S\$1,000.00, consisting of 1,000 ordinary shares (the "**Offeror Shares**"), which are held by Yeo Hock Leng and Goh Seok Eng (collectively, the "**Sponsors**"); and (b) the Sponsors are the only Directors.*

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

3.2 Roll-Over Arrangement

As at the date of this Announcement, the Sponsors collectively hold 48,600,180 Shares, representing approximately 23.15% of the total number of issued Shares, a breakdown of which is as follows:

(a) Goh Seok Eng – 20,760,684 Shares; and

(b) Yeo Hock Leng – 27,839,496 Shares.

*Pursuant to the Irrevocable Undertakings executed by the Sponsors (as described in paragraph 5.1 of this Offer Document), each Sponsor has undertaken to tender all of his/her Offer Shares in acceptance of the Offer. Each Sponsor has also agreed to be allotted and issued new Offeror Shares for an aggregate subscription price that will be set off, in full, against the aggregate Offer Price payable by the Offeror to each such Sponsor for accepting the Offer in respect of his/her Shares pursuant to the aforementioned Irrevocable Undertakings (the "**Rollover Arrangements**").*

The SIC has confirmed that the Rollover Arrangements do not constitute prohibited special deals for the purposes of Rule 10 of the Code."

4. IRREVOCABLE UNDERTAKINGS

Section 5 of the Offer Document sets out certain information relating to the Irrevocable Undertakings received by the Offeror, extracts of which are set out below.

"5. IRREVOCABLE UNDERTAKINGS

5.1 Details of Irrevocable Undertakings

*As at the Latest Practicable Date, certain Shareholders (collectively, the "**Undertaking Parties**") have executed irrevocable undertakings (the "**Irrevocable Undertakings**") in favour of the Offeror, pursuant to which each of them has undertaken to, inter alia, (a) accept the Offer in respect of all Shares held or controlled by each of them; and (b) accept the Offer in respect of any other Shares or securities in the share capital of the Company that each of them may acquire, or which may be allocated and issued to each of them on or after the date of the Irrevocable Undertakings. Such Irrevocable Undertakings have been given by:*

(a) Yeo Hock Leng in respect of 27,839,496 Shares, representing approximately 13.26% of the total number of issued Shares;

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- (b) *Goh Seok Eng in respect of 20,760,684 Shares, representing approximately 9.89% of the total number of issued Shares;*
- (c) *Intraco Limited in respect of 62,800,000 Shares held as direct interest and 23,845,000 Shares held through CGS-CIMB Securities (Singapore) Pte Ltd as deemed interest, representing, in aggregate, approximately 41.27% of the total number of issued Shares;*
- (d) *Lee Low Meng in respect of 14,733,781 Shares, representing approximately 7.02% of the total number of issued Shares;*
- (e) *Syn Chung Wah/Quek Soh Mui Lucy in respect of 13,789,097 Shares, representing approximately 6.57% of the total number of issued Shares;*
- (f) *Tay Giok Siang in respect of 12,153,659 Shares, representing approximately 5.79% of the total number of issued Shares;*
- (g) *Hoe Puay Choo in respect of 3,906,533 Shares, representing approximately 1.86% of the total number of issued Shares;*
- (h) *Ma Fat Ying in respect of 2,142,000 Shares, representing approximately 1.02% of the total number of issued Shares; and*
- (i) *Chia Su Hoong Jennifer in respect of 457,000 Shares, representing approximately 0.22% of the total number of issued Shares.*

As at the Latest Practicable Date, the Irrevocable Undertakings have been given in respect of an aggregate of 182,427,250 Shares, representing approximately 86.88% of the total number of issued Shares.

5.2 Termination of Irrevocable Undertakings

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

5.3 No Other Irrevocable Undertakings

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

5.4 Set Off Against Offer Price

As set out in paragraph 3.2 of this Offer Document, pursuant to the Rollover Arrangements, each of the Sponsors has agreed to be allotted and issued new Offeror Shares at an aggregate subscription price that will be set off, in full, against the aggregate Offer Price payable by the Offeror to each such Sponsor for accepting the Offer in respect of his/her Shares."

LETTER TO SHAREHOLDERS

5. RATIONALE FOR THE OFFER AND INTENTIONS FOR THE COMPANY

Section 6 of the Offer Document sets out the rationale for the Offer and Offeror's intentions for the Company, extracts of which are set out below.

"6. RATIONALE FOR THE OFFER AND INTENTIONS FOR THE COMPANY

6.1 Generally Low Trading Liquidity of Shares

The trading volume of the Shares has been low, with an average daily trading volume³ of approximately 784 Shares, 1,007 Shares and 2,484 Shares during the one (1)-month period, three (3)-month period and six (6)-month period up to and including the Last Trading Day. This represents less than 0.002% of the total number of issued Shares for each of the relevant periods. Hence, the Offer represents a unique cash exit opportunity for the Shareholders to realise their entire investment at a premium over the market prices of the Shares up to and including the Last Trading Day as stated in paragraph 7 below without incurring brokerage and other trading costs, an option which may not otherwise be readily available due to the low trading liquidity of the Shares.

6.2 Greater Flexibility to Manage the Business of the Company

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

6.3 Reduced Compliance Costs

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

6.4 Offeror's Intentions for the Company

It is currently the intention of the Offeror to maintain continuity in the operations of the Group. The Offeror also intends to undertake a review of the operations, management and financial position of the Company and to evaluate various options or opportunities which may present themselves which it regards to be in the interests of the Offeror and/or the Company.

Save as disclosed in this Offer Document, the Offeror does not currently have any intention to (a) make any major changes to the business of the Company; (b) re-deploy the fixed assets of the Company; or (c) discontinue the employment of the existing employees of the Group, in each case, other than in the ordinary course of business.

³ The average daily trading volume of the Shares is calculated based on the total volume of Shares traded divided by the number of days which the SGX-ST is open for trading of securities during the relevant periods."

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6. LISTING STATUS, OFFER DECLARED UNCONDITIONAL IN ALL RESPECTS AND EXERCISE OF COMPULSORY ACQUISITION

- 6.1 Section 8 of the Offer Document sets out the intentions of the Offeror relating to the listing status of the Company and compulsory acquisition, extracts of which are set out below.

“8. LISTING STATUS AND COMPULSORY ACQUISITION

8.1 Listing Status

Pursuant to Rule 1105 of the Listing Manual, upon an announcement by the Offeror that acceptances have been received pursuant to the Offer that bring the holdings owned by the Offeror and persons acting in concert with it to above 90% of the total number of issued Shares (excluding any Shares held in treasury), the SGX-ST may suspend the trading of the Shares in the Ready and Unit Share markets until it is satisfied that at least 10% of the total number of issued Shares (excluding any Shares held in treasury) are held by at least 500 Shareholders who are members of the public.

Rule 1303(1) of the Listing Manual provides that if the Offeror succeeds in garnering acceptances exceeding 90% of the total number of issued Shares (excluding any Shares held in treasury), thus causing the percentage of the total number of issued Shares (excluding any Shares held in treasury) held in public hands to fall below 10%, the SGX-ST will suspend trading of the Shares only at the close of the Offer.

8.2 Compulsory Acquisition

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

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

8.3 Offeror's Intentions

The Offeror does not intend to maintain the listing status of the Company.

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

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

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

- 6.2 Pursuant to the Unconditional Announcement, the Offer was declared unconditional in all respects on 22 June 2020. Paragraph 5 of the Unconditional Announcement sets out the resultant shareholdings, extracts of which are set out below:-

“5. RESULTANT SHAREHOLDINGS

Accordingly, as at 5.00 p.m. (Singapore time) on 22 June 2020, the total number of (a) Share owned, controlled or agreed to be acquired by the Offeror and the Offeror’s Concert Parties, and (b) valid acceptances to the Offer, amount to an aggregate of 197,197,130 Shares, representing approximately 93.92% of the total number of issued Shares of the Company.”

As stated in the Unconditional Announcement, the Offeror intends to exercise its rights of compulsory acquisition under Section 215(1) of the Companies Act (as applicable) and will in due course despatch the relevant documentation required under the Companies Act to Shareholders. Further announcements will also be made by the Offeror in due course in relation to the status of the compulsory acquisition.

7. FINANCIAL ASPECTS OF THE OFFER

Section 7 of the Offer Document sets out certain information on the financial aspects of the Offer, extracts of which are set out below.

“7. FINANCIAL EVALUATION OF THE OFFER

The Offer Price represents the following premiums over the historical traded prices of the Shares:

<i>Description</i>	<i>Benchmark Price⁽¹⁾⁽²⁾ (\$)</i>	<i>Premium over Benchmark Price⁽³⁾ (%)</i>
(a) <i>Last traded price of the Shares as quoted on the SGX-ST on the Last Trading Day</i>	<i>0.198⁽⁴⁾</i>	<i>13.6</i>
(b) <i>VWAP of the Shares traded on the SGX-ST for the one (1)-month period prior to and including the Last Trading Day</i>	<i>0.183</i>	<i>23.0</i>
(c) <i>VWAP of the Shares traded on the SGX-ST for the three (3)-month period prior to and including the Last Trading Day</i>	<i>0.174</i>	<i>29.3</i>
(d) <i>VWAP of the Shares traded on the SGX-ST for the six (6)-month period prior to and including the Last Trading Day</i>	<i>0.177</i>	<i>27.1</i>

Notes:

- (1) *The figures set out in the table above are based on data extracted from Bloomberg L.P..*
- (2) *Rounded to the nearest three (3) decimal places.*
- (3) *For the purposes of the table above, all percentage figures are rounded to the nearest one (1) decimal place.*
- (4) *Based on the last traded price of the Shares on 21 May 2020 (being the last Market Day on which there were actual trades of the Shares effected on the SGX-ST) as there were no actual trades of the Shares on the Last Trading Day.”*

LETTER TO SHAREHOLDERS

8. DISCLOSURES

- 8.1 Section 1 of Appendix III to the Offer Document sets out certain information relating to disclosure of interests, extracts of which are set out below.

"1. DISCLOSURE OF INTERESTS IN COMPANY SECURITIES

1.1 Holdings in Company Securities

As at the Latest Practicable Date, based on the latest information available to the Offeror, the interests in Company Securities held by the Offeror, the Directors of the Offeror and persons acting in concert with the Offeror are set out below:

Name	Direct Interest		Deemed Interest		Total Interest	
	No. of Shares	%⁽¹⁾	No. of Shares	%⁽¹⁾	No. of Shares	%⁽¹⁾
Yeo Hock Leng	27,839,496	13.26	20,760,684	9.89	48,600,180 ⁽²⁾	23.15
Goh Seok Eng	20,760,684	9.89	27,839,496	13.26	48,600,180 ⁽³⁾	23.15
Goh Seok Kee ⁽⁴⁾	6,972,200	3.32	—	—	6,972,200	3.32
Goh Lucy ⁽⁴⁾	4,001,800	1.91	—	—	4,001,800	1.91
Goh Cha Boh ⁽⁴⁾	908,000	0.43	—	—	908,000	0.43
Yeo Mary ⁽⁵⁾	420,000	0.20	—	—	420,000	0.20
Grace Yeo Jia Lin ⁽⁶⁾	103,000	0.05	—	—	103,000	0.05
Johnathan Yeo Kai Sheng ⁽⁶⁾	103,000	0.05	—	—	103,000	0.05
Yeo Jia Pei Jasmine ⁽⁶⁾	100,000	0.05	—	—	100,000	0.05
Sim Teck Hua ⁽⁷⁾	100,000	0.05	—	—	100,000	0.05

Notes:

- (1) The percentage shareholding interest is based on the total number of issued Shares. Percentages are rounded to the nearest two (2) decimal places.
- (2) Yeo Hock Leng is deemed to be interested in the 20,760,684 Shares held by his spouse, Goh Seok Eng.
- (3) Goh Seok Eng is deemed to be interested in the 27,839,496 Shares held by her spouse, Yeo Hock Leng.
- (4) Close Relative of Goh Seok Eng and presumed to be acting in concert with the Offeror pursuant to the Code.
- (5) Close Relative of Yeo Hock Leng and presumed to be acting in concert with the Offeror pursuant to the Code.
- (6) Close Relative of both Yeo Hock Leng and Goh Seok Eng and presumed to be acting in concert with the Offeror pursuant to the Code.
- (7) Close Relative of Grace Yeo Jia Lin and presumed to be acting in concert with the Offeror pursuant to the Code.

As at the Latest Practicable Date, the Offeror does not hold any Company Securities.

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1.2 Dealings in Company Securities

Based on information available to the Offeror, save as disclosed below, none of the Offeror, the Directors of the Offeror and persons acting in concert with the Offeror has dealt in Company Securities during the period commencing three (3) months prior to the Offer Announcement Date and ending on the Latest Practicable Date:

Name	Transaction Date	Transaction Type	No. of Shares	Transaction price per Share (S\$)
Goh Seok Kee	19 March 2020	Purchase	5,000	0.17

1.3 Undertakings to Accept or Reject the Offer

As at the Latest Practicable Date, save for the Irrevocable Undertakings, no person has given any undertaking to the Offeror or any person acting in concert with it, to accept or reject the Offer.

1.4 Arrangements of the Kind Referred to in Note 7 on Rule 12 of the Code

As at the Latest Practicable Date, save for the Irrevocable Undertakings, neither the Offeror nor any person acting in concert with it has entered into any arrangement of the kind referred to in Note 7 on Rule 12 of the Code, including indemnity or option arrangements and any agreement or understanding, formal or informal, of whatever nature, relating to the Company Securities which may be an inducement to deal or refrain from dealing in the Company Securities.

1.5 No Agreement In Connection With or Dependent on the Offer

As at the Latest Practicable Date, save for the Irrevocable Undertakings, there is no agreement, arrangement or understanding between (a) the Offeror or any person acting in concert with it; and (b) any of the present or recent directors of the Company, or any of the present or recent Shareholders or any other persons that has any connection with or is conditional upon the outcome of the Offer.

1.6 Transfer of Offer Shares

Save as disclosed in this Offer Document, as at the Latest Practicable Date, there is no agreement, arrangement or understanding whereby any of the Offer Shares acquired by the Offeror pursuant to the Offer will or may be transferred to any other person. The Offeror, however, reserves the right to transfer any of the Shares to any of its related corporations (as defined in the Companies Act) or for the purpose of granting security in favour of financial institutions which have extended or which may extend credit facilities to it from time to time.

1.7 No Payment or Benefit to Directors of the Company

As at the Latest Practicable Date, there is no agreement, arrangement or understanding for payment or other benefit being made or given to any director of the Company or to any director of any corporation which is by virtue of Section 6 of the Companies Act deemed to be related to the Company, as compensation for loss of office or as consideration for, or in connection with, his retirement from office or otherwise in connection with the Offer.

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1.8 Security Interest Over or Borrowing/Lending of Company Securities

The Offeror Shares are, and all Shares to be acquired by the Offeror pursuant to the Offer or otherwise will be, charged to UOB as part of the security arrangements for the financing being provided by UOB in connection with the Offer.

Save as disclosed in this Offer Document, as at the Latest Practicable Date, none of the Offeror or any person acting in concert with it has (a) granted a security interest over any Company Securities to another person, whether through a charge, pledge or otherwise; (b) borrowed from another person any Company Securities (excluding borrowed Company Securities which have been on-lent or sold); or (c) lent any Company Securities to another person."

- 8.2 Paragraph 2 of the Unconditional Announcement provides an update on the disclosure of interests in Company Securities, extracts of which are set out below.

"2. UPDATES ON DISCLOSURE OF INTERESTS IN COMPANY SECURITIES

Following the despatch of the Offer Document, the Offeror has been informed that Teo Phuay Hua, a Close Relative of both Yeo Hock Leng and Goh Seok Eng who is presumed to be acting in concert with the Offeror pursuant to Code, has an interest in the following Shares:

Name	Direct Interest		Deemed Interest		Total Interest	
	No. of Shares	%⁽¹⁾	No. of Shares	%⁽¹⁾	No. of Shares	%⁽¹⁾
Teo Phuay Hua	23,000	0.01	—	—	23,000	0.01

Note:

- (1) *Reference to percentage shareholding of the issued share capital of the Company are based on the total number of issued Shares being 209,971,310 Shares. Percentages are rounded to the nearest two (2) decimal places.*

Accordingly, paragraph 1.1 of Appendix III (Additional General Information) of the Offer Document should be read in conjunction with the update set out in this paragraph 2."

9. DIRECTORS' INTERESTS

Details of the Directors including, *inter alia*, the Directors' direct and deemed interests in the Company Securities and Offeror Securities as at the Latest Practicable Date are set out in **Appendix B** to this Circular.

10. CONFIRMATION OF FINANCIAL RESOURCES

Section 10 of the Offer Document sets out information on the confirmation of financial resources, extracts of which are set out below.

"10. CONFIRMATION OF FINANCIAL RESOURCES

UOB, as financial adviser to the Offeror in connection with the Offer, confirms that sufficient financial resources are available to the Offeror to satisfy full acceptance of the Offer by the holders of the Offer Shares (excluding the consideration payable for the Offer Shares to be tendered in acceptance of the Offer by the Sponsors) on the basis of the Offer Price."

LETTER TO SHAREHOLDERS

11. ADVICE AND RECOMMENDATIONS

- 11.1 **General.** Shareholders should read and carefully consider the recommendations of the Independent Directors and the advice of the IFA to the Independent Directors dated 29 June 2020, which is set out in **Appendix A** to this Circular ("**IFA Letter**"), before deciding whether to accept or reject the Offer.
- 11.2 **Independence of Directors.** All of the Independent Directors consider themselves independent for the purposes of making a recommendation on the Offer.

The SIC has on 1 April 2020 ruled that each of the Sponsors is exempted from the requirement to make a recommendation on the Offer to Shareholders under Rule 24.1 of the Code. Both the Sponsors are directors of the Offeror and the Company. Each of the Sponsors faces an irreconcilable conflict of interest in relation to the Offer arising from his/her position as a director of the Offeror that would render it inappropriate for each of them to join the Independent Directors in making a recommendation on the Offer.

Each Sponsor must, however, still assume responsibility for the accuracy of facts stated or opinions expressed in documents and advertisements issued by, or on behalf of, the Company in connection with the Offer.

11.3 Advice of the IFA to the Independent Directors

- (a) **IFA.** Xandar Capital Pte. Ltd. has been appointed as the independent financial adviser to advise the Independent Directors in respect of the Offer. Shareholders should consider carefully the recommendation of the Independent Directors and the advice of the IFA to the Independent Directors before deciding whether to accept or reject the Offer. The IFA's advice is set out in its letter dated 29 June 2020, which is set out in **Appendix A** to this Circular.
- (b) **Factors taken into consideration by the IFA.** In arriving at its recommendation, the IFA has taken into account several key considerations, set forth in paragraph 8 of the IFA Letter. Shareholders should read paragraph 8 of the IFA Letter in conjunction with, and in the context of, the full text of the IFA Letter.
- (c) **Advice of the IFA.** After having regard to the considerations set out in the IFA Letter, and based on the circumstances of the Company and the information as at the Latest Practicable Date, the IFA has made certain recommendations to the Independent Directors, an extract of which is set out below. Shareholders should read the extract in conjunction with, and in the context of, the full text of the IFA Letter.

"8. OUR ADVICE

Having regard to our terms of reference, in arriving at our opinion, we have taken into account a range of factors which we consider to be pertinent and have a significant bearing on our assessment of the Offer. We have carefully considered as many factors as we deemed essential and balanced them before arriving at our opinion. Accordingly, it is important that our IFA Letter, in particular, all the considerations and information we have taken into account, be read in its entirety.

We set out below a summary of the key factors we have taken into our consideration when assessing the "fairness" of the Offer:

- (a) *the closing prices of the Shares on the SGX-ST were below the Offer Price of S\$0.225 for majority part of the period since the listing of the Company on 23 November 2007 and up to 17 June 2020, being the date on which the Shares were last traded before the Latest Practicable Date and the closing price of the Shares were above the Offer Price for only three (3) days in the 24 months period prior to the Offer Announcement Date;*

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- (b) *the Offer Price represents premia of 25.38%, 32.18%, 26.83%, 29.05%, 22.79% and 13.64% to the VWAPs of the Shares respectively for the 24-month, 12-month, 6-month, 3-month, 1-month periods up to the Last Market Day and on the Last Market Day;*
- (c) *it appears that the market prices of the Shares have been supported by the Offer subsequent to the Offer Announcement Date;*
- (d) *the Offer Price represents a slight premium of approximately 0.88% to the NAV per Share and the Shares have been trading below the P/NAV ratio of 1.01 times implied by the Offer Price since 10 October 2018 up to the Offer Announcement Date;*
- (e) *the Offer Price represents only a slight discount of approximately 4.90% to the ANAV per Share, or a P/ANAV ratio of 0.95 times. The ANAV was calculated based on the assumption that the Group will recognise the balance gain for the compulsory acquisition as budgeted on schedule and remit the net proceeds back to the Company in FY2020. There is no assurance that completion will take place as scheduled and the Company will recognise the gain as budgeted;*
- (f) *the ex-cash Offer Price to ex-cash NAV ratio implied by the Offer Price is 1.02 times;*
- (g) *the P/E ratio of the Company based on the Offer Price and the adjusted profit of the Group for FY2019 of 14.2 times is within the range lower than the mean but higher than the median P/E ratios of the Comparable Companies;*
- (h) *the P/NAV ratio of the Company based on the Offer Price of 1.01 times and the P/ANAV ratio of the Company based on the Offer Price of 0.95 times (as adjusted for the potential gain and the FY2019 Dividend as set out in paragraph 7.2.2 of this IFA Letter) are within the range and higher than the mean and median P/NAV ratios of the Comparable Companies; and*
- (i) *the premia of the Offer Price over the corresponding VWAPs and the P/NAV ratio of the Group implied by the Offer Price are within the range of the Recent Privatisation Transactions.*

We set out below a summary of the key factors we have taken into our consideration when assessing the “reasonableness” of the Offer:

- (i) *the Shares had underperformed or outperformed the STI at different periods since the date of listing but the Shares generally outperformed the STI for most of the time since 2014;*
- (ii) *the higher profits registered by the Group for FY2019 can be attributed to the compensation recognised by the Group in FY2019 due to the compulsory acquisition of its land and premises by the PRC authorities;*
- (iii) *in connection with the compulsory acquisition of the Group’s PRC land and premises, the Group has ceased its PRC operations;*
- (iv) *the Group’s operations in Malaysia has been affected by the COVID-19 pandemic;*

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(v) *the Company had not raised funds from the equity capital market since its listing in 2007 but declared dividends totalling S\$0.1775 per Share since its listing up to the Latest Practicable Date; and*

(vi) *other relevant consideration as set out in paragraph 7.7 of this IFA Letter.*

Accordingly, after taking into account the above factors, we are of the opinion as of the date hereof that the terms of the Offer, on balance, are fair and reasonable and accordingly, advise the Independent Directors to recommend Shareholders to accept the Offer."

11.4 Recommendations of the Independent Directors

The Independent Directors, having carefully considered the terms of the Offer as supplemented by the Unconditional Announcement and the advice given by the IFA in the IFA Letter, concur with the advice of the IFA in respect of the Offer. Accordingly, the Independent Directors recommend that Shareholders **ACCEPT** the Offer, unless Shareholders can obtain a price higher than the Offer Price in the open market, taking into account the related expenses such as brokerage and trading costs.

11.5 No regard to specific objectives

In rendering the advice and the recommendations above, both the IFA and the Independent 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. As different Shareholders would have different investment objectives and profiles, the Independent Directors recommend that any individual Shareholder who may require advice in the context of his specific investment portfolio should consult his/its stockbroker, bank manager, solicitor, accountant, tax adviser or other professional adviser immediately. Accordingly, Shareholders should note that the opinion and advice of the IFA and the recommendation of the Independent Directors should not be relied upon by any Shareholder as the sole basis for deciding whether or not to accept the Offer.

SHAREHOLDERS ARE URGED TO READ THE FULL TEXT OF THE IFA LETTER WHICH IS SET OUT IN APPENDIX A TO THIS CIRCULAR CAREFULLY.

12. OVERSEAS PERSON

12.1 **Availability of Offer.** The availability of the Offer to Shareholders whose mailing addresses are outside Singapore (as shown on the register of members of the Company or, as the case may be, in the records of CDP) (each, an "**Overseas Person**"), may be affected by the laws of the relevant overseas jurisdiction.

Overseas Persons should refer to Section 9 of the Offer Document, extracts of which are set out below.

"9. OVERSEAS PERSONS

*The availability of the Offer to Shareholders whose mailing addresses are outside of Singapore (as shown on the register of members of the Company or, as the case may be, in the records of CDP) (each, an "**Overseas Person**") may be affected by the laws of the relevant overseas jurisdictions. Accordingly, any Overseas Person should inform himself about and observe any applicable legal requirements, and exercise caution in relation to the Offer, as this Offer Document, the FAAs and the FATs have not been reviewed by any regulatory authority in any overseas jurisdiction. **Where there are potential restrictions on sending this Offer Document, the FAAs and/or the FATs to any overseas jurisdictions, the Offeror, UOB and CDP each reserves the right not to send these documents to Shareholders in such overseas jurisdictions. For the avoidance of doubt, the Offer will be open to all Shareholders, including those to whom this Offer Document, the FAAs and/or the FATs have not been, or may not be, sent.***

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Copies of this Offer Document and any other formal documentation relating to the Offer are not being, and must not be, directly or indirectly, mailed or otherwise forwarded, distributed or sent in or into or from any jurisdiction where the making of or the acceptance of the Offer would violate the law of that jurisdiction (a “**Restricted Jurisdiction**”) and will not be capable of acceptance by any such use, means, instrumentality or facility within any Restricted Jurisdiction and persons receiving such documents (including custodians, nominees and trustees) must not mail or otherwise forward, distribute or send them in or into or from any Restricted Jurisdiction.

The Offer (unless otherwise determined by the Offeror and permitted by applicable law and regulation) will not be made, directly or indirectly, in or into, or by the use of mails of, or by any means or instrumentality (including without limitation, telephonically or electronically) of interstate or foreign commerce of, or any facility of a national, state or other securities exchange of, any Restricted Jurisdiction, and the Offer will not be capable of acceptance by any such use, means, instrumentality or facility.

An Overseas Person may, nonetheless, obtain copies of this Offer Document, the FAAs and/or the FATs and any related documents, up to the Closing Date, from the Offeror through its receiving agent, CDP (if he is a depositor), by submitting a request to CDP via phone (+65 6535 7511) or email services (asksgx@sgx.com); or the Receiving Agent (if he is a scripholder), Tricor Barbinder Share Registration Services, at its office located at 80 Robinson Road, #11-02, Singapore 068898 (by appointment made via phone at +65 6236 3550/3555 only).

Alternatively, an Overseas Person may write to the Offeror through CDP (if he is a depositor) at Robinson Road Post Office, P.O. Box 1984, Singapore 903934, or the Receiving Agent (if he is a scripholder) at the address listed above, to request for this Offer Document, the FAAs and/or the FATs and any related documents to be sent to an address in Singapore by ordinary post at the Overseas Person's own risk.

It is the responsibility of any Overseas Person who wishes to (a) request for this Offer Document, the FAAs, the FATs and/or any related documents; and/or (b) accept the Offer, to satisfy himself as to the full observance of the laws of the relevant jurisdiction in that connection, including the obtaining of any governmental or other consent which may be required, and compliance with all necessary formalities or legal requirements and the payment of any taxes, imposts, duties or other requisite payments due in such jurisdiction. Such Overseas Person shall be liable for any such taxes, imposts, duties or other requisite payments payable and the Offeror and any person acting on its behalf (including UOB) shall be fully indemnified and held harmless by such Overseas Person for any such taxes, imposts, duties or other requisite payments as the Offeror and/or any person acting on its behalf (including UOB) may be required to pay. In (i) requesting for this Offer Document, the FAAs and/or the FATs and any related documents; and/or (ii) accepting the Offer, the Overseas Person represents and warrants to the Offeror and UOB that he is in full observance of the laws of the relevant jurisdiction in that connection, and that he is in full compliance with all necessary formalities or legal requirements. **Any Overseas Person who is in any doubt about his position should consult his professional adviser in the relevant jurisdiction.**

The Offeror and UOB each reserves the right to notify any matter, including the fact that the Offer has been made, to any or all Shareholders (including Overseas Persons) by announcement on the website of the SGX-ST or notice and if necessary, by paid advertisement in a newspaper published and circulated in Singapore, in which case such notice shall be deemed to have been sufficiently given notwithstanding any failure by any Shareholder (including an Overseas Person) to receive or see such announcement, notice or advertisement.”

LETTER TO SHAREHOLDERS

- 12.2 **Copies of Circular.** This Circular may not be sent to Overseas Persons due to any potential restrictions on sending such documents to the relevant overseas jurisdictions. Any affected Overseas Person may, nevertheless, obtain copies of this Circular during normal business hours up to the Final Closing Date, from the Share Registrar, download a copy of this Circular from the website of the SGX-ST at www.sgx.com, or make a request to the Share Registrar for this Circular to be sent to an address in Singapore by ordinary post at his own risk, up to five Market Days prior to the Final Closing Date.

13. INFORMATION PERTAINING TO CPFIS INVESTORS AND SRS INVESTORS

Section 12 of the Offer Document sets out information pertaining to CPFIS Investors and SRS Investors, extracts of which are set out below.

“CPFIS Investors and SRS Investors will receive further information on how to accept the Offer from their respective CPF Agent Banks and SRS Agent Banks directly. CPFIS Investors and SRS Investors are advised to consult their respective CPF Agent Banks and SRS Agent Banks should they require further information, and if they are in any doubt as to the action they should take, CPFIS Investors and SRS Investors should seek independent professional advice. CPFIS Investors and SRS Investors who wish to accept the Offer are to reply to their respective CPF Agent Banks and SRS Agent Banks by the deadline stated in the letter from their respective CPF Agent Banks and SRS Agent Banks, which may be earlier than the Closing Date. CPFIS Investors and SRS Investors who accept the Offer will receive the Offer Price payable in respect of their Offer Shares in their respective CPF investment accounts and SRS investment accounts.”

14. ACTIONS TO BE TAKEN BY SHAREHOLDERS

Shareholders who **wish to accept the Offer** must do so no later than the Final Closing Date or such later date(s) as may be announced from time to time by or on behalf of the Offeror, abiding by the procedures for the acceptance of the Offer as set out in Appendix V to the Offer Document, and in the accompanying FAA and/or FAT.

Acceptances should be completed and returned as soon as possible and, in any event, so as to be received, on behalf of the Offeror, by the CDP (in respect of the FAA) or the Share Registrar (in respect of the FAT), as the case may be, no later than the Final Closing Date or such later date(s) as may be announced from time to time by or on behalf of the Offeror.

Shareholders who **do not wish to accept the Offer** need not take any further action in respect of the Offer Document, the FAA and/or the FAT which have been sent to them.

15. CONSENTS

The IFA has given and has not withdrawn its written consent to the issue of this Circular with the inclusion of the IFA Letter in **Appendix A** to this Circular, and the references to its name in the form and context in which it appears in this Circular.

BDO LLP, named as the auditors of the Company, has given and has not withdrawn its written consent to the issue of this Circular with the inclusion herein of the independent auditor's report in relation to the audited financial statements of the Group for FY2019 in **Appendix D** to this Circular, and the references to its name in the form and context in which it appears in this Circular.

LETTER TO SHAREHOLDERS

16. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents may be inspected at the Company's registered office at 21 Woodlands Close #09-12 Primz Bizhub, Singapore 737854 during normal business hours from the date of this Circular up to and including the date of the Final Closing Date:

- (a) the Constitution of the Company;
- (b) the annual reports of the Company for FY2017, FY2018 and FY2019;
- (c) the IFA Letter as set out in **Appendix A** to this Circular; and
- (d) the letters of consent referred to in **Section 15** of this Circular.

17. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors (including those who may have delegated detailed supervision of this Circular) have taken all reasonable care to ensure that the facts stated and opinions expressed in this Circular (other than the IFA Letter, information extracted from the Offer Document and information relating to the Offeror and persons acting in concert with the Offeror) are fair and accurate and that there are no other material facts not contained in this Circular, the omission of which would make any statement in this Circular misleading.

In respect of the IFA Letter, the sole responsibility of the Directors has been to ensure that the facts stated therein with respect to the Group are, to the best of their knowledge and belief, fair and accurate in all material aspects.

Where any information has been extracted or reproduced from published or otherwise publicly available sources, the sole responsibility of the Directors has been to ensure through reasonable enquiries that, to the best of their knowledge, such information is accurately extracted from such sources or, as the case may be, reflected or reproduced in this Circular.

The Directors jointly and severally accept responsibility accordingly.

18. ADDITIONAL INFORMATION

- 18.1 The attention of the Shareholders is also drawn to the Appendices which form part of this Circular.
- 18.2 Under Rule 28.8 of the Code, except with SIC's consent, the board of the Company should not announce trading results, profit or dividend forecasts, asset valuations or major transactions after the 39th day following the date of the Offer Document. The SIC has on 23 June 2020 consented to the release of the Company's financial results for the half year ended 30 June 2020 on or before 14 August 2020, but after the 39th day following the date of the Offer Document.

Yours faithfully,

For and on behalf of the Board of Directors of
Dynamic Colours Limited

Chong Yee Siew Sebastian
Lead Independent Director

APPENDIX A – LETTER FROM THE IFA TO THE INDEPENDENT DIRECTORS IN RESPECT OF THE OFFER



29 June 2020

Dynamic Colours Limited

21 Woodlands Close
#09-12 Primz Bizhub
Singapore 737854

Attention: The Independent Directors (as defined below)

VOLUNTARY CONDITIONAL CASH OFFER (THE “OFFER”) FOR ALL THE ISSUED AND PAID-UP ORDINARY SHARES (THE “SHARES”) IN THE CAPITAL OF DYNAMIC COLOURS LIMITED (THE “COMPANY”), OTHER THAN THOSE SHARES HELD, DIRECTLY OR INDIRECTLY, BY DYNAMIC TECHNOLOGY PTE. LTD. (THE “OFFEROR”) AS AT THE DATE OF THE OFFER (THE “OFFER SHARES”)

For the purpose of this letter, capitalised terms not otherwise defined shall have the meaning given to them in the circular to Shareholders of Dynamic Colours Limited dated 29 June 2020 (the “Circular”).

The following exchange rates are applied throughout this letter:

For translation of the Company’s consolidated statements of financial position as at 31 December 2019	US\$1 to S\$1.3455 ⁽¹⁾ (2)
For translation of the Company’s consolidated statements of comprehensive income for financial year ended 31 December 2019	US\$1 to S\$1.3627 ⁽¹⁾ (3)

Notes:

- (1) Source: Bloomberg L.P.
- (2) Being the closing exchange rate as at 31 December 2019.
- (3) Being the average month-end exchange rate for the financial year ended 31 December 2019.

1. INTRODUCTION

On 1 June 2020 (the “**Offer Announcement Date**”), United Overseas Bank Limited (“**UOB**”), announced, for and on behalf of the Offeror, that the Offeror intends to make the Offer for the Offer Shares (the “**Offer Announcement**”).

The Company has appointed Xandar Capital Pte. Ltd. (“**Xandar Capital**”) as the independent financial adviser (the “**IFA**”) to the directors of the Company who are considered independent for the purposes of the Offer, namely Mr Chong Yee Siew Sebastian, Mr Law Cheong Yan, Mr Tan Lye Huat and Mr Shabbir s/o Hakimuddin Hassanbhai (the “**Independent Directors**”) in relation to the Offer, to advise whether the terms of the Offer are fair and reasonable. This letter sets out, *inter alia*, our evaluation and advice of the terms of the Offer (this “**IFA Letter**”), and forms part of the Circular which provides, *inter alia*, the details of the Offer and the recommendation of the Independent Directors in respect thereof.

APPENDIX A – LETTER FROM THE IFA TO THE INDEPENDENT DIRECTORS IN RESPECT OF THE OFFER



2. TERMS OF REFERENCE

Xandar Capital has been appointed as the IFA to advise the Independent Directors on whether the terms of the Offer are fair and reasonable.

Our evaluation is limited to the terms of the Offer and our terms of reference do not require us to evaluate or comment on the legal, strategic or commercial and/or risks or merits (if any) of the Offer. We have not relied on any financial projections or forecasts in respect of the Company and any of its subsidiaries (collectively, the “**Group**”). We are not required to express and we do not express any view herein on the growth prospects, financial position and earnings potential of the Company or the Group. We are also not expressing any view herein as to the prices at which the Shares may trade after the close of the Offer. Such evaluation shall remain the sole responsibility of the Directors, although we may draw upon their views (to the extent deemed necessary or appropriate by us) in arriving at our opinion as set out in this IFA Letter.

We are not and were not involved in any aspect of the negotiations pertaining to the Offer or any other offers, if any. We are not required nor authorised to solicit, and we have not solicited, any indications of interest from any third party with respect to the Shares, and therefore are not able to, and will not compare the Offer to any other alternative transaction. We are also not addressing the relative merits of the Offer as compared to any alternative transaction, or other alternatives, or whether such alternatives could be achieved, or are or will be available in future. We have also not conducted any review of the business, operations or financial condition of the Company and the Group.

We have not made any independent evaluation or appraisal of the assets and liabilities (including without limitation, prepaid land lease payments, leasehold land and factory buildings, and plant and machinery) of the Group and the Company did not commission any independent market valuation on any of these assets for the purpose of the Offer.

In the course of our evaluation, we have held discussions with certain Directors and management of the Company and have examined publicly available information as well as information provided and representations made to us by the aforesaid parties, including information in the Circular. We have not independently verified such information, whether written or verbal, and accordingly cannot and do not warrant, and do not accept any responsibility for the accuracy, completeness or adequacy of such information, representation and assurance. Nonetheless, we have made reasonable enquiries and used our judgement in assessing such information and have found no reason to doubt the accuracy and reliability of such information. The Directors have jointly and severally accepted full responsibility for the accuracy, completeness and adequacy of all such information and representations as provided and made by the aforesaid parties as contained herein.

As set out in Section 17 of the Circular, the Directors (including those who may have delegated detailed supervision of the Circular) have taken all reasonable care to ensure that the facts stated and opinions expressed in the Circular (other than the IFA Letter, information extracted from the Offer Document and information relating to the Offeror and persons acting in concert with the Offeror) are fair and accurate and that there are no other material facts not contained in the Circular, the omission of which would make any statement in the Circular misleading. In respect of the IFA Letter, the sole responsibility of the Directors has been to ensure that the facts stated therein with respect to the Group are, to the best of their knowledge and belief, fair and accurate in all material aspects. Where any information has been extracted or reproduced from published

APPENDIX A – LETTER FROM THE IFA TO THE INDEPENDENT DIRECTORS IN RESPECT OF THE OFFER



or otherwise publicly available sources, the sole responsibility of the Directors has been to ensure through reasonable enquiries that, to the best of their knowledge, such information is accurately extracted from such sources or, as the case may be, reflected or reproduced in the Circular. The Directors jointly and severally accept responsibility accordingly.

Our advice is based upon economic, industry, market, monetary, regulatory and other relevant conditions subsisting and the information provided to us as at the Latest Practicable Date. Such conditions and information may change significantly over a short period of time. We assume no responsibility to update, revise or reaffirm our advice in light of any subsequent development after the Latest Practicable Date that may affect our advice contained herein. Shareholders should take note of any announcements and/or events relevant to their consideration of the Offer which may be released or occur after the Latest Practicable Date.

In preparing this IFA Letter, we did not consider the specific investment objectives, financial situation, risk profiles, tax position and/or unique needs and constraints of any individual Shareholder or any specific group of Shareholders. We recommend that any individual Shareholder or group of Shareholders who may require specific advice in relation to his or their Shares, investment objectives or portfolios should consult his or their stockbroker, bank manager, legal, financial, tax or other professional advisers immediately.

This IFA Letter is for the use and benefit of the Independent Directors in connection with and for the purpose of their consideration of the Offer and the recommendation made by the Independent Directors shall remain their responsibility.

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

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

We recommend that the Independent Directors advise the Shareholders to read these pages carefully.

APPENDIX A – LETTER FROM THE IFA TO THE INDEPENDENT DIRECTORS IN RESPECT OF THE OFFER



3. THE OFFER

The Offer is a voluntary conditional cash offer made in accordance with Rule 15 of the Singapore Code on Take-overs and Mergers (the “**Code**”) and subject to the terms and conditions set out in the Offer Document, a copy of which the Shareholders ought to have received as at the date of this IFA Letter. The salient information on the Offer found in Section 2 and Appendix IV to the Offer Document is set out as follows:

3.1 CONDITION OF THE OFFER

We extract the condition of the Offer from Section 2.4 of the Offer Document in *italics* as follows:

*The Offer will be conditional upon the Offeror having received, by the close of the Offer, valid acceptances in respect of such number of Offer Shares which, when taken together with the Shares owned, controlled or agreed to be acquired by the Offeror (whether before or during the Offer and pursuant to the Offer or otherwise), will result in the Offeror holding not less than 90% of the voting rights attributable to the total number of issued Shares (excluding any Shares held in treasury) as at the close of the Offer (the “**Acceptance Condition**”).*

Accordingly, the Offer will not become or be capable of being declared unconditional as to acceptances until the close of the Offer, unless at any time prior to the close of the Offer, the Offeror has received valid acceptances in respect of such Offer Shares which, when taken together with the Shares owned, controlled or agreed to be acquired by the Offeror (whether before or during the Offer and pursuant to the Offer or otherwise), will result in the Offeror holding such number of Shares carrying more than 90% of the voting rights attributable to the total number of issued Shares.

On the Latest Practicable Date, UOB announced, for and on behalf of the Offeror, that the Offer has been declared unconditional in all respects and the Offeror is entitled to, and will in due course, exercise its rights of compulsory acquisition under Section 215(1) of the Companies Act to compulsorily acquire all Shares of the Shareholders who have not accepted the Offer (the “Dissenting Shareholders”) on the same terms as those offered under the Offer (“Compulsory Acquisition”). Shareholders are advised to read the announcement made by UOB, for and on behalf of the Offeror dated 22 June 2020 (the “Unconditional Announcement”) carefully.

3.2 THE OFFER PRICE

The Offer Price is S\$0.225 per Share.

The Offer Shares will be acquired (i) fully-paid; (ii) free from all claims, charges, equities, mortgages, liens, pledges, encumbrances, rights of pre-emption and other third party rights and interests of any nature whatsoever; and (iii) together with all rights, benefits, entitlements and advantages attached thereto as at the Offer Announcement Date, and thereafter attaching thereto, including but not limited to the right to receive and retain all dividends, rights and other distributions declared, paid or made by the Company in respect of the Shares (if any), the distribution record date which falls on or after the Offer Announcement Date.

Shareholders should note that the Offer Price has been determined on the basis that the Offer Shares will be acquired with the right to receive any dividends that may be declared, made or paid by the Company on or after the date of this Announcement (including the final one-tier tax exempt dividend of S\$0.0100 per Share for the financial year ended 31 December (“FY”) 2019

APPENDIX A – LETTER FROM THE IFA TO THE INDEPENDENT DIRECTORS IN RESPECT OF THE OFFER



proposed by the directors of the Company (the “FY2019 Dividend”). In the event that any dividend has been paid by the Company to a Shareholder who accepts the Offer, the Offer Price payable to such accepting Shareholder shall be reduced by an amount which is equal to the amount of such dividend paid by the Company to such accepting Shareholder.

We note that the Shareholders have approved the FY2019 Dividend in the annual general meeting of the Company held on 23 June 2020.

Accordingly, with the Offer declared unconditional:

- (i) the Offer Price for each Offer Share shall be S\$0.225 if the settlement date (being the date on which the Offer Shares tendered in acceptance by Shareholders pursuant to the Offer are transferred to the Offeror) in respect of any Offer Shares validly tendered in acceptance of the Offer falls on or before 5.00 p.m. on 29 June 2020, being the books closure date in respect of the FY2019 Dividend; and
- (ii) the Offer Price for each Offer Share shall be S\$0.215 if the settlement date in respect of any Offer Shares validly tendered in acceptance of the Offer falls after 5.00 p.m. on 29 June 2020, being the books closure date in respect of the FY2019 Dividend.

3.3 REVISION OF THE OFFER

As set out in Section 1(d) of Appendix IV to the Offer Document, “*Pursuant to Rule 20.1 of the Code, the Offer, if revised, will remain open for acceptance for a period of at least 14 days from the date of despatch of the written notification of the revision to Shareholders. In any case, where the terms are revised, the benefit of the Offer (as so revised) will be made available to each of the Shareholders including those who had previously accepted the Offer.*”.

As at the Latest Practicable Date, the Offer has been declared unconditional and UOB has announced, for and on behalf of the Offeror that the final closing date of the Offer is 5.30 p.m. (Singapore time) on 27 July 2020. Accordingly, there will be no revision of the terms of the Offer.

4. THE IRREVOCABLE UNDERTAKINGS

As disclosed in Section 5.1 of the Offer Document, certain Shareholders have executed irrevocable undertakings (the “**Irrevocable Undertakings**”) to, *inter alia*, accept the Offer in respect of all Shares held by each of them respectively. We tabulate the Irrevocable Undertaking as follows:

Name of Shareholders	Number of Shares	Percentage interest in the capital of the Company
Mr. Yeo Hock Leng	27,839,496	13.26
Mdm Goh Seok Eng	20,760,684	9.89
Intraco Limited (direct)	62,800,000	29.91

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Name of Shareholders	Number of Shares	Percentage interest in the capital of the Company
Intraco Limited (deemed through CGS-CIMB Securities (Singapore) Pte Ltd)	23,845,000	11.36
Lee Low Meng	14,733,781	7.02
Syn Chung Wah/Quek Soh Mui Lucy	13,789,097	6.57
Tay Giok Siang	12,153,659	5.79
Hoe Puay Choo	3,906,533	1.86
Ma Fat Ying	2,142,000	1.02
Chia Su Hoong Jennifer	457,000	0.22
TOTAL	182,427,250	86.88 ⁽¹⁾

Note:

(1) Discrepancy between the sum of the column and the total amount is due to rounding.

5. INFORMATION ON THE OFFEROR

Information on the Offeror is set out in Section 3 and Appendix I to the Offer Document. We extract information on the Offeror in *italics* as follows:

The Offeror is an investment holding company incorporated under the laws of Singapore on 25 March 2020. Prior to the making of this Announcement: (a) the Offeror has an issued and paid-up share capital of S\$1,000, consisting of 1,000 ordinary shares (the “Offeror Shares”), which are held by Mr. Yeo Hock Leng and Mdm Goh Seok Eng (collectively, the “Sponsors”); and (b) the Sponsors are the only directors of the Offeror (the “Directors”).

We note that Mr Yeo Hock Leng and Mdm Goh Seok Eng are founders of the Group.

5.1 INTERESTS IN THE COMPANY HELD BY PERSONS ACTING IN CONCERT WITH THE OFFEROR

As at the Latest Practicable Date, the shareholdings of persons acting in concert with the Offeror (as disclosed by UOB, for and on behalf of the Offeror, in the Offer Document and in the Unconditional Announcement) are as follows:

Name of Shareholders	Number of Shares	Percentage interest in the capital of the Company
Goh Seok Kee	6,972,200	3.32

**APPENDIX A – LETTER FROM THE IFA
TO THE INDEPENDENT DIRECTORS IN RESPECT OF THE OFFER**



Name of Shareholders	Number of Shares	Percentage interest in the capital of the Company
Goh Lucy	4,001,800	1.91
Goh Cha Boh	908,000	0.43
Yeo Mary	420,000	0.20
Grace Yeo Jia Lin	103,000	0.05
Johnathan Yeo Kai Sheng	103,000	0.05
Yeo Jia Pei Jasmine	100,000	0.05
Sim Teck Huat	100,000	0.05
Teo Phuay Hua	23,000	0.01
TOTAL	12,731,000	6.06 ⁽¹⁾

Note:

(1) Discrepancy between the sum of the column and the total amount is due to rounding.

6. INFORMATION ON THE COMPANY AND THE GROUP

The Company was incorporated in Singapore on 2 July 1993 and was listed on the Main Board of the SGX-ST on 23 November 2007. The Company is an investment holding company and principally engaged in the sale of plastic resins and polyethylene packaging materials. The principal activities of the Group relate to colour compounding and modified compounding of resins, as well as the manufacture of heavy-duty polyethylene bags and industrial stretch hoods plastic packaging materials.

Further information on the Company and the Group can be found in Appendix B of the Circular.

APPENDIX A – LETTER FROM THE IFA TO THE INDEPENDENT DIRECTORS IN RESPECT OF THE OFFER



7. EVALUATION OF THE OFFER

In our evaluation of the Offer, we have taken into account the following factors:

- (a) market performance of the Shares;
- (b) the net asset value of the Group;
- (c) financial performance of the Group;
- (d) dividend track record of the Company;
- (e) comparison of the valuation ratios of the Company implied by the Offer Price against those of comparable companies;
- (f) comparison with recently completed privatisation transactions for companies listed on the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”); and
- (g) other considerations.

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

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7.1 MARKET PERFORMANCE OF THE SHARES

7.1.1 Historical closing price of the Shares

We note that the Company was first admitted and its Shares were first traded on the SGX-ST Mainboard on 23 November 2007. We also note that the Company has not varied its issued share capital of 209,971,310 Shares and the Company has not raised funds from the equity capital market since its listing in 2007. Accordingly, we set out a chart of the daily closing prices of the Shares for the period commencing from 23 November 2007 up to 17 June 2020, being the date on which the Shares were last traded before the Latest Practicable Date as follows:



Source: Bloomberg L.P.

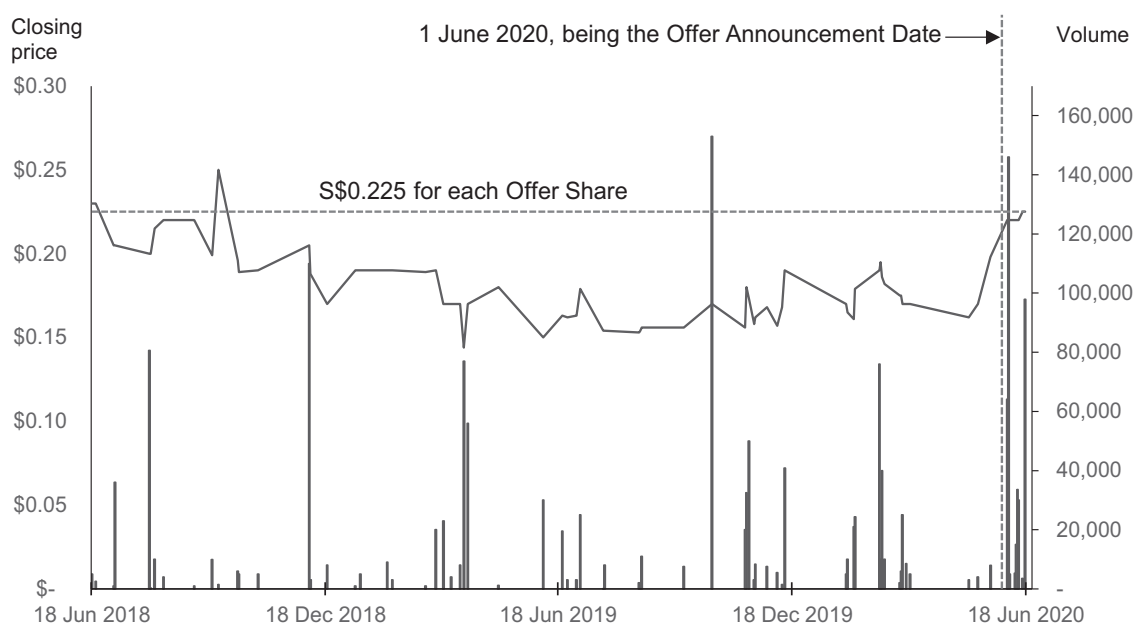
As set out in the above chart, the closing prices of the Shares were below the Offer Price of S\$0.225 for a majority part of the period between 23 November 2007 and the Latest Practicable Date. The Shares only traded consistently above the Offer Price of S\$0.225 between 31 October 2016 and 13 February 2018.

In addition, we note that the Shares had been trading below its 2007 initial public offer price of S\$0.215 since its listing until 14 March 2014.

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We also set out a chart of the daily closing prices of the Shares and the volume of Shares traded for the period commencing from 1 June 2018 (being the date commencing from the 24-month period prior to the Offer Announcement Date) up to 17 June 2020, being the date on which the Shares were last traded before the Latest Practicable Date as follows:



Source: Bloomberg L.P.

Based on the data extracted from Bloomberg L.P., we note that the closing price of the Shares was above the Offer Price for only three (3) days (namely, 18 June 2018, 21 June 2018 and 25 September 2018) in the 24 months period prior to the Offer Announcement Date.

We also note that the Company was placed on the SGX-ST's minimum trading price ("MTP") watch-list by the SGX-ST with effect from 6 June 2019 and was removed from the MTP watch-list on 1 June 2020 following the regulatory announcement dated 11 May 2020 by the SGX-ST to remove minimum trading price rule. However, the placement of the Company on the MTP watch-list does not seem to have a significant impact to the market performance of the Shares.

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7.1.2 Trading statistics of the Shares

We tabulate below selected statistical information on the share price performance and trading liquidity of the Shares commencing from the 24-month period prior to the Offer Announcement Date, up to the Latest Practicable Date:

	VWAP (S\$)	Premium/ (Discount) of Offer Price to VWAP (%)	Highest trading price (S\$)	Lowest trading price (S\$)	Average daily traded volume ⁽¹⁾	Average daily traded volume as percentage of free float ⁽²⁾ (%)
<u>Periods up to 29 May 2020 (the last market day before the Offer Announcement Date ("Last Market Day"))</u>						
Last 24 months	0.1795	25.38	0.2500	0.1400	18,491	0.12
Last 12 months ⁽³⁾	0.1702	32.18	0.1980	0.1500	18,646	0.13
Last 6 months	0.1774	26.83	0.1980	0.1570	16,079	0.11
Last 3 months	0.1744	29.05	0.1980	0.1620	7,675	0.05
Last 1 month	0.1832	22.79	0.1980	0.1620	4,967	0.03
21 May 2020, being the date on which the Shares were last traded before the Offer Announcement Date	0.1980	13.64	0.1980	0.1980	7,900	0.05
<u>Periods after the Offer Announcement Date</u>						
Up to 17 June 2020, being the date on which the Shares were last traded before the Latest Practicable Date	0.2213	1.69	0.2250	0.2200	44,489	0.30
17 June 2020, being the date on which the Shares were last traded before the Latest Practicable Date	0.2250	-	0.2250	0.2250	97,900	0.66

Source: Bloomberg L.P.

Notes:

- (1) The average daily traded volumes of the Shares are calculated based on the total number of Shares traded and the total days where the Shares were traded during that period. The average daily traded

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volumes of the Shares will be lower if we have calculated the volumes based on the number of days which the SGX-ST is open for trading of securities as presented in the Offer Document.

- (2) Calculated based on the difference between (i) the total share capital of 209,971,310 Shares; and (ii) the 182,427,250 Shares which are the subject of the Irrevocable Undertakings and the 12,731,000 Shares held by persons acting in concert with the Offeror, which amounted to 14,813,060 Shares, representing 7.06% of the issued share capital of the Company as at the Latest Practicable Date.
- (3) The 12-month period up to the Last Market Day is also the same period where the Company was placed on the SGX-ST's MTP watch-list.

We note the following with regard to the prices of the Shares:

- (a) the Offer Price represents premia of 25.38%, 32.18%, 26.83%, 29.05%, 22.79% and 13.64% to the VWAPs of the Shares respectively for the 24-month, 12-month, 6-month, 3-month, 1-month periods up to the Last Market Day and on the Last Market Day;
- (b) for the period after the Offer Announcement Date up to the Latest Practicable Date, the Shares were traded between a low of S\$0.2200 and a high of S\$0.2250 and the Offer Price represents a slight premium of 1.69% to the VWAP of the Shares for the aforesaid period; and
- (c) the Offer Price is the same as the VWAP of S\$0.2250 for each Share on 17 June 2020, being the date on which the Shares were last traded before the Latest Practicable Date.

Based on the above, it appears that the market prices of the Shares have been supported by the Offer subsequent to the Offer Announcement Date.

We note the following with regard to the trading liquidity of the Shares:

- (i) the free float represents only 7.06% of the Company's issued share capital;
- (ii) the average daily traded volume of the Shares for the 24-month, 12-month, 6-month, 3-month and 1-month periods up to the Last Market Day represents less than 0.20% of the free float, respectively. Average daily traded volume during the aforesaid periods was less than 20,000 Shares;
- (iii) for the 24-month period up to the Last Market Day, the Shares were traded only on 67 days out of a total of 501 market days;
- (iv) the average daily traded volume of the Shares for the period after the Offer Announcement Date up to the Latest Practicable Date represents 0.30% of the free float. The increase in trading volume of the Shares subsequent to the Offer Announcement Date is likely to be attributable to the Offer;
- (v) despite the increase in average daily traded volume, the Shares were traded only on 9 days out of a total of 16 market days for the period after the Offer Announcement Date up to the Latest Practicable Date; and
- (vi) the average daily traded volume of the Shares on 17 June 2020, being the date on which the Shares were last traded before the Latest Practicable Date represents 0.66% of the free float.

Based on the above, the Shares are relatively illiquid.

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7.1.3 Market performance of the Shares versus the Straits Times Index (the “STI”)

In addition, to assess the relative performance of the Shares versus the Singapore equity market, we compare the relative returns (daily basis) of the Shares against that of the STI since 23 November 2007 up to the Latest Practicable Date. The STI is a market capitalisation weighted index maintained and calculated by FTSE which tracks the performance of the top 30 companies listed on the Main Board of the SGX-ST. The comparison chart is as follows:



Source: Bloomberg L.P.

We note that:

- (i) the Shares generally performed in line with the STI for the period from the date of listing until mid-2009;
- (ii) the Shares underperformed the STI for the period from mid-2009 until 3 May 2013 when Intraco Limited announced a mandatory conditional cash offer for the Shares as a result of an acquisition of 20,100,000 Shares at S\$0.185 each, increasing Intraco Limited's stake in the Company from 29.91% to 39.48% (the “**Intraco MGO**”). On 2 July 2013, Intraco Limited announced the lapse of the Intraco MGO as the acceptance condition of more than 50% was not met but the Shares continued to outperform the STI until November 2013;
- (iii) the Shares outperformed the STI for the period between February 2014 and December 2018;
- (iv) the Shares generally underperformed the STI for the period from March 2019 to January 2020; and
- (v) the Shares outperformed the STI since February 2020 until the Latest Practicable Date.

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Shareholders should, however, note that the historical trading performance of the Shares is not indicative of the future price levels, which will be governed by factors beyond the scope of our evaluation.

7.2 THE NET ASSET VALUE (“NAV”) OF THE GROUP

The NAV based approach provides an estimate of the value of a company assuming the hypothetical orderly sale of all its assets over a reasonable period of time and distribution of the net proceeds from such sale to its shareholders. Such a valuation approach would be more relevant for asset-based companies (such as property developers or property investment companies) or where the subject company intends to realise, convert the use of all or most of its assets, or cease operations.

The Group’s NAV as at 31 December 2019 (as obtained from the Company’s annual report) comprised the following:

US\$'000	As at 31 December 2019
Current assets	31,436
Non-current assets	13,148
Total assets	44,584
Current liabilities	(8,689)
Non-current liabilities	(1,088)
Total liabilities	(9,777)
NAV attributable to owners of the Company	34,807

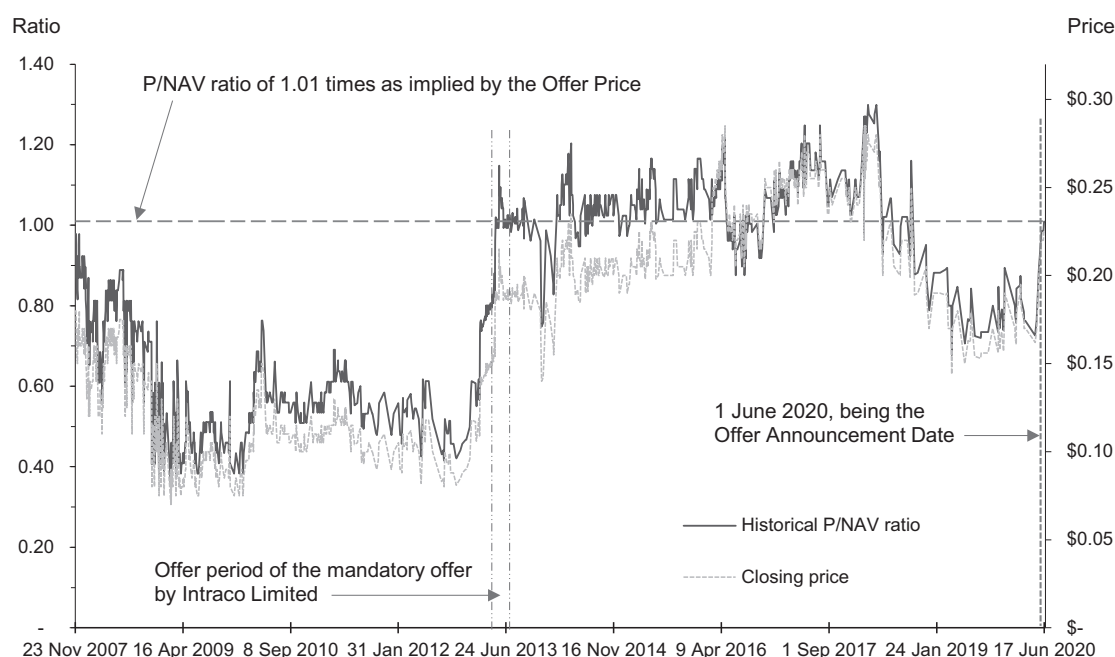
As set out above, the NAV attributable to the Shareholders was approximately US\$34.81 million as at 31 December 2019. Based on the issued share capital of 209,971,310 Shares as at the Latest Practicable Date, the NAV per Share as at 31 December 2019 was approximately US\$0.1658. Based on the closing exchange rate of US\$1 to S\$1.3455 on 31 December 2019, the NAV per Share as at 31 December 2019 is equivalent to approximately S\$0.2230 per Share. The Offer Price represents a slight premium of approximately 0.88% to the NAV per Share, or a price-to-NAV (“**P/NAV**”) ratio of 1.01 times.

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7.2.1 Comparison with the historical trading P/NAV ratio of the Shares

For comparison, we set out the historical trading P/NAV ratio of the Shares since its listing on the SGX-ST in November 2007 to the Latest Practicable Date as follows:



Source: Bloomberg L.P.

As set out above, the Shares were trading below the P/NAV ratio implied by the Offer Price for the period between the date of listing and 3 May 2013. On 3 May 2013, Intraco Limited announced the Intraco MGO. On 2 July 2013, Intraco Limited announced the lapse of the Intraco MGO as the acceptance condition of more than 50% was not met. The Shares then generally traded above P/NAV ratio implied by the Offer Price for the period between May 2013 and May 2018. The Shares traded below the P/NAV ratio implied by the Offer Price for the period between October 2018 and the Latest Practicable Date.

7.2.2 Adjusted NAV ("ANAV") per Share

In our evaluation of the financial terms of the Offer, we have considered whether there are any assets which should be valued at an amount that is materially different from that which was recorded in the statement of financial position of the Group as at 31 December 2019 and whether there are any factors in recent announcements made by the Company that are likely to impact the NAV of the Group as at 31 December 2019.

(a) Assets of the Group

The Group's current assets as at 31 December 2019 comprised mainly cash and bank balances of approximately US\$19.54 million which represented approximately 62.17% of the Group's current assets as at 31 December 2019. The other major components of the Group's current assets are inventories and trade and other receivables which aggregated

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approximately US\$9.72 million and represented approximately 30.92% of the Group's current assets as at 31 December 2019.

On 21 December 2018, the Company announced that its subsidiaries in the People Republic of China (the "PRC") received a relocation notice. On 30 August 2019, the Company announced that the Group's PRC land and premises will be compulsorily acquired by the PRC authorities. In FY2019, due to the compulsory acquisition, the Group's businesses in the PRC have wound down their production activities and the Company re-classified the assets of its PRC subsidiaries as assets held for sale in its current assets. These assets held for sale amounted to approximately US\$1.75 million which represented approximately 5.55% of the Group's current assets as at 31 December 2019.

With the cessation of the PRC operations, the Group's non-current assets as at 31 December 2019 comprised principally property, plant and equipment relating to its remaining operations in Malaysia and Vietnam. These property, plant and equipment comprised mainly the Group's leasehold land and factory buildings in Malaysia and Vietnam which had a net book value of approximately US\$6.85 million as at 31 December 2019. The Company has confirmed that there has been no independent market valuation on these Malaysia and Vietnam leasehold land and factory buildings for the purposes of financial reporting for FY2019 and the Offer.

We inquired and the Company confirmed that, with the cessation of the PRC operations, the Vietnam and Malaysia operations are the remaining continuing operations of the Group and the Group has no intention to dispose the Vietnam and Malaysia leasehold land and factory buildings. Further, any sale of the Vietnam and Malaysia leasehold land and factory buildings will affect the continuing operations of the Group.

In addition, we note from Section 6.4 of the Offer Document that the Offeror intend to maintain continuity in the operations of the Group. The Offeror also intends to undertake a review of the operations, management and financial position of the Company and to evaluate various options or opportunities which may present themselves which it regards to be in the interests of the Offeror and/or the Company. Save as disclosed in the Offer Document, the Offeror does not currently have any intention to (a) make any major changes to the business of the Company; (b) re-deploy the fixed assets of the Company; or (c) discontinue the employment of the existing employees of the Group, in each case, other than in the ordinary course of business.

As such, a revalued NAV ("RNAV") based on the latest market value of the remaining leasehold land and factory buildings of the Group may not be relevant or the appropriate approach for the valuation of the Company and Group.

(b) Liabilities of the Group

The Group had current liabilities amounting to approximately US\$8.69 million as at 31 December 2019. The current liabilities of the Group as at 31 December 2019 comprised mainly compensation received in advance by the Group for the compulsory acquisition of the Group's land and premises in the PRC amounting to approximately US\$5.09 million.

On 21 December 2018, the Company announced that its subsidiaries in the PRC received a relocation notice. On 30 August 2019, the Company announced that its PRC subsidiaries will receive compensation aggregating approximately RMB82.2 million from

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the PRC authorities for the compulsory acquisition of its PRC land and premises and the Group will record a total gain on disposal of approximately RMB39.9 million (equivalent to about US\$5.8 million) after deducting estimated expenses and losses of approximately RMB28.4 million and net asset value of the disposed assets of approximately RMB13.9 million. Under the terms of the agreement for the compulsory acquisition, the land and premises are to be delivered with vacant possession by 10 November 2020.

As disclosed in the Company's annual report for FY2019, the Group received partial compensation of US\$6,775,675 in FY2019, of which the Group recognised US\$1,658,857 as compensation income in FY2019 and classified the balance of US\$5,087,114 (net of foreign exchange loss) in its statements of financial position as compensation received in advance. The compensation received in advance will be recognised by the Group as other income upon meeting the respective milestones of the relocation. The Group also recognised termination benefit of US\$1,184,618 during FY2019 as employee benefits expense.

We inquired and have been informed by the Company that the Group had incurred additional net losses on the disposal of inventories of the PRC operations amounting to approximately US\$171,000 in the five (5) months ended 31 May 2020. In addition, we understand that the Group will need to pay income tax of 25% on the gain as well as withholding tax of 5% on the net of income tax gain if it remits the proceeds from the compulsory acquisition out of the PRC.

Based on the above, we calculated the potential gains to be recognised by the Group for the compulsory acquisition of its land and premises in the PRC as follows:

	US\$'000	US\$'000
Total gain expected by the Group from the compulsory acquisition of its PRC land and premises as disclosed in the announcement dated 30 August 2019		5,800
Less net gain recognised in FY2019, comprising		
- Compensation income recognised in FY2019	1,659	
- Termination benefit recognised in FY2019	(1,185)	(474)
Less additional net losses on disposal of inventories in the five months ended 31 May 2020		(171)
Balance estimated gain to be recognised by the Group upon completion of the compulsory acquisition		5,155
Less 25% income tax on the gain		(1,289)
Balance estimated gain (net of income tax)		3,866
Less 5% withholding tax on the gain, net of income tax		(193)
Net estimated gain (net of income and withholding tax)		3,673

The net gain to be recognised by the Group upon completion of the compulsory acquisition as set out above is only an estimation. There is no assurance that the Group will not incur additional costs in relation to the compulsory acquisition until

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completion. Under the terms of the agreement for the compulsory acquisition, the Group is expected to deliver the land and premises by 10 November 2020. However, given the current COVID-19 pandemic, there is no assurance that the completion will take place as scheduled.

As mentioned in earlier paragraphs, the Company has recommended a final tax exempt (one-tier) dividend of 1 cent per Share amounting to approximately US\$1,559,000 for FY2019 and the Shareholders have approved the dividends in the annual general meeting held on 23 June 2020. The Group's financial statements as at 31 December 2019 did not reflect this FY2019 Dividend.

Save as disclosed above, the Company has confirmed that there is no other event subsequent to 31 December 2019 which would materially affect the NAV of the Group as at the Latest Practicable Date.

Adjusted NAV ("ANAV") of the Group

As mentioned above, barring unforeseen circumstance, if the compulsory acquisition of the Group's land and premises in the PRC is completed as scheduled in November 2020, the Group may recognise additional gain, net of tax, of approximately US\$3.67 million in FY2020. In addition, the Shareholders have approved a final tax exempt (one-tier) dividend of 1 cent per Share amounting to approximately US\$1,559,000 for FY2019 which has not been reflected in its statement of financial position as at 31 December 2019.

As these two events are expected to be completed in the current financial year, we calculate the ANAV of the Group to be as follows:

	US\$'million
Group's NAV as at 31 December 2019	34.81
Add: Potential additional gain, net of tax, of the compulsory acquisition	3.67
Less: FY2019 Dividend	(1.56)
Group's ANAV	36.92

Based on the issued share capital of 209,971,310 Shares as at the Latest Practicable Date, the ANAV per Share as at 31 December 2019 was approximately US\$0.1758. Based on the closing exchange rate of US\$1 to S\$1.3455 on 31 December 2019, the ANAV per Share as at 31 December 2019 is equivalent to approximately S\$0.2366 per Share. The Offer Price represents a slight discount of approximately 1.16 cents or 4.90% to the ANAV per Share, or a price-to-ANAV ("**P/ANAV**") ratio of 0.95 times.

7.2.3 Net tangible assets ("**NTA**") per Share

The NTA based approach is similar to the NAV based approach except that it does not take into account or consideration the presence of any intangible assets in estimating the value of a company or group assuming the hypothetical sale of all its assets.

We note that the Group did not have any intangible assets as at 31 December 2019. Accordingly, there is no difference between the Group's NAV per Share and NTA per Share as at 31 December 2019 and the Group's price-to-NTA ("**P/NTA**") ratio is the same as its P/NAV ratio at 1.01 times.

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7.2.4 Adjustment to Offer Price after adjusting for the FY2019 Dividend

As mentioned above, with the Offer being declared unconditional as to acceptances, if the settlement date (being the date on which the Offer Shares tendered in acceptance by Shareholders pursuant to the Offer are transferred to the Offeror) in respect of Offer Shares validly tendered by a Shareholder in acceptance of the Offer falls after 29 June 2020 (being the books closure date in respect of the FY2019 Dividend approved by Shareholders on 23 June 2020), the Offeror will pay such accepting Shareholder S\$0.215 for each Offer Share as the Offeror will not receive the FY2019 Dividend in respect of such Offer Shares (the “**Net Offer Price**”).

The P/NAV and P/ANAV ratios of the Company based on the Net Offer Price will be 0.96 times and 0.91 times, respectively.

7.2.5 Ex-cash Offer Price to NAV per Share

As at 31 December 2019, the Group's cash and bank balances of approximately US\$19.54 million represented approximately 56.14% of the Group's NAV. Accordingly, we compare the Offer Price vis-à-vis the NAV of the Group on an ex-cash basis as follows:

Cash and bank balances per Share	US\$0.0931 equivalent to S\$0.1252 based on the closing exchange rate of US\$1 to S\$1.3455 as at 31 December 2019
Ex-cash Offer Price	S\$0.0998
Ex-cash NAV per Share	S\$0.0978
Ex-cash Offer Price to ex-cash NAV per Share	1.02 times

7.2.6 Relevant assets ratios

For the purpose of evaluating the Offer, we are using the P/NAV ratio of 1.01 times and the P/ANAV ratio of 0.95 times which takes into consideration the events that are expected to be completed in the current financial year.

7.3 FINANCIAL PERFORMANCE OF THE GROUP

We summarise the audited financial results of the Group for the past three completed financial years as follows:

US\$'000	FY2017	FY2018	FY2019
Revenue	44,211	40,817 ⁽¹⁾	35,857 ⁽¹⁾
Profit before tax	4,082	1,873 ⁽¹⁾	3,761 ⁽¹⁾
Profit for the year attributable to owners of the Company	3,338	1,387	2,875

Source: Annual reports of the Company.

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Note:

- (1) Including revenue and profit before tax from discontinued operations in the PRC as a result of the compulsory acquisition of the Group's PRC land and premises by the PRC authorities.

As set out above, the Group reported profits in the last three completed financial years although the profit has decreased from approximately US\$3.34 million in FY2017 to approximately US\$2.88 million in FY2019. It should also be noted that the Group had recognised net gain of approximately US\$474,000 from the compulsory acquisition of its PRC land and premises in FY2019. Please refer to the sub-section below for further analysis of the impact of the Group's PRC operations to the Group's profits.

Based on the profit of approximately US\$2.88 million and the average exchange rate of US\$1.3627 for FY2019, the price-earnings ("P/E") ratio implied by the Offer Price is 12.1 times.

7.3.1 Cessation of PRC operations

We extract in *italics* the following disclosure from the Company's annual report:

In FY2019, due to the compulsory acquisition of land and premises in Suzhou, China by the authorities (the "Compulsory Acquisition"), the Chinese wholly owned subsidiaries, namely Suzhou Huiye Plastic Industry Co., Ltd ("SHP") and Suzhou Huiye Chemical & Light Industry Co., Ltd ("SHC"), the RC businesses in these entities have wound down their production activities and their financial results have been presented under discontinued operations.

We set out the contribution of the PRC operations as disclosed in the annual reports of the Company as follows:

	FY2017	FY2018	FY2019
Revenue from PRC operations (US\$'000)	17,094	16,648	8,414
As a percentage of the Group's revenue	38.67%	40.79%	23.46%
Profit before tax from PRC operations (US\$'000)	Not available	589	424
As a percentage of the Group's profit before tax	Not available	31.43%	11.27%
Profit for the year from PRC operations (US\$'000)	Not available	452	431
As a percentage of the Group's profit for the year attributable to owners of the Company	Not available	32.59%	14.98%

As set out above, the PRC operations accounted for a significant percentage of the Group's revenue and profit in FY2018 when the PRC operations were operating on a full year basis.

In FY2019, the Group progressively wound down the PRC operations but the PRC operations still contributed a significant percentage to the Group's revenue that year.

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Had the profits from the PRC operations (which included the net gain recognised by the Group from the compulsory acquisition) been excluded, the profit attributable to owners of the Company for FY2019 would have been adjusted to approximately US\$2.44 million.

Based on the adjusted profit of approximately US\$2.44 million and the average exchange rate of US\$1.3627 for FY2019, the P/E ratio implied by the Offer Price is 14.2 times.

7.3.2 Events subsequent to 31 December 2019

The Company made the following announcements between 31 December 2019 and the Latest Practicable Date which may have a bearing on the Group's financial performance in the current financial year:

- (a) Extract in *italics* from the Company's annual report for FY2019 dated 14 April 2020

Without exception, the economic climate will continue to remain challenging with the ongoing trade war between the US and China. With the Covid-19 outbreak, it may weigh on and impact the Group in the next 12 months. However, Management will continue to remain vigilant and explore new and viable business opportunities as they arise.

On 16 March 2020, the Malaysian Government announced the implementation of a Movement Control Order ("MCO") nationwide from 18 to 31 March 2020 and subsequently extended to 14 April 2020 on 25 March 2020. The MCO will adversely affect the Group's production and delivery plans at HPM during the period. Nonetheless, the Company has informed its customers of this unforeseen circumstance and will update customers about feasible remedies and timing to resume the performance of its obligations once MCO ceases.

- (b) Extract in *italics* from the Company's announcement dated 15 June 2020

The operations at our Malaysian subsidiary has been affected after the country was placed under Movement Control Order ("MCO") with effect from 18 March 2020. Even though approval has been sought for PP production run, it was approved at only 50% headcount, while RC production was totally down until late April when production resumed partially.

... Huiye Polymer (M) Sdn. Bhd. ("HPM") has resumed operations 4 May 2020.

7.4 DIVIDEND TRACK RECORD OF THE COMPANY

The Company confirms that it does not have a formal dividend policy although we note that the Company has been declaring dividends annually since listing. A summary of the dividends declared in respect of FY2017, FY2018 and FY2019 is set out below:

	FY2017	FY2018	FY2019
Total dividends declared for the financial year (cents)	1.5	0.5	1.0
Dividend yield implied by the Offer Price	6.67%	2.22%	4.44%

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In addition, we calculate the total dividends per Share declared by the Company since its listing to be S\$0.1775.

Shareholders should note that the above analysis is not an indication of the future dividends of the Company and there is no assurance that the Company will continue to pay dividends in the future and/or maintain the level of dividends paid in the past.

For the purpose of analysing the Offer, we have considered that the Shareholders who accept the Offer may re-invest the proceeds from the Offer in alternative investments, for example, broad market index instrument such as the STI Exchange Traded Fund ("**STI ETF**").

The STI ETF declared and paid dividends totalling S\$0.12 for each unit in 2019. Based on the closing price of one STI ETF unit of S\$2.695 on the Latest Practicable Date, the dividend yield of STI ETF is 4.45% which is not materially different from the dividend yield of the Company implied by the Offer Price.

Notwithstanding the above, there is no assurance that the STI ETF will maintain its dividend distribution at the same level and the Shareholders will be able to increase their investment income by liquidating their investment in the Company and reinvesting their proceeds in STI ETF. Shareholders should also note that the alternative investment provides a different risk-return profile as compared to an investment in the Shares, and therefore the above comparison serves purely as a guide only.

7.5 COMPARISON OF THE VALUATION RATIOS OF THE COMPANY IMPLIED BY THE OFFER PRICE AGAINST THOSE OF COMPARABLE COMPANIES

As set out in paragraph 6 of this IFA Letter, the principal activities of the Group relate to colour compounding and modified compounding of resins, as well as the manufacture of heavy-duty polyethylene bags and industrial stretch hoods plastic packaging materials. With the cessation of the Group's operations in the PRC, the Group currently has operations in Malaysia and Vietnam. Comparison is therefore made to companies listed in the region whose business is comparable to the Group ("**Comparable Companies**") to assess the Offer Price in relation to the valuation of the Comparable Companies as implied by their last traded prices as at the Latest Practicable Date.

We wish to highlight that the list of Comparable Companies is not exhaustive and none of the Comparable Companies is identical to the Group in terms of business activities, scale of operations, geographical markets, asset base, risk profile, track record, future prospects and other relevant criteria. Comparisons may also be affected, *inter alia*, by differences in their accounting policies. Our analysis has not adjusted for such differences. Further, none of the Comparable Companies is listed on the SGX-ST. The valuation statistics of Comparable Companies listed on overseas stock exchanges may be affected by the different investor profiles and investor sentiments of the overseas stock exchanges. In view of the above, it should be noted that any comparison made with respect to the Comparable Companies merely serves as an illustration and that the conclusions drawn from the comparisons may not necessarily reflect the perceived market valuation of the Company as at the Latest Practicable Date.

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For the comparison of Comparable Companies, we have referred to various valuation measures to provide an indication of current market expectations with regard to the valuation of these companies as below:

Valuation Measure	General Description
P/E ratio	This is the ratio of the market capitalisation of a company divided by the historical consolidated net profits attributable to shareholders. P/E ratio is affected by, <i>inter alia</i>, the capital structure of a company, its tax position as well as its accounting policies relating to among others, depreciation and amortisation.
P/NAV ratio	This ratio illustrates the market price of a company's shares relative to the NAV per share as recorded in its financial statements. The NAV is defined as total assets less total liabilities, and excludes, where applicable, minority or non-controlling interests. The NAV figure provides an estimate of the value of a company assuming the sale of all its assets at its book value, the proceeds which are first used to settle its liabilities and obligations with the balance available for distribution to its shareholders. Comparisons of companies using NAVs are affected by differences in their respective accounting policies, in particular their depreciation and asset valuation policies.
Enterprise Value-to-Earnings Before Interest, Tax, Depreciation and Amortisation ("EV/EBITDA") ratio	"EV" or "Enterprise Value" is the sum of a company's market capitalisation, preferred equity, independent interests, consolidated short and long term debts inclusive of finance lease liabilities less its consolidated cash and cash equivalents. "EBITDA" is the consolidated earnings before interest, tax, depreciation and amortisation expenses, inclusive of share of associates' and joint ventures' income but excluding exceptional items as recorded in its financial statements. The EV/EBITDA ratio illustrates the ratio of the market value of a company's business relative to its historical pre-tax consolidated operating cashflow performance, without regard to its capital structure.

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We set out in the table below the list of Comparable Companies, together with a brief description of their business activities which are considered **broadly** comparable to the Group. For a more meaningful comparison, we have excluded companies with low profits as well as those with market capitalisation above S\$1.0 billion.

Comparable Companies	Business Activities
Asia Polymer Corporation (“ Asia Polymer ”)	Asia Polymer manufactures and markets low density polyethylene (LDPE) and ethylene vinyl acetate copolymer resin. Asia Polymer is listed on the Taiwan Stock Exchange.
Ngai Hing Hong Company Limited (“ Ngai Hing Hong ”)	Ngai Hing Hong, through its subsidiaries, manufactures and sells colorants and compounded plastic resins, markets and promotes engineering plastic products, and trades plastic materials and pigments. Ngai Hing Hong is listed on the Stock Exchange of Hong Kong.
Pan Asia Chemical Corporation (“ Pan Asia Chemical ”)	Pan Asia Chemical manufactures and sells chemical products. The company's products include polyoxyethylene alkyl phenyl ether, polyoxyethylene alkyl amine ether, polyethylene glycol, and polyethylene alkyl ether. Pan Asia Chemical markets its products under the PANNOX brand name. Pan Asia Chemical is listed on the Taiwan Stock Exchange.
SLP Resources Bhd (“ SLP ”)	SLP, through its subsidiaries, offers coating solutions for the automotive refinishing and refurbishing industry. SLP is listed on Bursa Malaysia.
Unic Technology Corporation (“ Unic ”)	Unic manufactures and distributes plastic materials. The company produces acrylonitrile butadiene styrene, high impact polystyrene, polystyrene, polyethylene, nylon, and other products. Unic sells its products in the PRC, Thailand, Malaysia, and other countries and regions. Unic is listed on the Taiwan Stock Exchange.
USI Corporation (“ USI ”)	USI manufactures and markets polyethylene resins, a raw material used in the manufacture of plastic. The Company's products are low density polyethylene (LDPE), ethylene vinyl acetate copolymers (EVA), high density polyethylene (HDPE), and linear low density polyethylene (LLDPE). USI is listed on the Taiwan Stock Exchange.

Source: Bloomberg L.P.

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The statistics of the Comparable Companies are computed based on the last traded prices as at the Latest Practicable Date and latest publicly available financial results. We set out in the table below the financial ratios of the Comparable Companies as at the Latest Practicable Date.

Comparable Companies	Market Capitalisation ⁽¹⁾ (S\$m)	Net Profit attributable to equity holders ⁽²⁾ (S\$m)	NAV ⁽²⁾ (S\$m)	P/E ratio (times)	P/NAV ratio (times)	EV/ EBITDA ratio ⁽³⁾ (times)
Asia Polymer	516.9	37.2	460.6	13.2	1.12	11.8
Ngai Hing Hong	27.9	1.1	83.2	23.8	0.32	8.9
Pan Asia Chemical	152.5	13.4	177.9	10.8	0.86	36.8
SLP	85.8	6.7	62.1	13.0	1.40	6.3
Unic	46.5	1.7	87.9	26.4	0.53	7.6
USI	705.3	55.7	870.5	12.0	0.81	8.0

Maximum				26.4	1.40	36.8
Minimum				10.8	0.32	6.3
Mean				16.5	0.84	8.5 ⁽⁴⁾
Median				13.1	0.83	8.4 ⁽⁴⁾

The Company (at the Offer Price)	47.2	3.9	46.8	12.1	1.01	3.4
The Company (at the Offer Price and the adjusted profit) ⁽⁴⁾		3.3	-	14.2	-	-
The Company (at the Offer Price and ANAV) ⁽⁵⁾		-	49.8	-	0.95	-

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

Notes:

- (1) Based on last traded prices of the respective counters as at the Latest Practicable Date.
- (2) Based on latest available 12 months net profits and net equity attributable to owners as announced by the respective companies.
- (3) The EV/EBITDA Ratio of the Comparable Companies are based on (i) their market capitalisation as at the Latest Practicable Date and the consolidated net debt and non-controlling interests figures for the

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latest available financial year and (ii) the latest available 12 months consolidated EBITDA, as announced by the respective companies.

- (4) Excluding EV/EBITDA ratio of Pan Asia Chemical as statistical outlier.
- (5) Based on the Group's profit for FY2019 after excluding the profits from the PRC operations as well as the net gain recognised by the Group from the compulsory acquisition as set out in paragraph 7.3.1 of this IFA Letter.
- (6) Based on the ANAV of the Group as set out in paragraph 7.2.2 of this IFA Letter.

For illustrative purpose only, based on the above ratio analysis, we note that:

- (a) the P/E ratio of the Company based on the Offer Price of 12.1 times is within the range but lower than the mean and median P/E ratios of the Comparable Companies;
- (b) the P/E ratio of the Company based on the Offer Price and the adjusted profit of the Group for FY2019 of 14.2 times is within the range, lower than the mean but higher than the median P/E ratios of the Comparable Companies;
- (c) the P/NAV ratio of the Company based on the Offer Price of 1.01 times is within the range and higher than the mean and median P/NAV ratios of the Comparable Companies. After adjusting for the potential gain and the FY2019 Dividend as set out in paragraph 7.2.2 of this IFA Letter, the P/ANAV ratio of the Company based on the Offer Price is 0.95 times, and is within the range and also higher than the mean and median P/NAV ratios of the Comparable Companies; and
- (d) the EV/EBITDA ratio of the Company as implied by the Offer Price of 3.4 times and is below the range of EV/EBITDA ratios of the Comparable Companies.

The EV/EBITDA ratio was calculated by deducting the Group's cash and bank balances from the calculation of enterprise value. As at 31 December 2019, the Group had cash and bank balances aggregating approximately US\$19.54 million, a significant increase from approximately US\$6.83 million as at 31 December 2018. Part of the Group's cash and bank balances as at 31 December 2019 included compensation received in advance of approximately US\$5.12 million (equivalent to approximately S\$6.88 million based on the closing exchange rate of US\$1 to S\$1.3455 as at 31 December 2019). Had this compensation received in advance been excluded from the equation, the Group's EV/EBITDA ratio would be 4.5 times. In addition, we note that the Group had cash inflows of approximately US\$1.42 million from a decrease in inventories in FY2019 as inventories decreased from approximately US\$7.17 million as at 31 December 2018 to approximately US\$5.63 million as at 31 December 2019 and cash inflows of approximately US\$2.78 million from a decrease in trade and other receivables in FY2019 as trade and other receivables decreased from approximately US\$6.87 million as at 31 December 2018 to approximately US\$4.09 million as at 31 December 2019. We understand that the decreases were contributed, in part, by the cessation of the PRC operations. Accordingly, the comparison of the Group's EV/EBITDA ratio against the Comparable Companies may not be meaningful and only serve as an illustrative guide.

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7.5.1 Previous offer for the Company

As mentioned in earlier paragraph, Intraco Limited made a mandatory conditional cash offer for the Shares in 2013.

We compare the valuation statistics implied by the Offer Price with the Intraco MGO in 2013 as follows:

	P/E ratio	P/NAV ratio	EV/EBITDA ratio
The Offer	12.1	1.0	3.4
The 2013 Intraco MGO	13.5	1.0	5.4

As set out above, the P/E ratio and EV/EBITDA ratio of the Group implied by the Offer Price are lower than the corresponding ratios of the Intraco MGO. However, the above ratios had not taken into account the impact of the compulsory acquisition of the Group's PRC land and premises. As set out in paragraph 7.3.1 of this IFA Letter, after excluding the profits from the PRC operations, the P/E ratio implied by the Offer Price will be 14.2 times which is higher than the P/E ratio of the Intraco MGO. Similarly, as mentioned in paragraph 7.5 of this IFA Letter, the Group's EV/EBITDA ratio was affected by the cash and bank balances of the Group as at 31 December 2019, which materially increased due to in part to compensation received in advance by the Group in relation to the compulsory acquisition and in part lower trade and other receivables as well as inventories with the cessation of the PRC operations. Accordingly, a comparison of the EV/EBITDA ratios of the Group as implied by the Offer Price and the Intraco MGO may not be meaningful.

7.6 COMPARISON WITH RECENTLY COMPLETED PRIVATISATION TRANSACTIONS FOR COMPANIES LISTED ON THE SGX-ST

As disclosed in Section 8.3 of the Offer Document, the Offeror does not intend to preserve the listing status of the Company, and the Offeror (together with the parties acting in concert with it where appropriate) when entitled, intends to exercise its (or their rights of compulsory acquisition under the Companies Act and does not intend to take steps for any trading suspension of the Shares by the SGX-ST to be lifted in the event that, *inter alia*, less than 10% of the Shares are held in public hands.

Accordingly, we have compared the financial terms of the Offer with those of selected successful privatisation transactions that were announced and completed since 1 January 2018 and up to the Latest Practicable Date, which were carried out either by way of voluntary delisting exit offers under Rule 1307 of the listing manual of the SGX-ST (the "**Listing Manual**"), offers being made by way of a scheme of arrangement under Section 210 of the Companies Act (Chapter 50 of Singapore) or general takeover offers under the Code where the offeror has stated its intentions to delist the listed company from the SGX-ST ("**Recent Privatisation Transactions**").

This analysis serves as a general indication of the relevant premium/discount that the offerors had paid in order to acquire the target companies without having regard to their specific industry characteristics or other considerations, and the comparison sets out the premium or discount represented by each of the respective offer prices to the last transacted prices and VWAPs prior to the announcement of the respective Recent Privatisation Transactions.

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We wish to highlight that the premium that an offeror pays in any particular takeover depends on various factors such as the potential synergy that the offeror can gain by acquiring the target, the presence of competing bids for the target, prevailing market conditions and sentiments, attractiveness and profile of the target's business and assets, size of consideration and existing and desired level of control in the target. The comparison below is made without taking into consideration the underlying liquidity of the shares and the performance of the shares of the relevant companies below. Further, the list of target companies involved in Recent Privatisation Transactions set out in the analysis below are not directly comparable with the Group in terms of size of operations, market capitalisation, business activities, asset base, geographical spread, track record, accounting policy, financial performance, operating and financial leverage, future prospects and other relevant criteria. Hence, the comparison of the Offer with the Recent Privatisation Transactions set out below is for illustration purposes only. Conclusions drawn from the comparisons made may not reflect any perceived market valuation of the Group.

Premium / (Discount) of offer price over/(to):

Name of companies	Date of announcement	Type ⁽¹⁾	Last transacted price (%)	1-month VWAP (%)	3-month VWAP (%)	6-month VWAP (%)	Offer price-to-NAV ⁽²⁾ (times)	Offer price-to-RNAV/ANAV ⁽³⁾ (times)
Breadtalk Group Ltd	24-Feb-20	VGO	19.4	30.1	24.0	25.0	2.94	2.81
Citic Envirotech Ltd.	6-Nov-19	VD	48.6	61.6	68.5	65.5	1.15	n.a.
PACC Offshore Services Holdings Ltd.	4-Nov-19	VGO	69.3	99.4	93.0	70.2	0.99	0.96
Raffles United Holdings Ltd.	25-Oct-19	VGO	(1.5)	–	10.0	15.9	0.28	n.a.
San Teh Ltd	5-Sep-19	VGO	81.8	90.5	83.0	84.2	0.56	0.40
PS Group Holdings Ltd.	20-Aug-19	VGO	195.0	266.7	267.5	267.5	0.74	0.62
Star Pharmaceutical Limited	5-Aug-19	MGO	157.1	160.1	176.1	186.6	0.77	0.67
Delong Holdings Limited	29-Jul-19	VGO	1.9	8.0	17.9	37.2	0.60	n.a.
Health Management International Ltd	5-Jul-19	SOA	14.1	23.9	27.8	29.7	6.60	5.60
Hupsteel Limited	28-Jun-19	VGO	51.9	58.3	58.6	58.6	0.89	0.58
Boardroom Limited	15-May-19	VGO	14.3	18.9	16.1	17.6	1.93	2.02
Memtech International Ltd.	14-May-19	VGO	23.9	31.5	31.6	35.6	1.09	n.a.
800 Super Holdings Limited	6-May-19	VGO	16.1	30.8	31.2	25.3	1.85	2.06

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Premium / (Discount) of offer price over/(to):

Name of companies	Date of announcement	Type ⁽¹⁾	Last transacted price (%)	1-month VWAP (%)	3-month VWAP (%)	6-month VWAP (%)	Offer price-to-NAV ⁽²⁾ (times)	Offer price-to-RNAV/ANAV ⁽³⁾ (times)
Kingboard Copper Foil Holdings Limited	4-Apr-19	VGO	9.1	16.1	25.3	27.4	0.91	0.88
Courts Asia Limited	18-Jan-19	VGO	34.9	35.8	34.0	23.5	0.55	0.56
Declout Limited	7-Jan-19	VGO	62.5	66.7	66.7	58.5	1.01	1.00
PCI Limited	4-Jan-19	SOA	27.9	44.0	47.2	50.9	1.97	n.a.
Cityneon Holdings Limited	29-Oct-18	MGO	3.2	6.9	11.9	15.7	4.50	n.a.
M1 Limited	27-Sep-18	VGO	25.2	29.9	29.1	21.8	3.85	n.a.
Keppel Telecommunications & Transportation Ltd	27-Sep-18	VGO	40.4	39.5	34.9	28.1	1.21	1.53 ⁽⁴⁾
Wheelock Properties (Singapore) Limited	19-Jul-18	VGO	20.7	29.0	22.7	17.8	0.81	0.84
Lee Metal Group Ltd	21-Feb-18	VGO	9.1	14.1	21.4	26.5	1.08	0.98
LTC Corporation Limited	9-Feb-18	VD	44.5	46.1	45.4	44.1	0.56	0.56
Tat Hong Holdings Ltd	11-Jan-18	VGO	42.9	47.5	49.1	40.3	0.72	n.a.

Maximum	195.0	266.7	267.5	267.5	6.60	5.60
Minimum	(1.5)	6.9	10.0	15.7	0.28	0.40
Mean ⁽⁵⁾	30.0	39.5	38.6	37.2	1.39	1.10
Median ⁽⁵⁾	24.6	31.5	31.4	28.9	0.99	0.88

The Company (Based on Offer Price)	1-Jun-20	VGO	13.6	22.8	29.1	26.8	1.01	0.95
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Notes:

- (1) VGO – Voluntary General Offer, VD – Voluntary Delisting, MGO – Mandatory General Offer, and SOA – Scheme of Arrangement

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- (2) Based on the NAV per share as published in the respective circulars of the companies.
- (3) Based on the revalued, adjusted or proforma NAV per share (as the case may be), as published in the respective circulars of the target companies.
- (4) The independent financial adviser to Keppel Telecommunications & Transportation Ltd had arrived at an aggregate valuation of the company on a sum-of-the-parts basis, which ranged from S\$1.25 per share to S\$1.33 per share. We have used S\$1.25 as the implied value for the computation of the price-to-RNAV/ANAV ratio in the table above.
- (5) Excluded PS Group Holdings Ltd. and Star Pharmaceutical Limited as statistical outliers in the computation of the mean and median premium/(discount) of the offer price over/(to) (i) the last transacted prices prior to the offer announcements; and (ii) the 1-month, 3-month and 6-month VWAPs prior to the offer announcements; and excluded Health Management International Ltd and Raffles United Holdings Ltd. as statistical outliers in the computation of the mean and median offer price-to-NAV ratio and offer price-to-RNAV/ANAV ratio.

Based on the above, we note that:

- (i) the premium of the Offer Price over the last transacted price, VWAP for the 1-month, 3-month and 6-month period prior to the Offer Announcement Date, is within the range but lower than the mean and median premia of Recent Privatisation Transactions;
- (ii) the ratio of the Offer Price over the NAV of the Shares is within the range, lower than the mean but higher than the median P/NAV ratios of the Recent Privatisation Transactions; and
- (iii) the ratio of the Offer Price over the ANAV of the Shares is within the range, lower than the mean but higher than the median P/RNAV or P/ANAV ratios of the Recent Privatisation Transactions.

7.7 OTHER CONSIDERATIONS

(a) Offer declared unconditional on 22 June 2020

As disclosed in the Unconditional Announcement, as at 5.00 p.m. (Singapore time) on 22 June 2020, the total number of (a) Shares owned, controlled or agreed to be acquired by the Offeror and the Offeror's Concert Parties, and (b) valid acceptances to the Offer, amount to an aggregate of 197,197,130 Shares, representing approximately 93.92% of the total number of issued Shares of the Company.

Accordingly, the trading of the Shares will be suspended by the SGX-ST at the close of the Offer as the percentage of Shares held in public hands is less than the requisite 10% of the total number of issued Shares (excluding treasury shares) as required under Rule 723 of the Listing Manual. Please also refer to the sub-sections below for further discussion on the implications of suspension as well as delisting.

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(b) Implications of suspension

Under Rule 1303(1) of the Listing Manual, where the Offeror succeeds in garnering acceptances exceeding 90.0% of the Shares excluding treasury shares, thus causing the percentage of Shares excluding treasury shares held in public hands to fall below 10.0%, the SGX-ST will suspend the trading of the Shares only at the close of the Offer.

As mentioned above, as at the Latest Practicable Date, the Offer has been declared unconditional. Accordingly, the trading of the Shares will be suspended upon the close of the Offer. Shareholders who do not accept the Offer will not have a public market to trade in the Shares after the close of the Offer, except that the Shares held by such Shareholders will be compulsory acquired by the Offeror when the Offeror exercises its rights of Compulsory Acquisition. Please refer to the sub-section below for further discussion of the Compulsory Acquisition.

(c) Implications of delisting

In accordance with Rule 1308 of the Listing Manual, an application may be made to the SGX-ST for the delisting of the Company, where there is an offer under the Code and the offeror is exercising its right of compulsory acquisition. As mentioned above, the Offeror will be exercising its rights of Compulsory Acquisition. Accordingly, the Company will be delisted upon completion of the Compulsory Acquisition, which will be announced by the Offeror in due course.

Shareholders should note that shares of unlisted companies are generally valued at a discount to the shares of listed companies as a result of lack of marketability. Shareholders who do not accept the Offer will not have a public market to trade in the Shares upon delisting. In addition, the Shareholders may receive a lower price as compared to the Offer Price if they intend to sell the Shares after the Company is delisted. Shareholders should also note that any transfer or sale of Shares represented by share certificates will be subject to stamp duty.

As an unlisted company, the Company will not be obliged to comply with the listing requirements of the SGX-ST, in particular the continuing corporate disclosure requirements and Shareholders will no longer enjoy the same level of protection, transparency and accountability afforded by the Listing Manual.

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(d) **Compulsory acquisition**

As disclosed in the Unconditional Announcement, the Offeror is entitled to, and will in due course, exercise its rights of compulsory acquisition under Section 215(1) of the Companies Act to compulsorily acquire all Shares of the Dissenting Shareholders on the same terms as those offered under the Offer. The Offeror will, in due course, despatch the relevant documentation required under the Companies Act in relation to the exercise of its rights of compulsory acquisition to the Dissenting Shareholders.

Given that the Offeror will need time to prepare and exercise its rights of Compulsory Acquisition, Shareholders may wish to consider tendering their acceptance in respect of their Offer Shares before the Closing Date in order to receive the consideration in respect of their Offer Shares earlier.

As disclosed in the Unconditional Announcement, the closing date of the Offer is extended from 5.30 p.m. (Singapore time) on 13 July 2020 to 5.30 p.m. (Singapore time) on 27 July 2020 (the "**Final Closing Date**"). The Offeror does not intend to extend the Offer beyond the Final Closing Date. Acceptances received after 5.30 p.m. (Singapore time) on the Final Closing Date will be rejected.

(e) **Rationale for the Offer**

The rationale for the Offer is set out in Section 6 of the Offer Document. We extract in *italics* as follows:

The trading volume of the Shares has been low, with an average daily trading volume³ of approximately 784 Shares, 1,007 Shares and 2,484 Shares during the one (1)-month period, three (3)-month period and six (6)-month period up to and including the Last Trading Day. This represents less than 0.002% of the total number of issued Shares for each of the relevant periods. Hence, the Offer represents a unique cash exit opportunity for the Shareholders to realise their entire investment at a premium over the market prices of the Shares up to and including the Last Trading Day as stated in paragraph 7 below without incurring brokerage and other trading costs, an option which may not otherwise be readily available due to the low trading liquidity of the Shares.

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

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

In addition, we note that the Company has not carried out any exercise to raise funds from the equity capital market since its listing on the SGX-ST.

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(f) No alternative offer

The Directors have confirmed that, as at the Latest Practicable Date, apart from the Offer being made by the Offeror, no alternative offer has been received. We also note that there is no publicly available evidence of any alternative offer for the Shares from any third party.

In addition, given that the Offer has been declared unconditional, the likelihood of a competing offer from any third party is remote.

(g) Transaction costs in connection with the disposal of the Shares

Given the low liquidity of the Shares (in terms of volume traded and the number of days which the Shares were traded) for the periods set out in paragraph 7.1.2 of this IFA Letter, the Offer presents an opportunity for Shareholders to dispose of their Shares for cash without incurring any transaction costs as opposed to the sale of the Shares in the open markets which will incur expenses such as brokerage commission and/or other trading costs.

8. OUR ADVICE

Having regard to our terms of reference, in arriving at our opinion, we have taken into account a range of factors which we consider to be pertinent and have a significant bearing on our assessment of the Offer. We have carefully considered as many factors as we deemed essential and balanced them before arriving at our opinion. Accordingly, it is important that our IFA Letter, in particular, all the considerations and information we have taken into account, be read in its entirety.

We set out below a summary of the key factors we have taken into our consideration when assessing the “fairness” of the Offer:

- (a) the closing prices of the Shares on the SGX-ST were below the Offer Price of S\$0.225 for majority part of the period since the listing of the Company on 23 November 2007 and up to 17 June 2020, being the date on which the Shares were last traded before the Latest Practicable Date and the closing price of the Shares were above the Offer Price for only three (3) days in the 24 months period prior to the Offer Announcement Date;
- (b) the Offer Price represents premia of 25.38%, 32.18%, 26.83%, 29.05%, 22.79% and 13.64% to the VWAPs of the Shares respectively for the 24-month, 12-month, 6-month, 3-month, 1-month periods up to the Last Market Day and on the Last Market Day;
- (c) it appears that the market prices of the Shares have been supported by the Offer subsequent to the Offer Announcement Date;
- (d) the Offer Price represents a slight premium of approximately 0.88% to the NAV per Share and the Shares have been trading below the P/NAV ratio of 1.01 times implied by the Offer Price since 10 October 2018 up to the Offer Announcement Date;
- (e) the Offer Price represents only a slight discount of approximately 4.90% to the ANAV per Share, or a P/ANAV ratio of 0.95 times. The ANAV was calculated based on the assumption that the Group will recognise the balance gain for the compulsory acquisition

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as budgeted on schedule and remit the net proceeds back to the Company in FY2020. There is no assurance that completion will take place as scheduled and the Company will recognise the gain as budgeted;

- (f) the ex-cash Offer Price to ex-cash NAV ratio implied by the Offer Price is 1.02 times;
- (g) the P/E ratio of the Company based on the Offer Price and the adjusted profit of the Group for FY2019 of 14.2 times is within the range, lower than the mean but higher than the median P/E ratios of the Comparable Companies;
- (h) the P/NAV ratio of the Company based on the Offer Price of 1.01 times and the P/ANAV ratio of the Company based on the Offer Price of 0.95 times (as adjusted for the potential gain and the FY2019 Dividend as set out in paragraph 7.2.2 of this IFA Letter) are within the range and higher than the mean and median P/NAV ratios of the Comparable Companies; and
- (i) the premia of the Offer Price over the corresponding VWAPs and the P/NAV ratio of the Group implied by the Offer Price are within the range of the Recent Privatisation Transactions.

We set out below a summary of the key factors we have taken into our consideration when assessing the “reasonableness” of the Offer:

- (i) the Shares had underperformed or outperformed the STI at different periods since the date of listing but the Shares generally outperformed the STI for most of the time since 2014;
- (ii) the higher profits registered by the Group for FY2019 can be attributed to the compensation recognised by the Group in FY2019 due to the compulsory acquisition of its land and premises by the PRC authorities;
- (iii) in connection with the compulsory acquisition of the Group’s PRC land and premises, the Group has ceased its PRC operations;
- (iv) the Group’s operations in Malaysia has been affected by the COVID-19 pandemic;
- (v) the Company had not raised funds from the equity capital market since its listing in 2007 but declared dividends totalling S\$0.1775 per Share since its listing up to the Latest Practicable Date; and
- (vi) other relevant consideration as set out in paragraph 7.7 of this IFA Letter.

Accordingly, after taking into account the above factors, we are of the opinion as of the date hereof that the terms of the Offer, on balance, are fair and reasonable and accordingly, advise the Independent Directors to recommend Shareholders to accept the Offer.

**APPENDIX A – LETTER FROM THE IFA
TO THE INDEPENDENT DIRECTORS IN RESPECT OF THE OFFER**



This IFA Letter is addressed to the Independent Directors for their benefit, in connection with and for the purpose of their consideration of the terms of the Offer, but the recommendation made by them to the Shareholders shall remain their responsibility. Whilst a copy of this IFA Letter may be reproduced in the Circular, neither the Company nor the Directors may reproduce, disseminate or quote this IFA Letter (or any part thereof) for any other purpose, except for the Offer, at any time and in any manner without the prior written consent of Xandar Capital in each specific case.

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

Yours truly
For and on behalf of
XANDAR CAPITAL PTE. LTD.

LOO CHIN KEONG
EXECUTIVE DIRECTOR

PAULINE SIM POI LIN
HEAD OF CORPORATE FINANCE

APPENDIX B – ADDITIONAL GENERAL INFORMATION

1. DIRECTORS

The names, addresses and descriptions of the directors of the Company as at the Latest Practicable Date are as follows:

Name	Address	Description
Goh Seok Eng	157E Tampines Road Singapore 535149	Executive Chairman
Yeo Hock Leng	157E Tampines Road Singapore 535149	Group Chief Executive Officer & Alternate Director to Goh Seok Eng
Chong Yee Siew Sebastian	15A Butterfly Avenue Sennett Estate Singapore 349779	Lead Independent Director
Law Cheong Yan	171 Chin Swee Road #12-01, CES Centre Singapore 169877	Independent Director
Tan Lye Huat	10F Braddell Hill #24-24, Braddell View Singapore 579725	Independent Director
Shabbir s/o Hakimuddin Hassanbhai	36 Keppel Bay Drive #05-78, Caribbean at Keppel Bay Singapore 098653	Non-Executive Director

2. REGISTERED OFFICE OF THE COMPANY

The registered office of the Company is at 21 Woodlands Close #09-12 Primz Bizhub, Singapore 737854.

3. PRINCIPAL ACTIVITIES

The Company was incorporated in Singapore on 2 July 1993 and was listed on the Main Board of the SGX-ST on 23 November 2007. The principal activities of the Company are investment holding and sale of plastic resins and polyethylene packaging material. The Group engages in business activities that relate to colour compounding and modified compounding of resins, as well as the manufacture of heavy-duty polyethylene bags and industrial stretch hoods plastic packaging materials.

4. SHARE CAPITAL

- 4.1 **Number and class of Shares.** As at the Latest Practicable Date, based on a search conducted at the ACRA, the total issued and paid-up share capital of the Company is approximately S\$31,306,638.73 comprising 209,971,310 Shares. The Company does not have any treasury Shares. As at the Latest Practicable Date, the Company has only one class of Shares, being ordinary shares. The Shares are quoted and listed on the Main Board of the SGX-ST.
- 4.2 **Rights of Shareholders in respect of capital, dividends and voting.** The rights of Shareholders in respect of capital, dividends and voting are contained in the Constitution. An extract of the relevant provisions in the Constitution relating to the rights of Shareholders in respect of capital, dividends and voting is reproduced in **Appendix E** to this Circular.

APPENDIX B – ADDITIONAL GENERAL INFORMATION

4.3 **Number of Shares issued since the end of the last financial year.** As at the Latest Practicable Date, no new Shares have been issued by the Company since 31 December 2019, being the end of the last financial year.

4.4 **Convertible Instruments.** As at the Latest Practicable Date, there are no outstanding instruments convertible into, rights to subscribe for, and options in respect of, Shares and securities which carry voting rights affecting Shares.

5. SUMMARY OF FINANCIAL INFORMATION

5.1 **Consolidated statements of comprehensive income.** A summary of the audited consolidated statement of comprehensive income of the Group for FY2017, FY2018 and FY2019 is set out below.

	Financial year ended 31 December (audited)		
	2019 (US\$)	2018 (US\$)	2017 (US\$)
Revenue	27,443,402	24,168,408	44,210,635
Cost of sales	(21,358,247)	(20,113,126)	(36,820,625)
Gross profit	6,085,155	4,055,282	7,390,010
Exceptional items	–	–	–
Other income	117,232	65,591	294,732
Distribution expense	(952,831)	(807,381)	(1,012,886)
Administrative expenses	(1,991,280)	(1,913,843)	(2,449,988)
Other operating expenses	(20)	–	(116,500)
Finance income	101,552	25,211	130,353
Finance costs	(22,602)	(140,813)	(66,208)
Loss allowances on trade receivables	–	–	(87,524)
Profit before tax from continuing operations	3,337,206	1,284,047	4,081,989
Income tax expense	(893,332)	(349,156)	(744,004)
Profit from discontinued operations net of tax	430,653	451,933	–
Profit for financial year after tax	2,874,527	1,386,824	3,337,985
Other comprehensive (loss) / income, net of tax	(38,578)	(140,226)	233,534
Total comprehensive income	2,835,949	1,246,598	3,571,519
Profit attributable to non-controlling interests ⁽¹⁾	–	–	–
Net earnings per share ⁽²⁾ (US\$ cents)	1.37	0.66	1.59
Net dividends declared per share (S\$ cents)	1.00	0.50	1.50

Note:

- (1) There were no changes in the Group's interests in all of its wholly-owned subsidiaries that have resulted in loss of control for the financial years as disclosed above. Therefore, no profits attributable to non-controlling interests were reported for the said periods.
- (2) The Offeror's share capital comprises 209,971,310 ordinary shares and no preference shares. The net earnings per share is calculated based on dividing the (Loss) / Profit after tax for a particular FY by the number of outstanding ordinary shares of the Offeror.

APPENDIX B – ADDITIONAL GENERAL INFORMATION

- 5.2 **Statement of financial position.** A summary of the audited consolidated statement of financial position of the Group as at 31 December 2019 is set out below.

	Financial year ended 31 December 2019 (US\$)
ASSETS	
Non-current assets	
Investments in subsidiaries	–
Property, plant and equipment	13,093,921
Intangible assets	–
Deferred tax assets	53,985
Prepaid land lease payments	–
	13,147,906
Current assets	
Trade and other receivables	4,089,526
Inventories	5,629,244
Prepayments	115,593
Tax paid in advance	313,679
Cash and bank balances	19,542,099
Non-current assets held for sale	1,745,440
	31,435,581
EQUITY	
Share capital	18,822,247
Revenue reserve	2,040,921
Retained earnings	13,943,682
	34,806,850
LIABILITIES	
Non-current liabilities	
Lease liabilities	105,951
Deferred tax liabilities	981,839
	1,087,790
Current liabilities	
Trade and other payables	2,675,780
Lease liabilities	50,185
Provisions	171,584
Current income tax payable	704,184
Compensation received in advance	5,087,114
	8,688,847

- 5.3 **Significant accounting policies.** A summary of the significant accounting policies of the Group is set out in Note 2 to the audited financial statements of the Group for FY2019, which are reproduced in **Appendix D** to this Circular.

Save as disclosed in this Circular and publicly available information on the Group (including but not limited to that contained in the audited financial statements of the Group for FY2019), there are no significant accounting policies or any points from the notes to the financial statements which are of major relevance for the interpretation of the accounts.

APPENDIX B – ADDITIONAL GENERAL INFORMATION

- 5.4 **Changes in accounting policies.** The Group has applied the same accounting policies and methods of computation as those applied in the audited financial statements of the Group for FY2019 and there are no changes in the accounting policies of the Group which will cause the financial statements of the Group not to be comparable to a material extent.

6. MATERIAL CHANGES IN FINANCIAL POSITION

Save as disclosed in this Circular and publicly available information on the Company (including but not limited to announcements released by the Company in respect of its financial results), there are no known material changes in the financial position of the Company as at the Latest Practicable Date since 31 December 2019, being the date to which the Company's last published audited financial statements were made up.

7. DISCLOSURE OF INTERESTS OF THE COMPANY AND THE DIRECTORS

7.1 Shareholdings and dealings. As at the Latest Practicable Date:

- (a) the Company does not have any direct or deemed interests in any Offeror Securities;
- (b) save as disclosed below and in this Circular, none of the Directors has any direct or deemed interests in any Offeror Securities:

Interests in Offeror Securities

Name	No. of Shares					
	Direct Interest		Deemed Interest		Total Interest	
	No. of Shares	% ⁽¹⁾	No. of Shares	% ⁽¹⁾	No. of Shares	% ⁽¹⁾
Yeo Hock Leng	500	50	–	–	500	50
Goh Seok Eng	500	50	–	–	500	50

Note:

(1) The shareholding percentage is calculated based on 1,000 ordinary shares in issue.

- (c) none of the Company nor the Directors have dealt for value in any Offeror Securities during the Relevant Period;
- (d) save as disclosed below and in this Circular, none of the Directors has any direct or deemed interests in any Company Securities: and

Interests in Company Securities

Name	No. of Shares					
	Direct Interest		Deemed Interest		Total Interest	
	No. of Shares	% ⁽¹⁾	No. of Shares	% ⁽¹⁾	No. of Shares	% ⁽¹⁾
Yeo Hock Leng	27,839,496	13.26	20,760,684	9.89	48,600,180 ⁽²⁾	23.15
Goh Seok Eng	20,760,684	9.89	27,839,496	13.26	48,600,180 ⁽³⁾	23.15

Note:

(1) Calculated based on a total of 209,971,310 issued shares of the Offeror (excluding treasury Shares) as at the Latest Practicable Date and rounded to the nearest two decimal places.

(2) Yeo Hock Leng is deemed to be interested in the 20,760,684 Shares held by his spouse, Goh Seok Eng.

(3) Goh Seok Eng is deemed to be interested in the 27,839,496 Shares held by her spouse, Yeo Hock Leng.

- (e) none of the Directors has dealt for value in any Company Securities during the Relevant Period.

APPENDIX B – ADDITIONAL GENERAL INFORMATION

7.2 **Directors' intentions in relation to the Offer.** The following Directors who have direct or deemed interests in the Shares have informed the Company of their intentions in respect of the Offer as follows:

- (a) As set out in the Offer Document, Mr Yeo Hock Leng has given an Irrevocable Undertaking in favour of the Offeror, further details of which are set out in **Section 4** of this Circular. Mr Yeo Hock Leng has accordingly notified the Company that he intends to accept the Offer in respect of all 27,839,496 Shares, representing approximately 13.26% of the total number of issued Shares as at the Latest Practicable Date; and
- (b) As set out in the Offer Document, Mdm Goh Seok Eng has given an Irrevocable Undertaking in favour of the Offeror, further details of which are set out in **Section 4** of this Circular. Mdm Goh Seok Eng has accordingly notified the Company that she intends to accept the Offer in respect of all 20,760,684 Shares, representing approximately 9.89% of the total number of issued Shares as at the Latest Practicable Date.

As set out in the Offer Document, the Irrevocable Undertakings shall terminate, lapse and cease to have any effect upon the Offer lapsing or being withdrawn for whatever reason other than as a result of a breach of any of the Undertaking Parties' obligations under the Irrevocable Undertakings.

7.3 **Directors' service contracts.** As at the Latest Practicable Date, (a) there are no service contracts between any Director or proposed director with the Company or any of its subsidiaries with more than 12 months to run, which the employing company cannot, within the next 12 months, terminate without payment of compensation; and (b) there are no such service contracts entered into or amended between any of the Directors or proposed director with the Company or any of its subsidiaries during the period between the start of six months preceding the Offer Announcement Date and the Latest Practicable Date.

7.4 **Arrangements affecting directors.** As at the Latest Practicable Date:

- (a) there are no payments or other benefits which will be made or given to any Director or any director of any corporation, which is by virtue of Section 6 of the Companies Act, deemed to be related to the Company, as compensation for loss of office or otherwise in connection with the Offer;
- (b) save for the Irrevocable Undertakings, there are no agreements or arrangements made between any Director and any other person in connection with or conditional upon the outcome of the Offer; and
- (c) save as disclosed in Section 7 (Disclosure of Interests of the Company and the Directors) of this **Appendix B**, and the Irrevocable Undertakings, none of the Directors has a material personal interest, whether direct or indirect, in any material contract entered into by the Offeror.

8. DISCLOSURE OF INTERESTS OF THE INDEPENDENT FINANCIAL ADVISER

None of the IFA nor any of the funds whose investments are managed by the IFA on a discretionary basis, owns or controls any Company Securities as at the Latest Practicable Date, or has dealt with any Company Securities during the Relevant Period.

9. MATERIAL CONTRACTS WITH INTERESTED PERSONS

As at the Latest Practicable Date, there have been no material contracts (not being contracts entered into during the ordinary course of business carried on by the Company) entered into by the Company or any of its subsidiaries with Interested Persons, during the three years preceding the Offer Announcement Date.

APPENDIX C – ADDITIONAL INFORMATION ON THE OFFEROR

The following information on the Offeror has been extracted from Appendix I to the Offer Document and set out below.

“1. DIRECTORS OF THE OFFEROR

The names, addresses and descriptions of the Directors as at the Latest Practicable Date are as follows:

<i>Name</i>	<i>Address</i>	<i>Description</i>
<i>Yeo Hock Leng</i>	<i>157E Tampines Road Singapore 535149</i>	<i>Director</i>
<i>Goh Seok Eng</i>	<i>157E Tampines Road Singapore 535149</i>	<i>Director</i>

2. REGISTERED OFFICE OF THE OFFEROR

The registered office of the Offeror is at 21 Woodlands Close, #09-12 Primz Bizhub, Singapore 737854.

3. PRINCIPAL ACTIVITY OF THE OFFEROR

The Offeror is an investment holding company.

4. NO FINANCIAL STATEMENTS

As the Offeror was recently incorporated on 25 March 2020, the Offeror has not prepared any financial statements since the date of its incorporation.

5. MATERIAL CHANGES IN FINANCIAL POSITION

As at the Latest Practicable Date, save for (a) the making and financing of the Offer; and (b) any publicly available information on the Offeror, there have been no known material changes in the financial position of the Offeror since its incorporation.

6. SIGNIFICANT ACCOUNTING POLICIES

As no audited financial statements of the Offeror have been prepared, there are no significant accounting policies to be noted.”

APPENDIX D – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR FY2019

The audited consolidated financial statements of the Group for FY2019 which are set out below have been reproduced from the Company's annual report for FY2019, and were not specifically prepared for inclusion in this Circular.

A copy of the annual report of the Company for FY2019 is available for inspection at the registered address of the Company at 21 Woodlands Close #09-12 Primz Bizhub, Singapore 737854, during normal business hours until the Final Closing Date.

**DYNAMIC COLOURS LIMITED
AND ITS SUBSIDIARIES**

(Company registration number: 199304233Z)

Directors' Statement and Financial Statements
for the financial year ended 31 December 2019

APPENDIX D – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR FY2019

**DYNAMIC COLOURS LIMITED
AND ITS SUBSIDIARIES**

DIRECTORS' STATEMENT

The Directors of Dynamic Colours Limited (the "Company") present their statement to the members together with the audited consolidated financial statements of the Company and its subsidiaries (the "Group") for the financial year ended 31 December 2019 and the statement of financial position of the Company as at 31 December 2019 and statement of changes in equity of the Company for the financial year ended 31 December 2019.

1. Opinion of the Directors

In the opinion of the Board of Directors,

- (a) the consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company together with the notes thereon are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2019, and of the financial performance, changes in equity and cash flows of the Group and changes in equity of the Company for the financial year then ended; and
- (b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

2. Directors

The Directors of the Company in office at the date of this statement are as follows:

Yeo Hock Leng*
Goh Seok Eng
Law Cheong Yan
Tan Lye Huat
Chong Yee Siew Sebastian
Shabbir s/o Hakimuddin Hassanbhai

* Resigned as Director effective on 31 December 2019 and appointed as Alternate Director to Goh Seok Eng effective on 1 January 2020.

3. Arrangements to enable Directors to acquire shares or debentures

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose object was to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

4. Directors' interests in shares or debentures

The Directors of the Company holding office at the end of the financial year had no interests in the shares or debentures of the Company and its related corporations as recorded in the Register of Directors' shareholdings kept by the Company under Section 164 of the Singapore Companies Act, Chapter 50 (the "Act"), except as follows:

APPENDIX D – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR FY2019

**DYNAMIC COLOURS LIMITED
AND ITS SUBSIDIARIES**

DIRECTORS' STATEMENT

4. Directors' interests in shares or debentures (Continued)

<u>Name of Directors and companies in which interests are held</u>	<u>Shareholdings registered in name of Director</u>		<u>Shareholdings in which Director is deemed to have an interest</u>	
	<u>At beginning of year</u>	<u>At end of year</u>	<u>At beginning of year</u>	<u>At end of year</u>
The Company:				
(No. of ordinary shares)				
Yeo Hock Leng	27,839,496	27,839,496	20,760,684	20,760,684
Goh Seok Eng	20,760,684	20,760,684	27,839,496	27,839,496

By virtue of Section 7 of the Act, Mr Yeo Hock Leng and Ms Goh Seok Eng are deemed to have interests in all the related corporations of the Company as at the beginning and end of the financial year. Mr Yeo Hock Leng is deemed to be interested in the shares held by his wife, Ms Goh Seok Eng, and vice versa.

In accordance with the continuing listing requirements of the Singapore Exchange Securities Trading Limited ("SGX-ST"), the Directors of the Company state that, according to the Register of the Directors' shareholdings, the Directors' interests as at 21 January 2020 in the shares of the Company have not changed from those disclosed as at 31 December 2019.

5. Share options

There were no share options granted by the Company or its subsidiary corporations during the financial year.

There were no shares issued during the financial year by virtue of the exercise of options to take up unissued shares of the Company or its subsidiary corporations.

There were no unissued shares of the Company or its subsidiary corporations under option as at the end of the financial year.

6. Audit and Risk Committee

The members of the Audit and Risk Committee ("ARC") during the financial year and at the date of this statement are:

Law Cheong Yan (Chairman)	Independent Director
Tan Lye Huat	Independent Director
Shabbir s/o Hakimuddin Hassanbhai	Non-Executive and Non-Independent Director

The ARC performs the functions specified in Section 201B(5) of the Act, the SGX Listing Manual and the Code of Corporate Governance.

APPENDIX D – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR FY2019

DYNAMIC COLOURS LIMITED
AND ITS SUBSIDIARIES

DIRECTORS' STATEMENT

6. Audit and Risk Committee (Continued)

The ARC has met four times since the last Annual General Meeting ("AGM") and has carried out its functions in accordance with Section 201B(5) of the Act, including reviewing the following, where relevant, with the Executive Directors and external and internal auditors of the Company:

- (a) the audit plans of the internal and external auditors and the results of the auditors' examination and evaluation of the Group's systems of internal accounting controls;
- (b) the Company's and the Group's financial and operating results and accounting policies;
- (c) the statement of financial position and statement of changes in equity of the Company and the consolidated financial statements of the Group and external auditor's report on those financial statements before their submission to the Directors of the Company;
- (d) the half-yearly and full-year announcements as well as the related press releases on the results and financial position of the Company and the Group;
- (e) the co-operation and assistance given by the management to the Company's internal and external auditor; and
- (f) the re-appointment of the external auditor of the Company.

Further details regarding the ARC are disclosed in the Corporate Governance Report.

The ARC has full access to and has the co-operation of the management and has been given the resources required for it to discharge its function properly. It also has full discretion to invite any Director and executive officer to attend its meetings. The external and internal auditors have unrestricted access to the ARC.

The ARC has recommended to the Board of Directors the nomination of BDO LLP for re-appointment as external auditor of the Company at the forthcoming AGM of the Company.

7. Independent auditor

The independent auditor, BDO LLP, has expressed its willingness to accept re-appointment.

On behalf of the Board of Directors



Goh Seok Eng
Director



Law Cheong Yan
Director

27 March 2020

APPENDIX D – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR FY2019

INDEPENDENT AUDITOR’S REPORT

To the Members of Dynamic Colours Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Dynamic Colours Limited (the “Company”) and its subsidiaries (the “Group”), which comprise:

- the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 31 December 2019;
- the consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows of the Group and the statement of changes in equity of the Company for the financial year then ended; and
- notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the “Act”) and Singapore Financial Reporting Standards (International) (“SFRS(I)s”) so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2019, and of its consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and of the changes of equity of the Company for the financial year ended on that date.

Basis for Opinion

We conducted our audit in accordance with Singapore Standards on Auditing (“SSAs”). Our responsibilities under those standards are further described in the *Auditor’s Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority (“ACRA”) *Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities* (“ACRA Code”) together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

APPENDIX D – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR FY2019

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

1

Compulsory acquisition of Suzhou Huiye Plastic Industry Co. Ltd and Suzhou Huiye Chemical & Light Industry Co., Ltd land and premises

Key Audit Matter

The Group received a relocation notice on 17 December 2018 from Suzhou Wuzhong District Government that its subsidiaries in Suzhou, namely Suzhou Huiye Plastic Industry Co. Ltd (“SHP”) and Suzhou Huiye Chemical & Light Industry Co., Ltd (“SHC”) (collectively, the “China subsidiaries”) will have to be relocated in accordance with planning adjustments of Wuzhong district in Suzhou.

Subsequent to the relocation notice, the China subsidiaries entered into compensation agreements and supplementary agreements (collectively, the “Compensation Agreements”) with the Chengnan Street Office of Wuzhong district, Suzhou (the “Chengnan office”) on 30 August 2019 and 11 November 2019 respectively in relation to the Chengnan Office’s compulsory acquisition of the China subsidiaries’ properties (the “Acquisition”). The China subsidiaries shall vacate the premises before completion of the Acquisition by 10 November 2020.

Following the signing of the Compensation Agreements, the Group received partial compensation of US\$6,775,675 from the Chengnan Office and recognised compensation income of US\$1,658,857 during the financial year ended 31 December 2019 (“FY2019”). As at 31 December 2019, the compensation received in advance amounted to US\$5,087,114. The Group also recognised termination benefit of US\$1,184,618 during FY2019 as employees benefits expense.

As at 31 December 2019, the Group classified property, plant and equipment (“PPE”) of the China subsidiaries of approximately US\$1,745,440 to “Non-current Assets Held For Sale”, and had discontinued depreciation of these PPE since September 2019. The results of the China subsidiaries for FY2019 and comparative figures are presented as results from discontinued operations in the Consolidated Statement of Comprehensive Income.

We have determined the Acquisition as a key audit matter due to its significance to the financial statements and the significant management judgements involved in the accounting of the compensation income.

Related Disclosures

Refer to Notes 2.20, 3.1(ii), 13, 18, 19, 21 and 23 of the accompanying financial statements.

APPENDIX D – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR FY2019

Key Audit Matters (Continued)

1

Compulsory acquisition of Suzhou Huiye Plastic Industry Co. Ltd and Suzhou Huiye Chemical & Light Industry Co., Ltd. land and premises (Continued)

Audit Response

Our procedures included, amongst others, the following:

- obtained and read the Compensation Agreements and held meetings and discussions with management to understand the terms and conditions of the Acquisition and its impact on the accounting treatment for the China subsidiaries;
- evaluated management's assessment on the accounting treatment and recognition of compensation income;
- evaluated management's basis on classification of the China subsidiaries' non-current assets as held for sale and presentation of their results as discontinued operations;
- assessed management's measurement of the non-current assets held for sale at the lower of their carrying amounts and fair value less cost to sell; and
- assessed the adequacy of the related disclosure in the financial statements.

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Directors for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and SFRS(I)s, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The Directors' responsibilities include overseeing the Group's financial reporting process.

APPENDIX D – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR FY2019

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

APPENDIX D – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR FY2019

Auditor's Responsibilities for the Audit of the Financial Statements (Continued)

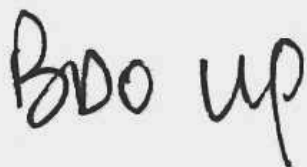
We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company and by the subsidiary corporation incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this independent auditor's report is Khoo Gaik Suan.



BDO LLP
Public Accountants and
Chartered Accountants

Singapore
27 March 2020

APPENDIX D – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR FY2019

DYNAMIC COLOURS LIMITED AND ITS SUBSIDIARIES

STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2019

	Note	Group 2019 US\$	2018 US\$	Company 2019 US\$	2018 US\$
ASSETS					
Non-current assets					
Property, plant and equipment	4	13,093,921	14,747,438	1,579	2,153
Prepaid land lease payments	6	-	1,429,475	-	-
Intangible assets	7	-	68	-	-
Deferred tax assets	8	53,985	38,722	-	-
Investment in subsidiaries	9	-	-	7,949,511	7,949,511
Total non-current assets		13,147,906	16,215,703	7,951,090	7,951,664
Current assets					
Inventories	10	5,629,244	7,173,824	-	331,360
Trade and other receivables	11	4,089,526	6,872,898	8,859,425	14,662,141
Prepayments		115,593	86,948	5,628	3,311
Tax paid in advance		313,679	155,874	-	-
Cash and bank balances	12	19,542,099	6,830,400	8,952,652	2,995,556
		29,690,141	21,119,944	17,817,705	17,992,368
Non-current assets held for sale	13	1,745,440	-	-	-
Total current assets		31,435,581	21,119,944	17,817,705	17,992,368
Total assets		44,583,487	37,335,647	25,768,795	25,944,032
EQUITY AND LIABILITIES					
Equity					
Share capital	14	18,822,247	18,822,247	18,822,247	18,822,247
Reserves	15	2,040,921	2,079,499	151,827	151,827
Retained earnings		13,943,682	11,840,088	5,150,290	4,844,175
Total equity attributable to owners of the parent		34,806,850	32,741,834	24,124,364	23,818,249
Non-current liabilities					
Lease liabilities ⁽¹⁾	16	105,951	14,523	-	-
Deferred tax liabilities	8	981,839	973,938	-	-
Total non-current liabilities		1,087,790	988,461	-	-
Current liabilities					
Trade and other payables	17	2,675,780	3,454,068	1,576,118	2,105,490
Lease liabilities ⁽¹⁾	16	50,185	12,836	-	-
Compensation received in advance	18	5,087,114	-	-	-
Provisions	19	171,584	-	-	-
Current income tax payable		704,184	138,448	68,313	20,293
Total current liabilities		8,688,847	3,605,352	1,644,431	2,125,783
Total liabilities		9,776,637	4,593,813	1,644,431	2,125,783
Total equity and liabilities		44,583,487	37,335,647	25,768,795	25,944,032

⁽¹⁾ Previously presented as finance lease liabilities

The accompanying notes form an integral part of these financial statements.

APPENDIX D – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR FY2019

DYNAMIC COLOURS LIMITED AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR FINANCIAL YEAR ENDED 31 DECEMBER 2019

	Note	2019 US\$	2018 US\$
Revenue	20	27,443,402	24,168,408
Cost of sales		(21,358,247)	(20,113,126)
Gross profit		6,085,155	4,055,282
<i>Other item of income</i>			
Other income	21	117,232	65,591
<i>Other items of expense</i>			
Distribution expenses		(952,831)	(807,381)
Administrative expenses		(1,991,280)	(1,913,843)
Other operating expenses		(20)	-
Finance income	22	101,552	25,211
Finance costs	22	(22,602)	(140,813)
Profit before tax from continuing operations	23	3,337,206	1,284,047
Income tax expense	24	(893,332)	(349,156)
Profit from continuing operations		2,443,874	934,891
Profit from discontinued operations, net of tax	13	430,653	451,933
Profit for the financial year		2,874,527	1,386,824
Other comprehensive income:			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising from translation of foreign operations		(38,578)	(140,226)
Income tax relating to items that may be reclassified subsequently		-	-
Other comprehensive income for the financial year, net of tax		(38,578)	(140,226)
Total comprehensive income for the financial year		2,835,949	1,246,598
Profit for the year attributable to:			
Owners of the parent		2,874,527	1,386,824
Total comprehensive income attributable to:			
Owners of the parent		2,835,949	1,246,598
Earnings per share from continuing operations attributable to owners of the parent (cents)			
Basic and diluted	25	1.16	0.45
Earnings per share from discontinued operations attributable to owners of the parent (cents)			
Basic and diluted	25	0.21	0.21

The accompanying notes form an integral part of these financial statements.

**APPENDIX D – AUDITED CONSOLIDATED FINANCIAL STATEMENTS
OF THE GROUP FOR FY2019**

**DYNAMIC COLOURS LIMITED
AND ITS SUBSIDIARIES**

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019**

	Note	Share capital US\$	Foreign exchange reserve* US\$	Statutory reserve* US\$	Share-based payment reserve* US\$	Retained earnings US\$	Total equity attributable to owners of the parent US\$
Group							
Balance as at 1 January 2019		18,822,247	93,308	1,834,364	151,827	11,840,088	32,741,834
Profit for the financial year		-	-	-	-	2,874,527	2,874,527
Other comprehensive income:							
Exchange differences arising from translation of foreign operations		-	(38,578)	-	-	-	(38,578)
Total comprehensive income for the financial year		-	(38,578)	-	-	2,874,527	2,835,949
Transactions with owners, recognised directly in equity							
Dividends	26	-	-	-	-	(770,933)	(770,933)
Balance as at 31 December 2019		18,822,247	54,730	1,834,364	151,827	13,943,682	34,806,850

* These reserve comprised the reserves of US\$2,040,921 (2018: US\$2,079,499) in the consolidated statement of financial position.

The accompanying notes form an integral part of these financial statements.

**APPENDIX D – AUDITED CONSOLIDATED FINANCIAL STATEMENTS
OF THE GROUP FOR FY2019**

**DYNAMIC COLOURS LIMITED
AND ITS SUBSIDIARIES**

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019**

	Note	Share capital US\$	Foreign exchange reserve* US\$	Statutory reserve* US\$	Share-based payment reserve* US\$	Retained earnings US\$	Total equity attributable to owners of the parent US\$
Group							
Balance as at 1 January 2018		18,822,247	233,534	1,680,091	151,827	12,986,186	33,873,885
Profit for the financial year		-	-	-	-	1,386,824	1,386,824
Other comprehensive income:							
Exchange differences arising from translation of foreign operations		-	(140,226)	-	-	-	(140,226)
Total comprehensive income for the financial year		-	(140,226)	-	-	1,386,824	1,246,598
Transactions with owners, recognised directly in equity							
Dividends	26	-	-	-	-	(2,378,649)	(2,378,649)
Transfer to statutory reserve		-	-	154,273	-	(154,273)	-
Balance as at 31 December 2018		18,822,247	93,308	1,834,364	151,827	11,840,088	32,741,834

* These reserve comprised the reserves of US\$2,040,921 (2018: US\$2,079,499) in the consolidated statement of financial position.

The accompanying notes form an integral part of these financial statements.

APPENDIX D – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR FY2019

DYNAMIC COLOURS LIMITED AND ITS SUBSIDIARIES

STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

	Note	Share capital US\$	Share-based payment reserve US\$	Retained earnings US\$	Total equity US\$
Company					
Balance as at 1 January 2019		18,822,247	151,827	4,844,175	23,818,249
Profit for the financial year, representing total comprehensive income for the financial year		-	-	1,077,048	1,077,048
Dividends, representing transactions with owners, recognised directly in equity	26	-	-	(770,933)	(770,933)
Balance as at 31 December 2019		<u>18,822,247</u>	<u>151,827</u>	<u>5,150,290</u>	<u>24,124,364</u>
Balance as at 1 January 2018		18,822,247	151,827	3,528,407	22,502,481
Profit for the financial year, representing total comprehensive income for the financial year		-	-	3,694,417	3,694,417
Dividends, representing transactions with owners, recognised directly in equity	26	-	-	(2,378,649)	(2,378,649)
Balance as at 31 December 2018		<u>18,822,247</u>	<u>151,827</u>	<u>4,844,175</u>	<u>23,818,249</u>

The accompanying notes form an integral part of these financial statements.

APPENDIX D – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR FY2019

DYNAMIC COLOURS LIMITED AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

	Note	2019 US\$	2018 US\$
Cash flows from operating activities			
Profit before tax from continuing operations		3,337,206	1,284,047
Profit before tax from discontinued operations	13	423,821	588,692
Profit before tax, total		3,761,027	1,872,739
Adjustments for:			
Amortisation of prepaid land lease payments	6	-	39,207
Amortisation of intangible assets	7	68	3,508
Depreciation of property, plant and equipment	4	1,506,127	1,355,004
Gain on disposal of property, plant and equipment, net		(48,259)	(1,052)
Inventories written down	10	114,810	-
Interest expense	22	3,940	87,824
Interest income	22	(107,799)	(27,020)
Loss allowance on trade receivables		42,542	-
Property, plant and equipment written off		422	5,368
Unrealised foreign exchange (gain)/loss		(781)	22,628
Operating cash flows before working capital changes		5,272,097	3,358,206
Changes in working capital:			
Inventories		1,424,089	820,440
Trade and other receivables		2,781,505	295,548
Prepayments		(18,357)	8,767
Trade and other payables		(778,148)	(17,497)
Provisions		173,619	-
Cash generated from operations		8,854,805	4,465,464
Income tax paid		(486,516)	(1,116,392)
Net cash from operating activities		8,368,289	3,349,072
Cash flows from investing activities			
Acquisition of property, plant and equipment	4	(105,922)	(588,188)
Interest received		61,561	27,020
Proceeds from disposal of property, plant and equipment		121,490	10,789
Compensation received in advance	18	5,116,818	-
Net cash from/(used in) investing activities		5,193,947	(550,379)

The accompanying notes form an integral part of these financial statements.

APPENDIX D – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR FY2019

DYNAMIC COLOURS LIMITED
AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

	Note	2019 US\$	2018 US\$
Cash flows from financing activities			
Dividends paid	26	(770,933)	(2,378,649)
Interest paid		(3,940)	(87,824)
Deposit refunded		-	2,027
Repayment of obligations under leases (2018: Repayment of obligations under finance leases)	16	(40,857)	(11,549)
Repayments of short-term loans	A	-	(1,092,187)
Proceeds from trust receipts	A	-	10,012,290
Repayments of trust receipts	A	-	(11,662,785)
Net cash used in financing activities		(815,730)	(5,218,677)
Net change in cash and cash equivalents		12,746,506	(2,419,984)
Cash and cash equivalents at beginning of financial year		6,638,586	9,021,509
Effect of foreign exchange rate changes on cash and cash equivalents		(39,191)	37,061
Cash and cash equivalents at end of financial year	12	19,345,901	6,638,586

Note A: Reconciliation of liabilities arising from financing activities

	1 January 2018 US\$	Cash flows US\$	<u>Non-cash changes</u> Foreign exchange differences US\$	31 December 2018 US\$
Bank borrowings	1,069,559	(1,092,187)	22,628	-
Trust receipts	1,650,495	(1,650,495)	-	-
Lease liabilities (Note 16)	38,908	(11,549)	-	27,359
	<u>2,758,962</u>	<u>(2,754,231)</u>	<u>22,628</u>	<u>27,359</u>

The accompanying notes form an integral part of these financial statements.

APPENDIX D – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR FY2019

DYNAMIC COLOURS LIMITED
AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

These notes form an integral part of and should be read in conjunction with the accompanying financial statements.

1. General

Dynamic Colours Limited (the “Company”) (Registration Number 199304233Z) is incorporated and domiciled in Singapore with its registered office and principal place of business at 21 Woodlands Close #09-12 Singapore 737854. The Company is listed on the Main Board of the Singapore Exchange Securities Trading Limited (“SGX-ST”).

The principal activities of the Company are investment holding and sale of plastic resins and polyethylene packaging materials.

The ultimate controlling party of Dynamic Colours Limited and its subsidiaries is Intraco Limited.

The principal activities of the subsidiaries are disclosed in Note 9 to the financial statements.

2. Summary of significant accounting policies

2.1 Basis of preparation

The financial statements have been prepared in accordance with Singapore Financial Reporting Standards (International) (“SFRS(I)s”) under the historical cost convention, except as disclosed in the accounting policies below.

The individual financial statements of each entity within the Group are measured and presented in the currency of the primary economic environment in which the entity operates (its functional currency). The consolidated financial statements of the Group and the statement of financial position and the statement of changes in equity of the Company are presented in United States dollar (“US\$”) which is the functional currency of the Company and the presentation currency for the consolidated financial statements.

The preparation of financial statements in compliance with SFRS(I)s requires management to make judgements, estimates and assumptions that affect the Group’s application of accounting policies and reported amounts of assets, liabilities, revenue and expenses. Although these estimates are based on management’s best knowledge of current events and actions, actual results may differ from those estimates. The areas where such judgements or estimates have significant effect are disclosed in Note 3 to the financial statements.

Changes in accounting policies

New standards, amendments and interpretations effective from 1 January 2019

The standards, amendments to standards, and interpretations, issued by Accounting Standards Council Singapore (“ASC”) that will apply for the first time by the Group are not expected to impact the Group as they are either not relevant to the Group’s business activities or require accounting which is consistent with the Group’s current accounting policies, except as detailed below.

APPENDIX D – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR FY2019

DYNAMIC COLOURS LIMITED
AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2. Summary of significant accounting policies (Continued)

2.1 Basis of preparation (Continued)

Changes in accounting policies (Continued)

New standards, amendments and interpretations effective from 1 January 2019 (Continued)

SFRS(I) 16 Leases

SFRS(I) 16 supersedes SFRS(I) 1-17 *Leases* and SFRS(I) INT 4 *Determining whether an Arrangement Contains a Lease*. SFRS(I) 16 provides a single lessee accounting model which eliminates the distinction between operating and finance leases for lessees. SFRS(I) 16 requires lessee to capitalise all leases on the statements of financial position by recognising a 'right-of-use' asset and a corresponding lease liability for the present value of the obligation to make lease payments, except for certain short-term leases and leases of low-value assets. Subsequently, the right-of-use assets will be amortised and the lease liabilities will be measured at amortised cost. From the perspective of a lessor, the classification and accounting for operating and finance leases remains substantially unchanged under SFRS(I) 16.

The Group applied SFRS(I) 16 retrospectively with the cumulative effect of initially applying this standard as at 1 January 2019 (the "date of initial application") and recognised right-of-use asset for leases previously classified as an operating lease applying SFRS(I) 1-17 at an amount equal to lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statements of financial position immediately before the date of initial application. The Group elected to apply the practical expedient to not reassess whether a contract is, or contains a lease at the date of initial application. Contracts entered into before the transition date that were not identified as leases under SFRS(I) 1-17 and SFRS(I) INT 4 were not reassessed. The definition of lease under SFRS(I) 16 was applied only to contracts entered into or changed on or after 1 January 2019.

In applying the modified retrospective approach, the Group has taken advantage of the practical expedient and use hindsight for the purpose of measuring the right-of-use asset. Therefore, it has been measured based on prevailing estimates at the date of initial application and not retrospectively by making estimates and judgements (such as lease terms) based on circumstances on or after the lease commencement date.

As a lessee, the Group previously classified leases as finance or operating lease based on its assessment of whether the lease transferred substantially all risks and rewards of ownership. Under SFRS(I) 16, the Group recognises right-of-use assets and lease liabilities for most leases. For those leases with a term of 12 months or less, the Group has elected not to recognise right-of-use assets and lease liabilities for these leases.

On adoption of SFRS(I) 16, the Group recognised right-of-use assets and lease liabilities in relation to office premises and equipment, which had previously been classified as operating leases and reclassified prepaid land lease payments as right-of-use assets. The Group presents right-of-use assets in "Property, plant and equipment" (Note 4).

Lease liabilities from operating leases under the principles of SFRS(I) 1-17 were measured at the present value of the remaining lease payments, discounted using lessee's incremental borrowing rate as at 1 January 2019. The weighted average incremental borrowing rate applied to lease liabilities on 1 January 2019 was 5.31%.

APPENDIX D – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR FY2019

DYNAMIC COLOURS LIMITED
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2. Summary of significant accounting policies (Continued)

2.1 Basis of preparation (Continued)

Changes in accounting policies (Continued)

New standards, amendments and interpretations effective from 1 January 2019 (Continued)

SFRS(I) 16 Leases (Continued)

For leases that were classified as finance leases applying SFRS(I) 1-17, the carrying amount of the assets acquired under finance leases and finance liabilities at the date of initial application shall be the carrying amount of the right-of-use assets and lease liabilities as at 31 December 2018.

The effect of adopting SFRS(I) 16 as at 1 January 2019 was as follows:

	Group Increase/ (decrease) US\$
Assets	
Property, plant and equipment	1,491,838
Prepaid land lease payments	<u>(1,429,475)</u>
Liabilities	
Lease liabilities	<u>62,363</u>

The aggregate lease liabilities recognised in the consolidated statement of financial position as at 1 January 2019 and the Group's operating lease commitments as at 31 December 2018 can be reconciled as follows:

	US\$
Operating lease commitment as at 31 December 2018 (Note 27)	67,175
Add: Effect of extension options reasonably certain to be exercised	332
Add: Effect of purchase options reasonably certain to be exercised	<u>326</u>
	67,833
Effect of discounting using the incremental borrowing rate as at date of initial application	<u>(5,470)</u>
	<u>62,363</u>

APPENDIX D – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR FY2019

DYNAMIC COLOURS LIMITED
AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2. Summary of significant accounting policies (Continued)

2.1 Basis of preparation (Continued)

New standards, amendments and interpretations issued but not yet effective

There are a number of standards, amendments to standards, and interpretations, which have been issued by the ASC that are effective in future accounting periods and the Company has not decided to early adopt. The Group does not expect any of these standards upon adoption will have a material impact to the Group.

2.2 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries. Subsidiaries are entities over which the Group has control. The Group controls an investee if the Group has power over the investee, exposure to variable returns from its involvement with the investee, and the ability to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

Subsidiaries are consolidated from the date on which the Group obtains control over the investee and cease from consolidation when the control is lost. Control is reassessed whenever the facts and circumstances indicate that they may be a change in the elements of control.

All intra-group balances and transactions and any unrealised income and expenses arising from intra-group transactions are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides an impairment indicator of the transferred asset.

The financial statements of the subsidiaries are prepared for the same reporting period as that of the Company, using consistent accounting policies. Where necessary, accounting policies of subsidiaries are changed to ensure consistency with the policies adopted by the Group.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions (i.e. transactions with owners). The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the parent.

When the Group loses control of a subsidiary, it derecognises the assets and liabilities of the subsidiary and any non-controlling interest. The profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for (i.e. reclassified to profit or loss or transferred directly to retained earnings) in the same manner as would be required if the relevant assets or liabilities were disposed of. The fair value of any investments retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under SFRS(I) 9 or, when applicable, the cost on initial recognition of an investment in an associate or joint venture.

In the separate financial statements of the Company, investments in subsidiaries are carried at cost, less any impairment loss that has been recognised in profit or loss.

APPENDIX D – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR FY2019

DYNAMIC COLOURS LIMITED
AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2. Summary of significant accounting policies (Continued)

2.3 Business combinations

The acquisition of subsidiaries is accounted for using the acquisition method. The consideration transferred for the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred. Consideration transferred also includes any contingent consideration measured at the fair value at the acquisition date. Subsequent changes in fair value of contingent consideration which is deemed to be an asset or liability, will be recognised in profit or loss.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under SFRS(I) 3 are recognised at their fair values at the acquisition date.

Where a business combination is achieved in stages, the Group's previously held interests in the acquired entity are remeasured to fair value at the acquisition date (i.e. the date the Group attains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss, where such treatment would be appropriate if that interest were disposed of.

Goodwill arising on acquisition is recognised as an asset at the acquisition date and initially measured at the excess of the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest (if any) in the entity over net acquisition-date fair value amounts of the identifiable assets acquired and the liabilities and contingent liabilities assumed.

If, after reassessment, the net fair value of the acquiree's identifiable net assets exceeds the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase.

2.4 Property, plant and equipment

All items of property, plant and equipment are initially recognised at cost. The cost includes its purchase price and any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Dismantlement, removal or restoration costs are included as part of the cost if the obligation for dismantlement, removal or restoration is incurred as a consequence of acquiring or using the property, plant and equipment.

Subsequent expenditure on an item of property, plant and equipment is added to the carrying amount of the item if it is probable that future economic benefits associated with the item will flow to the Group and the cost can be measured reliably. All other repair and maintenance expenses are recognised in profit or loss when incurred.

Property, plant and equipment are subsequently carried at cost less accumulated depreciation and any accumulated impairment losses.

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2. Summary of significant accounting policies (Continued)

2.4 Property, plant and equipment (Continued)

Depreciation is calculated using the straight-line method to allocate the depreciable amounts of the property, plant and equipment over their estimated useful lives, on the following bases:

Leasehold land and factory buildings	6 to 60 years
Prepaid land lease payment	40 to 43 years
Leased premises	1.5 to 4 years
Plant and machinery	5 to 20 years
Motor vehicles	5 to 10 years
Furniture, fittings and equipment	1.3 to 10 years
Renovation	3 to 5 years

No depreciation is charged on assets under construction as they are not yet ready for their intended use as at the end of the reporting period.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

The estimated useful lives, residual values and depreciation methods are reviewed, and adjusted as appropriate, at the end of each reporting period.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal.

The gain or loss arising on disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Fully depreciated property, plant and equipment are retained in the financial statements until they are no longer in use.

2.5 Prepaid land lease payments

Prepaid land lease payments represent upfront payments to acquire long term interests in the usage of land and are initially measured at cost. Following initial recognition, they are stated at cost less accumulated amortisation and accumulated impairment loss. Amortisation is charged to profit or loss on a straight-line basis over their estimated lease term of 40 to 43 years.

2.6 Intangible assets

Computer software

Acquired computer software are initially recognised at cost which includes the purchase price (net of any discounts and rebates) and other directly attributable costs of preparing the software for its intended use. Direct expenditure which enhances or extends the performance of computer software beyond its specifications and which can be reliably measured is added to the original cost of the software. Costs associated with maintaining computer software are recognised as an expense as incurred.

Computer software are subsequently carried at cost less accumulated amortisation and accumulated impairment losses. These costs are amortised to profit or loss using the straight-line method over their estimated useful lives of 5 to 10 years.

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2. Summary of significant accounting policies (Continued)

2.7 Leases

As lessee

All leases are accounted for by recognising a right-of-use asset and a lease liability except for:

- leases of low value assets; and
- leases with a duration of twelve months or less.

The payments for leases of low value assets and short-term leases are recognised as an expense on a straight-line basis over the lease term.

Initial measurement

Lease liabilities are measured at the present value of the contractual payments due to the lessor over the lease term, with the discount rate determined by reference to the rate inherent in the lease unless this is not readily determinable, in which case the Group's incremental borrowing rate on commencement of the lease is used.

Variable lease payments are only included in the measurement of the lease liability if it is depending on an index or rate. In such cases, the initial measurement of the lease liability assumes the variable element will remain unchanged throughout the lease term. Other variable lease payments are expensed in the period to which they relate.

On initial recognition, the carrying amount of lease liabilities also includes:

- amounts expected to be payable under any residual value guarantee;
- the exercise price of any purchase option granted in favour of the Group if it is reasonably certain to assess that option; and
- any penalties payables for terminating the lease, if the term of the lease has been estimated on the basis of termination option being exercised.

Right-of-use assets are initially measured at the amount of lease liabilities, reduced by any lease incentives received and increased for:

- lease payments made at or before commencement of the lease;
- initial direct costs incurred; and
- the amount of any provision recognised where the Group is contractually required to dismantle, remove or restore the leased asset.

The Group presents the right-of-use assets in "Property, plant and equipment" and lease liabilities separately from other liabilities in the consolidated statement of financial position.

Subsequent measurement

Right-of-use assets are subsequently measured at cost less any accumulated depreciation, any accumulated impairment loss and, if applicable, adjusted for any remeasurement of the lease liabilities. The right-of-use assets under cost model are depreciated on a straight-line basis over the shorter of either the remaining lease term or the remaining useful life of the right-of-use assets. If the lease transfers ownership of the underlying asset by the end of the lease term or if the cost of the right-of-use asset reflects that the Group will exercise the purchase option, the right-of-use assets are depreciated over the useful life of the underlying asset.

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2. Summary of significant accounting policies (Continued)

2.7 Leases (Continued)

As lessee (Continued)

Subsequent measurement (Continued)

The carrying amount of right-of-use assets are reviewed for impairment when events or changes in circumstances indicate that the right-of-use asset may be impaired. The accounting policy on impairment is as described in Note 2.8 to the financial statements.

Subsequent to initial measurement, lease liabilities are adjusted to reflect interest charged at a constant periodic rate over the remaining lease liabilities, lease payment made and if applicable, account for any remeasurement due to reassessment or lease modifications.

After the commencement date, interest on the lease liabilities and variable lease payments not included in the measurement of the lease liabilities are recognised in profit or loss, unless the costs are eligible for capitalisation in accordance with other applicable standards.

When the Group revises its estimate of any lease term (i.e. probability of extension or termination option being exercised), it adjusts the carrying amount of the lease liability to reflect the payments over the revised term. The carrying amount of lease liabilities is similarly revised when the variable element of the future lease payment dependent on a rate or index is revised. In both cases, an equivalent adjustment is made to the carrying amount of the right-of-use assets. If the carrying amount of the right-of-use assets is reduced to zero and there is a further reduction in the measurement of lease liabilities, the remaining amount of the remeasurement is recognised directly in profit or loss.

When the Group renegotiates the contractual terms of a lease with the lessor, the accounting treatment depends on the nature of the modification:

- If the renegotiation results in one or more additional assets being leased for an amount commensurate with the standalone price for the additional right-of-use obtained, the modification is accounted for as a separate lease in accordance with the above policy;
- In all other cases where the renegotiation increases the scope of the lease (i.e. extension to the lease term, or one or more additional assets being leased), the lease liability is remeasured using the discount rate applicable on the modification date, with the right-of-use asset being adjusted by the same amount;
- If the renegotiation results in a decrease in scope of the lease, both the carrying amount of the lease liability and right-of-use asset are reduced by the same proportion to reflect the partial or full termination of the lease with any difference being recognised in profit or loss. The lease liability is then further adjusted to ensure its carrying amount reflects the amount of the renegotiated payments over the renegotiated term, with the modified lease payments discounted at the rate applicable on the modification date. The right-of-use asset is adjusted by the same amount.

For lease contracts that convey a right to use an identified asset and require services to be provided by the lessor, the Group has elected to account for the entire contract as a lease. The Group does not allocate any amount of contractual payments to, and account separately for, any services provided by the lessor as part of the contract.

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2. Summary of significant accounting policies (Continued)

2.7 Leases (Continued)

Accounting policy prior to 1 January 2019

As lessee

Finance leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the leased assets to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are capitalised as property, plant and equipment of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to profit or loss, unless they are directly attributable to the acquisition, construction or production of qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs (Note 2.16).

Operating leases

Rentals payable under operating leases (net of any incentives received from lessors) are charged to profit or loss on a straight-line basis over the term of the relevant lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

As lessor

When the Group is a lessor, it determines whether each lease entered is a finance or an operating lease at the lease inception date and reassessed only if there is a lease modification. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. Whereas, it is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership of an underlying asset.

If the lease arrangement contains lease and non-lease components, the Group applies the principles within SFRS(I) 15 to allocate consideration in the lease arrangement.

The Group recognises lease payments under operating leases as income on a straight-line basis over the lease term unless another systematic basis is more representative of the pattern in which benefit from the use of the underlying asset is diminished. The lease payment recognised is included as part of "Other income". Initial direct cost incurred in negotiating and arranging an operating lease are added to the carrying amount of the underlying asset and recognised as expense over the lease term on the same basis as lease income.

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2. Summary of significant accounting policies (Continued)

2.7 Leases (Continued)

As lessor (Continued)

Any modification to an operating lease is accounted for as a new lease from the effective date of the modification, considering any prepaid or accrued lease payments relating to the original lease as part of the lease payments for the new lease.

The accounting policies applicable to the Group as a lessor in the comparative period were not different from SFRS(I) 16.

2.8 Impairment of non-financial assets

At the end of each reporting period, the Group reviews the carrying amounts of its non-financial assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

The recoverable amount of an asset or cash-generating unit is the higher of its fair value less costs to sell and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

2.9 Inventories

Inventories are stated at the lower of cost and net realisable value. Costs comprise direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity. Obsolete and slow-moving inventories are written down to the lower of cost and net realisable value.

Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

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2. Summary of significant accounting policies (Continued)

2.10 Financial instruments

The Group recognises a financial asset or a financial liability in its statements of financial position when, and only when, the Group becomes party to the contractual provisions of the instrument.

Financial assets

The Group classifies its financial assets depending on the Group's business model for managing the financial assets as well as the contractual terms of the cash flows of the financial asset. The Group shall reclassify its affected financial assets when and only when the Group changes its business model for managing these financial assets. The Group classified its financial assets at amortised cost.

The Group's accounting policy for financial assets at amortised cost is as follows:

Amortised cost

These assets arise principally from the provision of goods and services to customers (e.g. trade receivables), but also incorporate other types of financial assets where the objective is to hold these assets in order to collect contractual cash flows and the contractual cash flows are solely payments of principal and interest. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment. Interest income from these financial assets is included in interest income using the effective interest rate method.

Impairment provisions for trade receivables are recognised based on the simplified approach within SFRS(I) 9 using the lifetime expected credit losses. The lifetime expected credit losses are determined based on expected credit loss rates. The expected credit loss rates are determined based on historical loss rates and historical payment pattern, adjusted for current conditions and forecast of future economic conditions that may affect the ability of customers to settle the trade receivables. For trade receivables, which are reported net, such provisions are recorded in a separate provision account with the loss being presented in the consolidated statement of comprehensive income. On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision.

Impairment provisions for other financial assets at amortised cost are recognised based on a forward-looking expected credit loss model. The methodology used to determine the amount of the provision is based on whether at each reporting date, there has been a significant increase in credit risk since initial recognition of the financial asset. In assessing whether the credit risk on a financial asset has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial asset as at the reporting date with the risk of a default occurring on the financial asset as at the date of initial recognition. For those where the credit risk has not increased significantly since initial recognition of the financial asset, twelve month expected credit losses along with gross interest income are recognised. For those for which credit risk has increased significantly, lifetime expected credit losses along with the gross interest income are recognised. For those that are determined to be credit impaired, lifetime expected credit losses along with interest income on a net basis are recognised.

The Group's financial assets measured at amortised cost comprise trade and other receivables (excluding goods and services tax receivable and advances to suppliers) and cash and bank balances in the consolidated statement of financial position.

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2. Summary of significant accounting policies (Continued)

2.10 Financial instruments (Continued)

Financial assets (Continued)

Definition of default

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable.

- When there is a breach of financial covenants by the counterparty; or
- Information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above analysis, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred.

Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event;
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

Financial liabilities and equity instruments

Classification as debt or equity

Financial liabilities and equity instruments issued by the Group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

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2. Summary of significant accounting policies (Continued)

2.10 Financial instruments (Continued)

Financial liabilities and equity instruments (Continued)

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments are recorded at the proceeds received, net of direct issue costs. The Group classifies ordinary shares as equity instruments.

Financial liabilities

The Group classifies all financial liabilities as subsequently measured at amortised cost, except for financial liabilities at fair value through profit or loss and financial guarantee contracts.

Trade and other payables

Trade and other payables, excluding goods and services tax payable, advances from customers, unutilised leaves and reinstatement cost, are initially measured at fair value, net of transaction costs, and are subsequently measured at amortised cost, where applicable, using the effective interest method.

Financial guarantee contracts

The Company has issued corporate guarantees to banks for borrowings of certain subsidiaries and these guarantees qualify as financial guarantees because the Company is required to reimburse the banks if these subsidiaries breach any repayment term.

Financial guarantee contract liabilities are measured initially at their fair values, net of transaction costs. Financial guarantee contracts are subsequently measured at the higher of:

- a) premium received on initial recognition less the cumulative amount of income recognised in accordance with the principles of SFRS(I) 15; and
- b) the amount of loss provisions determined in accordance with SFRS(I) 9.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount and the consideration paid is recognised in profit or loss.

2.11 Cash and bank balances

Cash and bank balances in the consolidated statement of financial position comprise cash on hand, demand deposits and other short-term highly liquid investments which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. For the purposes of the consolidated statement of cash flows, cash and cash equivalents excludes any fixed deposits pledged.

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2. Summary of significant accounting policies (Continued)

2.12 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably. The increase in the provision due to the passage of time is recognised in the statement of comprehensive income as finance expense.

Changes in the estimated timing or amount of the expenditure or discount rate are recognised in profit or loss when the changes arise.

2.13 Revenue recognition

Revenue is recognised when a performance obligation is satisfied. Revenue is measured based on consideration of which the Group expects to be entitled in exchange for transferring promised good or services to a customer, excluding amounts collected on behalf of third parties (i.e. sales related taxes). Most of the Group's revenue is derived from fixed price contracts and therefore, the amount of revenue earned for each contract is determined by reference to those fixed prices.

Revenue from sales of compounded resins, polyethylene packaging materials and toll compounding services

The Group's primary source of revenue are from the sale of compounded resins and polyethylene packaging materials and toll compounding services. Revenue from the sales of these products and services is recognised at a point in time when the products and the products from the services are delivered to or collected by customers. For overseas sales, performance obligations are satisfied when the controls of products (i.e. risk of obsolescence and loss of shipment) are transferred to the customers. There is limited judgement needed to identify when the point of control passes to customers. There is no element of significant financing component in the Group's revenue transactions as customers are required to pay within the credit term.

The Group's obligation to transfer goods to customer for which it has received consideration from the customer is presented as advances from customers as part of trade and other payables (Note 17).

Interest income

Interest income is recognised using the effective interest rate method.

Rental income

Rental income is recognised on a straight-line basis over the term of the relevant lease.

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2. Summary of significant accounting policies (Continued)

2.13 Revenue recognition (Continued)

Dividend income

Dividend income is recognised when the right to receive payment is established.

Sales of scrap

Revenue from sales of scrap is recognised upon delivery to or collection by customers.

2.14 Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. Where the grant relates to an asset, the fair value is recognised as deferred capital grant on the statements of financial position and is amortised to profit or loss over the expected useful life of the relevant asset by equal annual instalment.

Government grants related to expenses are accounted for in the year where the related costs it intends to compensate is incurred and recognised in the profit or loss. Such government grants are presented under “Other income”.

2.15 Employee benefits

Defined contribution plans

Payments to defined contribution plans are charged as an expense in the period in which the related service is performed. Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into state-managed retirement benefit schemes, such as the Singapore Central Provident Fund, and has no legal and constructive obligation to pay further once the payments are made.

Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated undiscounted liability for annual leave expected to be settled wholly within 3 months from the reporting date as a result of services rendered by employees up to the end of the reporting period.

Profit sharing and bonus plans

The Group recognised a liability and an expense for the expected cost of profit-sharing and bonuses when and only when it is contractually obligated to pay and when there is a past practice that has created a constructive obligation to pay which the Group has no realistic alternative but to make the payments.

Termination benefits

Termination benefits are those benefits which are payable when employment is terminated before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. Termination benefits are expensed at the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises costs for a restructuring. If benefits are not expected to be settled wholly within 12 months of the reporting date, then they are discounted.

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2. Summary of significant accounting policies (Continued)

2.16 Borrowing costs

Borrowing costs are recognised in profit or loss in the period in which they are incurred using the effective interest method.

2.17 Taxes

Income tax expense comprise current tax expense and deferred tax expense.

Current income tax

Current income tax expense is the amount of income tax payable in respect of the taxable profit for a period. Current income tax liabilities for the current and prior periods shall be measured at the amount expected to be paid to the taxation authorities, using the tax rates and tax laws in the countries where the Group operates, that have been enacted or substantively enacted by the end of the reporting period. Management evaluates its income tax provisions on periodical basis.

Current income tax expenses are recognised in profit or loss, except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity.

Deferred tax

Deferred tax is recognised on all temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases of asset and liabilities.

Deferred tax liabilities are recognised for all taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the timing of reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets are recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the temporary difference can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred tax asset to be utilised.

Deferred tax assets and liabilities are measured using the tax rates expected to apply for the period when the asset is realised or the liability is settled, based on tax rate and tax law that have been enacted or substantially enacted by the end of reporting period. The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Group expects to recover or settle its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Deferred tax is recognised in profit or loss, except when it relates to items recognised outside profit or loss, in which case the tax is also recognised either in other comprehensive income or directly in equity.

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2. Summary of significant accounting policies (Continued)

2.17 Taxes (Continued)

Sales tax

Revenue, expenses and assets are recognised net of the amount of sales tax except:

- when the sales taxation that is incurred on purchase of assets or services is not recoverable from the taxation authorities, in which case the sales tax is recognised as part of cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables that are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the consolidated statement of financial position.

2.18 Dividends

Dividends to the Company's equity holders are recognised when the dividends are declared and approved for payment.

2.19 Foreign currency transactions and translation

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency are recorded at the rate of exchange prevailing on the date of the transaction. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing as of the end of the reporting period. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on retranslation of monetary items are included in profit or loss for the period. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity. For such non-monetary items, any exchange component of that gain or loss is also recognised directly in equity.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations (including comparatives) are expressed in United States dollar using exchange rates prevailing at the end of the reporting period. Income and expense items (including comparatives) are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, are recognised initially in other comprehensive income and accumulated in the Group's foreign exchange reserve.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities (including monetary items that, in substance, form part of the net investment in foreign entities), and of borrowings and other currency instruments designated as hedges of such investments, are taken to the foreign exchange reserve.

On disposal of a foreign operation, the accumulated foreign exchange reserve relating to that operation is reclassified to profit or loss.

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2. Summary of significant accounting policies (Continued)

2.20 Non-current assets held for sale and discontinued operations

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of the asset's previous carrying amount and fair value less costs to sell. The assets are not depreciated or amortised while classified as held for sale. Any impairment loss on initial classification and subsequent measurement is recognised as an expense. Any subsequent increase in fair value less costs to sell (not exceeding the accumulated impairment loss that has been previously recognised) is recognised in profit or loss.

A discontinued operation is a component of an entity that either has been disposed of, or that is classified as held-for-sale and:

- (a) represents a separate major line of business or geographical area of operations; or
- (b) is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; or
- (c) is a subsidiary acquired exclusively with a view to resale.

2.21 Contingencies

A contingent liability is:

- (a) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group; or
- (b) a present obligation that arises from past events but is not recognised because:
 - (i) it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or
 - (ii) the amount of the obligation cannot be measured with sufficient reliability.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group.

Contingencies are not recognised on the statements of financial position, except for contingent liabilities assumed in a business combination that are present obligations and for which the fair value can be reliably determined.

2.22 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the group comprising the executive director and the chief executive officer who make strategic decisions.

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3. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, which are described in Note 2 to the financial statements, management made judgements, estimates and assumptions about the carrying amounts of assets and liabilities that were not readily apparent from other sources. The estimates and associated assumptions were based on historical experience and other factors that were considered to be reasonable under the circumstances. Actual results may differ from these estimates.

These estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

3.1 Critical judgements made in applying the entity's accounting policies

The following are the critical judgements, apart from those involving estimations (see below) that management has made in the process of applying the Group's accounting policies and which have a significant effect on the amounts recognised in the financial statements.

(i) Impairment assessment of non-trade amount due from subsidiaries

At each reporting date, management determines whether there is change in credit risk of the subsidiaries since initial recognition. Management considers various operating performance ratios as well as liquidity ratios of the subsidiaries. There is no significant increase in credit risk as at 31 December 2019.

(ii) Recognition of compensation income arising from compulsory acquisition of Suzhou Huiye Plastic Industry Co. Ltd ("SHP") and Suzhou Huiye Chemical & Light Industry Co., Ltd ("SHC") (collective, the "China subsidiaries") land and premises

The Group's China subsidiaries entered into compensation agreements and supplementary agreements (collectively, the "Compensation Agreements") with the Chengnan Street Office of Wuzhong district, Suzhou (the "Chengnan office") on 30 August 2019 and 11 November 2019 respectively in relation to the Chengnan Office's compulsory acquisition of the China subsidiaries' properties and received partial compensation of US\$5,927,343 and US\$848,332 in relation to the compensation agreements and supplementary agreements respectively.

The Compensation Agreements comprised various terms and conditions and compensation categories such as land, buildings, ancillary assets, losses due to suspension of business and related expenses. Management determined and recognised compensation income of US\$810,525 and US\$848,332 in relation to the compensation agreements and supplementary agreements respectively during the financial year ended 31 December 2019 (Note 18).

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3. Critical accounting judgements and key sources of estimation uncertainty (Continued)

3.2 Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty as at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities and reported amounts of revenues and expenses within the next financial year, are discussed below.

(i) Impairment of property, plant and equipment (“PPE”)

PPE are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amounts may not be recoverable.

The Group follows the guidance of SFRS(I) 1-36 in determining whether PPE is impaired. This determination requires significant judgement. The Group evaluate among other factors, the financial health of near-term business outlook for the respective entities, including both internal and external source of information and operation and financing cash flows.

The carrying amount of the Group’s PPE as at 31 December 2019 was US\$13,093,921 (2018: US\$14,747,438).

(ii) Expected credit loss allowance

The Group and the Company applied the simplified approach within SFRS(I) 9, based on lifetime expected credit losses (“ECL”), in determining the provision for impairment allowance on trade receivables at the end of each reporting period.

The lifetime expected credit losses are determined based on expected credit loss rates. The expected credit loss rates are determined based on historical loss rates and historical payment pattern, adjusted for the current conditions and forecast of future economic conditions that may affect the ability of the customers to settle the trade receivables. For credit-impaired trade receivables, ECL is determined as the difference between the gross carrying amount and the present value of the estimated future cash flows.

During the reporting period, the loss allowance on trade receivables of US\$42,542 (2018: US\$Nil) was recognised in the Group’s profit or loss. The carrying amount of the Group’s and the Company’s trade receivables as at 31 December 2019 was US\$3,153,280 and US\$8,059,345 (2018: US\$6,566,464 and US\$9,845,228) respectively.

Trade receivables due from a subsidiary, Huiye (Vietnam) Plastic Co., Ltd. (“HVP”)

Management individually assessed and determined that Company’s trade receivables due from HVP, amounting to US\$4,042,120 of which US\$3,352,040 was past due more than 90 days and subsequently identified that the trade receivables is credit-impaired. In measurement of the ECL on the trade receivables due from HVP, management evaluated the recovery options and credit loss scenarios based on reasonable and supportable information such as the available internal information on HVP’s past, current and expected operating performance and cash flow position.

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3. Critical accounting judgements and key sources of estimation uncertainty (Continued)

3.2 Key sources of estimation uncertainty (Continued)

(iii) Inventories valuation method

Inventories are carried at lower of actual cost and net realisable value. Cost is determined primarily using the weighted average method. Market price is generally the merchandise's selling price quoted from market of similar items. Management reviews the Group's inventories levels in order to identify slow-moving and obsolete merchandise and identifies items of inventories which have a market price that lower than its carrying amount. Changes in demand levels, technological developments and pricing competition could affect the saleability and values of the inventories which could then consequentially impact the Group's results, cash flows and financial position. Management has written down US\$114,810 (2018: US\$Nil) of its inventories to net realisable value during the financial year. The carrying amount of the Group's and the Company's inventories was US\$5,629,244 and US\$Nil (2018: US\$7,173,824 and US\$331,360) as at 31 December 2019 (Note 10).

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4. Property, plant and equipment

Group	Prepaid land lease payments	Leasehold land and factory buildings	Leased premises	Plant and machinery	Motor vehicles	Furniture, fittings and equipment	Renovation	Assets under construction	Total
Cost	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$
Balance at 1 January 2019	-	9,983,534	-	12,709,542	668,291	1,323,877	188,194	97,102	24,970,540
Adoption of SFRS(I) 16 (Note 2.1)	1,671,799	-	48,559	-	-	13,804	-	-	1,734,162
Balance at 1 January 2019 (restated)	1,671,799	9,983,534	48,559	12,709,542	668,291	1,337,681	188,194	97,102	26,704,702
Additions	-	-	5,863	3,184	97,813	42,541	26,322	33,875	209,598
Disposals	-	-	-	(61,178)	(326,172)	(506)	-	-	(387,856)
Written-off	-	-	-	(4,024)	-	(7,876)	-	-	(11,900)
Transfer to non-current assets held for sale (Note 13)	(418,701)	(3,280,507)	-	(960,678)	-	(446,601)	-	-	(5,106,487)
Transfer to prepayment	-	-	-	-	-	-	-	(10,288)	(10,288)
Reclassification	-	26,467	-	65,123	-	7,408	-	(98,998)	-
Exchange differences	-	-	-	(1,245)	(394)	(2,214)	-	-	(3,853)
Balance at 31 December 2019	1,253,098	6,729,494	54,422	11,750,724	439,538	930,433	214,516	21,691	21,393,916
Balance at 1 January 2018	-	9,725,188	-	12,694,021	628,714	1,224,582	128,467	309,714	24,710,686
Additions	-	-	-	133,145	-	36,066	-	418,977	588,188
Disposals	-	-	-	(92,876)	-	(889)	-	-	(93,765)
Written-off	-	-	-	(6,912)	-	(46,923)	-	-	(53,835)
Reclassification	-	367,664	-	17,280	44,949	141,969	59,727	(631,589)	-
Exchange differences	-	(109,318)	-	(35,116)	(5,372)	(30,928)	-	-	(180,734)
Balance at 31 December 2018	-	9,983,534	-	12,709,542	668,291	1,323,877	188,194	97,102	24,970,540

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4. Property, plant and equipment (Continued)

Group	Prepaid land lease payments US\$	Leasehold land and factory buildings US\$	Leased premises US\$	Plant and machinery US\$	Motor vehicles US\$	Furniture, fittings and equipment US\$	Renovation US\$	Assets under construction US\$	Total US\$
Accumulated depreciation									
Balance at 1 January 2019	-	2,717,338	-	5,938,708	430,509	1,041,901	94,646	-	10,223,102
Adoption of SFRS(I) 16 (Note 2.1)	242,324	-	-	-	-	-	-	-	242,324
Balance at 1 January 2019 (restated)	242,324	2,717,338	-	5,938,708	430,509	1,041,901	94,646	-	10,465,426
Depreciation	39,050	292,424	25,228	974,898	83,665	71,847	19,015	-	1,506,127
Disposals	-	-	-	(55,061)	(259,058)	(506)	-	-	(314,625)
Written-off	-	-	-	(3,622)	-	(7,856)	-	-	(11,478)
Transfer to non-current assets held for sale (Note 13)	(170,329)	(1,985,613)	-	(786,866)	-	(399,489)	-	-	(3,342,297)
Exchange differences	-	-	-	(1,048)	(138)	(1,972)	-	-	(3,158)
Balance at 31 December 2019	111,045	1,024,149	25,228	6,067,009	254,978	703,925	113,661	-	8,299,995
Balance at 1 January 2018	-	2,448,815	-	5,227,572	342,652	1,039,073	64,859	-	9,122,971
Depreciation	-	326,072	-	832,797	91,109	75,239	29,787	-	1,355,004
Disposals	-	-	-	(83,761)	-	(267)	-	-	(84,028)
Written-off	-	-	-	(6,221)	-	(42,246)	-	-	(48,467)
Exchange differences	-	(57,549)	-	(31,679)	(3,252)	(29,898)	-	-	(122,378)
Balance at 31 December 2018	-	2,717,338	-	5,938,708	430,509	1,041,901	94,646	-	10,223,102
Net carrying amount									
Balance at 31 December 2019	1,142,053	5,705,345	29,194	5,683,715	184,560	226,508	100,855	21,691	13,093,921
Balance at 31 December 2018	-	7,266,196	-	6,770,834	237,782	281,976	93,548	97,102	14,747,438

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4. Property, plant and equipment (Continued)

As at 31 December 2019, the assets under construction mainly pertained to installation of machinery (2018: assembly of equipment) in Malaysia (2018: Malaysia) which is not ready for use at the end of the reporting date.

As at 31 December 2019, the prepaid land lease payments represent land use rights held by the subsidiary in Vietnam, Huiye (Vietnam) Plastic Co., Ltd (“HVP”), and the remaining amortisation period is 38 years. The lease does not include contingent rental.

Right-of-use assets acquired under leasing arrangements are presented together with the owned assets of the same class. Details of such leased assets are disclosed in Note 5 to the financial statements.

The carrying amount of property, plant and equipment acquired under finance lease as at 31 December 2018 amounted to US\$66,899.

Included within addition in 2019 are additions under leasing arrangement amounting to US\$103,676 as disclosed in Note 5 to the financial statements and US\$105,922 are acquired by cash payment.

	Furniture, fittings and equipment US\$
Company	
Cost	
Balance at 1 January 2019 and 31 December 2019	<u>9,941</u>
Balance at 1 January 2018	7,070
Additions	<u>2,871</u>
Balance at 31 December 2018	<u>9,941</u>
Accumulated depreciation	
Balance at 1 January 2019	7,788
Depreciation	<u>574</u>
Balance at 31 December 2019	<u>8,362</u>
Balance at 1 January 2018	7,070
Depreciation	<u>718</u>
Balance at 31 December 2018	<u>7,788</u>
Net carrying amount	
Balance at 31 December 2019	<u>1,579</u>
Balance at 31 December 2018	<u>2,153</u>

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5. Leases

The Group as a lessee

The Group has lease contracts for office premises and staff accommodation (collectively, “leased premises”), motor vehicles and equipment. The Group’s obligation under these leases are secured by the lessor’s title to the leased assets. The Group is restricted from assigning and subleasing the leased assets. There are several lease contracts that include extension option which are further discussed below.

The Group also has a leased premise with lease terms of 12 months or less. The Group applies the “short-term lease” recognition exemptions for these leases.

(a) Carrying amounts of right-of-use assets classified within property, plant and equipment

	Prepaid land lease payments US\$	Leasehold land and factory buildings US\$	Leased premises US\$	Motor vehicles US\$	Furniture, fittings and equipment US\$	Total US\$
At 1 January 2019	1,429,475	5,844,989	48,559	66,899	13,804	7,403,726
Additions	-	-	5,863	97,813	-	103,676
Amortisation	(39,050)	(217,198)	(25,228)	(32,041)	(3,109)	(316,626)
Transfer to non-current assets held for sale	(248,372)	(1,294,894)	-	-	-	(1,543,266)
Reclassified from assets under construction	-	26,467	-	-	-	26,467
At 31 December 2019	1,142,053	4,359,364	29,194	132,671	10,695	5,673,977

The useful life of the right-of-use assets are as follows:

	Useful lives
Prepaid land lease payments	40 to 43 years
Leasehold land and factory buildings	6 to 60 years
Leased premises	1.5 to 4 years
Motor vehicles	5 to 7 years
Furniture, fittings and equipment	1.3 to 4.8 years

(b) Lease liabilities

The carrying amounts of lease liabilities, movements during the year and the maturity analysis of lease liabilities are disclosed in Note 16 to the financial statements.

(c) Amount recognised in profit or loss

	Group 2019 US\$
Amortisation of right-of-use assets	316,626
Interest expense on lease liabilities (Note 16)	3,940
Lease expense not capitalised in lease liabilities:	
- Expense relating to short-term leases (included in cost of sales)	4,089
Total amount recognised in profit or loss	324,655

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5. Leases (Continued)

The Group as a lessee (Continued)

(d) Extension options

The Group has several lease contracts that include extension options. The options are negotiated by management to provide flexibility in managing the leased-asset portfolio and align with the Group's business needs.

The Group as lessor

The Group has sublet part of its factory buildings in People's Republic of China. At each reporting date, the future minimum lease receivable under non-cancellable operating leases are as follows:

	Group	
	2019	2018
	US\$	US\$
Not later than one year #	149,070	188,907
Later than one year but not later than five years	-	368,908
	149,070	557,815

As a result of the Chengnan Office compulsory acquisition of the China subsidiaries' properties (Note 13), certain tenancy agreement between the subsidiary in People's Republic of China and its tenants will be cancelled by 10 November 2020.

As at 31 December 2018, these non-cancellable leases have remaining lease terms of 2 to 4 years. All leases include a clause to enable upward revision of the rental charge on a tri-annum basis based on fixed agreed percentage. There is no contingent rental.

6. Prepaid land lease payments

	Group US\$
Cost	
Balance at 1 January 2019	1,671,799
Adoption of SFRS(I) 16 (Note 2.1 and 4)	(1,671,799)
Balance at 1 January 2019 (restated) and 31 December 2019	-
 Balance at 1 January 2018	 1,681,367
Exchange differences	(9,568)
Balance at 31 December 2018	1,671,799
 Accumulated amortisation	
Balance at 1 January 2019	242,324
Adoption of SFRS(I) 16 (Note 2.1 and 4)	(242,324)
Balance at 1 January 2019 (restated) and 31 December 2019	-

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6. Prepaid land lease payments (Continued)

	Group US\$
Balance at 1 January 2018	207,577
Amortisation	39,207
Exchange differences	(4,460)
Balance at 31 December 2018	<u>242,324</u>
Net carrying amount	
Balance at 31 December 2019	<u>-</u>
Balance at 31 December 2018	<u>1,429,475</u>

As at 31 December 2018, the prepaid land lease payments represent land use rights held by subsidiaries in the People's Republic of China and Vietnam. The prepaid land lease payments has been reclassified to property, plant and equipment (Note 4) as at 1 January 2019.

As at 31 December 2018, the remaining amortisation period of the land use rights is between 33 to 39 years. None of the leases include contingent rentals.

As at 31 December 2018, the Group has pledged prepaid land lease payments with carrying amount of US\$100,592 to secure banking facilities granted to a subsidiary which was not utilised.

7. Intangible assets

	Computer software US\$
Group	
Cost	
Balance at 1 January 2018, 31 December 2018 and 31 December 2019	<u>157,781</u>
Accumulated amortisation	
Balance at 1 January 2019	157,713
Amortisation	68
Balance at 31 December 2019	<u>157,781</u>
Balance at 1 January 2018	154,205
Amortisation	3,508
Balance at 31 December 2018	<u>157,713</u>
Net carrying amount	
Balance at 31 December 2019	<u>-</u>
Balance at 31 December 2018	<u>68</u>

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8. Deferred tax

	Group 2019 US\$	2018 US\$
Deferred tax assets	53,985	38,722
Deferred tax liabilities	981,839	973,938

The movement for the year in deferred tax position is as follow:

	Group 2019 US\$	2018 US\$
Balance at 1 January	(935,216)	(866,078)
Credit/(Charge) to profit or loss (Note 24)	8,128	(67,640)
Exchange differences	(766)	(1,498)
Balance at 31 December	(927,854)	(935,216)

The following are the major deferred tax liabilities and assets recognised by the Group and the movement during the year.

Deferred tax liabilities

	Accelerated tax depreciation US\$	Others US\$	Total US\$
Group			
Balance at 1 January 2018	801,377	64,701	866,078
Charge to profit or loss	100,351	7,509	107,860
Balance at 31 December 2018	901,728	72,210	973,938
Charge/(credit) to profit or loss	8,901	(1,000)	7,901
Balance at 31 December 2019	910,629	71,210	981,839

Deferred tax assets

	Others US\$	Total US\$
Group		
Balance at 1 January 2018	-	-
Credit to profit or loss	40,220	40,220
Exchange differences	(1,498)	(1,498)
Balance at 31 December 2018	38,722	38,722
Credit to profit or loss	16,029	16,029
Exchange differences	(766)	(766)
Balance at 31 December 2019	53,985	53,985

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8. Deferred tax (Continued)

Deferred tax assets (Continued)

In the current financial year, tax losses of a subsidiary of the Group brought forward from prior years of approximately US\$61,000 for which no deferred tax asset was recognised has been fully utilised as disclosed in the tax reconciliation in Note 24 to the financial statements.

9. Investment in subsidiaries

	Company	
	2019	2018
	US\$	US\$
Unquoted equity shares, at cost	7,949,511	7,949,511

Movement in impairment loss is as follows:

	Company	
	2019	2018
	US\$	US\$
Balance at 1 January	-	650,000
Reversal during the financial year	-	(650,000)
Balance at 31 December	-	-

In 2018, management carried out a review of the recoverable amount of the investment in subsidiaries. The review led to recognition of a reversal of impairment loss of US\$650,000 relating to the investment in HVP. The recoverable amount of HVP has been determined on the basis of fair value less costs of disposal.

Cash and bank balances of US\$6,823,229 (2018: US\$212,237) held in the People's Republic of China, are subject to local exchange control regulations. These regulations place restrictions on exporting capital from the country, other than through normal dividends.

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9. Investment in subsidiaries (Continued)

The details of the subsidiaries are as follows:

Name of subsidiaries (Country of incorporation and principal place of business)	Principal activities	Proportion of ownership interest held by the Group	
		2019 %	2018 %
S.L. Packaging Industries Pte. Ltd. ⁽¹⁾ (Singapore)	Sale of polyethylene packaging materials	100	100
Suzhou Huiye Chemical & Light Industry Co., Ltd. ⁽²⁾ (People's Republic of China)	Manufacture and sale of compounded resins and toll compounding services	100	100
Suzhou Huiye Plastic Industry Co., Ltd. ⁽²⁾ (People's Republic of China)	Manufacture and sale of compounded resins and toll compounding services	100	100
Huiye Polymer (M) Sdn. Bhd. ⁽³⁾ (Malaysia)	Manufacture and sale of compounded resins, toll compounding services and manufacture and sale of polyethylene packaging materials	100	100
Huiye (Vietnam) Plastic Co., Ltd. ⁽⁴⁾ (Vietnam)	Manufacture and sale of compounded resins and toll compounding services	100	100

⁽¹⁾ Audited by BDO LLP, Singapore.

⁽²⁾ Audited by BDO China Shu Lun Pan Certified Public Accountants LLP for consolidation purposes. The statutory auditor is Jiangsu Gong Zheng Certified Public Accountants, People's Republic of China.

⁽³⁾ Audited by BDO PLT, Malaysia.

⁽⁴⁾ Audited by BDO Audit Services Co., Ltd., Vietnam.

10. Inventories

	Group		Company	
	2019 US\$	2018 US\$	2019 US\$	2018 US\$
Finished goods	1,183,482	1,146,356	-	-
Work in progress	395,724	292,448	-	-
Raw materials	3,931,288	5,265,540	-	-
Goods in transit				
- raw materials	118,750	469,480	-	331,360
	<u>5,629,244</u>	<u>7,173,824</u>	<u>-</u>	<u>331,360</u>

Raw materials consist mainly of plastic resins, colour pigments and additives.

During the financial year, the Group has written down US\$114,810 (2018: US\$Nil) of its inventories.

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11. Trade and other receivables

	Group		Company	
	2019	2018	2019	2018
	US\$	US\$	US\$	US\$
Trade receivables				
- third parties	3,195,266	6,566,464	-	-
- subsidiaries	-	-	8,059,345	9,845,228
	3,195,266	6,566,464	8,059,345	9,845,228
Less: loss allowance - third parties	(41,986)	-	-	-
Sub-total	3,153,280	6,566,464	8,059,345	9,845,228
Other receivables				
- third parties	379,440	31,686	-	-
- subsidiaries	-	-	508,026	4,807,765
Interest receivables	46,238	-	46,238	-
Goods and services tax receivable	9,836	9,148	9,836	9,148
Deposits	33,155	22,321	-	-
Advances to suppliers	467,577	243,279	235,980	-
Total trade and other receivables	4,089,526	6,872,898	8,859,425	14,662,141
Add/(Less):				
Advances to suppliers	(467,577)	(243,279)	(235,980)	-
Goods and services tax receivable	(9,836)	(9,148)	(9,836)	(9,148)
Cash and bank balances (Note 12)	19,542,099	6,830,400	8,952,652	2,995,556
Financial assets at amortised costs	23,154,212	13,450,871	17,566,261	17,648,549

Trade receivables are non-interest bearing and generally range from 30 to 120 days credit terms.

The non-trade amounts due from subsidiaries are unsecured, non-interest bearing, repayable on demand and are to be settled in cash.

Movement in loss allowance for trade receivables are as follows:

	Group		Company	
	2019	2018	2019	2018
	US\$	US\$	US\$	US\$
At 1 January	-	-	-	-
Loss allowance recognised during the year	42,542	-	-	-
Exchange differences	(556)	-	-	-
At 31 December	41,986	-	-	-

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11. Trade and other receivables (Continued)

The currency profiles of the Group's and Company's trade and other receivables at each reporting date are as follows:

	Group		Company	
	2019	2018	2019	2018
	US\$	US\$	US\$	US\$
United States dollar	2,715,668	4,474,058	8,844,545	13,944,881
Vietnamese dong	668,074	240,631	-	-
Chinese renminbi	457,975	2,002,356	-	-
Malaysian ringgit	225,512	26,717	-	592,021
Singapore dollar	22,297	129,136	14,880	125,239
	<u>4,089,526</u>	<u>6,872,898</u>	<u>8,859,425</u>	<u>14,662,141</u>

12. Cash and bank balances

	Group		Company	
	2019	2018	2019	2018
	US\$	US\$	US\$	US\$
Cash and bank balances	12,848,879	5,638,586	3,655,630	1,995,556
Fixed deposits	6,693,220	1,191,814	5,297,022	1,000,000
Cash and bank balances on statements of financial position	<u>19,542,099</u>	<u>6,830,400</u>	<u>8,952,652</u>	<u>2,995,556</u>
Fixed deposits pledged	(196,198)	(191,814)		
Cash and cash equivalents included in consolidated statement of cash flows	<u>19,345,901</u>	<u>6,638,586</u>		

The Group's and the Company's fixed deposits bear interest of 0.50% to 3.35% and 1.54% to 2.40% (2018: 2.80% to 3.10% and 2.80%) respectively per annum and for a tenure of approximately 1 to 12 months and 1 to 6 months (2018: 2 to 12 months and 2 months) respectively.

The fixed deposit of a subsidiary in Malaysia that has been pledged to a bank is for banker guarantee extended to public utilities service provider and customs.

The currency profiles of the Group's and Company's cash and bank balances included in the statements of financial position at each reporting date are as follows:

	Group		Company	
	2019	2018	2019	2018
	US\$	US\$	US\$	US\$
United States dollar	11,197,283	5,654,770	8,586,529	2,881,427
Chinese renminbi	6,823,229	212,317	1	1
Malaysian ringgit	605,515	423,806	46	46
Singapore dollar	550,674	372,436	354,063	110,106
Vietnamese dong	353,385	163,095	-	-
Euro	11,794	3,757	11,794	3,757
Others	219	219	219	219
	<u>19,542,099</u>	<u>6,830,400</u>	<u>8,952,652</u>	<u>2,995,556</u>

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13. Discontinued operation and non-current assets held for sale

The Group received a relocation notice on 17 December 2018 from Suzhou Wuzhong District Government that its China subsidiaries in Suzhou will have to be relocated in accordance with planning adjustments of Wuzhong District in Suzhou.

Subsequent to the relocation notice, the China subsidiaries entered into compensation agreements and supplementary agreements (collectively, the “Compensation Agreements”) with the Chengnan Street Office of Wuzhong district, Suzhou (the “Chengnan office”) on 30 August 2019 and 11 November 2019 respectively in relation to the Chengnan Office’s compulsory acquisition of the China subsidiaries’ properties (the “Acquisition”).

The China subsidiaries shall vacate the premises before completion of the Acquisition by 10 November 2020.

The China subsidiaries’ assets subjected to the Acquisition were classified as non-current assets held for sale on the consolidated statement of financial position and the results from the China subsidiaries were presented separately on the consolidated statement of comprehensive income as “Profit from discontinued operations”. The operations were part of the Group’s resin compounding segment.

The proceeds from compensation by the Chengnan Office are expected to exceed the net carrying amount of the relevant assets and accordingly, no impairment loss has been recognised on the classification of these non-current assets as held for sale.

The results of the discontinued operations are as follows:

	Group	
	2019	2018
	US\$	US\$
Revenue (Note 20)	8,413,735	16,648,317
Cost of sales	(7,414,030)	(15,205,783)
Gross profit	999,705	1,442,534
Other income (Note 21)	2,047,632	428,927
Distribution expenses	(206,274)	(337,047)
Administrative expenses	(710,083)	(741,801)
Other operating expenses	(1,654,023)	(173,749)
Loss allowance on trade receivables (Note 11)	(42,542)	-
Finance income (Note 22)	6,247	1,809
Finance costs (Note 22)	(16,841)	(31,981)
Profit before tax from discontinued operations (Note 23)	423,821	588,692
Income tax benefit/(expense) (Note 24)	6,832	(136,759)
Profit for the financial year from discontinued operations	430,653	451,933

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13. Discontinued operation and non-current assets held for sale (Continued)

The cash flows of the discontinued operations included in the consolidated statement of cash flows are set out below:

	Group 2019 US\$	2018 US\$
Operating cash inflows	5,726,483	2,093,283
Investing cash inflows/(outflows)	5,171,194	(83,348)
Total cash inflows	<u>10,897,677</u>	<u>2,009,935</u>

The classes of assets classified as non-current assets held for sale as at 31 December 2019 were as follows:

	Group 2019 US\$
Transfer from property, plant and equipment (Note 4)	1,764,190
Exchange difference	<u>(18,750)</u>
Balance at 31 December representing total assets classified as non-current assets held for sale	<u>1,745,440</u>

14. Share capital

	2019 Number of shares	Group and Company 2018 2019 US\$	2018 US\$
Issued and fully-paid:			
Balance at beginning and end of financial year	<u>209,971,310</u>	<u>209,971,310</u>	<u>18,822,247</u>
		<u>18,822,247</u>	

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. The ordinary shares have no par value and carry one vote per share without restriction.

15. Reserves

Foreign exchange reserve

The foreign exchange reserve represents foreign exchange differences arising from the translation of the financial statements of foreign operations where functional currency is different from that of the Group's presentation currency.

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15. Reserves (Continued)

Statutory reserve

In accordance with the Foreign Enterprise Law applicable to the subsidiaries in the People's Republic of China, the subsidiaries are required to make appropriation to a Statutory Reserve Fund. At least 10% of the statutory after-tax profits as determined in accordance with the applicable People's Republic of China accounting standards and regulations must be allocated to the Statutory Reserve Fund until the cumulative total of the Statutory Reserve Fund reaches 50% of the subsidiary's registered capital. Subject to approval from the relevant People's Republic of China authorities, the Statutory Reserve Fund may be used to offset any accumulated losses or increase the registered capital of the subsidiary. The Statutory Reserve Fund is not available for dividend distribution to shareholders.

Share-based payment reserve

The share-based payment reserve comprises the cumulative value of employee services received for the issue of shares under the Employee Share Reward Scheme ("ESRS").

The Company had on 25 September 2007 implemented ESRS jointly with ESRS Grantors. An aggregate of 5,236,970 shares of the Company had been transferred by the ESRS Grantors to the Trustee, Stellar Woods Limited for distribution to eligible employees.

The ESRS which was administered by the Remuneration Committee ("RC") expired in January 2011. As at the expiry date, a total number of 2,259,180 Reward Shares were distributed to the employees.

16. Lease liabilities/Finance lease liabilities

	Group 2019 US\$
At 1 January 2019	
- Finance lease liabilities under SFRS(I) 1-17	27,359
- Adoption of SFRS(I) 16 (Note 2.1)	62,363
	<u>89,722</u>
Additions (Note 5)	103,676
Interest expense (Note 22)	3,940
Lease payments	
- Principal portion	(40,857)
- Interest portion	(3,940)
Exchange differences	3,595
At 31 December 2019	<u>156,136</u>

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16. Lease liabilities/Finance lease liabilities (Continued)

The maturity of lease liabilities of the Group at each reporting date are as follows:

	Group	
	2019	2018
	US\$	US\$
Contractual undiscounted cash flows		
- Not later than a year	52,675	13,406
- Later than one year but not later than five years	90,486	14,760
- More than five years	31,445	-
	174,606	28,166
Less: Future interest expense	(18,470)	(807)
Present value of lease liabilities	156,136	27,359
 Presented in consolidated statement of financial position:		
Non-current	105,951	14,523
Current	50,185	12,836
	156,136	27,359

The Group leases leasehold premises, equipment and motor vehicles with only fixed payments over the lease terms. Certain lease of equipment contains a purchase option. The Group has included this option in determining the lease liability as it is reasonably certain that the option will be exercised.

The Group also leases certain staff accommodation on the short-term basis (i.e. less than 12 months). The election of short-term leases exemption is made on lease-by-lease basis.

As at 31 December 2019, the weighted average incremental borrowing rate applied in the leases was 4.76%. As at 31 December 2018, the Group leases a motor vehicle under finance lease and the average discount rate implicit in finance lease was 5.42%.

The currency profiles of the Group's lease liabilities at each reporting date are as follows:

	Group	
	2019	2018
	US\$	US\$
Singapore dollar	128,160	27,359
Vietnamese dong	23,241	-
Malaysian ringgit	4,735	-
	156,136	27,359

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17. Trade and other payables

	Group		Company	
	2019	2018	2019	2018
	US\$	US\$	US\$	US\$
Trade payables				
- third parties	1,084,232	1,342,674	912,579	1,182,066
Bills payable	254,810	582,540	254,810	582,540
Other payables				
- third parties	405,028	352,418	13,103	3,820
- a subsidiary	-	-	127,218	-
Goods and services tax payable	34,866	19,731	-	-
Advances from customers	9,312	14,637	-	-
Accrued operating expenses	887,532	1,142,068	268,408	337,064
Total trade and other payables	2,675,780	3,454,068	1,576,118	2,105,490
Add/(Less):				
Goods and services tax payable	(34,866)	(19,731)	-	-
Advances from customers	(9,312)	(14,637)	-	-
Unutilised leaves	(18,634)	(18,539)	(2,896)	(7,120)
Reinstatement cost	(5,659)	(5,659)	-	-
Lease liabilities (Note 16)	156,136	27,359	-	-
Financial liabilities at amortised cost	2,763,445	3,422,861	1,573,222	2,098,370

Trade payables are non-interest bearing and are generally on 30 to 120 days credit terms.

As at 31 December 2019, the non-trade amount due to a subsidiary was unsecured, non-interest bearing and repayable on demand.

The currency profiles of the Group's and the Company's trade and other payables at each reporting date are as follows:

	Group		Company	
	2019	2018	2019	2018
	US\$	US\$	US\$	US\$
United States dollar	1,202,125	1,782,793	1,294,607	1,764,606
Singapore dollar	545,903	717,746	281,511	340,884
Malaysian ringgit	503,254	313,986	-	-
Chinese renminbi	257,474	504,920	-	-
Vietnamese dong	142,451	134,623	-	-
Euro	24,573	-	-	-
	2,675,780	3,454,068	1,576,118	2,105,490

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18. Compensation received in advance

Following the signing of the Compensation Agreements (Note 13), the Group received partial compensation of US\$5,927,343 and US\$848,332 and recognised compensation income of US\$810,525 and US\$848,332 (totalling US\$1,658,857) (Note 21) in relation to the compensation agreements and supplementary agreements respectively during the financial year ended 31 December 2019.

Details of compensation are as follows:

	Main agreements US\$	Supplementary agreements US\$	Total US\$
Group			
Compensation received	5,927,343	848,332	6,775,675
Compensation income (Note 21)			
- losses on suspension of business	(810,525)	-	(810,525)
- related expenses (employees' compensation)	-	(848,332)	(848,332)
	(810,525)	(848,332)	(1,658,857)
Compensation received in advance	5,116,818	-	5,116,818
Exchange difference	(29,704)	-	(29,704)
Compensation received in advance as at 31 December 2019	5,087,114	-	5,087,114

As at 31 December 2019, compensation received in advance amounting to US\$5,087,114 relates to compensation of the Group's non-current assets held for sale as disclosed in Note 13 to the financial statements.

19. Provisions

	Group Provision for termination benefits US\$
Balance at 1 January 2018 and 31 December 2018	-
Provision made (Note 23)	1,184,618
Provision utilised	(1,010,999)
Exchange difference	(2,035)
Balance at 31 December 2019	171,584

The provision for termination benefits are the estimated amount payable in relation to the retrenchment of the China subsidiaries' employees arising from the cessation of the China subsidiaries' operation.

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20. Revenue

Disaggregation of revenue

The Group has disaggregated revenue into various categories in the following table which is intended to:

- depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors; and
- enable users to understand the relationship with revenue segment information provided in Note 30 to the financial statements.

	Group					
	Continuing operations		Discontinued operations		Total	
	2019	2018	2019	2018	2019	2018
	US\$	US\$	US\$	US\$	US\$	US\$
Resin compounding						
- sale of goods	6,197,168	5,050,554	8,088,183	15,967,178	14,285,351	21,017,732
- toll compounding services	1,419,828	1,588,491	325,552	681,139	1,745,380	2,269,630
	<u>7,616,996</u>	<u>6,639,045</u>	<u>8,413,735</u>	<u>16,648,317</u>	<u>16,030,731</u>	<u>23,287,362</u>
Polyethylene packaging						
- sale of goods	19,826,406	17,529,363	-	-	19,826,406	17,529,363
	<u>27,443,402</u>	<u>24,168,408</u>	<u>8,413,735</u>	<u>16,648,317</u>	<u>35,857,137</u>	<u>40,816,725</u>

The Group's revenue comprised invoiced value of services and goods sold and is recognised at point in time.

Remaining performance obligations

The aggregate amount of transaction price allocated to the unsatisfied performance obligations as at 31 December 2019 was US\$9,312 (2018: US\$14,637) and disclosed as advances from customers in Note 17 to the financial statements. The Group expects to recognise this in full within the next 12 months.

21. Other income

	Group					
	Continuing operations		Discontinued operations		Total	
	2019	2018	2019	2018	2019	2018
	US\$	US\$	US\$	US\$	US\$	US\$
Compensation income (Note 18)	-	-	1,658,857	-	1,658,857	-
Rental income	-	-	188,309	242,210	188,309	242,210
Gain on disposal of property, plant and equipment	51,068	2	6,722	1,050	57,790	1,052
Government grant	24,448	3,424	27,069	-	51,517	3,424
Scrap income	38,560	60,085	166,632	182,527	205,192	242,612
Others	3,156	2,080	43	3,140	3,199	5,220
	<u>117,232</u>	<u>65,591</u>	<u>2,047,632</u>	<u>428,927</u>	<u>2,164,864</u>	<u>494,518</u>

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22. Finance income/costs

	Continuing operations		Discontinued operations		Total	
	2019	2018	2019	2018	2019	2018
	US\$	US\$	US\$	US\$	US\$	US\$
Finance income:						
Interest income on bank deposits	101,552	25,211	6,247	1,809	107,799	27,020
Finance costs:						
Interest expenses on short-term revolving credit facilities	-	(4,485)	-	-	-	(4,485)
Interest expenses on trust receipts	-	(81,349)	-	-	-	(81,349)
Interest expenses on lease liabilities	(3,940)	(1,990)	-	-	(3,940)	(1,990)
Foreign exchange loss, net	(18,662)	(52,989)	(16,841)	(31,981)	(35,503)	(84,970)
	(22,602)	(140,813)	(16,841)	(31,981)	(39,443)	(172,794)

23. Profit before tax

In addition to the charges and credits disclosed elsewhere in the notes to the financial statements, the above includes the following charges:

	Continuing operations		Discontinued operations		Total	
	2019	2018	2019	2018	2019	2018
	US\$	US\$	US\$	US\$	US\$	US\$
Cost of sales						
Depreciation of property, plant and equipment (Note 4)	1,198,622	1,073,188	36,884	-	1,235,506	1,073,188
Operating lease expense	-	6,227	-	-	-	6,227
Amortisation of prepaid land lease payments (Note 6)	-	24,530	-	8,543	-	33,073
Lease expense (Note 5(c))	4,089	-	-	-	4,089	-
Cost of inventories	17,762,636	16,521,178	6,782,929	14,213,654	24,545,565	30,734,832
Distribution expenses						
Depreciation of property, plant and equipment (Note 4)	2,216	1,879	2,089	2,929	4,305	4,808
Freight and handling	225,368	187,534	99,013	109,010	324,381	296,544
Commission expenses	7,383	7,516	59,587	95,289	66,970	102,805

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23. Profit before tax (Continued)

	Continuing operations		Group Discontinued operations		Total	
	2019	2018	2019	2018	2019	2018
	US\$	US\$	US\$	US\$	US\$	US\$
<u>Administrative expenses</u>						
Audit fees						
- auditors of the Company	54,969	55,698	-	-	54,969	55,698
- other auditors	33,624	30,335	2,843	4,496	36,467	34,831
Non-audit fees						
- auditors of the Company	14,656	7,426	-	-	14,656	7,426
- other auditors	19,675	15,490	-	-	19,675	15,490
Depreciation of property, plant and equipment (Note 4)	162,597	147,718	35,851	48,232	198,448	195,950
Operating lease expense	-	18,792	-	-	-	18,792
Amortisation of intangible assets (Note 7)	68	3,508	-	-	68	3,508
Amortisation of prepaid land lease payments (Note 6)	-	6,134	-	-	-	6,134
Listing expenses	33,593	40,080	-	-	33,593	40,080
Repair and maintenance expenses	24,246	16,388	7,925	-	32,171	16,388
Travelling expenses	52,066	46,405	36,161	-	88,227	46,405
<u>Other operating expenses</u>						
Depreciation of property, plant and equipment (Note 4)	-	-	67,868	81,058	67,868	81,058
Inventory written down	-	-	114,810	-	114,810	-
Loss on disposal of property, plant and equipment	-	-	9,531	-	9,531	-
Property, plant and equipment written off	20	183	402	5,185	422	5,368

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23. Profit before tax (Continued)

Profit before tax also includes:

	Continuing operations		Group Discontinued operations		Total	
	2019	2018	2019	2018	2019	2018
	US\$	US\$	US\$	US\$	US\$	US\$
Employee benefits expenses						
- salaries, bonuses and other benefits	2,600,292	2,612,837	694,039	938,166	3,294,331	3,551,003
- contributions to the defined contribution plan	230,096	184,676	17,583	378,680	247,679	563,356
- termination benefits (Note 19)	-	-	1,184,618	-	1,184,618	-
	<u>2,830,388</u>	<u>2,797,513</u>	<u>1,896,240</u>	<u>1,316,846</u>	<u>4,726,628</u>	<u>4,114,359</u>

The employee benefits expenses are recognised in the following line items of profit or loss:

	Continuing operations		Group Discontinued operations		Total	
	2019	2018	2019	2018	2019	2018
	US\$	US\$	US\$	US\$	US\$	US\$
Cost of sales	1,023,883	1,015,133	362,489	790,781	1,386,372	1,805,914
Distribution of expenses*	677,207	586,300	26,984	81,718	704,191	668,018
Administrative expenses*	1,129,298	1,196,080	322,149	444,347	1,451,447	1,640,427
Other operating expenses	-	-	1,184,618	-	1,184,618	-
	<u>2,830,388</u>	<u>2,797,513</u>	<u>1,896,240</u>	<u>1,316,846</u>	<u>4,726,628</u>	<u>4,114,359</u>

* The above includes the remuneration of Directors and other key management personnel as shown in Note 29 to the financial statements.

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24. Income tax expense

	Group	
	2019	2018
	US\$	US\$
<u>From continuing operations</u>		
Current income tax		
- withholding tax expense	57,075	-
- current financial year	712,285	309,441
- under/(over) provision in prior financial years	116,071	(23,205)
	<u>885,431</u>	<u>286,236</u>
Deferred tax		
- current financial year	23,157	62,920
- overprovision in prior financial years	(15,256)	-
	<u>7,901</u>	<u>62,920</u>
Income tax expense from continuing operations	<u>893,332</u>	<u>349,156</u>
<u>From discontinued operations</u>		
Current income tax		
- current financial year	7,544	132,039
- underprovision in prior financial years	1,653	-
	<u>9,197</u>	<u>132,039</u>
Deferred tax		
- current financial year	(16,029)	4,720
Income tax (benefit)/expense from discontinued operations (Note 13)	<u>(6,832)</u>	<u>136,759</u>
Total income tax expense recognised in profit or loss	<u>886,500</u>	<u>485,915</u>

Domestic income tax is calculated at 17% (2018: 17%) of the estimated assessable profit for the financial year. Taxation for other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

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24. Income tax expense (Continued)

The income tax expense varied from the amount of income tax expense determined by applying the Singapore income tax rate of 17% (2018: 17%) to profit before tax as a result of the following differences:

	Group 2019 US\$	2018 US\$
Profit before tax from		
- continuing operations	3,337,206	1,284,047
- discontinued operations (Note 13)	423,821	588,692
	3,761,027	1,872,739
Tax calculated at Singapore income tax rate	639,375	318,366
Effect of different tax rates of overseas operations	78,254	114,419
Tax effect of income not subject to tax	(9,150)	(887)
Tax effect of non-deductible expenses for income tax purpose	134,515	107,768
Tax effect of tax rebates and exemption	(109,947)	(53,168)
Withholding tax expense	57,075	-
Utilisation of deferred tax assets previously not recognised	(3,050)	-
Deferred tax assets not recognised	-	15,250
Under/(over) provision in prior financial years	102,468	(23,205)
Others	(3,040)	7,372
Total income tax expense	886,500	485,915

25. Earnings per share

The calculation for earnings per share is based on:

	Group 2019	2018
Profit after tax from continuing operations attributable to owners of the parent (US\$)	2,443,874	934,891
Profit after tax from discontinued operations attributable to owners of the parent (US\$) (Note 13)	430,653	451,933
Total profit	2,874,527	1,386,824
Weighted average of ordinary shares in issue during the reporting period applicable to basic earnings per share	209,971,310	209,971,310
<u>Basic and diluted earnings per share (cents)</u>		
- Continuing operations	1.16	0.45
- Discontinued operations	0.21	0.21
	1.37	0.66

Basic earnings per share is calculated by dividing the Group's profit after tax attributable to owners of the parent by the weighted average of ordinary shares during the financial year. The Group has no dilutive potential ordinary shares in the current or previous financial years.

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26. Dividends

	Group and Company	
	2019	2018
	US\$	US\$
Final tax-exempt dividend declared and paid of 0.50 Singapore cents (2018: 1.50 Singapore cents) per share in respect of the previous financial year	770,933	2,378,649

The Board of Directors proposed that a final dividend of 1.00 Singapore cents per ordinary share amounting to approximately US\$1,559,000 to be paid for the financial year ended 31 December 2019. The dividend has not been recognised as a liability as at 31 December 2019 as it is subject to the approval of the shareholders at the Annual General Meeting.

27. Operating lease commitments

The Group as lessee

As at 31 December 2018, commitments in respect of non-cancellable operating leases in respect of office premises and office equipment are as follows:

	Group 2018 US\$
Not later than one year	26,781
Later than one year but not later than five years	40,394
	<u>67,175</u>

Most of the leases are negotiated for an average term of 3 years. These leases have varying terms, escalation clauses and renewal options. There is no contingent rental.

28. Capital commitments

Capital expenditure contracted for at each reporting date but not recognised in the financial statements are as follows:

	Group	
	2019	2018
	US\$	US\$
Capital expenditure contracted but not provided for		
- Property, plant and equipment in Malaysia	65,478	-

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29. Significant related party transactions

During the financial year, in addition to the information disclosed elsewhere in these financial statements, the Company entered into the following transactions with related parties at rates and terms agreed by and between the parties:

	Company	
	2019	2018
	US\$	US\$
With subsidiaries		
Sale of goods	18,382,752	23,718,222
Dividend income	1,086,566	3,000,000

Key management personnel are Directors of the Company and those persons having authority and responsibility for planning, directing and controlling the activities of the Group and the Company, directly, or indirectly.

The remunerations of key management personnel of the Group during the financial year were as follows:

	Group	
	2019	2018
	US\$	US\$
Directors of the Company		
- short-term benefits	868,553	726,635
- post-employment benefits	16,424	21,010
- directors' fees	164,896	166,890
Other key management personnel		
- short-term benefits	545,478	454,474
- post-employment benefits	67,160	52,437
- termination benefit	22,584	-
	1,685,095	1,421,446

30. Segment information

The Group has two reportable segments, as described below, which are the Group's operating segments. The operating segments offer different products and services, and are managed separately because they require different technology and marketing strategies. For each operating segment, the Group's Chief Executive Officer (the chief operating decision maker) reviews internal management reports on a monthly basis. The following summary describes the operations in each of the Group's operating/reportable segments:

- *Resin compounding* : Includes the manufacture and sale of compounded resins and toll compounding services.
- *Polyethylene packaging* : Includes the manufacture and sale of polyethylene packaging materials.

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30. Segment information (Continued)

Information regarding the results of each reportable segment is included below. Performance is measured based on segment profit before tax, as included in the internal management reports that are reviewed by the Group's Chief Executive Officer. Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries. Inter-segment transactions are insignificant.

Income taxes are managed by management of the respective entities within the Group.

There is no change from prior periods in the measurement methods used to determine reported segment results.

The accounting policies of the operating segments are the same as those described in the summary of significant accounting policies. There is no asymmetrical allocation to reportable segments. Management evaluates performance on the basis of profit or loss from operation before income tax expense, not including non-recurring gains and losses.

Segment results include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Business segment	Continuing operations Resin compounding US\$	Polyethylene packaging US\$	Discontinued operations Resin compounding US\$	Total US\$
Group				
2019				
Revenue				
External revenue	7,616,996	19,826,406	8,413,735	35,857,137
Results				
Segment results	1,004,036	2,235,558	58,145	3,297,739
Inventories written down	-	-	(114,810)	(114,810)
Compensation income	-	-	1,658,857	1,658,857
Termination benefits	-	-	(1,184,618)	(1,184,618)
Interest income	100,232	1,320	6,247	107,799
Finance costs	(1,866)	(2,074)	-	(3,940)
Profit before tax	1,102,402	2,234,804	423,821	3,761,027
Income tax expense				(886,500)
Profit for the financial year				2,874,527
Non-cash items				
Depreciation of property, plant and equipment	(338,829)	(1,024,606)	(142,692)	(1,506,127)
Amortisation of intangible assets	(68)	-	-	(68)
Capital expenditure				
Property, plant and equipment*	51,432	52,243	2,247	105,922

* This exclude additions arising from lease arrangements.

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30. Segment information (Continued)

Business segment	Continuing operations		Discontinued operations	Total US\$
	Resin compounding US\$	Polyethylene packaging US\$	Resin compounding US\$	
Group 2019				
Assets and liabilities				
Segment assets	20,951,482	11,978,942	11,653,063	44,583,487
Segment liabilities	2,565,050	1,693,868	5,517,719	9,776,637
Group 2018				
Revenue				
External revenue	6,639,045	17,529,363	16,648,317	40,816,725
Results				
Segment results	524,483	822,177	586,883	1,933,543
Interest income	23,396	1,815	1,809	27,020
Finance costs	(85,834)	(1,990)	-	(87,824)
Profit before tax	462,045	822,002	588,692	1,872,739
Income tax expense				(485,915)
Profit for the financial year				1,386,824
Non-cash items				
Depreciation of property, plant and equipment	(201,642)	(1,021,143)	(132,219)	(1,355,004)
Amortisation of prepaid land lease payments	(30,664)	-	(8,543)	(39,207)
Amortisation of intangible assets	(3,508)	-	-	(3,508)
Capital expenditure				
Property, plant and equipment	406,919	87,812	93,457	588,188
Assets and liabilities				
Segment assets	12,524,868	14,710,525	10,100,254	37,335,647
Segment liabilities	2,668,164	1,346,077	579,572	4,593,813

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30. Segment information (Continued)

Geographical information

Revenue based on the country in which the customers are located is as follows:

Segments	Resin compounding		Polyethylene packaging		Total	
	2019	2018	2019	2018	2019	2018
	US\$	US\$	US\$	US\$	US\$	US\$
Continuing operations:						
<u>Primary geographical markets</u>						
Singapore	1,084,786	1,688,777	16,046,976	15,081,467	17,131,762	16,770,244
Malaysia	1,548,395	2,391,047	497,835	138,204	2,046,230	2,529,251
Vietnam	4,698,168	2,315,228	2,191,744	1,720,707	6,889,912	4,035,935
Indonesia	-	-	1,089,851	588,985	1,089,851	588,985
Others	285,647	243,993	-	-	285,647	243,993
	<u>7,616,996</u>	<u>6,639,045</u>	<u>19,826,406</u>	<u>17,529,363</u>	<u>27,443,402</u>	<u>24,168,408</u>
Discontinued operations:						
<u>Primary geographical markets</u>						
People's Republic of China	8,413,735	16,648,317	-	-	8,413,735	16,648,317
	<u>16,030,731</u>	<u>23,287,362</u>	<u>19,826,406</u>	<u>17,529,363</u>	<u>35,857,137</u>	<u>40,816,725</u>

Non-current assets comprise primarily property, plant and equipment, prepaid land lease payments, intangible assets and deferred tax assets. Non-current assets are shown by the geographical area in which the assets are located.

	2019	2018
	US\$	US\$
Non-current assets		
<u>Continuing operations:</u>		
Singapore	155,670	129,722
Malaysia	9,751,851	10,664,399
Vietnam	3,064,293	3,272,264
<u>Discontinued operations:</u>		
People's Republic of China	176,092	2,149,318
	<u>13,147,906</u>	<u>16,215,703</u>

Major customers

Revenue from two customers (2018: two customers) of the Group's polyethylene packaging segment represents approximately US\$13,361,385 or 37% (2018: US\$12,911,645 or 32%) of the Group's total revenue. There is no customer whose revenue from the Group's resin compounding segment that represents more than 10% of the Group's total revenue.

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31. Financial instruments and financial risks

The Group's activities expose them to credit risk, market risks (including foreign currency risk and interest rate risk) and liquidity risk.

This note presents information about the Group's exposure to each of the above risk, the Group's objectives, policies and processes for measuring and managing risk.

Risk management framework

Risk management is integral to the whole business of the Group. The Group has a system of controls in place to create an acceptable balance between the cost of risks occurring and the cost of managing the risks. Management continually monitors the Group's risk management process to ensure that an appropriate balance between risk and control is achieved against the Group's risk appetite. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities.

The Audit and Risk Committee ("ARC") oversees how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The ARC is assisted in its oversight role by Internal Audit ("IA") and other assurance activities. IA undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the ARC.

There have been no changes to the Group's exposure to these financial risks or the manner in which it manages and measures the risk. Market risk exposures are measured using sensitivity analysis as indicated below.

31.1 Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations resulting in a loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties. The Group performs ongoing credit evaluation of its counterparties' financial condition and generally does not require a collateral.

At each reporting date, the Group's and the Company's maximum exposure to credit risk were represented by the carrying amount of the financial assets on the statements of financial position except for the financial guarantees provided by the Group and the Company in respect of bank guarantees issued by the banks as disclosed below.

The Group's and Company's major classes of financial assets are cash and bank balances and trade and other receivables.

The Group has significant credit exposures arising from the trade receivables due from 9 (2018: 9) major customers representing 70% (2018: 56%) of total trade receivables as at 31 December 2019.

The Company has significant credit exposures arising from the trade and non-trade amounts due from subsidiaries amounting to US\$8,059,345 (2018: US\$9,845,228) and US\$508,026 (2018: US\$4,807,765) respectively, representing 96% (2018: 99%) of total trade and other receivables as at 31 December 2019.

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31. Financial instruments and financial risks (Continued)

31.1 Credit risk (Continued)

Trade receivables

The following is an aging analysis of the Group's and the Company's gross trade receivables before loss allowances at each reporting date:

	Group		Company	
	2019	2018	2019	2018
	US\$	US\$	US\$	US\$
Not past due	2,804,993	6,231,382	3,758,079	3,026,546
Past due 1 - 30 days	363,014	323,354	545,446	1,258,519
Past due 31 - 60 days	27,259	11,728	82,650	211,750
Past due 61 - 90 days	-	-	321,130	1,685,888
Past due more than 90 days	-	-	3,352,040	3,662,525
	<u>3,195,266</u>	<u>6,566,464</u>	<u>8,059,345</u>	<u>9,845,228</u>

Management measures loss allowance for trade receivables at an amount equal to lifetime expected credit losses ("ECL"). The ECL on trade receivables, excluding trade receivables determined to be credit-impaired, are determined based on historical loss rates and historical payment pattern, adjusted for the current conditions and forecast of future economic conditions that may affect the ability of the customers to settle the trade receivables at the reporting date. As at 31 December 2019, management determines the trade receivables are subject to immaterial credit loss except for trade receivables due from 2 customers in China amounting to US\$41,986 (2018: US\$Nil) which had lifetime expected credit losses of the full value of receivables. Movement in loss allowances for trade receivables is disclosed in Note 11 to the financial statements.

Management individually assessed and determined that the Company's trade receivables due from a subsidiary, HVP, amounting to US\$4,042,120, of which US\$3,352,040 was past due more than 90 days and is credit-impaired. Management evaluated the recovery options and credit loss scenarios based on reasonable and supportable information such as the available internal information on HVP's past, current and expected performance and cash flow position and determined the ECL to be insignificant.

A trade receivable is written off when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings. There is no trade receivable written off during the financial year.

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31. Financial instruments and financial risks (Continued)

31.1 Credit risk (Continued)

Non-trade receivables

Management monitors and assess at each reporting date on any indicator of significant increase in credit risk for the non-trade receivables due from third parties (Note 11). In the assessment for indicators, management took into account information that it has available internally about these counterparties' historical loss rates and historical payment pattern, adjusted for the current conditions and forecast of future economic conditions and if the entities had any default in external debts. Based on the assessment, management has determined that the credit risk for these assets has not increased significantly since their initial recognition, and accordingly, the non-trade amounts have been measured based on 12-month expected credit loss model. At the reporting date, the Group and Company did not expect any significant credit losses from non-performance by the counterparties and accordingly, no loss allowance has been recognised.

For non-trade amounts due from subsidiaries (Note 11), management has taken into account the available internal information on these subsidiaries' past, current and expected operating performance and cash flow position. The management monitors and assesses at each reporting date on any indicator of change in credit risk on the amounts due from the respective subsidiaries, by considering their performance ratio and any default in external debts. The risk of default is considered to be minimal as these subsidiaries have sufficient liquid assets to repay their debts and subject to immaterial credit loss.

Cash and bank balances

Credit risk also arises from balances held with banks. The Group and the Company substantially placed its bank balances in 2 and 1 banks (2018: 2 and 1 banks) respectively which represent 72% and 96% (2018: 73% and 92%) respectively of the Group's and the Company's bank balances as at 31 December 2019.

The Board of Directors monitors the credit ratings of counterparties regularly. Impairment of cash and bank balances have been measured based on 12-month expected credit loss model. At the reporting date, the Group and Company did not expect any material credit losses from non-performance by these banks which are assigned with investment grade ratings of generally at least Baa3 by international credit-rating agencies.

Financial guarantee contracts

The Company is exposed to credit risk in relation to financial guarantees given to a bank for facilities utilised by a subsidiary of the Group in Malaysia (the "Malaysia subsidiary"). The Company jointly with another subsidiary in Singapore (the "Singapore subsidiary") provided financial guarantee to the bank for performance guarantees issued for the Malaysia subsidiary. The disclosed amount for the financial guarantee contracts (Note 31.3) which represents the maximum amount and of the earliest period for which the Company jointly with its Singapore subsidiary could be called upon by the bank to pay should the Malaysia subsidiary default on the repayments. For the financial guarantee issued, the Company has assessed that the Malaysia subsidiary has sufficient financial capabilities to meet its contractual cash flows obligation in the near future hence, does not expect any material loss allowance under 12-month expected credit loss model.

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31. Financial instruments and financial risks (Continued)

31.2 Market risks

The Group's activities expose it primarily to the financial risks of changes in market prices, such as foreign exchange rates and interest rates. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Foreign currency risk

The Group is exposed to currency risk on sales and purchases and expenditure that are denominated in a currency other than the respective functional currencies of Group entities and the Company. The currencies in which these transactions are denominated are mainly United States dollar, Chinese renminbi, Singapore dollar, Vietnamese dong, Malaysian Ringgit and Euro. Exposure to currency risk is monitored on an ongoing basis and the Group endeavours to keep the net exposure at an acceptable level. When necessary, the Group uses forward exchange contracts to hedge its foreign currency risk.

The Group's significant currency exposure at each reporting date is as follows:

	Monetary assets		Monetary liabilities	
	2019	2018	2019	2018
	US\$	US\$	US\$	US\$
Chinese renminbi	3,477,999	598,561	87,076	140,457

At the end of each reporting period, the Company does not have significant amounts of monetary assets and liabilities denominated in currencies other than its functional currency. Accordingly, the Company is not exposed to significant foreign currency risk.

Foreign currency sensitivity analysis

The following table details the Group's sensitivity to a 10% (2018: 10%) change in Chinese renminbi against respective functional currencies of the entities within the Group. The sensitivity analysis assumes an instantaneous 10% (2018: 10%) change in the foreign currency exchange rates at each reporting date, with all other variables held constant. The results of the model are also constrained by the fact that only financial items, which are denominated in the aforementioned currencies are included in the analysis. Consequentially, reported changes in the values of some of the financial instruments impacting the results of the sensitivity analysis are not matched with the offsetting changes in the values of certain excluded items that those instruments are designed to finance or hedge.

	Increase/(Decrease)	
	Profit before tax	
	2019	2018
	US\$	US\$
Group		
<i>Chinese renminbi</i>		
Strengthens	339,092	45,810
Weakens	(339,092)	(45,810)

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31. Financial instruments and financial risks (Continued)

31.2 Market risks (Continued)

Interest rate risk

As at reporting date, the Group does not have any significant exposure to interest rate risk. Its interest rate risk is primarily attributable to lease liabilities as shown in Note 16 to the financial statements. The Group does not use derivative financial instruments to hedge its interest rate risk.

Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets or financial liabilities at fair value through profit or loss, and the Group does not designate derivatives as hedging instruments under a fair value hedge accounting model. Therefore, a change in interest rate at the reporting date would not affect profit or loss.

31.3 Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial assets. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group monitors its liquidity risk and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group's operations and to mitigate the effects of fluctuations in cash flows. In addition, the Group maintains revolving credit facilities with various banks that can be drawn down to meet short-term financing needs.

Contractual maturity analysis - non-derivative financial instruments

The following table details the Group's and the Company's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on undiscounted cash flows of financial liabilities based on the earlier of the contractual date or when the Group and the Company is expected to pay. The table includes both expected interest and principal cash flows.

	Within one financial year or on demand US\$	After one financial year but within five financial years US\$	More than five financial years US\$	Total US\$
Group				
2019				
<u>Financial liabilities</u>				
Non-interest bearing				
- trade and other payables	2,607,309	-	-	2,607,309
Interest bearing				
- lease liabilities	52,675	90,486	31,445	174,606
	<u>2,659,984</u>	<u>90,486</u>	<u>31,445</u>	<u>2,781,915</u>

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31. Financial instruments and financial risks (Continued)

31.3 Liquidity risk (Continued)

Contractual maturity analysis - non-derivative financial instruments (Continued)

	Within one financial year or on demand US\$	After one financial year but within five financial years US\$	More than five financial years US\$	Total US\$
Group				
2018				
<u>Financial liabilities</u>				
Non-interest bearing				
- trade and other payables	3,395,502	-	-	3,395,502
Interest bearing				
- lease liabilities	13,406	14,760	-	28,166
	<u>3,408,908</u>	<u>14,760</u>	<u>-</u>	<u>3,423,668</u>

	Company On demand or within one year	
	2019	2018
	US\$	US\$
<u>Financial liabilities</u>		
Non-interest bearing		
- trade and other payables	1,573,222	2,098,370
Financial guarantee contracts	500,907	-
	<u>2,074,129</u>	<u>2,098,370</u>

32. Capital management policies and objectives

The Group and the Company manage their capital to ensure that the Group and the Company are able to continue as a going concern and maintain an optimal capital structure so as to maximise shareholder's value.

The capital structure of the Group consists of equity attributable to owners of the Company, comprising issued share capital, reserves and retained earnings as presented in the Statement of Changes in Equity.

Management reviews the capital structure on a semi-annual basis. As part of this review, management considers the cost of capital and the risks associated with each class of capital. Upon review, management will balance their overall capital structure through the payment of dividends and new share issues as well as making repayment of the borrowings or obtain new borrowings. The Group's overall strategy remains unchanged from 2018.

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32. Capital management policies and objectives (Continued)

Subsidiaries of the Group established in the People's Republic of China are required to contribute and maintain a non-distributable statutory reserve fund as set out in the relevant regulations in the People's Republic of China and Note 15 to the financial statements.

In addition to the above, the Group and the Company are in compliance with all externally imposed capital requirements in relation to financial covenants on its banking facilities for the financial years ended 31 December 2019 and 31 December 2018.

33. Events subsequent to the reporting date

On 30 January 2020, the World Health Organisation announced that the novel Coronavirus ("Covid-19") Outbreak as a global health emergency. The Group had taken precautionary measures and implemented operational protocols in its operations globally since January 2020 in response to the growing concerns over the Covid-19 outbreak. All precautions are taken to ensure the safety and well-being of its operational employees.

On 16 March 2020, the Malaysian Government announced the implementation of a Movement Control Order ("MCO") nationwide from 18 to 31 March 2020 and subsequently extended to 14 April 2020 on 25 March 2020. The MCO will adversely affect the Group's production and delivery plans at HPM during the period. Nonetheless, the Company has informed its customers of this unforeseen circumstance and will update customers about feasible remedies and timing to resume the performance of its obligations once MCO ceases. As at the date of the financial statements, the Group expects such event to be temporary in nature and not to permanently affect the customers' business and ability to make repayment once normal operations resume. The Group is also of the view that this would not result in a significant change of credit quality of customers as each of the customers has a good repayment history. The Group is still in close contact with its customers and they have made repayments to the Group. The spread of Covid-19 is a non-adjusting event, which did not result in any adjustments to these financial statements.

34. Authorisation of financial statements

The consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company for the financial year ended 31 December 2019 were authorised for issue by the Board of Directors on 27 March 2020.

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The provisions in the Constitution relating to rights of Shareholders in respect of capital, voting and dividends are reproduced below.

All capitalised terms used in the following extracts shall have the same meanings ascribed to them in the Constitution and/or the Companies Act, a copy of which is available for inspection at the registered office of the Company at 21 Woodlands Close #09-12 Primz Bizhub, Singapore 737854, during normal business hours until the Final Closing Date.

1. Capital

“8. Company’s shares as security

Save to the extent permitted by the Statutes, none of the funds or assets of the Company or of any subsidiary thereof shall be directly or indirectly employed in the purchase or subscription of or in loans upon the security of the Company’s shares (or its holding company, if any) and the Company shall not, except as permitted by law, give any financial assistance for the purpose of or in connection with any purchase of shares in the Company (or its holding company, if any).

9. Issue of New Shares

(1) Subject to the Statutes and this Constitution, no shares may be issued by the Directors without the prior approval of the Company in General Meeting but subject thereto and to Regulation 53, and to any special rights attached to any shares for the time being issued, the Directors may issue, allot, grant options over or otherwise deal with or dispose of the same to such persons on such terms and conditions and at such time and subject or not to the payment of any part of the amount thereof in cash as the Directors may think fit, and any shares may be issued in such denominations or with such preferential, deferred, qualified or special rights, privileges or conditions as the Directors may think fit, and preference shares may be issued which are or at the option of the Company are liable to be redeemed, the terms and manner of redemption being determined by the Directors, provided always that:-

- (a) the total number of issued preference shares shall not exceed the total number of the issued ordinary shares at any time, and all other restrictions or limitations in respect of the issue of preference shares as may be imposed by law or required by the listing rules of the Exchange (as so modified, amended or supplemented from time to time) shall be complied with;*
- (b) no shares shall be issued which results in a transfer of a controlling interest in the Company without the prior approval of the Members in a General Meeting;*
- (c) the rights attaching to shares of a class other than ordinary shares shall be expressed in the resolution creating the same and in this Constitution; and*
- (d) subject to any direction to the contrary which may be given by the Company in General Meeting, any issue of shares for cash to Members holding shares of any class shall be offered to such Members in proportion*

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as nearly as may be to the number of shares of such class then held by them and the second sentence of Regulation 53(1) with such adaptations as are necessary shall apply.

(2) Notwithstanding Regulation 53, the Company may by Ordinary Resolution in General Meeting give to the Directors a general authority, either unconditionally or subject to such conditions as may be specified in the Ordinary Resolution, to:

(a)

- (i) issue shares in the capital of the Company whether by way of rights, bonus or otherwise; and/or*
 - (ii) make or grant offers, agreements or options (collectively, "Instruments") that might or would require shares to be issued, including without limitation, the creation and issue of (as well as adjustments to) warrants, debentures or other instruments convertible into shares; and*
- (b) (Notwithstanding the authority conferred by the Ordinary Resolution may have ceased to be in force) issue shares in pursuance of any Instrument made or granted by the Directors while the Ordinary Resolution was in force,*

provided that:

- (i) the aggregate number of shares to be issued pursuant to the Ordinary Resolution (including shares to be issued in pursuance of Instruments made or granted pursuant to the Ordinary Resolution) shall be subject to such limits and manner of calculation as may be prescribed by the Exchange;*
- (ii) in exercising the authority conferred by the Ordinary Resolution, the Company shall comply with the provisions of the listing rules of the Exchange for the time being in force (unless such compliance is waived by the Exchange) and this Constitution;*
- (iii) (unless revoked or varied by the Company in General Meeting) the authority conferred by the Ordinary Resolution shall not continue in force beyond the conclusion of the Annual General Meeting of the Company next following the passing of the Ordinary Resolution, or the date by which such Annual General Meeting of the Company is required by law to be held, or the expiration of such other period as may be prescribed by the Act (whichever is the earliest); and*
- (iv) any other issue of shares, the aggregate of which would exceed the limits of the authority conferred by the Ordinary Resolution as referred to in this Regulation, shall be subject to the approval of the Company in general meeting.*

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10. *Rights attached to Preference Shares*
- (1) *Preference shares may be issued subject to such limitation thereof as may be prescribed by any stock exchange upon which shares in the Company may be listed. Preference shareholders shall have the same rights as ordinary shareholders as regards receiving of notices, reports and balance sheets and attending General Meetings of the Company. Preference shareholders shall also have the right to vote at any meeting convened for the purpose of reducing the capital or winding up or sanctioning a sale of the undertaking of the Company or where the proposal to be submitted to the meeting directly affects their rights and privileges or when the dividend on the preference shares is more than six months in arrears.*
- (2) *The Company has power to issue further preference capital ranking equally with, or in priority to, preference shares from time to time already issued or about to be issued.*
11. *Treasury Shares*
- The Company shall not exercise any right in respect of treasury shares other than as provided by the Act. Subject thereto, the Company may hold and/or deal with its treasury shares in any manner authorised or prescribed by the Act.*
12. *Variation of Rights*
- (1) *If at any time the share capital is divided into different classes, the special rights attached to any class (unless otherwise provided by the terms of issue of the shares of that class) may, subject to the provisions of the Act, whether or not the Company is being wound up, only be made, varied or abrogated with the sanction of a Special Resolution passed at a separate General Meeting of the holders of shares of the class and to every such Special Resolution the provisions of Section 184 of the Act shall, with such adaptations as are necessary, apply. To every such separate General Meeting the provisions of this Constitution relating to General Meetings shall mutatis mutandis apply; but so that the necessary quorum shall be two persons at least holding or representing by proxy or by attorney one- third of the issued shares of the class and that any holder of shares of the class present in person or by proxy or by attorney may demand a poll whereupon any holder of such shares, present in person or by proxy, shall be entitled to one vote for each share of the class in respect of which he is a holder of such shares. If at any adjourned meeting of such holders such quorum as aforesaid is not present, any two holders of such shares of the class who are personally present shall be a quorum. Provided always that where the necessary majority for the aforesaid Special Resolution is not obtained at the Meeting, consent in writing if obtained from the holders of three-fourths of the issued shares of the class concerned within two months of the Meeting shall be as valid and effectual as a Special Resolution carried at the Meeting. The directors shall comply with the provisions of Section 186 of the Act as to forwarding a copy of any such consent or resolution to the Accounting and Corporate Regulatory Authority. Where all the issued shares of the class are held by one person, the necessary quorum shall be one person.*

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| <i>Variation of Rights of Preference Shareholders</i> | <i>(2) The repayment of preference capital other than redeemable preference capital or any other alteration of preference shareholder rights, may only be made pursuant to a Special Resolution of the preference shareholders concerned. PROVIDED ALWAYS that where the necessary majority for such a Special Resolution is not obtained at the Meeting, consent in writing if obtained from the holders of three-fourths of the preference shares concerned within two months of the Meeting, shall be as valid and effectual as a Special Resolution carried at the Meeting.</i> |
| <i>13. Creation or issue of further shares with special rights</i> | <i>The rights conferred upon the holders of the shares of any class issued with preferred or other rights shall, unless otherwise expressly provided by the terms of issue of the shares of that class or by this Constitution as are in force at the time of such issue, be deemed to be varied by the creation or issue of further shares ranking equally therewith.</i> |
| <i>14. Power to pay commission and brokerage</i> | <i>The Company may pay such commissions or brokerage as may be lawful on any issue of shares at such rate or amount and in such manner as the Directors may deem fit. Such commission or brokerage may be satisfied by the payment of cash or the allotment of fully or partly paid shares, or partly in one way and partly in the other. The payment out of the proceeds of the issue or the Company's share capital shall not be taken as reducing the amount of share capital of the Company.</i> |
| <i>15. Power to charge interest on capital</i> | <i>If any shares of the Company are issued for the purpose of raising money to defray the expenses of the construction of any works or buildings or the provision of any plant which cannot be made profitable for a lengthened period, the Company may, subject to the conditions and restrictions mentioned in the Act, pay interest on so much of the share capital (except treasury shares) as is for the time being paid up and may charge the same to capital as part of the cost of the construction or provision.</i> |
| <i>16. No trust recognised</i> | <i>Except as required by law, no person other than the Depository shall be recognised by the Company as holding any share upon any trust and the Company shall not be bound by or compelled in any way to recognise (even when having notice thereof) any equitable, contingent, future or partial interest in any share or any interest in any fractional part of a share or (except only as by this Constitution or by law otherwise provided) any other rights in respect of any share, except an absolute right to the entirety thereof in the person (other than the Depository) entered in the Register of Members as the registered holder thereof or (where the person entered in the Register of Members as the registered holder of a share is the Depository) the person whose name is entered in the Depository Register in respect of that share. Nothing contained herein in this Regulation relating to the Depository or the Depositors or in any depository agreement made by the Company with any common depository for shares or in any notification of substantial shareholding to the Company or in response to a notice pursuant to Part</i> |

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VII of the Securities and Futures Act (Cap. 289) or any note made by the Company of any particulars in such notification or response shall derogate or limit or restrict or qualify these provisions; and any proxy or instructions on any matter whatsoever given by the Depository or Depositors to the Company or the Directors shall not constitute any notification of trust and the acceptance of such proxies and the acceptance of or compliance with such instructions by the Company or the Directors shall not constitute the taking of any notice of trust.

17. *Joint Holders*

(1) The Company and the Depository shall not be bound to register more than three persons as the joint holders of any share except in the case of executors, administrators or trustees of the estate of a deceased Member.

(2) If two or more persons are registered as joint holders of any share any one of such persons may give effectual receipts for any dividends, bonuses or other moneys payable in respect of such share and the joint holders of a share shall, subject to the provisions of the Act, be severally as well as jointly liable for the payment of all instalments and calls and interest due in respect of such shares.

(3) Only the person whose name stands first in the Register of Members as one of the joint holders of any share shall be entitled to delivery of the certificate relating to such share or to receive notices from the Company and any notice given to such person shall be deemed notice to all the joint holders. Only the person whose name stands first in the Depository Register shall be entitled to receive notices from the Company and any notice given to such person shall be deemed notice to all the joint holders.

18. *Fractional part of a share*

No person shall be recognised by the Company as having title to a fractional part of a share otherwise than as the sole or a joint holder of the entirety of such share.

19. *Payment by instalments*

If by the conditions of allotment of any shares the whole or any part of the amount of the issue price thereof shall be payable by instalments every such instalment shall, when due, be paid to the Company by the person who for the time being shall be the registered holder of the share or his personal representatives, but this provision shall not affect the liability of any allottee who may have agreed to pay the same.

20. *Share certificates*

The certificate of title to shares or debentures in the capital of the Company shall be issued under the Seal or by the signatures of authorised persons in the manner set out under the Act (as an alternative to sealing), in such form as the Directors shall from time to time prescribe and may bear the autographic or facsimile signatures of at least two Directors, or by one Director and the Secretary or some other person appointed by the Directors in place of the Secretary for the purpose, and shall specify the number and class of shares to which it relates, whether the shares are fully or partly paid up and the amounts unpaid (if any) on the shares thereon. The

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facsimile signatures may be reproduced by mechanical or other means provided the method of system of reproducing signatures has first been approved by the Auditors of the Company. No certificate shall be issued representing shares of more than one class.

21. *Entitlement to certificate*

(1) Shares must be allotted and certificates despatched within 10 Market Days (or such other period as may be prescribed or approved by the Exchange from time to time) of the final closing date for an issue of shares unless the Exchange shall agree to an extension of time in respect of that particular issue. The Depository must despatch statements to successful investor applicants confirming the number of shares held under their Securities Accounts. Persons entered in the Register of Members as registered holders of shares shall be entitled to certificates within 10 Market Days (or such other period as may be prescribed or approved by the Exchange from time to time) after lodgement of any transfer. Every registered shareholder shall be entitled to receive share certificates in reasonable denominations for his holding and where a charge is made for certificates, such charge shall not exceed S\$2 (or such other sum as may be prescribed or approved by the Exchange from time to time). Where a registered shareholder transfers part only of the shares comprised in a certificate or where a registered shareholder requires the Company to cancel any certificate or certificates and issue new certificates for the purpose of subdividing his holding in a different manner the old certificate or certificates shall be cancelled and a new certificate or certificates for the balance of such shares issued in lieu thereof and the registered shareholder shall pay a fee not exceeding S\$2 (or such other sum as may be prescribed or approved by the Exchange from time to time) for each such new certificate as the Directors may determine. Where the member is a Depositor the delivery by the Company to the Depository of provisional allotments or share certificates in respect of the aggregate entitlements of Depositors to new shares offered by way of rights issue or other preferential offering or bonus issue shall to the extent of the delivery discharge the Company from any further liability to each such Depositor in respect of his individual entitlement.

Retention of certificate

(2) The retention by the Directors of any unclaimed share certificates (or stock certificates as the case may be) shall not constitute the Company a trustee in respect thereof. Any share certificate (or stock certificate as the case may be) unclaimed after a period of six years from the date of issue of such share certificate (or stock certificate as the case may be) may be forfeited and if so shall be dealt with in accordance with Regulations 42, 46, 50 and 51, mutatis mutandis.

22. *Issue of replacement certificates*

(1) Subject to the provisions of the Act, if any share certificate shall be defaced, worn out, destroyed, lost or stolen, it may be replaced on such evidence being produced and a letter of indemnity (if required) being given by the shareholder, transferee, person entitled thereto, purchaser, member firm or member company of the Exchange or on behalf of its or their client or clients as the Directors of the Company shall

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require, and (in case of defacement or wearing out) on delivery up of the old certificate and in any case on payment of such sum not exceeding S\$2 (or such other sum as may be prescribed or approved by the Exchange from time to time) as the Directors may from time to time require. In the case of destruction, loss or theft, a shareholder or person entitled to whom such replaced certificate is given shall also bear the loss and pay to the Company all expenses incidental to the investigations by the Company of the evidence of such destruction, loss or theft.

New certificate in place of one not surrendered

(2) When any shares under the powers in this Constitution herein contained are sold by the Directors and the certificate thereof has not been delivered up to the Company by the former holder of the said shares, the Directors may issue a new certificate for such shares distinguishing it in such manner as they may think fit from the certificate not so delivered up.

23. *Form of Transfer of Shares*

Subject to the restrictions of this Constitution and any restrictions imposed by law or the Exchange or the Depository, any Member may transfer all or any of his shares, but every transfer by any Member must either be by means of:-

- (a) an instrument in the form approved by the Exchange, which must be left at the Office or such other place or places as the Directors may appoint from time to time for registration and accompanied by the certificates of the shares to be transferred, and such other evidence (if any) as the Directors may require to prove the title of the intending transferor or his right to transfer the shares ("a registered transfer"). Shares of different classes shall not be comprised in the same instrument of transfer; or
- (b) book-entry in the Depository Register in accordance with the Act.

24. *Execution*

The instrument of transfer of a share which is the subject of a registered transfer shall be signed by or on behalf of the transferor and the transferee and be witnessed and the transferor shall be deemed to remain the holder of the share concerned until the name of the transferee is entered in the Register of Members in respect thereof. The Depository may transfer any share in respect of which its name is entered in the Register of Members by means of a registered transfer. The Depository shall not be required as transferee to sign any form of transfer for the transfer of shares to it. The Directors may dispense with the execution of the instrument of transfer by the transferee and the requirement that the instrument of transfer be witnessed in any case in which they think fit in their discretion to do so. Shares of different classes shall not be comprised in the same instrument of transfer. This Regulation 24 shall not apply to any transfer of shares by way of book-entry in compliance with the Act.

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25. *Person under disability* No share shall in any circumstances be transferred to any infant, bankrupt or person who is mentally disordered and incapable of managing himself or his affairs but nothing herein contained shall be construed as imposing on the Company any liability in respect of the registration of such transfer if the Company has no actual knowledge of the same.
26. *Directors' power to decline to register* (1) Subject to this Constitution, the Act or as required by the Exchange, there shall be no restriction on the transfer of fully paid up shares (except where required by law or the rules, bye-laws or listing rules of the Exchange or of any other stock exchange upon which the shares in the Company may be listed) but the Directors may in their discretion decline to register any transfer of shares upon which the Company has a lien and in the case of shares not fully paid up may refuse to register a transfer to a transferee of whom they do not approve. If the Directors shall decline to register any such transfer of shares, they shall give to both the transferor and the transferee written notice of their refusal to register as required by the Statutes.
- Terms of registration of transfers* (2) The Directors may decline to register any instrument of transfer unless:-
- (a) in the case of registered transfers, such fee not exceeding S\$2 (or such other sum as may be prescribed or approved by the Exchange from time to time) as the Directors may from time to time require, is paid to the Company for the registration of each transfer (except that the Depository shall not be liable to pay any fee in respect of the registration of a transfer);
 - (b) the amount of proper duty (if any) with which each instrument of transfer is chargeable under any law for the time being in force relating to stamps is paid;
 - (c) the instrument of transfer, duly stamped in accordance with any law for the time being in force relating to stamp duty, is deposited at the Office or at such other place (if any) as the Directors appoint accompanied by the certificates of the shares to which it relates, and such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer and, if the instrument of transfer is executed by some other person on his behalf, the authority of the person so to do; and
 - (d) the instrument of transfer is in respect of only one class of shares
27. *Retention of transfers* (1) In the case of registered transfers, all instruments of transfer which are registered may be retained by the Company, but any instrument of transfer which the Directors may decline to register shall (except in the case of fraud) be returned to the person depositing the same.

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(2) Subject to any legal requirements to the contrary, the Company shall be entitled to destroy all instruments of transfer which have been registered at any time after the expiration of six years from the date of registration thereof and all dividend mandates and notifications of change of address at any time after the expiration of six years from the date of recording thereof and all share certificates which have been cancelled at any time after the expiration of six years from the date of the cancellation thereof and it shall be conclusively presumed in the favour of the Company that every entry in the Register of Members purporting to have been made on the basis of an instrument of transfer or other documents so destroyed was duly and properly made and every instrument of transfer so destroyed was a valid and effective instrument duly and properly registered and every share certificate so destroyed was a valid and effective certificate duly and properly cancelled and every other document hereinbefore mentioned so destroyed was a valid and effective document in accordance with the recorded particulars thereof in the books or records of the Company. PROVIDED always that-

- (a) the provisions aforesaid shall apply only to the destruction of a document in good faith and without notice of any claim (regardless of the parties thereto) to which the document might be relevant;*
- (b) nothing herein contained shall be construed as imposing upon the Company any liability in respect of the destruction of any such document earlier than as aforesaid or in any circumstances which would not attach to the Company in the absence of this Regulation; and*
- (c) references herein to the destruction of any document include references to the disposal thereof in any manner.*

28. Closing of Register

The Register of Members and the Depository Register may be closed at such times and for such period as the Directors may from time to time determine, provided always that the Registers shall not be closed for more than thirty days in the aggregate in any year. Provided Always that the Company shall give prior notice of such closure as may be required to the Exchange, stating the period and purpose or purposes for which the closure is made.

29. Renunciation of allotment

(1) Nothing in this Constitution shall preclude the Directors from recognising a renunciation of the allotment of any share by the allottee in favour of some other person.

Indemnity against wrongful transfer

(2) Neither the Company nor its Directors nor any of its Officers shall incur any liability for registering or acting upon a transfer of shares apparently made by sufficient parties, although the same may, by reason of any fraud or other cause not known to the Company or its Directors or other Officers, be legally inoperative or insufficient to pass the property in the shares proposed or professed to be transferred, and although the transfer may, as between the transferor and transferee, be

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liable to be set aside, and notwithstanding that the Company may have notice that such instrument of transfer was signed or executed and delivered by the transferor in blank as to the name of the transferee or the particulars of the shares transferred, or otherwise in defective manner. In every such case, the person registered as transferee, his executors, administrators and assigns, alone shall be entitled to be recognised as the holder of such shares and the previous holder shall, so far as the Company is concerned, be deemed to have transferred his whole title thereto.

30. *Transmission on death*

(1) In case of the death of a registered shareholder, the survivor or survivors, where the deceased was a joint holder, and the legal representatives of the deceased, where he was a sole or only surviving holder, shall be the only persons recognised by the Company as having any title to his interest in the shares, but nothing herein shall release the estate of a deceased registered shareholder (whether sole or joint) from any liability in respect of any share held by him.

(2) In the case of the death of a Depositor, the survivor or survivors, where the deceased was a joint holder, and the legal personal representatives of the deceased, where he was a sole holder and where such legal representatives are entered in the Depository Register in respect of any shares of the deceased, shall be the only persons recognised by the Company as having any title to his interests in the share; but nothing herein contained shall release the estate of a deceased Depositor (whether sole or joint) from any liability in respect of any share held by him.

31. *Persons becoming entitled on death or bankruptcy of Member may be registered*

(1) Any person becoming entitled to a share in consequence of the death or bankruptcy of any Member or by virtue of a vesting order by a court of competent jurisdiction and recognised by the Company as having any title to that share may, upon producing such evidence of title as the Directors shall require, be registered himself as holder of the share upon giving to the Company notice in writing or transfer such share to some other person. If the person so becoming entitled shall elect to be registered himself, he shall send to the Company a notice in writing signed by him stating that he so elects. If he shall elect to have another person registered he shall testify his election by executing to that person a transfer of the share. All the limitations, restrictions and provisions of this Constitution relating to the right to transfer and the registration of transfers shall be applicable to any such notice or transfer as aforesaid as if the death or bankruptcy of the Member had not occurred and the notice or transfer were a transfer executed by such Member. The Directors shall have, in respect of a transfer so executed, the same power of refusing registration as if the event upon which the transmission took place had not occurred, and the transfer were a transfer executed by the person from whom the title by transmission is derived.

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- Notice to unregistered executors and trustees*
- (2) The Directors may at any time give notice requiring any such executors and trustees person to elect whether to be registered himself as a Member in the Register of Members or (as the case may be), entered in the Depository Register in respect of the share or to transfer the share and if the notice is not complied with within 60 days the Directors may thereafter withhold payment of all dividends or other moneys payable in respect of the share until the requirements of the notice have been complied with.*
- (3) In the case of any person becoming entitled to the interest of a Depositor in respect of a share in consequences of the death of the Depositor, Section 81SQ of the Securities and Futures Act (Cap. 289) shall apply.*
32. *Rights of unregistered executors and trustees, to receive*
- A person entitled to a share by transmission shall be entitled and may give a discharge for, any dividends or other moneys payable in respect of the share, but he shall not be entitled in respect of it to receive notices of, or to attend or vote at meetings of the Company, or, save as aforesaid, to exercise any of the rights or privileges of a Member, unless and until he shall become registered as a shareholder or have his name entered in the Depository Register as a Depositor in respect of the share.*
33. *Fee for registration of probate, etc.*
- There shall be paid to the Company in respect of the registration of any probate, letters of administration, certificate of marriage or death, power of attorney or other document relating to or affecting the title to any share, such fee not exceeding S\$2 (or such other sum as may be prescribed or approved by the Exchange from time to time) as the Directors may from time to time require or prescribe.*
34. *Call on shares*
- The Directors may from time to time make such calls as they think fit upon the Members in respect of any money unpaid on their shares and not by the terms of the issue thereof made payable at fixed times, and each Member shall (subject to receiving at least fourteen days' notice specifying the time or times and place of payment) pay to the Company at the time or times and place so specified the amount called on his shares. A call may be revoked or postponed as the Directors may determine.*
35. *Time when made*
- A call shall be deemed to have been made at the time when the resolution of the Directors authorising the call was passed and may be made payable by instalments.*
36. *Interest on calls*
- If a sum called in respect of a share is not paid before or on the day appointed for payment thereof, the person from whom the sum is due shall pay interest on the sum due from the day appointed for payment thereof to the time of actual payment at such rate not exceeding ten per cent per annum as the Directors may determine, and shall also pay all costs, charges and expenses which the Company may have incurred or become liable for in order to recover payment of or in consequence of non-payment of such call but the Directors shall be at liberty to waive payment of such interest, costs, charges and expenses wholly or in part.*

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| 37. | <i>Sum due to allotment</i> | <i>Any sum which by the terms of issue and allotment of a share becomes payable upon allotment or at any fixed date shall for all purposes of this Constitution be deemed to be a call duly made and payable on the date on which, by the terms of issue, the same becomes payable, and in case of non-payment all the relevant provisions of the Regulations as to payment of interest, costs, charges and expenses, forfeiture or otherwise shall apply as if such sum had become payable by virtue of a call duly made and notified.</i> |
| 38. | <i>Power to differentiate</i> | <i>The Directors may on the issue of shares differentiate between the holders as to the amount of calls to be paid and the times of payments.</i> |
| 39. | <i>Payment in advance of calls</i> | <i>The Directors may, if they think fit, receive from any Member willing to advance the same all or any part of the money uncalled and unpaid upon the shares held by him and such payments in advance of calls shall extinguish (so far as the same shall extend) the liability upon the shares in respect of which it is made, and upon the money so received or so much thereof as from time to time exceeds the amount of the calls then made upon the shares concerned, the Company may pay interest at such rate not exceeding without the sanction of the Company in General Meeting ten per cent per annum as the Member paying such sum and the Directors agree upon. Capital paid on shares in advance of calls shall not whilst carrying interest confer a right to participate in profits and until appropriated towards satisfaction of any call shall be treated as a loan to the Company and not as part of its capital and shall be repayable at any time if the Directors so decide.</i> |
| 40. | <i>Notice requiring payment of calls</i> | <i>If any Member fails to pay in full any call or instalment of a call on or before the day appointed for payment thereof, the Directors may at any time thereafter serve a notice on such Member requiring payment of so much of the call or instalment as is unpaid together with any interest and expense which may have accrued by reason of such non-payment.</i> |
| 41. | <i>Notice to state time and place</i> | <i>The notice shall name a further day (not being less than seven days from the date of service of the notice) on or before which and the place where the payment required by the notice is to be made, and shall state that in the event of non-payment in accordance therewith the shares on which the call was made will be liable to be forfeited.</i> |
| 42. | <i>Forfeiture on non-compliance with notice</i> | <i>If the requirements of any such notice as aforesaid are not complied with any share in respect of which such notice has been given may at any time thereafter, before payment of all calls and interest and expenses due in respect thereof, be forfeited by a resolution of the Directors to that effect. Such forfeiture shall include all dividends declared in respect of the forfeited share and not actually paid before the forfeiture. The forfeiture or surrender of a share shall involve the extinction at the time of forfeiture or surrender of all interest in and all claims and demands against the Company in respect of the share, and all other rights and liabilities incidental to the share as between the Member whose share is forfeited or surrendered and the Company, except only such of those</i> |

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rights and liabilities as are by this Constitution expressly saved, or as are by the Act given or imposed in the case of past Members. The Directors may accept a surrender of any share liable to be forfeited hereunder.

43. *Notice of forfeiture to be given and entered*

When any share has been forfeited in accordance with this Constitution, notice of the forfeiture shall forthwith be given to the holder of the share or to the person entitled to the share by transmission, as the case may be, and an entry of such notice having been given, and of the forfeiture with the date thereof, shall forthwith be made in the Register of Members or in the Depository Register (as the case may be) opposite to the share; but the provisions of this Regulation are directory only, and no forfeiture shall be in any manner invalidated by any omission or neglect to give such notice or to make such entry as aforesaid.

44. *Directors may allow forfeited share to be redeemed*

Notwithstanding any such forfeiture as aforesaid, the Directors may, at any time before the forfeited share has been otherwise disposed of, annul the forfeiture, upon the terms of payment of all calls and interest due thereon and all expenses incurred in respect of the share and upon such further terms (if any) as they shall see fit.

45. *Sale of shares forfeited*

A share so forfeited or surrendered shall become the property of the Company and may be sold, re-allotted or otherwise disposed of either to the person who was before such forfeiture or surrender the holder thereof or entitled thereto or to any other person, upon such terms and in such manner as the Directors shall think fit, and at any time before a sale, re-allotment or disposition the forfeiture or surrender may be cancelled on such terms as the Directors think fit. To give effect to any such sale, the Directors may, if necessary, authorise some person to transfer a forfeited or surrendered share to any such person as aforesaid.

46. *Rights and liabilities of Members whose shares have been forfeited or surrendered*

A Member whose shares have been forfeited or surrendered shall cease to be a Member in respect of the shares, but shall notwithstanding the forfeiture or surrender remain liable to pay to the Company all moneys whose shares which at the date of forfeiture or surrender were payable by him to the Company in respect of the shares with interest thereon at ten per cent per annum (or such lower rate as the Directors may approve) from the date of forfeiture or surrender until payment, but such liability shall cease if and when the Company receives payment in full of all such money in respect of the shares and the Directors may waive payment of such interest either wholly or in part.

47. *Company's lien*

The Company shall have a first and paramount lien and charge on every share (not being a fully paid share) in the name of each Member (whether solely or jointly with others) and on the dividends declared or payable in respect thereof for all unpaid calls and instalments due on any such share and interest and expenses thereon but such lien shall only be upon the specific shares in respect of which such calls or instalments are due and unpaid and to such amounts as the Company may be called upon by law to pay in respect of the shares of the Member or deceased Member.

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| 48. <i>Member not entitled to privileges until all calls paid</i> | <i>No Member shall be entitled to receive any dividend or to exercise any privileges as a Member until he shall have paid all calls for the time being due and payable on every share held by him, whether solely or jointly with any other person, together with interest and expenses (if any).</i> |
| 49. <i>Sale of shares subject to lien</i> | <i>The Directors may sell in such manner as the Directors think fit any share on which the Company has a lien but no sale shall be made unless some sum in respect of which the lien exists is presently payable nor until the expiration of seven days after notice in writing stating and demanding payment of the sum payable and giving notice of intention to sell in default, shall have been given to the Member for the time being in relation to the share or the person entitled thereto by reason of his death or bankruptcy. To give effect to any such sale, the Directors may authorise some person to transfer the shares sold to the purchaser thereof.</i> |
| 50. <i>Application of proceeds of such sale</i> | <i>The net proceeds of sale, whether of a share forfeited by the Company or of a share over which the Company has a lien, after payment of the costs of such sale shall be applied in or towards payment or satisfaction of the unpaid call and accrued interest and expenses and the residue (if any) paid to the Member entitled to the share at the time of sale or his executors, administrators or assigns or as he may direct.</i> |
| 51. <i>Title to shares forfeited or surrendered or sold to satisfy a lien</i> | <i>A statutory declaration in writing by a Director of the Company that a share has been duly forfeited or surrendered or sold to satisfy a lien of the Company on a date stated in the declaration shall be conclusive evidence of the facts stated therein as against all persons claiming to be entitled to the share, and such declaration and the receipt of the Company for the consideration (if any) given for the share on the sale, re-allotment or disposal thereof, together with the certificate under Seal for the share delivered to a purchaser or allottee thereof, shall (subject to the execution of a transfer if the same be required) constitute a good title to the share and the person to whom the share is sold, re-allotted or disposed of shall be entered in the Register of Members as the holder of the share or (as the case may be) in the Depository Register in respect of the share and shall not be bound to see to the application of the purchase money (if any) nor shall his title to the share be affected by any irregularity or invalidity in the forfeiture, surrender, sale, re-allotment or disposal of the share.</i> |
| 52. <i>Rights and privileges of new shares</i> | <i>Subject to any special rights for the time being attached to any existing class of shares, the new shares shall be issued upon such terms and conditions and with such rights and privileges annexed thereto as the General Meeting resolving upon the creation thereof shall direct and if no direction be given as the Directors shall determine; subject to the provisions of this Constitution and in particular (but without prejudice to the generality of the foregoing) such shares may be issued with a preferential or qualified right to dividends and in the distribution of assets of the Company or otherwise.</i> |

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53. *Issue of new shares to Members*

(1) Subject to any direction to the contrary that may be given by the Company in General Meeting or except as permitted under the Exchange’s listing rules, all new shares shall before issue be offered to the Members in proportion, as nearly as the circumstances admit, to the number of the existing shares to which they are entitled or hold. The offer shall be made by notice specifying the number of shares offered, and limiting a time within which the offer, if not accepted, will be deemed to be declined, and, after the expiration of that time, or on the receipt of an intimation from the person to whom the offer is made that he declines to accept the shares offered, the Directors may dispose of those shares in such manner as they think most beneficial to the Company. The Directors may likewise so dispose of any new shares which (by reason of the ratio which the new shares bear to shares held by persons entitled to an offer of new shares) cannot, in the opinion of the Directors, be conveniently offered under this Regulation.

(2) Notwithstanding Regulation 53(1) above but subject to the Act, the Directors shall not be required to offer any new shares to members to whom by reason of foreign securities laws such offers may not be made without registration of the shares or a prospectus or other document, but to sell the entitlements to the new shares on behalf of such Members in such manner as they think most beneficial to the Company.

54. *New shares otherwise subject to provisions of Regulations*

Except so far as otherwise provided by the conditions of issue or by this Constitution, any capital raised by the creation of new shares shall be considered part of the original ordinary capital of the Company and shall be subject to the provisions of this Constitution with reference to allotments, payment of calls, lien, transfer, transmission, forfeiture and otherwise.

55. *Power to consolidate, cancel, subdivide shares, and convert shares from one currency to another*

(1) The Company may by Ordinary Resolution:-

- (a) consolidate and/or divide all or any of its share capital;*
- (b) subdivide its shares or any of them; so however that in the sub-division the proportion between the amount paid and the amount (if any) unpaid on each reduced share shall be the same as it was in the case of the share from which the reduced share is derived;*
- (c) cancel shares which at the date of the passing of the resolution in that behalf have not been taken or agreed to be taken by any person or which have been forfeited and diminish the amount of its share capital by the amount of the shares so cancelled; and*
- (d) subject to the provisions of this Constitution and the Act, convert its share capital or any class of shares from one currency to another currency.*

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- Power to purchase or acquire its issued shares*
- (2) Subject to and in accordance with the provisions of the Act, the listing rules of the Exchange, and other written law, the Company may purchase or otherwise acquire ordinary shares, stocks, preference shares, options, debentures, debenture stocks, bonds, obligations, securities, and all other equity, derivative, debt and financial instruments issued by it on such terms as the Company may think fit and in the manner prescribed by the Act, Any shares so purchased by the Company shall, unless held by the Company as treasury shares in accordance with the Act, be deemed to be cancelled immediately on purchase or acquisition by the Company. On the cancellation of any share as aforesaid, the rights and privileges attached to that share shall expire. In any other instance, the Company may hold and/or deal with any such share which is so purchased or acquired by it in such manner as may be permitted by, and in accordance with, the Act.*
56. *Power to convert shares* *The Company may by Special Resolution, subject to and in accordance with the Statutes, convert one class of shares into another class of shares.*
57. *Power to reduce capital* *The Company may by Special Resolution reduce its share capital or any other undistributable reserve in any manner and subject to any incident authorised and consent required by law. Without prejudice to the generality of the foregoing, upon the cancellation of any share purchased or otherwise acquired by the Company pursuant to this Constitution or the Act, the number of issued shares of the Company shall be diminished by the number of shares so cancelled, and where any such cancelled share was purchased or acquired out of the capital of the Company, the amount of share capital of the Company shall be reduced accordingly.*
58. *Power to convert into stock* *The Company may by Ordinary Resolution convert any or all of its paid up shares into stock and may from time to time by resolution reconvert any stock into paid up shares.*
59. *Transfer of stock* *The holders of stock may transfer the same or any part thereof in the same manner and subject to this Constitution as and subject to which the shares from which the stock arose might previous to conversion have been transferred or as near thereto as circumstances admit but no stock shall be transferable except in such units as the Directors may from time to time determine.*
60. *Rights of stockholders* *The holders of stock shall, according to the number of stock units held by them, have the same rights, privileges and advantages as regards dividend, return of capital, voting and other matters as if they held the shares from which the stock arose, but no such privilege or advantage (except as regards dividend, return of capital and the assets on winding up) shall be conferred by any such number of stock units which would not if existing in shares have conferred that privilege or advantage, and no such conversion shall affect or prejudice any preference or other special privileges attached to the shares so converted.*

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61. *Interpretation* *All provisions of this Constitution applicable to paid up shares shall apply to stock and the words “share” and “shareholder” or similar expression herein shall include “stock” or “stockholder”.*
- 143 *Bonus issue and
Power to capitalise
profits and reserves* *(1) The Directors may, with the sanction of the Company by way of an Ordinary Resolution, including any Ordinary Resolution passed pursuant to Regulation 9:-*
- (a) issue bonus shares for which no consideration is payable to the Company to the persons registered as holders of shares in the Register of Members or (as the case may be) the Depository Register at the close of business on:*
- (i) the date of the Ordinary Resolution (or such other date as may be specified therein or determined as therein provided); or*
- (ii) (in the case of an Ordinary Resolution passed pursuant to Regulation 9) such other date as may be determined by the Directors,*
- in proportion to their then holdings of shares; and*
- (b) capitalise any sum for the time being standing to the credit of any of the Company’s reserve accounts or other undistributable reserve or any sum standing to the credit of the profit and loss account by appropriating such sum to the persons registered as holders of shares in the Register of Members or (as the case may be) the Depository Register at the close of business on:*
- (i) the date of the Ordinary Resolution (or such other date as may be specified therein or determined as therein provided); or*
- (ii) (in the case of an Ordinary Resolution passed pursuant to Regulation 9) such other date as may be determined by the Directors,*
- in proportion to their then holdings of shares and applying such sum on their behalf in paying up in full unissued shares (or, subject to any special rights previously conferred on any shares or class of shares for the time being issued, unissued shares of any other class not being redeemable shares) for allotment and distribution credited as fully paid up to and amongst them as bonus shares in the proportion aforesaid.*
- (2) The Directors may do all acts and things considered necessary or expedient to give effect to any such bonus issue or capitalisation under Regulation 143(1), with full power to the Directors to make such provisions as they think fit for any fractional entitlements which would arise on the basis aforesaid (including provisions whereby fractional entitlements are disregarded or the benefit thereof accrues*

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to the Company rather than to the Members concerned). The Directors may authorise any person to enter, on behalf of all the Members interested, into an agreement with the Company providing for any such bonus issue or capitalisation and matters incidental thereto and any agreement made under such authority shall be effective and binding on all concerned.

Issue of Shares for no consideration

(3) In addition and without prejudice to the powers provided for by Regulations 143(1) and 143(2), the Directors shall have the power to issue shares for which no consideration is payable and to capitalise any undivided profits or other moneys of the Company not required for the payment or provision of any dividend on any shares entitled to cumulative or non-cumulative preferential dividends (including profits or other moneys carried and standing to any reserve or reserves) and to apply such profits or other moneys in paying up in full unissued shares, in each case on terms that such shares shall, upon issue, be held by or for the benefit of participants of any share incentive or option scheme or plan implemented by the Company and approved by shareholders in General Meeting in such manner and on such terms as the Directors shall think fit.”

2. Voting

“62. Annual General Meeting

(1) Subject to the provisions of the Act and Regulation 149, the Company shall in each year hold a General Meeting in addition to any other meetings in that year to be called the Annual General Meeting, and not more than fifteen months shall elapse between the date of one Annual General Meeting of the Company and that of the next. The Annual General Meeting shall be held at such time and place as the Directors shall appoint.

Extraordinary General Meetings

(2) All General Meetings other than Annual General Meetings shall be called Extraordinary General Meetings.

Location of General Meetings

(3) If required by the listing rules of the Exchange, all General Meetings shall be held in Singapore, unless prohibited by the relevant laws and regulations in the jurisdiction of incorporation.

63. Calling of Extraordinary General Meetings

The Directors may, whenever they think fit, convene an Extraordinary General Meeting and Extraordinary General Meetings shall also be convened on such requisition or, in default, may be convened by such requisitionists as provided by Section 176 of the Act. If at any time there are not within Singapore sufficient Directors capable of acting to form a quorum at a meeting of Directors, any Director may convene an Extraordinary General Meeting in the same manner as nearly as possible as that in which meetings may be convened by the Directors.

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64. *Notice of Meetings*
- (1) *Subject to the provisions of the Act (including those regarding the calling of General Meetings at short notice) and the listing rules of the Exchange, any General Meeting at which it is proposed to pass a Special Resolution or a resolution of which special notice has been given to the Company, shall be called by twenty-one days' notice at least and any other General Meeting by fourteen days' notice at least (exclusive both of the day on which the notice is served or deemed to be served and of the day for which the notice is given). Every notice calling a General Meeting shall specify the place and the day and the hour of the meeting and be given in a manner hereinafter mentioned to such persons (including the Auditors) as are under the provisions of this Constitution and the Act entitled to receive such notices of General Meetings from the Company. Any notice of a meeting called to consider special business shall be accompanied by a statement regarding the effect of any proposed resolution in respect of such special business. At least fourteen days' notice of all General Meetings shall be given by advertisement in the daily press and in writing to the Exchange and to such other stock exchanges on which the Company is listed.*
- (2) *The accidental omission to give notice to, the non- receipt by any person entitled thereto or the calling of a General Meeting at short notice, shall not invalidate the proceedings at any General Meeting.*
65. *Contents of Notice*
- (1) *Every notice calling a General Meeting shall specify the place and the day and hour of the Meeting and there shall appear with reasonable prominence in every such notice a statement that a Member entitled to attend and vote is entitled to appoint a proxy to attend and to vote instead of him and that a proxy need not be a Member of the Company.*
- Notice of Annual General Meeting*
- (2) *In the case of an Annual General Meeting, the notice shall also specify the Meeting as such.*
- Nature of special business to be specified*
- (3) *In the case of any General Meeting at which business other than routine business is to be transacted (special business), the notice shall specify the general nature of the special business, and if any resolution is to be proposed as a Special Resolution or as requiring special notice, the notice shall contain a statement to that effect.*
66. *Special Business*
- All business shall be deemed special that is transacted at any Extraordinary General Meeting, and all that is transacted at an Annual General Meeting shall also be deemed special, with the exception of sanctioning a dividend, receiving and adopting the financial statements and Directors' statement, the Auditor's report and other documents required by law to be attached to the financial statement, electing Directors in place of those retiring by rotation or otherwise and the fixing of the Directors' remuneration and the appointment, re-appointment and fixing of the remuneration of the Auditors or determining the manner in which such remuneration is to be fixed. Any notice of a meeting called to consider special business shall be accompanied by a statement regarding the effect of any proposed resolution in respect of such special business.*

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67. *Quorum*
- No business shall be transacted at any General Meeting unless a quorum is present at the time the meeting proceeds to business. Save as herein otherwise provided, two Members present in person shall form a quorum. For the purpose of this Regulation, “Member” includes a person attending by proxy or by attorney or as representing a corporation which is a Member but shall, as required by the Act, exclude the Company where it is a Member by reason of its holding of treasury shares. Provided that (i) a proxy representing more than one Member shall only count as one Member for the purpose of determining the quorum; and (H) where a Member is represented by more than one proxy such proxies shall count as only one Member for the purpose of determining the quorum.*
68. *Adjournment if quorum not present*
- If within half an hour from the time appointed for the holding of the Meeting a quorum is not present, the Meeting if convened on the requisition of Members shall be dissolved. In any other case it shall stand adjourned to the same day in the next week at the same time and place, or to such other day and at such other time and place as the Directors may determine. At the adjourned meeting, any two or more members present in person or by proxy shall be a quorum, and if at such adjourned Meeting a quorum is not present within half an hour from the time appointed for holding the Meeting, the Meeting shall be dissolved.*
69. *Resolutions in writing*
- Subject to the Act, a resolution in writing signed by every Member of the Company entitled to vote or being a corporation by its duly authorised representative shall have the same effect and validity as an Ordinary Resolution of the Company passed at a General Meeting duly convened, held and constituted, and may consist of several documents in the like form, each signed by one or more of such Members.*
70. *Chairman*
- The Chairman of the Directors or, in his absence, the Deputy Chairman (if any) shall preside as Chairman at every General Meeting. If there is no such Chairman or Deputy Chairman or if at any Meeting he is not present within fifteen minutes after the time appointed for holding the Meeting or is unwilling to act, the Members present shall choose some other Director to be Chairman of the Meeting or, if no Director is present or if all the Directors present decline to take the Chair, one of themselves to be Chairman of the Meeting.*
71. *Adjournment*
- The Chairman of the Meeting may, with the consent of any Meeting at which a quorum is present (and shall if so directed by the Meeting), adjourn the Meeting from time to time and from place to place, but no business shall be transacted at any adjourned Meeting except business which might lawfully have been transacted at the Meeting from which the adjournment took place. When a meeting is adjourned for fourteen days or more, at least three days’ notice of the place and hour of such adjourned Meeting shall be given as in the case of the original Meeting. Save as aforesaid, it shall not be necessary to give any notice of an adjournment or of the business to be transacted at an adjourned Meeting.*

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72. *Method of voting*

If required by the listing rules of any stock exchange upon which the shares of the Company may be listed, all resolutions at General Meetings shall be voted by poll (unless such requirement is waived by such stock exchange).

Subject to the above, at any General Meeting a resolution put to the vote of the Meeting shall be decided on a show of hands by the Members present in person or by proxy and entitled to vote, unless a poll is (before or on the declaration of the result of the show of hands) demanded:-

- (a) by the Chairman of the meeting; or*
- (b) by at least two Members present in person or by proxy (where a Member has appointed more than one proxy, any one of such proxies may represent that Member) and entitled to vote thereat; or*
- (c) by any Member or Members present in person or by proxy (where a Member has appointed more than one proxy, any one of such proxies may represent that Member) holding or representing not less than five (5%) per cent. of the total voting rights of all the Members having the right to vote at the Meeting; or*
- (d) by a Member or Members present in person or by proxy (where a Member has appointed more than one proxy, any one of such proxies may represent that Member) and holding not less than five (5%) of the total number of paid-up shares in the Company (excluding treasury shares) conferring a right to vote at the Meeting.*

Provided always that no poll shall be demanded on the election of a Chairman of a Meeting (or any other Director as the Chairman may appoint to chair the Meeting from time to time) or on a question of adjournment. Unless a poll is so demanded (and the demand is not withdrawn) a declaration by the Chairman that a resolution has been carried or carried unanimously or by a particular majority or lost and an entry to that effect in the minute book shall be conclusive evidence of the fact without proof of the number or proportion of the votes recorded in favour of or against the resolution. A demand for a poll may be withdrawn.

73. *Taking a poll*

If a poll is duly demanded (and the demand is not withdrawn) it shall be taken in such manner (including the use of ballot, voting papers or tickets) as the Chairman may direct and the result of a poll shall be deemed to be the resolution of the Meeting at which the poll was demanded. The Chairman may (and if so required by the listing rules of the Exchange or if so directed by the meeting), shall, appoint at least one (1) scrutineer who shall be independent of the persons undertaking the polling process.

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74. *Votes counted in error* *If any votes are counted which ought not to have been counted or might have been rejected, the error shall not vitiate the result of the voting unless it is pointed out at the same Meeting or at any adjournment thereof, and unless in the opinion of the Chairman at the Meeting or at any adjournment thereof, as the case may be, it shall be of sufficient importance to vitiate the result of the voting.*
75. *Chairman’s casting vote* *Subject to the Act and the requirements of the Exchange, in the case of equality of votes, whether on a show of hands or on a poll, the Chairman of the Meeting at which the show of hands takes place or at which the poll is demanded shall be entitled to a second or casting vote in addition to the votes to which he may be entitled as a Member or as proxy of a Member.*
76. *Time for taking a poll* *A poll demanded on any question shall be taken either immediately or at such subsequent time (not being more than thirty days from the date of the Meeting) and place as the Chairman may direct. No notice need to be given of a poll not taken immediately.*
77. *Continuance of business after demand for a poll* *The demand for a poll shall not prevent the continuance of a Meeting for the transaction of any business, other than the question on which the poll has been demanded.*
78. *Voting rights of Members* *(1) Subject and without prejudice to any special privileges or restrictions as to voting for the time being attached to any special class of shares for the time being forming part of the capital of the Company and to Regulation 11, each Member entitled to vote may vote in person or by proxy or attorney, and (in the case of a corporation) by a representative. On a show of hands every Member who is present in person or by proxy or attorney, or in the case of a corporation by a representative, shall have one vote provided that:*
- in the case of a Member who is not a relevant intermediary and who is represented by two proxies, only one of the two proxies as determined by their appointor shall vote on a show of hands and in the absence of such determination, only one of the two proxies as determined by the Chairman (or by a person authorised by him) shall vote on a show of hands; and in the case of a Member who is a relevant intermediary and who is represented by two or more proxies, each proxy shall be entitled to vote on a show of hands.*
- Provided Always That notwithstanding anything contained in this Constitution, a Depositor shall not be entitled to attend any General Meeting and to speak and vote thereat unless his name is certified by the Depository to the Company as appearing on the Depository Register not later than seventy-two (72) hours before that General Meeting (the “cut-off time”) as a Depositor on whose behalf the Depository holds shares in the Company. For the purpose of determining the number of votes which a Depositor or his proxy may cast on a poll, the Depositor or his proxy shall be deemed to hold or represent that number of shares entered in the Depositor’s Securities*

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Account at the cut-off time as certified by the Depository to the Company, or where a Depositor has apportioned the balance standing to his Securities Account as at the cut-off time between two or more proxies, to apportion the said number of shares between such proxies in the same proportion as specified by the Depositor in appointing the proxies; and accordingly no instrument appointing a proxy of a Director shall be rendered invalid merely by reason of any discrepancy between the number of shares standing to the credit of that Depositor's Securities Account as at the cut-off time, and the true balance standing to the Securities Account of a Depositor as at the time of the relevant General Meeting, if the instrument is dealt with in such manner as aforesaid.

*Voting in respect
of shares of different
monetary denominations*

(2) Where the capital of the Company consists of shares of different monetary denominations, voting rights may, at the discretion of the Board of Directors, be prescribed in such manner that a unit of capital in each class, when reduced to a common denominator, shall carry the same voting power when such right is exercisable.

79. *Voting right of
joint holders*

Where there are joint holders of any share any one of such persons may vote and be reckoned in a quorum at any Meeting either personally or by proxy or by attorney or in the case of a corporation by a representative as if he were solely entitled thereto but if more than one of such joint holders is so present at any meeting then the person present whose name stands first in the Register of Members or the Depository Register (as the case may be) in respect of such share shall alone be entitled to vote in respect thereof. Several executors or administrators of a deceased Member in whose name any share stands shall for the purpose of this Regulation be deemed joint holders thereof.

80. *Voting rights of
mentally disordered
Members*

If a Member be mentally disordered or whose person or estate is liable to be dealt with in any way under the law relating to mental capacity, he may vote, whether on a show of hands or on a poll, by a person who properly has the management of the estate of the Member, and any such person may vote by proxy or attorney.

81. *Right to vote*

Subject to the provisions of this Constitution, every Member either personally or by attorney or in the case of a corporation by a representative and every proxy shall be entitled to be present and to vote at any General Meeting and to be reckoned in the quorum thereat in respect of shares fully paid and in respect of partly paid shares where calls are not due and unpaid.

82. *Objections*

No objection shall be raised to the qualification of any voter except at the Meeting or adjourned Meeting at which the vote objected to is given or tendered and every vote not disallowed at such Meeting shall be valid for all purposes. Any such objection made in due time shall be referred to the Chairman of the Meeting whose decision shall be final and conclusive.

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83. *Votes on a poll* *On a poll votes may be given either personally or by proxy or by attorney or in the case of a corporation by its representative and a person entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.*
84. *Appointment of Proxies* (1) *Save as otherwise provided in the Act:-*
- (a) *a Member who is not a relevant intermediary may appoint not more than two proxies to attend, speak and vote at the same General Meeting and shall specify the proportion of his shareholding to be represented by each proxy; and*
- (b) *a Member who is a relevant intermediary may appoint more than two proxies to attend, speak and vote at the same General Meeting, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member (which number and class shall be specified in the form of proxy).*
- (2) *If the Member is a Depositor, the Company shall be entitled:-*
- (a) *to reject any instrument of proxy lodged if the Depositor is not shown to have any shares entered in its Securities Account as at the cut-off time as certified by the Depository to the Company; and*
- (b) *to accept as validly cast by the proxy or proxies appointed by the Depositor on a poll that number of votes which corresponds to or is less than the aggregate number of shares entered in its Securities Account of that Depositor as at the cut-off time as certified by the Depository to the Company, whether that number is greater or smaller than the number specified in any instrument of proxy executed by or on behalf of that Depositor.*
- (3) *Where a Member appoints more than one proxy, he shall specify the proportion of his shareholding to be represented by each proxy in the form of proxy. If no such proportion or number is specified, the Company shall be entitled to treat (a) the first named proxy may be treated as representing 100% of the shareholding and any second named proxy as an alternate to the first named; or (b) the instrument of proxy as invalid.*
- (4) *Voting right(s) attached to any shares in respect of which a Member has not appointed a proxy may only be exercised at the relevant General Meeting by the member personally or by his attorney, or in the case of a corporation by its representative.*
- (5) *Where a Member appoints a proxy in respect of more shares than the shares standing to his name in the Register of Members, or in the case of a Depositor, standing to the credit of that Depositor's Securities Account, such proxy*

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may not exercise any of the votes or rights of the shares not registered to the name of that Member in the Register of Members or standing to the credit of that Depositor's Securities Account as at the cut-off time, as the case may be.

85. *Proxy need not be a Member*

A proxy or attorney need not be a Member, and shall be entitled to vote on a show of hands on any question at any General Meeting.

86. *Instrument appointing a proxy*

Any instrument appointing a proxy shall be in writing in the common form approved by the Directors and:-

(a) in the case of an individual, shall be:-

(i) signed by the appointor or his attorney if the instrument is delivered personally or sent by post; or

(ii) authorised by that individual through such method and in such manner as may be approved by the Directors, if the instrument is submitted by electronic communication; and

(b) in the case of a corporation, shall be:

(i) either given under its Seal (or by the signatures of authorised persons in the manner set out under the Act as an alternative to sealing) or signed on its behalf by an attorney or a duly authorised officer of the corporation if the instrument is delivered personally or sent by post; or

(ii) authorised by that corporation through such method and in such manner as may be approved by the Directors, if the instrument is submitted by electronic communication.

The Directors may, for the purposes of these Regulations 86(a)(ii) and 86(b)(ii), designate procedures for authenticating any such instrument, and any such instrument not so authenticated by use of such procedures shall be deemed not to have been received by the Company.

87. *To be left at Company's office*

The instrument appointing a proxy, together with the power of attorney or other authority, if any, under which the instrument of proxy is signed or a duly certified copy of that power of attorney or other authority (failing previous registration with the Company) shall be attached to the instrument of proxy and:-

(a) if sent personally or by post, must be left at such place or one of such places (if any) as may be specified for that purpose in or by way of note to or in any document accompanying the notice convening the General Meeting (or, if no place is so specified, at the Office); or

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- (b) *if submitted by electronic communication, must be received through such means as may be specified for that purpose in or by way of note to or in any document accompanying the notice convening the General Meeting,*

and in either case, not less than seventy-two (72) hours before the time appointed for the holding of the Meeting or adjourned Meeting (or in the case of a poll before the time appointed for the taking of the poll) at which it is to be used failing which the instrument may be treated as invalid. An instrument appointing a proxy shall, unless the contrary is stated thereon, be valid as well for any adjournment of the Meeting as for the Meeting to which it relates Provided that an instrument of proxy relating to more than one meeting (including any adjournment thereof) having once been so delivered for the purposes of any meeting shall not be required again to be delivered for the purposes of any subsequent meeting to which it relates. An instrument of proxy shall be deemed to include the power to demand or concur in demanding a poll on behalf of the appointor to move any resolution or amendment thereto and to speak at the Meeting. Unless otherwise instructed, a proxy shall vote as he thinks fit. The signature on an instrument appointing a proxy need not be witnessed.

88. *Intervening death
or insanity of principal
not to revoke proxy*

A vote given in accordance with the terms of an instrument of proxy (which for the purposes of this Constitution shall also include a power of attorney) shall be valid notwithstanding the previous death or insanity of the principal or revocation of the proxy, or of the authority under which the proxy was executed or the transfer of the share in respect of which the proxy is given, provided that no intimation in writing of such death, insanity, revocation or transfer shall have been received by the Company at the Office (or such other place as may be specified for the deposit of instruments appointing pro>des) before the commencement of the Meeting or adjourned Meeting (or in the case of a poll before the time appointed for the taking of the poll) at which the proxy is used.

89. *Corporations acting
by representatives*

Any corporation which is a Member may by resolution of its directors or other governing body authorise such person as it thinks fit to act as its representative at any Meeting of the Company or of any class of Members and the persons so authorised shall be entitled to exercise the same powers on behalf of the corporation as the corporation could exercise if it were an individual Member of the Company and such corporation shall for the purpose of this Constitution and subject to the Act, be deemed to be present in person at any such Meeting if a person so authorised is present thereat. The Company shall be entitled to treat a certificate under the seal of the corporation as conclusive evidence of the appointment or revocation of appointment of a representative under this Regulation.”

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3. Dividends

“131. Payment of Dividends

The Directors may, with the sanction of the Company, by Ordinary Resolution declare dividends but (without prejudice to the powers of the Company to pay interest on share capital as hereinbefore provided) no dividend shall be payable except out of the profits of the Company. No dividend shall exceed the amount recommended by the Directors and a declaration by the Directors as to the amount of profits at any time available for dividends shall be conclusive.

132. Apportionment of Dividends

Subject to the rights of holders of shares with special rights as to dividend (if any) and except as otherwise permitted under the Act, all dividends in respect of shares shall be declared and paid in proportion to the number of shares held by a Member but where shares are partly paid, all dividends shall be apportioned and paid proportionately to the amounts paid or credited as paid on the partly paid up shares. For the purposes of this Regulation only, no amount paid or credited as paid on a share in advance of calls shall be treated as paid on the share. All dividends shall be apportioned and paid pro rata according to the amount paid or credited as paid on the shares during any portion or portions of the period in respect of which the dividend is paid, but if any share is issued on terms providing that it shall rank for dividend as from a particular date such shares shall rank for dividend accordingly.

133. Payment of preference and interim dividends

Notwithstanding Regulation 132, if, and so far as in the opinion of the Directors, the profits of the Company justify such payments, the Directors may pay fixed preferential dividends on any express class of shares carrying a fixed preferential dividend expressed to be payable on a fixed date on the half-yearly or other dates (if any) prescribed for the payment thereof by the terms of issue of the shares, and subject thereto may also from time to time pay to the holders of any other class of shares interim dividends thereon of such amounts and on such dates as they may think fit.

134. Dividends not to bear interest

No dividend or other moneys payable on or in respect of a share shall bear interest against the Company.

135. Deduction from dividend

The Directors may deduct from any dividend or other moneys payable to any Member on or in respect of a share all sums of money (if any) presently payable by him to the Company on account of calls or in connection therewith, or any other account which the Company is required by law to withhold or deduct.

136. Retention of dividends on shares subject to lien

The Directors may retain any dividend or other moneys payable on or in respect of a share on which the Company has a lien and may apply the same in or towards satisfaction of the debts, liabilities or engagements in respect of which the lien exists.

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137. *Retention of dividends on shares pending transmission* *The Directors may retain the dividends payable on shares in respect of which any person is under this Constitution, as to the transmission of shares, entitled to become a Member, or which any person under this Constitution is entitled to transfer, until such person shall become a Member in respect of such shares or shall duly transfer the same.*
138. *Unclaimed dividends* *The payment by the Directors of any unclaimed dividends or other moneys payable on or in respect of a share into a separate account shall not constitute the Company a trustee in respect thereof. All dividends unclaimed after being declared may be invested or otherwise made use of by the Directors for the benefit of the Company and any dividend unclaimed after a period of six years from the date of declaration of such dividend may be forfeited and if so shall revert to the Company but the Directors may at any time thereafter at their absolute discretion annul any such forfeiture and pay the dividend so forfeited to the person entitled thereto prior to the forfeiture. For the avoidance of doubt no Member shall be entitled to any interest, share of revenue or other benefit arising from any unclaimed dividends, howsoever and whatsoever.*
139. *Payment of dividend in specie* *The Company may, upon the recommendation of the Directors, by Ordinary Resolution direct payment of a dividend in whole or in part by the distribution of specific assets and in particular of paid up shares or debentures of the Company or of any other company or in any one or more of such ways, and the Directors shall give effect to such Resolution, and where any difficulty arises in regard to such distribution, the Directors may settle the same as they think expedient and in particular may issue fractional certificates and fix the value for distribution of such specific assets or any part thereof and may determine that cash payments shall be made to any Members upon the footing of the value so fixed in order to adjust the rights of all parties and may vest any such specific assets in trustees as may seem expedient to the Directors.*
140. *Dividends payable by cheque* *Any dividend or other moneys payable in cash on or in respect of a share may be paid by cheque or warrant sent through the post to the registered address of the Member or person entitled thereto or, if several persons are registered as joint holders of the share or are entitled thereto in consequence of the death or bankruptcy of the holder, to that one whose name shall stand first on the Register or the Depository Register, and every cheque or warrant shall be made payable to the order of the person to whom it is sent or to any person and address as such Member(s) or person(s) may direct in writing Provided that where the Member is a Depositor, the payment by the Company to the Depository of any dividend payable to a Depositor shall to the extent of the payment discharge the Company from any further liability in respect of the payment. Every such cheque and warrant shall be made payable to the order of the person to whom it is sent or to such person as the holder or joint holders or person or persons entitled to the share in consequence of the death or bankruptcy of the holder may direct and payment of the*

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cheque if purporting to be endorsed or the receipt of any such person shall be a good discharge to the Company. Every such cheque and warrant shall be sent at the risk of the person entitled to the money represented thereby.

141. *Effect of transfer*

A transfer of shares shall not pass the right to any dividend declared on such shares before the registration of the transfer or the entry of the shares against the Depositor’s name in the Depository Register, as the case may be.

142. *Power to carry
profit to reserve*

The Directors may from time to time set aside out of the profits of the Company and carry to reserve such sums as they think proper which, at the discretion of the Directors, shall be applicable for meeting contingencies or for the gradual liquidation of any debt or liability of the Company or for repairing or maintaining the works, plant and machinery of the Company or for special dividends or bonuses or for equalising dividends or for any other purpose to which the profits of the Company may properly be applied and pending such application may either be employed in the business of the Company or be invested. The Directors may divide the reserve into such special funds as they think fit and may consolidate into one fund, any special funds or any parts of any special funds into which the reserve may have been divided. The Directors may also, without placing the same to reserve, carry forward any profits which they may think it not prudent to divide.”