

CIRCULAR DATED 26 JUNE 2020

THIS CIRCULAR IS ISSUED BY AXINGTON INC. (“COMPANY”). THIS CIRCULAR IS IMPORTANT AS IT CONTAINS THE RECOMMENDATION OF THE INDEPENDENT DIRECTORS (AS DEFINED HEREIN) AND THE ADVICE OF THE INDEPENDENT FINANCIAL ADVISER. THIS CIRCULAR REQUIRES YOUR IMMEDIATE ATTENTION AND YOU SHOULD READ IT CAREFULLY.

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

If you have sold or transferred all your Shares (as defined herein) held through CDP (as defined herein), you need not forward this Circular to the purchaser or the transferee, as arrangements will be made by CDP for a separate Circular to be sent to the purchaser or transferee. If you have sold or transferred all your Shares which are not deposited with CDP, you should immediately forward this Circular to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for onward transmission to the purchaser or transferee.

This Circular has been prepared by the Company and its contents have been reviewed by the Company’s sponsor, UOB Kay Hian Private Limited (“**Sponsor**”), for compliance with the relevant rules of the Singapore Exchange Securities Trading Limited (“**SGX-ST**”) Listing Manual Section B: Rules of Catalyst.

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

The contact person for the Sponsor is Mr. Lance Tan, Senior Vice President, at 8 Anthony Road, #01-01, Singapore 229957, telephone (65) 6590 6881.

Axington

AXINGTON INC.

(Formerly known as Axcelasia Inc.)

(Company Registration No.: LL12218)

(Incorporated under the Labuan Companies Act 1990, Malaysia)

CIRCULAR TO SHAREHOLDERS

in relation to the

MANDATORY UNCONDITIONAL CASH OFFER

by

DBS BANK LTD.

(Company Registration No. 196800306E)

(Incorporated in the Republic of Singapore)

for and on behalf of

DORR GLOBAL HEALTHCARE INTERNATIONAL PTE. LTD.

(Company Registration No.: 201621291M)

(Incorporated in the Republic of Singapore)

to acquire all the issued and paid-up ordinary shares in the capital of the Company other than those already owned, controlled or agreed to be acquired by Dorr Global Healthcare International Pte. Ltd. and parties acting in concert with it

Independent Financial Adviser to the Independent Directors of the Company

RHT
Capital

RHT CAPITAL PTE. LTD.

(Company Registration No.: 201109968H)

(Incorporated in the Republic of Singapore)

SHAREHOLDERS SHOULD NOTE THAT THE OFFER DOCUMENT (AS DEFINED HEREIN) STATES THAT ACCEPTANCES SHOULD BE RECEIVED BY THE CLOSE OF THE OFFER AT 5.30 P.M. (SINGAPORE TIME) ON 13 JULY 2020 ("FINAL CLOSING DATE"). THE OFFEROR DOES NOT INTEND TO EXTEND THE OFFER BEYOND SUCH FINAL CLOSING DATE.

TABLE OF CONTENTS

DEFINITIONS.....	2
CAUTIONARY NOTE ON FORWARD-LOOKING STATEMENTS	6
INDICATIVE TIMELINE	7
LETTER TO SHAREHOLDERS	8
1. INTRODUCTION.....	8
2. THE OFFER	9
3. INFORMATION ON THE OFFEROR	12
4. NO IRREVOCABLE UNDERTAKING.....	13
5. RATIONALE FOR THE OFFER AND THE OFFEROR'S INTENTIONS FOR THE COMPANY.....	13
6. LISTING STATUS AND COMPULSORY ACQUISITION.....	13
7. FINANCIAL EVALUATION OF THE OFFER	14
8. DISCLOSURES OF INTERESTS	15
9. CONFIRMATION OF FINANCIAL RESOURCES	17
10. DIRECTORS' INTERESTS.....	17
11. ADVICE AND RECOMMENDATION IN RELATION TO THE OFFER	17
12. RECOMMENDATION OF THE INDEPENDENT DIRECTORS.....	20
13. OVERSEAS SHAREHOLDERS.....	21
14. ACTION TO BE TAKEN BY SHAREHOLDERS.....	23
15. CONSENT	23
16. DIRECTORS' RESPONSIBILITY STATEMENT	23
17. DOCUMENTS AVAILABLE FOR INSPECTION	24
18. ADDITIONAL INFORMATION	24
APPENDIX I – LETTER FROM THE IFA TO THE INDEPENDENT DIRECTORS IN RESPECT OF THE OFFER	I - 1
APPENDIX II – ADDITIONAL INFORMATION ON THE COMPANY	II - 1
APPENDIX III – ADDITIONAL INFORMATION ON THE OFFEROR.....	III - 1
APPENDIX IV – AUDITED FINANCIAL STATEMENTS OF THE GROUP FOR FY2019.....	IV - 1
APPENDIX V – RELEVANT EXTRACTS FROM THE COMPANY'S CONSTITUTION	V - 1

DEFINITIONS

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

“Acquisition”	:	Has the meaning ascribed to it in Section 1.1 of this Circular
“Catalist”	:	The sponsor-supervised listing platform of the SGX-ST
“Catalist Rules”	:	The SGX-ST Listing Manual Section B: Rules of Catalist in force as at the Latest Practicable Date
“CDP”	:	The Central Depository (Pte) Limited
“Circular”	:	This circular to Shareholders dated 26 June 2020 issued by the Company to the Shareholders in relation to the Offer
“Code”	:	The Singapore Code on Take-overs and Mergers
“Companies Act”	:	The Companies Act (Cap. 50) of Singapore
“Company”	:	Axington Inc.
“Company Securities”	:	Shares, securities which carry voting rights in the Company, or convertible securities, warrants, options or derivatives in respect of such Shares or securities
“Constitution”	:	The articles of association of the Company, as amended from time to time up to the Latest Practicable Date
“DBS Bank”	:	DBS Bank Ltd., financial adviser to the Offeror in relation to the Offer
“Dealings Announcement”	:	The announcement issued by the Company on 2 June 2020 pursuant to Rule 12.1 of the Code to disclose dealings in Shares by associates of the Company in connection with the SPA
“Directors”	:	The directors of the Company as at the Latest Practicable Date
“FAA”	:	Forms of Acceptance and Authorisation for Offer Shares which form part of the Offer Document and which are issued to Shareholders whose Offer Shares are deposited with CDP
“FAT”	:	Forms of Acceptance and Transfer for Offer Shares, which form part of the Offer Document and which are issued to Shareholders whose Offer Shares are not deposited with CDP
“Final Closing Date”	:	5.30 p.m. (Singapore time) on 13 July 2020, being the last day for the lodgement of acceptances of the Offer
“FY”	:	Financial year ended or ending on, as the case may be, 31 December of a particular year as stated
“FY2019 Results”	:	The audited consolidated financial statements of the Group for FY2019, as set out in the annual report of the Company published on the SGXNET on 24 March 2020 and reproduced in Appendix IV to this Circular
“Group”	:	The Company and its subsidiaries

DEFINITIONS

“IFA” or “RHTC”	:	RHT Capital Pte. Ltd., the independent financial adviser to the Independent Directors
“IFA Letter”	:	The letter dated 26 June 2020 from the IFA to the Independent Directors containing its advice in relation to the Offer, as set out in Appendix I to this Circular
“Independent Directors”	:	The Directors who are considered to be independent for the purposes of the Offer, namely, Dr. Veerinderjeet Singh a/l Tejwant Singh, Dato’ Peter Tang Swee Guan, Mr. Ranjit Singh a/l Taram Singh, Mr. Tan See Yin, Ms. Lee Pih Peng, Datin Isharidah Binti Ishak
“INT SFRS(I)”	:	Has the meaning ascribed to it in Section 10.4 of Appendix II to this Circular
“Interested Person”	:	As defined in the Note on Rule 24.6 of the Code and read with the Note on Rule 23.12 of the Code, an interested person, in relation to a company, is: <ul style="list-style-type: none">(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
“Latest Practicable Date”	:	22 June 2020, being the latest practicable date prior to the dissemination of this Circular
“Listing Manual”	:	The listing manual of the SGX-ST
“Offer”	:	The mandatory unconditional cash offer made by DBS Bank for and on behalf of the Offeror, to acquire all Offer Shares on the terms and subject to the conditions set out in the Offer Document, the FAA and/or the FAT (as applicable), as may be amended or revised from time to time by or on behalf of the Offeror
“Offer Announcement”	:	The announcement relating to the Offer issued by DBS Bank, for and on behalf of the Offeror, on the Offer Announcement Date

DEFINITIONS

“Offer Announcement Date”	:	1 June 2020, being the date of the Offer Announcement
“Offer Document”	:	The offer document dated 15 June 2020, and any other document(s) which may be issued by DBS Bank, for and on behalf of the Offeror, to amend, revise, supplement or update the document(s) from time to time, including the FAA and/or the FAT, as the case may be
“Offer Price”	:	S\$0.208 in cash for each Offer Share
“Offer Shares”	:	All Shares other than those Shares already owned, controlled or agreed to be acquired by the Offeror and its concert parties as at the date of the Offer
“Offeror”	:	Dorr Global Healthcare International Pte. Ltd.
“Offeror Securities”	:	Shares in the capital of the Offeror, securities which carry voting rights in the Offeror, or convertible securities, warrants, options or derivatives in respect of such shares or securities
“Overseas Shareholders”	:	Shareholders whose addresses are outside Singapore, as shown in the Register or the Depository Register
“Parties”	:	The Vendors and the Offeror
“Register”	:	The register of holders of the Shares, as maintained by the Share Registrar
“RM”	:	Ringgit Malaysia, being the lawful currency of Malaysia
“SFA”	:	The Securities and Futures Act (Cap. 289) of Singapore
“SFRS(I)”	:	Has the meaning ascribed to it in Section 10.4 of Appendix II to this Circular
“SGXNET”	:	The Singapore Exchange Network, the corporate announcement system maintained by the SGX-ST for the submission of announcements by listed companies
“SGX-ST”	:	Singapore Exchange Securities Trading Limited
“Share Registrar”	:	Tricor Barbinder Share Registration Services
“Shareholders”	:	Persons who are registered as holders of Shares in the Register and Depositors who have Shares entered against their names in the Depository Register
“Shares”	:	Issued and paid-up ordinary shares in the capital of the Company
“SPA”	:	The sale and purchase agreement entered into between the Parties on 1 June 2020
“Substantial Shareholder”	:	A person who has an interest in not less than five per cent. (5%) of the total number of issued voting Shares
“S\$” and “cents”	:	Singapore dollars and cents, respectively, being the lawful currency of the Republic of Singapore

DEFINITIONS

“Vendors” : Dato’ Peter Tang Swee Guan, Mdm Chai Seow Lin, Mr. Ranjit Singh a/l Taram Singh, Dr. Veerinderjeet Singh a/l Tejwant Singh, and Mdm Rajinderpal Kaur

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

Unless otherwise defined, the terms **“acting in concert”**, **“associates”** and **“associated company”** shall have the meanings ascribed to them 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.

Appendices. Reference to any Appendix shall refer to the Appendices of this Circular, unless otherwise specified.

Capitalised terms in the extracts. Capitalised terms used in the extracts of the Offer Document, the IFA Letter, and the Constitution shall bear the same meanings as attributed to them in the Offer Document, the IFA Letter, and the Constitution respectively, unless otherwise specified.

Depositors. The expressions **“Depositor”**, **“Depository Agent”** and **“Depository Register”** shall have the same meanings as ascribed to them respectively in Section 81SF of the SFA.

Expressions. Words importing the singular shall, where applicable, include the plural and *vice versa* and words importing one gender shall include the other 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.

Rounding. Any discrepancies in this Circular between the listed amounts and the total thereof are due to rounding. Accordingly, figures shown in 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 the Shareholders.

Statutes. Any reference in this Circular to any enactment is a reference to that enactment as for the time being amended or re-enacted. Any word defined in the Companies Act, the SFA, the Catalist Rules or the Code or any statutory modification thereof and used in this Circular shall, where applicable, have the meaning assigned to it under the Companies Act, the SFA, the Catalist Rules or the Code or any statutory modification thereof, as the case may be, unless the context otherwise requires.

Subsidiary and Related Corporation. The terms **“subsidiary”** and **“related corporation”** shall have the meanings ascribed to them in Section 5 and Section 6 of the Companies Act.

Time and date. Any reference to a time of day and date in this Circular is made by reference to Singapore time and date, unless otherwise stated.

Total number of Shares and Percentage as at the Latest Practicable Date. In this Circular, unless the context otherwise requires, (a) any reference to the total number of Shares is a reference to a total number of 160,310,300 Shares (excluding 9,700 treasury shares) in issue as at the Latest Practicable Date, and (b) any reference to a percentage shareholding in the capital of the Company is calculated based on 160,310,300 Shares (excluding 9,700 treasury shares) in issue as at the Latest Practicable Date.

CAUTIONARY NOTE ON FORWARD-LOOKING STATEMENTS

All statements other than statements of historical facts included in this Circular are or may be forward-looking statements. Forward-looking statements include but are not limited to those using words such as “**aim**”, “**seek**”, “**expect**”, “**anticipate**”, “**estimate**”, “**believe**”, “**intend**”, “**project**”, “**plan**”, “**potential**”, “**strategy**”, “**forecast**”, “**possible**”, “**probable**” and similar expressions or future or conditional verbs such as “**if**”, “**will**”, “**would**”, “**should**”, “**could**”, “**may**” or “**might**”. These statements reflect the Company’s current expectations, beliefs, hopes, intentions or strategies regarding the future and assumptions in light of currently available information. Such forward-looking statements are not guarantees of future results, performance, events or achievements and involve known and unknown risks and uncertainties. Accordingly, actual results may differ materially from those described in such forward-looking statements. Given the risks and uncertainties involved, Shareholders and investors should not place undue reliance on such forward-looking statements and information. Neither the Company nor the IFA guarantees any future performance or event, or undertakes any obligation to update publicly or publicly announce any revisions to those forward-looking statements, subject to compliance with any applicable laws and regulations, the Code, the Catalist Rules and/or any other regulatory or supervisory body or agency.

INDICATIVE TIMELINE

Date of dissemination of the Offer Document : 15 June 2020

Date of dissemination of this Circular : 26 June 2020

Final Closing Date : 5.30 p.m. (Singapore time) on 13 July 2020

Settlement of consideration for valid acceptances of the Offer : In respect of acceptances which are valid, complete in all respects and in accordance with the instructions stated in, *inter alia*, the Offer Document, within seven (7) business days of the date of such receipt.

Please refer to Section 1 of Appendix 1 to the Offer Document for further information.

LETTER TO SHAREHOLDERS

AXINGTON INC.

(Formerly known as Axcelasia Inc.)
(Company Registration No.: LL12218)
(Incorporated under the Labuan Companies Act 1990, Malaysia)

Board of Directors:

DR. VEERINDERJEET SINGH A/L TEJWANT SINGH

(Non-Independent Non-Executive Chairman)

DATO' PETER TANG SWEE GUAN

(Deputy Executive Chairman)

MR. RANJIT SINGH A/L TARAM SINGH

(Non-Independent Non-Executive Director)

MR. TAN SEE YIN

(Lead Independent Director)

MS. LEE PIH PENG

(Independent Director)

DATIN ISHARIDAH BINTI ISHAK

(Independent Director)

Registered Office:

Lot A020, Level 1, Podium
Level, Financial Park, Jalan
Merdeka, 87000 Labuan F.T.,
Malaysia

26 June 2020

To: The Shareholders of Axington Inc.

Dear Sir/Madam

MANDATORY UNCONDITIONAL CASH OFFER BY DBS BANK, FOR AND ON BEHALF OF THE OFFEROR, FOR THE OFFER SHARES

1. INTRODUCTION

1.1 Offer Announcement

On 1 June 2020, DBS Bank issued the Offer Announcement for and on behalf of the Offeror, announcing, *inter alia*, that:

- (a) the Parties had entered into the SPA pursuant to which the Offeror agreed to acquire and the Vendors agreed to sell an aggregate of 107,248,160 Shares, representing approximately 66.90% of the total number of Shares, at S\$0.208 per Share ("**Acquisition**"), for an aggregate cash consideration of S\$22,307,617.28;
- (b) the Acquisition will be effected by way of a married deal;
- (c) as at the Offer Announcement Date, the Offeror did not hold any Shares;
- (d) the Acquisition will result in the Offeror securing majority control of the Company;
- (e) as a result of the Acquisition, the Offeror is required to make the Offer in compliance with the requirements of the Code; and
- (f) pursuant to the SPA, Dato' Peter Tang Swee Guan, Mr. Ranjit Singh a/l Taram Singh and Dr. Veerinderjeet Singh a/l Tejwant Singh shall resign as directors of the Company on the

LETTER TO SHAREHOLDERS

later of the completion of the Offer or the earliest date on which such resignations are permitted under the Code and all other applicable laws and regulations (including rules of the SGX-ST).

The Offer Announcement is available on the SGXNET at www.sgx.com.

1.2 Subsequent Announcements

On 2 June 2020, the Acquisition was effected by way of a married deal, whereupon:

- (a) DBS Bank issued an announcement, for and on behalf of the Offeror, announcing that the Offeror has acquired 107,248,160 Shares, representing approximately 66.90% of the total number of Shares, at S\$0.208 per Share; and
- (b) the Company released the Dealings Announcement.

The abovementioned announcements are available on the SGXNET at www.sgx.com.

1.3 Offer Document

Shareholders should by now have received a copy of the Offer Document, setting out, *inter alia*, the terms and conditions of the Offer. The principal terms and conditions of the Offer are set out in Sections 2 and 3 of the Offer Document.

Shareholders are advised to read the terms and conditions of the Offer set out in the Offer Document carefully.

A copy of the Offer Document is available on the website of SGX-ST at www.sgx.com.

1.4 Independent Financial Adviser

The Company has appointed RHTC as the independent financial adviser to advise the Independent Directors in respect of the Offer. The advice of the IFA is set out in the IFA Letter in Appendix I to this Circular.

1.5 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 recommendation of the Independent Directors and the advice of the IFA to the Independent Directors with regard to 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 in respect of the Offer before deciding on whether to accept or reject the Offer.

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 DBS Bank, for and on behalf of the Offeror, on the principal terms set out in Sections 2 and 3 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 ascribed to them in the Offer Document.

LETTER TO SHAREHOLDERS

2. THE OFFER

2.1 Offer Shares

DBS Bank hereby offers, for and on behalf of the Offeror, to acquire all the Shares, other than those Shares already owned, controlled or agreed to be acquired by the Offeror and its concert parties as at the date of the Offer (the "Offer Shares"), subject to the terms and conditions set out in this Offer Document and the Acceptance Forms.

2.2 Offer Price

The Offer Price for each Offer Share will be as follows:

For each Offer Share: S\$0.208 in cash (the "Offer Price")

The Offeror does not intend to revise the Offer Price and therefore, in accordance with Rule 20.2 of the Code, the Offeror will not be allowed to subsequently amend the terms of the Offer, including the Offer Price.

2.3 No Encumbrances

The Offer Shares will be acquired (a) fully paid-up, (b) free from all mortgages, assignments, debentures, liens, hypothecation, charges, pledges, claims, equity, title retentions, rights to acquire, security interests, options, pre-emptive or similar rights, rights of first refusal and any other encumbrance or condition whatsoever, and (c) together with all rights, benefits and entitlements attached thereto as at the Offer Announcement Date and thereafter attaching thereto, (including the right to receive and retain all dividends, rights and other distributions or return of capital ("Distributions"), if any, which may be announced, declared, paid or made thereon by the Company on or after the Offer Announcement Date).

If any dividend, right or other distribution or return of capital is announced, declared, paid or made by the Company in respect of the Offer Shares on or after the Offer Announcement Date, the Offeror reserves the right to reduce the Offer Price by an amount equivalent to such dividend, right, other distribution or return of capital.

2.4 Condition of the Offer

THE OFFER IS UNCONDITIONAL IN ALL RESPECTS.

Shareholders who accept the Offer can expect to receive payment of the Offer Price within seven (7) business days of the date of receipt of their valid acceptances by the Offeror.

3. 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, (b) free from all Encumbrances, and (c) together with all rights, benefits and entitlements attached thereto as at the Offer Announcement Date thereafter attaching thereto, (including the right to receive and retain all Distributions, if any, which may be announced, declared, paid or made thereon by the Company on or after the Offer Announcement Date).

LETTER TO SHAREHOLDERS

2.2 Duration of the Offer

The duration of the Offer is set out in Section 4 of the Offer Document, extracts of which are set out below.

4. NO EXTENSION OF FINAL 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 by Shareholders for a period of 28 days from the date of posting of this Offer Document.

Accordingly, the Offer will close at 5:30 p.m. on 13 July 2020, being the Final Closing Date and the Offeror does not intend to extend the Offer beyond the Final Closing Date. Notice is hereby given, pursuant to Rule 22.6 of the Code, that the Offer will not be open for acceptance beyond 5:30 p.m. on the Final Closing Date.

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 the withdrawal of acceptances of the Offer are set out in Appendix 1 to the Offer Document, extracts of which are set out below.

APPENDIX 1 – DETAILS OF THE OFFER

1. SETTLEMENT

Subject to the receipt by the Offeror of valid acceptances, complete in all respects and in accordance with the instructions given in this Offer Document, 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/are 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 within seven (7) business days of the date of such receipt.

2. ANNOUNCEMENTS

(a) *Pursuant to Rule 28.1 of the Code, by 8:00 a.m. on the dealing day (the “**Relevant Day**”) immediately after the day on which the Offer is due to expire, or is revised or extended (if applicable), the Offeror will announce and simultaneously inform the SGX-ST of the total number of Offer 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 party acting in concert with it before the Offer Period; and*
- (iii) *acquired or agreed to be acquired by the Offeror and any party acting in concert with it during the Offer Period,*

LETTER TO SHAREHOLDERS

and will specify the percentages of the total number of Shares represented by such numbers.

- (b) Under Rule 28.2 of the Code, if the Offeror is unable, within the time limit, to comply with paragraph 2(a) above, the SIC will consider requesting the SGX-ST to suspend dealings in the Shares until the relevant information is given.*
- (c) 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 DBS Bank 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 SGXNET or otherwise of an announcement to the SGX-ST. An announcement made otherwise than to the SGX-ST shall be notified simultaneously to the SGX-ST.*
- (d) 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.*

3. RIGHT OF WITHDRAWAL

Except as expressly provided in this Offer Document and the Code, acceptances of the Offer shall be irrevocable.

2.4 Procedures for Acceptance

The procedures for acceptance are set out in Appendix 2 to the Offer Document and in the accompanying FAA and/or FAT (as applicable).

2.5 Final Closing Date

Shareholders should note the Final Closing Date of **5.30 p.m. (Singapore time) on 13 July 2020.**

Shareholders should note that the Offeror has no intention of extending the Offer beyond 5.30 p.m. (Singapore time) on the Final Closing Date. Accordingly, the Offeror has given notice that the Offer will not be open for acceptance beyond 5.30 p.m. (Singapore time) on the Final Closing Date.

3. INFORMATION ON THE OFFEROR

Section 7 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 3 to the Offer Document is set out in Appendix III to this Circular.

7. INFORMATION ON THE OFFEROR

7.1. *The Offeror is a private limited company incorporated under the laws of Singapore on 3 August 2016. The Offeror's main business is the provision of management consultancy services for healthcare organisations. Its shareholders are Mr. Terence Loh Ne-Wei and Mr. Loh Ne-Loon Nelson.*

7.2. *As at the Latest Practicable Date,*

- (a) the Offeror has an issued and paid-up share capital of S\$50,000,000 comprising 50,000,000 ordinary shares; and*

LETTER TO SHAREHOLDERS

(b) *the directors of the Offeror are Mr. Terence Loh Ne-Wei and Mr. Loh Ne-Loon Nelson.*

7.3. *As at the Latest Practicable Date, the Offeror holds 107,248,160 Shares, representing approximately 66.90% of the Shares.*

*Additional information on the Offeror is set out in **Appendix 3** to this Offer Document.*

4. NO IRREVOCABLE UNDERTAKING

Section 9 of the Offer Document sets out certain information in relation to any irrevocable commitment from any party in relation to acceptance of the Offer, extracts of which are set out below.

9. **IRREVOCABLE UNDERTAKING**

As at the Latest Practicable Date, neither the Offeror nor any party acting in concert with it has received any irrevocable undertaking from any party to accept the Offer.

5. RATIONALE FOR THE OFFER AND THE OFFEROR'S INTENTIONS FOR THE COMPANY

Section 10 of the Offer Document sets out certain information on the rationale for the Offer and the Offeror's intentions for the Company, extracts of which are set out below. Shareholders are advised to read the extract below carefully.

10. **RATIONALE FOR THE OFFER AND OFFEROR'S INTENTION FOR THE COMPANY**

10.1. **Compliance with the Code**

As set out in paragraph 1 of this Offer Document, the Offeror is required to make the Offer in compliance with Rule 14 of the Code. The Offer will result in the Offeror securing majority control of the Company.

10.2. **Offeror's Intentions for the Company**

The Offeror intends for the Company to continue with its existing activities and has no current intention to (a) introduce any major changes to the existing business of the Company, (b) re-deploy the fixed assets of the Axington Group, or (c) discontinue the employment of the employees of the Axington Group, other than in the ordinary course of business. However, the Offeror retains the flexibility at any time to consider any options or opportunities which may present themselves and which the Offeror regards to be in the interests of the Offeror and/or the Company. Following the close of the Offer, the Offeror will undertake a comprehensive review of the businesses of the Company to determine the optimal strategy for the Company and will announce the same on SGXNET as and when appropriate.

6. LISTING STATUS AND COMPULSORY ACQUISITION

Section 11 of the Offer Document sets out the intentions of the Offeror relating to the listing status of the Company and its rights of compulsory acquisition in respect of the Company, the full text of which have been extracted from the Offer Document and set out below. Shareholders are advised to read the extract below carefully.

LETTER TO SHAREHOLDERS

11. LISTING STATUS AND COMPULSORY ACQUISITION

11.1. Listing Status

Pursuant to Rule 723 of the Catalist Rules, the Company must ensure that at least 10% of the total number of Shares (excluding preference shares, convertible equity securities and treasury shares) in a class that is listed is at all times held by the public (the "Free Float Requirement").

Pursuant to Rule 1104 of the Catalist Rules, in the event that the Offeror and parties acting or deemed to be acting in concert with the Offeror should, as a result of the Offer or otherwise, own or control more than 90% of the total number of Shares (excluding treasury shares), the SGX-ST may suspend the trading of the Shares on the SGX-ST until such time when the SGX-ST is satisfied that at least 10% of the total number of Shares (excluding treasury shares) are held by at least 200 Shareholders who are members of the public.

Under Rule 1303(1) of the Catalist Rules, where the Offeror succeeds in garnering acceptances exceeding 90% of the total number of issued Shares (excluding treasury shares), thus causing the percentage of the total number of issued Shares (excluding treasury shares) held in public hands to fall below 10%, the SGX-ST will suspend trading of the listed securities of the Company at the close of the Offer. In addition, under Rule 724(1) of the Catalist Rules, if the Free Float Requirement is not complied with, the Company must, as soon as possible, notify its sponsor of that fact and announce that fact and the SGX-ST may suspend trading of all the Shares on the SGX-ST. Rule 724(2) of the Catalist Rules states that the SGX-ST may allow the Company a period of three (3) months, or such longer period as the SGX-ST may agree, for the percentage of the Shares held by members of the public to be raised to at least 10%, failing which the Company may be delisted from the SGX-ST.

11.2. Compulsory Acquisition

The right to compulsorily acquire all the Shares of Shareholders who have not accepted the Offer under Section 215(1) and Section 215(3) of the Companies Act is not applicable to the Company (incorporated under the Labuan Companies Act 1990, Malaysia) as a foreign company.

11.3. Offeror's Intention

***It is the current intention of the Offeror to maintain the listing status of the Company.** However, in the event that the Company does not meet the Free Float Requirement under the Catalist Rules at the close of the Offer, the Offeror reserves the right to re-evaluate its position, taking into account, amongst other things, the level of acceptances received by the Offeror and the prevailing market conditions at the relevant time.*

Accordingly, there is no assurance that the Offeror will take steps to preserve the listing status of the Company on the SGX-ST if the Company does not meet the Free Float Requirement under the Catalist Rules.

7. FINANCIAL EVALUATION OF THE OFFER

Section 12 of the Offer Document sets out certain information on the financial evaluation of the Offer, extracts of which are set out below.

LETTER TO SHAREHOLDERS

12. FINANCIAL EVALUATION OF THE OFFER

The Offer Price represents the following premium over the historical transacted prices of the Shares on the SGX-ST:

Description	Benchmark Price (S\$) ⁽¹⁾	Premium over the Benchmark Price (%) ⁽²⁾
Last transacted price per Share as quoted on the SGX-ST on the Last Trading Day	0.145	43.45%
VWAP of the Shares for the one-month period up to the Last Trading Day	0.148	40.09%
VWAP of the Shares for the three-month period up to and including the Last Trading Day	0.147	41.29%
VWAP of the Shares for the six-month period up to and including the Last Trading Day	0.116	78.57%
VWAP of the Shares for the 12-month period up to and including the Last Trading Day	0.068	205.17%

Notes:

(1) The figures set out in the table above are based on data extracted from Bloomberg L.P. and are calculated by using total value of Shares over the total volume of Shares traded for the relevant period. The figures are rounded to the nearest three decimal places.

(2) Figures rounded to the nearest two decimal places.

8. DISCLOSURES OF INTERESTS

Section 2 of Appendix 5 to the Offer Document sets out certain information relating to disclosure of interests, extracts of which are set out below.

APPENDIX 5 – GENERAL INFORMATION

2. DISCLOSURES OF INTERESTS

2.1. As at the Latest Practicable Date, save as disclosed below, none of the Offeror or any party acting in concert with it owns, controls or has agreed to acquire any (i) Shares, (ii) securities which carry voting rights in the Company, or (iii) convertible securities, warrants, options or derivatives in respect of such Shares or securities which carry voting rights in the Company (collectively, the “**Company Securities**”).

Name	Direct Interest		Deemed Interest	
	No. of Shares	% ⁽¹⁾	No. of Shares	% ⁽¹⁾
Offeror	107,248,160	66.90	—	—
Mr. Terence Loh Ne-Wei	—	—	107,248,160	66.90
Mr. Loh Ne-Loon Nelson	—	—	107,248,160	66.90

Notes:

(1) The shareholding percentage is calculated based on 160,310,300 Shares (excluding 9,700 treasury shares) in issue and rounded to the nearest two decimal places.

(2) Mr. Terence Loh Ne-Wei holds a 50% shareholding interest in the Offeror and is therefore deemed interested in the Shares held by the Offeror.

LETTER TO SHAREHOLDERS

(3) *Mr. Loh Ne-Loon Nelson holds a 50% shareholding interest in the Offeror and is therefore deemed interested in the Shares held by the Offeror.*

2.2. *Save as disclosed below, none of the Offeror or any party acting in concert with it has dealt for value in the Company Securities during the period commencing six (6) months prior to the Offer Announcement Date and ending on the Latest Practicable Date:*

Name	Date of acquisition	Number of Shares acquired	Transaction Price per Share (S\$)
Offeror	2 June 2020	107,248,160	0.208

Note:

(1) *Being the Sale Shares which the Offeror acquired pursuant to the Acquisition.*

2.3. *As at the Latest Practicable Date, none of the Offeror or any party acting in concert with it has received any irrevocable commitment from any party to accept or reject the Offer.*

2.4. *As at the Latest Practicable Date, none of the Offeror or any party 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.*

2.5. *As at the Latest Practicable Date, the Shares held by the Offeror are charged in favour of DBS Bank as security for certain banking facilities granted by DBS Bank to the Offeror. Save as disclosed in this paragraph 2.5, as at the Latest Practicable Date, based on the latest information available to the Offeror, none of the Offeror or any party acting in concert with it has (i) granted a security interest over any Company Securities to another person, whether through a charge, pledge or otherwise, (ii) borrowed from another person any Company Securities (excluding borrowed Company Securities which have been on-lent or sold), or (iii) lent any Company Securities to another person.*

2.6. *As at the Latest Practicable Date, save for the financing arrangements that have been entered into by the Offeror with DBS Bank for the purpose of financing the costs of the Offer (the "**Relevant Financing Arrangements**"), there is no agreement, arrangement or understanding between (i) the Offeror or any party acting in concert with the Offeror, and (ii) any of the current or recent directors of the Company, or any of the current or recent Company Shareholders that has any connection with or dependence upon the Offer.*

2.7. *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 be transferred to any other person. The Offeror, however, reserves the right to transfer any of the Offer 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 may extend credit facilities to it from time to time.*

2.8. *As at the Latest Practicable Date, save for the Relevant Financing Arrangements, there is no agreement, arrangement or understanding between (i) the Offeror and (ii) any of the directors of the Company or any other person in connection with or conditional upon the outcome of the Offer or otherwise connected with the Offer.*

2.9. *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 Company or any of its related corporations (as defined in the Companies Act), as*

LETTER TO SHAREHOLDERS

compensation for loss of office or as consideration for, or in connection with, his retirement from office or otherwise in connection with the Offer.

9. CONFIRMATION OF FINANCIAL RESOURCES

Section 13 of the Offer Document sets out certain information on the confirmation of financial resources, extracts of which are set out below.

13. CONFIRMATION OF FINANCIAL RESOURCES

DBS Bank, 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 Shares on the basis of the Offer Price.

10. DIRECTORS' INTERESTS

10.1 Details of the Directors including, *inter alia*, the Directors' direct and deemed interests in the Company Securities and the Offeror Securities as at the Latest Practicable Date, are set out in Section 5 of Appendix II to this Circular.

10.2 As disclosed under Section 1 of this Circular, the Offeror made the Offer following the entry into the SPA with the Vendors. Out of the five (5) Vendors, three (3) of them are Directors of the Company, as set out below:

- (a) Dato' Peter Tang Swee Guan, Deputy Executive Chairman of the Company;
- (b) Mr. Ranjit Singh a/l Taram Singh, Non-Independent Non-Executive Director of the Company; and
- (c) Dr. Veerinderjeet Singh a/l Tejwant Singh, Non-Independent Non-Executive Chairman of the Company.

10.3 The remaining two (2) Vendors to the SPA are Mdm Chai Seow Lin, the spouse of Dato' Peter Tang Swee Guan, and Mdm Rajinderpal Kaur, the spouse of Dr. Veerinderjeet Singh a/l Tejwant Singh.

10.4 The Acquisition was effected by way of a married deal which was announced on 2 June 2020. Please refer to the announcement issued by DBS Bank on 2 June 2020 disclosing the Offeror's dealings and the Dealings Announcement issued by the Company disclosing the Vendors' dealings, available on the SGXNET at www.sgx.com for more information on the dealings in connection with the Acquisition and the SPA.

11. ADVICE AND RECOMMENDATION IN RELATION TO THE OFFER

11.1 General

Shareholders should read and carefully consider the recommendation of the Independent Directors as set out in Section 12.2 of this Circular and the advice of the IFA to the Independent Directors which is set out in Appendix I to this Circular, before deciding whether to accept or reject the Offer.

11.2 Key factors taken into consideration by the IFA

The key factors relied upon by the IFA in arriving at its advice to the Independent Directors in respect of the Offer are set out in paragraphs 9 and 10 of the IFA Letter.

LETTER TO SHAREHOLDERS

Shareholders should read and carefully consider the key factors relied upon by the IFA in arriving at its advice to the Independent Directors in conjunction with, and in the context of, the full text of the IFA Letter.

11.3 Advice of the IFA to the Independent Directors

The advice of the IFA to the Independent Directors in respect of the Offer is set out in Appendix I to this Circular. Taking into consideration the factors set out in the IFA Letter and the information available to the IFA as at the Latest Practicable Date, and subject to the qualifications and assumptions set out in the IFA Letter, the IFA has given its advice to the Independent Directors as set out in paragraph 10 of the IFA Letter, an extract of which is reproduced below.

Shareholders should read the extract in conjunction with, and in the context of, the full text of the IFA Letter. Unless otherwise stated, all terms and expressions used in the extract below shall have the meanings given to them in the IFA Letter.

“10. OPINION

...

Having considered the various factors set out in the earlier sections of this Letter and summarised below, we are of the opinion that the financial terms of the Offer are fair and reasonable.

*We consider the financial terms of the Offer to be **FAIR**, after taking into consideration the following factors:*

- (a) *The Offer Price represents a premium of approximately 43.4% over the VWAP of the Shares of S\$0.145 on the Last Traded Day before the release of the Offer Announcement;*
- (b) *The Offer Price represents a premium of approximately 40.1%, 41.3%, 78.6% and 205.2% over the VWAPs of the Shares for 1-month, 3-month, 6-month and 12-month periods up to and including the Last Traded Day before the release of the Offer Announcement respectively;*
- (c) *Notwithstanding that the Offer Price represents a discount of approximately 1.0% to the VWAP of the Shares of S\$0.210 as at the Latest Practicable Date, the Offer Price is equivalent to the VWAP of the Shares of S\$0.208 for the period after the release of the Offer Announcement to the Latest Practicable Date;*
- (d) *The Offer Price represents a premium of approximately 26.8% over the Adjusted NAV per Share of the Group as at 31 December 2019;*
- (e) *The Ex-cash Offer Price represents a premium of 1,100.0% over the Ex-cash Adjusted NAV per Share of the Group as at 31 December 2019;*
- (f) *In respect of the Comparable Companies, we have considered the following factors:*
 - (i) *The P/Adjusted NAV ratio of the Company of 1.3 times as implied by the Offer Price is equivalent to the mean and above the median P/NAV ratios of 1.3 times and 1.1 times of the Comparable Companies respectively;*
 - (ii) *The Ex-cash P/Adjusted NAV ratio of the Company of 12.0 times as implied by the Ex-cash Offer Price is significantly above the mean and median Ex-cash P/NAV ratios of 1.4 times and 1.1 times of the Comparable Companies respectively;*

LETTER TO SHAREHOLDERS

- (g) *In respect of the Non-Privatisation Transactions, we have considered the following factors:*
- (i) *The premium implied by the Offer Price of 43.4% over the VWAP of the Shares on the Last Traded Day before the Offer Announcement Date is above the mean and median of the corresponding premium of the Selected Comparable Transactions;*
 - (ii) *The premium implied by the Offer Price of 40.1%, 41.3%, 78.6% and 205.2% over the VWAPs of the Shares for the 1-month, 3-month, 6-month and 12-month periods up to and including the Last Traded Day before the Offer Announcement Date is above the mean and median of the corresponding premium of the Selected Comparable Transactions; and*
 - (iii) *Notwithstanding that the P/Adjusted NAV ratio of the Company of 1.3 times as implied by the Offer Price is below the mean of the Selected Comparable Transactions, the P/Adjusted NAV ratio of the Company is above the median P/NAV ratios.*

We consider the financial terms of the Offer to be **REASONABLE**, after taking into consideration the following factors:

- (a) *The Shares were thinly traded, trading only on 32 days out of 251 market days during the 12-month period up to and including the Last Traded Day before the release of the Offer Announcement, and during which the Shares have not closed at or above the Offer Price;*
- (b) *Notwithstanding that, for the period after the release of the Offer Announcement to the Latest Practicable Date, the Shares have closed at or above the Offer Price on 9 traded days out of the 15 traded days, since the IPO of the Company and up to the Offer Announcement Date, the Shares have not closed at or above the Offer Price, save for 8 traded days out of 108 traded days, and prior to the Offer, the last time the share price closed at or above the Offer Price was on 26 July 2016 at S\$0.22;*
- (c) *As at the Latest Practicable Date, the Group (excluding the Sale Group) has only recorded a small revenue of S\$8,000 since the start of FY2020, and excluding the interest income, one-off gain in disposal from the Divestment of the Sale Group and one-off dividend paid by the Sale Group to the Company, the Group is loss making mainly due to operating expenses incurred;*
- (d) *In respect of the Non-Privatisation Transactions, amongst the Selected Comparable Transactions where the respective independent financial advisers had advised independent directors to recommend to shareholders to “accept” the offer, the P/NAV ratios of the majority of such Selected Comparable Transactions are below the P/Adjusted NAV ratio implied by the Offer Price in relation to the Company;*
- (e) *Over the last three (3) financial years, the Company only declared dividend in FY2019 which represented a dividend yield of 35.7%. Further, as at the Latest Practicable Date, the Group (excluding the Sale Group) has only recorded a small revenue of S\$8,000 since the start of FY2020, and excluding the interest income, one-off gain in disposal from the Divestment of the Sale Group and one-off dividend paid by the Sale Group to the Company, the Group is loss making mainly due to operating expenses incurred. In addition, the Offeror had bought the Shares at a valuation higher than the Adjusted NAV of the Group which comprises substantially of cash and cash equivalents. Accordingly, it is unlikely that the Group under the control of the Offeror would declare dividends in the near future;*

LETTER TO SHAREHOLDERS

- (f) *The Offeror's intention for the Company, inter alia, that the Offeror intends for the Company to continue with its existing activities and has no current intention to: (a) introduce any major changes to the existing business of the Company; (b) re-deploy the fixed assets of the Group; or (c) discontinue the employment of the employees of the Group, other than in the ordinary course of business;*
- (g) *The likelihood of a competing offer from any third party for the Shares is remote in view of the Offeror owning approximately 66.9% of the total number of Shares in the Company as at the Latest Practicable Date;*
- (h) *The Offeror does not intend to revise the Offer Price;*
- (i) *The Offer is unconditional in all respects;*
- (j) *The Offeror has statutory control of the Company as at the Latest Practicable Date; and*
- (k) *The Offeror intends to maintain the listing status of the Company on SGX-ST. Further, the right to compulsorily acquire all the Shares of Shareholders who have not accepted the Offer under Section 215(1) and Section 215(3) of the Companies Act is not applicable to the Company as it is a foreign company. Separately, should Axcelasia Singapore, being the only active subsidiary, continue to be faced with the challenging business climate in the future, there may be a risk in maintaining the listing status of the Company on the SGX-ST.*

Accordingly, we advise the Independent Directors to recommend that Shareholders ACCEPT the Offer, unless Shareholders are able to obtain a price higher than the Offer Price on the open market, after taking into account all brokerage commissions or transactions costs in connection with open market transactions.

As set out in the Offer Document, Shareholders should also take note that it is the current intention of the Offeror to maintain the listing status of the Company on the SGX-ST. In the event the percentage of Shares (excluding any Shares held in treasury) held in public hands falls below 10.0% and the SGX-ST suspends trading of the Shares, the Offeror reserves the right to re-evaluate its position, taking into account, amongst other things, the level of acceptances received by the Offeror and the prevailing market conditions at the relevant time. Accordingly, there is no assurance that the Offeror will take steps to preserve the listing status of the Company on the SGX-ST if the public float of the Company is less than 10.0%."

12. RECOMMENDATION OF THE INDEPENDENT DIRECTORS

12.1 Independent Directors

As at the Latest Practicable Date, all of the Directors consider themselves to be independent for the purposes of making a recommendation on the Offer.

12.2 Independent Directors' Recommendation

The Independent Directors, having considered carefully the terms of the Offer and the advice given by the IFA in the IFA Letter, **concur** with the advice of the IFA in respect of the Offer, and accordingly, recommend that Shareholders should **accept** the Offer, unless there is a superior offer or Shareholders are able to obtain a price higher than the Offer Price in the open market, taking into account all the brokerage and transaction costs in connection with open market transactions.

Shareholders should note that the IFA's advice and the recommendation of the Independent Directors should not be relied upon by any Shareholder as the sole basis for deciding whether to accept or reject the Offer. The IFA in giving its advice and the Independent Directors in

LETTER TO SHAREHOLDERS

making their recommendation have not had regard to the general or specific investment objectives, financial situation, risk profiles, tax position or particular needs and constraints of any individual Shareholder. Accordingly, the Independent Directors recommend that any individual Shareholder who may require specific advice in relation to his or her investment objectives or portfolio should consult his or her stockbroker, bank manager, solicitor, accountant, tax adviser or other professional adviser immediately.

SHAREHOLDERS SHOULD READ AND CONSIDER CAREFULLY THIS CIRCULAR, INCLUDING THE RECOMMENDATION OF THE INDEPENDENT DIRECTORS AND THE ADVICE OF THE IFA TO THE INDEPENDENT DIRECTORS IN RESPECT OF THIS OFFER AS SET OUT IN APPENDIX I TO THIS CIRCULAR IN THEIR ENTIRETY, BEFORE DECIDING WHETHER TO ACCEPT OR REJECT THE OFFER. SHAREHOLDERS ARE ALSO URGED TO READ THE OFFER DOCUMENT CAREFULLY.

Shareholders should also be aware and note that there is no assurance that the price of the Shares will remain at current levels after the close of the Offer and the current price performance of the Shares is not indicative of the future price performance levels of the Shares.

13. OVERSEAS SHAREHOLDERS

Section 14 of the Offer Document sets out information in relation to Overseas Shareholders, extracts of which are set out below.

14. OVERSEAS SHAREHOLDERS

14.1. General

The availability of the Offer to Shareholders whose mailing addresses are outside Singapore, as appearing on the Register or, as the case may be, in the records of CDP (each, an “Overseas Shareholder”) may be affected by the laws of the relevant overseas jurisdictions. Accordingly, any Overseas Shareholder should inform themselves of, and observe, any applicable legal requirements in the relevant overseas jurisdictions. Overseas Shareholders should also exercise caution in relation to the Offer, as this Offer Document, the FAA and the FAT have not been reviewed by any regulatory authority in any overseas jurisdiction. Where there are potential restrictions on sending the Notification (containing the address and instructions for the electronic retrieval of the Offer Document and related documents), the FAA and/or the FAT to any overseas jurisdiction, each of the Offeror and DBS Bank reserves the right not to send these documents to any overseas jurisdiction. For the avoidance of doubt, the Offer is made to all Shareholders holding Offer Shares, including those to whom the Notification (containing the address and instructions for the electronic retrieval of the Offer Document and related documents) and the Acceptance Forms have not been, or will not be, sent.

Copies of this Offer Document and any 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 the Offer will not be made to, nor will the Offer be capable of acceptance by, any person within any Restricted Jurisdiction if the offer to and/or the acceptance by such person will violate the laws of the Restricted Jurisdiction. 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 laws and regulations) will not be made, directly or indirectly, in or into, or by the use of mail, or by any means or instrumentality (including, without limitation, telephonically or electronically) of interstate or foreign commerce of, or by any facility of a national,

LETTER TO SHAREHOLDERS

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.

This Offer Document does not constitute an offer to sell or the solicitation of an offer to subscribe for or buy any security, nor is it a solicitation of any vote or approval in any jurisdiction, nor shall there be any sale, issuance or transfer of the securities referred to in this Offer Document in any jurisdiction in contravention of applicable law. The release, publication or distribution of this Offer Document in certain jurisdictions may be restricted by law and therefore persons in any such jurisdictions into which this Offer Document is released, published or distributed should inform themselves about and observe such restrictions.

14.2. Copies of the Notification, the FAA and the FAT

Subject to compliance with applicable laws, Shareholders (including Overseas Shareholders) may, nonetheless, obtain copies of the Notification (containing the address and instructions for the electronic retrieval of the Offer Document and related documents), the FAA and/or the FAT, as the case may be, and any related documents, by contacting (i) CDP (if she/he is a Depositor) at CDP's Customer Service Hotline at +65 6535 7511 during their operating hours or email CDP at asksgx@sgx.com; or (ii) the Share Registrar (if she/he is holding Offer Shares which are not deposited with CDP) at Tricor Barbinder Share Registration Services' Customer Service Hotline at +65 6236 3550/3555 during their operating hours or email SG.IS.Enquiry@sg.tricorglobal.com to request that the Notification (containing the address and instructions for the electronic retrieval of the Offer Document and related documents) the FAA or the FAT, as the case may be, and any related documents be sent to an address in Singapore by ordinary post at his own risk, up to five (5) Market Days prior to the Final Closing Date.

14.3. Overseas Jurisdiction

It is the responsibility of an Overseas Shareholder who wishes to (a) request for the Notification (containing the address and instructions for the electronic retrieval of the Offer Document and related documents), the FAA and/or the FAT, 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 other necessary formalities or legal requirements and the payment of any taxes, imposts, duties or other requisite payments due in such jurisdiction. Such Overseas Shareholder 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 DBS Bank, CDP and the Share Registrar) shall be fully indemnified and held harmless by such Overseas Shareholder for any such taxes, imposts, duties or other requisite payments as the Offeror and/or any person acting on its behalf (including DBS Bank, CDP and the Share Registrar) may be required to pay. In (a) requesting for Notification (containing the address and instructions for the electronic retrieval of the Offer Document and related documents), the FAA and/or the FAT and any related documents, and/or (b) accepting the Offer, the Overseas Shareholder represents and warrants to the Offeror 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 Shareholder who is in doubt about his position should consult his professional adviser in the relevant jurisdiction.

14.4. Notice

Each of the Offeror and DBS Bank reserves the right to notify any matter, including the fact that the Offer has been made, to any or all Shareholders (including Overseas Shareholders) by announcement to the SGX-ST or notice and if necessary, paid advertisement in a newspaper published and circulated in Singapore, in which case,

LETTER TO SHAREHOLDERS

such notice shall be deemed to have been sufficiently given notwithstanding any failure by any Shareholder to receive or see such announcement, notice or advertisement.

14. ACTION TO BE TAKEN BY SHAREHOLDERS

Shareholders who **wish to accept the Offer** must do so not later than **5.30 p.m. (Singapore time) on the Final Closing Date**, abiding by the procedures for the acceptance of the Offer as set out in Appendix 2 to the Offer Document, the FAA and/or the FAT, as the case may be.

Acceptances should be completed and returned as soon as possible and, in any event, so as to be received, on behalf of the Offeror:

- (a) by CDP (in respect of the FAA); or
- (b) by the Share Registrar (in respect of the FAT),

as the case may be, not later than **5.30 p.m. (Singapore time) on the Final Closing Date**.

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 (as the case may be) which have been sent to them.

15. CONSENT

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

Nexia TS Public Accounting Corporation, named as the independent auditor of the Company, has given and has not withdrawn its written consent to the inclusion of its name, and the independent auditor's report in relation to the audited financial statements of the Group for FY2019 as set out in Appendix IV to this Circular, and all references thereto in the form and context in which they appear in this Circular.

CNPLaw LLP, named as the legal adviser to the Company as to Singapore law in relation to the Offer, has given and has not withdrawn its written consent to the issue of this Circular with the inclusion of its name, and all references thereto in the form and context in which they appear in this Circular.

16. 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 are fair and accurate and that no material information has been omitted in this Circular.

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 fair and accurate.

In respect of the information from the Offer Announcement and the Offer Document, the sole responsibility of the Directors has been to ensure that such information has been accurately and correctly reproduced in this Circular.

Where information has been extracted from published or otherwise publicly available sources, the Directors have ensured that such information has been accurately and correctly extracted from these sources.

The Directors jointly and severally accept responsibility accordingly.

LETTER TO SHAREHOLDERS

17. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the office of the Company's Secretary, Drewcorp Services Pte Ltd, at 10 Collyer Quay, #10-01 Ocean Financial Centre, Singapore 049315 during normal business hours, from the date of this Circular up to and including the Final Closing Date:

- (a) the Constitution;
- (b) the annual reports of the Company for FY2017, FY2018 and FY2019;
- (c) the IFA Letter as set out in Appendix I to this Circular;
- (d) the audited consolidated financial statements of the Group for FY2019, as set out in Appendix IV to this Circular; and
- (e) the letters of consent referred to in Section 15 of this Circular.

18. ADDITIONAL INFORMATION

Your attention is drawn to the Appendices which form part of this Circular.

Yours faithfully

For and on behalf of the Board of Directors of
AXINGTON INC.

Dato' Peter Tang Swee Guan
Deputy Executive Chairman

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

RHT CAPITAL PTE. LTD.

(Company Registration Number: 201109968H)
(Incorporated in the Republic of Singapore)
9 Raffles Place, #29-01
Republic Plaza Tower 1
Singapore 048619

26 June 2020

To: The Independent Directors of Axington Inc.
(deemed to be independent in respect of the Offer)

Dr Veerinderjeet Singh A/L Tejwant Singh	(Non-Independent Non-Executive Chairman)
Dato' Peter Tang Swee Guan	(Deputy Executive Chairman)
Mr Ranjit Singh A/L Taram Singh	(Non-Independent Non-Executive Director)
Mr Tan See Yin	(Lead Independent Director)
Ms Lee Pih Peng	(Independent Director)
Datin Isharidah Binti Ishak	(Independent Director)

Dear Sirs,

INDEPENDENT FINANCIAL ADVICE TO THE INDEPENDENT DIRECTORS IN RESPECT OF THE MANDATORY UNCONDITIONAL CASH OFFER

*Unless otherwise defined or the context otherwise requires, all terms defined in the circular dated 26 June 2020 ("**Circular**") issued by the Company to the shareholders of the Company ("**Shareholders**") shall have the same meaning herein. For the purposes of this Letter (as defined herein), where applicable, we have used the foreign exchange rate of S\$:RM3.0777 as at 29 May 2020, being the last closing rate prior to the Offer Announcement Date (as defined herein). The above foreign exchange rate is extracted from published information by Bloomberg L.P. and is provided solely for information only.*

1. INTRODUCTION

On 1 June 2020 ("**Offer Announcement Date**"), DBS Bank Ltd. ("**DBS**"), announced, for and on behalf of Dorr Global Healthcare International Pte. Ltd. ("**Offeror**"), that the Offeror had, on the same day, entered into a sale and purchase agreement ("**SPA**") with Dato' Peter Tang Swee Guan ("**Dato' Peter Tang**"), Datin Chai Seow Lin (spouse of Dato' Peter Tang), Mr Ranjit Singh A/L Taram Singh ("**Mr Ranjit Singh**"), Dr Veerinderjeet Singh A/L Tejwant Singh ("**Dr Veerinderjeet Singh**") and Ms Rajinderpal Kaur (spouse of Dr Veerinderjeet Singh) (collectively, "**Vendors**") pursuant to which the Offeror agreed to acquire and the Vendors agreed to sell an aggregate of 107,248,160 ordinary shares ("**Sale Shares**") in the capital of Axington Inc. ("**Company**" and together with its subsidiaries, "**Group**"), representing approximately 66.9% of the total number of issued and paid-up ordinary shares in the capital of the Company (excluding 9,700 treasury shares) ("**Shares**") for an aggregate consideration of S\$22,307,617.28 ("**Consideration**"), being S\$0.208 for each Sale Share ("**Acquisition**").

Prior to the Acquisition and as at the Offer Announcement Date, the Offeror does not own any Shares of the Company. The Acquisition was effected by way of a married deal, with the Consideration satisfied in cash and was completed on 2 June 2020. As a result of the Acquisition, the Offeror owns or controls an aggregate of 107,248,160 Shares, representing approximately 66.9% of the total number of Shares.

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

As a result of the Acquisition and with the Offeror's resultant shareholdings crossing the 30.0% threshold, the Offeror is required to make a mandatory general offer for all the Shares (excluding treasury shares and other than Shares already owned, controlled and agreed to be acquired by the Offeror and the parties acting in concert with it) ("**Offer Shares**"), in accordance with Section 139 of the Securities and Futures Act, Chapter 289 of Singapore and Rule 14 of the Singapore Code on Take-overs and Mergers ("**Code**").

Following from the above, DBS announced on the Offer Announcement Date, for and on behalf of the Offeror, that the Offeror intends to make a mandatory unconditional cash offer ("**Offer**") for all the Offer Shares.

The Offeror is a private limited company incorporated under the laws of Singapore on 3 August 2016. The Offeror's main business is the provision of management consultancy services for healthcare organisations. Its directors and shareholders are Mr Terence Loh Ne-Wei and Mr Loh Ne-Loon Nelson. As set out above, as a result of the Acquisition, the Offeror owns or controls an aggregate of 107,248,160 Shares, representing 66.9% of the total number of Shares.

On 15 June 2020, the formal Offer was made by DBS, for and on behalf of the Offeror, for the Offer Shares, subject to the terms and conditions of the Offer as set out in the offer document dated 15 June 2020 ("**Offer Document**"). Pursuant to the temporary measures issued by the Securities Industry Council ("**SIC**") on 6 May 2020, the Offer Document and the acceptance forms were despatched electronically to the Shareholders via SGXNet on 15 June 2020.

In connection with the Offer, RHT Capital Pte. Ltd. ("**RHTC**") has been appointed by the Company as the independent financial adviser ("**IFA**") to advise the directors who are considered independent in respect of the Offer ("**Independent Directors**"), for the purposes of making their recommendation to Shareholders in respect of the Offer.

The Company has confirmed to us that all its directors, namely, Dr Veerinderjeet Singh, Dato' Peter Tang, Mr Ranjit Singh, Mr Tan See Yin, Ms Lee Pih Peng and Datin Isharidah Binti Ishak are considered as Independent Directors in respect of the Offer.

This letter ("**Letter**") is addressed to the Independent Directors and sets out, *inter alia*, our views and evaluation of the financial terms of the Offer, our opinion thereon, and forms part of the Circular providing, *inter alia*, details of the Offer, and the recommendation of the Independent Directors and it is to be despatched to Shareholders in relation to the Offer.

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

2. TERMS OF REFERENCE

We have been appointed to advise the Independent Directors on the financial terms of the Offer in compliance with the provisions of the Code. We have confined our evaluation to the financial terms of the Offer and have not taken into account the commercial risks and/or commercial merits of the Offer.

Our terms of reference do not require us to evaluate or comment on the rationale for, or the strategic or long term merits of the Offer or on the future prospects of the Company and/or the Group or the method and terms by which the Offer is made or any other alternative methods by which the Offer may be made. Such evaluations and comments remain the sole responsibility of the Directors, although we may draw upon their views or make such comments in respect thereof (to the extent deemed necessary or appropriate by us) in arriving at our opinion as set out in this Letter.

We are not authorised, and we have not solicited, any indications of interest from any third party with respect to the Shares. We are therefore not addressing the relative merits of the Offer as compared to any alternative transaction that may be available to the Company (or its Shareholders), or as compared to any alternative offer that might otherwise be available in the future.

In the course of our evaluation of the financial terms of the Offer, we have relied on, and assumed without independent verification, the accuracy and completeness of published information relating to the Group. We have also relied on information provided and representations made, including relevant financial analyses and estimates, by the management of the Company (“**Management**”), the Directors, the Company’s solicitors and auditors. We have not independently verified such information or any representation or assurance made by them, whether written or verbal, and accordingly cannot and do not make any representation or warranty, express or implied, in respect of, and do not accept any responsibility for the accuracy, completeness or adequacy of such information, representation or assurance. We have nevertheless made such reasonable enquiries and exercised our judgement as we deemed necessary and have found no reason to doubt the reliability of the information.

We have relied upon the assurances of the Directors that, upon making all reasonable enquiries and to the best of their respective knowledge, information and belief, all material information in connection with the Offer, the Company and/or the Group has been disclosed to us, that such information is true, complete and accurate in all material respects and that there is no other information or fact, the omission of which would cause any information disclosed to us or the facts of or in relation to the Company and/or the Group stated in the Circular to be inaccurate, incomplete or misleading in any material respect. The Directors jointly and severally accept responsibility accordingly.

For the purposes of assessing the financial terms of the Offer and reaching our conclusions thereon, we have not conducted a comprehensive independent review of the business, operations or financial condition of the Group. We have not relied upon any financial projections or forecasts in respect of the Company and/or the Group. We will not be required to express, and we do not express, any view on the growth prospects and earnings potential of the Company and/or the Group in connection with our opinion in this Letter.

We have not made an independent evaluation or appraisal of the assets and liabilities of the Company and/or the Group (including without limitation, property, plant and equipment). As such, we will be relying on the disclosures and representations made by the Company on the value of the assets, liabilities and profitability of the Company and/or the Group. We have not been furnished with any such evaluation or appraisal. We have not relied on any financial projections or forecasts in respect of the Company and/or the Group for the purpose of our evaluation of the Offer.

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

Our analysis and our opinion as set out in this Letter are based upon market, economic, industry, monetary and other conditions in effect on, and the information provided to us as at 22 June 2020 (“**Latest Practicable Date**”). Such conditions may change significantly over a relatively short period of time. We assume no responsibility to update, revise or reaffirm our opinion in light of any subsequent development after the Latest Practicable Date that may affect our opinion contained herein. Shareholders should further take note of any announcements relevant to their consideration of the Offer which may be released by the Company and/or the Offeror after the Latest Practicable Date.

In rendering our opinion, we did not have regard to the specific investment objectives, financial situation, tax status, risk profiles or unique needs and constraints of any individual Shareholder. As each Shareholder would have different investment objectives and profiles, we would advise the Independent Directors to recommend that any individual Shareholder who may require specific advice in relation to his investment objectives or portfolio should consult his stockbroker, bank manager, solicitor, or other professional adviser immediately. As such, our opinion should not be the sole basis for deciding whether or not to accept the Offer.

The Company has been separately advised by its own advisers in the preparation of the Circular (other than this Letter). Accordingly, we take no responsibility for and express no views, express or implied, on the contents of the Circular (other than this Letter).

Our opinion in respect of the Offer, as set out in Section 10 of this Letter, should be considered in the context of the entirety of this Letter and the Circular.

3. THE OFFER

Shareholders should have by now been notified that the Offer Document that contains the formal offer for the Offer Shares, subject to the terms and conditions of the Offer as set out in the Offer Document, has been published on the SGXNet. The principal terms and conditions of the Offer are set out in Sections 2, 3, 4, 5 and 6 of the Offer Document. Shareholders are advised to read the terms and conditions of the Offer as set out in the Offer Document carefully.

The key terms of the Offer are set out below for your reference.

3.1 Offer Price

The Offer price for each Offer Share will be as follows:

For each Offer Share: S\$0.208 in cash (“Offer Price”)

The Offeror does not intend to revise the Offer Price and therefore, in accordance with Rule 20.2 of the Code, the Offeror will not be allowed to subsequently amend the terms of the Offer, including the Offer Price.

3.2 Offer Shares

The Offer is extended to all Shares (excluding treasury shares and other than Shares already owned, controlled and agreed to be acquired by the Offeror and its concert parties).

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

3.3 No Encumbrances

The Offer Shares will be acquired:

- (a) fully paid-up;
- (b) free from all mortgages, assignments, debentures, liens, hypothecation, charges, pledges, claims, equity, title retentions, rights to acquire, security interests, options, pre-emptive or similar rights, rights of first refusal and any other encumbrance or condition whatsoever (“**Encumbrances**”); and
- (c) together with all rights, benefits and entitlements attached thereto as at the Offer Announcement Date and thereafter attaching thereto, (including the right to receive and retain all dividends, rights and other distributions or return of capital (“**Distributions**”), if any, which may be announced, declared, paid or made thereon by the Company on or after the Offer Announcement Date).

If any Distributions are announced, declared, paid or made by the Company in respect of the Offer Shares on or after the Offer Announcement Date, the Offeror reserves the right to reduce the Offer Price by an amount equivalent to such Distributions.

3.4 Condition of the Offer

The Offer is unconditional in all respects.

Shareholders who accept the Offer can expect to receive the payment of the Offer Price within seven (7) business days of the date of receipt of their valid acceptances by the Offeror.

3.5 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; (b) free from all Encumbrances; and (c) together with all rights, benefits and entitlements attached thereto as at the Offer Announcement Date thereafter attaching thereto, (including the right to receive and retain all Distributions, if any, which may be announced, declared, paid or made thereon by the Company on or after the Offer Announcement Date).

3.6 No extension of final 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 by Shareholders for a period of 28 days from the date of posting of the Offer Document.

Accordingly, the Offer will close at 5.30 p.m. (Singapore time) on 13 July 2020 being the final closing date (“Final Closing Date”) and the Offeror does not intend to extend the Offer beyond the Final Closing Date. Notice was given, pursuant to Rule 22.6 of the Code, that the Offer will not be open for acceptance beyond 5.30 p.m. (Singapore time) on the Final Closing Date.

3.7 Further details of the Offer

Further details of the Offer, including details on: (a) the settlement of the consideration of the Offer; (b) the requirements relating to the announcements of the level of acceptances of the Offer; (c) the right of withdrawal of acceptances of the Offer; and (d) the procedures for acceptance of the Offer, are set out in Appendices 1 and 2 to the Offer Document.

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

4. INFORMATION ON THE OFFEROR

The information on the Offeror, as set out below in italics, has been extracted from Section 7 of the Offer Document. Unless otherwise defined, all terms and expressions used in the extract below shall bear the same meanings as those defined in the Offer Document.

“7. INFORMATION ON THE OFFEROR

7.1. *The Offeror is private limited company incorporated under the laws of Singapore on 3 August 2016. The Offeror’s main business is the provision of management consultancy services for healthcare organisations. Its shareholders are Mr. Terence Loh Ne-Wei and Mr. Loh Ne-Loon Nelson.*

7.2. *As at the Latest Practicable Date,*

(a) the Offeror has an issued and paid-up share capital of S\$50,000,000 comprising 50,000,000 ordinary shares; and

(b) the directors of the Offeror are Mr. Terence Loh Ne-Wei and Mr. Loh Ne-Loon Nelson.

7.3. *As at the Latest Practicable Date, the Offeror holds 107,248,160 Shares, representing approximately 66.90% of the Shares.*

*Additional information on the Offeror is set out in **Appendix 3** to this Offer Document.”*

5. INFORMATION ON THE COMPANY

The information on the Company, as set out below in italics, has been extracted from Section 8 of the Offer Document. Unless otherwise defined, all terms and expressions used in the extract below shall bear the same meanings as those defined in the Offer Document.

“8. INFORMATION ON THE COMPANY

8.1. *The Company was incorporated in Malaysia on 21 August 2015 and was listed on the Catalist Board of the Singapore Exchange Securities Trading Limited (“SGX-ST”) on 27 November 2015. Historically, the Axington Group provided integrated professional services mainly in Malaysia to government-linked entities, private and public listed companies, and multinational corporations. Its four key business segments are tax advisory, business consultancy, technology tools & advisory and business support services. As at 15 April 2020, the Company has completed the sale of its core business in Malaysia to the Tricor Group in Hong Kong. As such, the Axington Group currently consists primarily of the Company and certain subsidiaries in Singapore, Laos and Vietnam.”*

Implied market capitalisation

As at the Latest Practicable Date, the Company has an issued and paid-up share capital comprising 160,310,300 Shares (excluding 9,700 treasury shares). Based on the Offer Price of S\$0.208 per Share and the total number of issued Shares as at the Latest Practicable Date, the implied market capitalisation of the Company is approximately S\$33.3 million.

Additional information on the Company is set out in Appendix 4 to the Offer Document and Appendix II to the Circular.

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

6. IRREVOCABLE UNDERTAKING

The information on the irrevocable undertaking, as set out below in italics, has been extracted from Section 9 of the Offer Document. Unless otherwise defined, all terms and expressions used in the extract below shall bear the same meanings as those defined in the Offer Document.

“9. IRREVOCABLE UNDERTAKING

As at the Latest Practicable Date, neither the Offeror nor any party acting in concert with it has received any irrevocable undertaking from any party to accept the Offer.”

7. RATIONALE FOR THE OFFER AND OFFEROR’S INTENTIONS FOR THE COMPANY

The full text of the rationale for the Offer and the Offeror’s intentions for the Company has been extracted from Section 10 of the Offer Document and is set out in italics below. Unless otherwise defined, all terms and expressions used in the extract below shall bear the same meanings as those defined in the Offer Document.

“10. RATIONALE FOR THE OFFER AND OFFEROR’S INTENTION FOR THE COMPANY

10.1. Compliance with the Code

As set out in paragraph 1 of this Offer Document, the Offeror is required to make the Offer in compliance with Rule 14 of the Code. The Offer will result in the Offeror securing majority control of the Company.

10.2. Offeror’s Intentions for the Company

The Offeror intends for the Company to continue with its existing activities and has no current intention to (a) introduce any major changes to the existing business of the Company, (b) re-deploy the fixed assets of the Axington Group, or (c) discontinue the employment of the employees of the Axington Group, other than in the ordinary course of business. However, the Offeror retains the flexibility at any time to consider any options or opportunities which may present themselves and which the Offeror regards to be in the interests of the Offeror and/or the Company. Following the close of the Offer, the Offeror will undertake a comprehensive review of the businesses of the Company to determine the optimal strategy for the Company and will announce the same on SGXNET as and when appropriate.”

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

8. LISTING STATUS AND COMPULSORY ACQUISITION

The full text of the listing status and compulsory acquisition has been extracted from Section 11 of the Offer Document and is set out in italics below. Unless otherwise defined, all terms and expressions used in the extract below shall bear the same meanings as those defined in the Offer Document.

“11. LISTING STATUS AND COMPULSORY ACQUISITION

11.1. Listing Status

Pursuant to Rule 723 of the Catalist Rules, the Company must ensure that at least 10% of the total number of Shares (excluding preference shares, convertible equity securities and treasury shares) in a class that is listed is at all times held by the public (the “Free Float Requirement”).

Pursuant to Rule 1104 of the Catalist Rules, in the event that the Offeror and parties acting or deemed to be acting in concert with the Offeror should, as a result of the Offer or otherwise, own or control more than 90% of the total number of Shares (excluding treasury shares), the SGX-ST may suspend the trading of the Shares on the SGX-ST until such time when the SGX-ST is satisfied that at least 10% of the total number of Shares (excluding treasury shares) are held by at least 200 Shareholders who are members of the public.

Under Rule 1303(1) of the Catalist Rules, where the Offeror succeeds in garnering acceptances exceeding 90% of the total number of issued Shares (excluding treasury shares), thus causing the percentage of the total number of issued Shares (excluding treasury shares) held in public hands to fall below 10%, the SGX-ST will suspend trading of the listed securities of the Company at the close of the Offer. In addition, under Rule 724(1) of the Catalist Rules, if the Free Float Requirement is not complied with, the Company must, as soon as possible, notify its sponsor of that fact and announce that fact and the SGX-ST may suspend trading of all the Shares on the SGX-ST. Rule 724(2) of the Catalist Rules states that the SGX-ST may allow the Company a period of three (3) months, or such longer period as the SGX-ST may agree, for the percentage of the Shares held by members of the public to be raised to at least 10%, failing which the Company may be delisted from the SGX-ST.

11.2. Compulsory Acquisition

The right to compulsorily acquire all the Shares of Shareholders who have not accepted the Offer under Section 215(1) and Section 215(3) of the Companies Act is not applicable to the Company (incorporated under the Labuan Companies Act 1990, Malaysia) as a foreign company.

11.3. Offeror’s Intention

It is the current intention of the Offeror to maintain the listing status of the Company. However, in the event that the Company does not meet the Free Float Requirement under the Catalist Rules at the close of the Offer, the Offeror reserves the right to re-evaluate its position, taking into account, amongst other things, the level of acceptances received by the Offeror and the prevailing market conditions at the relevant time.

Accordingly, there is no assurance that the Offeror will take steps to preserve the listing status of the Company on the SGX-ST if the Company does not meet the Free Float Requirement under the Catalist Rules.”

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

9. ASSESSMENT OF THE FINANCIAL TERMS OF THE OFFER

In our assessment of the financial terms of the Offer, we have considered the following which we consider to be pertinent and to have a significant bearing on our assessment of the Offer:

- (a) Market quotation and trading liquidity of the Shares;
- (b) Historical financial position of the Group;
- (c) Historical financial performance of the Group;
- (d) Comparison with the valuation ratios of selected companies listed on the Singapore Exchange Securities Trading Limited (“**SGX-ST**”) which are broadly comparable to the Group;
- (e) Comparison with recently completed non-privatisation transactions (“**Non-Privatisation Transactions**”) on the SGX-ST;
- (f) Dividend track record of the Company; and
- (g) Other relevant considerations.

The figures, underlying financial and market data used in our analysis, including securities prices, trading volumes, free float data and foreign exchange rates have been extracted from Bloomberg L.P., SGX-ST and other publicly available information as at the Latest Practicable Date or as provided by the Company where relevant. RHTC makes no representation or warranties, express or implied, as to the accuracy or completeness of such information.

9.1 Market quotation and trading liquidity of the Shares

We have compared the Offer Price against the historical market price performance of the Shares and considered the historical trading volume over the observation periods as discussed below.

We note that trading of the Shares was halted before trading hours on 1 June 2020. The Offer Announcement was then released, followed by a response to the Offer Announcement by the Company to the Offer. The trading halt was subsequently lifted after trading hours on 1 June 2020.

We have compared the Offer Price against the historical market price performance of the Shares and considered the historical trading volume of the Shares from 27 May 2019, being approximately a 12-month period prior to 26 May 2020, which was the last traded day of the Shares before the release of the Offer Announcement (“**Last Traded Day**”) and up to the Latest Practicable Date (“**Period Under Review**”).

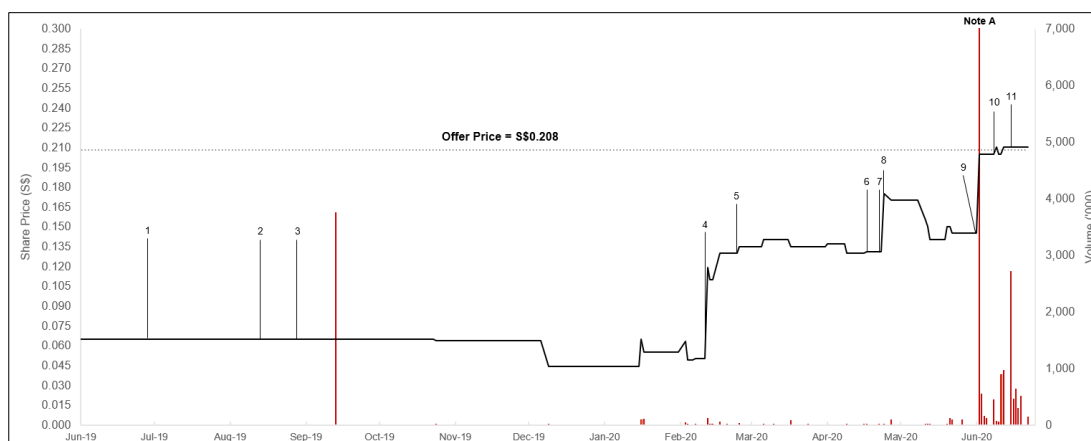
We have also compared the Offer Price against the historical market price performance of the Shares and considered the historical trading volume of the Shares since the initial public offering (“**IPO**”) of the Company on the SGX-ST on 27 November 2015 and up to the Offer Announcement Date.

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

Share price chart for the Period Under Review

We set out below a chart showing the Offer Price relative to the daily last transacted prices and trading volume of the Shares for the Period Under Review.

Price movement and trading volume of the Shares for the Period Under Review



Source: Bloomberg L.P.

Note A: In arriving at the above chart, we have set the 'Volume' axis to a maximum value of 7,000,000, after having considered the average trading volume of Shares during the Period Under Review. Therefore, the above chart does not reflect the actual trading volume of Shares on 2 June 2020, being 111,327,360 Shares, mainly attributable to the completion of the Acquisition.

Significant announcements

- (1) **28 June 2019:** The Company announced the re-designation of Dato' Peter Tang from Chief Executive Officer and Executive Director to Deputy Executive Chairman of the Company and the appointment of Mr Ranjit Singh, Executive Director, as the Group Chief Executive Officer and the consequential changes in the composition of the board of the Company ("**Board**").
- (2) **13 August 2019:** The Company announced its half year financial results for the financial period ended 30 June 2019.
- (3) **23 August 2019:** The Company declared an interim single tier tax-exempt dividend of S\$0.002 per Share ("**Interim Dividend**") in the capital of the Company for the financial year ("**FY**") ended 31 December 2019. The payment of the Interim Dividend was made on 7 October 2019.
- (4) **11 February 2020:** The Company announced that it had entered into a share sale and purchase agreement ("**Divestment SPA**") with Tricor Axcel Limited to divest its entire equity interest in Axcelasia Taxand Sdn Bhd ("**Divestment of the Sale Group**") for a consideration of RM69.7 million. The Divestment of the Sale Group was approved by Shareholders at an extraordinary general meeting held on 12 March 2020 and was completed on 15 April 2020. Further details on the Divestment of the Sale Group are set out in Section 9.2 of this Letter.
- (5) **24 February 2020:** The Company announced its full year financial results for FY2019.
- (6) **17 April 2020:** The Company declared a single tier tax-exempt final dividend of S\$0.023 per Share ("**Final Dividend**") in the capital of the Company for FY2019. The payment of the Final Dividend was made on 14 May 2020.
- (7) **22 April 2020:** The Company announced the re-designation of Mr Ranjit Singh from Group Chief Executive Officer and Executive Director to Non-Independent Non-Executive Director, and the consequential changes in the composition of the Board. On the same day, the Company also announced the resignation of Mr Sivaruban Kandasamy as the Chief Financial Officer of the Company.
- (8) **24 April 2020:** The Company announced the change in its name from Axcelasia Inc. to Axington Inc. which was approved by Shareholders at an extraordinary general meeting held on 17 April 2020.
- (9) **1 June 2020:** The Offeror announced the Offer.
- (10) **8 June 2020:** The Company announced the appointment of RHTC as the IFA in respect of the Offer.
- (11) **15 June 2020:** The Offeror announced the despatch of the Offer Document and related documents.

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

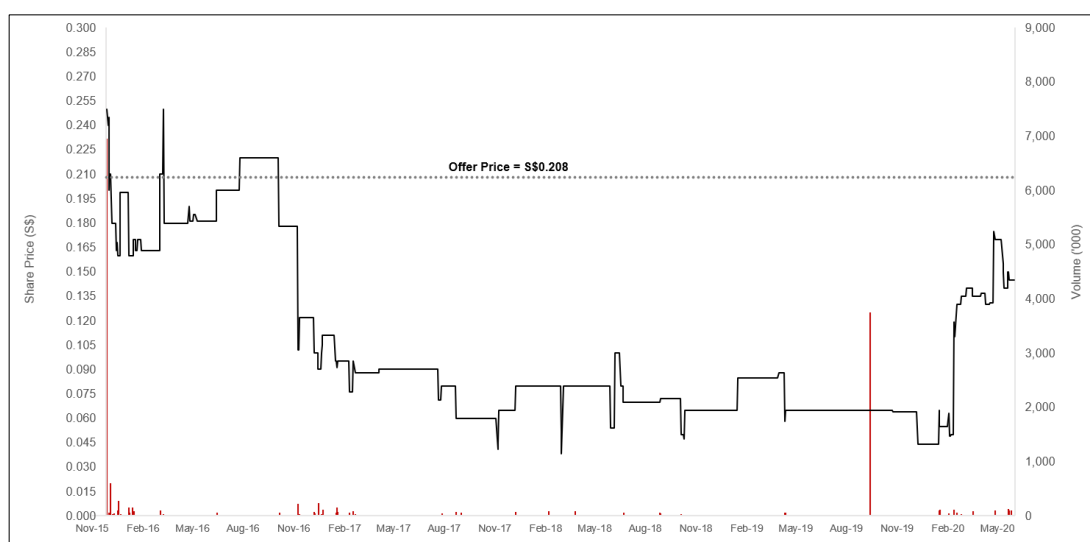
From the share price chart above, we noted that the Shares have been on an upward trend for the Period Under Review, in particular, following the announcement made by the Company on the Divestment of the Sale Group. The Shares have not closed at or above the Offer Price during the 12-month period up to and including the Last Traded Day before the release of the Offer Announcement. The last traded Share price before the release of the Offer Announcement on 26 May 2020 was S\$0.145. We further noted that the Shares were thinly traded, trading on only 32 days out of a total of 251 market days during the 12-month period up to and including the Last Traded Day before the release of the Offer Announcement. For avoidance of doubt, there were no trades during the period after the Last Traded Day and prior to the Offer Announcement Date and trading of the Shares were halted on the Offer Announcement Date.

After the Offer Announcement Date and up to the Latest Practicable Date, the Shares had traded slightly above the Offer Price on 9 traded days out of 15 traded days. As at the Latest Practicable Date, the Shares were last transacted at S\$0.210.

Share price chart since the IPO of the Company up to the Offer Announcement Date

We set out below a chart showing the Offer Price relative to the daily last transacted prices and trading volume of the Shares since the IPO of the Company on the SGX-ST on 27 November 2015 and up to the Offer Announcement Date.

Price movement and trading volume of the Shares since IPO and up to the Offer Announcement Date



Source: Bloomberg L.P.

From the share price chart above, we further note that since the IPO of the Company and up to the Offer Announcement Date, the Shares have not closed at or above the Offer Price, save for 8 traded days out of 108 traded days. Furthermore, prior to the Offer, the last time the share price closed at or above the Offer Price was on 26 July 2016 at S\$0.22.

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

Market statistics

In addition to the share price chart above, we have tabulated below selected statistical information on the share price performance and trading liquidity of the Shares for the Period Under Review:

	Highest traded price (\$\$)	Lowest traded price (\$\$)	VWAP ⁽¹⁾ (\$\$)	Premium / (Discount) of Offer Price over / (to) VWAP (%)	Number of traded days	Average daily traded volume ⁽²⁾ ('000)	Average daily traded volume as a percentage of free float ⁽³⁾ (%)
Up to and including the Last Traded Day before the Offer Announcement Date							
Last 1 month	0.170	0.130	0.148	40.1	8	54	0.2
Last 3 months	0.190	0.130	0.147	41.3	18	30	0.1
Last 6 months	0.190	0.044	0.116	78.6	30	34	0.1
Last 12 months	0.190	0.044	0.068	205.2	32	149	0.5
As at 26 May 2020, being the Last Traded Day before the Offer Announcement Date	0.145	0.145	0.145	43.4	1	90	0.3
After the Offer Announcement Date to the Latest Practicable Date							
After the Offer Announcement Date and up to the Latest Practicable Date	0.215	0.205	0.208	-	15	7,952	27.3
As at the Latest Practicable Date	0.210	0.210	0.210	(1.0)	1	140	0.5

Source: Bloomberg L.P. and RHTC calculations

Notes:

- (1) The volume-weighted average price ("VWAP") is calculated based on the turnover divided by volume of the Shares as extracted from Bloomberg L.P..
- (2) The average daily trading volume of the Shares was computed based on the total volume of Shares traded during the relevant periods, divided by the number of days that were open for trading (excluding public holidays and days with full day trading halts on the Shares) during that period.
- (3) Free float refers to the Shares other than those held by the Directors, chief executive officer, controlling Shareholders or substantial Shareholders of the Company and amounts to approximately 29.2 million Shares representing approximately 18.2% of the issued Shares as disclosed in the annual report of the Company for FY2019.

Based on the above, we observe the following with regards to the share price performance of the Company for the Period Under Review:

- (a) The Offer Price represents a premium of approximately 43.4% over the VWAP of the Shares of S\$0.145 on 26 May 2020, being the Last Traded Day before the release of the Offer Announcement;
- (b) The Offer Price represents a premium of approximately 40.1%, 41.3%, 78.6% and 205.2% over the VWAPs of the Shares for 1-month, 3-month, 6-month and 12-month periods up to and including the Last Traded Day before the release of the Offer Announcement respectively;

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

- (c) Over the 12-month period up to and including the Last Traded Day before the release of the Offer Announcement, the Shares have traded between a low of S\$0.044 and a high of S\$0.190. The Offer Price represents a premium of S\$0.164 (or 372.7%) over the lowest transacted price of the Shares and a premium of S\$0.018 (or 9.5%) over the highest transacted price of the Shares. As mentioned earlier, the Share Price has been on an upward trend since the announcement made by the Company on the Divestment of the Sale Group;
- (d) As mentioned above, over the 12-month period up to and including the Last Traded Day before the release of the Offer Announcement, the Shares were only traded on 32 days out of a total of 251 market days. We noted that out of these 32 traded days, the Shares have not closed at or above the Offer Price;
- (e) The Offer Price is equivalent to the VWAP of the Shares of S\$0.208 for the period after the release of the Offer Announcement to the Latest Practicable Date;
- (f) For the period after the release of the Offer Announcement to the Latest Practicable Date, the Shares have traded between a low of S\$0.205 and a high of S\$0.215. The Offer Price represents a premium of S\$0.003 (or 1.5%) over the lowest transacted price of the Shares and a discount of S\$0.007 (or 3.3%) to the highest transacted price of the Shares. We note that the Shares have closed at or above the Offer Price on 9 traded days out of the 15 traded days after the Offer Announcement Date to the Latest Practicable Date;
- (g) The Offer Price represents a discount of approximately 1.0% to the VWAP of the Shares of S\$0.210 as at the Latest Practicable Date; and
- (h) Since the IPO of the Company and up to the Offer Announcement Date, the Shares have not closed at or above the Offer Price, save for 8 traded days out of 108 traded days, and prior to the Offer, the last time the share price closed at or above the Offer Price was on 26 July 2016 at S\$0.22.

We observed the following with regards to the trading liquidity of the Shares:

- (i) Over the 12-month period up to and including the Last Traded Day before the release of the Offer Announcement, the Shares were only traded on 32 days out of 251 market days. The average daily trading volume of the Shares for the 1-month, 3-month, 6-month and 12-month periods up to and including the Last Traded Day before the release of the Offer Announcement represent 0.2%, 0.1%, 0.1% and 0.5% of the free float of the Shares respectively; and
- (ii) During the period following the release of the Offer Announcement and up to the Latest Practicable Date, the average daily trading volume on the Shares was approximately 7,952,000 Shares, representing 27.3% of the free float of the Shares.

Summary

In summary, despite the share price having been on an upward trend, in particular, following the announcement made by the Company on the Divestment of the Sale Group and before the Offer Announcement Date, the Shares were thinly traded on the SGX-ST and in the 12-month period up to and including the Last Traded Day before the Offer Announcement Date, the transacted price had not been at or higher than the Offer Price.

Further, it would appear that the market prices of the Shares, which trended upward significantly after the release of the Offer Announcement, are being supported by the Offer. Shareholders should note that there is no assurance that the market prices of the Shares would remain at the current prevailing level after the close of the Offer, and that the past trading performance of the Shares should not in any way be relied upon as an indication or a promise of its future trading performance.

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

9.2 Historical financial position of the Group

A summary of the audited financial position of the Group as at 31 December 2019 is set out below:

(RM)	Audited As at 31 December 2019
<u>Current assets</u>	
Cash and cash equivalents	23,866,198
Trade and other receivables	11,248,034
Income tax recoverable	550
<u>Non-current assets</u>	
Property, plant and equipment	1,826,830
Goodwill	2,130,000
Total assets	39,071,612
<u>Current liabilities</u>	
Other payables	3,790,494
Current income tax liabilities	737,597
Borrowings	553,639
<u>Non-current liabilities</u>	
Borrowings	560,925
Total liabilities	5,642,655
Total equity	33,428,957
(Less) Non-controlling interests	(71,222)
Equity attributable to equity holders of the Company	33,357,735

Source: Audited financial statements of the Group for FY2019

Subsequent to 31 December 2019, the Company entered into a Divestment SPA with Tricor Axcel Limited (“**Purchaser**”) on 11 February 2020 pursuant to which the Company divested its entire equity interest in its subsidiary, Axcelasia Taxand Sdn Bhd (“**AT**”, together with its subsidiaries, “**Sale Group**”). AT directly held the entire issued and paid-up share capital of Axcelasia Columbus Sdn Bhd (“**ACS**”), Axcelasia Corporate Services Sdn Bhd, Axcelasia Global Business Services Sdn Bhd, and Agensi Pekerjaan Axcelasia Talent Sdn Bhd while ACS directly held the entire issued and paid-up share capital of Axcelasia Softnex Sdn Bhd and 51.0% of the issued and paid-up share capital of Axcelasia HR Consulting Sdn Bhd.

The Sale Group carried the core business of the Company in Malaysia, being the provision of integrated professional services including tax advisory, business consultancy, technology tools and advisory, and business support services. The Divestment of the Sale Group was completed on 15 April 2020, following which the Sale Group ceased to be part of the Company.

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

As at the Latest Practicable Date, the Company holds the entire issued and paid-up share capital of Axcelasia Lao Co., Ltd. (“**Axcelasia Lao**”) and Audex Governance Sdn Bhd (“**Audex Governance**”), 90.0% of the issued and paid-up share capital of Axcelasia Singapore Pte. Ltd. (“**Axcelasia Singapore**”) and 70.0% of the issued and paid-up share capital of Axcelasia Vietnam Co., Ltd. (“**Axcelasia Vietnam**”) (collectively, “**Existing Subsidiaries**”).

The Group (excluding the Sale Group) is presently involved in the business of internal audit, risks and governance. Based on discussions with the Management, we understand that three (3) of the Existing Subsidiaries, namely, Axcelasia Lao, Audex Governance and Axcelasia Vietnam are dormant while Axcelasia Singapore has only recorded a small revenue of S\$8,000 since the start of FY2020 and up to the Latest Practicable Date due to the challenging business climate faced by the entity.

Net asset value (“NAV”) of the Group

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

Shareholders should nonetheless note that an analysis based on the NAV of the Group provides an estimate of the value of the Group based on a hypothetical scenario, and such hypothetical scenario is assumed without considering factors such as, *inter alia*, time value of money, market conditions, legal and professional fees, liquidation costs, taxes, contractual obligations, regulatory requirements and availability of potential buyers, which would theoretically lower the NAV that can be realised.

As set out above, subsequent to 31 December 2019, the Company had completed the Divestment of the Sale Group on 15 April 2020 and the Sale Group ceased to be part of the Company. Further, as announced by the Company on 17 April 2020, the Company had declared a Final Dividend for FY2019 amounting to an aggregate amount of S\$3.7 million (or equivalent to RM11.4 million) and, on 14 May 2020, made payment of the Final Dividend to its Shareholders.

As these corporate exercises have had a material impact on the NAV of the Group subsequent to 31 December 2019, it would not be meaningful to compare the Offer Price with the audited NAV of the Group as at 31 December 2019.

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

Adjusted net asset value (“Adjusted NAV”) of the Group

In our evaluation of the financial terms of the Offer, we have also considered whether there is any other asset which should be valued at an amount that is materially different from that which was recorded in the statement of financial position of the Group as at 31 December 2019 and whether there are any factors which have not been otherwise disclosed in the financial statements of the Group that are likely to impact the NAV of the Group as at 31 December 2019.

Accordingly, based on discussions with the Management, we have made adjustments to the audited NAV of the Group as at 31 December 2019 to reflect the effects of: (i) the Divestment of the Sale Group which had completed on 15 April 2020; (ii) the payment of the Final Dividend on 14 May 2020; and (iii) the net operating expenses incurred by the Group after 31 December 2019 (“**Net Operating Expenses**”) which may have a material impact on the financial position of the Group, to compute the Adjusted NAV of the Group as at 31 December 2019 as set out below:

Adjusted NAV	(RM'000)
NAV of the Group as at 31 December 2019	33,358
<i>Adjustments for the Divestment of the Sale Group</i>	
Add: Consideration (excluding Retention Amount (as defined below)) received for the Divestment of the Sale Group ⁽¹⁾	68,219
Add: Retention Amount to be received for the Divestment of the Sale Group ⁽¹⁾	1,481
Add: Permitted Dividend (as defined below) ⁽²⁾	196
Less: NAV of the Sale Group (including the effects of the Divestment of the Sale Group)	(8,057)
Less: Goodwill of Audex Governance written off ⁽³⁾	(2,130)
<i>Adjustments for the Final Dividend</i>	
Less: Declaration and payment of the Final Dividend	(11,386)
<i>Adjustments for the Net Operating Expenses</i>	
Less: Net Operating Expenses	(951)
Adjusted NAV of the Group as at 31 December 2019	80,730

Number of Shares as at 31 December 2019	160,310,300
Adjusted NAV per Share (RM)	0.504
Adjusted NAV per Share (S\$)	0.164
Premium of the Offer Price over the Adjusted NAV per Share (%)	26.8
Price-to-Adjusted NAV (“P/Adjusted NAV”) ratio as implied by the Offer Price (times)	1.3

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

Notes:

- (1) As announced by the Company on 11 February 2020, the consideration of RM69.7 million for the Divestment of the Sale Group would be paid or satisfied as follows:
 - (a) the amount of RM2.9 million representing the accounts receivable of the Sale Group which had been outstanding for 120 days or more as at 31 December 2019 (“**Aged Receivables**”) minus any amount of the Aged Receivables received by the Sale Group (“**Collected Aged Receivables**”) after 1 January 2020 and up to (and including) 2 April 2020 (“**Retention Amount**”) shall be retained by the Purchaser and shall be paid to the Company in cash as follows:
 - (i) from the date of the completion of the Divestment of the Sale Group (“**Completion**”) and up to the date failing eight (8) months after the date of the Divestment SPA, upon any Aged Receivables being received by the Sale Group, the Purchaser shall, as soon as reasonably practicable and in any event within 15 business days of the Aged Receivables being received, pay to the Company such part of the Retention Amount as is equal to the amount of the Aged Receivables received or, if the Retention Amount is lower than the amount of Aged Receivables received, the full amount of the Retention Amount; and
 - (ii) after the date failing eight (8) months after the date of the Divestment SPA, the Purchaser shall be entitled to retain the remaining balance of the Retention Amount (if any) after the sums due to the Company under Note (1)(a)(i) above have been paid (less any applicable bank charges); and
 - (b) the remainder of the consideration of RM69.7 million (after deducting the Retention Amount) shall be paid to the Company in cash on Completion.

As at the Latest Practicable Date, based on discussions with the Management, we understand that the Company has received a total consideration of RM68.2 million with a Retention Amount of RM1.5 million outstanding and due from the Purchaser.

- (2) Further, pursuant to the Divestment SPA, the parties to the Divestment SPA had agreed that a permitted dividend of an aggregate amount of RM11.5 million in cash shall be declared by the Sale Group and paid to the Company prior to the Completion. As at the Latest Practicable Date, based on discussions with the Management, we understand that a final amount of RM11.5 million has been paid to the Company of which RM11.3 million were in respect of dividend receivables due to the Company from the Sale Group as at 31 December 2019 (“**Permitted Dividend**”).
- (3) Based on discussions with the Management, the Company had on 15 April 2020, in connection with the Divestment of the Sale Group, written off the goodwill of RM2.1 million which arose from the acquisition of Audex Governance in FY2017 as the business of Audex Governance had been subsumed into ACS, a subsidiary of the Sale Group, since FY2017. Accordingly, Audex Governance is currently dormant.

Based on the above, the Adjusted NAV of the Group as at 31 December 2019 was approximately RM80.7 million (or equivalent to S\$26.2 million), representing Adjusted NAV per Share of RM0.504 (or equivalent to S\$0.164) based on 160,310,300 Shares as at 31 December 2019. Accordingly, the Offer Price represents a premium of approximately 26.8% over the Adjusted NAV per Share and values the Group at a P/Adjusted NAV ratio of 1.3 times.

Ex-cash Adjusted NAV of the Group

Following the adjustments made to the audited NAV of the Group as at 31 December 2019 as set out above, the Group would have recorded an adjusted net cash and cash equivalents of approximately RM79.0 million (or equivalent to S\$25.7 million) (“**Net Cash**”) which translate to a Net Cash per Share of RM0.493 (or equivalent to S\$0.160). After adjusting for the Net Cash, the ex-cash Adjusted NAV of the Group as at 31 December 2019 would be approximately RM1.7 million (or equivalent to S\$0.5 million) (“**Ex-cash Adjusted NAV**”) or RM0.011 per Share (or equivalent to S\$0.004 per Share). The Offer Price, after adjusting for the Net Cash per Share, would be S\$0.048 (“**Ex-cash Offer Price**”), representing a premium of approximately 1,100.0% over the Ex-cash Adjusted NAV per Share and would value the Group at an ex-cash price-to-Adjusted NAV ratio of 12.0 times (“**Ex-cash P/Adjusted NAV**”).

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

In respect of the above, we have sought the following confirmations from the Independent Directors and Management, and they confirmed to us that as at the Latest Practicable Date, to the best of their knowledge and belief that:

- (a) save for the adjustments made in arriving at the Adjusted NAV above, there are no material differences between realisable values of Group's assets and their respective book values as at the Latest Practicable Date which would have material impact on the NAV of the Group as at 31 December 2019;
- (b) there are no other contingent liabilities, bad or doubtful debts or material events as at the Latest Practicable Date which would likely have a material impact on the NAV of the Group as at 31 December 2019;
- (c) there are no litigation, claim or proceedings pending or threatened against the Company or Group or of any fact likely to give rise to any proceedings as at the Latest Practicable Date which might materially and adversely affect the financial position of the Company and Group as at 31 December 2019;
- (d) there are no other intangible assets as at the Latest Practicable Date and which ought to be disclosed in the statement of financial position of the Group in accordance with the Singapore Financial Reporting Standards (International) and which have not been so disclosed and where such intangible assets would have had a material impact on the overall financial position of the Group as at 31 December 2019; and
- (e) save for the Divestment of the Sale Group, there are no material acquisitions or disposals of assets by the Group between 31 December 2019 and the Latest Practicable Date, and the Group does not have any plans for any such impending material acquisition or disposal of assets, conversion of the use of the Group's material assets or material change in the nature of the Group's business.

9.3 Historical financial performance of the Group

As set out in Section 9.2 of this Letter, subsequent to 31 December 2019, the Company had completed the Divestment of the Sale Group on 15 April 2020. Accordingly, the Sale Group, which carried the core business of the Group of providing integrated professional services including tax advisory, business consultancy, technology tools and advisory, and business support services, ceased to be part of the Company. As at the Latest Practicable Date, the Group (excluding the Sale Group) is principally involved in the business of internal audit, risks and governance.

Based on discussions with the Management, we understand that the Sale Group had accounted for approximately 90.5%, 99.3% and 100.0% of the revenue of the Group for FY2017, FY2018 and FY2019 respectively, with the Sale Group being the only profitable subsidiary group for the last three (3) financial years. Accordingly, it would not be meaningful to set out the historical financial performance of the Group for FY2017, FY2018 and FY2019 for analysis as the current and remaining business of the Group is significantly different in scale and profitability from those of the Sale Group.

Further, as at the Latest Practicable Date, we understand that three (3) of the Existing Subsidiaries, namely, Axcelasia Lao, Audex Governance and Axcelasia Vietnam are dormant while Axcelasia Singapore has only recorded a small revenue of S\$8,000 since the start of FY2020 due to the challenging business climate faced by the entity. For avoidance of doubt, Axcelasia Singapore did not record any revenue in FY2019. Accordingly, as at the Latest Practicable Date, excluding the interest income, one-off gain in disposal from the Divestment of the Sale Group and one-off dividend paid by the Sale Group to the Company, the Group is loss making mainly due to operating expenses incurred.

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

9.4 Comparison with the valuation ratios of selected companies listed on the SGX-ST which are broadly comparable to the Group

For the purpose of our evaluation on the financial terms of the Offer, we have made reference to the valuation ratios of selected companies listed on the SGX-ST with market capitalisation of below S\$100.0 million. These companies are principally engaged in the business of providing business support services, for example, advisory, accounting and tax, human resources management, and workforce development services which the Company considers to be broadly comparable to the current business of the Group (“**Comparable Companies**”).

We wish to highlight that the Comparable Companies are not exhaustive and we recognise that there is no company listed on the SGX-ST, which we may consider to be identical to the Group in terms of, *inter alia*, geographical markets, composition of business activities, scale of the business operations, risk profile, asset base, valuation methodologies adopted, accounting policies, track record, future prospects, market/industry size, political risk, competitive and regulatory environment, financial positions and other relevant criteria and that such businesses may have fundamentally different annual profitability objectives. The Independent Directors should note that any comparison made with respect to the Comparable Companies merely serve to provide an illustrative perceived market valuation of the Group as at the Latest Practicable Date.

A brief description of the Comparable Companies is as follows:

Comparable Companies	Business description	Financial year ended
Zico Holdings Inc. (“ Zico Holdings ”)	Zico Holdings is an integrated network of professional service firms focused on the ASEAN region, providing advisory and transactional services, management and support services, and licensing services.	31 December 2019
Medinex Limited (“ Medinex ”)	Medinex provides medical support and consultancy services. The company offers business consultancy, clinic set-up, operation and financial management, medical supplies procurement and warehousing, licensing, business registration, human resource management, accountant, taxation, and training services.	31 December 2018 ⁽¹⁾
Advancer Global Limited (“ Advancer Global ”)	Advancer Global provides workforce solutions. The company specialises in employment, facilities management, and security services. Advancer Global serves residential, commercial, hospitals, and hotels in Singapore.	31 December 2019

Source: Bloomberg L.P.

Note:

- (1) The company announced on 21 August 2019 that it had changed its financial year end from 31 December to 31 March. Accordingly, the next set of the financial statements of the company would cover a period of 15 months from 1 January 2019 to 31 March 2020.

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

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

Valuation ratio	Description
Price-to-earnings (“ PE ”) ratio	<p>PE ratio or earnings multiple is the ratio of a company’s market capitalisation divided by the historical consolidated net profit attributable to shareholders.</p> <p>The PE ratio is an earnings-based valuation methodology and is calculated based on the net earnings attributable to shareholders after interest, taxation, depreciation and amortisation expenses. The PE ratio illustrates the ratio of the market capitalisation of an entity in relation to the historical net profit attributable to its shareholders.</p> <p>As such, it is affected by the capital structure of a company, its tax position as well as its accounting policies relating to depreciation and intangible assets.</p>
Price-to-NAV (“ P/NAV ”) ratio	<p>NAV refers to consolidated NAV, which are the total assets of a company less total liabilities.</p> <p>P/NAV refers to the ratio of a company’s share price divided by NAV per share. The P/NAV ratio represents an asset-based relative valuation which takes into consideration the book value or NAV backing of a company.</p> <p>The NAV of a company provides an estimate of its value assuming a hypothetical sale of all its assets and repayment of its liabilities and obligations, with the balance being available for distribution to its shareholders. It is an asset-based valuation methodology and this approach is meaningful to the extent that it measures the value of each share that is attached to the net assets of the company.</p>
Price-to-NAV on an ex-cash basis (“ Ex-cash P/NAV ”) ratio	<p>Ex-cash NAV refers to consolidated NAV less net cash, if applicable, of a company.</p> <p>Ex-cash P/NAV refers to the ratio of a company’s share price (less net cash, if applicable) divided by ex-cash NAV per share.</p> <p>The Ex-cash P/NAV ratio represents an asset-based relative valuation which takes into consideration the book value or NAV backing of a company on an ex-cash basis.</p>
Enterprise Value-to-Earnings before Interests, Taxes, Depreciation and Amortisation (“ EV/EBITDA ”) ratio	<p>EV refers to enterprise value which is the sum of a company’s market capitalisation, preferred equity, minority interests, short-term and long-term debts (inclusive of finance leases), less its cash and cash equivalents.</p> <p>EBITDA refers to the historical consolidated earnings before interest, taxes, depreciation and amortisation. The EV/EBITDA ratio illustrates the ratio of the market value of an entity’s business in relation to its historical pre-tax operating cash flow performance. The EV/EBITDA multiple is an earnings-based valuation methodology. The difference between EV/EBITDA and the PE ratio (described above) is that it does not take into account the capital structure of a company as well as its interest, taxation, depreciation and amortisation charges.</p>

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

PE ratio implied by the Offer Price

As the Group (excluding the Sale Group) was loss-making in FY2019, it is not meaningful to compare the PE ratio of the Group implied by the Offer Price with the PE ratios of the Comparable Companies.

P/Adjusted NAV ratio implied by the Offer Price

The Adjusted NAV of the Group as at 31 December 2019 amounted to approximately RM80.7 million (or equivalent to S\$26.2 million). Based on the number of issued Shares of 160,310,300 Shares as at the Latest Practicable Date, the Adjusted NAV per Share amounted to RM0.504 (or equivalent to S\$0.164).

The Offer Price of S\$0.208 per Share represents a premium of approximately 26.8% over the Adjusted NAV per Share of RM0.504 (or equivalent to S\$0.164) and values the Group at a P/Adjusted NAV ratio of **1.3 times** as at 31 December 2019.

Ex-cash P/Adjusted NAV ratio implied by the Offer Price

The Ex-cash Adjusted NAV of the Group as at 31 December 2019 amounted to approximately RM1.7 million (or equivalent to S\$0.5 million). Based on the number of issued Shares of 160,310,300 Shares as at the Latest Practicable Date, the Ex-cash Adjusted NAV per Share amounted to RM0.011 (or equivalent to S\$0.004).

The Ex-cash Offer Price of S\$0.048 per Share represents a premium of approximately 1,100.0% over the Ex-cash Adjusted NAV per Share of RM0.011 (or equivalent to S\$0.004) and values the Group at an Ex-cash P/Adjusted NAV ratio of **12.0 times** as at 31 December 2019.

EV/EBITDA ratio implied by the Offer Price

As the Group (excluding the Sale Group) had recorded negative EBITDA in FY2019, it is not meaningful to compare the EV/EBITDA ratio of the Group implied by the Offer Price with the EV/EBITDA ratios of the Comparable Companies.

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

Comparable Companies

The valuation ratios of the Comparable Companies based on their respective last traded share prices as at the Latest Practicable Date are set out below:

Comparable Companies	Market Capitalisation (S\$'million)	PE ⁽¹⁾ (times)	P/NAV ⁽²⁾ (times)	Ex-cash P/NAV ⁽³⁾ (times)	EV/EBITDA ⁽⁴⁾ (times)
Zico Holdings ⁽⁵⁾	38.6	n.m. ⁽⁶⁾	1.1	1.1 ⁽⁷⁾	22.8
Medinex ⁽⁸⁾	32.8	15.5 ⁽⁹⁾	2.4	3.2	11.7 ⁽⁹⁾
Advancer Global	22.1	47.0	0.5	0.0 ⁽¹⁰⁾	0.2 ⁽¹¹⁾
Max		47.0	2.4	3.2	22.8
Min		15.5	0.5	0.0⁽¹⁰⁾	0.2
Mean		31.2	1.3	1.4	17.3
Median		31.2	1.1	1.1	17.3
Company (implied by the Offer Price)	33.3	n.m.⁽¹²⁾	1.3⁽¹³⁾	12.0⁽¹⁴⁾	n.m.⁽¹²⁾

Sources: Bloomberg L.P., annual reports and announcements of the Comparable Companies and RHTC calculations

Notes:

- (1) The PE ratios of the Comparable Companies are calculated based on their respective trailing 12 months (“T12M”) earnings as set out in their latest published interim results or latest full year results, whichever is applicable.
- (2) The P/NAV ratios of the Comparable Companies are calculated based on their respective NAV values as set out in their latest available published interim results or latest full year results, whichever is applicable.
- (3) The Ex-cash P/NAV ratios of the Comparable Companies are calculated based on their respective NAV values adjusted for net cash and cash equivalent (if applicable) as set out in their latest available published interim results or latest full year results, whichever is applicable.
- (4) The EV of the Comparable Companies are calculated based on: (i) their market capitalisation; and (ii) their preferred equity, minority interests and net debt (if any), as set out in their respective latest available published interim results or latest full year results, whichever is applicable. The EBITDAs are calculated based on the T12M results of the respective Comparable Companies.
- (5) The reporting currency of Zico Holdings's financial statement is Malaysian Ringgit. The exchange rate used for conversion to SGD is S\$:RM3.0777 as at 29 May 2020, being the last closing rate prior to the Offer Announcement Date.
- (6) n.m. denotes not meaningful as Zico Holdings had recorded net losses in FY2019.
- (7) Refers to the P/NAV ratio of Zico Holdings as the company does not have net cash balances due to the company having higher borrowings than cash balances.
- (8) On 21 August 2019, Medinex announced the change in financial year end from 31 December to 31 March. Accordingly, the next set of the financial statements of the company would cover a period of 15 months from 1 January 2019 to 31 March 2020. Notwithstanding the above, on 22 May 2020, the company announced that it had sought an automatic extension of time to release its full year unaudited financial statements for the financial year ended 31 March 2020. Accordingly, the valuation ratios for Medinex have been calculated based on the latest available published interim results for the financial year ended 30 June 2019.
- (9) Excluded the listing expenses which were incurred in the financial year ended 31 December 2018 in connection with the IPO of Medinex on the SGX-ST on 7 December 2018.
- (10) The ex-cash P/NAV ratio of Advancer Global is 0.01 times.

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

- (11) Excluded as statistical outlier in the mean and median computations in relation to the EV/EBITDA ratio.
- (12) n.m. denotes not meaningful as the Group (excluding the Sale Group) had recorded net losses and negative EBITDA in FY2019.
- (13) Based on the Adjusted NAV per Share of the Group of RM0.504 (or equivalent to S\$0.164) as at 31 December 2019.
- (14) Based on the Ex-cash Adjusted NAV per Share of the Group of RM0.011 (or equivalent to S\$0.004) as at 31 December 2019.

Based on the above, we observe that:

- (a) The Group (excluding the Sale Group) was loss-making in FY2019, hence the PE ratio of the Company is not applicable. Solely for illustrative purposes, the PE ratios of the Comparable Companies ranged between 15.5 times and 47.0 times, with the mean and median PE ratios at 31.2 times;
- (b) The P/Adjusted NAV ratio of the Company of 1.3 times as implied by the Offer Price is within the range of the P/NAV ratios of the Comparable Companies, equivalent to the mean and above the median P/NAV ratios of 1.3 times and 1.1 times respectively;
- (c) The Ex-cash P/Adjusted NAV ratio of the Company of 12.0 times as implied by the Ex-cash Offer Price is outside the range of the Ex-cash P/NAV ratios of the Comparable Companies and significantly above the mean and median Ex-cash P/NAV ratios of 1.4 times and 1.1 times respectively; and
- (d) The Group (excluding the Sale Group) had recorded a negative EBITDA in FY2019, hence the EV/EBITDA ratio of the Company is not applicable. Solely for illustrative purposes, the EV/EBITDA ratios of the Comparable Companies ranged between 0.2 times and 22.8 times, with the mean and median EV/EBITDA ratios at 17.3 times.

9.5 Comparison with recently completed Non-Privatisation Transactions on the SGX-ST

In view that it is the intention of the Offeror to maintain the listing status of the Company on the SGX-ST, for the purpose of our evaluation of the financial terms of the Offer, we have compared the financial terms of the Offer to other recently completed non-privatisation take-over offers of companies listed on the SGX-ST which were announced since 1 January 2017 and up to the Latest Practicable Date (“**Selected Comparable Transactions**”).

However, we wish to highlight that the list of target companies set out under the Selected Comparable Transactions may not be directly comparable with the Company in terms of market capitalisation, size of operations, business activities, accounting policies, financial performance, future prospects and other relevant criteria. Each transaction must be judged on its own commercial and financial merits.

We also wish to highlight that the list of Selected Comparable Transactions is by no means exhaustive and has been compiled based on publicly available information as at the Latest Practicable Date.

The premium (if any) that an offeror would pay in respect of any particular takeover depends on various factors, *inter alia*, the offeror’s intention with regard to the target company, the potential synergy that the offeror can derive from acquiring the target company, the presence of competing bids for the target company, prevailing market conditions and sentiments, attractiveness and profitability of the target’s business and assets as well as existing and desired level of control in the target company. Therefore, the comparison of the Offer with the Selected Comparable Transactions set out below is for illustrative purposes only. Conclusions drawn from the comparisons made may not reflect the perceived market valuation of the Company.

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

Selected Comparable Transactions	Date of announcement	Premium / (Discount) of Offer Price over / (to)					P/NAV (times)	Independent financial adviser's advice to the independent directors on their recommendation to shareholders in relation to the offers
		Last transacted market price prior to announcement (%)	VWAP for the 1-month period prior to announcement (%)	VWAP for the 3-month period prior to announcement (%)	VWAP for the 6-month period prior to announcement (%)	VWAP for the 12-month period prior to announcement (%)		
Healthway Medical Corporation Limited	7 Feb 17	1.3	8.9	15.0	16.8	19.8	0.7 ⁽¹⁾	Accept the offer
QUE Lippo Healthcare Limited (formerly known as International Healthway Corporation Limited)	16 Feb 17	0.0	14.0	20.5	32.5	37.7	1.1 ⁽²⁾	Accept the offer
Yinda Infocomm Limited (formerly known as CMC Infocomm Limited)	7 May 17	18.8	18.8	35.5	9.5	16.7	1.7 ⁽³⁾	Accept the offer
Cityneon Holdings Limited ⁽⁴⁾	12 May 17	(5.4)	0.6	3.9	0.3	4.2	3.2 ⁽⁵⁾	Reject the offer
Blumont Group Ltd	24 Aug 17	(81.8) ⁽⁶⁾	(89.9) ⁽⁶⁾	(88.5) ⁽⁶⁾	(91.4) ⁽⁶⁾	(94.0) ⁽⁶⁾	0.6 ⁽⁷⁾	Reject the offer
Mary Chia Holdings Limited	24 Aug 17	69.2 ⁽⁸⁾	93.0 ⁽⁸⁾	96.1 ⁽⁸⁾	99.6 ⁽⁸⁾	72.4 ⁽⁸⁾	2.8 ⁽⁹⁾	Accept the offer
BRC Asia Limited ⁽¹⁰⁾	8 Sep 17	33.1	30.3	35.3	42.0	47.0	0.8 ⁽¹¹⁾	Reject the offer
New Wave Holdings Ltd.	19 Oct 17	44.4	38.0	9.0	18.7	29.1	0.9 ⁽¹²⁾	Accept the offer
TMC Education Corporation Limited	15 Dec 17	68.8 ⁽¹³⁾	50.0	29.8	29.8	7.1	1.5 ⁽¹⁴⁾	Accept the offer
CH Offshore Ltd	26 Jul 18	0.0	(11.0)	(11.6)	(21.7)	(33.7)	0.5 ⁽¹⁵⁾	Reject the offer
OneApex Limited ⁽¹⁶⁾ (formerly known as Chew's Group Limited)	22 Aug 18	26.2	30.9	33.4	37.7	35.9	1.2 ⁽¹⁷⁾	Accept the offer
Sunrise Shares Holding Ltd.	6 Dec 18	21.4	30.8	36.0	14.9	(64.4) ⁽¹⁸⁾	0.3 ⁽¹⁹⁾	Reject the offer

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

Selected Comparable Transactions	Date of announcement	Premium / (Discount) of Offer Price over / (to)					P/NAV (times)	Independent financial adviser's advice to the independent directors on their recommendation to shareholders in relation to the offers
		Last transacted market price prior to announcement (%)	VWAP for the 1-month period prior to announcement (%)	VWAP for the 3-month period prior to announcement (%)	VWAP for the 6-month period prior to announcement (%)	VWAP for the 12-month period prior to announcement (%)		
Thakral Corporation Ltd	4 Mar 19	11.8	17.1	18.1	18.0	14.6	0.5 ⁽²⁰⁾	Accept the offer
Sevak Limited ⁽²¹⁾	21 Mar 19	17.4	9.3	9.8	18.7	24.6	1.1 ⁽²²⁾	Accept the offer
Ying Li International Real Estate Limited	3 Apr 19	1.6	5.7	10.5	17.8	18.2	0.3 ⁽²³⁾	Reject the offer
DLF Holdings Limited	20 Sep 19	(56.2) ⁽²⁴⁾	(54.4) ⁽²⁴⁾	(54.4) ⁽²⁴⁾	(56.2) ⁽²⁴⁾	(51.9) ⁽²⁴⁾	18.6 ⁽²⁴⁾⁽²⁵⁾	Accept the offer
ISEC Healthcare Ltd. ⁽²⁶⁾	25 Oct 19	5.9	11.3	15.1	19.9	22.6	7.7 ⁽²⁷⁾⁽²⁸⁾	Accept the offer
Max		69.2	93.0	96.1	99.6	72.4	18.6	
Min		(81.8)	(89.9)	(88.5)	(91.4)	(94.0)	0.3	
Mean		13.6	18.2	18.6	18.2	18.8	1.6	
Median		11.8	15.6	16.6	18.4	19.8	1.0	
The Company (implied by the Offer Price)	1 June 2020	43.4	40.1	41.3	78.6	205.2	1.3⁽²⁹⁾	

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

Notes:

- (1) Based on the unaudited NAV as at 31 December 2016.
- (2) Based on the revalued net tangible asset (“NTA”) as at 30 September 2016.
- (3) Based on the unaudited NTA 30 November 2016.
- (4) On 12 May 2017, Cityneon Holdings Limited (“Cityneon”) released a pre-conditional offer announcement (“**Pre-Conditional Offer Announcement**”) to inform its shareholders that Lucrum 1 Investment Limited had entered into a conditional share purchase agreement for the purchase of 128,458,59 shares, representing 52.2% of the issues and paid up share capital of Cityneon. The market premium in the table above was computed based on the share prices prior to the Pre-Conditional Offer Announcement.
- (5) Based on the NAV as at 31 December 2016.
- (6) Excluded as statistical outlier in the mean and median computations in relation to the Premium / (Discount) of Offer Price over / (to): (i) the last transacted market price prior to announcement; and (ii) the relevant VWAPs for the 1-month, 3-month, 6-month and 12-month periods prior to the announcement.
- (7) Based on the revalued NTA as at 30 June 2017.
- (8) Excluded as statistical outlier in the mean and median computations in relation to the Premium / (Discount) of Offer Price over / (to): (i) the last transacted market price prior to announcement; and (ii) the relevant VWAPs for the 1-month, 3-month, 6-month and 12-month periods prior to the announcement.
- (9) Based on the revalued NTA as at 31 March 2017.
- (10) On 30 May 2017, BRC Asia Limited (“**BRC Asia**”) released a holding announcement (“**BRC Asia Holding Announcement**”) to inform its shareholders that some of the substantial shareholders of BRC Asia had received an unsolicited approach in connection with a potential transaction which may or may not lead to an acquisition of the issued shares of BRC Asia. The market premium in the table above was computed based on the share prices prior to the BRC Asia Holding Announcement.
- (11) Based on the revalued NAV as at 30 June 2017.
- (12) Based on the revalued NTA as at 30 September 2017.
- (13) Excluded as statistical outlier in the mean and median computations in relation to the Premium / (Discount) of Offer Price over / (to) the last transacted market price prior to announcement.
- (14) Based on the adjusted NTA as at 30 June 2017.
- (15) Based on the revalued NAV as at 30 June 2018.
- (16) On 8 June 2018, Chew’s Group Limited (“**Chew’s Group**”) announced (“**Termsheet Announcement**”) that it had been informed by its controlling shareholder, Fenghe Investment Holding Pte. Ltd. (“**Fenghe**”), that Fenghe had entered into a non-legally binding term sheet with a potential third-party purchaser for the proposed acquisition by the purchaser from Fenghe 57,580,341 ordinary shares of Chew’s Group, representing approximately 68.14% of the issued share capital of Chew’s Group, at a price of S\$0.2107 per sale share. The market premium in the table above were computed based on the share prices prior to the Termsheet Announcement. Chew’s Group had on 21 March 2018 and 26 September 2018 declared a special one-tier tax exempt dividend of S\$0.35 per share and a one-tier tax exempt interim dividend of S\$0.10 per share respectively, which were paid on 10 May 2018 and 12 October 2018 respectively. In connection therewith, the share prices of Chew’s Group in the table above had been adjusted to exclude the effects of the dividends on the share prices of Chew’s Group. Accordingly, the VWAPs of Chew’s Group had been weighted based on the average traded prices (as adjusted for the dividends) and traded volumes of the shares during the relevant trading days for each of the respective periods prior to the Termsheet Announcement.
- (17) Based on the adjusted NAV as at 31 March 2018.
- (18) Excluded as statistical outlier in the mean and median computations in relation to the Premium / (Discount) of Offer Price over / (to) the VWAP for the 12-month period prior to the announcement.
- (19) Based on the unaudited NAV as at 30 June 2018.
- (20) Based on the unaudited NAV as at 31 December 2018.
- (21) On 1 February 2019, Sevak Limited (“**Sevak**”) released a holding announcement (“**Sevak Holding Announcement**”) to inform its shareholders in relation to a potential partial offer and no offer price was mentioned in the Sevak Holding Announcement. The market premium in the table above was computed based on the share prices prior to the Sevak Holding Announcement.
- (22) Based on the audited NAV as at 31 December 2018.

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

- (23) Based on the revalued NAV as at 31 December 2018.
- (24) Excluded as statistical outlier in the mean and median computations in relation to the Premium / (Discount) of Offer Price over / (to): (i) the last transacted market price prior to announcement; and (ii) the relevant VWAPs for the 1-month, 3-month and 6-month periods prior to the announcement, as well as the P/NAV ratio.
- (25) Based on the revalued NTA as at 30 June 2019.
- (26) On 2 July 2019, ISEC Healthcare Ltd. (“ISEC”) released a holding announcement (“ISEC Holding Announcement”) to inform its shareholders that some of the shareholders were at an advanced stage of negotiations with a third party purchaser for the sale of part of their shares of ISEC and that based on the proposed terms, the potential transaction if completed, is likely to lead to an offer for the shares of ISEC. The market premium in the table above was computed based on the share prices prior to the ISEC Holding Announcement.
- (27) Excluded as statistical outlier in the mean and median computations in relation to the P/NAV ratio.
- (28) Based on the unaudited NTA as at 30 September 2019.
- (29) Based on the Adjusted NAV per Share of the Group of RM0.504 (or equivalent to S\$0.164) as at 31 December 2019.

Based on the above, we observe that:

- (a) The premium implied by the Offer Price of 43.4% over the VWAP of the Shares on the Last Traded Day before the Offer Announcement Date is within the range and above the mean and median of the corresponding premium of the Selected Comparable Transactions;
- (b) The premium implied by the Offer Price of 40.1%, 41.3%, 78.6% and 205.2% over the VWAPs of the Shares for the 1-month, 3-month, 6-month and 12-month periods up to and including the Last Traded Day before the Offer Announcement Date is within the range and above the mean and median of the corresponding premium of the Selected Comparable Transactions;
- (c) The P/Adjusted NAV ratio of the Company of 1.3 times as implied by the Offer Price is within the range of P/NAV ratios of the Selected Comparable Transactions but below the mean and above the median P/NAV ratios of the Selected Comparable Transactions; and
- (d) Further, we noted that amongst the Selected Comparable Transactions where the respective independent financial advisers had advised independent directors to recommend to shareholders to “accept” the offer, the P/NAV ratios of the majority of such Selected Comparable Transactions are below the P/Adjusted NAV ratio implied by the Offer Price in relation to the Company.

9.6 Dividend track record of the Company

For the purpose of assessing the Offer, we have considered the historical dividend record of the Shares for the past three (3) financial years prior to the Offer Announcement Date:

Dividend declared	FY2017	FY2018	FY2019
Total dividends for the year (S\$ per Share)	-	-	0.025
Average Share price ⁽¹⁾ (S\$)	0.075	0.068	0.070
Dividend yield ⁽²⁾ (%)	-	-	35.7

Sources: Bloomberg L.P., annual reports and announcements of the Group

Notes:

- (1) Average daily closing price of the Shares.
- (2) Computed based on dividends per Share divided by the average Share price.

We note that over the last three (3) financial years, the Company only declared dividend in FY2019 which represented a dividend yield of 35.7%.

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

As at the Latest Practicable Date, we note that no dividends have been declared and paid to its Shareholders by the Company in respect of the proceeds received from the Divestment of the Sale Group.

The Directors have confirmed that the Company does not have a fixed dividend policy and that they will recommend future dividends after taking into consideration the Company's cash and financial position, financial performance of the Group, working capital requirements and projected capital expenditure and other investments plans.

Further, as set out in Section 9.3 of this Letter, as at the Latest Practicable Date, the Group (excluding the Sale Group) has only recorded a small revenue of S\$8,000 since the start of FY2020, and excluding the interest income, one-off gain in disposal from the Divestment of the Sale Group and one-off dividend paid by the Sale Group to the Company, the Group is loss making mainly due to operating expenses incurred. In addition, the Offeror had bought the Shares at a valuation higher than the Adjusted NAV of the Group which comprises substantially of cash and cash equivalents. Accordingly, it is unlikely that the Group under the control of the Offeror would declare dividends in the near future.

We wish to highlight that the above dividend analysis of the Company serves as an illustrative guide and is not an indication of the Company's future dividend policy. There is no assurance that the Company will or will not continue to pay dividends in the future and/or maintain that level of dividend paid in past periods.

9.7 Other relevant considerations

9.7.1 Offeror's intentions for the Company

As set out in Section 10.2 of the Offer Document, the Offeror has stated that it intends for the Company to continue with its existing activities and has no current intention to: (a) introduce any major changes to the existing business of the Company; (b) re-deploy the fixed assets of the Group; or (c) discontinue the employment of the employees of the Group, other than in the ordinary course of business. However, the Offeror retains the flexibility at any time to consider any options or opportunities which may present themselves and which the Offeror regards to be in the interests of the Offeror and/or the Company. Following the close of the Offer, the Offeror will undertake a comprehensive review of the businesses of the Company to determine the optimal strategy for the Company.

We further note that, pursuant to the terms of the SPA, Dr Veerinderjeet Singh, Dato' Peter Tang and Mr Ranjit Singh shall resign from the Board of the Company on the later of the completion of the Offer or the earliest date on which such resignations are permitted under the Code and all other applicable laws and regulations (including rules of the SGX-ST).

9.7.2 Likelihood of competing offers

As at the Latest Practicable Date, the Offeror owns approximately 66.9% of the total number of Shares in the Company. Accordingly, the likelihood of a competing offer from any third party is remote.

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

9.7.3 No intention to revise the Offer Price

The Offeror does not intend to revise the Offer Price and therefore, in accordance with Rule 20.2 of the Code, the Offeror will not be allowed to subsequently amend the terms of the Offer, including the Offer Price.

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

9.7.4 Unconditional offer

As the Offer is unconditional in all respects, Shareholders who accept the Offer are assured of receiving the Offer Price for each Offer Share tendered in acceptance of the Offer.

9.7.5 Statutory control of the Company

As at the Latest Practicable Date, the Offeror owns approximately 66.9% of the total number of Shares in the Company. Accordingly, the Offeror has statutory control over the Company which places the Offeror in a position to significantly influence, *inter alia*, the management, operating and financial policies of the Company and the ability to pass all ordinary resolutions on matters which the Offeror and its concert parties do not have an interest, at the general meetings of the Company.

9.7.6 Listing status of the Company and no compulsory acquisition by the Offeror

It is the current intention of the Offeror to maintain the listing status of the Company on the SGX-ST. However, in the event the percentage of Shares (excluding any Shares held in treasury) held in public hands falls below 10.0% and the SGX-ST suspends trading of the Shares, the Offeror reserves the right to re-evaluate its position, taking into account, amongst other things, the level of acceptances received by the Offeror and the prevailing market conditions at the relevant time. **Accordingly, there is no assurance that the Offeror will take steps to preserve the listing status of the Company on the SGX-ST if the public float of the Company is less than 10.0%.**

Further, the right to compulsorily acquire all the Shares of Shareholders who have not accepted the Offer under Section 215(1) and Section 215(3) of the Companies Act, Chapter 50 of Singapore (“**Companies Act**”) is not applicable to the Company (incorporated under the Labuan Companies Act 1990, Malaysia) as it is a foreign company.

Separately, as set out in Section 9.7.1 of this Letter, the Offeror has stated that it intends for the Company to continue with its existing activities and has no current intention to: (a) introduce any major changes to the existing business of the Company; (b) re-deploy the fixed assets of the Group; or (c) discontinue the employment of the employees of the Group, other than in the ordinary course of business.

We understand that out of the four (4) Existing Subsidiaries, only Axcelasia Singapore remains to be active while the remaining three (3) Existing Subsidiaries are dormant. We further understand that Axcelasia Singapore has only recorded a small revenue of S\$8,000 since the start of FY2020 up to the Latest Practicable Date due to the challenging business climate faced by the entity while, in FY2019, Axcelasia Singapore did not record any revenue. Accordingly, should Axcelasia Singapore continue to be faced with the challenging business climate in the future, there may be a risk in maintaining the listing status of the Company on the SGX-ST.

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

10. OPINION

In arriving at our opinion on the financial terms of the Offer, we have taken into consideration, *inter alia*, the following factors summarised below as well as elaborated elsewhere in this Letter. The following should be read in conjunction with, and in the context of, the full text of this Letter:

- (a) Market quotation and trading liquidity of the Shares:
 - (i) The Offer Price represents a premium of approximately 43.4% over the VWAP of the Shares of S\$0.145 on the Last Traded Day before the release of the Offer Announcement;
 - (ii) The Offer Price represents a premium of approximately 40.1%, 41.3%, 78.6% and 205.2% over the VWAPs of the Shares for 1-month, 3-month, 6-month and 12-month periods up to and including the Last Traded Day before the release of the Offer Announcement respectively;
 - (iii) Over the 12-month period up to and including the Last Traded Day before the release of the Offer Announcement, the Offer Price represents a premium of 372.7% over the lowest transacted price of the Shares and a premium of 9.5% over the highest transacted price of the Shares;
 - (iv) The Shares were thinly traded, trading only on 32 days out of 251 market days during the 12-month period up to and including the Last Traded Day before the release of the Offer Announcement, and during which the Shares have not closed at or above the Offer Price;
 - (v) The Offer Price is equivalent to the VWAP of the Shares of S\$0.208 for the period after the release of the Offer Announcement to the Latest Practicable Date;
 - (vi) For the period after the release of the Offer Announcement to the Latest Practicable Date, the Offer Price represents a premium of 1.5% over the lowest transacted price of the Shares and a discount of 3.3% to the highest transacted price of the Shares, and during which the Shares have closed at or above the Offer Price on 9 traded days out of 15 traded days;
 - (vii) The Offer Price represents a discount of approximately 1.0% to the VWAP of the Shares of S\$0.210 as at the Latest Practicable Date;
 - (viii) Since the IPO of the Company and up to the Offer Announcement Date, the Shares have not closed at or above the Offer Price, save for 8 traded days out of 108 traded days, and prior to the Offer, the last time the share price closed at or above the Offer Price was on 26 July 2016 at S\$0.22;
 - (ix) The average daily trading volume of the Shares for the 1-month, 3-month, 6-month and 12-month periods up to and including the Last Traded Day before the release of the Offer Announcement represent 0.2%, 0.1%, 0.1% and 0.5% of the free float of the Shares respectively;
 - (x) During the period following the release of the Offer Announcement and up to the Latest Practicable Date, the average daily trading volume on the Shares was approximately 7,952,000 Shares, representing 27.3% of the free float of the Shares;

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

- (b) Historical financial position of the Group:
- (i) As at 31 December 2019, the Adjusted NAV of the Group was approximately RM80.7 million (or equivalent to S\$26.2 million), representing Adjusted NAV per Share of RM0.504 (or equivalent to S\$0.164). The Offer Price represents a premium of approximately 26.8% over the Adjusted NAV per Share and values the Group at a P/Adjusted NAV ratio of 1.3 times;
 - (ii) As at 31 December 2019, the Ex-cash Adjusted NAV of the Group would be approximately RM1.7 million (or equivalent to S\$0.5 million), representing Ex-cash Adjusted NAV per Share of RM0.011 (or equivalent to S\$0.004). The Ex-cash Offer Price represents a premium of approximately 1,100.0% over the Ex-cash Adjusted NAV per Share and would value the Group at an Ex-cash P/Adjusted NAV ratio of 12.0 times;
- (c) Historical financial performance of the Group:
- (i) Subsequent to 31 December 2019, the Company had completed the Divestment of the Sale Group on 15 April 2020 and the Sale Group ceased to be part of the Company. As the Sale Group had accounted for approximately 90.5%, 99.3% and 100.0% of the revenue of the Group for FY2017, FY2018 and FY2019 respectively, an analysis of the historical financial performance of the Group would not be meaningful;
 - (ii) As at the Latest Practicable Date, the Group (excluding the Sale Group) has only recorded a small revenue of S\$8,000 since the start of FY2020, and excluding the interest income, one-off gain in disposal from the Divestment of the Sale Group and one-off dividend paid by the Sale Group to the Company, the Group is loss making mainly due to operating expenses incurred;
- (d) Comparison with the valuation ratios of selected companies listed on the SGX-ST which are broadly comparable to the Group:
- (i) The P/Adjusted NAV ratio of the Company of 1.3 times as implied by the Offer Price is within the range of the P/NAV ratios of the Comparable Companies, equivalent to the mean and above the median P/NAV ratios of 1.3 times and 1.1 times respectively;
 - (ii) The Ex-cash P/Adjusted NAV ratio of the Company of 12.0 times as implied by the Ex-cash Offer Price is outside the range of the Ex-cash P/NAV ratios of the Comparable Companies and significantly above the mean and median Ex-cash P/NAV ratios of 1.4 times and 1.1 times respectively;
- (e) Comparison with recently completed Non-Privatisation Transactions on the SGX-ST:
- (i) The premium implied by the Offer Price of 43.4% over the VWAP of the Shares on the Last Traded Day before the Offer Announcement Date is within the range and above the mean and median of the corresponding premium of the Selected Comparable Transactions;
 - (ii) The premium implied by the Offer Price of 40.1%, 41.3%, 78.6% and 205.2% over the VWAPs of the Shares for the 1-month, 3-month, 6-month and 12-month periods up to and including the Last Traded Day before the Offer Announcement Date is within the range and above the mean and median of the corresponding premium of the Selected Comparable Transactions;

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

- (iii) The P/Adjusted NAV ratio of the Company of 1.3 times as implied by the Offer Price is within the range of P/NAV ratios of the Selected Comparable Transactions but below the mean and above the median P/NAV ratios of the Selected Comparable Transactions;
- (iv) We noted that amongst the Selected Comparable Transactions where the respective independent financial advisers had advised independent directors to recommend to shareholders to “accept” the offer, the P/NAV ratios of the majority of such Selected Comparable Transactions are below the P/Adjusted NAV ratio implied by the Offer Price in relation to the Company;
- (f) Dividend track record of the Company:

Over the last three (3) financial years, the Company only declared dividend in FY2019 which represented a dividend yield of 35.7%. Further, as at the Latest Practicable Date, the Group (excluding the Sale Group) has only recorded a small revenue of S\$8,000 since the start of FY2020, and excluding the interest income, one-off gain in disposal from the Divestment of the Sale Group and one-off dividend paid by the Sale Group to the Company, the Group is loss making mainly due to operating expenses incurred. In addition, the Offeror had bought the Shares at a valuation higher than the Adjusted NAV of the Group which comprises substantially of cash and cash equivalents. Accordingly, it is unlikely that the Group under the control of the Offeror would declare dividends in the near future;
- (g) Other relevant considerations:
 - (i) The Offeror’s intention for the Company, *inter alia*, that the Offeror intends for the Company to continue with its existing activities and has no current intention to: (a) introduce any major changes to the existing business of the Company; (b) re-deploy the fixed assets of the Group; or (c) discontinue the employment of the employees of the Group, other than in the ordinary course of business. Further, following the close of the Offer, the Offeror will undertake a comprehensive review of the businesses of the Company to determine the optimal strategy for the Company;
 - (ii) The likelihood of a competing offer from any third party for the Shares is remote in view of the Offeror owning approximately 66.9% of the total number of Shares in the Company as at the Latest Practicable Date;
 - (iii) The Offeror does not intend to revise the Offer Price;
 - (iv) The Offer is unconditional in all respects;
 - (v) The Offeror has statutory control of the Company as at the Latest Practicable Date; and
 - (vi) The Offeror intends to maintain the listing status of the Company on the SGX-ST. Further, the right to compulsorily acquire all the Shares of Shareholders who have not accepted the Offer under Section 215(1) and Section 215(3) of the Companies Act is not applicable to the Company as it is a foreign company. Separately, should Axcelasia Singapore, being the only active subsidiary, continue to be faced with the challenging business climate in the future, there may be a risk in maintaining the listing status of the Company on the SGX-ST.

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

Having considered the various factors set out in the earlier sections of this Letter and summarised below, we are of the opinion that the financial terms of the Offer are fair and reasonable.

We consider the financial terms of the Offer to be **FAIR**, after taking into consideration the following factors:

- (a) The Offer Price represents a premium of approximately 43.4% over the VWAP of the Shares of S\$0.145 on the Last Traded Day before the release of the Offer Announcement;
- (b) The Offer Price represents a premium of approximately 40.1%, 41.3%, 78.6% and 205.2% over the VWAPs of the Shares for 1-month, 3-month, 6-month and 12-month periods up to and including the Last Traded Day before the release of the Offer Announcement respectively;
- (c) Notwithstanding that the Offer Price represents a discount of approximately 1.0% to the VWAP of the Shares of S\$0.210 as at the Latest Practicable Date, the Offer Price is equivalent to the VWAP of the Shares of S\$0.208 for the period after the release of the Offer Announcement to the Latest Practicable Date;
- (d) The Offer Price represents a premium of approximately 26.8% over the Adjusted NAV per Share of the Group as at 31 December 2019;
- (e) The Ex-cash Offer Price represents a premium of 1,100.0% over the Ex-cash Adjusted NAV per Share of the Group as at 31 December 2019;
- (f) In respect of the Comparable Companies, we have considered the following factors:
 - (i) The P/Adjusted NAV ratio of the Company of 1.3 times as implied by the Offer Price is equivalent to the mean and above the median P/NAV ratios of 1.3 times and 1.1 times of the Comparable Companies respectively;
 - (ii) The Ex-cash P/Adjusted NAV ratio of the Company of 12.0 times as implied by the Ex-cash Offer Price is significantly above the mean and median Ex-cash P/NAV ratios of 1.4 times and 1.1 times of the Comparable Companies respectively;
- (g) In respect of the Non-Privatisation Transactions, we have considered the following factors:
 - (i) The premium implied by the Offer Price of 43.4% over the VWAP of the Shares on the Last Traded Day before the Offer Announcement Date is above the mean and median of the corresponding premium of the Selected Comparable Transactions;
 - (ii) The premium implied by the Offer Price of 40.1%, 41.3%, 78.6% and 205.2% over the VWAPs of the Shares for the 1-month, 3-month, 6-month and 12-month periods up to and including the Last Traded Day before the Offer Announcement Date is above the mean and median of the corresponding premium of the Selected Comparable Transactions; and
 - (iii) Notwithstanding that the P/Adjusted NAV ratio of the Company of 1.3 times as implied by the Offer Price is below the mean of the Selected Comparable Transactions, the P/Adjusted NAV ratio of the Company is above the median P/NAV ratios.

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

We consider the financial terms of the Offer to be **REASONABLE**, after taking into consideration the following factors:

- (a) The Shares were thinly traded, trading only on 32 days out of 251 market days during the 12-month period up to and including the Last Traded Day before the release of the Offer Announcement, and during which the Shares have not closed at or above the Offer Price;
- (b) Notwithstanding that, for the period after the release of the Offer Announcement to the Latest Practicable Date, the Shares have closed at or above the Offer Price on 9 traded days out of the 15 traded days, since the IPO of the Company and up to the Offer Announcement Date, the Shares have not closed at or above the Offer Price, save for 8 traded days out of 108 traded days, and prior to the Offer, the last time the share price closed at or above the Offer Price was on 26 July 2016 at S\$0.22;
- (c) As at the Latest Practicable Date, the Group (excluding the Sale Group) has only recorded a small revenue of S\$8,000 since the start of FY2020, and excluding the interest income, one-off gain in disposal from the Divestment of the Sale Group and one-off dividend paid by the Sale Group to the Company, the Group is loss making mainly due to operating expenses incurred;
- (d) In respect of the Non-Privatisation Transactions, amongst the Selected Comparable Transactions where the respective independent financial advisers had advised independent directors to recommend to shareholders to “accept” the offer, the P/NAV ratios of the majority of such Selected Comparable Transactions are below the P/Adjusted NAV ratio implied by the Offer Price in relation to the Company;
- (e) Over the last three (3) financial years, the Company only declared dividend in FY2019 which represented a dividend yield of 35.7%. Further, as at the Latest Practicable Date, the Group (excluding the Sale Group) has only recorded a small revenue of S\$8,000 since the start of FY2020, and excluding the interest income, one-off gain in disposal from the Divestment of the Sale Group and one-off dividend paid by the Sale Group to the Company, the Group is loss making mainly due to operating expenses incurred. In addition, the Offeror had bought the Shares at a valuation higher than the Adjusted NAV of the Group which comprises substantially of cash and cash equivalents. Accordingly, it is unlikely that the Group under the control of the Offeror would declare dividends in the near future;
- (f) The Offeror’s intention for the Company, *inter alia*, that the Offeror intends for the Company to continue with its existing activities and has no current intention to: (a) introduce any major changes to the existing business of the Company; (b) re-deploy the fixed assets of the Group; or (c) discontinue the employment of the employees of the Group, other than in the ordinary course of business;
- (g) The likelihood of a competing offer from any third party for the Shares is remote in view of the Offeror owning approximately 66.9% of the total number of Shares in the Company as at the Latest Practicable Date;
- (h) The Offeror does not intend to revise the Offer Price;
- (i) The Offer is unconditional in all respects;
- (j) The Offeror has statutory control of the Company as at the Latest Practicable Date; and

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

- (k) The Offeror intends to maintain the listing status of the Company on SGX-ST. Further, the right to compulsorily acquire all the Shares of Shareholders who have not accepted the Offer under Section 215(1) and Section 215(3) of the Companies Act is not applicable to the Company as it is a foreign company. Separately, should Axcelasia Singapore, being the only active subsidiary, continue to be faced with the challenging business climate in the future, there may be a risk in maintaining the listing status of the Company on the SGX-ST.

Accordingly, we advise the Independent Directors to recommend that Shareholders ACCEPT the Offer, unless Shareholders are able to obtain a price higher than the Offer Price on the open market, after taking into account all brokerage commissions or transactions costs in connection with open market transactions.

As set out in the Offer Document, Shareholders should also take note that it is the current intention of the Offeror to maintain the listing status of the Company on the SGX-ST. In the event the percentage of Shares (excluding any Shares held in treasury) held in public hands falls below 10.0% and the SGX-ST suspends trading of the Shares, the Offeror reserves the right to re-evaluate its position, taking into account, amongst other things, the level of acceptances received by the Offeror and the prevailing market conditions at the relevant time. Accordingly, there is no assurance that the Offeror will take steps to preserve the listing status of the Company on the SGX-ST if the public float of the Company is less than 10.0%.

We have prepared this Letter for the use of the Independent Directors for their benefit, in connection with and for the purpose of their consideration of the financial terms of the Offer and should not be relied on by any other party. The recommendation made by the Independent Directors to the Shareholders in relation to the Offer shall remain the sole responsibility of the Independent Directors.

Whilst a copy of this Letter may be reproduced in the Circular, neither the Company nor the Directors may reproduce, disseminate or quote this Letter (or any part thereof) for any other purpose at any time and in any manner without the prior written consent of RHTC in each specific case.

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

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

Khong Choun Mun
Chief Executive Officer

Mah How Soon
Managing Director

APPENDIX II – ADDITIONAL INFORMATION ON THE COMPANY

1. DIRECTORS

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

Name	Address	Designation
Dr. Veerinderjeet Singh a/l Tejwant Singh	c/o Suite 13A.02, Level 13A Wisma Goldhill 67, Jalan Raja Chulan 50200 Kuala Lumpur, Malaysia	Non-Independent Non-Executive Chairman
Dato' Peter Tang Swee Guan	c/o Suite 13A.02, Level 13A Wisma Goldhill 67, Jalan Raja Chulan 50200 Kuala Lumpur, Malaysia	Deputy Executive Chairman
Mr. Ranjit Singh a/l Taram Singh	c/o Suite 13A.02, Level 13A Wisma Goldhill 67, Jalan Raja Chulan 50200 Kuala Lumpur, Malaysia	Non-Independent Non-Executive Director
Mr. Tan See Yin	c/o Suite 13A.02, Level 13A Wisma Goldhill 67, Jalan Raja Chulan 50200 Kuala Lumpur, Malaysia	Lead Independent Director
Ms. Lee Pih Peng	c/o Suite 13A.02, Level 13A Wisma Goldhill 67, Jalan Raja Chulan 50200 Kuala Lumpur, Malaysia	Independent Director
Datin Isharidah Binti Ishak	c/o Suite 13A.02, Level 13A Wisma Goldhill 67, Jalan Raja Chulan 50200 Kuala Lumpur, Malaysia	Independent Director

2. REGISTERED OFFICE

The registered office of the Company is Lot A020, Level 1, Podium Level, Financial Park, Jalan Merdeka, 87000 Labuan F.T., Malaysia.

3. PRINCIPAL ACTIVITIES

The Company was incorporated in Labuan Malaysia on 21 August 2015 and was listed on the Catalist of the SGX-ST on 27 November 2015. Historically, the Group provided integrated professional services mainly in Malaysia to government-linked entities, private and public listed companies, and multinational corporations. Its four key business segments were tax advisory, business consultancy, technology tools and advisory and business support services. On 15 April 2020, the Company completed the sale of its core business in Malaysia to the Tricor Group in Hong Kong. As such, the Group currently consists primarily of the Company, and a subsidiary each in Malaysia, Singapore, Laos and Vietnam.

4. SHARE CAPITAL

4.1 Issued Share Capital

The Company has one (1) class of shares, being ordinary shares. As at the Latest Practicable Date, the Company has an issued and paid-up share capital of RM27,817,984 comprising 160,310,300 ordinary shares (excluding 9,700 treasury shares). The issued Shares are listed and quoted on the Catalist of the SGX-ST.

APPENDIX II – ADDITIONAL INFORMATION ON THE COMPANY

4.2 Capital, Dividends and Voting

The rights of Shareholders in respect of capital, dividends and voting are contained in the Constitution. The provisions in the Constitution relating to the rights of Shareholders in respect of capital, dividends and voting are set out in Appendix V to this Circular.

4.3 New Issues

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 Securities

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

5. DISCLOSURE OF INTERESTS

5.1 Shareholdings and Dealings

(a) Interest of the Company in Offeror Securities

As at the Latest Practicable Date, neither the Company nor its subsidiaries have any direct or deemed interest in the Offeror Securities.

(b) Dealing in Offeror Securities by the Company

As at the Latest Practicable Date, neither the Company nor its subsidiaries have dealt for value in the Offeror Securities during the period commencing six (6) months prior to the Offer Announcement Date, and ending on the Latest Practicable Date.

(c) Interests of the Directors in Company Securities

None of the Directors has any direct or deemed interest in the Company Securities as at the Latest Practicable Date.

(d) Dealings in Company Securities by the Directors

Save as disclosed in Sections 1.1, 1.2 and 10 of this Circular in relation to the Acquisition and the dealings pursuant to the SPA, none of the Directors has dealt for value in the Company Securities during the period commencing six (6) months prior to the Offer Announcement Date, and ending on the Latest Practicable Date.

(e) Interests of the Directors in Offeror Securities

None of the Directors has any direct or deemed interest in the Offeror Securities as at the Latest Practicable Date.

(f) Dealings in Offeror Securities by the Directors

None of the Directors has dealt for value in the Offeror Securities during the period commencing six (6) months prior to the Offer Announcement Date, and ending on the Latest Practicable Date.

APPENDIX II – ADDITIONAL INFORMATION ON THE COMPANY

(g) **Company Securities owned or controlled by the IFA**

As at the Latest Practicable Date, none of the IFA, its related corporations nor funds whose investments are managed by it and/ or its related corporations on a discretionary basis owns or controls any Company Securities.

(h) **Dealing in Company Securities by the IFA**

During the period commencing six (6) months prior to the Offer Announcement Date, and ending on the Latest Practicable Date, none of the IFA, its related corporations or funds whose investments are managed by it and/ or its related corporations on a discretionary basis has dealt for value in the Company Securities.

(i) **Intentions of the Directors in respect of their Offer Shares**

Not applicable as none of the Directors have any direct or indirect interest in the Shares.

6. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date:

- (a) there are no service contracts between any of the Directors or proposed directors and the Company or its subsidiaries which have more than 12 months to run and which are not terminable by the employing company within the next 12 months without paying any compensation; and
- (b) there are no such service contracts between any of the Directors or proposed directors and the Company or its subsidiaries entered into or amended during the period commencing six (6) months prior to the Offer Announcement Date and ending on the Latest Practicable Date.

7. ARRANGEMENTS AFFECTING DIRECTORS

As at the Latest Practicable Date:

- (a) it is not proposed that any payment or other benefit be made or given to any Director or to any director of any other 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 as disclosed in this Circular, there is no agreement or arrangement 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 this Circular, there are no material contracts entered into by the Offeror in which any Director has a material personal interest, whether direct or indirect.

For the avoidance of doubt, as disclosed under Section 1.1 of this Circular, Dato' Peter Tang Swee Guan, Mr. Ranjit Singh a/l Taram Singh and Dr. Veerinderjeet Singh a/l Tejwant Singh are parties to the SPA. Pursuant to the terms of the SPA, they shall resign as directors of the Company on the later of the completion of the Offer or the earliest date on which such resignations are permitted under the Code and all other applicable laws and regulations (including rules of the SGX-ST).

8. MATERIAL CONTRACTS WITH INTERESTED PERSONS

As at the Latest Practicable Date, save as disclosed in this Circular, on the SGXNET, in the Company's annual reports, or any publicly available information on the Group, neither the Company nor any of its subsidiaries has entered into material contracts (other than those

APPENDIX II – ADDITIONAL INFORMATION ON THE COMPANY

entered into in the ordinary course of business) with persons who are Interested Persons during the period commencing three (3) years before the Offer Announcement Date and ending on the Latest Practicable Date.

9. MATERIAL LITIGATION

As at the Latest Practicable Date, save as disclosed in this Circular, on the SGXNET, in the Company's annual reports, or any publicly available information on the Group, none of the Company or its subsidiaries is engaged in any material litigation, either as plaintiff or defendant, which might materially and adversely affect the financial position of the Company or the Group, taken as a whole, and the Directors are not aware of any litigation, claims or proceedings pending or threatened against the Company or any of its subsidiaries or any facts likely to give rise to any litigation, claims or proceedings which might materially and adversely affect the financial position of the Company or the Group, taken as a whole.

10. SUMMARY OF FINANCIAL INFORMATION

10.1 Consolidated Statements of Comprehensive Income

A summary of the audited consolidated statements of comprehensive income of the Group for FY2017, FY2018 and FY2019 are summarised below. The audited consolidated financial statements of the Group for FY2019 are set out in Appendix IV to this Circular.

	Audited 2019 RM	Audited 2018 RM	Audited 2017 RM
Revenue	25,806,080	25,197,478	22,069,261
Other gains - net	760,804	724,594	768,777
Expenses			
- Depreciation of property, plant and equipment	(999,310)	(474,955)	(523,501)
- Employee compensation	(15,667,784)	(16,243,685)	(17,391,403)
- Referral fees and research charges	(57,713)	(42,913)	(57,647)
- Rental on operating lease and maintenance	(150,554)	(1,040,069)	(1,532,839)
- Subcontractors' fee	(293,665)	(196,602)	(291,094)
- Finance	(91,494)	-	-
- Others	(4,931,259)	(5,531,738)	(3,649,142)
Total expenses	(22,191,779)	(23,529,962)	(23,445,626)
Profit/(loss) before income tax	4,375,105	2,392,110	(607,588)
Income tax expense	(1,656,134)	(938,647)	(781,386)
Net profit/(loss)	2,718,971	1,453,463	(1,388,974)

APPENDIX II – ADDITIONAL INFORMATION ON THE COMPANY

Other comprehensive income:

Items that may be reclassified subsequently to profit or loss:

Currency translation differences arising from consolidation

- Losses	(118)	(6,409)	(15,184)
----------	-------	---------	----------

Total comprehensive income/(loss)	2,718,853	1,447,054	(1,404,158)
--	-----------	-----------	-------------

Profit/(loss) attributable to:

Equity holders of the Company	2,743,283	1,606,243	(761,312)
-------------------------------	-----------	-----------	-----------

Non-controlling interests	(24,312)	(152,780)	(627,662)
---------------------------	----------	-----------	-----------

	2,718,971	1,453,463	(1,388,974)
--	-----------	-----------	-------------

Total comprehensive income/(loss) attributable to:

Equity holders of the Company	2,743,198	1,601,451	(773,638)
-------------------------------	-----------	-----------	-----------

Non-controlling interests	(24,345)	(154,397)	(630,520)
---------------------------	----------	-----------	-----------

	2,718,853	1,447,054	(1,404,158)
--	-----------	-----------	-------------

Earnings/(loss) per share attributable to equity holders of the Company (cents per share)

- Basic	1.71	1.00	(0.47)
---------	------	------	--------

- Diluted	1.71	1.00	(0.47)
-----------	------	------	--------

The above summary of the audited consolidated statements of comprehensive income of the Group for FY2017, FY2018 and FY2019 should be read together with the annual reports of the Company and the audited consolidated financial statements of the Group for the relevant years and the related notes thereto, copies of which are available for inspection as mentioned under Section 17 of this Circular.

The audited consolidated financial statements of the Group for FY2019 are set out in Appendix IV to this Circular.

10.2 Consolidated Statements of Financial Position

A summary of the audited consolidated statements of financial position of the Group as at 31 December 2017, 31 December 2018 and 31 December 2019 is set out below.

APPENDIX II – ADDITIONAL INFORMATION ON THE COMPANY

	2019 RM	2018 RM	2017 RM
ASSETS			
Current assets			
Cash and cash equivalents	23,866,198	23,322,973	22,926,910
Trade and other receivables	11,248,034	10,511,564	7,271,230
Income tax recoverable	550	569,426	632,901
	<u>35,114,782</u>	<u>34,403,963</u>	<u>30,831,041</u>
Non-current assets			
Property, plant and equipment	1,826,830	1,047,920	1,346,643
Goodwill	2,130,000	2,130,000	2,130,000
	<u>3,956,830</u>	<u>3,177,920</u>	<u>3,476,643</u>
Total assets	<u>39,071,612</u>	<u>37,581,883</u>	<u>34,307,684</u>
LIABILITIES			
Current liabilities			
Other payables	3,790,494	5,846,417	3,871,925
Current income tax liabilities	737,597	137,936	273,282
Borrowings	553,639	-	-
	<u>5,081,730</u>	<u>5,984,353</u>	<u>4,145,207</u>
Non-current liability			
Deferred tax liabilities	-	-	12,001
Borrowings	560,925	-	-
	<u>560,925</u>	<u>-</u>	<u>12,001</u>
Total liabilities	<u>5,642,655</u>	<u>5,984,353</u>	<u>4,157,208</u>
NET ASSETS	<u>33,428,957</u>	<u>31,597,530</u>	<u>30,150,476</u>

APPENDIX II – ADDITIONAL INFORMATION ON THE COMPANY

	2019 RM	2018 RM	2017 RM
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	27,817,984	27,817,984	27,817,984
Treasury shares	(2,569)	-	-
Merger reserve	(2,691,859)	(2,691,859)	(2,691,859)
Other reserve	47,872	41,368	46,160
Retained profits	8,186,307	6,459,088	4,852,845
	33,357,735	31,626,581	30,025,130
Non-controlling interests	71,222	(29,051)	125,346
	TOTAL EQUITY	31,597,530	30,150,476
	33,428,957	31,597,530	30,150,476

The above summary of the audited consolidated statements of financial position of the Group as at 31 December 2017, 31 December 2018 and 31 December 2019 should be read together with the annual reports of the Company and the audited consolidated financial statements of the Group for the relevant years and the related notes thereto, copies of which are available for inspection as mentioned under Section 17 of this Circular.

The audited consolidated financial statements of the Group for FY2019 are set out in Appendix IV to this Circular.

10.3 Significant Accounting Policies

A summary of the significant accounting policies of the Group is set out in Note 2 to the audited consolidated financial statements of the Group for FY2019, which is reproduced in Appendix IV to this Circular.

Save as disclosed in this Circular and in publicly available information on the Group, there are no significant accounting policies or any matters from the notes of the financial statements of the Group which are of any major relevance for the interpretation of the financial statements of the Group.

10.4 Changes in Accounting Policies

As set out in the audited financial statements of the Group for FY2019, the Group has adopted the applicable new and revised Singapore Financial Reporting Standards (International) (“**SFRS(I)**”) and Interpretations of SFRS(I) (“**INT SFRS(I)**”) that are mandatory for the accounting periods beginning on or after 1 January 2019.

APPENDIX II – ADDITIONAL INFORMATION ON THE COMPANY

Save as disclosed in this Circular and in publicly available information on the Group, as at the Latest Practicable Date, there is no change in the accounting policy of the Group which will cause the figures disclosed in this Circular not to be comparable to a material extent.

10.5 Material Changes in Financial Position

Save as disclosed in publicly available information on the Company and in this Circular, as at the Latest Practicable Date, there have been no known material changes in the financial position of the Company since 31 December 2019, being the date to which the Company's last published audited accounts were made up.

On 11 February 2020, the Company released an announcement on the SGXNET ("**Divestment Announcement**") stating that it had entered into a share sale and purchase agreement ("**SPA**") with Tricor Axcel Limited ("**Purchaser**"), pursuant to which the Company has agreed to sell, and the Purchaser has agreed to acquire, 350,000 issued ordinary shares in the capital of Axcelasia Taxand Sdn Bhd ("**AT**"), comprising 100% of the issued ordinary shares in the capital of AT, on the terms and subject to the conditions of the SPA ("**Divestment**"). The Company also issued a circular to shareholders dated 25 February 2020 ("**Divestment Circular**") to provide shareholders with the relevant information relating to the Divestment and to seek their approval of the same. The financial effects of the Divestment are set out in paragraph 6 of the Divestment Circular.

The completion of the Divestment was announced on 15 April 2020 ("**Completion Announcement**"). Copies of the Divestment Announcement, Divestment Circular and Completion Announcement are available on the website of SGX-ST at www.sgx.com.

10.6 Material Changes in Information

Save as disclosed in this Circular and save for the information relating to the Group and the Offer that is publicly available, there has been no material change in any information previously published by or on behalf of the Company during the period commencing from the Offer Announcement Date and ending on the Latest Practicable Date.

11. COST AND EXPENSES

All expenses and costs incurred by the Company in relation to the Offer will be borne by the Company.

APPENDIX III – ADDITIONAL INFORMATION ON THE OFFEROR

The following information on the Offeror has been extracted from Appendix 3 to the Offer Document. Unless otherwise defined, all terms and expressions used in the extract below shall have the same meanings as ascribed to them in the Offer Document.

APPENDIX 3 – ADDITIONAL INFORMATION ON THE OFFEROR

1. DIRECTORS

The names, addresses and descriptions of the directors of the Offeror as at the Latest Practicable Date are as set out below:

Name	Address	Description
Mr. Terence Loh Ne-Wei	273 Thomson Road #04-03 Novena Gardens Singapore 307644	Director
Mr. Loh Ne-Loon Nelson	273 Thomson Road #04-03 Novena Gardens Singapore 307644	Director

2. PRINCIPAL ACTIVITIES AND SHARE CAPITAL

The Offeror is private limited company incorporated under the laws of Singapore on 3 August 2016. The Offeror's main business is the provision of management consultancy services for healthcare organisations.

As at the Latest Practicable Date, the Offeror has an issued and paid-up share capital of S\$50,000,000 comprising 50,000,000 ordinary shares held by each of Mr. Terence Loh Ne-Wei and Mr. Loh Ne-Loon Nelson.

3. REGISTERED OFFICE OF THE OFFEROR

The registered office of the Offeror is at 273 Thomson Road #04-03 Novena Gardens Singapore 307644.

4. SUMMARY OF FINANCIAL PERFORMANCE

4.1. *As the Offeror was an exempt private company and financial information is only available for the period commencing from 1 September 2018 to 31 December 2019 ("FP2019"). A summary of the financial information relating to the Offeror for FP2019 is set out below. The summary is extracted from, and should be read in conjunction with, the audited financial statements of the Offeror for FP2019, copies of which are available for inspection as set out in paragraph 5 of **Appendix 5** to this Offer Document.*

4.2. Income Statements of Offeror

A summary of the audited income statements of the Offeror for FP2019 is set out below:

	Audited FP2019 (\$'000)
Revenue	11,912
Cost of goods sold	(8,400)
Gross Profit	3,513
Other income	1,536
Administrative Expenses	(735)
Other Expenses	(2,280)
Profit before income tax	2,033

APPENDIX III – ADDITIONAL INFORMATION ON THE OFFEROR

Income tax	(31)
Profit for the financial period/year	2,001
Net earnings per share (cents)	4
Net dividends per share (cents)	—

4.3. Balance Sheets of the Offeror

A summary of the audited balance sheet of the Offeror as at 31 December 2019 is set out below: The summary is extracted from, and should be read in conjunction with, the audited financial statements of the Offeror for FP2019 (a copy of which is available for inspection as mentioned in paragraph 5 of **Appendix 5** to this Offer Document).

	Audited as at 31 December 2019 (S\$'000)
Non-current assets	
Investments	42,483
	42,483
Current assets	
Inventories	1,556
Trade receivables	1,432
Cash and cash equivalents	2,709
	5,698
Total assets	48,181
Current liabilities	
Trade payables	316
Provision for taxation	31
	347
Total liabilities	347
Net current assets	5,350
Equity	
Share capital	50,000
Retained earnings	2,031
Fair value reserve	(4,197)
Total equity	47,834
Total equity and liabilities	48,181

5. MATERIAL CHANGES IN FINANCIAL POSITION

As at the Latest Practicable Date, save for the making of the Offer and save as disclosed in this Offer Document, there has not been, to the knowledge of Offeror, any material change in the financial position of the Offeror since 31 December 2019, being the date of the last audited financial statements of the Offeror.

6. SIGNIFICANT ACCOUNTING POLICIES

The audited financial statements of the Offeror have been prepared in accordance with the Companies Act and the Singapore Financial Reporting Standards.

The significant accounting policies of the Offeror are set out in the notes to the audited financial statements of the Offeror, copies of which is available for inspection as mentioned in paragraph 5 of **Appendix 5** to this Offer Document).

APPENDIX III – ADDITIONAL INFORMATION ON THE OFFEROR

7. CHANGES IN ACCOUNTING POLICIES

*As at the Latest Practicable Date, there has been no change in the accounting policies of the Offeror which will cause the figures set out in paragraphs 4 of this **Appendix 3** to be not comparable to a material extent.*

APPENDIX IV – AUDITED FINANCIAL STATEMENTS OF THE GROUP FOR FY2019

Axcelasia Inc. and its Subsidiary Corporations
(Incorporated in Labuan)

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.

All capitalised terms used in Note 2 to the audited consolidated financial statements of the Group for FY2019 set out below shall have the same meanings given to them in the annual report of the Company for FY2019.

A copy of the annual report of the Company for FY2019 is available for inspection at Drewcorp Services Pte Ltd, at 10 Collyer Quay, #10-01 Ocean Financial Centre, Singapore 049315 during normal business hours from the date of this Circular and for the period during which the Offer remains open for acceptance.

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED
31 DECEMBER 2019
TOGETHER WITH DIRECTORS' STATEMENT AND AUDITOR'S REPORT**

APPENDIX IV – AUDITED FINANCIAL STATEMENTS OF THE GROUP FOR FY2019

Axcelasia Inc. and its Subsidiary Corporations

DIRECTORS' STATEMENT

The directors are pleased to present their statement to the members together with the audited consolidated financial statements of Axcelasia Inc. (the "Company") and its subsidiary corporations (the "Group") for the financial year ended 31 December 2019 and the statement of financial position of the Company as at 31 December 2019.

In the opinion of the directors,

- (i) the statement of financial position of the Company and the consolidated financial statements of the Group as set out on pages IV-14 to IV-75 are drawn up so as to give a true and fair view of the financial position of the Company and of the Group as at 31 December 2019 and the financial performance, changes in equity and cash flows of the Group for the financial year covered by the consolidated financial statements; and
- (ii) 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.

Directors

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

Dr. Veerinderjeet Singh A/L Tejwant Singh
Dato' Tang Swee Guan
Ranjit Singh A/L Taram Singh
Tan See Yin
Datin Isharidah Binti Ishak
Lee Pih Peng

Arrangements to enable directors to acquire shares and 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, other than as disclosed under "Share options/share awards" in this statement.

Directors' interests in shares or debentures

According to the register of directors' shareholdings, none of the directors holding office at the end of the financial year had any interest in the shares or debentures of the Company or its related corporations, except as follows:

	Holdings registered in name of director			Holdings in which the directors are deemed to have an interest		
	As at 21.1.2020	As at 31.12.2019	As at 1.1.2019	As at 21.1.2020	As at 31.12.2019	As at 1.1.2019
Company (No. of ordinary shares)						
Dr. Veerinderjeet Singh A/L Tejwant Singh	23,932,500	23,932,500	23,932,500	900,000	900,000	900,000
Dato' Tang Swee Guan	37,852,700	37,852,700	37,852,700	3,444,000	3,444,000	3,444,000
Ranjit Singh A/L Taram Singh	41,118,960	41,118,960	41,118,960	-	-	-

Dr Veerinderjeet Singh A/L Tejwant Singh, Dato' Tang Swee Guan and Ranjit Singh A/L Taram Singh are deemed to have interest in the shares of all the Company's subsidiary corporations as at the end of the financial year.

APPENDIX IV – AUDITED FINANCIAL STATEMENTS OF THE GROUP FOR FY2019

Axcelasia Inc. and its Subsidiary Corporations

DIRECTORS' STATEMENT (continued)

Share options/share awards

THE AXCELASIA EMPLOYEE SHARE OPTION SCHEME

In conjunction with the Company's listing on the Catalist of Singapore Exchange Securities Trading Limited ("SGX-ST"), the Group adopted the Axcelasia Employee Share Option Scheme ("ESOS") which was approved by its shareholders at an Extraordinary General Meeting ("EGM") held on 21 October 2015. The ESOS is administered by a committee comprising of members of the Nomination Committee and the Remuneration Committee (the "Administration Committee"). The ESOS provides for the grant of share options ("Options") to employees and Directors ("ESOS participants").

The selection of the ESOS participants and number of shares which are subject of each Option to be granted to an ESOS participant in accordance with the ESOS shall be determined at the absolute discretion of the Administration Committee, which shall take into account criteria such as, inter alia, the rank, scope of responsibilities, performance, years of service and potential for future development and contribution to the success of the Group.

Under the ESOS, the number of shares over which the Administration Committee may grant Options on any date, when added to the number of shares issued and issuable in respect of all Options granted under the ESOS (including the Axcelasia Performance Share Plan and any other share option scheme of the Company) shall not exceed 15% of the number of issued shares (excluding treasury shares and subsidiary holdings) on the day preceding the date of the relevant grant.

Options granted with the exercise price set at market price shall only be exercisable, in whole or in part at any time, by an ESOS participant after the first anniversary of the offer date of that Option, provided always that the Options shall be exercised before the fifth anniversary of the relevant offer date, or such earlier date as may be determined by the Administration Committee, failing which all unexercised Options shall immediately lapse and become null and void and an ESOS participant shall have no claim against the Company.

Options granted with exercise price set at a discount to market price shall only be exercisable, in whole or in part at any time, by an ESOS participant after the second anniversary from the offer date of that option, provided always that the Options shall be exercised before the fifth anniversary of the relevant offer date, or such earlier date as may be determined by the Administration Committee, failing which all unexercised Options shall immediately lapse and become null and void and an ESOS participant shall have no claim against the Company.

Options may lapse or be exercised earlier in circumstances which include the termination of the employment of the participant in the Group and the parent company, the bankruptcy of the participant, the death of the participant, a take-over of the Company, and the winding-up of the Company.

There were no options granted to the employees and Directors from the commencement of the ESOS up to the end of the financial year.

No options have been granted to controlling shareholders of the Company and their associates under the ESOS from the commencement of the ESOS up to the end of the financial year.

None of the ESOS participants received 5% or more of the total number of options available under the ESOS.

There were no options being exercised during the financial year.

APPENDIX IV – AUDITED FINANCIAL STATEMENTS OF THE GROUP FOR FY2019

Axcelasia Inc. and its Subsidiary Corporations

DIRECTORS' STATEMENT (continued)

Share options/share awards (continued)

THE AXCELASIA EMPLOYEE SHARE OPTION SCHEME (continued)

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 under Option in the Company or its subsidiary corporations as at the end of the financial year.

THE AXCELASIA PERFORMANCE SHARE PLAN

In conjunction with the Company's listing on the Catalist of SGX-ST, the Group adopted the Axcelasia Performance Share Plan ("PSP") which was approved by its shareholders at the EGM held on 21 October 2015. The PSP is administered by the Administration Committee. The PSP provides for the grant of incentive share awards ("Awards") to employees and Directors ("PSP participants").

The selection of the PSP participants and number of shares which are subject of each Award to be granted to a PSP participant in accordance with the PSP shall be determined at the absolute discretion of the Administration Committee, which shall take into account criteria such as, inter alia, the rank, scope of responsibilities, performance, years of service and potential for future development and contribution to the success of the Group.

Under the PSP, the total number of shares which may be delivered pursuant to the vesting of Awards on any date, when added to the aggregate number of shares issued and issuable in respect of (a) all Awards granted under the PSP; and (b) all options granted under any share option, shares incentive, performance share or restricted plans of the Company and for the time being in force, shall not exceed 15% of the number of issued shares (excluding treasury shares and subsidiary holdings) on the day preceding the date of the relevant grant.

The PSP allows for the participation by full-time employees of the Group (including the Executive Directors) and Non-executive Directors (including Independent Directors) who have attained the age of 21 years and above on or before the relevant date of grant of the Award, provided that none shall be an undischarged bankrupt or have entered into a composition with his creditors. Controlling shareholders of the Company and their associates will not be eligible to participate in the PSP.

Notwithstanding that a PSP participant may have met his performance targets, no Awards shall be vested:

- (i) When a PSP participant, being an employee of the Group, ceasing for any reason whatsoever, to be in the employment of a company in the Group or in the event the company by which the PSP participant is employed ceases to be a company in the Group;
- (ii) When a PSP participant, being a Non-executive Director, ceasing to be a director of a company in the Group, for any reason whatsoever;
- (iii) Upon the bankruptcy of the PSP participant;
- (iv) Upon ill health, injury or death of a PSP participant;
- (v) When a PSP participant committing any breach of any of the terms of his Award;
- (vi) Upon misconduct on the part of a PSP participant as determined by the Administration Committee in its discretion;
- (vii) When a general offer being made of all or any part of the Shares;
- (viii) When a scheme of arrangement or compromise between the Company and the Shareholders being sanctioned by the Court;
- (ix) When an order for the compulsory winding-up of the Company being made;
- (x) When a resolution for a voluntary winding-up (other than for amalgamation or reconstruction) of the Company being made; and/or

APPENDIX IV – AUDITED FINANCIAL STATEMENTS OF THE GROUP FOR FY2019

Axcelasia Inc. and its Subsidiary Corporations

DIRECTORS' STATEMENT (continued)

Share options/share awards (continued)

THE AXCELASIA PERFORMANCE SHARE PLAN (continued)

Notwithstanding that a PSP participant may have met his performance targets, no Awards shall be vested:
(continued)

(xi) Upon any other event unless approved by the Administration Committee.

There were no Awards granted pursuant to the PSP from the commencement of the PSP up to the end of the financial year.

Audit committee

The Audit Committee comprises the following members, who are all non-executive directors and independent directors.

Tan See Yin (Chairman)
Datin Isharidah Binti Ishak
Lee Pih Peng

The Audit Committee's terms of reference are as follows:

- a. Review the relevance and consistency of the accounting standards, the significant financial reporting issues, recommendations and judgements so as to ensure the integrity of the financial statements of our Group and any announcements relating to our Group's financial performance before submission to our Board for approval;
- b. Review and report to our Board at least annually the adequacy and effectiveness of our Group's internal controls, including financial, operational, compliance and information technology controls (such review can be carried out internally or with the assistance of any competent third parties);
- c. Review periodically management risk profiles identifying significant risk area (with particular focus on financial reporting risk and controls);
- d. Coordinate with the Executive Directors on its oversight of non-financial and financial risk management and internal control matters;
- e. Arrange for access to and review reports regarding the adequacy and effectiveness of risk management and internal control systems;
- f. Review the effectiveness and adequacy of Group's internal audit function;
- g. Review the scope and results of the external audit, and the independence and objectivity of the independent auditor;
- h. Make recommendations to our Board on the proposals to the shareholders on appointment, re-appointment and removal of the independent auditor, and approve the remuneration and terms of engagement of the independent auditor;
- i. Review the system of internal controls and management of financial risks with our internal and independent auditor;
- j. Review the co-operation given by our management to our independent auditor and our internal auditors, where applicable;

APPENDIX IV – AUDITED FINANCIAL STATEMENTS OF THE GROUP FOR FY2019

Axcelasia Inc. and its Subsidiary Corporations

DIRECTORS' STATEMENT (continued)

Audit committee (continued)

The Audit Committee's terms of reference are as follows: (continued)

- k. Review our Group's compliance with such functions and duties as may be required under the relevant statutes or the Listing Manual of the SGX-ST, including such amendments made thereto from time to time;
- l. Review and approve interested person transactions and review procedures thereof;
- m. Review potential conflicts of interest (if any) and to set out a framework to resolve or mitigate any potential conflicts of interests;
- n. Investigate any matters within its terms of reference;
- o. Review the policy and arrangements by which our staff may, in confidence, raise concerns about possible improprieties in matters of financial reporting and to ensure that arrangements are in place for the independent investigations of such matter and for appropriate follow-up; and
- p. Undertake such other functions and duties as may be required by statute or the Listing Manual of the SGX-ST, and by such amendments made thereto from time to time.

The Audit Committee confirmed that it has undertaken a review of all non-audit services provided by the independent auditor to the Group and is satisfied that the nature and extent of such services would not affect the independence of the independent auditor. There were no non-audit services rendered for the financial year ended 31 December 2019.

The Audit Committee 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 independent auditor has unrestricted access to the Audit Committee.

The Audit Committee has recommended to the Board of Directors the nomination of Nexia TS Public Accounting Corporation, for re-appointment as independent auditor of the Company at the forthcoming Annual General Meeting.

APPENDIX IV – AUDITED FINANCIAL STATEMENTS OF THE GROUP FOR FY2019

Axcelasia Inc. and its Subsidiary Corporations

DIRECTORS' STATEMENT (continued)

Independent auditor

The independent auditor, Nexia TS Public Accounting Corporation, has expressed its willingness to accept re-appointment.

On behalf of the directors

.....
Dato' Tang Swee Guan
Director

.....
Ranjit Singh A/L Taram Singh
Director

16 March 2020

**Independent Auditor’s Report to the Members of
Axcelasia Inc.**

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Axcelasia Inc. (the “Company”) and its subsidiary corporations (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, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the financial year then ended, and notes to the financial statements, including summary of significant accounting policies, as set out on pages IV-14 to IV-75.

In our opinion, the accompanying consolidated financial statements of the Group and the statement of financial position of the Company are properly drawn up in accordance with 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 the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group 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.

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 financial year. 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.

Key audit matter	How our audit addressed the matter
<p>Revenue recognition</p> <p>The Group earns its revenue through rendering of professional services and licensing of software. For rendering of professional services, the timing of revenue recognition differs for each type of professional service provided by the Group, which is based on the respective contracts’ billing terms.</p> <p>In certain instances, revenue is recognised upon issuance of sales invoices together with the delivery of final reports or equivalent deliverables. In other cases, revenue is recognised based on billing milestones according to the contract terms.</p>	<p>We reviewed the contracts’ billing terms relating to the respective services rendered to assess the appropriateness of the Group’s revenue recognition policy.</p> <p>We performed audit procedures on revenue transactions taking place within a pre-determined period before and after financial year end to ensure that revenue was recognised in the relevant accounting period.</p>

APPENDIX IV – AUDITED FINANCIAL STATEMENTS OF THE GROUP FOR FY2019

**Independent Auditor’s Report to the Members of
Axcelasia Inc.**

Key Audit Matters (continued)

Key audit matter	How our audit addressed the matter
<p>Revenue recognition (continued) In view of the nature of revenue recognition and financial magnitude, revenue recognition is considered to be a key audit matter.</p> <p>The accounting policies for revenue recognition are set out in Note 2.2 to the financial statements and the different revenue streams for the Group have been disclosed in Notes 4 and 29 to the financial statements.</p>	<p>We tested samples of sales invoices raised during the financial year to signed engagement letters, correspondences and/or other supporting documents for accuracy of revenue recognised.</p> <p>We also assessed the adequacy of revenue disclosures contained in Notes 4 and 29 to the financial statements, namely information by reportable segments and geographical information.</p>
<p>Credit loss allowance for trade receivables The allowance for credit losses on trade receivables is considered to be a key audit matter because of the significant judgements applied, subjective assumptions used by management and the related estimation uncertainty involved in determining the adequacy of impairment loss for individual debtors.</p> <p>The significance of this is further elevated by the current overall economic outlook in Malaysia and in the region, which has increased the risk of default of the Group’s customers.</p> <p>The carrying amount of trade receivables after credit loss allowance at the end of the financial year was RM 9.2 million. This represents 24% of the Group’s total assets.</p> <p>Trade receivables overdue for more than 90 days, representing 33% of total trade receivables as at 31 December 2019, are monitored by management by considering historical loss experience, credit profile of the debtors as well as any internally and publicly available information that will cause management to believe that the respective debtors will default in settlement.</p> <p>The accounting policies and other relevant disclosures for impairment of trade receivables are set out in Notes 2.10 (b), 3.1 (a), 12 and 27 (b) to the financial statements.</p>	<p>We evaluated the adequacy of allowance for credit losses and trade receivables written off by carrying out the following audit procedures:</p> <ul style="list-style-type: none"> • Substantively tested the aging of trade receivables and reviewed the credit history of the debtors. • Reviewed and challenged management’s documented assessment of the collectability of debtors’ balances as at 31 December 2019. • Assessed the recoverability of outstanding trade receivables with significant balances of more than 90 days by comparing management’s views of recoverability of amounts outstanding to historical patterns of receipts, in conjunction with obtaining evidence for cash received subsequent to the financial year end for its effect in reducing amounts outstanding at financial year end. • Corroborated this assessment by obtaining supporting documents such as correspondences with the respective debtors and letters of demand sent to slow-paying debtors to determine whether payments will be made by debtors. <p>We also assessed the adequacy and appropriateness of the Group’s disclosures on the allowance for impairment of trade receivables and the related credit risk disclosures in Notes 2.10 (b), 3.1 (a), 12 and 27 (b) to the financial statements.</p>

**Independent Auditor’s Report to the Members of
Axcelasia Inc.**

Key Audit Matters (continued)

Key audit matter	How our audit addressed the matter
<p>Impairment assessment on goodwill</p> <p>The Group has a significant amount of goodwill arising from the acquisition of Audex Governance Sdn. Bhd. on 1 April 2017. As at 31 December 2019, the carrying value of the goodwill amounted to RM 2.13 million. This represents 5% of the Group's total assets.</p> <p>Goodwill is assessed for impairment annually irrespective of whether there is any indication that the goodwill may be impaired.</p> <p>The management applies the value-in-use (“VIU”) method to determine the recoverable amount of the cash-generating unit (“CGU”) in which goodwill is attributed to. The CGU also includes Axcelasia Columbus Sdn. Bhd. due to integrated operations. The recoverable amount of the goodwill is highly dependent on management’s forecasts and estimates which includes, but not limited to, discount rate and growth rates in profit before tax, therefore impairment assessment on goodwill is considered to be a key audit matter.</p> <p>The accounting policies and other relevant disclosures for impairment assessment on goodwill are set out in Notes 2.9 (a), 3.1 (b) and 16 to the financial statements.</p>	<p>With the assistance of our internal valuation specialist, we have evaluated whether the model used by management to determine the recoverable amount of goodwill complies with SFRS(I) 1-36 Impairment of Assets.</p> <p>We analysed the future discounted cash flows used in the model to determine whether they are reasonable and supportable given the current economic climate and expected future performance of the CGU.</p> <p>We evaluated the reasonableness and challenged the appropriateness of key assumptions used by the management, by comparing them against internal information relating to the CGU and/or publicly available market data.</p> <p>We also assessed the appropriateness of disclosures contained in Notes 2.9 (a), 3.1 (b) and 16 to the financial statements.</p>

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.

**Independent Auditor's Report to the Members of
Axcelasia Inc.**

Responsibility of Management and Directors of the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with 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.

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.

**Independent Auditor's Report to the Members of
Axcelasia Inc.**

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

- 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.

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 financial year 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.

The engagement director on the audit resulting in this independent auditor's report is Loh Hui Nee.

***Nexia TS Public Accounting Corporation
Public Accountants and Chartered Accountants***

Singapore

16 March 2020

APPENDIX IV – AUDITED FINANCIAL STATEMENTS OF THE GROUP FOR FY2019

Axcelasia Inc. and its Subsidiary Corporations Annual Report	Consolidated Statement of Comprehensive Income for the financial year ended 31 December 2019		
		2019	2018
	Note	RM	RM
Revenue	4	25,806,080	25,197,478
Other gains - net	5	760,804	724,594
Expenses			
- Depreciation of property, plant and equipment	14	(999,310)	(474,955)
- Employee compensation	7	(15,667,784)	(16,243,685)
- Referral fees and research charges		(57,713)	(42,913)
- Rental on operating lease and maintenance	15d	(150,554)	(1,040,069)
- Subcontractors' fee		(293,665)	(196,602)
- Finance	6	(91,494)	-
- Others	8	(4,931,259)	(5,531,738)
Total expenses		(22,191,779)	(23,529,962)
Profit before income tax		4,375,105	2,392,110
Income tax expense	9	(1,656,134)	(938,647)
Net profit		2,718,971	1,453,463
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss:			
Currency translation differences arising from consolidation			
- Losses	22	(118)	(6,409)
Total comprehensive income		2,718,853	1,447,054
Profit/(loss) attributable to:			
Equity holders of the Company		2,743,283	1,606,243
Non-controlling interests		(24,312)	(152,780)
		2,718,971	1,453,463
Total comprehensive income/(loss) attributable to:			
Equity holders of the Company		2,743,198	1,601,451
Non-controlling interests		(24,345)	(154,397)
		2,718,853	1,447,054
Earnings per share attributable to equity holders of the Company (cents per share)			
- Basic	10	1.71	1.00
- Diluted	10	1.71	1.00

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

APPENDIX IV – AUDITED FINANCIAL STATEMENTS OF THE GROUP FOR FY2019

Axcelasia Inc. and its Subsidiary Corporations
Annual Report

Statements of Financial Position
as at 31 December 2019

		Group		Company	
	Note	2019	2018	2019	2018
		RM	RM	RM	RM
ASSETS					
Current assets					
Cash and cash equivalents	11	23,866,198	23,322,973	11,422,242	11,526,814
Trade and other receivables	12	11,248,034	10,511,564	11,771,810	419,710
Income tax recoverable	13	550	569,426	-	-
		<u>35,114,782</u>	<u>34,403,963</u>	<u>23,194,052</u>	<u>11,946,524</u>
Non-current assets					
Property, plant and equipment	14	1,826,830	1,047,920	220,925	145,381
Goodwill	16	2,130,000	2,130,000	-	-
Investments in subsidiary corporations	17	-	-	9,051,744	8,814,923
		<u>3,956,830</u>	<u>3,177,920</u>	<u>9,272,669</u>	<u>8,960,304</u>
Total assets		<u><u>39,071,612</u></u>	<u><u>37,581,883</u></u>	<u><u>32,466,721</u></u>	<u><u>20,906,828</u></u>
LIABILITIES					
Current liabilities					
Other payables	18	3,790,494	5,846,417	310,122	423,980
Current income tax liabilities		737,597	137,936	-	-
Borrowings	19	553,639	-	73,047	-
		<u>5,081,730</u>	<u>5,984,353</u>	<u>383,169</u>	<u>423,980</u>
Non-current liability					
Borrowings	19	560,925	-	78,102	-
Total liabilities		<u>5,642,655</u>	<u>5,984,353</u>	<u>461,271</u>	<u>423,980</u>
NET ASSETS		<u><u>33,428,957</u></u>	<u><u>31,597,530</u></u>	<u><u>32,005,450</u></u>	<u><u>20,482,848</u></u>
EQUITY					
Capital and reserves attributable to equity holders of the Company					
Share capital	21	27,817,984	27,817,984	27,817,984	27,817,984
Treasury shares	21	(2,569)	-	(2,569)	-
Merger reserve		(2,691,859)	(2,691,859)	-	-
Other reserve	22	47,872	41,368	-	-
Retained profits/(accumulated losses)	23	8,186,307	6,459,088	4,190,035	(7,335,136)
		<u>33,357,735</u>	<u>31,626,581</u>	<u>32,005,450</u>	<u>20,482,848</u>
Non-controlling interests	17	71,222	(29,051)	-	-
TOTAL EQUITY		<u><u>33,428,957</u></u>	<u><u>31,597,530</u></u>	<u><u>32,005,450</u></u>	<u><u>20,482,848</u></u>

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

APPENDIX IV – AUDITED FINANCIAL STATEMENTS OF THE GROUP FOR FY2019

**Axcelasia Inc. and its Subsidiary Corporations
Annual Report**

**Consolidated Statement of Changes in Equity
for the financial year ended 31 December 2019**

2019	Attributable to the equity holders of the Company						Non-controlling interests RM	Total equity RM
	Share capital RM	Treasury shares RM	Merger reserve ⁽²⁾ RM	Other reserve RM	Retained profits ⁽¹⁾ RM	Total RM		
Balance at 31 December 2018	27,817,984	-	(2,691,859)	41,368	6,459,088	31,626,581	(29,051)	31,597,530
Adoption of SFRS(I) 16 (Note 2.1)	-	-	-	-	(2,091)	(2,091)	-	(2,091)
Balance at 1 January 2019	<u>27,817,984</u>	<u>-</u>	<u>(2,691,859)</u>	<u>41,368</u>	<u>6,456,997</u>	<u>31,624,490</u>	<u>(29,051)</u>	<u>31,595,439</u>
Total comprehensive (loss) / income for the financial year	-	-	-	(85)	2,743,283	2,743,198	(24,345)	2,718,853
Purchase of treasury shares (Note 21)	-	(2,569)	-	-	-	(2,569)	-	(2,569)
Dividend paid (Note 24)	-	-	-	-	(986,838)	(986,838)	-	(986,838)
Acquisition of additional equity interest in subsidiary corporations (Note 17)	-	-	-	6,589	(27,135)	(20,546)	124,618	104,072
Balance at 31 December 2019	<u>27,817,984</u>	<u>(2,569)</u>	<u>(2,691,859)</u>	<u>47,872</u>	<u>8,186,307</u>	<u>33,357,735</u>	<u>71,222</u>	<u>33,428,957</u>

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

APPENDIX IV – AUDITED FINANCIAL STATEMENTS OF THE GROUP FOR FY2019

**Axcelasia Inc. and its Subsidiary Corporations
Annual Report**

**Consolidated Statement of Changes in Equity
for the financial year ended 31 December 2019**

2018	Attributable to the equity holders of the Company						Non-controlling interests RM	Total equity RM
	Share capital RM	Treasury shares RM	Merger reserve ⁽²⁾ RM	Other reserve RM	Retained profits ⁽¹⁾ RM	Total RM		
Balance at 1 January 2018	27,817,984	-	(2,691,859)	46,160	4,852,845	30,025,130	125,346	30,150,476
Total comprehensive (loss)/income for the financial year	-	-	-	(4,792)	1,606,243	1,601,451	(154,397)	1,447,054
Balance at 31 December 2018	<u>27,817,984</u>	<u>-</u>	<u>(2,691,859)</u>	<u>41,368</u>	<u>6,459,088</u>	<u>31,626,581</u>	<u>(29,051)</u>	<u>31,597,530</u>

⁽¹⁾ Retained profits net of merger reserve of the Group are distributable.

⁽²⁾ The merger reserve represents the difference between the consideration paid and the share capital of the subsidiary corporation(s) acquired under common control.

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

APPENDIX IV – AUDITED FINANCIAL STATEMENTS OF THE GROUP FOR FY2019

**Axcelasia Inc. and its Subsidiary Corporations
Annual Report**

**Consolidated Statement of Cash Flows
for the financial year ended 31 December 2019**

	Note	2019 RM	2018 RM
Cash flows from operating activities			
Net profit		2,718,971	1,453,463
Adjustments for:			
- Income tax expense	9	1,656,134	938,647
- Depreciation of property, plant and equipment	14	999,310	474,955
- Interest income	5	(619,728)	(581,765)
- Adjustment on contingent consideration	5	-	(137,648)
- Property, plant and equipment written off	5	5,758	60,144
- (Gain)/Loss on disposal of property, plant and equipment	5	(110)	13,202
- Finance expenses	6	91,494	-
- Unrealised currency translation difference		1,260	8,789
		<u>4,853,089</u>	<u>2,229,787</u>
Change in working capital:			
- Trade and other receivables		(722,770)	(3,240,334)
- Other payables		(482,824)	1,287,163
Cash generated from operations		<u>3,647,495</u>	<u>276,616</u>
Income tax paid		<u>(487,597)</u>	<u>(1,022,518)</u>
Net cash provided by/(used in) operating activities		<u>3,159,898</u>	<u>(745,902)</u>
Cash flows from investing activities			
Additions to property, plant and equipment	14	(289,400)	(300,138)
Disposal of property, plant and equipment		74,743	49,102
Interest received		606,028	581,765
Net cash provided by investing activities		<u>391,371</u>	<u>330,729</u>
Cash flows from financing activities			
Proceeds from subsidiary corporations' issuance of share capital to non-controlling interests	17	6,072	-
Advances from a director of a subsidiary corporation		-	73,500
Bank deposits pledged	13	(12,495)	45,000
Dividend paid to equity holders of the Company	24	(986,838)	-
Share buyback	21	(2,569)	-
Principal payment of lease liability		(457,267)	-
Interest paid		(91,494)	-
Net cash (used in)/provided by financing activities		<u>(1,544,591)</u>	<u>118,500</u>
Net increase/(decrease) in cash and cash equivalents		2,006,678	(296,673)
Cash and cash equivalents			
Beginning of financial year		21,847,874	22,158,288
Effects of currency translation on cash and cash equivalents		(849)	(13,741)
End of financial year	13	<u>23,853,703</u>	<u>21,847,874</u>

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

APPENDIX IV – AUDITED FINANCIAL STATEMENTS OF THE GROUP FOR FY2019

**Axcelasia Inc. and its Subsidiary Corporations
Annual Report**

**Notes to the Financial Statements
for the financial year ended 31 December 2019**

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

1 Corporate information

The Company

Axcelasia Inc (the “Company”) is listed on Catalist Board of Singapore Exchange Securities Trading Limited (“SGX-ST”) and incorporated in Labuan under Labuan Companies Act. The address of its registered office is at Lot A020, Level 1, Podium Level, Financial Park, Jalan Merdeka, 87000 Federal Territory of Labuan. The principal place of business is located at 13A.02, Level 13A, Wisma Goldhill, 67 Jalan Raja Chulan, 50200 Kuala Lumpur.

The principal activity of the Company is investment holding. The principal activities of the subsidiary corporations are disclosed in Note 17 to the financial statements.

2 Summary of significant accounting policies

2.1 Basis of preparation

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

The preparation of the financial statements in conformity with SFRS(I) requires management to exercise its judgement in the process of applying the Group’s accounting policies. It also requires the use of certain critical accounting estimates and assumptions. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3 to the financial statements.

These financial statements are presented in Ringgit Malaysia (“RM”) except otherwise indicated.

Interpretations and amendments to published standards effective in 2019

On 1 January 2019, the Group adopted the new or amended SFRS(I) and Interpretations of SFRS(I) (“INT SFRS(I)”) that are mandatory for application for the financial year. Changes to the Group’s accounting policies have been made as required, in accordance with the transitional provisions in the respective SFRS(I) and INT SFRS(I).

The adoption of these new or amended SFRS(I) and INT SFRS(I) did not result in substantial changes to the Group’s accounting policies and had no material effect on the amounts reported for the current or prior financial years except for the adoption of SFRS(I) 16 *Leases*:

Adoption of SFRS(I) 16 Leases

a) When the Group is the lessee

Prior to the adoption of SFRS(I) 16, non-cancellable operating lease payments were not recognised as liabilities in the balance sheet. These payments were recognised as rental expenses over the lease term on a straight-line basis.

The Group’s accounting policy on leases after the adoption of SFRS(I) 16 is as disclosed in Note 2.15 to the financial statements.

On initial application of SFRS(I) 16, the Group has elected to apply the following practical expedients:

APPENDIX IV – AUDITED FINANCIAL STATEMENTS OF THE GROUP FOR FY2019

Axcelasia Inc. and its Subsidiary Corporations
Annual Report

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)

Adoption of SFRS(I) 16 Leases (continued)

- a) *When the Group is the lessee (continued)*
- i) For all contracts entered into before 1 January 2019 and that were previously identified as leases under SFRS(I) 1-17 Lease and SFRS(I) INT 4 *Determining whether an Arrangement contains a Leases*, the Group has not reassessed if such contracts contain leases under SFRS(I) 16; and
 - ii) On a lease-by-lease basis, the Group has:
 - a) applied a single discount rate to a portfolio of leases with reasonably similar characteristics;
 - b) accounted for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases;
 - c) excluded initial direct costs in the measurement of the right-of-use (“ROU”) asset at the date of initial application; and
 - d) used hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

There were no onerous contracts as at 1 January 2019.

For leases previously classified as operating leases on 1 January 2019, the Group has applied the following transition provisions:

- i) On a lease-by-lease basis, the Group chose to measure its ROU assets at a carrying amount as if SFRS(I) 16 had been applied since the commencement of the lease but discounted using the incremental borrowing rate at 1 January 2019.
- ii) Recognised its lease liabilities by discounting the remaining lease payments as at 1 January 2019 using the incremental borrowing rate for each individual lease or, if applicable, the incremental borrowing rate for each portfolio of leases with reasonably similar characteristic.
- iii) The difference between the carrying amounts of the ROU assets and lease liabilities as at 1 January 2019 is adjusted directly to opening retained profits. Comparative information is not restated.

APPENDIX IV – AUDITED FINANCIAL STATEMENTS OF THE GROUP FOR FY2019

**Axcelasia Inc. and its Subsidiary Corporations
Annual Report**

**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)

Adoption of SFRS(I) 16 Leases (continued)

- b) The effects of adoption of SFRS(I) 16 on the Group's financial statements as at 1 January 2019 are as follows:

	Increase / (decrease)	
	Group	Company
	RM	RM
Property, plant and equipment (Note 15 (a))	1,569,740	215,029
Lease liabilities (Note 19 (b))	1,571,831	215,029
Retained profits	(2,091)	-

- c) An explanation of the differences between the operating lease commitments previously disclosed in the Group's financial statements as at 31 December 2018 and the lease liabilities recognised in the balance sheet as at 1 January 2019 are as follows:

	RM
Operating lease commitment disclosed as at 31 December 2018 (Note 26)	350,723
Less: Cancelled lease	(309,140)
Less: Discounting effect using weighted average incremental borrowing rate of 6.7%	(2,506)
Add: Extension options which are reasonably certain to be exercised	<u>1,532,754</u>
Lease liabilities recognised as at 1 January 2019 (Note 19 (b))	<u><u>1,571,831</u></u>

APPENDIX IV – AUDITED FINANCIAL STATEMENTS OF THE GROUP FOR FY2019

Axcelasia Inc. and its Subsidiary Corporations
Annual Report

Notes to the Financial Statements
for the financial year ended 31 December 2019

2 Summary of significant accounting policies (continued)

2.2 Revenue recognition

Revenue is measured based on the consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

Revenue is recognised when the Group satisfies a performance obligation by transferring a promised good or service to the customer, which is when the customer obtains control of the good or service. A performance obligation may be satisfied over time or at a point in time. The amount of revenue recognised is the amount allocated to the satisfied performance obligation.

(a) *Rendering of services*

The provision of management consultancy services, corporate and personal income taxes, corporate secretarial, accounting, payroll and administrative support outsourcing services are recognised when the Group satisfies a performance obligation by transferring control of a promised service to the customer. A performance obligation may be satisfied at a point in time or over time. The amount of revenue recognised is the amount allocated to the satisfied performance obligation.

Revenue billed in advance of the rendering of services is recognised as deferred income and included in “Other payables” on the balance sheet.

(b) *Licensing of software*

The licensing of computer software are recognised at the point in time when the customer obtains control of the software.

(c) *Interest income*

Interest income is recognised using the effective interest method.

(d) *Rental income*

Rental income from operating leases is recognised on a straight-line basis over the lease term.

2.3 Government grants

Grants from the government are recognised as a receivable at their fair value when there is reasonable assurance that the grant will be received and the Group will comply with all the attached conditions.

Government grants receivable are recognised as income over the periods necessary to match them with the related costs which they are intended to compensate, on a systematic basis. Government grants relating to expenses are shown separately as other income.

Government grants relating to assets are deducted against the carrying amount of the assets.

APPENDIX IV – AUDITED FINANCIAL STATEMENTS OF THE GROUP FOR FY2019

Axcelasia Inc. and its Subsidiary Corporations
Annual Report

Notes to the Financial Statements
for the financial year ended 31 December 2019

2 Summary of significant accounting policies (continued)

2.4 Group accounting

(a) *Subsidiary corporations*

(i) *Consolidation*

Subsidiary corporations are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiary corporations are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

In preparing the consolidated financial statements, transactions and balances and unrealised gains on transactions between group entities are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment indicator of the transferred asset. Accounting policies of subsidiary corporations have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests comprise the portion of a subsidiary corporation's net results of operations and its net assets, which is attributable to the interests that are not owned directly or indirectly by the equity holders of the Company. They are shown separately in the consolidated statement of comprehensive income, statement of changes in equity, and statement of financial position. Total comprehensive income is attributed to the non-controlling interests based on their respective interests in a subsidiary corporation, even if this results in the non-controlling interests having a deficit balance.

The acquisition method of accounting is used to account for business combinations entered into by the Group.

(ii) *Acquisitions*

The consideration transferred for the acquisition of a subsidiary corporation or business comprises the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes any contingent consideration arrangement and any pre-existing equity interest in the subsidiary corporation measured at their fair values at the acquisition date.

Acquisition-related costs are expensed as incurred.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date.

APPENDIX IV – AUDITED FINANCIAL STATEMENTS OF THE GROUP FOR FY2019

Axcelasia Inc. and its Subsidiary Corporations
Annual Report

Notes to the Financial Statements
for the financial year ended 31 December 2019

2 Summary of significant accounting policies (continued)

2.4 Group accounting (continued)

(a) *Subsidiary corporations (continued)*

(ii) *Acquisitions (continued)*

On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree at the date of acquisition either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets.

The excess of (a) the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the (b) fair values of the identifiable net assets acquired is recorded as goodwill. Please refer to the paragraph "Intangible assets – Goodwill" for the subsequent accounting policy on goodwill.

Acquisitions of entities under common control have been accounted for using the pooling-of-interest method. Under this method:

- The consolidated financial statements of the Group have been prepared as if the Group structure immediately after the transaction has been in existence since the earliest date the entities are under common control;
- The assets and liabilities are brought into the consolidated financial statements at their existing carrying amounts from the perspective of the controlling party;
- The consolidated statement of comprehensive income includes the results of the acquired entities since the earliest date the entities are under common control;
- The cost of investment is recorded at the aggregate of the nominal value of the equity shares issued, cash and cash equivalents and fair values of other consideration; and
- On consolidation, the difference between the cost of investment and the nominal value of the share capital of the merged subsidiary corporation is taken to merger reserve.

(iii) *Disposals*

When a change in the Group's ownership interest in a subsidiary corporation results in a loss of control over the subsidiary corporation, the assets and liabilities of the subsidiary corporation including any goodwill are derecognised. Amounts previously recognised in other comprehensive income in respect of that entity are also reclassified to profit or loss or transferred directly to retained profits if required by a specific Standard.

Any retained equity interest in the entity is remeasured at fair value. The difference between the carrying amount of the retained interest at the date when control is lost and its fair value is recognised in profit or loss.

Please refer to the paragraph "Investments in subsidiary corporations" for the accounting policy on investments in subsidiary corporations in the separate statement of financial position of the Company.

APPENDIX IV – AUDITED FINANCIAL STATEMENTS OF THE GROUP FOR FY2019

Axcelasia Inc. and its Subsidiary Corporations
Annual Report

Notes to the Financial Statements
for the financial year ended 31 December 2019

2 Summary of significant accounting policies (continued)

2.4 Group accounting (continued)

(b) *Transactions with non-controlling interests*

Changes in the Group's ownership interest in a subsidiary corporation that do not result in a loss of control over the subsidiary corporations are accounted for as transactions with equity owners of the Company. Any difference between the change in the carrying amounts of the non-controlling interest and the fair value of the consideration paid or received is recognised within equity attributable to the equity holders of the Company.

2.5 Property, plant and equipment

(a) *Measurement*

(i) *Property, plant and equipment*

All items of property, plant and equipment are initially recognised at cost and subsequently carried at cost less accumulated depreciation and accumulated impairment losses.

(ii) *Components of costs*

The cost of an item of property, plant and equipment initially recognised includes its purchase price and any cost that is 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.

(b) *Depreciation*

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

	<u>Useful lives</u>
Computers	5 years
Furniture and fittings	5 years
Office equipment	5 years
Renovation	5 -10 years
Leasehold buildings	2-3 years

The residual values, estimated useful lives and depreciation method of property, plant and equipment are reviewed, and adjusted as appropriate, at each balance sheet date. The effects of any revision are recognised in profit or loss when the changes arise.

Fully depreciated property, plant and equipment still in use are retained in the consolidated financial statements.

(c) *Subsequent expenditure*

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

APPENDIX IV – AUDITED FINANCIAL STATEMENTS OF THE GROUP FOR FY2019

Axcelasia Inc. and its Subsidiary Corporations
Annual Report

Notes to the Financial Statements
for the financial year ended 31 December 2019

2 Summary of significant accounting policies (continued)

2.5 Property, plant and equipment (continued)

(d) *Disposal*

On disposal of an item of property, plant and equipment, the difference between the disposal proceeds and its carrying amount is recognised in profit or loss within “other gains - net”.

2.6 Intangible assets

Goodwill

Goodwill on acquisitions of subsidiary corporation and businesses, represents the excess of (i) the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over (ii) the fair value of the identifiable net assets acquired. Goodwill on subsidiary corporation is recognised separately as intangible assets and carried at cost less accumulated impairment losses.

Gains and losses on the disposal of subsidiary corporations include the carrying amount of goodwill relating to the entity sold.

2.7 Borrowing costs

Borrowing costs include interest in respect of lease liabilities recognised in accordance with SFRS(I) 16.

Borrowing costs are recognised in profit or loss using the effective interest method.

2.8 Investments in subsidiary corporations

Investments in subsidiary corporations are carried at cost less accumulated impairment losses in the Company’s statement of financial position. On disposal of such investments, the difference between disposal proceeds and the carrying amounts of the investments are recognised in profit or loss.

2.9 Impairment of non-financial assets

(a) *Goodwill*

Goodwill recognised separately as an intangible asset is tested for impairment annually and whenever there is indication that the goodwill may be impaired.

For the purpose of impairment testing of goodwill, goodwill is allocated to each of the Group’s cash-generating units (“CGU”) expected to benefit from synergies arising from the business combination.

An impairment loss is recognised when the carrying amount of a CGU, including the goodwill, exceeds the recoverable amount of the CGU. The recoverable amount of a CGU is the higher of the CGU’s fair value less cost to sell and value-in-use.

The total impairment loss of a CGU is allocated first to reduce the carrying amount of goodwill allocated to the CGU and then to the other assets of the CGU pro-rata on the basis of the carrying amount of each asset in the CGU.

An impairment loss on goodwill is recognised as an expense and is not reversed in a subsequent period.

APPENDIX IV – AUDITED FINANCIAL STATEMENTS OF THE GROUP FOR FY2019

Axcelasia Inc. and its Subsidiary Corporations
Annual Report

Notes to the Financial Statements
for the financial year ended 31 December 2019

2 Summary of significant accounting policies (continued)

2.9 Impairment of non-financial assets (continued)

- (b) *Property, plant and equipment*
Right-of-use assets
Investments in subsidiary corporations

Property, plant and equipment, right-of-use assets and investments in subsidiary corporations are tested for impairment whenever there is any objective evidence or indication that these assets may be impaired.

For the purpose of impairment testing, the recoverable amount (i.e. the higher of the fair value less cost to sell and the value-in-use) is determined on an individual asset basis unless the asset does not generate cash inflows that are largely independent of those from other assets. If this is the case, the recoverable amount is determined for the CGU to which the asset belongs.

If the recoverable amount of the asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount.

The difference between the carrying amount and recoverable amount is recognised as an impairment loss in profit or loss.

An impairment loss for an asset other than goodwill is reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of this asset is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of any accumulated depreciation) had no impairment loss been recognised for the asset in prior years.

A reversal of impairment loss for an asset other than goodwill is recognised in profit or loss.

2.10 Financial assets

- (a) *Classification and measurement*

The Group classifies and measures its financial assets in the following categories:

- Amortised cost;
- Fair value through other comprehensive income (FVOCI); and
- Fair value through profit or loss (FVPL).

The classification depends on the Group's business model for managing the financial assets as well as the contractual terms of the cash flows of the financial assets.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

The Group reclassifies debt instruments when and only when its business model for managing those assets changes.

At initial recognition

At initial recognition, the Group measures a financial asset at its fair value plus, transaction costs that are directly attributable to the acquisition of the financial assets. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

APPENDIX IV – AUDITED FINANCIAL STATEMENTS OF THE GROUP FOR FY2019

Axcelasia Inc. and its Subsidiary Corporations
Annual Report

Notes to the Financial Statements
for the financial year ended 31 December 2019

2 Summary of significant accounting policies (continued)

2.10 Financial assets (continued)

(a) Classification and measurement (continued)

At subsequent measurement

(i) Debt instruments

Debt instruments mainly comprise of cash and cash equivalents and trade and other receivables.

There are three subsequent measurement categories, depending on the Group's business model for managing the assets and the cash flow characteristic of the assets.

- Amortised cost: Debt instruments that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. A gain or loss on a debt instrument that is subsequently measured at amortised cost and is not part of a hedging relationship is recognised in profit or loss when the asset is derecognised or impaired. Interest income from these financial assets is included in interest income using the effective interest rate method.
- FVOCI: Debt instruments that are held for collection of contractual cash flows and for sale, and where the assets' cash flows represent solely payments of principal and interest, are classified as FVOCI. Movements in fair values are recognised in Other Comprehensive Income (OCI) and accumulated in fair value reserve, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses, which are recognised in profit and loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and presented in "Other gains/(losses) - net". Interest income from these financial assets is recognised using the effective interest rate method and presented in "Interest income".
- FVPL: Debt instruments that are held for trading as well as those that do not meet the criteria for classification as amortised cost or FVOCI are classified as FVPL. Movement in fair values and interest income is recognised in profit or loss in the period in which it arises and presented in "Other gains/(losses) - net".

(ii) Equity instruments

The Group subsequently measures all its equity investments at their fair values. Equity investments are classified as FVPL with movements in their fair values recognised in profit or loss in the period in which the changes arise and presented in "Other gains/(losses) - net", except for those equity securities which are not held for trading. The Group has elected to recognise changes in fair value of equity securities not held for trading in other comprehensive income as these are strategic investments and the Group considers this to be more relevant. Movements in fair values of investments classified as FVOCI are presented as "Fair value gains/ losses" in Other Comprehensive Income. Dividends from equity investments are recognised in profit or loss as "Dividend income".

(b) Impairment

The Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk. Note 27 (b) details how the Group determines whether there has been a significant increase in credit risk.

APPENDIX IV – AUDITED FINANCIAL STATEMENTS OF THE GROUP FOR FY2019

Axcelasia Inc. and its Subsidiary Corporations
Annual Report

Notes to the Financial Statements
for the financial year ended 31 December 2019

2 Summary of significant accounting policies (continued)

2.10 Financial assets (continued)

(b) *Impairment (continued)*

For trade receivables and contract assets, the Group applied the simplified approach permitted by SFRS(I) 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

(c) *Recognition and derecognition*

Regular way purchases and sales of financial assets are recognised on trade date – the date on which the Group commits to purchase or sell the asset.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

On disposal of a debt instrument, the difference between the carrying amount and the sale proceeds is recognised in profit or loss. Any amount previously recognised in other comprehensive income relating to that asset is reclassified to profit or loss.

On disposal of an equity investment, the difference between the carrying amount and sales proceed is recognised in profit or loss if there was no election made to recognise fair value changes in other comprehensive income. If there was an election made, any difference between the carrying amount and sales proceed amount would be recognised in other comprehensive income and transferred to retained profits along with the amount previously recognised in other comprehensive income relating to that asset.

2.11 Offsetting of financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

2.12 Financial guarantee

One of the subsidiary corporations has pledged a fixed deposit to the bank to obtain a bank guarantee for one of its fellow subsidiary corporation in respect of a binding contract with its customer. This is a financial guarantee as it requires the subsidiary corporation to reimburse the bank if the fellow subsidiary corporation fail to meet the requirements in the binding contract.

Financial guarantees are initially recognised at their fair values and 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 expected loss computed using the impairment methodology under SFRS(I) 9.

2.13 Borrowings

Borrowings are presented as current liabilities unless the Group has an unconditional right to defer settlement for at least 12 months after the balance sheet date, in which case they are presented as non-current liabilities.

APPENDIX IV – AUDITED FINANCIAL STATEMENTS OF THE GROUP FOR FY2019

Axcelasia Inc. and its Subsidiary Corporations
Annual Report

Notes to the Financial Statements
for the financial year ended 31 December 2019

2 Summary of significant accounting policies (continued)

2.13 Borrowings (continued)

Borrowings are initially recognised at fair value (net of transaction costs) and subsequently carried at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

2.14 Other payables

Other payables represent liabilities for goods and services provided to the Group prior to the end of the financial year which are unpaid. They are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). Otherwise, they are presented as non-current liabilities.

Other payables are initially recognised at fair value, and subsequently carried at amortised cost using the effective interest method.

2.15 Leases

- (a) The accounting policy for leases before 1 January 2019 are as follows:

When the Group is the lessee

The Group leases office premises under operating leases from non-related and related parties.

Lessee – Operating lease

Leases where substantially all risks and rewards incidental to ownership are retained by the lessors are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessors) are recognised in profit or loss on a straight-line basis over the period of the lease.

- (b) The accounting policy for leases from 1 January 2019 are as follows:

When the Group is the lessee

At the inception of the contract, the Group assesses if the contract contains a lease. A contract contains a lease if the contract convey the right to control the use of an identified asset for a period of time in exchange for consideration. Reassessment is only required when the terms and conditions of the contract are changed.

The Group leases office premises from non-related and related parties.

- *Right-of-use assets*

The Group recognised a right-of-use asset and lease liability at the date which the underlying asset is available for use. Right-of-use assets are measured at cost which comprises the initial measurement of lease liabilities adjusted for any lease payments made at or before the commencement date and lease incentive received. Any initial direct costs that would not have been incurred if the lease had not been obtained are added to the carrying amount of the right-of-use assets.

These right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

Right-of-use assets are presented within “Property, plant and equipment”.

APPENDIX IV – AUDITED FINANCIAL STATEMENTS OF THE GROUP FOR FY2019

Axcelasia Inc. and its Subsidiary Corporations
Annual Report

Notes to the Financial Statements
for the financial year ended 31 December 2019

2 Summary of significant accounting policies (continued)

2.15 Leases (continued)

(b) The accounting policy for leases from 1 January 2019 are as follows: (continued)

When the Group is the lessee (continued)

- *Lease liabilities*

The initial measurement of lease liability is measured at the present value of the lease payments discounted using the implicit rate in the lease, if the rate can be readily determined. If that rate cannot be readily determined, the Group shall use its incremental borrowing rate.

Lease payments include the following:

- Fixed payment (including in-substance fixed payments), less any lease incentives receivables;
- Variable lease payment that are based on an index or rate, initially measured using the index or rate as at the commencement date;
- Amount expected to be payable under residual value guarantees
- The exercise price of a purchase option if it is reasonably certain to exercise the option; and
- Payment of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

For contract that contain both lease and non-lease components, the Group allocates the consideration to each lease component on the basis of the relative stand-alone price of the lease and non-lease component. The Group has elected to not separate lease and non-lease component for property leases and account these as one single lease component.

Lease liability is measured at amortised cost using the effective interest method. Lease liability shall be remeasured when:

- There is a change in future lease payments arising from changes in an index or rate;
- There is a change in the Group's assessment of whether it will exercise an extension option; or
- There are modification in the scope or the consideration of the lease that was not part of the original term.

Lease liability is remeasured with a corresponding adjustment to the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

- Short term and low value leases

The Group has elected to not recognised right-of-use assets and lease liabilities for short-term leases that have lease terms of 12 months or less and leases of low value leases, except for sublease arrangements. Lease payments relating to these leases are expensed to profit or loss on a straight-line basis over the lease term.

- Variable lease payments

Variable lease payments that are not based on an index or a rate are not included as part of the measurement and initial recognition of the lease liability. The Group shall recognise those lease payments in profit or loss in the periods that triggered those lease payments.

APPENDIX IV – AUDITED FINANCIAL STATEMENTS OF THE GROUP FOR FY2019

Axcelasia Inc. and its Subsidiary Corporations
Annual Report

Notes to the Financial Statements
for the financial year ended 31 December 2019

2. Summary of significant accounting policies (continued)

2.16 Income taxes

Current income tax for current and prior periods is recognised at the amount expected to be paid to or recovered from the tax authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions, where appropriate, on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements except when the deferred income tax arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and affects neither accounting nor taxable profit or loss at the time of the transaction.

A deferred income tax liability is recognised on temporary differences arising on investments in subsidiary corporations, except where the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

A deferred income tax asset is recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and tax losses can be utilised.

Deferred income tax is measured:

- (i) at the tax rates that are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the balance sheet date; and
- (ii) based on the tax consequence that will follow from the manner in which the Group expects, at the balance sheet date, to recover or settle the carrying amounts of its assets and liabilities.

Current and deferred income taxes are recognised as income and expense in profit or loss, except to the extent that the tax arises from a business combination or a transaction which is recognised directly in equity. Deferred tax arising from a business combination is adjusted against goodwill on acquisition.

2.17 Provisions

Provisions for other liabilities and charges are recognised when the Group has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Provisions are measured at the present value of the expenditure expected to be required to settle the obligation using a pre-tax discount rate that reflects the current market assessment of the time value of money and the risks specific to the obligation. 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 Summary of significant accounting policies (continued)**2.18 Employee compensation**

Employee benefits are recognised as an expense, unless the cost qualifies to be capitalised as an asset.

(a) Defined contribution plans

Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into separate entities such as the Employees' Provident Fund in Malaysia on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid.

(b) Share-based compensation

The Group operates an equity-settled, share-based compensation plan for its employees. The value of employee services received in exchange for the grant of the options is recognised as an expense with a corresponding increase in share option reserve over the vesting period. The total amount to be recognised over the vesting period is determined by reference to the fair value of the options granted on grant date. Non-market vesting conditions are included in the estimation of the number of shares under options that are expected to become exercisable on the vesting date.

At each balance sheet date, the Group revises its estimates of the number of shares under options that are expected to become exercisable on the vesting date and recognises the impact of the revision of the estimates in profit or loss, with a corresponding adjustment to the share option reserve over the remaining vesting period.

When the options are exercised, proceeds received (net of transaction costs) and the related balance previously recognised in the share option reserve are credited to the share capital account, when new ordinary shares are issued, or to the "treasury shares" account, when treasury shares are re-issued to the employees.

(c) Profit-sharing and bonus plans

The Group recognises a liability and an expense for bonuses and profit-sharing, based on a formula that takes into consideration the profit attributable to the Company's shareholders after certain adjustments. The Group recognises a provision when it is contractually obliged to pay or when there is a past practice that has created a constructive obligation to pay.

(d) Performance shares

Benefits to employees including the directors are provided in the form of share-based payment transactions, whereby employees render services in exchange for shares or rights over shares ("equity-settled transactions"). The fair value of the employee services rendered is determined by reference to the fair value of the shares awarded or rights granted, excluding the impact of any nonmarket vesting conditions. These are fair valued based on the market price of entity's share on grant date. This fair value is charged to profit or loss over the vesting period of the share-based payment scheme, with the corresponding increase in equity. The value of the charge is adjusted in profit or loss over the remainder of the vesting period to reflect expected and actual quantities vested, with the corresponding adjustment made in equity.

Cancellations of grants of equity instruments during the vesting period (other than a grant cancelled by forfeiture when the vesting conditions are not satisfied) are accounted for as an acceleration of vesting, therefore any amount unrecognised that would otherwise have been charged is recognised immediately in profit or loss.

APPENDIX IV – AUDITED FINANCIAL STATEMENTS OF THE GROUP FOR FY2019

Axcelasia Inc. and its Subsidiary Corporations
Annual Report

Notes to the Financial Statements
for the financial year ended 31 December 2019

2. Summary of significant accounting policies (continued)

2.19 Currency translation

(a) *Functional and presentation currency*

Items included in the financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates (“functional currency”). The financial statements are presented in Ringgit Malaysia (“RM”), which is the functional currency of the Company.

(b) *Transactions and balances*

Transactions in a currency other than the functional currency (“foreign currency”) are translated into the functional currency using the exchange rates at the dates of the transactions. Currency exchange differences resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the closing rates at the balance sheet date are recognised in profit or loss. Monetary items include primarily financial assets (other than equity investments), contract assets and financial liabilities. However, in the consolidated financial statements, currency translation differences arising from borrowings in foreign currencies and other currency instruments designated and qualifying as net investment hedges and net investment in foreign operations, are recognised in other comprehensive income and accumulated in the currency translation reserve.

When a foreign operation is disposed of or any loan forming part of the net investment of the foreign operation is repaid, a proportionate share of the accumulated currency translation differences is reclassified to profit or loss, as part of the gain or loss on disposal.

Foreign exchange gains and losses that relate to borrowings are presented in the income statement within “Finance expense”. All other foreign exchange gains or losses impacting profit or loss are presented in the income statement within “Other gains – net”.

Non-monetary items measured at fair value in foreign currencies are translated using the exchange rates at the date when the fair values are determined.

(c) *Translation of Group entities’ financial statements*

The results and financial positions of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (i) assets and liabilities are translated at the closing exchange rates at the reporting date;
- (ii) income and expenses are translated at average exchange rates (unless the average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated using the exchange rates at the dates of the transactions); and
- (iii) all resulting currency translation differences are recognised in other comprehensive income and accumulated in the currency translation reserve. These currency translation differences are reclassified to profit or loss on disposal or partial disposal of the entity giving rise to such reserve.

Goodwill and fair value adjustments arising on the acquisition of foreign operations are treated as assets and liabilities of the foreign operations and translated at the closing rates at the reporting date.

APPENDIX IV – AUDITED FINANCIAL STATEMENTS OF THE GROUP FOR FY2019

Axcelasia Inc. and its Subsidiary Corporations
Annual Report

Notes to the Financial Statements
for the financial year ended 31 December 2019

2 Summary of significant accounting policies (continued)

2.20 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Board of Directors whose members are responsible for allocating resources and assessing performance of the operating segments.

2.21 Cash and cash equivalents

For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents include cash at bank and on hand and deposits with financial institutions which are subject to an insignificant risk of change in value. For cash subjected to restriction, assessment is made on the economic substance of the restriction and whether they meet the definition of cash and cash equivalents.

2.22 Share capital and treasury shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of new ordinary shares are deducted against the share capital account.

When any entity within the Group purchases the Company's ordinary shares ("treasury shares"), the carrying amount which includes the consideration paid and any directly attributable transaction cost is presented as a component within equity attributable to the Company's equity holders, until they are cancelled, sold or reissued.

When treasury shares are subsequently cancelled, the cost of treasury shares are deducted against the share capital account if the shares are purchased out of capital of the Company, or against the retained profits of the Company if the shares are purchased out of earnings of the Company.

When treasury shares are subsequently sold or reissued pursuant to an employee share option scheme, the cost of treasury shares is reversed from the treasury share account and the realised gain or loss on sale or reissue, net of any directly attributable incremental transaction costs and related income tax, is recognised in the capital reserve.

2.23 Dividends to Company's shareholders

Dividends to the Company's shareholders are recognised when the dividends are approved for payment.

APPENDIX IV – AUDITED FINANCIAL STATEMENTS OF THE GROUP FOR FY2019

Axcelasia Inc. and its Subsidiary Corporations
Annual Report

Notes to the Financial Statements
for the financial year ended 31 December 2019

3 Critical accounting estimates, assumptions and judgements

Estimates, assumptions and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under circumstances.

3.1 Critical accounting estimates and assumptions

(a) Credit loss allowance for trade receivables

Expected credit losses (ECL) on trade receivables are probability-weighted estimates of credit losses which are determined by evaluating a range of possible outcomes and taking into account past events, current conditions and assessment of future economic conditions.

The Group has used relevant historical information and loss experience to determine the probability of default of the instruments and incorporated forward looking information, including significant changes in external market indicators which involved significant estimates and judgements.

In determining the ECL of trade receivables, the Group has used one year of historical losses data to determine the loss rate and applied an adjustment against the historical loss rate based on the default rate to reflect the current and forward looking information.

As at 31 December 2019, the Group's trade receivables amounted to RM 9,298,801 (2018: RM 9,296,491) which arises from the Group's different revenue segments – business consultancy, business support, EMS application and tax advisory. The loss allowance balance and expense for write off of trade receivables are RM 56,216 (2018: RM 99,357) and RM 2,803 (2018: RM 8,181) respectively.

The carrying amounts of trade receivables at the end of each financial year are disclosed in Note 12 to the financial statements.

(b) Estimated impairment of goodwill

The Group has a goodwill of RM 2,130,000 (2018: RM 2,130,000) in its statement of financial position and as disclosed in Note 16 to the financial statements.

In performing the impairment assessment of the carrying amount of its goodwill, the recoverable amount of the CGU in which the goodwill has been attributable to is determined using the value-in-use ("VIU") calculation.

Significant judgments are used to estimate the growth in profit before tax, pre-tax weighted average cost of capital and terminal growth rates applied in computing the recoverable amount of the CGU. In making these estimates, management has relied on the CGU's actual performance for the financial year ended 31 December 2019. Specific estimates are disclosed in Note 16 to the financial statements.

If the estimated profit before tax used in the VIU calculation had been 10% lower (2018: 10% lower) than management's estimates, the recoverable amount would have been lower by RM 1,949,000 (2018: RM 874,000).

If the estimated pre-tax weighted average cost of capital used had been 1% higher (2018: 1% higher) than management's estimates, the recoverable amount would have been lower by RM 1,827,000 (2018: RM 747,000).

If the estimated terminal growth rate applied to the discounted cash flows for the CGU has been 1% lower (2018: 1% lower) than management's estimates, the recoverable amount would have been lower by RM 1,191,000 (2018: RM 512,000).

APPENDIX IV – AUDITED FINANCIAL STATEMENTS OF THE GROUP FOR FY2019

**Axcelasia Inc. and its Subsidiary Corporations
Annual Report**

**Notes to the Financial Statements
for the financial year ended 31 December 2019**

4 Revenue from contracts with customers

(a) Disaggregation of revenue from contracts with customers

The Group derives revenue from the transfer of services over time and at a point in time in the following major service lines and geographical locations. Revenue is attributed to countries by location of customers.

	At a point in time RM	Over time RM	Total RM
2019			
Business consultancy			
- Malaysia	-	10,543,499	10,543,499
- Singapore	-	-	-
	<u>-</u>	<u>10,543,499</u>	<u>10,543,499</u>
Business support			
- Malaysia	70,100	4,875,950	4,946,050
EMS application			
- Malaysia	-	1,099,184	1,099,184
Tax advisory			
- Malaysia	4,989,903	4,227,444	9,217,347
Total	<u><u>5,060,003</u></u>	<u><u>20,746,077</u></u>	<u><u>25,806,080</u></u>
2018			
Business consultancy			
- Malaysia	-	9,528,267	9,528,267
- Singapore	-	187,469	187,469
	<u>-</u>	<u>9,715,736</u>	<u>9,715,736</u>
Business support			
- Malaysia	31,950	5,976,483	6,008,433
EMS application			
- Malaysia	-	869,235	869,235
Tax advisory			
- Malaysia	4,076,792	4,527,282	8,604,074
Total	<u><u>4,108,742</u></u>	<u><u>21,088,736</u></u>	<u><u>25,197,478</u></u>

APPENDIX IV – AUDITED FINANCIAL STATEMENTS OF THE GROUP FOR FY2019

Axcelasia Inc. and its Subsidiary Corporations
Annual Report

Notes to the Financial Statements
for the financial year ended 31 December 2019

4 Revenue from contracts with customers (continued)

(b) Contract assets

	Group		
	31 December		1 January
	2019	2018	2018
	RM	RM	RM
Contract assets			
- Business support (Note 12)	<u>814,387</u>	<u>385,394</u>	<u>-</u>

The contract assets primarily relate to the Group's rights to consideration for work done but not billed at the balance sheet date on business support service. The contract assets are transferred to trade receivables when the rights become unconditional. This usually occurs when the Group invoices the customer together with the delivery of final reports or equivalent deliverables.

5 Other gains - net

	Group	
	2019	2018
	RM	RM
Interest income		
- Cash at bank	6,226	11,445
- Short-term bank deposits	613,502	570,320
Trade receivables written back	-	14,995
Reversal in credit loss allowance for trade receivables – non-related parties (Note 27 (b))	32,938	-
Adjustment on contingent consideration (Note 30)	-	137,648
Realised foreign exchange loss, net	(16,294)	(6,470)
Unrealised foreign exchange loss, net	(4,045)	(25,380)
Gain/(loss) on disposal of property, plant and equipment	110	(13,202)
Property, plant and equipment written off	(5,758)	(60,144)
Sundry income	<u>134,125</u>	<u>95,382</u>
Total	<u>760,804</u>	<u>724,594</u>

6 Finance expenses

	Group	
	2019	2018
	RM	RM
Interest expense		
- Lease liabilities (Note 15 (c))	<u>91,494</u>	<u>-</u>

Finance expenses from lease liabilities were capitalised at a rate of 6.7% per annum.

APPENDIX IV – AUDITED FINANCIAL STATEMENTS OF THE GROUP FOR FY2019

**Axcelasia Inc. and its Subsidiary Corporations
Annual Report**

**Notes to the Financial Statements
for the financial year ended 31 December 2019**

7 Employee compensation

	Group	
	2019	2018
	RM	RM
Salaries and bonus	13,559,678	13,937,824
Employer's contribution to defined contributions plan	1,783,063	1,857,315
Other short-term benefits	325,043	448,546
	<u>15,667,784</u>	<u>16,243,685</u>

8 Other expenses

	Group	
	2019	2018
	RM	RM
Accommodation	11,720	1,228
Advertising and promotion	28,882	19,752
Fees on audit services paid/ payable to:		
- Auditor of the Company	184,267	204,857
- Other auditors	32,377	23,482
Bad debts written-off	2,803	8,181
Allowance for credit losses on trade receivables – non-related parties (Note 27 (b))	-	99,357
Conference expenses	21,621	55,664
Entertainment	14,739	16,978
Insurance	189,698	193,353
Internal audit fee	27,000	15,000
Petrol, toll and parking	61,884	74,027
Printing and stationery	146,252	176,739
Postage and courier	24,063	22,586
Seminar and training expenses	136,507	113,698
Share of administration expenses	44,028	45,920
Subscription fee	226,577	166,483
Telephone, fax and internet	57,615	65,922
Travelling expenses	223,503	210,313
Continuing sponsorship fee	169,543	245,596
Direct expenses	2,027,191	2,634,412
Penalty	7,265	1,223
Secretarial and filing fee	90,968	88,905
Stamp duty	4,419	-
Utilities	36,500	43,143
Directors' fee	565,543	563,760
Nominee director's fee	22,703	-
Professional fee	4,767	63,860
Legal	29,817	3,773
Search fee	86,985	67,404
Listing fee	45,587	44,914
Service tax	79,970	-
Others	326,645	261,208
	<u>4,931,259</u>	<u>5,531,738</u>

APPENDIX IV – AUDITED FINANCIAL STATEMENTS OF THE GROUP FOR FY2019

**Axcelasia Inc. and its Subsidiary Corporations
Annual Report**

**Notes to the Financial Statements
for the financial year ended 31 December 2019**

9 Income taxes

	Group	
	2019	2018
	RM	RM
Tax expense attributable to profit is made up of:		
Current income tax		
- Current year provision	1,656,134	941,023
- Under provision in prior financial year	-	9,625
	<u>1,656,134</u>	<u>950,648</u>
Deferred income tax		
- Over provision in prior financial year (Note 20)	-	(12,001)
	<u>1,656,134</u>	<u>938,647</u>

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the Malaysia standard rate of income tax is as follows:

	Group	
	2019	2018
	RM	RM
Profit before tax	<u>4,375,105</u>	<u>2,392,110</u>
Tax calculated at tax rate of 24% (2018: 24%)	1,050,025	574,106
Effects of:		
- Effect of non-taxable income	(188,701)	(20,903)
- Expenses not deductible	856,000	642,773
- Tax incentives	-	(365,627)
- Deferred income taxable in current year	-	32,361
- Deferred tax asset not recognised	68,277	117,788
- Utilisation of previously unrecognised deferred tax asset	(126,313)	(41,613)
- Under provision of income tax in prior year	-	9,625
- Over provision of deferred income tax in prior year	-	(12,001)
- Tax exemption	-	(1,512)
- Others	(3,154)	3,650
Tax charge	<u>1,656,134</u>	<u>938,647</u>

Pioneer Status

On 21 September 2012, Axcelasia Global Business Services Sdn. Bhd. ("AGBS") was granted Multimedia Super Corridor ("MSC") status. The MSC status will entitle AGBS for pioneer status under the Promotion of Investments Act 1986. The AGBS has applied for the commencement of pioneer status and obtained the approval from the Ministry of International Trade and Industry Malaysia. The pioneer status has commenced on 1 March 2014 and expired on 28 February 2019. As at 31 December 2019, AGBS has tax exempt profits available for distribution of approximately RM 3,548,662 (2018: RM 3,548,662) subject to agreement with Inland Revenue Board.

APPENDIX IV – AUDITED FINANCIAL STATEMENTS OF THE GROUP FOR FY2019

**Axcelasia Inc. and its Subsidiary Corporations
Annual Report****Notes to the Financial Statements
for the financial year ended 31 December 2019****9 Income taxes (continued)**

At the date of the statement of financial position, the Group had unabsorbed tax losses of approximately RM 577,222 (2018: RM 573,993), that are available for carry forward and set-off against future taxable income, subject to agreement by the tax authorities and compliance with certain provisions of the tax legislations of the respective countries in which the subsidiary corporations operate. Deferred tax assets have not been recognised in respect of unabsorbed tax losses, because it is not probable that future taxable profit will be available against which the Group can utilise the benefits therefrom.

10 Earnings per share

	Group	
	2019	2018
	RM	RM
Net profit attributable to equity holders of the Company	<u>2,743,283</u>	<u>1,606,243</u>
Weighted average number of ordinary shares for basic earnings per share	<u>160,312,745</u>	<u>160,320,000</u>
Basic earnings per share (cents per share)	<u>1.71</u>	<u>1.00</u>
Diluted earnings per share (cents per share)	<u>1.71</u>	<u>1.00</u>

(a) Basic earnings per share

Basic earnings per ordinary share amounts are calculated by dividing net profit/(loss) attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the financial year.

(b) Diluted earnings per share

For the purposes of calculating diluted earnings per share, profit attributable to equity holders of the Company and weighted average number of ordinary shares outstanding are adjusted for the effects of all dilutive potential ordinary shares.

Potential ordinary shares are anti-dilutive when their conversion to ordinary shares would increase earnings per share or decrease loss per share. The calculation of diluted earnings per share does not assume conversion, exercise, or other issue of potential ordinary shares that would have an anti-dilutive effect on earnings per share.

There are no potential dilutive ordinary shares as at 31 December 2019 and 2018.

APPENDIX IV – AUDITED FINANCIAL STATEMENTS OF THE GROUP FOR FY2019

**Axcelasia Inc. and its Subsidiary Corporations
Annual Report**

**Notes to the Financial Statements
for the financial year ended 31 December 2019**

11 Cash and cash equivalents

	Group		Company	
	2019	2018	2019	2018
	RM	RM	RM	RM
Cash at bank and on hand	4,714,138	5,664,444	165,609	1,300,105
Short-term bank deposits	19,152,060	17,658,529	11,256,633	10,226,709
	<u>23,866,198</u>	<u>23,322,973</u>	<u>11,422,242</u>	<u>11,526,814</u>

For the purpose of presenting the consolidated statement of cash flows, cash and cash equivalents comprise the following:

	Group	
	2019	2018
	RM	RM
Cash and bank balances (as above)	23,866,198	23,322,973
Less:		
- Bank deposits pledged ^(a)	(12,495)	-
- Bank balances restricted ^(b)	-	(1,475,099)
Cash and cash equivalents per consolidated statement of cash flows	<u>23,853,703</u>	<u>21,847,874</u>

^(a) Bank deposits are pledged as security for a bank guarantee (Note 25).

^(b) Bank balances are restricted in use as these were kept by a subsidiary corporation on behalf of one of its clients for the purpose of making repayment to the client's claimant.

APPENDIX IV – AUDITED FINANCIAL STATEMENTS OF THE GROUP FOR FY2019

**Axcelasia Inc. and its Subsidiary Corporations
Annual Report**

**Notes to the Financial Statements
for the financial year ended 31 December 2019**

12 Trade and other receivables

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Trade receivables				
– Non-related parties	9,298,801	9,296,491	-	-
Less: Loss allowance (Note 27 (b))	<u>(56,216)</u>	<u>(99,357)</u>	<u>-</u>	<u>-</u>
	9,242,585	9,197,134	-	-
 Contract assets (Note 4(b))	 814,387	 385,394	 -	 -
 Other receivables				
- Non-related parties	315,912	150,732	301,793	150,732
- Subsidiary corporation	-	-	11,432,724	132,724
Less: Loss allowance (Note 27 (b))	<u>-</u>	<u>-</u>	<u>(132,724)</u>	<u>-</u>
	-	-	11,300,000	132,724
 Deposits	 313,828	 429,813	 26,860	 43,705
Prepayments	309,570	110,439	49,218	-
Amount due from non-controlling interests	109,925	109,925	-	-
Interest receivables – short-term bank deposits	<u>141,827</u>	<u>128,127</u>	<u>93,939</u>	<u>92,549</u>
	<u>11,248,034</u>	<u>10,511,564</u>	<u>11,771,810</u>	<u>419,710</u>

The other receivables from subsidiary corporations are unsecured, interest-free and repayable on demand.

13 Income tax recoverable

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Income tax recoverable	<u>550</u>	<u>569,426</u>	<u>-</u>	<u>-</u>

Income tax recoverable relates to amounts expected to be recovered from the tax authority for overpayment made during current and prior financial years.

APPENDIX IV – AUDITED FINANCIAL STATEMENTS OF THE GROUP FOR FY2019

14 Property, plant and equipment

Group	Computers RM	Furniture and fittings RM	Office equipment RM	Renovation RM	Leasehold buildings RM	Total RM
2019						
Cost						
At 31 December 2018	2,092,074	487,639	173,432	457,043	-	3,210,188
Adoption of SFRS(I) 16 (Note 2.1)	-	-	-	-	1,574,041	1,574,041
At 1 January 2019	2,092,074	487,639	173,432	457,043	1,574,041	4,784,229
Currency translation differences	(26)	-	-	-	-	(26)
Additions	77,547	40,357	18,075	153,421	-	289,400
Write off	(28,342)	(5,338)	(992)	(14,395)	-	(49,067)
Disposal	(1,930)	(17,831)	(8,634)	(79,220)	-	(107,615)
At 31 December 2019	<u>2,139,323</u>	<u>504,827</u>	<u>181,881</u>	<u>516,849</u>	<u>1,574,041</u>	<u>4,916,921</u>
Accumulated depreciation						
At 31 December 2018	1,420,795	381,682	135,788	224,003	-	2,162,268
Adoption of SFRS(I) 16 (Note 2.1)	-	-	-	-	4,301	4,301
At 1 January 2019	1,420,795	381,682	135,788	224,003	4,301	2,166,569
Currency translation differences	52	-	14	437	-	503
Depreciation charge	287,505	73,847	20,695	102,724	514,539	999,310
Write off	(28,342)	(5,338)	(992)	(8,637)	-	(43,309)
Disposal	(579)	(5,426)	(2,591)	(24,386)	-	(32,982)
At 31 December 2019	<u>1,679,431</u>	<u>444,765</u>	<u>152,914</u>	<u>294,141</u>	<u>518,840</u>	<u>3,090,091</u>
Net book value						
At 31 December 2019	<u>459,892</u>	<u>60,062</u>	<u>28,967</u>	<u>222,708</u>	<u>1,055,201</u>	<u>1,826,830</u>

APPENDIX IV – AUDITED FINANCIAL STATEMENTS OF THE GROUP FOR FY2019

14 Property, plant and equipment (continued)

Group	Computers RM	Furniture and fittings RM	Office equipment RM	Renovation RM	Total RM
2018					
Cost					
At 1 January 2018	2,161,509	451,973	159,346	495,219	3,268,047
Currency translation differences	34	-	-	(2,163)	(2,129)
Additions	127,301	43,970	20,821	108,046	300,138
Write off	-	-	-	(116,361)	(116,361)
Disposal	(196,770)	(8,304)	(6,735)	(27,698)	(239,507)
At 31 December 2018	<u>2,092,074</u>	<u>487,639</u>	<u>173,432</u>	<u>457,043</u>	<u>3,210,188</u>
Accumulated depreciation					
At 1 January 2018	1,258,972	312,146	121,754	228,532	1,921,404
Currency translation differences	44	-	-	(715)	(671)
Depreciation charge	322,385	72,160	18,831	61,579	474,955
Write off	-	-	-	(56,217)	(56,217)
Disposal	(160,606)	(2,624)	(4,797)	(9,176)	(177,203)
At 31 December 2018	<u>1,420,795</u>	<u>381,682</u>	<u>135,788</u>	<u>224,003</u>	<u>2,162,268</u>
Net book value					
At 31 December 2018	<u>671,279</u>	<u>105,957</u>	<u>37,644</u>	<u>233,040</u>	<u>1,047,920</u>

APPENDIX IV – AUDITED FINANCIAL STATEMENTS OF THE GROUP FOR FY2019

14 Property, plant and equipment (continued)

Company	Computers	Furniture and	Office	Renovation	Leasehold	Total
2019	RM	fittings	equipment	RM	buildings	RM
Cost		RM	RM		RM	RM
At 31 December 2018	182,715	48,044	1,964	126,885	-	359,608
Adoption of SFRS(I) 16 (Note 2.1)	-	-	-	-	215,029	215,029
At 1 January 2019	182,715	48,044	1,964	126,885	215,029	574,637
Additions	2,990	-	1,750	-	-	4,740
At 31 December 2019	185,705	48,044	3,714	126,885	215,029	579,377
Accumulated depreciation						
At 31 December 2018 and 1						
January 2019	108,540	28,377	1,179	76,131	-	214,227
Depreciation charge	37,141	9,609	422	25,377	71,676	144,225
At 31 December 2019	145,681	37,986	1,601	101,508	71,676	358,452
Net book value						
At 31 December 2019	40,024	10,058	2,113	25,377	143,353	220,925
2018						
Cost						
At 1 January 2018	182,165	46,922	1,964	126,885	-	357,936
Additions	550	1,122	-	-	-	1,672
At 31 December 2018	182,715	48,044	1,964	126,885	-	359,608
Accumulated depreciation						
At 1 January 2018	71,997	18,768	786	50,754	-	142,305
Depreciation charge	36,543	9,609	393	25,377	-	71,922
At 31 December 2018	108,540	28,377	1,179	76,131	-	214,227
Net book value						
At 31 December 2018	74,175	19,667	785	50,754	-	145,381

APPENDIX IV – AUDITED FINANCIAL STATEMENTS OF THE GROUP FOR FY2019

14 Property, plant and equipment (continued)

Right-of-use of 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 15 (a) to the financial statements.

15 Leases – The Group as a lessee

Nature of the Group's leasing activities

The Group leases office premises from non-related and related parties under non-cancellable operating lease agreements. The leases have varying terms, escalation clauses and renewal rights.

a) *Carrying amounts*

ROU assets classified within Property, plant and equipment

	31 December 2019 RM	1 January 2019 RM
Group		
Leasehold buildings	1,055,201	1,569,740
Company		
Leasehold buildings	143,353	215,029

b) *Depreciation charge during the year*

	Group 31 December 2019 RM
Leasehold buildings	514,539

c) *Interest expense*

	Group 31 December 2019 RM
Interest expense on lease liabilities (Note 6)	91,494

d) *Lease expense not capitalised in lease liabilities*

	Group 31 December 2019 RM
Lease expense – short-term leases	65,403
Lease expense – low-value leases	85,152
Total	150,554

APPENDIX IV – AUDITED FINANCIAL STATEMENTS OF THE GROUP FOR FY2019

15 Leases – The Group as a lessee (continued)

Nature of the Group's leasing activities (continued)

- e) Total cash outflow for all the leases in 2019 was RM 699,315.
- f) Future cash outflow which are not capitalised in lease liabilities - Extension options

The leases for certain leasehold buildings contain extension periods, for which the related lease payments had not been included in lease liabilities as the Group is not reasonably certain to exercise these extension option. The Group negotiates extension options to optimise operational flexibility in terms of managing the assets used in the Group's operations. The majority of the extension options are exercisable by the Group and not by the lessor.

16 Goodwill

	Group	
	2019	2018
	RM	RM
Cost and carrying amount		
Beginning and end of financial year	2,130,000	2,130,000

Impairment test for goodwill

Goodwill is allocated to the Group's business consultancy CGU, identified as arising from the acquisition of Audex Governance Sdn. Bhd., which includes Axcelasia Columbus Sdn. Bhd. due to integrated operations.

The recoverable amount of the CGU was determined based on value-in-use calculations using management approved discounted cash flow projections covering a period of five years. Cash flows beyond five years period were extrapolated using the estimated growth rate stated below. The growth rate did not exceed the long-term average growth rate in which the CGU operates.

Key estimates used for value-in-use calculations

	Group	
	2019	2018
Pre-tax weighted average cost of capital	13.9%	13.9%
Terminal growth rate	2%	2%

Management determined that profit before tax is to increase by 10% per annum (2018: 10% per annum) for the next five years at an average of RM 319,000 (2018: RM 135,000). The discount rates used were pre-tax and reflected specific risks relating to the relevant segment.

Based on the sensitivity analysis performed (Note 3.1(b)), the Group has concluded that a variation of 10% in profit before tax or 1% in the base case assumptions would not materially cause the recoverable amount to be lower than its carrying amount, as such, no impairment charge was recorded.

APPENDIX IV – AUDITED FINANCIAL STATEMENTS OF THE GROUP FOR FY2019

17 Investments in subsidiary corporations

	Company	
	2019	2018
	RM	RM
Equity investments at cost		
Beginning of financial year	10,263,680	10,263,680
Acquisition of additional equity interest in subsidiary corporation	236,821	-
End of financial year	<u>10,500,501</u>	<u>10,263,680</u>
Accumulated impairment losses		
Beginning of financial year	1,448,757	-
Impairment losses	-	1,448,757
End of financial year	<u>1,448,757</u>	<u>1,448,757</u>
Carrying amount	<u>9,051,744</u>	<u>8,814,923</u>

The Group has the following subsidiary corporations as at 31 December 2019 and 2018:

Name	Principal activities	Country of business/ incorporation	Proportion of ordinary shares directly held by the Group		Proportion of ordinary shares directly held by the Company		Proportion of ordinary shares held by non- controlling interests	
			2019	2018	2019	2018	2019	2018
			%	%	%	%	%	%
<u>Held by Company</u>								
Axcelasia Taxand Sdn. Bhd. ^(a)	Provision of tax compliance, tax advisory services, training and knowledge management services	Malaysia	100	100	100	100	-	-
Axcelasia Singapore Pte. Ltd. ^(a)	Provision of management consultancy services	Singapore	90	75	90	75	10	25
Axcelasia Lao Co., Ltd. ^(a)	Provision of management consultancy services	Laos	100	100	100	100	-	-
Axcelasia Vietnam Co., Ltd. ^(a)	Provision of management consultancy services	Vietnam	70	70	70	70	30	30
Audex Governance Sdn Bhd ^(a)	Provision of management consultancy services	Malaysia	100	100	100	100	-	-

APPENDIX IV – AUDITED FINANCIAL STATEMENTS OF THE GROUP FOR FY2019

17 Investments in subsidiary corporations (continued)

The Group has the following subsidiary corporations as at 31 December 2019 and 2018: (continued)

Name	Principal activities	Country of business/ incorporation	Proportion of ordinary shares directly held by the Group		Proportion of ordinary shares directly held by the Company		Proportion of ordinary shares held by non-controlling interests	
			2019	2018	2019	2018	2019	2018
			%	%	%	%	%	%
<u>Held by Axcelasia Taxand Sdn.Bhd.</u>								
Axcelasia Corporate Services Sdn. Bhd. ^(a)	Provision of company secretarial services	Malaysia	100	100	-	-	-	-
Axcelasia Global Business Services Sdn. Bhd. ^(a)	Provision of accounting, payroll, corporate finance and administration support services	Malaysia	100	100	-	-	-	-
Axcelasia Columbus Sdn. Bhd. ^(a)	Provision of management consultancy services	Malaysia	100	100	-	-	-	-
Agensi Pekerjaan Axcelasia Talent Sdn. Bhd. ^(a)	Provision of recruitment and human resource consultancy services	Malaysia	100	100	-	-	-	-
<u>Held by Axcelasia Columbus Sdn. Bhd.</u>								
Axcelasia Softnex Sdn. Bhd. ^(a)	Licensing of ERM Application software	Malaysia	100	100	-	-	-	-
Axcelasia HR Consulting Sdn. Bhd. ^(a)	Provision of HR consultancy services	Malaysia	51	51	-	-	49	49

^(a) Audited by Nexia TS Public Accounting Corporation, Singapore for consolidation purposes.

APPENDIX IV – AUDITED FINANCIAL STATEMENTS OF THE GROUP FOR FY2019

17 Investments in subsidiary corporations (continued)

Carrying value of non-controlling interests

	Group 2019 RM	2018 RM
Axcelasia HR Consulting Sdn. Bhd.	55,524	(73,591)
Axcelasia Singapore Pte. Ltd.	17,981	31,792
Axcelasia Vietnam Co., Ltd.	(2,283)	12,748
Total	71,222	(29,051)

Summarised financial information of subsidiary corporations with material non-controlling interests

Set out below are the summarised financial information for each subsidiary that has non-controlling interests that are material to the Group. These are presented before inter-company eliminations.

Summarised statements of financial position

	Axcelasia HR Consulting Sdn. Bhd.		Axcelasia Singapore Pte. Ltd.		Axcelasia Vietnam Co., Ltd.	
	2019 RM	2018 RM	2019 RM	2018 RM	2019 RM	2018 RM
Current						
Assets	130,777	168,871	185,752	159,413	216,265	215,856
Liabilities	(18,951)	(322,414)	(8,896)	(36,999)	(278,598)	(278,598)
Total net current assets / (liabilities)	111,826	(153,543)	176,856	122,414	(62,333)	(62,742)
Non-current						
Assets	1,490	3,358	2,953	4,755	54,722	105,235
Total non-current assets	1,490	3,358	2,953	4,755	54,722	105,235
Net assets / (liabilities)	113,316	(150,185)	179,809	127,169	(7,611)	42,493

APPENDIX IV – AUDITED FINANCIAL STATEMENTS OF THE GROUP FOR FY2019

17 Investments in subsidiary corporations (continued)

Summarised statements of comprehensive income

	Axcelasia HR Consulting Sdn. Bhd.		Axcelasia Singapore Pte. Ltd.		Axcelasia Vietnam Co., Ltd.	
	2019 RM	2018 RM	2019 RM	2018 RM	2019 RM	2018 RM
Revenue	385,803	326,675	-	187,469	-	-
Profit / (loss before income tax	<u>63,501</u>	<u>(187,560)</u>	<u>(190,252)</u>	<u>(242,641)</u>	<u>(49,996)</u>	<u>(717)</u>
Total comprehensive income/(loss)	<u>63,501</u>	<u>(187,560)</u>	<u>(190,252)</u>	<u>(242,641)</u>	<u>(49,996)</u>	<u>(717)</u>
Total comprehensive income/(loss) allocated to non-controlling interests	<u>31,116</u>	<u>(91,904)</u>	<u>(40,428)</u>	<u>(60,660)</u>	<u>(14,999)</u>	<u>(215)</u>

Summarised statements of cash flows

	Axcelasia HR Consulting Sdn. Bhd.		Axcelasia Singapore Pte. Ltd.		Axcelasia Vietnam Co., Ltd.	
	2019 RM	2018 RM	2019 RM	2018 RM	2019 RM	2018 RM
Cash (used in)/ generated from operations	(218,202)	(69,238)	(203,977)	(59,713)	409	(938)
Income tax refund/ (paid)	<u>35,741</u>	<u>67,977</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net cash (used in)/ generated from operating activities	(182,461)	(1,261)	(203,977)	(59,713)	409	(938)
Net cash used in investing activities	-	-	-	-	-	-
Net cash generated from financing activities	<u>200,000</u>	<u>-</u>	<u>242,893</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net increase/ (decrease) in cash and cash equivalents	17,539	(1,261)	38,916	(59,713)	409	(938)
Beginning of financial year	<u>16,670</u>	<u>17,931</u>	<u>145,302</u>	<u>205,015</u>	<u>822</u>	<u>1,760</u>
End of financial year	<u>34,209</u>	<u>16,670</u>	<u>184,218</u>	<u>145,302</u>	<u>1,231</u>	<u>822</u>

APPENDIX IV – AUDITED FINANCIAL STATEMENTS OF THE GROUP FOR FY2019

17 Investments in subsidiary corporations (continued)

Acquisition of additional interest in subsidiary corporations

2019

(i) Axcelasia HR Consulting Sdn Bhd (“AHRC”)

AHRC, a 51%-owned subsidiary of Axcelasia Columbus Sdn Bhd (“ACSB”) which in turn is a wholly-owned subsidiary of the Company, has on 9 April 2019 increased its issued and paid up capital from Ringgit Malaysia (“RM”) 200,000 to RM400,000 (the “Capital Increase”) through the pro-rata issue and allotment of:

- (ii) 102,000 ordinary shares of RM1.00 each to ACSB; and
- (iii) 98,000 ordinary shares of RM1.00 each to the remaining 49% shareholder of AHRC.

(ii) Axcelasia Singapore Pte. Ltd. (“ASPL”)

ASPL, a 75%-owned subsidiary of the Company, has on 10 October 2019 increased its issued and paid up capital from Singapore Dollars (“S\$”) 500,000 to S\$580,000 (equivalent to approximately from RM 1,471,470 to RM 1,714,363) (the “Capital Increase”) through the issue and allotment of:

- (i) 975,000 ordinary shares of S\$0.08 each to the Company amounting to RM 236,821; and
- (ii) 25,000 ordinary shares of S\$0.08 each to the existing 25% shareholder of ASPL amounting to RM 6,072.

The Company’s interest in ASPL has been increased from 75% to 90% following the Capital Increase.

The Group as of 31 December 2019 holds 51% and 90% of equity share capital of AHRC and ASPL respectively.

The following summarises the effect of the changes in the Group’s ownership interest in AHRC and ASPL on the equity attributable to owners of the Company:

	AHRC RM	ASPL RM	Total RM
Consideration paid on acquisition on non-controlling interest			
- Cash	-	6,072	6,072
- Capitalisation of amount owing to director of subsidiary corporation	98,000	-	98,000
	98,000	6,072	104,072
Carrying amount of non-controlling interest acquired	(98,000)	(26,618)	(124,618)
Decrease in equity attributable to equity holders of the Company	-	(20,546)	(20,546)

APPENDIX IV – AUDITED FINANCIAL STATEMENTS OF THE GROUP FOR FY2019

18 Other payables

	Group		Company	
	2019	2018	2019	2018
	RM	RM	RM	RM
Accruals for operating expenses	2,153,327	3,245,192	251,429	344,803
Other payables				
- Non-related parties	1,555,733	2,316,923	58,693	24,927
- Directors of subsidiary corporations	2,454	100,454	-	-
- Subsidiary corporation	-	-	-	54,250
Deferred income	78,980	183,848	-	-
	<u>3,790,494</u>	<u>5,846,417</u>	<u>310,122</u>	<u>423,980</u>

The other payables to directors of subsidiary corporations and subsidiary corporation are unsecured, interest-free and repayable on demand and the transactions are made on normal commercial terms and conditions.

19 Borrowings

	Group		Company	
	2019	2018	2019	2018
	RM	RM	RM	RM
<i>Current</i>				
Lease liabilities	<u>553,639</u>	<u>-</u>	<u>73,047</u>	<u>-</u>
<i>Non-current</i>				
Lease liabilities	<u>560,925</u>	<u>-</u>	<u>78,102</u>	<u>-</u>
Total borrowings	<u>1,114,564</u>	<u>-</u>	<u>151,149</u>	<u>-</u>

The exposure of the borrowings of the Group and of the Company to interest rate changes and the contractual repricing dates at the balance sheet date are as follows:

	Group		Company	
	31 December		31 December	
	2019	2018	2019	2018
	RM	RM	RM	RM
6 months or less	306,938	-	41,587	-
6 – 12 months	246,701	-	31,460	-
1 – 5 years	560,925	-	78,102	-
Total borrowings	<u>1,114,564</u>	<u>-</u>	<u>151,149</u>	<u>-</u>

APPENDIX IV – AUDITED FINANCIAL STATEMENTS OF THE GROUP FOR FY2019

19 Borrowings (continued)

(a) *Fair value of non-current borrowings*

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Lease liabilities	560,925	-	78,102	-

The fair values above are determined from the cash flow analyses, discounted at market borrowing rates of an equivalent instrument at the balance sheet date which the directors expect to be available to the Group as follows:

	Group		Company	
	2019 %	2018 %	2019 %	2018 %
Lease liabilities	6.7%	-	6.7%	-

The fair values are within Level 3 of the fair value hierarchy.

(b) *Reconciliation of liabilities arising from financing activities*

	1 January 2019	Principal and interest payments	Non-cash changes		31 December 2019
			Adoption of SFRS(I) 16 (Note 2.1)	Interest expense	
	RM	RM	RM	RM	RM
Lease liabilities	-	(548,761)	1,571,831	91,494	1,114,564

20 Deferred income taxes

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current income tax assets against current income tax liabilities and when the deferred income taxes relate to the same fiscal authority.

Movement in the net deferred income tax account is as follows:

	Group	
	2019 RM	2018 RM
Beginning of financial year	-	12,001
Tax credit to profit or loss (Note 9)	-	(12,001)
End of financial year	-	-

APPENDIX IV – AUDITED FINANCIAL STATEMENTS OF THE GROUP FOR FY2019

21 Share capital and treasury shares

	No. of ordinary shares		Amount	
	Issued share capital	Treasury shares	Share capital RM	Treasury shares RM
Group and Company				
2019				
Beginning of financial year	160,320,000	-	27,817,984	-
Treasury shares purchased	-	(9,700)	-	(2,569)
End of financial year	160,320,000	(9,700)	27,817,984	(2,569)
2018				
Beginning and end of financial year	160,320,000	-	27,817,984	-

All issued ordinary shares are fully paid. There is no par value for these ordinary shares.

Fully paid ordinary shares carry one vote per share and carry a right to dividends as and when declared by the Company.

(a) Treasury shares

The Company acquired 9,700 (2018: Nil) shares in the Company in the open market during the financial year. The total amount paid to acquire the shares was RM 2,569 (2018: Nil) and this was presented as a component within shareholder's equity.

(b) Share Options

THE AXCELASIA EMPLOYEE SHARE OPTION SCHEME

In conjunction with the Company's listing on the Catalist of Singapore Exchange Securities Trading Limited ("SGX-ST"), the Group adopted the Axcelasia Employee Share Option Scheme ("ESOS") which was approved by its shareholders at an Extraordinary General Meeting ("EGM") held on 21 October 2015. The ESOS is administered by a committee comprising of members of the Nomination Committee and the Remuneration Committee (the "Administration Committee"). The ESOS provides for the grant of share options ("Options") to employees and Directors ("ESOS participants").

The selection of the ESOS participants and number of shares which are subject of each Option to be granted to an ESOS participant in accordance with the ESOS shall be determined at the absolute discretion of the Administration Committee, which shall take into account criteria such as, inter alia, the rank, scope of responsibilities, performance, years of service and potential for future development and contribution to the success of the Group.

Under the ESOS, the number of shares over which the Administration Committee may grant Options on any date, when added to the number of shares issued and issuable in respect of all Options granted under the ESOS (including the Axcelasia Performance Share Plan and any other share option scheme of the Company) shall not exceed 15% of the number of issued shares (excluding treasury shares and subsidiary holdings) on the day preceding the date of the relevant grant.

21 Share capital and treasury shares (continued)

(b) Share Options (continued)

THE AXCELASIA EMPLOYEE SHARE OPTION SCHEME (continued)

Options granted with the exercise price set at market price shall only be exercisable, in whole or in part at any time, by an ESOS participant after the first anniversary of the offer date of that Option, provided always that the Options shall be exercised before the fifth anniversary of the relevant offer date, or such earlier date as may be determined by the Administration Committee, failing which all unexercised Options shall immediately lapse and become null and void and an ESOS participant shall have no claim against the Company.

Options granted with exercise price set at a discount to market price shall only be exercisable, in whole or in part at any time, by an ESOS participant after the second anniversary from the offer date of that option, provided always that the Options shall be exercised before the fifth anniversary of the relevant offer date, or such earlier date as may be determined by the Administration Committee, failing which all unexercised Options shall immediately lapse and become null and void and an ESOS participant shall have no claim against the Company.

Options may lapse or be exercised earlier in circumstances which include the termination of the employment of the participant in the Group and the parent company, the bankruptcy of the participant, the death of the participant, a take-over of the Company, and the winding-up of the Company.

There were no options granted to the employees and Directors from the commencement of the ESOS up to the end of the financial year.

No options have been granted to controlling shareholders of the Company and their associates under the ESOS from the commencement of the ESOS up to the end of the financial year.

None of the ESOS participants received 5% or more of the total number of options available under the ESOS.

There were no options being exercised 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 under Option in the Company or its subsidiary corporations as at the end of the financial year.

(c) Performance Share Plan

THE AXCELASIA PERFORMANCE SHARE PLAN

In conjunction with the Company's listing on the Catalist of SGX-ST, the Group adopted the Axcelasia Performance Share Plan ("PSP") which was approved by its shareholders at the EGM held on 21 October 2015. The PSP is administered by the Administration Committee. The PSP provides for the grant of incentive share awards ("Awards") to employees and Directors ("PSP participants").

The selection of the PSP participants and number of shares which are subject of each Award to be granted to a PSP participant in accordance with the PSP shall be determined at the absolute discretion of the Administration Committee, which shall take into account criteria such as, inter alia, the rank, scope of responsibilities, performance, years of service and potential for future development and contribution to the success of the Group.

21 Share capital and treasury shares (continued)

(c) Performance Share Plan (continued)

THE AXCELASIA PERFORMANCE SHARE PLAN (continued)

Under PSP, the total number of shares which may be delivered pursuant to the vesting of Awards on any date, when added to the aggregate number of shares issued and issuable in respect of (a) all Awards granted under the PSP; and (b) all options granted under any share option, shares incentive, performance share or restricted plans of the Company and for the time being in force, shall not exceed 15% of the number of issued shares (excluding treasury shares and subsidiary holdings) on the day preceding the date of the relevant grant.

The PSP allows for the participation by full-time employees of the Group (including the Executive Directors) and Non-executive Directors (including Independent Directors) who have attained the age of 21 years and above on or before the relevant date of grant of the Award, provided that none shall be an undischarged bankrupt or have entered into a composition with his creditors. Controlling shareholders of the Company and their associates will not be eligible to participate in the PSP.

Notwithstanding that a PSP participant may have met his performance targets, no Awards shall be vested:

- (i) When a PSP participant, being an employee of the Group, ceasing for any reason whatsoever, to be in the employment of a company in the Group or in the event the company by which the participant is employed ceases to be a company in the Group;
- (ii) When a PSP participant, being a Non-executive Director, ceasing to be a director of a company in the Group, for any reason whatsoever;
- (iii) Upon the bankruptcy of the PSP participant;
- (iv) Upon ill health, injury or death of a PSP participant;
- (v) When a PSP participant committing any breach of any of the terms of his Award;
- (vi) Upon misconduct on the part of a PSP participant as determined by the Administration Committee in its discretion;
- (vii) When a general offer being made of all or any part of the Shares;
- (viii) When a scheme of arrangement or compromise between the Company and the Shareholders being sanctioned by the Court;
- (ix) When an order for the compulsory winding-up of the Company being made;
- (x) When a resolution for a voluntary winding-up (other than for amalgamation or reconstruction) of the Company being made; and/or
- (xi) Upon any other event unless approved by the Administration Committee.

There was no Awards granted pursuant to the PSP from the commencement of the PSP up to the end of the financial year.

APPENDIX IV – AUDITED FINANCIAL STATEMENTS OF THE GROUP FOR FY2019

22 Other reserve

	Group	
	2019	2018
	RM	RM
Composition:		
Currency translation reserve	47,872	41,368

The movements of currency translation reserve are as follows:

	Group	
	2019	2018
	RM	RM
Beginning of financial year	41,368	46,160
Currency translation differences of financial statements of foreign subsidiary corporations	(118)	(6,409)
Currency translation differences on acquisition of additional equity interest in a subsidiary corporation	6,589	-
Less: non-controlling interests	33	1,617
End of financial year	<u>47,872</u>	<u>41,368</u>

Other reserve is non-distributable.

23 Retained profits/(accumulated losses)

- (a) Retained profits/(accumulated losses) net of merger reserve of the Group are distributable.
- (b) Retained profits/(accumulated losses) of the Company are distributable and the movement is as follows:

	Company	
	2019	2018
	RM	RM
Beginning of financial year	(7,335,136)	(3,493,937)
Net profit/(loss)	12,512,009	(3,841,199)
Dividend paid (Note 24)	(986,838)	-
End of financial year	<u>4,190,035</u>	<u>(7,335,136)</u>

24 Dividends

	Group	
	2019	2018
	RM	RM
<i>Ordinary dividends</i>		
<u>Axcelasia Inc.</u>		
Interim tax exempt dividend of SGD0.002 (2018: Nil) per share	<u>986,838</u>	<u>-</u>

At the Annual General Meeting on 17 April 2020, a final dividend of SGD0.023 per share amounting to a total of SGD3,687,137 (equivalent to approximately RM11,188,617) will be recommended. These financial statements do not reflect this dividend, which will be accounted for in shareholders' equity as an appropriation of retained profits in the financial year ending 31 December 2020.

APPENDIX IV – AUDITED FINANCIAL STATEMENTS OF THE GROUP FOR FY2019

25 Contingencies

One of the subsidiary corporation, Axcelasia Taxand Sdn. Bhd. has pledged a fixed deposit of RM 12,495 (2018: Nil) to a financial institution to obtain a bank guarantee for one of its fellow subsidiary corporation, Axcelasia Columbus Sdn. Bhd. with respect of a binding service contract with its customer.

26 Commitments

Operating lease commitments – where the Group is a lessee

The Group leases office premises from related and non-related parties under non-cancellable operating lease agreements. The leases have varying terms, escalation clauses and renewal rights.

As at 31 December 2018, the future minimum lease payables under non-cancellable operating leases contracted for at the reporting date but not recognised as liabilities, are as follows:

	Group RM
Not later than one year	332,349
Between one and five years	18,374
	<u>350,723</u>

The Group leases a number of office premises under operating leases. Such leases have fixed terms ranging from two to three years, with some leases having an option to renew the lease after the expire of the initial fixed term for a further term of two to three years. The Group expects to meet operating lease commitments using cash generated from operations.

As disclosed in Note 2.1 to the financial statements, the Group has adopted SFSR(I) 16 on 1 January 2019. These lease payments have been recognised as ROU assets and lease liabilities on the balance sheet as at 31 December 2019, except for cancelled lease.

27 Financial risk management

Financial risk factors

The Group's activities expose it to market risk (including currency risk, price risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management strategy seeks to minimise any adverse effects from the unpredictability of financial markets on the Group's financial performance.

The Board of Directors is responsible for setting the objectives and underlying principles of financial risk management for the Group. This includes establishing detailed policies such as authority levels, oversight responsibilities, risk identification and measurement, and exposure limits.

Financial risk management is carried out by the finance department in accordance with the policies set by the Board of Directors. The finance personnel identifies, evaluates and monitors financial risks in close co-operation with the Group's operating units. The finance personnel measures actual exposures against the limits set and prepares periodic reports for review by the Executive Directors. Regular reports are also submitted to the Board of Directors.

The Board of Directors reviews and agrees policies for managing each of these risks and they are summarised below:

APPENDIX IV – AUDITED FINANCIAL STATEMENTS OF THE GROUP FOR FY2019

27 Financial risk management (continued)

Financial risk factors (continued)

(a) *Market risk*

(i) *Currency risk*

The Group operates in Asia with dominant operations in Malaysia, Singapore, Laos and Vietnam. Entities in the Group regularly transact in currencies other than their respective functional currencies (“foreign currencies”). Currency risk arises within entities in the Group when transactions are denominated in foreign currencies such as Singapore Dollar (“SGD”), United States Dollar (“USD”) and Vietnamese Dong (“VND”).

The Group’s currency exposure based on the information provided to key management is as follows:

	SGD RM	USD RM	VND RM
2019			
Financial assets			
Cash and cash equivalents	201,788	23,592	1,197
Trade and other receivables	1,534	-	213,915
	<u>203,322</u>	<u>23,592</u>	<u>215,112</u>
Financial liabilities			
Other payables	(8,896)	-	(278,598)
Intra-group payables	-	(132,724)	-
	<u>(8,896)</u>	<u>(132,724)</u>	<u>(278,598)</u>
Net financial assets/(liabilities)	194,426	(109,132)	(63,486)
Add: Net non-financial assets	2,952	398	55,841
Net assets/(liabilities)	<u>197,378</u>	<u>(108,734)</u>	<u>(7,645)</u>
Currency profile including non-financial assets	<u>197,378</u>	<u>(108,734)</u>	<u>(7,645)</u>
Currency exposure of financial assets net of those denominated in the respective entities’ functional currencies	<u>197,378</u>	<u>(108,734)</u>	<u>(7,645)</u>

APPENDIX IV – AUDITED FINANCIAL STATEMENTS OF THE GROUP FOR FY2019

27 Financial risk management (continued)

Financial risk factors (continued)

(a) *Market risk (continued)*

(i) *Currency risk (continued)*

The Group's currency exposure based on the information provided to key management is as follows: (continued)

	SGD RM	USD RM	VND RM
2018			
Financial assets			
Cash and cash equivalents	1,080,707	41,433	1,198
Trade and other receivables	14,112	-	213,915
	<u>1,094,819</u>	<u>41,433</u>	<u>215,113</u>
Financial liabilities			
Other payables	(36,999)	(7,193)	(278,598)
Intra-group payables	-	(132,724)	-
	<u>(36,999)</u>	<u>(139,917)</u>	<u>(278,598)</u>
Net financial assets/(liabilities)	1,057,820	(98,484)	(63,485)
Add: Net non-financial assets	4,755	675	106,354
Net assets/(liabilities)	<u>1,062,575</u>	<u>(97,809)</u>	<u>42,869</u>
Currency profile including non-financial assets	<u>1,062,575</u>	<u>(97,809)</u>	<u>42,869</u>
Currency exposure of financial assets net of those denominated in the respective entities' functional currencies	<u>1,062,575</u>	<u>(97,809)</u>	<u>42,869</u>

The Company's business operations are not exposed to significant foreign currency risks as it has no significant transactions denominated in foreign currencies for the financial years ended 31 December 2019 and 2018.

APPENDIX IV – AUDITED FINANCIAL STATEMENTS OF THE GROUP FOR FY2019

27 Financial risk management (continued)

Financial risk factors (continued)

(a) *Market risk (continued)*

(i) *Currency risk (continued)*

Sensitivity analysis

The strengthening of SGD and USD against MYR by 0.04% (2018: 0.03%) and 1.6% (2018: 2.3%) respectively at the reporting date would increase/(decrease) profit after tax by the amounts shown below. This analysis assume that all other variables including tax rate are held constant.

	Profit after tax	
	2019	2018
	RM	RM
Group		
SGD against MYR		
- Strengthened	60	242
- Weakened	(60)	(242)
 USD against MYR		
- Strengthened	(1,322)	(1,710)
- Weakened	<u>1,322</u>	<u>1,710</u>

The weakening of SGD and USD against MYR by 0.04% (2018: 0.03%) and 1.6% (2018: 2.3%) respectively would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables including tax rate are being held constant.

As the currency exposure of VND is not significant, any change in currency exchange rate will not have material impact to the Group.

(ii) *Equity price risk*

The Group and the Company do not have exposure to equity price as it does not hold equity financial assets.

(iii) *Cash flow and fair value interest rate risks*

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the fair value of a financial instrument will fluctuate due to changes in market interest rates. As the Group has no significant interest-bearing assets and liabilities with variable interest rates, the Group's income is substantially independent of changes in market interest rates.

APPENDIX IV – AUDITED FINANCIAL STATEMENTS OF THE GROUP FOR FY2019

27 Financial risk management (continued)

Financial risk factors (continued)

(b) *Credit risk*

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The major classes of financial assets of the Group and of the Company are bank deposits and trade and other receivables. The Group adopts the policy of dealing only with:

- Customers of appropriate credit standing and history, and obtaining sufficient collaterals where appropriate to mitigate credit risk; and
- High credit quality counterparties of at least 'A' rating by external credit rating companies.

The Group has no significant concentrations of credit risk for each class of its financial assets.

As the Group and the Company do not hold any collateral, the maximum exposure to credit risk for each class of financial instruments is the carrying amount of that class of financial instruments presented on the statement of financial position.

The credit risk for trade receivables based on the information provided to key management is as follows:

	Group	
	2019	2018
	RM	RM
<u>By types of customers</u>		
Non-related parties	9,298,801	9,296,491
<u>By geographical areas</u>		
Malaysia	9,298,801	9,273,659
Singapore	-	12,200
Vietnam	-	10,632
	9,298,801	9,296,491

The movements in credit loss allowance are as follows:

	Trade receivables
	RM
Group	
2019	
Balance at 1 January 2019	99,357
Loss allowance recognised in profit or loss during the financial year on:	
- Reversal of unutilised amount (Note 5)	(32,938)
Written off	(10,203)
Balance at 31 December 2019 (Note 12)	56,216

APPENDIX IV – AUDITED FINANCIAL STATEMENTS OF THE GROUP FOR FY2019

27 Financial risk management (continued)

Financial risk factors (continued)

(b) *Credit risk (continued)*

The movements in credit loss allowance are as follows: (continued)

	Trade receivables RM
Group	
2018	
Balance at 1 January 2018	-
Loss allowance recognised in profit or loss during the financial year on:	
- Changes in credit risk (Note 8)	99,357
Balance at 31 December 2018 (Note 12)	99,357
	Other receivables RM
Company	
2019	
Balance at 1 January 2019	-
Loss allowance recognised in profit or loss during the financial year on:	
- Changes in credit risk	132,724
Balance at 31 December 2019 (Note 12)	132,724
2018	
Balance at 1 January and 31 December 2018 (Note 12)	-

(i) *Credit rating*

The Group uses a provision matrix to measure the lifetime expected credit loss allowance for trade receivables from customers.

In measuring the expected credit losses, trade receivables are grouped based on shared credit risk characteristics and days past due. In calculating the expected credit loss rates, the Group considers historical loss rates for each category of customers and adjusts to reflect current and forward-looking macroeconomic factors affecting the ability of the customers to settle the receivables.

Trade receivables are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the Group. Where receivables have been written off, the Group continues to engage in enforcement activity to attempt to recover the receivables due. Where recoveries are made, these are recognised in profit or loss.

APPENDIX IV – AUDITED FINANCIAL STATEMENTS OF THE GROUP FOR FY2019

27 Financial risk management (continued)

Financial risk factors (continued)

(b) *Credit risk (continued)*

(i) *Credit rating (continued)*

The Group uses the following categories of internal credit risk rating for financial assets which are subject to expected credit losses under the 3-stage general approach. These four categories reflect the respective credit risk and how the loss provision is determined for each of those categories.

Category of internal credit rating	Definition of category	Basis of recognition of expected credit losses
Performing	Borrower or issuer have a low risk of default and a strong capability to meet contractual cash flows	12-month expected credit losses
Under-performing	Borrower or issuer for which there is a significant increase in credit risk; as significant in credit risk is presumed if interest and/or principal repayment are 365 days past due	Lifetime expected credit losses
Non-performing	Interest and/or principal payment are 365 days past due	Lifetime expected credit losses
Write-off	Interest and/or principal repayments relating to debtor that failing to engage in a repayment plan with the Group and have no reasonable expectation of recovery.	Asset is written off

(ii) *Impairment of financial assets*

The Group has the following financial assets that are subject to credit losses where the expected credit loss model has been applied:

	Group	
	2019	2018
	RM	RM
Trade receivables from:		
- Non-related parties	<u>9,298,801</u>	<u>9,296,491</u>

APPENDIX IV – AUDITED FINANCIAL STATEMENTS OF THE GROUP FOR FY2019

27 Financial risk management (continued)

Financial risk factors (continued)

(b) *Credit risk (continued)*

(ii) *Impairment of financial assets (continued)*

The Group's credit risk exposure in relation to trade receivables from customers as at 31 December 2019 and 31 December 2018 are set out in the provision matrix as follows:

	Trade receivables RM	Expected loss rate	Loss allowances RM
<u>31 December 2019</u>			
Not past due	2,321,644	0%	-
Past due < 30 days	2,175,524	0%	-
Past due 31 to 90 days	1,764,912	0%	-
Past due over 90 days	<u>3,036,721</u>	1.85%	<u>56,216</u>
	<u><u>9,298,801</u></u>		<u><u>56,216</u></u>
<u>31 December 2018</u>			
Not past due	3,678,716	0%	-
Past due < 30 days	1,420,767	0%	-
Past due 31 to 90 days	1,491,944	0%	-
Past due over 90 days	<u>2,705,064</u>	3.67%	<u>99,357</u>
	<u><u>9,296,491</u></u>		<u><u>99,357</u></u>

APPENDIX IV – AUDITED FINANCIAL STATEMENTS OF THE GROUP FOR FY2019

27 Financial risk management (continued)

Financial risk factors (continued)

(c) *Liquidity risk*

Prudent liquidity risk management includes maintaining sufficient cash and having an adequate amount of committed credit facilities to enable it to meet its normal operating commitments. The Group's objective is to maintain a balance between continuing of funding and the ability to close out market positions at a short notice. As at reporting date, assets held by the Group and the Company for managing liquidity risk included cash and short-term deposits as disclosed in Note 11 to the financial statements.

Management monitors rolling forecasts of the liquidity reserve (comprises cash and cash equivalents (Note 11)) of the Group and the Company on the basis of expected cash flows. This is generally carried out at local level in the operating companies of the Group in accordance with the practice and limits set by the Group. These limits vary by location to take into account the liquidity of the market in which the entity operates. In addition, the Group's liquidity management policy involves projecting cash flows in major currencies and considering the level of liquid assets necessary to meet these obligations and monitoring liquidity ratios.

The table below analyses the non-derivative financial liabilities of the Group and the Company into relevant maturity groupings based on the remaining period from the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying amounts as the impact of discounting is not significant.

	Less than 1 year RM	Between 1 and 2 years RM	Between 2 and 5 years RM
Group 2019			
Other payables	3,711,514	-	-
Borrowings	609,602	574,812	5,472
2018			
Other payables	5,662,569	-	-
Company 2019			
Other payables	310,122	-	-
Borrowings	80,640	80,640	-
2018			
Other payables	423,980	-	-

(d) *Capital risk*

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maintain an optimal capital structure so as to maximise shareholder value. In order to maintain or achieve an optimal capital structure, the Group may adjust the amount of dividend payment, return capital to shareholders, issue new shares, buy back issued shares, obtain new borrowings or sell assets to reduce borrowings.

Management monitors capital based on a gearing ratio. The gearing ratio is calculated as net debt divided by total capital. Net debt is calculated as borrowings plus other payables less cash and cash equivalents. Total capital is calculated as total equity plus net debt.

APPENDIX IV – AUDITED FINANCIAL STATEMENTS OF THE GROUP FOR FY2019

27 Financial risk management (continued)

Financial risk factors (continued)

(d) *Capital risk (continued)*

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Net cash	(18,961,140)	(17,476,556)	(10,960,971)	(11,102,834)
Total equity	<u>33,428,957</u>	<u>31,597,530</u>	<u>20,705,450</u>	<u>20,482,848</u>
Total capital	<u>14,467,817</u>	<u>14,120,974</u>	<u>9,744,479</u>	<u>9,380,014</u>
Gearing ratio	<u>N.A.⁽¹⁾</u>	<u>N.A.⁽¹⁾</u>	<u>N.A.⁽¹⁾</u>	<u>N.A.⁽¹⁾</u>

⁽¹⁾ *The cash position exceeds the total of borrowings and other payables. The Group and the Company are in net cash position for the financial years ended 31 December 2019 and 2018.*

The Group and the Company are not subjected to externally imposed capital requirements for the financial years ended 31 December 2019 and 2018.

(e) *Fair value measurements*

The fair value of current financial assets and liabilities carried at amortised cost approximates their carrying amounts.

(f) *Financial instruments by category*

The carrying amount of the different categories of financial instruments is as follows:

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Financial assets at amortised cost	33,990,275	33,338,704	11,844,834	11,946,524
Financial liabilities at amortised cost	<u>4,826,078</u>	<u>5,662,569</u>	<u>461,271</u>	<u>423,980</u>

APPENDIX IV – AUDITED FINANCIAL STATEMENTS OF THE GROUP FOR FY2019

28 Related party transactions

In addition to the information disclosed elsewhere in the financial statements, the following transactions took place between the Group and related parties at terms agreed between the parties:

(a) Sales of services

	Group	
	2019	2018
	RM	RM
Rental expenses paid to related parties	56,620	271,776

Related parties comprise mainly companies which are controlled by the Group's key management personnel and their close family members.

Outstanding balances at 31 December 2019, are unsecured and receivable/payable within 12 months from the balance sheet date and are disclosed in Notes 12 and 18 respectively.

(b) Key management personnel compensation

Key management personnel compensation is as follows:

	Group	
	2019	2018
	RM	RM
<i><u>Directors of the Company</u></i>		
Salaries and bonus	1,452,000	1,452,000
Employer's contribution to defined contributions plan	245,269	245,560
Other short-term benefits	10,800	10,800
Directors' fees	565,543	563,760
	2,273,612	2,272,120
<i><u>Other key management personnel</u></i>		
Salaries and bonus	1,893,200	2,374,823
Employer's contribution to defined contributions plan	244,685	290,914
Other short-term benefits	32,400	38,400
	2,170,285	2,704,137

29 Segment information

For management purposes, the Group is organised into the following reportable operating segments:

1. Corporate office segment mainly relates to investment holding.
2. Tax Advisory segment mainly relates to the provision of corporate and individual tax compliance, training and knowledge management services.
3. Business Consultancy segment mainly relates to governance and compliance assessment, internal audit services, business continuity management and financial management.
4. EMS Application segment mainly relates to selling licensing of the Enterprises Risk Management software.
5. Business Support segment mainly relates to provision of corporate secretarial services, accounting, payroll and administration support. These were aggregated into "Business Support" segment as they have similar target customer base and similar economic characteristics.

APPENDIX IV – AUDITED FINANCIAL STATEMENTS OF THE GROUP FOR FY2019

29 Segment information (continued)

Segment performance is evaluated by the Board of Directors based on the segment results which represent the profit before income tax net of interest income earned by each segment. All segment revenue and expenses are directly attributable to the segments.

The revenue from external parties reported to Board of Directors is measured in a manner consistent with that in the statement of comprehensive income.

Inter-segment transfers are eliminated on consolidation.

Segment information about the Group's reportable segments is as follows:

2019	Corporate Office RM	Tax Advisory RM	Business Consultancy RM	EMS Application RM	Business Support RM	Total RM
Revenue						
Sales to external parties	-	9,217,347	10,543,499	1,099,184	4,946,050	25,806,080
Results						
Segment results	(2,455,530)	2,518,170	2,424,130	299,752	968,855	3,755,377
Interest income	357,264	160,286	19,889	-	82,289	619,728
(Loss)/profit before income tax	(2,098,266)	2,678,456	2,444,019	299,752	1,051,144	4,375,105
Income tax expense	-	(641,373)	(643,459)	(95,643)	(275,659)	(1,656,134)
(Loss)/profit for the year	(2,098,266)	2,037,083	1,800,560	204,109	775,485	2,718,971
Segment assets	14,212,978	9,939,267	7,414,298	1,490,975	6,014,094	39,071,612
Segment assets includes:						
Additions of:						
Property, plant and equipment	4,740	44,550	129,663	4,600	105,847	289,400
Segment liabilities	461,270	1,936,636	1,454,719	210,468	1,579,562	5,642,655

APPENDIX IV – AUDITED FINANCIAL STATEMENTS OF THE GROUP FOR FY2019

29 Segment information (continued)

Segment information about the Group's reportable segments is as follows: (continued)

2018	Corporate Office RM	Tax Advisory RM	Business Consultancy RM	EMS Application RM	Business Support RM	Total RM
Revenue						
Sales to external parties	-	8,604,074	9,715,736	869,235	6,008,433	25,197,478
Results						
Segment results	(2,709,409)	2,119,335	507,493	197,625	1,695,301	1,810,345
Interest income	372,967	120,130	27,122	-	61,546	581,765
(Loss)/profit before income tax	(2,336,442)	2,239,465	534,615	197,625	1,756,847	2,392,110
Income tax expense	-	(532,820)	(259,100)	(75,065)	(71,662)	(938,647)
(Loss)/profit for the year	(2,336,442)	1,706,645	275,515	122,560	1,685,185	1,453,463
Segment assets	13,828,080	8,431,416	5,905,726	1,357,365	8,059,296	37,581,883
Segment assets includes: Additions of:						
Property, plant and equipment	1,672	32,380	61,300	26,040	178,746	300,138
Segment liabilities	369,730	960,323	928,829	296,626	3,428,845	5,984,353

APPENDIX IV – AUDITED FINANCIAL STATEMENTS OF THE GROUP FOR FY2019

29 Segment information (continued)

Geographical information:

Revenue and results of the Group are mainly derived from provision of tax advisory, business consultancy, EMS application and business support services in Malaysia, Singapore, Vietnam and Laos which forms the Group's strategic business.

	Revenue	
	2019	2018
	RM	RM
Malaysia	25,806,080	25,010,009
Overseas	-	187,469
	<u>25,806,080</u>	<u>25,197,478</u>

	Non-current assets	
	2019	2018
	RM	RM
Malaysia	3,898,757	3,067,256
Overseas	58,073	110,664
	<u>3,956,830</u>	<u>3,177,920</u>

Major customer information:

The Group does not have revenue concentration risk from any one or more customers. Revenue is spread over a large number of clients.

Changes in accounting policy:

The recognition of ROU assets and lease liabilities on the balance sheet resulted in an increase in depreciation and finance expenses in the consolidated statement of comprehensive income in the current year as follows:

	Depreciation	Finance
	RM	expense
		RM
Corporate Office	71,676	12,919
Tax Advisory	237,428	42,794
Business Consultancy	85,116	15,839
EMS Application	20,643	1,977
Business Support	99,676	17,965
	<u>514,539</u>	<u>91,494</u>

Comparative segment information has not been restated. As a consequence, the segment information disclosed for the items above is not entirely comparable to the information disclosed for the prior year.

30 Business combination

On 1 April 2017, the Group acquired a 100% equity interest in Audex Governance Sdn. Bhd. The principal activity of Audex Governance Sdn. Bhd. is that of consultants and providers of corporate governance advisory services. As a result of the acquisition, the Group is expected to increase its presence in Malaysia. It also expects to reduce costs through economies of scale.

Contingent consideration

Audex Governance Sdn. Bhd. is required to have cumulative actual turnover between 1 January 2017 to 31 December 2017 of no less than RM 3,000,000. If there is a shortfall, the former owner of Audex Governance Sdn. Bhd. may compensate by an amount equal to the difference between the targeted turnover of RM 3,000,000 and the cumulative actual turnover for the same period multiplied by the factor of 2.13/3 or by introduction of new clients to the Company who would be able to generate revenue equal to such shortfall.

The former owner of Audex Governance Sdn. Bhd. shall ensure that the list of recurring clients, from whom the assured revenue of RM 3,000,000 was earned, as at 31 December 2017 are retained and remain as clients of the Group as at 30 June 2018. If there is a loss of recurring clients, the former owner of Audex Governance Sdn. Bhd. may compensate by introducing new clients to the Company who would be able to generate revenue equal to such shortfall or the sum equal to the revenue generated by the clients lost.

In 2018, an adjustment on contingent consideration of RM 137,648 has been recognised as other gain. This is due to change in the fair value of contingent consideration resulting from the events after the acquisition date which does not qualified as measurement period adjustment.

31 New or revised accounting standards and interpretations

Below are the mandatory standards, amendments and interpretations to existing standards that have been published, and are relevant for the Group's accounting periods beginning on or after 1 January 2020 and which the Group has not early adopted:

Effective for annual periods beginning on or after 1 January 2020

- Amendments to SFRS(I) 3 – Business Combinations – definition of a business
- Amendments to SFRS(I) 1-1 and SFRS(I) 8: Definition of material
- Amendments to References to the Conceptual Framework in SFRS(I) standards
- Amendments to illustrative examples, implementation guidance and SFRS(I) practice statements

Effective for annual periods beginning on or after 1 January 2021

- SFRS(I) 17 Insurance Contracts

Effective date: to be determined*

- Amendments to SFRS(I) 10 and SFRS(I) 1-28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The mandatory effective date of this Amendment had been revised from 1 January 2016 to a date to be determined by the Accounting Standards Council Singapore (“ASC”) in December 2015.

The directors do not anticipate that the adoption of the above FRS in future financial periods will have a material impact on the financial statements of the Group.

32 Post balance sheet event

On 11 February 2020, the Company announced the proposed divestment of the entire paid-up share capital of its subsidiary corporation, Axcelasia Taxand Sdn Bhd (“AT”). Upon completion of the proposed divestment, AT and its subsidiary corporations will cease to be subsidiary corporations of the Group.

The entities to be divested represent the Group’s core business in Malaysia, being the provision of integrated professional services including tax advisory, business consultancy, technology tools and advisory, and business support services. AT directly holds the entire issued share capital of Axcelasia Columbus Sdn Bhd (“ACS”), Axcelasia Corporate Services Sdn Bhd, Axcelasia Global Business Services Sdn Bhd, and Axcelasia Talent Sdn Bhd; whilst ACS directly holds the entire issued share capital of Axcelasia Softnex Sdn Bhd (“Axcelasia Softnex”) and 51% of the issued share capital of Axcelasia HR Consulting Sdn Bhd.

The details of the assets and liabilities divested and the effect on the cash flows for the Group will be disclosed in the financial statements for the financial year ending 31 December 2020, as the accounting for this divestment is still incomplete at the time these financial statements have been authorised for issue.

33 Authorisation of financial statements

These financial statements were authorised for issue in accordance with a resolution of the Board of Directors of Axcelasia Inc. on 16 March 2020.

APPENDIX V – RELEVANT EXTRACTS FROM THE COMPANY’S CONSTITUTION

The rights of Shareholders in respect of capital, dividends and voting as extracted and reproduced from the Constitution are set out below.

All capitalised terms used in the following extracts shall have the same meanings ascribed to them in the Constitution, a copy of which is available for inspection at Drewcorp Services Pte Ltd, at 10 Collyer Quay, #10-01 Ocean Financial Centre, Singapore 049315 during normal business hours from the date of this Circular and for the period during which the Offer remains open for acceptance.

1. Rights in respect of capital

ISSUE OF SHARES

Issue of new shares

3. Subject to the Act and these Articles, no shares may be issued by the Directors without the prior sanction of an ordinary resolution of the Company in general meeting but subject thereto and to Article 46, and to any special rights attached to any shares for the time being issued, the Directors may issue, allot or grant options over or otherwise deal with or dispose of the same to such persons on such terms and conditions and for such consideration 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.

Rights attached to certain shares

4. (1) Preference shares may be issued subject to such limitations thereof as may be prescribed by any stock exchange upon which shares in the Company may be listed and the rights attaching to shares other than ordinary shares shall be expressed in the Memorandum of Association or these Articles. The total number of issued preference shares shall not exceed the total number of issued ordinary shares at any time. 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 (6) 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.

Treasury shares

5. The Company shall not exercise any rights (including the right to attend and vote at general meetings) in respect of treasury shares other than as provided by the Act. Subject thereto, the Company may hold or deal with its treasury shares in the manner authorised by, or prescribed pursuant to, the Act.

VARIATION OF RIGHTS

Variation of rights

6. (1) If at any time the share capital is divided into different classes, the repayment of preference capital other than redeemable preference capital and the rights attached to any class (unless otherwise provided by the terms of

APPENDIX V – RELEVANT EXTRACTS FROM THE COMPANY’S CONSTITUTION

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 101 of the Act shall, with such adaptations as are necessary, apply. To every such separate general meeting, the provisions of these Articles relating to general meetings shall *mutatis mutandis* apply; but so that the necessary quorum shall be two (2) 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. Provided always that where the necessary majority for such a special resolution is not obtained at the general meeting, consent in writing if obtained from the holders of three-fourths of the issued shares of the class concerned within two (2) months of the general meeting shall be as valid and effectual as a special resolution carried at the general meeting.

Rights of preference shareholders

(2) The repayment of preference capital other than redeemable preference 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 general meeting, consent in writing if obtained from the holders of three-fourths of the preference shares concerned within two (2) months of the general meeting, shall be as valid and effectual as a special resolution carried at the general meeting.

Creation or issue of further shares with special rights

7. 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 these Articles, be deemed to be varied by the creation or issue of further shares ranking equally therewith.

SHARES

Power to pay commission and brokerage

8. Unless otherwise specified or restricted by law, the Company may pay commissions or brokerage on any issue or purchase of its shares, or sale, disposal or transfer of treasury shares at such rate or amount and in such manner as the Directors may deem fit. Such commissions 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.

Power to charge interest on capital

9. 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 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.

Depository or its nominee company deemed to be bare trustee

10. The Depository or its nominee company shall, in relation to deposited securities which are registered in its name, be deemed to be a bare trustee for the Depositors.

Fractional part of a share

11. 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.

Payment of instalments

12. 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

APPENDIX V – RELEVANT EXTRACTS FROM THE COMPANY’S CONSTITUTION

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.

SHARE CERTIFICATES

- Share Certificates 13. The certificate of title to shares or debentures in the capital of the Company shall be issued under the seal in such form as the Directors shall from time to time prescribe and may bear the autographic or facsimile signatures of at least two (2) Directors, or of one (1) 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, the amounts paid thereon, the amount (if any) unpaid on the shares and the extent to which the shares are paid up. The facsimile signatures may be reproduced by mechanical or other means provided the method or system of reproducing signatures has first been approved by the auditors of the Company.
- Joint Holders 14. (1) The Company shall not be bound to register more than three (3) persons as the joint holders of any share except in the case of executors, trustees or administrators of the estate of a deceased Member.
- (2) If two (2) or more persons are registered as joint holders of any share any one of such persons may give effectual receipts for any dividend 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 (1) 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.
- Entitlement to certificate 15. (1) Shares must be allotted and certificates despatched within ten (10) market days 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 ten (10) market days 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 fee as the Directors may determine having regard to any limitation thereof as may be prescribed by any stock exchange upon which the shares of the Company may be listed). 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 fee as the Directors may determine having regard to any limitation thereof as may be prescribed by any stock exchange upon which the shares of the Company may be listed) for each

APPENDIX V – RELEVANT EXTRACTS FROM THE COMPANY’S CONSTITUTION

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 (6) 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 Articles 36, 39, 40, 44 and 45, *mutatis mutandis*.

New certificates may be issued 16. (1) Subject to the provisions of the Act, if any share certificate shall be defaced, worn out, destroyed, lost or stolen, it may be renewed on such evidence being produced and a letter of indemnity (if required) being given by the shareholder, transferee, person entitled, 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 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 fee as the Directors may determine having regard to any limitation thereof as may be prescribed by any stock exchange upon which the shares of the Company may be listed) 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 renewed 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 or loss.

New certificate in place of one not surrendered (2) When any shares under the powers in these Articles 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.

TRANSFER OF SHARES

Form of transfer of shares 17. Subject to these Articles, any Member may transfer all or any of his shares but every instrument of transfer of the legal title in shares must be in writing and in the form for the time being approved by the Directors and the Exchange. Shares of different classes shall not be comprised in the same instrument of transfer. The Company shall accept for registration transfers in the form approved by the Exchange.

Execution 18. The instrument of transfer of a share shall be signed by or on behalf of the transferor and the transferee and be witnessed, provided that an instrument of transfer in respect of which the transferee is the Depository shall not be ineffective by reason of it not being signed or witnessed for by or on behalf of the Depository. The transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the Register of Members.

Person under disability 19. No share shall in any circumstances be transferred to any infant, bankrupt or person of unsound mind but nothing herein contained shall be construed as imposing on the company any liability in respect of the

APPENDIX V – RELEVANT EXTRACTS FROM THE COMPANY’S CONSTITUTION

	<p>registration of such transfer if the company has no actual knowledge of the same.</p>
Directors' power to decline to register	<p>20. (1) Subject to these Articles, there shall be no restriction on the transfer of fully paid up shares except where required by law or by the rules, bye-laws or listing rules of the Exchange 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 Act and the listing rules of the Exchange.</p>
Terms of registration of transfers	<p>(2) The Directors may decline to register any instrument of transfer unless:</p> <ul style="list-style-type: none">(i) such fee not exceeding S\$2 (or such other fee as the Directors may determine having regard to any limitation thereof as may be prescribed by any stock exchange upon which the shares of the Company may be listed) as the Directors may from time to time require, is paid to the Company in respect thereof;(ii) 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 a certificate of payment of stamp duty (if any is payable), the certificates of the shares to which the transfer 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(iii) the instrument of transfer is in respect of only one (1) class of shares.
Retention of transfers	<p>21. (1) 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.</p> <p>(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 (6) 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 (6) years from the date of recording thereof and all share certificates which have been cancelled at any time after the expiration of six (6) years from the date of the cancellation thereof and it shall be conclusively presumed in 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 that:</p>

APPENDIX V – RELEVANT EXTRACTS FROM THE COMPANY’S CONSTITUTION

(i) 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;

(ii) 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 Article; and

(iii) references herein to the destruction of any document include references to the disposal thereof in any manner.

Closing of Register 22. 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.

Renunciation of allotment 23. (1) Nothing in these Articles 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 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. And 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.

TRANSMISSION OF SHARES

Transmission on death 24. (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.

APPENDIX V – RELEVANT EXTRACTS FROM THE COMPANY’S CONSTITUTION

Persons becoming entitled on death or bankruptcy of Member may be registered	25. (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 these Articles 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.
Notice to unregistered executors and trustees	(2) The Directors may at any time give notice requiring any such 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 sixty (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.
Rights of unregistered executors and trustees	26. A person entitled to a share by transmission shall be entitled to receive, 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.
Fee for registration of probate, etc.	27. 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 approved by the Exchange from time to time) as the Directors may from time to time require or prescribe.

CALLS ON SHARES

Calls on shares	28. 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 (14) 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. The joint holders of a share shall be jointly and severally liable to the payment of all calls and instalments in respect thereof
Time when made	29. 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.

APPENDIX V – RELEVANT EXTRACTS FROM THE COMPANY’S CONSTITUTION

Interest on calls	30. 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 eight (8) per cent per annum as the Directors determine, but the Directors shall be at liberty to waive payment of such interest wholly or in part.
Sum due to allotment	31. 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 these Articles 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 Articles as to payment of interest and expenses, forfeiture or otherwise shall apply as if such sum had become payable by virtue of a call duly made and notified.
Power to differentiate	32. 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.
Payment in advance of calls	33. 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 eight (8) 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.

FORFEITURE AND LIEN

Notice requiring payment of calls	34. 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.
Notice to state time and place	35. The notice shall name a further day (not being less than seven (7) 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.
Forfeiture on non-compliance with notice	36. 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 rights and liabilities as are by these Articles expressly

APPENDIX V – RELEVANT EXTRACTS FROM THE COMPANY’S CONSTITUTION

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.

Notice of forfeiture to be given and entered	37. When any share has been forfeited in accordance with these Articles, 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 Article 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.
Directors may allow forfeited share to be redeemed	38. 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.
Sale of shares forfeited	39. A share so forfeited or surrendered shall become the property of the Company and may be either cancelled, 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.
Rights and liabilities of Members whose shares have been forfeited or surrendered	40. 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 which at the date of forfeiture or surrender were payable by him to the Company in respect of the shares with interest thereon at eight (8) 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.
Company's lien	41. 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. The Directors may waive any lien which has arisen and may resolve that any share shall for some limited period be exempt wholly or partially from the provisions of this Article.
Member not entitled to privileges until all calls paid	42. 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 alone or jointly with any other person, together with interest and expenses (if any).
Sale of shares subject to lien	43. 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

APPENDIX V – RELEVANT EXTRACTS FROM THE COMPANY’S CONSTITUTION

expiration of seven (7) 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.

Application of proceeds of such sale

44. 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.

Title to shares forfeited or surrendered or sold to satisfy a lien

45. 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.

ALTERATION OF CAPITAL

Rights and privileges of new shares

46. 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 these Articles 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.

Issue of new shares to Members

47. (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 Article.

(2) Notwithstanding Article 47(1) above but subject to the Act and the byelaws and listing rules of the Exchange, the Company may by ordinary resolution in general meeting give to the Directors a general authority, either

APPENDIX V – RELEVANT EXTRACTS FROM THE COMPANY’S CONSTITUTION

unconditionally or subject to such conditions as may be specified in the ordinary resolution to:

- (i) issue shares in the capital of the Company (whether by way of rights, bonus or otherwise); and/or
- (ii) make or grant Instruments; and/or
- (iii) (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:

(a) the aggregate number of shares or Instruments 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 but excluding shares which may be issued pursuant to any adjustments effected under any relevant Instrument) does not exceed any applicable limits prescribed by the Exchange;

(b) in exercising the authority conferred by the ordinary resolution, the Company shall comply with the listing rules for the time being in force (unless such compliance is waived by the Exchange) and the Articles; and

(c) (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 next following the passing of the ordinary resolution, or the date by which such Annual General Meeting 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).

(3) Notwithstanding Article 47(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 may sell the entitlements to the new shares on behalf of such Members in such manner as they think most beneficial to the Company.

New shares otherwise subject to provisions of Articles

48. Except so far as otherwise provided by the conditions of issue or by these Articles, 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 these Articles with reference to allotments, payment of calls, lien, transfer, transmission, forfeiture and otherwise.

Power to consolidate, cancel and subdivide shares

49. (1) The Company may by ordinary resolution alter its share capital in the manner permitted under the Act including without limitation:

- (i) consolidate and divide all or any of its shares;
- (ii) cancel the number of shares which, at the date of the passing of the resolution, have not been taken or agreed to be taken by any person or which have been forfeited and diminish its share capital in accordance with the Act;

APPENDIX V – RELEVANT EXTRACTS FROM THE COMPANY’S CONSTITUTION

(iii) subdivide its shares or any of them (subject to the provisions of the Act), provided always that in such subdivision 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; and

(iv) subject to the provisions of these Articles and the Act, convert any class of shares into any other class of share.

Repurchase of
Company's shares

49A. The Company may purchase its own shares provided that:

- (a) the purchases thereof, whether direct or indirect, shall be made to the extent of any solvent surplus available;
- (b) the purchase is approved via a special resolution of the Company; and
- (c) the purchase is made in accordance with the provisions of section 48A of the Act and the rules of the Exchange.

49B. Shares that the Company purchases or otherwise acquires pursuant to Article 49A and, section 48A of the Act and the rules of Exchange may be cancelled or held as treasury shares where the number of shares purchased or acquired, when aggregated with shares of the same class held by the Labuan company at the time of the purchase or acquisition, does not exceed fifteen per cent of the shares of that class previously issued by the Company.

49C. All rights (including dividend rights) attached to a treasury share are suspended and shall not be exercised by the Company while it holds the share as a treasury share.

49D Treasury shares may be transferred, cancelled (without the need to comply with section 53 of the Act) and distributed as dividends by the Company in accordance with section 47A of the Act.

Power to reduce
capital

50. The Company may by special resolution reduce its share capital or any other undistributable reserve in any manner subject to any requirements and consents required by law. Without prejudice to the generality of the foregoing, upon cancellation of any share purchased or otherwise acquired by the Company pursuant to these presents and 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 shares were purchased or acquired out of the capital of the Company, the amount of the share capital of the Company shall be reduced accordingly.

STOCK

Power to convert
into stock

51. The Company may by ordinary resolution convert any or all its paid up shares into stock and may from time to time by resolution reconvert any stock into paid up shares of any denomination.

Transfer of stock

52. The holders of stock may transfer the same or any part thereof in the same manner and subject to these Articles as and subject to which the shares from which the stock arose might previously 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.

APPENDIX V – RELEVANT EXTRACTS FROM THE COMPANY’S CONSTITUTION

Rights of stockholders	53. 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 and 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.
Interpretation	54. All provisions of these Articles applicable to paid up shares shall apply to stock and the words share and shareholder or similar expression herein shall include stock or stockholder .

2. Rights in respect of dividends

DIVIDENDS AND RESERVES

Payment of dividends	123. 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.
Apportionment of dividends	124. Subject to any rights or restrictions attached to any shares or class of shares and except as otherwise provided by the Act: (a) all dividends in respect of shares must be paid in proportion to the number of shares held by a Member but where shares are partly paid all dividends must be apportioned and paid proportionately to the amounts paid or credited as paid on the partly paid shares; and (b) all dividends must be apportioned and paid proportionately to the amounts so paid or credited as paid during any portion or portions of the period in respect of which the dividend is paid. For the purposes of this Article, an amount paid or credited as paid on a share in advance of a call is to be ignored.
Payment of preference and interim dividends	125. Without the need for sanction of the Company under Article 122, 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 may also from time to time pay to the holders of any class of shares interim dividends thereon of such amounts and on such dates as they may think fit.
Dividends not to bear interest	126. No dividend or other moneys payable on or in respect of a share shall bear interest against the Company.
Deduction from dividend	127. 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.

APPENDIX V – RELEVANT EXTRACTS FROM THE COMPANY’S CONSTITUTION

Retention of dividends on shares subject to lien	128. 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.
Retention of dividends on shares pending transmission	129. The Directors may retain the dividends payable on shares in respect of which any person is under these Articles, as to the transmission of shares, entitled to become a Member, or which any person under these Articles is entitled to transfer, until such person shall become a Member in respect of such shares or shall duly transfer the same.
Unclaimed dividends	<p>130. (1) 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 (6) 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. If the Depositor returns any such dividend or money to the Company, the relevant Depositor shall not have any right or claim in respect of such dividend or money against the Company if a period of six (6) years has elapsed from the date of the declaration of such dividend or the date on which such other money was first payable.</p> <p>(2) A payment by the Company to the Depositor of any dividend or other money payable to a Depositor shall, to the extent of the payment made, discharge the Company from any liability to the Depositor in respect of that payment.</p>
Payment of dividend in specie	131. 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 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.
Scrip dividend	<p>132. (1) Whenever the Directors or the Company in general meeting have resolved or proposed that a dividend (including an interim, final, special or other dividend) be paid or declared on the ordinary share capital of the Company, the Directors may further resolve that Members entitled to such dividend be entitled to elect to receive an allotment of ordinary shares credited as fully paid in lieu of cash in respect of the whole or such part of the dividend as the Directors may think fit. In such case, the following provisions shall apply:</p> <p>(i) the basis of any such allotment shall be determined by the Directors;</p> <p>(ii) the Directors shall determine the manner in which Members shall be entitled to elect to receive an allotment of ordinary shares credited as fully paid in lieu of cash in respect of the whole or such part of any dividend in respect of which the Directors shall have passed</p>

APPENDIX V – RELEVANT EXTRACTS FROM THE COMPANY’S CONSTITUTION

such a resolution as aforesaid, and the Directors may make such arrangements as to the giving of notice to Members, providing for forms of election for completion by Members (whether in respect of a particular dividend or dividends or generally), determining the procedure for making such election or revoking the same and the place at which and the latest date and time by which any forms of election or other documents by which elections are made or revoked must be lodged, and otherwise make all such arrangements and do all such things, as the Directors consider necessary or expedient in connection with the provisions of this Article;

(iii) the right of election may be exercised in respect of the whole of that portion of the dividend in respect of which the right of election has been accorded provided that the Directors may determine, either generally or in any specific case, that such right shall be exercisable in respect of the whole or any part of that portion;

(iv) the dividend (or that part of the dividend in respect of which a right of election has been accorded) shall not be payable in cash on ordinary shares in respect whereof the share election has been duly exercised (the ***elected ordinary shares***) and in lieu and in satisfaction thereof ordinary shares shall be allotted and credited as fully paid to the holders of the elected ordinary shares on the basis of allotment determined as aforesaid and for such purpose and notwithstanding the provisions of Article 135, the Directors shall (a) capitalise and apply the amount standing to the credit of any of the Company’s reserve accounts or any sum standing to the credit of the profit and loss account or otherwise for distribution as the Directors may determine, such sum as may be required to pay up in full the appropriate number of ordinary shares for allotment and distribution to and among the holders of the elected ordinary shares on such basis or (b) apply the sum which would otherwise have been payable in cash to the holders of the elected ordinary shares towards payment of the appropriate number of ordinary shares for allotment and distribution to and among the holders of the elected ordinary shares on such basis.

(2) (i) The ordinary shares allotted pursuant to the provisions of Article 131(1) shall rank *pari passu* in all respects with the ordinary shares then in issue save only as regards participation in the dividend which is the subject of the election referred to above (including the right to make the election referred to above) or any other distributions, bonuses or rights paid, made, declared or announced prior to or contemporaneous with the payment or declaration of the dividend which is the subject of the election referred to above, unless the Directors shall otherwise specify.

(ii) The Directors may do all acts and things considered necessary or expedient to give effect to any capitalisation pursuant to the provisions of Article 131(1), with full power to make such provisions as they think fit in the case of shares becoming distributable in fractions (including, notwithstanding any provision to the contrary in these Articles, provisions whereby, in whole or in part, fractional entitlements are aggregated and sold and the net proceeds distributed to those entitled, or are disregarded or rounded up or down, or whereby the benefit of fractional entitlements accrues to the Company rather than to the Members concerned).

(3) The Directors may, on any occasion when they resolve as provided in Article 131(1), determine that rights of election under that paragraph shall not be made available to the persons who are registered as holders of

APPENDIX V – RELEVANT EXTRACTS FROM THE COMPANY’S CONSTITUTION

ordinary shares in the Register of Members or (as the case may be) in the Depository Register, or in respect of ordinary shares the transfer of which is registered, after such date as the Directors may fix subject to such exceptions as the Directors think fit, and in such event the provisions of this Article shall be read and construed subject to such determination.

(4) The Directors may, on any occasion when they resolve as provided in Article 131(1), further determine that no allotment of shares or rights of election for shares under that paragraph shall be made available or made to Members whose registered addresses entered in the Register of Members or (as the case may be) the Depository Register are outside Singapore or to such other Members or class of Members as the Directors may in their sole discretion decide and in such event the only entitlement of the Members aforesaid shall be to receive in cash the relevant dividend resolved or proposed to be paid or declared.

(5) Notwithstanding the foregoing provisions of this Article, if at any time after the Directors' resolution to apply the provisions of Article 131(1) in relation to any dividend but prior to the allotment of ordinary shares pursuant thereto, the Directors shall consider that by reason of any event or circumstance (whether arising before or after such resolution) or by reason of any matter whatsoever it is no longer expedient or appropriate to implement that proposal, the Directors may at their absolute discretion and without assigning any reason therefor, cancel the proposed application of Article 131(1).

Dividends payable
by cheque

133. 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 any one of such persons or to such person and such address as such persons may by writing direct 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 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.

Effect of transfer

134. A transfer of shares shall not pass the right to any dividend declared on such shares before the registration of the transfer.

Power to carry
profit to reserve

135. 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

APPENDIX V – RELEVANT EXTRACTS FROM THE COMPANY’S CONSTITUTION

may also, without placing the same to reserve, carry forward any profits which they may think it not prudent to divide.

CAPITALISATION OF PROFITS AND RESERVES

Power to capitalize profits 136. (1) The Directors may, with the sanction of an ordinary resolution of the Company (including any ordinary resolution passed pursuant to Article 47(2):

(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 Article 47(2)) such other date as may be determined by the Directors,

in proportion to their then holdings of shares; and

(b) capitalise any sum standing to the credit of any of the Company's reserve accounts or other undistributable reserve or any sum standing to the credit of 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) in 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 Article 47(2)) 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) In addition and without prejudice to the powers provided for by Article 135(1) and 136, the Directors shall have 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 such shares in full, 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

APPENDIX V – RELEVANT EXTRACTS FROM THE COMPANY’S CONSTITUTION

and approved by shareholders in general meeting and on such terms as the Directors shall think fit.

Directors to do all acts and things to give effect

137. The Directors may do all acts and things considered necessary or expedient to give effect to any such capitalisation with full power to the Directors to make such provision for the satisfaction of the right of the holders of such shares in the Register of Members or in the Depository Register as the case may be and as they think fit for any fractional entitlements which would arise including provisions whereby fractional entitlements are disregarded or the benefit thereof accrues 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 capitalisation and matters incidental thereto, and any agreement made under such authority shall be effective and binding on all concerned.

WINDING UP

Distribution of assets in specie

158. If the Company is wound up (whether the liquidation is voluntary, under supervision or by the Court) the liquidator may, with the authority of a special resolution, divide among the Members in specie or kind the whole or any part of the assets of the Company and whether or not the assets shall consist of property of one kind or shall consist of properties of different kinds and may for such purpose set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division shall be carried out as between the Members or different classes of Members. The liquidator may, with the like authority, vest the whole or any part of the assets in trustees upon such trusts for the benefit of Members as the liquidator with the like authority thinks fit, and the liquidation of the Company may be closed and the Company dissolved, but no Member shall be compelled to accept any shares or other securities in respect of which there is a liability.

3. Rights in respect of voting

GENERAL MEETINGS

Annual General Meeting

55. (1) Subject to the provisions of the Act, 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 (15) months shall elapse between the date of one (1) Annual General Meeting of the Company and that of the next. Subject to the listing rules of the Exchange, the Annual General Meeting shall be held at such time and place as the Directors shall determine. The interval between the close of a financial year of the Company and the date of the Company's annual general meeting shall not exceed such period as may be prescribed by the Designated Stock Exchange from time to time.

Extraordinary General Meetings

(2) All general meetings other than Annual General Meetings shall be called Extraordinary General Meetings. Subject to the listing rules of the Exchange, the time and place of any meeting shall be determined by the convenors of the meeting.

Calling of Extraordinary General Meetings

56. The Directors may, whenever they think fit, convene an Extraordinary General Meeting and Extraordinary General Meetings. If at any time there are not 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.

APPENDIX V – RELEVANT EXTRACTS FROM THE COMPANY’S CONSTITUTION

NOTICE OF GENERAL MEETINGS

- Notice of meetings 58. (A) (1) Subject to the provisions of the Act as to the calling of meetings at short notice, at least fourteen (14) clear days' notice in writing of every general meeting shall be given in the manner hereinafter mentioned to all members and such persons (including the auditors) as are under the provisions herein contained entitled to receive notice from the Company and at least fourteen (14) days' notice of every such meeting shall be given by advertisement in the daily press and in writing to the Exchange and any other stock exchange on which the Company is listed. Where notices contain special resolutions, they must be given to members and such persons entitled to receive the notice at least twenty-one (21) clear days before the general meeting and at least twenty-one (21) days' notice of every such meeting shall be given by advertisement in the daily press and in writing to the Exchange and any other stock exchange on which the Company is listed. Provided that a general meeting notwithstanding that it has been called by a shorter notice than that specified above shall be deemed to have been duly called if it is so agreed:
- (a) in the case of an Annual General Meeting by all the members entitled to attend and vote thereat; and
 - (b) in the case of an Extraordinary General Meeting by a majority in number of the members having a right to attend and vote thereat, being a majority together holding not less than 95 per cent of the total voting rights of all members having a right to vote at that meeting.
- (2) The accidental omission to give notice to, or the non-receipt by any person entitled thereto shall not invalidate the proceedings at any general meeting.
- Contents of notice 57. (B) (1) Every notice calling a general meeting shall specify the place, day and hour of the general 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.
- Special business 58. Routine business shall mean and include only business transacted at an Annual General Meeting of the following classes, that is to say:
- (a) declaring dividends;
 - (b) receiving and adopting the accounts, the reports of the Directors and auditors and other documents required to be attached or annexed to the accounts;
 - (c) appointing or re-appointing Directors to fill vacancies arising at the meeting on retirement whether by rotation or otherwise;

APPENDIX V – RELEVANT EXTRACTS FROM THE COMPANY’S CONSTITUTION

- (d) re-appointing the retiring auditors (unless they were last appointed otherwise than by the Company in general meeting);
- (e) fixing the remuneration of the auditors or determining the manner in which such remuneration is to be fixed; and
- (f) fixing the remuneration of the Directors proposed to be paid under Article 85.

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.

PROCEEDINGS AT GENERAL MEETINGS

Quorum	59. 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 (2) Members present in person shall form a quorum. For the purpose of this Article, Member includes a person attending by proxy or by attorney or by a corporate representative in the case of a corporation which has appointed a corporate representative. Provided that (i) a proxy representing more than one (1) Member shall only count as one (1) Member for the purpose of determining the quorum; and (ii) where a Member is represented by more than one (1) proxy such proxies shall count as only one (1) Member for the purpose of determining the quorum.
Adjournment if quorum not present	60. If within half an hour from the time appointed for the general meeting a quorum is not present, the general 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, subject to the listing rules of the Exchange, may determine, and if at such adjourned general meeting a quorum is not present within half an hour from the time appointed for holding the general meeting, the general meeting shall be dissolved.
Resolutions in writing	61. 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 (1) or more of such Members.
Chairman	62. The Chairman of the Board of 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 general meeting he is not present within fifteen minutes after the time appointed for holding the general meeting or is unwilling to act, the Directors present shall choose a Director amongst them to be Chairman of the general meeting or, if no Director is present or if all the Directors present are unwilling to take the Chair, or otherwise fail to choose a Director amongst them to be Chairman of the meeting, the Members present shall choose a Member present to be Chairman.
Adjournment	63. The Chairman may, with the consent of any general meeting at which a quorum is present (and shall if so directed by the general meeting), adjourn the general meeting from time to time and from place to place, but no business shall be transacted at any adjourned general meeting except business which

APPENDIX V – RELEVANT EXTRACTS FROM THE COMPANY’S CONSTITUTION

might lawfully have been transacted at the general meeting from which the adjournment took place. When a general meeting is adjourned for fourteen (14) days or more, notice of the adjourned general meeting shall be given as in the case of the original general 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 general meeting.

Method of voting

64. At any general meeting a resolution put to the vote of the general meeting shall be decided on a show of hands unless, a poll is required by the listing rules of the Exchange, or subject to Article 68, a poll is (before or on the declaration of the result of the show of hands) demanded:

- (i) by the Chairman of the general meeting; or
- (ii) by at least two (2) Members present in person or by proxy (where a Member has appointed more than one (1) proxy, any one (1) of such proxies may represent that Member) or attorney or in the case of a corporation by a representative and entitled to vote thereat; or
- (iii) by any Member or Members present in person or by proxy (where a Member has appointed more than one (1) proxy, any one (1) of such proxies may represent that Member) or attorney or in the case of a corporation by a representative or any number or combination of such Members, holding or representing not less than ten per cent (10%) of the total voting rights of all the Members having the right to vote at the general meeting; or
- (iv) by a Member or Members present in person or by proxy (where a Member has appointed more than one (1) proxy, any one (1) of such proxies may represent that Member) or attorney or in the case of a corporation by a representative or any number or combination of such Members, holding or representing shares in the Company conferring a right to vote at the general meeting being shares on which an aggregate sum has been paid up equal to not less than ten per cent (10%) of the total sum paid up on all the shares of the Company (excluding treasury shares) conferring that right.

Provided always that no poll shall be demanded on the election of a Chairman or on a question of adjournment, unless otherwise required by the listing rules of the Exchange. Unless voting by way of poll is required by the listing rules of the Exchange or 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 only with the approval of the meeting.

Method of taking a poll

65. If a poll is required by the listing rules of the Exchange or is duly demanded (and the demand is not withdrawn), it shall be taken in such manner (including electronically, the use of ballot or voting papers or tickets) as the Chairman may direct and the result of a poll shall be deemed to be the resolution of the general meeting at which the poll was required by the listing rules of the Exchange or was demanded. The Chairman may, and if so required under the listing rules of the Exchange or if so requested shall, appoint scrutineer(s) and may adjourn the general meeting to some place and time fixed by him for the purpose of declaring the result of the poll.

Votes counted in error

66. 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 general meeting or at any adjournment thereof, and

APPENDIX V – RELEVANT EXTRACTS FROM THE COMPANY’S CONSTITUTION

	<p>not in that case unless it shall in the opinion of the Chairman be of sufficient magnitude.</p>
Chairman's casting vote	<p>67. 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 as aforesaid, the Chairman of the general meeting at which the show of hands or a poll as aforesaid takes place 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.</p>
Time for taking a poll	<p>68. If a poll is required by the listing rules of the Exchange or is demanded as aforesaid on any question, it shall be taken either immediately or at such subsequent time (not being more than thirty days from the date of the general meeting) and place as the Chairman may direct and the result of the poll shall be deemed to be the resolution of the meeting at which the poll was required by the listing rules of the Exchange or was demanded. No notice need be given of a poll not taken immediately. In the case of any dispute as to the admission or rejection of a vote, the Chairman shall determine the same and such determination made in good faith shall be final and conclusive.</p>
Continuance of business after demand for a poll	<p>69. The demand for a poll shall not prevent the continuance of a general meeting for the transaction of any business, other than the question on which the poll has been demanded.</p>
Meeting via Electronic Means	<p>70. 69A. The Members may, if the Directors think fit, participate at a general meeting by telephone or video conference or by means of similar communication equipment whereby all persons participating in the meeting are able to hear and, if applicable, see each other and such participation shall constitute presence in person at such meeting and Members (or their proxy or, in the case of a corporation, their respective corporate representatives) so participating shall be counted in the quorum for the meeting.</p>

VOTES OF MEMBERS

Voting rights of Members	<p>71. (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 Article 5, each Member entitled to vote may vote in person or by proxy or attorney, and (in the case of a corporation) by a representative. A person entitled to more than one (1) vote need not use all his votes or cast all the votes he uses in the same way.</p> <p>(2) 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 (1) vote provided that if a Member is represented by two (2) proxies, only one of the proxies as determined by their appointor shall vote on a show of hands and in the absence of such determination, only one of the proxies as determined by the Chairman (or by a person authorised by him) shall vote on a show of hands and on a poll, every Member who is present in person or by proxy, attorney or representative shall have one (1) vote for each share which he holds or represents.</p> <p>(3) Notwithstanding anything contained in these Articles, 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 forty-eight (48) hours before the time of the relevant 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</p>
--------------------------	--

APPENDIX V – RELEVANT EXTRACTS FROM THE COMPANY’S CONSTITUTION

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 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 (2) proxies, to apportion the said number of shares between the two (2) proxies in the same proportion as specified by the Depositor in appointing the proxies; and accordingly no instrument appointing a proxy of a Depositor 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 rights of joint holders	72. Where there are joint holders of any share any one (1) 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 (1) 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 Article be deemed joint holders thereof.
Voting rights of Members of unsound mind	73. If a Member be a lunatic, idiot or non-compos mentis, he may vote whether on a show of hands or on a poll by his committee, curator bonis or such other person as properly has the management of his estate and any such committee, curator bonis or other person may vote by proxy or attorney, provided that such evidence as the Directors may require of the authority of the person claiming to vote shall have been deposited at the Office not less than forty-eight (48) hours before the time appointed for holding the meeting.
Right to vote	74. Subject to the provisions of these Articles, every Member either personally or by proxy or by attorney or in the case of a corporation by a representative 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. In the event a member has appointed more than one (1) proxy, only one (1) proxy is counted in determining the quorum.
Objections	75. 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.
Votes on a poll	76. 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 (1) vote need not use all his votes or cast all the votes he uses in the same way.
Appointment of proxies	77. (1) Unless otherwise provided by the Act, a Member may appoint not more than two (2) to attend and vote at the same general meeting. (2) If the Member is a Depositor, the Company shall be entitled: (i) 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

APPENDIX V – RELEVANT EXTRACTS FROM THE COMPANY’S CONSTITUTION

(ii) 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 (1) proxy, he shall specify the proportion of his shareholding to be represented by each proxy. If no such proportion or number is specified 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.

(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 as at the cut-off time as certified by the Depository to the Company, such proxy may not exercise any of the votes or rights of the shares not registered in 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.

(6) If the Chairman is appointed as proxy, he may authorise any other person to act as proxy in his stead. Where the Chairman has authorised another person to act as proxy, such other person shall be taken to represent all Members whom the Chairman represented as proxy.

(7) Where a person present at a general meeting represents by proxy, attorney or representative more than one (1) Member on a show of hands:

(i) the person is entitled to one (1) vote only despite the number of Members the person represents; and

(ii) that vote will be taken as having been cast for all the Members the person represents; and

(iii) if the person has been appointed as a proxy under two (2) or more instruments that specify different ways to vote on a resolution, the person may not vote as a proxy on a show of hands, however, if the person is a Member, the person may vote on a show of hands without regard to the proxies the person holds.

Proxy need not be a Member

78. 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.

Instrument appointing a proxy

79. (1) Any instrument appointing a proxy shall be in writing in the common form or any other form approved by the Directors executed under the hand of the appointor or his attorney duly authorised in writing or, if the appointor is a corporation, executed under seal or under the hand of its attorney duly authorised or in such manner as appropriate under applicable laws and the Company shall accept as valid in all respects the form of proxy approved by the Directors for use at the date relevant to the general meeting in question.

APPENDIX V – RELEVANT EXTRACTS FROM THE COMPANY’S CONSTITUTION

	<p>(2) An instrument of proxy shall be deemed to include the power to demand or concur in demanding a poll on behalf of the appointer to move any resolution or amendment thereto and to speak at the meeting. Unless otherwise instructed, a proxy or an attorney shall vote as he thinks fit. The signature on an instrument appointing a proxy need not be witnessed.</p>
To be left at Company’s office	<p>80. The original instrument appointing a proxy, together with the original 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 original instrument of proxy and must be left at the Office or such other place (if any) as is specified for the purpose in the notice convening the meeting not less than forty-eight (48) 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 (1) 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.</p>
Intervening death or insanity of principal not to revoke proxy	<p>81. A vote given in accordance with the terms of an instrument of proxy (which for the purposes of these Articles 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 proxies) 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.</p>
	<p>80A. Subject to these Articles and the Act, the Directors may, at their sole discretion, approve and implement, subject to such security measures as may be deemed necessary or expedient, such voting methods to allow members who are unable to vote in person at any general meeting the option to vote in absentia, including but not limited to voting by mail, electronic mail or facsimile.</p>
Corporations acting by representatives	<p>82. 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. The Company shall be entitled to treat an original certificate under the seal of the corporation as conclusive evidence of the appointment or revocation of appointment of a representative under this Article.</p>
Minority Members’ Right	<p>81A. Any Member or holder of a debenture of the Company may apply to the court for an order on the ground-</p> <p>(a) that the affairs of the Company are being conducted or the powers of the Directors are being exercised in a manner oppressive to one or more of the Members or holders of debentures including himself or in disregard of his or their interests as Members, shareholders or holders of debentures of the company; or</p>

APPENDIX V – RELEVANT EXTRACTS FROM THE COMPANY’S CONSTITUTION

(b) that some act of the Company has been done or is threatened or that some resolution of the Members, holders of debentures or any class has been passed or is proposed which unfairly discriminates against or is otherwise prejudicial to one or more of the Members or holders of debentures (including himself).