

CIRCULAR DATED 10 OCTOBER 2019

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

If you are in any doubt about its contents or the action you should take, you should consult your stockbroker, bank manager, solicitor, accountant or other professional advisers immediately.

If you have sold or transferred all your shares in the capital of the Company held through CDP, you need not forward this Circular to the purchaser or transferee as arrangements will be made by CDP for a separate Circular to be sent to the purchaser or transferee. If you have sold or transferred all your shares in the capital of the Company represented by physical share certificate(s), you should at once hand this Circular to the purchaser or transferee or to the bank, stockbroker or agent through whom you effected the sale or transfer, for onward transmission to the purchaser or transferee.

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



SAN TEH LTD

(Incorporated in the Republic of Singapore)
(Company Registration Number: 197901039W)

CIRCULAR TO SHAREHOLDERS

in relation to the

VOLUNTARY CONDITIONAL CASH OFFER

by

CICF

CEL Impetus Corporate Finance Pte Ltd

CEL IMPETUS CORPORATE FINANCE PTE. LTD.

(Incorporated in the Republic of Singapore)
(Company Registration Number: 201631484Z)

for and on behalf of

SINGAPORE SAN TEH REAL ESTATE PTE. LTD.

(Incorporated in the Republic of Singapore)
(Company Registration Number: 201117887N)

to acquire all the Offer Shares

Independent Financial Adviser to the Independent Directors

ASIAN CORPORATE ADVISORS PTE. LTD.

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

SHAREHOLDERS SHOULD NOTE THAT ACCEPTANCES MUST BE RECEIVED BY THE CLOSE OF OFFER AT 5.30 P.M. (SINGAPORE TIME) ON 24 OCTOBER 2019, OR SUCH LATER DATE(S) AS MAY BE ANNOUNCED FROM TIME TO TIME BY OR ON BEHALF OF THE OFFEROR.

CONTENTS

DEFINITIONS	2
CAUTIONARY NOTE ON FORWARD-LOOKING STATEMENTS	8
INDICATIVE TIMELINE	9
LETTER TO SHAREHOLDERS	10
1. INTRODUCTION	10
2. THE OFFER.....	11
3. INFORMATION ON THE OFFEROR	22
4. IRREVOCABLE UNDERTAKINGS.....	23
5. RATIONALE FOR THE OFFER	25
6. OFFEROR'S INTENTIONS RELATING TO THE COMPANY, LISTING STATUS AND COMPULSORY ACQUISITION.....	26
7. FINANCIAL ASPECTS OF THE OFFER	28
8. DISCLOSURES.....	28
9. CONFIRMATION OF FINANCIAL RESOURCES	30
10. DIRECTORS' INTERESTS	31
11. ADVICE AND RECOMMENDATIONS.....	31
12. OVERSEAS SHAREHOLDERS.....	32
13. INFORMATION PERTAINING TO CPFIS INVESTORS AND SRS INVESTORS.....	34
14. ACTION TO BE TAKEN BY SHAREHOLDERS	35
15. CONSENTS	35
16. DOCUMENTS AVAILABLE FOR INSPECTION	35
17. DIRECTORS' RESPONSIBILITY STATEMENT	36
18. ADDITIONAL INFORMATION.....	36
APPENDIX A – LETTER FROM THE IFA TO THE INDEPENDENT DIRECTORS IN RESPECT OF THE OFFER	A-1
APPENDIX B – ADDITIONAL GENERAL INFORMATION	B-1
APPENDIX C – ADDITIONAL INFORMATION ON THE OFFEROR	C-1
APPENDIX D – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR FY2018	D-1
APPENDIX E – UNAUDITED FINANCIAL INFORMATION OF THE GROUP FOR 2QFY2019	E-1
APPENDIX F – LETTER FROM IFA IN RELATION TO STATEMENT OF PROSPECTS	F-1
APPENDIX G – LETTER FROM AUDITORS OF THE COMPANY IN RELATION TO STATEMENT OF PROSPECTS	G-1
APPENDIX H – STATEMENT OF PROSPECTS	H-1
APPENDIX I – EXTRACTS FROM THE COMPANY'S CONSTITUTION	I-1
APPENDIX J – VALUATION CERTIFICATES	J-1

DEFINITIONS

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

“1QFY2019”	:	The 3-month period ended 31 March 2019
“2QFY2019”	:	The 6-month period ended 30 June 2019
“ACRA”	:	Accounting and Corporate Regulatory Authority of Singapore
“Business Day”	:	A day (other than a Saturday, a Sunday or a gazetted public holiday) on which commercial banks are open for business in Singapore
“CDP”	:	The Central Depository (Pte) Limited
“Circular”	:	This circular to Shareholders dated 10 October 2019 in relation to the Offer, enclosing, <i>inter alia</i> , the IFA Letter
“Closing Date”	:	5.30 p.m. (Singapore time) on 24 October 2019, or such later date(s) as may be announced from time to time by or on behalf of the Offeror, such date being the last day for the lodgement of acceptances of the Offer
“Code”	:	The Singapore Code on Take-overs and Mergers
“Companies Act”	:	The Companies Act (Chapter 50 of Singapore), as amended or modified from time to time
“Company”	:	San Teh Ltd
“Company Securities”	:	(a) Shares; (b) securities which carry voting rights in the Company; and (c) convertible securities, warrants, options (including any options granted under any employee share scheme of the Company) and derivatives in respect of any Shares or securities which carry voting rights in the Company
“Concert Group”	:	The parties acting or deemed to be acting in concert with the Offeror
“Constitution”	:	The constitution of the Company
“CPF”	:	The Central Provident Fund
“CPFIS”	:	The Central Provident Fund Investment Scheme
“CPFIS Investors”	:	Investors who have purchased Shares using their CPF contributions pursuant to the CPFIS
“Directors”	:	The directors of the Company as at the Latest Practicable Date, and “Director” means any one of them
“FAA”	:	The Form of Acceptance and Authorisation for the Offer Shares in respect of the Offer which forms part of the Offer Document and which is issued to Shareholders whose Shares are deposited with the CDP
“FAT”	:	The Form of Acceptance and Transfer for the Offer Shares in respect of the Offer which forms part of the Offer Document and which is issued to Shareholders whose Shares are not deposited with the CDP

DEFINITIONS

“Financial Adviser”	: CEL Impetus Corporate Finance Pte. Ltd., the financial adviser to the Offeror in relation to the Offer
“FY”	: Financial year ended or ending, as the case may be, 31 December
“FY2016”	: Financial year ended 31 December 2016
“FY2017”	: Financial year ended 31 December 2017
“FY2018”	: Financial year ended 31 December 2018
“Group”	: The Company and its subsidiaries
“Independent Directors”	: The Directors who are considered independent for the purposes of the Offer, being Mr. Gui Kim Young @ Gui Kim Gan, Mr. Chuang Wen Fu and Mr. Ko Chuan Aun
“Independent Financial Adviser” or “IFA”	: Asian Corporate Advisors Pte. Ltd., the independent financial adviser to the Independent Directors in connection with the Offer
“IFA Letter”	: Has the meaning ascribed to it in Section 11.1 of this Circular
“Interested Person”	: As defined in Note on Rule 24.6 of the Code and read with Note on Rule 23.12 of the Code, an interested person, in relation to a company, is: (a) a director, chief executive officer, or Substantial Shareholder of the company; (b) the immediate family of a director, the chief executive officer, or a Substantial Shareholder (being an individual) of the company; (c) the trustees, acting in their capacity as such trustees, of any trust of which a director, the chief executive officer, or a Substantial Shareholder (being an individual) and his immediate family is a beneficiary; (d) any company in which a director, the chief executive officer, or a Substantial Shareholder (being an individual) together and his immediate family together (directly or indirectly) have an interest of 30% or more; (e) any company that is the subsidiary, holding company or fellow subsidiary of the Substantial Shareholder (being a company); or (f) any company in which a Substantial Shareholder (being a company) and any of the companies listed in (e) above together (directly or indirectly) have an interest of 30% or more
“Irrevocable Undertakings”	: The irrevocable undertakings from each of the Undertaking Shareholders to, <i>inter alia</i> , accept the Offer in respect of all Shares held by each of them respectively
“Latest Practicable Date”	: 26 September 2019, being the latest practicable date prior to the printing of this Circular

DEFINITIONS

“Listing Manual”	: The Listing Manual of the SGX-ST, as amended, modified or supplemented from time to time up to the Latest Practicable Date
“Market Day”	: A day on which the SGX-ST is open for trading of securities
“Offer”	: The voluntary conditional cash offer made by the Financial Adviser, for and on behalf of the Offeror, on the Offer Announcement Date
“Offer Announcement”	: The offer announcement made on 5 September 2019 by the Financial Adviser, for and on behalf of the Offeror, of the Offeror’s firm intention to undertake the Offer
“Offer Announcement Date”	: 5 September 2019, being the date of the Offer Announcement
“Offer Document”	: The offer document dated 26 September 2019, including the FAA and FAT, and any supplemental documents as may be issued by or on behalf of the Offeror from time to time
“Offer Price”	: S\$0.28 in cash for each Offer Share
“Offer Shares”	: Issued and paid-up ordinary shares in the capital of the Company (excluding treasury Shares), including all the Shares owned, controlled or agreed to be acquired by the Concert Group of the Offeror
“Offer Unconditional Date”	: The date on which the Offer becomes or is declared to be unconditional in all respects in accordance with its terms
“Offeror”	: Singapore San Teh Real Estate Pte. Ltd.
“Offeror Securities”	: Ordinary shares in the capital of the Offeror, equity share capital of the Offeror and other securities which carry substantially the same rights in the Offeror, and convertible securities, warrants, options and derivatives in respect of such shares or securities
“Overseas Shareholders”	: Shareholders whose addresses are outside Singapore, as shown on the Register or, as the case may be, in the records of the CDP
“Register”	: The register of holders of Shares, as maintained by the Registrar
“Registrar”	: RHT Corporate Advisory Pte. Ltd., which is located at 30 Cecil Street, #19-08 Prudential Tower, Singapore 049712
“Relevant Acceptance Forms”	: The FAA and/or the FAT (as the case may be)
“Relevant Period”	: The period commencing on 5 June 2019, being the date falling three months prior to the Offer Announcement Date, and ending on the Latest Practicable Date
“SFA”	: The Securities and Futures Act, Chapter 289 of Singapore
“SGX-ST”	: The Singapore Exchange Securities Trading Limited
“SGXNET”	: A system network used by listed companies to send information and announcements to the SGX-ST or any other system networks prescribed by the SGX-ST

DEFINITIONS

“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
“SRS”	:	The Supplementary Retirement Scheme
“SRS Investors”	:	Investors who have purchased Shares using their SRS contributions pursuant to SRS
“Statement of Prospects”	:	Has the meaning ascribed to it in Appendix H of this Circular
“Subject Properties”	:	The properties of the Group at the following locations: (a) No. 5533, Caoan Road and Nos. 1060, 1080, South Moyu Road Anting Town, Jiading District, Shanghai, the PRC; (b) No. 3888 Huantaihu Avenue, Xukou Town, Wuzhong District, Suzhou, Jiangsu Province, the PRC; (c) No. 1 Duanjiaba Road, Nantong, Jiangsu Province, the PRC; (d) No. 9 Guangzhou Road, Nantong, Jiangsu Province, the PRC; (e) Heqing County, Bai Autonomous Prefecture of Dali, Yunnan Province, the PRC; (f) No. 99 Huli Avenue, Huli District, Xiamen, Fujian Province, the PRC; (g) No. 37, Yuxiu Li, Siming District, Xiamen, Fujian Province, the PRC; (h) Duanjiaba Xiao Yuan, Duanjiaba Road, Chongchuan District, Nantong, Jiangsu Province, the PRC; (i) Jin Gui Yi Cun, Lane 118 Nan'an Road, Anting, Jiading District, Shanghai, the PRC; (j) Jinse Junyuan, beside Shizha Overpass in Panlong District, Kunming, Yunnan Province, the PRC; (k) No. 21, Lanyuan Jinzhen, west of Shuanglong Road, Heqing County, Dali Bai Autonomous Prefecture, Yunnan Province, the PRC; and (l) 701 Sims Drive #05-01 & #06-01 LHK Building, Singapore 387383
“Substantial Shareholder”	:	A person who has an interest in not less than 5% of the total number of issued voting Shares
“S\$” and “cents”	:	Singapore dollars and cents respectively, being the currency of Singapore

DEFINITIONS

“Undertaking Shareholders”	:	Mrs. Kao Ching Fong nee Pan, Mr. Kao Chuan Chi, Mr. Kao Chuan Trong, Ms. Kao Hsien Yuan, the estate of Mrs. Kao Ching Fong nee Pan’s deceased spouse, Mr. Kao Shin Ping, San Teh Xing Investment Pte Ltd and San Teh Education Inc.
“Valuers”	:	Cushman & Wakefield International Property Advisers (Shanghai) Co., Ltd. and Cushman & Wakefield VHS Pte. Ltd., being the independent valuers appointed by the Independent Directors for the purposes of carrying out the valuation of the Subject Properties in connection with the Offer
“Valuation Certificates”	:	The valuation certificates issued by the Valuers in respect of the Subject Properties in connection with the Offer, as set out in Appendix J of this Circular
“%” or “per cent.”	:	Per centum or percentage

Acting in Concert and Associates. Unless otherwise defined, the expressions **“acting in concert”** and **“associates”** shall have the same meanings as ascribed to them respectively in the Code.

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

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

Depository Related Terms. The terms **“Depositor”**, **“Depository Agent”** and **“Depository Register”** shall have the meanings ascribed to them respectively in Section 81SF of the SFA.

Expressions. Words importing the singular shall, where applicable, include the plural and *vice versa*. Words importing a single gender shall, where applicable, include any or all 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 the figures in this Circular between the listed amounts and the totals thereof are due to rounding. Accordingly, the figures shown as totals in this Circular may not be an arithmetic aggregation of the figures that precede them.

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

Statutes. Any reference in this Circular to any enactment or statutory provision is a reference to that enactment or statutory provision as for the time being amended or re-enacted, unless the context otherwise requires. Any word defined under the Companies Act, the Code, the Listing Manual, the SFA or any modification thereof and not otherwise defined in this Circular shall, where applicable, have the same meaning as ascribed to it under the Companies Act, the Code, the Listing Manual, the SFA 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 Sections 5 and 6 of the Companies Act respectively.

DEFINITIONS

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

Total Number of Shares and Percentage as at the Latest Practicable Date. In this Circular, the total number of Shares is a reference to a total of 342,024,763 Shares in issue as at the Latest Practicable Date (excluding treasury Shares) based on a search conducted at the ACRA, unless the context otherwise requires. Unless otherwise specified, all references to a percentage shareholding in the capital of the Company in this Circular are based on 342,024,763 Shares in issue as at the Latest Practicable Date (excluding treasury Shares) based on a search conducted at the ACRA.

CAUTIONARY NOTE ON FORWARD-LOOKING STATEMENTS

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”**, **“believe”**, **“estimate”**, **“intend”**, **“project”**, **“plan”**, **“strategy”**, **“forecast”** and similar expressions or future or conditional verbs such as **“if”**, **“will”**, **“would”**, **“should”**, **“could”**, **“may”** and **“might”**. These statements reflect the Company’s current expectations, beliefs, hopes, intentions or strategies regarding the future and assumptions in light of currently available information. Such forward-looking statements are not guarantees of future performance or events and involve known and unknown risks and uncertainties. Accordingly, actual results may differ materially from those described in such forward-looking statements. Shareholders should not place undue reliance on such forward-looking statements, and neither the Company nor the IFA guarantees any future performance or event, or undertakes any obligation to update publicly or revise any forward-looking statements, subject to compliance with all applicable laws and regulations and/or the rules of the SGX-ST and/or any other regulatory or supervisory body or agency.

INDICATIVE TIMELINE

Date of despatch of the Offer Document : 26 September 2019

Date of despatch of this Circular : 10 October 2019

Closing Date : **5.30 p.m. (Singapore time) on 24 October 2019** or such later date(s) as may be announced from time to time by or on behalf of the Offeror.

Date of settlement of consideration for valid acceptances of the Offer : (a) In respect of valid and complete acceptances received on or before the Offer Unconditional Date, within seven Business Days of the Offer Unconditional Date

(b) In respect of valid and complete acceptances received after the Offer Unconditional Date but before the Closing Date, within seven Business Days after the date of receipt of each such acceptance

Please refer to Section 2 of Appendix A of the Offer Document for further information.

LETTER TO SHAREHOLDERS

SAN TEH LTD

(Incorporated in the Republic of Singapore)
(Company Registration Number: 197901039W)

Directors:

Kao Chuan Chi, *Executive Chairman and Chief Executive Officer*
Kao Chuan Trong, *Executive Director and Managing Director*
Kao Ching Fong nee Pan, *Executive Director*
Gui Kim Young @ Gui Kim Gan, *Non-Executive and Independent Director*
Chuang Wen Fu, *Non-Executive and Independent Director*
Ko Chuan Aun, *Non-Executive and Independent Director*

Registered Office:

701 Sims Drive #06-01
LHK Building
Singapore 387383

10 October 2019

To: Shareholders of the Company

Dear Sir/Madam,

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

1. INTRODUCTION

1.1 Offer Announcement

On 5 September 2019, the Financial Adviser, for and on behalf of the Offeror, announced, *inter alia*, that the Offeror would make a voluntary conditional cash offer for the Offer Shares, in accordance with Rule 15 of the Code.

1.2 Offer Document

Shareholders should by now have received a copy of the Offer Document and the Relevant Acceptance Forms, which set out, *inter alia*, the terms and conditions of the Offer. The principal terms and conditions of the Offer are set out on pages 11 to 13 of the Offer Document. **Shareholders are advised to read the terms and conditions of the Offer contained in the Offer Document carefully.**

Offer related announcements of the Offeror and the Offer Document are available for download from the website of the SGX-ST at www.sgx.com.

1.3 Purpose of this Circular

The purpose of this Circular is to provide Shareholders with relevant information pertaining to the Company and the Offer, the advice of the IFA to the Independent Directors and the recommendation of 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 on 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.

LETTER TO SHAREHOLDERS

2. THE OFFER

2.1 Terms of the Offer

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

"2 THE OFFER

2.1 Offer Price. For and on behalf of the Offeror, CICF hereby makes the Offer, in accordance with Section 139 of the SFA and the Code, and subject to the terms and conditions of this Offer Document, for all the Offer Shares on the following basis:

S\$0.28 in cash for each Offer Share (the "Offer Price")

The Offer Price is final and the Offeror does not intend to revise the Offer Price save that the Offeror reserves the right to revise the terms of the Offer in accordance with the Code if a competitive situation arises.

2.2 Offer Shares. The Offer is extended, on the same terms and conditions, to all Offer Shares.

2.3 No Encumbrances. The Offer Shares will be acquired: (i) fully paid; (ii) free from any claim, mortgage, assignment, debenture, lien, hypothecation, charge, pledge, equity, title retention, right to acquire, security interest, option, pre-emptive or similar right, right of first refusal and any other encumbrance or condition whatsoever ("**Encumbrances**"); and (iii) together with all rights, benefits and entitlements attached thereto as at the Offer Announcement Date and thereafter attaching thereto, including but not limited to, the right to receive and retain all dividends, rights, return of capital and other distributions (collectively, "**Distributions**") (if any) that may be declared, paid or made by the Company in respect of the Offer Shares on or after the Offer Announcement Date.

2.4 Adjustment for Distributions. Without prejudice to the foregoing, the Offer Price has been determined on the basis that the Offer Shares will be acquired with the right to receive any Distribution that may be declared, paid or made by the Company on or after the Offer Announcement Date.

Accordingly, if any Distribution is or has been declared, paid or made by the Company in respect of the Offer Shares on or after the Offer Announcement Date to a Shareholder who validly accepts or has validly accepted the Offer (the "**Accepting Shareholder**"), the Offer Price payable to such Accepting Shareholder shall be reduced by an amount which is equal to the amount of such Distribution payable to such Accepting Shareholder, depending on when the settlement date in respect of the Offer Shares tendered in acceptance of the Offer by the Accepting Shareholder falls, as follows:

- (a) if such settlement date falls on or before the books closure date for the determination of entitlements to the Distribution (the "**Books Closure Date**"), the Offer Price for each Offer Share shall remain unadjusted and the Offeror shall pay the Accepting Shareholder the unadjusted Offer Price for each Offer Share, as the Offeror will receive the Distribution in respect of such Offer Share from the Company; or
- (b) if such settlement falls after the Books Closure Date, the Offer Price for each Offer Share shall be reduced by an amount which is equal to the amount of the Distribution in respect of each Offer Share (the Offer Price after such reduction, the "**Adjusted Offer Price**") and the Offeror shall pay the Accepting Shareholder the Adjusted Offer Price for each Offer Share, as the Offeror will not receive the Distribution in respect of such Offer Share from the Company.

LETTER TO SHAREHOLDERS

- 2.5 **Offer Acceptance Condition.** *The Offer is subject to the Offeror having received, by the Closing Date, valid acceptances in respect of such number of Offer Shares, which together with the Shares acquired or agreed to be acquired before or during the Offer, will result in the Offeror and parties acting in concert with the Offeror holding Shares representing not less than **90%** of the voting rights attributable to all the Shares as at the Closing Date (the “**Offer Acceptance Condition**”).*

As at the Latest Practicable Date, based on the information available to the Offeror, the Offeror and parties acting in concert with the Offeror collectively own or control in aggregate 229,993,720 Offer Shares representing 67.24% of the total number of Shares (excluding treasury Shares).

The Offeror reserves the right to revise the Offer Acceptance Condition to a lower minimum acceptance level (which shall be such number of Shares representing not less than 50% of the voting rights attributable to all the Shares as at the close of the Offer), provided that such revision may only be made after obtaining the consent of the SIC. In the event that the Offer Acceptance Condition is revised, the revised Offer will remain open for at least 14 days following such revision and Shareholders who have accepted the initial Offer will be permitted to withdraw their acceptances within eight days of the notification of such revision.

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

- 2.6 **Warranty.** *A Shareholder who tenders his Offer Shares in acceptance of the Offer will be deemed to unconditionally and irrevocably represent, warrant and undertake to the Offeror that he sells such Offer Shares, as or on behalf of the beneficial owner(s) thereof, (i) fully paid; (ii) free from all Encumbrances; and (iii) together with all rights, benefits and entitlements attached thereto as at the Offer Announcement Date and thereafter attaching thereto, including but not limited to the right to receive and retain all Distributions (if any) that may be declared, paid or made by the Company in respect of the Offer Shares on or after the Offer Announcement Date.”*

2.2 Duration of the Offer

The duration of the Offer is set out in Section 1 of Appendix A of the Offer Document, the extract of which is set out below.

“1. DURATION OF THE OFFER

- 1.1 **First Closing Date.** *The Offer is open for acceptance by Shareholders for at least 28 days from the Despatch Date, unless the Offer is withdrawn with the consent of the SIC and every person released from any obligation incurred thereunder. **Accordingly, notice is hereby given pursuant to Rule 22.6 of the Code that the Offer will close at 5.30 p.m. (Singapore time) on 24 October 2019 (Thursday) or such later date(s) as may be announced from time to time by or on behalf of the Offeror.***

- 1.2 **Subsequent Closing Date(s).** *If the Offer is extended and:*

- (a) is not unconditional as to acceptances as at the date of such extension, the announcement of the extension must state the next Closing Date; or*
- (b) is unconditional as to acceptances as at the date of such extension, the announcement of the extension need not state the next Closing Date but may state that the Offer will remain open until further notice. In such a case, the Offeror must give Shareholders at least 14 days’ prior notice in writing before it may close the Offer.*

LETTER TO SHAREHOLDERS

1.3 **No obligation to extend the Offer.** The Offeror is not obliged to extend the Offer if the Offer Acceptance Condition is not fulfilled by the Closing Date.

1.4 **Offer to remain open for 14 days after being declared unconditional as to acceptances.** In order to give Shareholders who have not accepted the Offer the opportunity to do so if the Offer becomes or is declared unconditional as to acceptances, the Offer will remain open for acceptance for not less than 14 days after the date on which it would otherwise have closed ("**Rule 22.6 Period**").

This requirement does not apply if, before the Offer has become or is declared unconditional as to acceptances, the Offeror has given Shareholders at least 14 days' notice in writing ("**Shut-Off Notice**") that the Offer will not be open for acceptance beyond the specified Closing Date, provided that:

- (a) the Offeror may not give a Shut-Off Notice in a competitive situation; and
- (b) the Offeror may not enforce a Shut-Off Notice, if already given, in a competitive situation.

If a declaration that the Offer is unconditional as to acceptance is confirmed in accordance with **paragraph 3.1** of this **Appendix A**, the Rule 22.6 Period will run from the date of such confirmation or the date on which the Offer would otherwise have closed, whichever is later.

1.5 **Final day rule.** The Offer (whether revised or not) will not be capable of:

- (a) becoming or being declared unconditional as to acceptances after 5.30 p.m. (Singapore time) on the 60th day after the Despatch Date; or
- (b) being kept open after 5.30 p.m. (Singapore time) on the 60th day after the Despatch Date unless the Offer has previously become or has been declared to be unconditional as to acceptances,

provided that the Offeror may extend the Offer beyond such 60-day period with the SIC's prior consent ("**Final Day Rule**").

1.6 **Revision.** The Offeror does not intend to revise the Offer Price save as for the right to do so in a competitive situation. Pursuant to Rule 20.1 of the Code, the Offer, if revised, will remain open for acceptance for a period of at least 14 days from the date of despatch of the written notification of the revision to Shareholders. In any case, where the terms are revised, the benefit of the Offer (as so revised) will be made available to each of the Shareholders, including those who have previously accepted the Offer."

LETTER TO SHAREHOLDERS

2.3 Details of the Offer

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

“2 Settlement of the Offer

2.1 When settlement of the Offer Price is due. *Subject to the Offer becoming or being declared unconditional in all respects and to the receipt by the Offeror from Accepting Shareholders of valid acceptances and all relevant documents required by the Offeror which are complete in all respects and in accordance with the instructions given in this Offer Document and in the FAA or the FAT (as the case may be), and in the case of a Depositor, the receipt by the Offeror of a confirmation satisfactory to it that the relevant number of Offer Shares tendered by the accepting Depositor in acceptance of the Offer stand to the credit of the “Free Balance” of the Depositor’s Securities Account at the relevant time(s), remittances in the form of S\$ crossed cheques drawn on a bank in Singapore for the appropriate amounts will be despatched (or by such other manner as the accepting Shareholders may have agreed with CDP for the payment of any cash distributions), pursuant to Rule 30 of the Code, to the Accepting Shareholders (or in the case of Scripholders, their designated agents, as they may direct) by ordinary post, at the risk of the Accepting Shareholders, as soon as practicable, and in any event:*

- (a) in respect of acceptances of the Offer which are complete in all respects and are received **on or before** the Offer Unconditional Date, within seven Business Days of the Offer Unconditional Date; or*
- (b) in respect of acceptances of the Offer which are complete in all respects and are received **after** the Offer Unconditional Date, but before the Closing Date, within seven Business Days of the date of such receipt.*

2.2 Method of settlement. *Remittance of the Offer Price will be made in the form of S\$ crossed cheques drawn on a bank in Singapore (or by such other manner as the Accepting Shareholders may have agreed with CDP for the payment of any cash distributions) for the appropriate amounts and will be sent to the Accepting Shareholders (or in the case of Shareholders holding share certificate(s) which are not deposited with CDP, their designated agents, as they may direct) by ordinary post to their addresses as they appear in the Register (in the case of Scripholders) or the records of CDP (in the case of Depositors) at their own risk or in such other manner as the Accepting Shareholders who are Depositors may have agreed with CDP for payment of any cash distributions.*

3 Announcements

3.1 Timing and contents. *Pursuant to Rule 28.1 of the Code, by 8:00 a.m. (Singapore time) on the Market Day (“**Relevant Day**”) immediately after the day on which the Offer is due to expire, or becomes or is declared to be unconditional as to acceptances, or is revised or extended (if applicable), the Offeror will announce and simultaneously inform the SGX-ST of the total number of Offer Shares (as nearly as practicable):*

- (a) for which valid acceptances of the Offer have been received;*
- (b) held by the Offeror and any parties acting in concert with the Offeror prior to the commencement of the Offer Period; and*
- (c) acquired or agreed to be acquired by the Offeror and any parties acting in concert with it during the Offer Period,*

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

LETTER TO SHAREHOLDERS

- 3.2 **Purchases other than through this Offer.** Under Note 5 to Rule 28.1 of the Code, purchases made through the SGX-ST by the Offeror and parties acting in concert with it with no pre-agreement or collusion between the parties to such transactions or their agents, may be counted towards satisfying the Offer Acceptance Condition. All other purchases by the Offeror and parties acting in concert with it (i.e. off-market purchases) may only be counted when fully completed and settled. For the avoidance of doubt, the Offeror is not precluded under the Code from making market purchases of Offer Shares (other than through this Offer) through the SGX-ST, subject to the requirements of the Code, including the disclosure of dealings during the Offer pursuant to Rule 12 of the Code.
- 3.3 **Suspension.** If the Offeror is unable to comply with any of the requirements in **paragraph 3.1** of this **Appendix A** within the time limit, the SIC will consider requesting the SGX-ST to suspend dealings in the Offer Shares until the relevant information is given.
- 3.4 **Computation of acceptances.** Under Rule 28.1 of the Code, subject to **Section 14.1** of the Letter to Shareholders, 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. Acceptances of the Offer will only be treated as valid for the purposes of the Offer Acceptance Condition if the relevant requirements of Note 2 on Rule 28.1 of the Code are met.
- 4 Right of withdrawal**
- 4.1 **Acceptances irrevocable.** Except as expressly provided in this Offer Document and the Code, acceptances of the Offer shall be irrevocable and may not be withdrawn.
- 4.2 **Right of withdrawal of Shareholders.** A Shareholder who has accepted the Offer may:
- (a) withdraw his acceptance immediately if the Offer has become or has been declared unconditional as to acceptances but the Offeror fails to comply with any of the requirements set out in **paragraph 3.1** of this **Appendix A** by 3.30 p.m. (Singapore time) on the Relevant Day. Subject to Rule 22.9 of the Code in relation to the Final Day Rule, the Offeror may terminate this right of withdrawal not less than eight days after the Relevant Day by confirming (if that be the case) that the Offer is still unconditional as to acceptances and by complying with Rule 28.1 of the Code and the requirements set out in **paragraph 3.1** of this **Appendix A**;
 - (b) withdraw his acceptance after 14 days from the first Closing Date if the Offer has not by then become or been declared unconditional as to acceptances. This right of withdrawal may be exercised until such time as the Offer becomes or is declared unconditional as to acceptances; and
 - (c) withdraw his acceptance immediately if a competing offer for the Offer Shares becomes or is declared to be unconditional as to acceptances. This right of withdrawal also applies in the converse situation: if the Offer becomes or is declared unconditional as to acceptances, a Shareholder who has accepted a competing offer may likewise withdraw his acceptance of such offer immediately.
- 4.3 **Procedure for withdrawal of acceptances.** To withdraw his acceptance of the Offer:
- (a) a Shareholder holding Offer Shares which **are not deposited with CDP** must give written notice to the Offeror at Singapore San Teh Real Estate Pte. Ltd. c/o RHT Corporate Advisory Pte. Ltd. at 30 Cecil Street, #19-08 Prudential Tower, Singapore 049712; and

LETTER TO SHAREHOLDERS

- (b) a Shareholder holding Offer Shares which **are deposited with CDP** must give written notice to the Offeror at Singapore San Teh Real Estate Pte. Ltd. c/o The Central Depository (Pte) Limited at 9 North Buona Vista Drive, #01-19/20 The Metropolis, Singapore 138588.

A notice for withdrawal shall be effective only if signed by the Accepting Shareholder or his agent duly appointed in writing, and evidence of whose appointment is produced in a form satisfactory to the Offeror and within the said notice, and when actually received by the Offeror.”

2.4 Procedures for Acceptance

The procedures for acceptance are set out in Appendix B of the Offer Document, extracts of which are set out below.

“APPENDIX B – PROCEDURES FOR ACCEPTANCE OF THE OFFER

1 Offer

1.1 Depositors

- 1.1.1 Depositors whose Securities Accounts are credited with Offer Shares.** If you have Offer Shares standing to the credit of the “Free Balance” of your Securities Account, you should receive this Offer Document together with the FAA. If you do not receive the FAA, you may obtain a copy of such FAA, upon production of satisfactory evidence that you are a Shareholder, from CDP at **9 North Buona Vista Drive, #01-19/20 The Metropolis, Singapore 138588.**

Acceptance. If you wish to accept the Offer, you should:

- (a) complete the FAA in accordance with this Offer Document and the instructions printed on the FAA. In particular, you must state in **Part A** of the FAA the number of Offer Shares in respect of which you wish to accept the Offer. If you:

- (i) do not specify such number; or
- (ii) specify a number which exceeds the number of Offer Shares standing to the credit of the “Free Balance” of your Securities Account as at 5.00 p.m. (Singapore time) on the Date of Receipt (or 5.30 p.m. (Singapore time) on the Closing Date if the Date of Receipt is on the Closing Date) (provided always that the Date of Receipt must fall on or before the Closing Date),

you shall be deemed to have accepted the Offer in respect of all the Offer Shares already standing to the credit of the “Free Balance” of your Securities Account as at 5.00 p.m. (Singapore time) on the Date of Receipt (or 5.30 p.m. (Singapore time) on the Closing Date if the Date of Receipt is on the Closing Date);

- (b) if paragraph 1.1.1(a)(ii) above applies and at the time of verification by CDP of the FAA on the Date of Receipt, there are outstanding settlement instructions with CDP to receive further Offer Shares into the “Free Balance” of your Securities Account (“**Unsettled Buy Position**”), and the Unsettled Buy Position settles such that the Offer Shares in the Unsettled Buy Position are transferred to the “Free Balance” of your Securities Account at any time during the period the Offer is open, up to 5.30 p.m. (Singapore time) on the Closing Date (“**Settled Shares**”), you shall be deemed to have accepted the Offer in respect of the balance number of Offer Shares inserted in Part A of the FAA which have not yet been accepted pursuant to paragraph 1.1.1(a)(ii) above, or the number of Settled Shares, whichever is less;

LETTER TO SHAREHOLDERS

- (c) sign the FAA in accordance with this **Appendix B** and the instructions printed on the FAA; and
- (d) deliver the completed and signed FAA in its entirety (no part may be detached or otherwise mutilated):
 - (i) **by hand** to Singapore San Teh Real Estate Pte. Ltd., c/o The Central Depository (Pte) Limited at 9 North Buona Vista Drive, #01-19/20 The Metropolis, Singapore 138588; or
 - (ii) **by post**, in the enclosed pre-addressed envelope at your own risk, to Singapore San Teh Real Estate Pte. Ltd., c/o The Central Depository (Pte) Limited at Robinson Road Post Office, P.O. Box 1984, Singapore 903934,

in either case so as to arrive not later than 5.30 p.m. (Singapore time) on the Closing Date. If the completed and signed FAA is delivered by post to the Offeror, please use the enclosed pre-addressed envelope, which is pre-paid for posting in Singapore only. It is your responsibility to affix adequate postage on the said envelope if posting outside of Singapore. Proof of posting is not proof of receipt by the Offeror at the above addresses.

If you have sold or transferred all your Offer Shares held through CDP, you need not forward this Offer Document and the accompanying FAA to the purchaser or transferee, as CDP will arrange for a separate Offer Document and FAA to be sent to the purchaser or transferee. Purchasers of the Offer Shares should note that CDP will, for and on behalf of the Offeror, send a copy of this Offer Document and the FAA by ordinary post at the purchasers' own risk to their respective mailing addresses as they appear in the records of CDP.

If you are a Depository Agent, you may accept the Offer via Electronic Acceptance. Such Electronic Acceptance must be submitted **not later than 5.30 p.m. (Singapore time) on the Closing Date.** CDP has been authorised by the Offeror to receive Electronic Acceptances on its behalf. Such Electronic Acceptances submitted will be deemed irrevocable and subject to each of the terms and conditions contained in the FAA and this Offer Document as if the FAA has been duly completed, signed in its originality and submitted to CDP.

- 1.1.2 **Depositors whose Securities Accounts will be credited with Offer Shares.** If you have purchased Offer Shares on the SGX-ST, and such Offer Shares are in the process of being credited to the "Free Balance" of your Securities Account, you should also receive this Offer Document together with a FAA. If you do not receive the FAA, you may obtain a copy of such FAA, upon production of satisfactory evidence that you have purchased the Shares on the SGX-ST, from CDP at 9 North Buona Vista Drive, #01-19/20 The Metropolis, Singapore 138588.

Acceptance. If you wish to accept the Offer in respect of such Offer Shares, you should, after the "Free Balance" of your Securities Account has been credited with such number of Offer Shares purchased:

- (a) complete and sign the FAA in accordance with **paragraph 1.1** of this **Appendix B** and the instructions printed on the FAA; and
- (b) deliver the completed and signed FAA in its entirety (no part may be detached or otherwise mutilated):
 - (i) **by hand** to Singapore San Teh Real Estate Pte. Ltd., c/o The Central Depository (Pte) Limited at 9 North Buona Vista Drive, #01-19/20 The Metropolis, Singapore 138588; or

LETTER TO SHAREHOLDERS

- (ii) **by post**, in the enclosed pre-addressed envelope at your own risk, to Singapore San Teh Real Estate Pte. Ltd., c/o The Central Depository (Pte) Limited at Robinson Road Post Office, P.O. Box 1984, Singapore 903934,

in either case so as to arrive not later than 5.30 p.m. (Singapore time) on the Closing Date. If the completed and signed FAA is delivered by post to the Offeror, please use the enclosed pre-addressed envelope which is pre-paid for posting in Singapore only. It is your sole responsibility to affix adequate postage on the said envelope if posting outside of Singapore. Proof of posting is not proof of receipt by the Offeror at the above addresses.

1.1.3 Depositors whose Securities Accounts are and will be credited with Offer Shares.

If you have Offer Shares credited to the "Free Balance" of your Securities Account, and if you have also purchased additional Offer Shares on the SGX-ST which are in the process of being credited to the "Free Balance" of your Securities Account, you may accept the Offer in respect of the Offer Shares standing to the credit of the "Free Balance" of your Securities Account, but may accept the Offer in respect of the additional Offer Shares purchased which are in the process of being credited to your Securities Account only **after** the "Free Balance" of your Securities Account has been credited with such number of additional Offer Shares purchased. The provisions set out above shall apply in the same way to your acceptance(s).

1.1.4 Rejection. If upon receipt by CDP, on behalf of the Offeror, of the FAA, it is established that such Offer Shares have not been or will not be credited to the "Free Balance" of your Securities Account (for example, where you sell or have sold such Offer Shares), your acceptance is liable to be rejected. If you purchase Offer Shares on the SGX-ST on a date close to the Closing Date, your acceptance of the Offer in respect of such Offer Shares is liable to be rejected if the "Free Balance" of your Securities Account is not credited with such Offer Shares by 5.00 p.m. (Singapore time) on the Date of Receipt (or 5.30 p.m. (Singapore time) on the Closing Date if the Date of Receipt is on the Closing Date), unless **paragraph 1.1.1(a)(ii)** above read together with **paragraph 1.1.1(b)** of this **Appendix B** apply. If the Unsettled Buy Position does not settle by 5.30 p.m. (Singapore time) on the Closing Date, your acceptance in respect of such Offer Shares will be rejected.

None of CDP, CICF or the Offeror accept any responsibility or liability in relation to such rejections, including the consequences thereof.

1.1.5 General. No acknowledgement will be given by CDP for submissions of FAAs. All communications, notices, documents and remittances to be delivered or sent to you will be sent by ordinary post at your own risk to your address as it appears in the records of CDP. For reasons of confidentiality, CDP will not entertain telephone enquiries relating to the number of Offer Shares credited to your Securities Account. You can verify such number in your Securities Account: (i) through CDP Online if you have registered for the CDP Internet Access Service, (ii) through the CDP Phone Service using SMS OTP, under the option "To check your securities balance", or (iii) by proceeding to CDP in person with your identity card or passport.

1.1.6 Blocked Balance. Upon receipt of the FAA which is complete and valid in all respects, CDP will transfer the Offer Shares in respect of which you have accepted the Offer from the "Free Balance" of your Securities Account to the "Blocked Balance" of your Securities Account. Such Offer Shares will be held in the "Blocked Balance" until the consideration for such Offer Shares has been despatched to you.

LETTER TO SHAREHOLDERS

1.1.7 Notification. If you have accepted the Offer in accordance with the provisions contained in this **Appendix B** and the FAA, upon the Offer becoming or being declared to be unconditional in all respects in accordance with its terms, CDP will send you a notification letter stating the number of Offer Shares debited from your Securities Account together with payment of the Offer Price by way of a cheque drawn on a bank in Singapore for the appropriate amount and sent by ordinary mail to your address as recorded by CDP, or in such other manner as you may have agreed with CDP for the payment of any cash distributions, at your own risk, as soon as practicable and in any event:

- (a) in respect of acceptances of the Offer which are complete and valid in all respects and are received **on or before** the Offer Unconditional Date, within seven Business Days of the Offer Unconditional Date; or
- (b) in respect of acceptances of the Offer which are complete and valid in all respects and are received **after** the Offer Unconditional Date, but before the Closing Date, within seven Business Days of the date of such receipt.

1.1.8 Return of Offer Shares. In the event that the Offer does not become or is not declared to be unconditional in all respects in accordance with its terms, CDP will return the aggregate number of Offer Shares in respect of which you have accepted the Offer and tendered for acceptance under the Offer to the "Free Balance" of your Securities Account as soon as possible but, in any event, not later than 14 days from the lapse or withdrawal of the Offer.

1.1.9 No Securities Account. If you do not have any existing Securities Account in your own name at the time of acceptance of the Offer, your acceptance as contained in the FAA will be rejected.

1.2 Scripholders

1.2.1 Shareholders whose Offer Shares are not deposited with CDP. If you hold Offer Shares which are not deposited with CDP ("**in scrip form**"), you should receive this Offer Document together with the FAT. If you do not receive the FAT, you may obtain a copy of such FAT, upon production of satisfactory evidence that you are a Shareholder, from the Registrar at 30 Cecil Street, #19-08 Prudential Tower, Singapore 049712.

1.2.2 Acceptance. If you wish to accept the Offer in respect of all or any of your Offer Shares in scrip form, you should:

- (a) complete the FAT in accordance with this Offer Document and the instructions printed on the FAT. In particular, you must state in **Part A** of the FAT the number of Offer Shares in respect of which you wish to accept the Offer, and state in **Part B** of the FAT the share certificate number(s) of the relevant share certificate(s). If you:
 - (i) do not specify a number in **Part A** of the FAT; or
 - (ii) specify a number in **Part A** of the FAT which exceeds the number of Offer Shares represented by the share certificate(s) accompanying the FAT,you shall be deemed to have accepted the Offer in respect of all the Offer Shares comprised in the share certificate(s) accompanying the FAT;
- (b) sign the FAT in accordance with this **Appendix B** and the instructions printed on the FAT; and

LETTER TO SHAREHOLDERS

(c) *deliver:*

- (i) *the completed and signed FAT in its entirety (no part may be detached or otherwise mutilated);*
- (ii) *the share certificate(s), other document(s) of title and/or any other relevant document(s) required by the Offeror relating to the Offer Shares in respect of which you wish to accept the Offer. If you are recorded in the Register as holding Offer Shares but do not have the relevant share certificate(s) relating to such Offer Shares, you, at your own risk, are required to procure the Company to issue such share certificate(s) in accordance with the Constitution of the Company and then deliver such share certificate(s) in accordance with the procedures set out in this Offer Document and the FAT;*
- (iii) *where such Offer Shares are not registered in your name, a transfer form, duly completed and executed by the person in whose name such share certificate(s) is/are registered and stamped, with the particulars of the transferee left blank (to be completed by the Offeror or the transferee or a person authorised by either); and*
- (iv) *any other relevant document(s),*

either:

- (i) **by hand** to Singapore San Teh Real Estate Pte. Ltd., c/o RHT Corporate Advisory Pte. Ltd. at 30 Cecil Street, #19-08 Prudential Tower, Singapore 049712; or
- (ii) **by post**, in the enclosed pre-addressed envelope at your own risk, to Singapore San Teh Real Estate Pte. Ltd., c/o RHT Corporate Advisory Pte. Ltd. at 30 Cecil Street, #19-08 Prudential Tower, Singapore 049712,

in either case so as to arrive not later than 5.30 p.m. (Singapore time) on the Closing Date. If the completed and signed FAT is delivered by post to the Offeror, please use the enclosed pre-addressed envelope which is pre-paid for posting in Singapore only. It is your sole responsibility to affix adequate postage on the said envelope if posting outside of Singapore. Proof of posting is not proof of receipt by the Offeror at the above address.

1.2.3 Receipt. No acknowledgement of receipt of any FAT, share certificate(s), other document(s) of title, transfer form(s) and/or any other accompanying document(s) will be given by the Offeror, CICF or the Registrar.

1.2.4 Return of Offer Shares. In the event the Offer does not become or is not declared to be unconditional in accordance with its terms, the FAT, share certificate(s) and/or any other accompanying document(s) will be returned to you as soon as possible but, in any event, within 14 days of the lapse or withdrawal of the Offer.

LETTER TO SHAREHOLDERS

2 General

- 2.1 **Disclaimer.** Each of the Offeror, CICF, the Registrar and/or CDP will be entitled, at their sole and absolute discretion, to reject or treat as valid any acceptance of the Offer through the FAA and/or the FAT, as the case may be, which is not entirely in order or which does not comply with the terms of this Offer Document and the Relevant Acceptance Forms or which is otherwise incomplete, incorrect, unsigned, signed but not in its originality, or invalid in any respect. If you wish to accept the Offer, it is your responsibility to ensure that the FAA and/or the FAT, as the case may be, is properly completed and executed in all respects and submitted with original signature(s) and that all required documents, where applicable, are provided. Any decision to reject or treat as valid any acceptance will be final and binding and none of the Offeror, CICF, the Registrar and/or CDP accept any responsibility or liability for such a decision, including the consequences of such a decision.
- 2.2 **Discretion.** The Offeror and CICF each reserves the right to treat acceptances of the Offer as valid if received by or on behalf of either of them at any place or places determined by them otherwise than as stated in this Offer Document and in the FAA and/or the FAT, as the case may be, or if made otherwise than in accordance with the provisions of this Offer Document and in the FAA and/or the FAT, as the case may be. Any decision to treat as valid such acceptances will be final and binding and none of the Offeror, CICF, the Registrar and/or CDP accept any responsibility or liability for such a decision, including the consequences of such a decision.
- 2.3 **Scrip and scripless Offer Shares.** If you hold some Offer Shares in scrip form and others with CDP, you should complete the FAT for the former and the FAA for the latter in accordance with the respective procedures set out in this **Appendix B** and the Relevant Acceptance Forms if you wish to accept the Offer in respect of all such Offer Shares.
- 2.4 **Deposit time.** If you hold Offer Shares in scrip form, the Offer Shares may not be credited into your Securities Account with CDP in time for you to accept the Offer by way of the FAA if you were to deposit your share certificate(s) with CDP after the Despatch Date. If you wish to accept the Offer in respect of such Offer Shares held in scrip form, you should complete a FAT and follow the procedures set out in **paragraph 1.2** of this **Appendix B** and the FAT.
- 2.5 **Correspondence.** All communications, certificates, notices, documents and remittances to be delivered or sent to you (or in the case of joint Accepting Shareholders, to the joint accepting Shareholder first-named in the Register), will be sent by ordinary post to your address as it appears in the records of CDP or the Register, as the case may be, at the risk of the person(s) entitled thereto.
- 2.6 **Evidence of title.** Delivery of the duly completed and signed FAA and/or FAT, as the case may be, together with the relevant share certificate(s), in the case of Scripholders and/or other document(s) of title and/or any other relevant document(s) required by the Offeror, CDP and/or the Registrar, to the Offeror, CDP and/or the Registrar, as the case may be, shall be conclusive evidence in favour of CDP, the Registrar and/or the Offeror, as the case may be, of the right and title of the person(s) signing it to deal with the same and with the Offer Shares to which it relates.
- 2.7 **Loss in transmission.** The Offeror, CICF, CDP and/or the Registrar, as the case may be, shall not be liable for any loss in transmission of the FAA and/or the FAT, as the case may be.
- 2.8 **Acceptances irrevocable.** Except as expressly provided in this Offer Document and the Code, the acceptance of the Offer made by you using the FAA and/or the FAT, as the case may be, shall be irrevocable.

LETTER TO SHAREHOLDERS

- 2.9 **Acceptances received on Saturdays, Sundays and public holidays.** For the avoidance of doubt, acceptances in the form of the FAA and/or the FAT, as the case may be, received by or on behalf of the Offeror on a Saturday, Sunday or public holiday in Singapore will only be processed and validated on the next Business Day.
- 2.10 **Personal Data privacy.** By completing and delivering a Relevant Acceptance Form, each person (i) consents to the collection, use and disclosure of his personal data by the Registrar, CDP, CPF Board, the SGX-ST, Securities Clearing and Computer Services (Pte) Ltd, the Offeror, CICF and the Company (the “**Relevant Persons**”) for the purpose of facilitating his acceptance of the Offer, and in order for the Relevant Persons to comply with any applicable laws, listing rules, regulations and/or guidelines; (ii) warrants that where he discloses the personal data of another person, such disclosure is in compliance with applicable law; and (iii) agrees that he will indemnify the Relevant Persons in respect of any penalties, liabilities, claims, demands, losses and damages as a result of his breach of such warranty.”

2.5 Closing Date

Shareholders should note the Closing Date of 5:30 p.m. (Singapore time) on 24 October 2019 or such later date(s) as may be announced from time to time by or on behalf of the Offeror.

3. INFORMATION ON THE OFFEROR

Section 4 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 C of the Offer Document is set out in **Appendix C** of this Circular.

“4 INFORMATION ON THE OFFEROR

- 4.1 **The Offeror.** The Offeror is a private company limited by shares incorporated in Singapore and is owned by:

- (a) Mrs. Kao Ching Fong nee Pan (“**Mrs. Kao**”), who is also the Executive Director of the Company;
- (b) Mr. Kao Chuan Chi (“**KCC**”), son of Mrs. Kao, who is also the Executive Chairman cum Chief Executive Officer of the Company;
- (c) Mr. Kao Chuan Trong (“**KCT**”), son of Mrs. Kao, who is also the Managing Director of the Company; and
- (d) Ms. Kao Hsien Yuan (“**KHY**”), daughter of Mrs. Kao,

(collectively, the “**Kao Family**”).

The Kao Family collectively owns all the issued shares in the Offeror in approximately the following proportion:

Shareholders of the Offeror	Proportion of the total shares in the Offeror
Mrs. Kao	44.80%
KCC	20.67%
KCT	20.67%
KHY	13.86%

As at the Latest Practicable Date, the board of directors of the Offeror (the “**Offeror Board**”) comprises Mrs. Kao, KCC, KCT and KHY. Mrs. Kao, KCC and KCT are also directors of the Company.

LETTER TO SHAREHOLDERS

- 4.2 **The Offeror and parties acting in concert.** As at the Latest Practicable Date, the Kao Family, the estate of Mrs. Kao's deceased spouse, Mr. Kao Shin Ping (the "**Estate**"), San Teh Xing Investment Pte Ltd, a private company limited by shares incorporated in Singapore ("**STX**"), and San Teh Education Inc., a private company limited by shares incorporated in the British Virgin Islands ("**STEI**") are parties acting in concert with the Offeror, and collectively own or control an aggregate of 229,993,720 Shares, representing approximately 67.24% of all the Shares. As at the Latest Practicable Date, the Offeror does not hold any Shares.
- 4.3 **Further Information.** Appendix C to this Offer Document sets out additional information on the Offeror."

4. IRREVOCABLE UNDERTAKINGS

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

- "5 IRREVOCABLE UNDERTAKINGS**
- 5.1 **Irrevocable Undertakings.** As at the Latest Practicable Date, each member of the Kao Family, the Estate, STX, and STEI (collectively, the "**Undertaking Shareholders**") have each given irrevocable undertakings to the Offeror (collectively, the "**Irrevocable Undertakings**"), under which each Undertaking Shareholder has undertaken and/or agreed, inter alia, that:
- (a) it will accept, or procure the acceptance of, the Offer in respect of the following Shares:
 - (i) all the Offer Shares it holds or is deemed interested in, as at the Despatch Date by not later than 5.00 p.m. (Singapore time) on the third business day after the Despatch Date; and
 - (ii) such additional Offer Shares as it may acquire after the Despatch Date and before the Offer closes by not later than 5.00 p.m. (Singapore time) on the third business day after such acquisition,(collectively, the "**Relevant Shares**"); and
 - (b) unless this Offer Document has not been posted within 21 days after the Offer Announcement Date or the Offer lapses or is withdrawn, it will not:
 - (i) sell, transfer, charge, encumber, grant any option over or otherwise dispose of any interest in the Relevant Shares to any person except to the Offeror pursuant to the Offer;
 - (ii) accept any other offer in respect of any of the Relevant Shares (whether it is conditional or unconditional and irrespective of the means by which it is to be implemented);
 - (iii) withdraw its acceptance even though it may become entitled to withdraw it under the rules of the Code or any provision in this Offer Document; or
 - (iv) enter into any agreement or arrangement or incur any obligation or give any indication of intent that might impede or restrict its obligations under its undertaking or otherwise frustrate the Offer or its implementation.

LETTER TO SHAREHOLDERS

- 5.2 *In addition to the undertakings in **Section 5.1** of the Letter to Shareholders, each Undertaking Shareholder (except STEI) has irrevocably undertaken:*
- (a) *to waive all rights under the terms of the Offer to receive the Offer Price that would otherwise be paid by the Offeror in respect of the Relevant Shares within the time period prescribed under the Code; and*
 - (b) *that the Relevant Shares shall be transferred to the Offeror with no further obligation on the part of the Offeror to settle or pay any Offer Price in respect of its Relevant Shares.*
- 5.3 *For the avoidance of doubt, STEI will receive the Offer Price in respect of all of its Relevant Shares when it tenders them in acceptance of the Offer.*
- 5.4 **Aggregate Holdings.** *The Undertaking Shareholders have undertaken to accept the Offer in respect of an aggregate of 229,993,720 Offer Shares representing 67.24% of the total number of Shares and any additional Offer Shares as each of them may acquire after the Despatch Date and before the Offer closes. Details of the Undertaking Shareholders and the number of Relevant Shares to be tendered in acceptance of the Offer by each of them pursuant to their respective Irrevocable Undertakings are set out in **paragraph 3 of Appendix E** to this Offer Document.*
- 5.5 **Termination of Irrevocable Undertakings.** *The Irrevocable Undertakings will cease and terminate if (a) the Offer Announcement is not released by 31 December 2019; (b) the Offer Document has not been posted within 21 days after the Offer Announcement Date (or such longer period as the Offeror, with the consent of the SIC, determines); or (c) the Offer lapses or is withdrawn or fails to become or be declared to be unconditional in all respects for whatever reason other than as a result of a breach of any of the obligations under the Irrevocable Undertakings.*
- For the avoidance of doubt, the Undertaking Shareholders will NOT have the right to terminate their respective Irrevocable Undertakings on the basis that another offer for the Shares has been made (even if the price offered for the Shares is higher than the Offer Price).***
- 5.6 **SIC Confirmation.** *The SIC has confirmed that the arrangements under **Sections 5.1** and **5.2** of the Letter to Shareholders do not constitute special deals for the purposes of Rule 10 of the Code.*
- 5.7 **No other undertakings.** *Save for the Irrevocable Undertakings, neither the Offeror nor any party acting in concert with the Offeror has received any irrevocable undertakings from any other party to accept or reject the Offer as at the Latest Practicable Date.*
- 5.8 **Available for inspection.** *Copies of the Irrevocable Undertakings are available for inspection during the Offer Period at the offices of the Offeror, at 701 Sims Drive, #06-01 LHK Building, Singapore 387383, during normal business hours."*

LETTER TO SHAREHOLDERS

5. RATIONALE FOR THE OFFER

The full text of the rationale for the Offer has been extracted from Section 7 of the Offer Document, extracts of which are set out below.

“7 RATIONALE FOR THE OFFER

7.1 Opportunity for Shareholders to realise their investment in the Company at a compelling premium. The Offer Price represents a premium of approximately 81.82% over the last traded price per Share as quoted on the SGX-ST on 3 September 2019, being the Last Trading Day, and a premium of approximately 90.48%, 83.01%, 84.21% and 72.84% over the VWAP per Share as transacted on the SGX-ST for the one-month, three-month, six-month and 12-month periods respectively prior to and including the Last Trading Day.

Shareholders will have an opportunity to realise up to their entire investment in the Company for a cash consideration at a premium above the historical market share prices, without incurring any brokerage and other trading costs.

7.2 Opportunity for Shareholders to exit their entire investment in the Company, which may otherwise be difficult due to the low trading liquidity of the Shares. The trading liquidity of the Shares has been low. The average daily trading volume of the Shares for the one-month, three-month, six-month and 12-month periods prior to and including the Last Trading Day are set out in the table below:

	Average Daily Trading Volume (“ADTV”)⁽¹⁾	ADTV as a percentage of total number of issued Shares⁽²⁾
<i>One-month period prior to and including the Last Trading Day</i>	14,350 Shares	0.004%
<i>Three-month period prior to and including the Last Trading Day</i>	15,114 Shares	0.004%
<i>Six-month period prior to and including the Last Trading Day</i>	16,131 Shares	0.005%
<i>12-month period prior to and including the Last Trading Day</i>	19,050 Shares	0.006%

Notes:

- (1) The average daily trading volume is calculated based on the total trading volume of the Shares for the respective relevant periods, as extracted from Bloomberg L.P. as at the Last Trading Day, divided by the number of Market Days during the respective relevant periods prior to and including the Last Trading Day.
- (2) Calculated by expressing average daily trading volume of Shares traded as a percentage of the total number of 342,024,763 Shares (excluding 5,414,000 treasury Shares). The percentage figures are rounded to the nearest three decimal places.

The low trading liquidity may not provide Shareholders with sufficient opportunity to efficiently exit their investments in the Company. Hence, the Offer represents a cash exit opportunity for Shareholders to liquidate and realise up to their entire investment at a premium above the historical market share prices, an option which may not otherwise be readily available due to the low trading liquidity of the Shares.

7.3 Intention to Delist and Privatisise the Company. The Offeror intends to make the Offer with a view to delisting and privatising the Company.

LETTER TO SHAREHOLDERS

- 7.4 **Greater Management Flexibility.** *The Offeror is of the view that the delisting and privatisation of the Company will provide the Offeror and the Company with greater control and management flexibility in utilising and deploying the available resources of the Group and facilitating the implementation of any strategic initiatives and/or operational changes of the Group to achieve greater efficiency and competitiveness.*
- 7.5 **Compliance Costs relating to Listing Status.** *If the Company is delisted, the Company will be able to dispense with the resources and compliance costs associated with maintenance of a listed status and other regulatory requirements that have to be committed for such compliance and channel such expenses towards its business operations.*
- 7.6 **No Necessity for Access to Equity Capital Markets.** *Since 1998, the Company has not carried out any exercise to raise equity capital on the SGX-ST. The Company is unlikely to require access to Singapore equity capital markets to finance its operations in the foreseeable future. Accordingly, it is not necessary for the Company to maintain a listing on the SGX-ST."*

6. OFFEROR'S INTENTIONS RELATING TO THE COMPANY, LISTING STATUS AND COMPULSORY ACQUISITION

Section 8 of the Offer Document sets out the Offeror's intentions for the Company, the Company's listing status, and compulsory acquisition, extracts of which are set out below. Shareholders are advised to read the extracts below carefully and note the Offeror's future plans for the Company.

"8 OFFEROR'S INTENTIONS IN RELATION TO THE COMPANY

- 8.1 **The Offeror's future plans in relation to the Company.** *The Offeror intends to make the Company its wholly-owned subsidiary and does not intend to preserve the listing status of the Company on the Main Board of the SGX-ST. Accordingly, **the Offeror, if and when entitled upon the satisfaction of the Offer Acceptance Condition, intends to exercise its rights of compulsory acquisition** under Section 215(1) of the Companies Act and, pending the completion of such compulsory acquisition, **does not intend to take any steps for the public float to be restored and/or for any trading suspension of the Shares by the SGX-ST to be lifted in the event that, inter alia, less than 10% of the total number of Shares in issue are held in public hands. In addition, the Offeror also reserves the right to seek a voluntary delisting of the Company from the SGX-ST** pursuant to Rules 1307 and 1309 of the Listing Manual.*

Subject as aforesaid, it is the intention of the Offeror to carry on the existing business of the Company, and the Offeror presently has no intention to:

- (a) introduce any major changes to the business of the Company or the operations of any of its subsidiaries;*
- (b) re-deploy any of the fixed assets of the Company; or*
- (c) discontinue the employment of any of the existing employees of the Group,*

save in the ordinary course of business. However, the Offeror retains the flexibility at any time to consider any options and opportunities in relation to the Group which may present themselves and which the Offeror may regard to be in the interests of the Offeror and the Group.

LETTER TO SHAREHOLDERS

- 8.2 **Listing status.** Under Rule 1105 of the Listing Manual, if the Offeror Concert Party Group (as defined in the Listing Manual), as a result of the Offer or otherwise, own or control more than 90% of all the Shares (excluding treasury Shares), the SGX-ST may suspend the trading of the Shares in the Ready and Unit Share markets until such time when the SGX-ST is satisfied that at least 10% of all the Shares (excluding treasury Shares) are held by at least 500 Shareholders who are members of the public.

In addition, under Rule 724(1) of the Listing Manual, if the percentage of the Shares (excluding treasury Shares) held in public hands falls below 10%, the Company must, as soon as practicable, announce that fact and the SGX-ST may suspend trading of all the Shares. Under Rule 1303(1) of the Listing Manual, where the Offeror succeeds in garnering acceptances exceeding 90% of all the Shares (excluding treasury Shares), thus causing the percentage of the Company's total number of Shares (excluding treasury Shares) held in public hands to fall below 10%, the SGX ST will suspend trading of Shares at the close of the Offer.

Rule 724(2) of the Listing Manual states that the SGX-ST may allow the Company a period of three months, or such longer period as the SGX-ST may agree, to raise the percentage of the Shares (excluding treasury Shares) held in public hands to at least 10% (the "**Free Float Requirement**"), failing which the Company may be delisted from the SGX-ST. The Offer may result in the Free Float Requirement not being met. **If the Free Float Requirement is not satisfied at the close of the Offer, the trading of the Shares on the SGX-ST is suspended at the close of the Offer, and the Offeror is entitled to exercise its rights of compulsory acquisition under Section 215(1) of the Companies Act, subject to the requirements of the Listing Manual, the Offeror does not intend to support any action or take any steps to maintain the listing status of the Company or to restore the free float of the Shares.**

As at 5.00 p.m. (Singapore time) on the Latest Practicable Date and based on publicly available information provided by the Company, Shares representing at least 72.67% of the total number of Shares (excluding treasury Shares) are held by directors, and substantial shareholders, and their respective associates, who are non-public.

- 8.3 **Compulsory acquisition.** Pursuant to Section 215(1) of the Companies Act, if the Offeror acquires not less than 90% of the total issued Shares as at the date of the Offer (other than those already held by the Offeror, its related corporations or their respective nominees as at the date of the Offer and which, for the avoidance of doubt, excludes any Shares held by the Company as treasury Shares), the Offeror will be entitled to exercise its rights under Section 215(1) of the Companies Act to compulsorily acquire all the Offer Shares of the Shareholders who have not accepted the Offer on the same terms as those offered under the Offer. Accordingly, the Offeror will be entitled to exercise such rights of compulsory acquisition upon the satisfaction of the Acceptance Condition.

In such event, the Offeror intends to exercise its right to compulsorily acquire all the Offer Shares of the Shareholders who have not accepted the Offer. The Offeror will then proceed to delist the Company from the SGX-ST.

Pursuant to Section 215(3) of the Companies Act, if the Offeror acquires such number of Offer Shares which, together with Shares held by it, its related corporations and their respective nominees, comprising 90% or more of the total issued Shares, the Shareholders who have not accepted the Offer have a right to require the Offeror to acquire their Shares at the Offer Price. Such Shareholders who wish to exercise such right are advised to seek their own independent legal advice."

LETTER TO SHAREHOLDERS

7. FINANCIAL ASPECTS OF THE OFFER

Section 9 of the Offer Document sets out certain information on the financial aspects of the Offer, extracts of which are set out below.

“9 FINANCIAL EVALUATION OF THE OFFER

The Offer Price of S\$0.28 represents the following premia over the historical traded prices of the Shares:

	<i>Description</i>	<i>Benchmark Price⁽¹⁾ (S\$)</i>	<i>Premium over Benchmark Price⁽²⁾ (%)</i>
1.	<i>Last traded price per Share as quoted on the SGX-ST on 3 September 2019, being the Last Trading Day</i>	0.154	81.82
2.	<i>VWAP of the Shares for the one-month period prior to and including the Last Trading Day</i>	0.147	90.48
3.	<i>VWAP of the Shares for the three-month period prior to and including the Last Trading Day</i>	0.153	83.01
4.	<i>VWAP of the Shares for the six-month period prior to and including the Last Trading Day</i>	0.152	84.21
5.	<i>VWAP of the Shares for the 12-month period prior to and including the Last Trading Day</i>	0.162	72.84

Notes:

(1) *Based on data extracted from Bloomberg L.P. as at the Last Trading Day, rounded to the nearest three decimal places.*

(2) *The percentage figures are rounded to the nearest two decimal places.”*

8. DISCLOSURES

Section 10 and Appendix E of the Offer Document set out certain information relating to disclosure of interests, extracts of which are set out below.

“10 DISCLOSURES OF HOLDINGS, DEALINGS AND OTHER ARRANGEMENTS

10.1 Holdings and Dealings in Company Securities. *As at the Latest Practicable Date, based on the latest information available to the Offeror and save as disclosed elsewhere in this Offer Document (in particular, but without limitation, in **Appendix E**), none of the Offeror and the concert parties of the Offeror:*

- (a) own, control or have agreed to acquire any Company Securities; or*
- (b) have dealt for value in any Company Securities during the Reference Period.*

10.2 Interest of Offeror Board in Company Securities. *As at the Latest Practicable Date, based on the latest information available to the Offeror and save as disclosed elsewhere in this Offer Document (in particular, but without limitation, in **Appendix E**), none of the directors of the Offeror are interested in any Company Securities.*

LETTER TO SHAREHOLDERS

10.3 Other Arrangements. As at the Latest Practicable Date, based on the latest information available to the Offeror and save as disclosed elsewhere in this Offer Document (in particular, but without limitation, in **Appendix E**), none of the Offeror and the concert parties of the Offeror have:

- (a) entered into any arrangement of the kind referred to in Note 7 on Rule 12 of the Code with any person, including any indemnity or option arrangements, and any agreement or understanding, formal or informal, of whatever nature, relating to any Company Securities which may be an inducement to deal or refrain from dealing;
- (b) received any irrevocable commitment (other than the Irrevocable Undertakings) to accept or reject the Offer in respect of any Company Securities;
- (c) granted any security interest in respect of any Company Securities to another person, whether through a charge, pledge or otherwise;
- (d) borrowed any Company Securities from another person (excluding borrowed securities which have been on-lent or sold); or
- (e) lent any Company Securities to another person.

APPENDIX E – DISCLOSURES

1 HOLDINGS OF COMPANY SECURITIES

As at the Latest Practicable Date, based on information available to the Offeror, the details of the number of Company Securities held by the Offeror and parties acting in concert with it are as follows:

	Direct Interests		Deemed Interests	
	No. of Shares	% ⁽⁷⁾	No. of Shares	% ⁽⁷⁾
Offeror	—	—	—	—
Mrs. Kao	34,560,576	10.10	87,427,527 ⁽¹⁾	25.56
KCC	15,393,508	4.50	87,427,528 ⁽²⁾	25.56
KCT	14,643,200	4.28	87,427,528 ⁽³⁾	25.56
KHY	12,200,745	3.57	87,427,528 ⁽⁴⁾	25.56
The Estate	74,357,551	21.74	68,838,140 ⁽⁵⁾	20.13
STX ⁽⁶⁾	68,838,140	20.13	—	—
STEI ⁽⁶⁾	10,000,000	2.92	—	—

Notes:

- (1) Mrs. Kao is deemed to have interest in: 68,838,140 Shares held by STX by virtue of her 25%, direct and indirect, shareholding interest in STX; and 18,589,387 Shares held by the Estate by virtue of her beneficial interest in those Shares.
- (2) KCC is deemed to have interest in: 68,838,140 Shares held by STX by virtue of his 25%, direct and indirect, shareholding interest in STX; and 18,589,388 Shares held by the Estate by virtue of his beneficial interest in those Shares.
- (3) KCT is deemed to have interest in: 68,838,140 Shares held by STX by virtue of his 25%, direct and indirect, shareholding interest in STX; and 18,589,388 Shares held by the Estate by virtue of his beneficial interest in those Shares.
- (4) KHY is deemed to have interest in: 68,838,140 Shares held by STX by virtue of her 25%, direct and indirect, shareholding interest in STX; and 18,589,388 Shares held by the Estate by virtue of her beneficial interest in those Shares.
- (5) The Estate is deemed to have interest in: 68,838,140 Shares held by STX by virtue of its 60% direct shareholding interest in STX.

LETTER TO SHAREHOLDERS

- (6) STX and STEI are not related corporations of the Offeror.
- (7) Percentage shareholdings in the Company have been calculated as a percentage of the total number of 342,024,763 Shares (excluding 5,414,000 treasury Shares), as at the Latest Practicable Date. Percentage figures are rounded to the nearest two decimal places.

2 DEALINGS IN COMPANY SECURITIES

As at the Latest Practicable Date, based on information available to the Offeror, the Offeror and parties acting in concert with it have not dealt in any Company Securities during the Reference Period.

3 IRREVOCABLE UNDERTAKINGS

Details of the Undertaking Shareholders and the number of Relevant Shares to be tendered in acceptance of the Offer by each of them pursuant to their respective Irrevocable Undertakings are as follows:

Name of Undertaking Shareholder	No. of Relevant Shares	Percentage of total number of Shares (%) ⁽¹⁾	Amount of consideration waived (S\$)
Mrs. Kao	34,560,576	10.10	9,676,961.28
KCC	15,393,508	4.50	4,310,182.24
KCT	14,643,200	4.28	4,100,096.00
KHY	12,200,745	3.57	3,416,208.60
The Estate	74,357,551	21.74	20,820,114.28
STX	68,838,140	20.13	19,274,679.20
STEI	10,000,000	2.92	N/A ⁽²⁾
Total	229,993,720	67.24	61,598,241.60

Notes:

- (1) Calculated as a percentage of the total number of 342,024,763 Shares (excluding 5,414,000 treasury Shares) as at the Latest Practicable Date. Percentage figures are rounded to the nearest two decimal places.
- (2) STEI will receive the Offer Price in respect of all of its Relevant Shares when it tenders them in acceptance of the Offer."

9. CONFIRMATION OF FINANCIAL RESOURCES

Section 11 of the Offer Document sets out certain information on the confirmation of financial resources, extracts of which are set out below.

"11 CONFIRMATION OF FINANCIAL RESOURCES

CICF, as financial adviser to the Offeror in connection with the Offer, confirms that sufficient financial resources are available to the Offeror to satisfy in full all acceptances of the Offer for the Offer Shares in cash on the basis of the Offer Price, excluding the Offer Price which has been waived by the Undertaking Shareholders (save for STEI) in respect of their Relevant Shares, as described in **Sections 5.2 to 5.3** of the Letter to Shareholders."

LETTER TO SHAREHOLDERS

10. DIRECTORS' INTERESTS

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

11. ADVICE AND RECOMMENDATIONS

11.1 General

Shareholders should read and carefully consider the recommendations of the Independent Directors and the advice of the IFA to the Independent Directors dated 10 October 2019, which is set out in **Appendix A** of this Circular ("**IFA Letter**"), before deciding whether to accept or reject the Offer.

11.2 Independence of Directors

All of the Independent Directors consider themselves independent for the purposes of making a recommendation on the Offer.

The SIC has on 19 August 2019 ruled that each of Mrs. Kao Ching Fong nee Pan, Mr. Kao Chuan Chi and Mr. Kao Chuan Trong ("**Conflicted Directors**") is exempted from the requirement under Rule 24.1 of the Code to make a recommendation to the Shareholders in respect of the Offer. Each of the Conflicted Directors is also a shareholder and a director of the Offeror and faces a conflict of interest in relation to the Offer.

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

11.3 Advice of the IFA to the Independent Directors

- (a) **IFA.** Asian Corporate Advisors Pte. Ltd. has been appointed as the independent financial adviser to advise the Independent Directors in respect of the Offer. Shareholders should consider carefully the recommendation of the Independent Directors and the advice of the IFA to the Independent Directors before deciding whether to accept or reject the Offer. The IFA's advice is set out in its letter dated 10 October 2019, which is set out in **Appendix A** of this Circular.
- (b) **Factors taken into consideration by the IFA.** In arriving at its recommendation, the IFA has taken into account several key considerations, set forth in paragraphs 8, 9 and 10 of the IFA Letter. Shareholders should read paragraphs 8, 9 and 10 of the IFA Letter in conjunction with, and in the context of, the full text of the IFA Letter.
- (c) **Advice of the IFA.** After having regard to the considerations set out in the IFA Letter, an extract of which is set out below, and based on the circumstances of the Company and the information as at the Latest Practicable Date, the IFA has made certain recommendations to the Independent Directors. Shareholders should read the extract in conjunction with, and in the context of, the full text of the IFA Letter. Unless otherwise defined or the context otherwise requires, all terms and expressions used in the extract below shall have the same meanings as those defined in the IFA Letter.

*"Based on our assessment of the financial terms of the Offer as set out above, we advise the Independent Directors that they should recommend that Shareholders **ACCEPT** the Offer. In addition, the Offer represent a realistic opportunity for Shareholders to realise their entire investment in cash taking into account, inter-alia, the low liquidity for the Shares (in terms of daily average trading volume and frequency of trading) prior to the Offer Announcement Date and that the Share price have not transacted above the Offer Price for at least one year prior to the Announcement.*

LETTER TO SHAREHOLDERS

While the transacted prices for the Shares subsequent to the Offer Announcement Date may have been underpinned by the Offer and the trading for the Shares on a daily basis may have (in general) increased after the Offer Announcement Date to the Latest Practicable Date (as compared to the 1-year period prior to the Offer Announcement Date), there is no assurance that the trading activities for the Shares will be maintained at such levels or that the transacted prices for the Shares will be maintained after the closing of the Offer. In particular, there is no assurance that interest in the Shares will be maintained after the Offer as the possibility of an alternative offer from parties other than the Offeror is low.

In the event that Shareholders are concerned about the liquidity and the prices at which they can realise their investments in the Offer Shares (including whether they can realize their investments at prices higher than the Offer Price after deducting related expenses), acceptance of the Offer will provide certainty of exit at the Offer Price. However, in the event that Shareholders are able to dispose the Offer Shares in the open market and realise their investments at prices higher than the Offer Price after deducting related expenses, they should consider selling the Offer Shares in the open market. It should be noted that for the period commencing on the Market Day immediately after the Offer Announcement Date to the Latest Practicable Date (save for 19 September 2019 when the highest closing price was S\$0.280 per share) transacted prices for the Shares have always been lower than the Offer Price and the Offer Price represents a small premium of approximately 1.8% over the last transacted price of S\$0.275 per Share on the SGX-ST on 26 September 2019, being the Latest Practicable Date."

11.4 Recommendations of the Independent Directors

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. Accordingly, the Independent Directors recommend that Shareholders **ACCEPT** the Offer, unless Shareholders can obtain a price higher than the Offer Price in the open market, taking into account the related expenses such as brokerage and trading costs.

11.5 No regard to specific objectives

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

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

12. OVERSEAS SHAREHOLDERS

12.1 Availability of Offer

The availability of the Offer to Shareholders whose addresses are outside Singapore, as shown on the Register or in the Depository Register (as the case may be), being the Overseas Shareholders, may be affected by the laws of the relevant overseas jurisdiction.

Overseas Shareholders should refer to Section 12 of the Offer Document, extracts of which are set out below.

“12 OVERSEAS SHAREHOLDERS

- 12.1 Overseas Shareholders.** This Offer Document, the Relevant Acceptance Forms and/or any related documents do not constitute an offer to sell 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 which such offer or solicitation is unlawful. The availability of the Offer to Overseas Shareholders and the ability of the Overseas Shareholders to accept the Offer may be affected by the laws of the relevant overseas jurisdictions in which they are located. Accordingly, any Overseas Shareholder should inform himself about and observe any applicable legal requirements, and exercise caution in relation to the Offer, as this Offer Document has not been reviewed by any regulatory authority in any overseas jurisdiction. **Where there are potential restrictions on sending this Offer Document or any part thereof to any overseas jurisdictions, the Offeror, CICF, CDP and the Registrar each reserves the right not to send this Offer Document or any part thereof to Shareholders in such overseas jurisdictions. For the avoidance of doubt, the Offer is open to all Shareholders holding Offer Shares, including those to whom this Offer Document, the Relevant Acceptance Forms and/or any related documents have not been, or may not be, sent.**

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

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

- 12.2 Copies of this Offer Document and the Relevant Acceptance Form.** Shareholders (including Overseas Shareholders) may (subject to compliance with applicable laws), obtain copies of this Offer Document, the Relevant Acceptance Forms, and/or any related documents, during normal business hours and up to the Closing Date, from the CDP (if he is a Depositor) at 9 North Buona Vista Drive, #01-19/20, The Metropolis, Singapore 138588 or the office of the Registrar (if he is a Scripholder) at 30 Cecil Street, #19-08 Prudential Tower, Singapore 049712.

Alternatively, Shareholders (including Overseas Shareholders) may (subject to compliance with applicable laws), write to the Offeror at (a) Singapore San Teh Real Estate Pte. Ltd. c/o The Central Depository (Pte) Limited at 9 North Buona Vista Drive, #01-19/20 The Metropolis, Singapore 138588 (if he is a Depositor), or (b) Singapore San Teh Real Estate Pte. Ltd. c/o RHT Corporate Advisory Pte. Ltd. at 30 Cecil Street, #19-08 Prudential Tower, Singapore 049712 (if he is a Scripholder), to request that this Offer Document, the Relevant Acceptance Forms and/or any related documents be sent to an address in Singapore by ordinary post at his own risk, up to five Business Days prior to the Closing Date.

Electronic copies of this Offer Document and the Relevant Acceptance Forms are available on the website of the SGX-ST at <https://www.sgx.com>.

LETTER TO SHAREHOLDERS

- 12.3 **Notice.** *The Offeror and CICF each 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 and if necessary, paid advertisement in a daily newspaper published and circulated in Singapore, in which case such notice shall be deemed to have been sufficiently given notwithstanding any failure by any Shareholder (including Overseas Shareholders) to receive or see such announcement or advertisement.*
- 12.4 **Overseas jurisdiction.** *It is the responsibility of any Overseas Shareholder who wishes to (a) request for this Offer Document and/or the Relevant Acceptance Forms; or (b) accept the Offer, to satisfy himself as to the full observance of the laws of the relevant jurisdiction in that connection, including the obtaining of any governmental or other consent which may be required, and compliance with all necessary formalities or legal requirements and the payment of any taxes, imposts, duties or other requisite payments due in such jurisdiction. Such Overseas 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 CICF, CDP and the 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 may be required to pay. In (i) requesting for this Offer Document and the Relevant Acceptance Forms; and/or (ii) accepting the Offer, the Overseas Shareholder represents and warrants to the Offeror, CDP, the Registrar and CICF 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 any doubt about his position, including (without limitation) the ability to accept the Offer, should consult his professional adviser(s) in the relevant jurisdiction.***

12.2 Copies of Circular

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

13. INFORMATION PERTAINING TO CPFIS INVESTORS AND SRS INVESTORS

Section 13 of the Offer Document sets out information pertaining to CPFIS Investors and SRS Investors, extracts of which are set out below:

“13 INFORMATION RELATING TO CPFIS AND SRS INVESTORS

CPFIS Investors and SRS Investors should receive further information on how to accept the Offer from their respective CPF Agent Banks and SRS Agent Banks (as the case may be). CPFIS Investors and SRS Investors are advised to consult their respective CPF Agent Banks and SRS Agent Banks (as the case may be) should they require further information, and if they are in any doubt as to the action they should take, CPFIS Investors and SRS Investors should seek independent professional advice.

CPFIS Investors and SRS Investors who wish to accept the Offer should reply to their respective CPF Agent Banks and SRS Agent Banks (as the case may be) by the deadline stated in the letter from their respective CPF Agent Banks and SRS Agent Banks (as the case may be), which may be earlier than the Closing Date. Subject to the Offer becoming or being declared to be unconditional in all respects in accordance with its terms, CPFIS Investors and SRS Investors who validly accept the Offer through their appropriate intermediaries will receive the payment for their Offer Shares in their CPF investment accounts and SRS investment accounts (as the case may be).”

LETTER TO SHAREHOLDERS

14. ACTION TO BE TAKEN BY SHAREHOLDERS

Shareholders who **wish to accept the Offer** must do so not later than the Closing Date or such later date(s) as may be announced from time to time by or on behalf of the Offeror, abiding by the procedures for the acceptance of the Offer as set out in Appendix B of the Offer Document, and in the accompanying FAA and/or FAT.

Acceptances should be completed and returned as soon as possible and, in any event, so as to be received, on behalf of the Offeror, by the CDP (in respect of the FAA) or the Registrar (in respect of the FAT), as the case may be, not later than the Closing Date or such later date(s) as may be announced from time to time by or on behalf of the Offeror.

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

15. CONSENTS

The IFA has given and has not withdrawn its written consent to the issue of this Circular with the inclusion of the IFA Letter in **Appendix A** of this Circular and the letter from the IFA dated 10 October 2019 in relation to the Statement of Prospects in **Appendix F** of this Circular, and the references to its name in the form and context in which it appears in this Circular.

RSM Chio Lim LLP, named as the auditors of the Company, has given and has not withdrawn its written consent to the issue of this Circular with the inclusion herein of the independent auditor's report in relation to the audited financial statements of the Group for FY2018 and the letter from the auditors dated 10 October 2019 in relation to the Statement of Prospects in **Appendix G** of this Circular, and the references to its name in the form and context in which it appears in this Circular.

Each of the Valuers has given and has not withdrawn its written consent to the issue of this Circular with the inclusion of the Valuation Certificates in **Appendix J** of this Circular, and the references to its name in the form and context in which it appears in this Circular.

16. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents may be inspected at the Company's registered office at 701 Sims Drive #06-01, LHK Building, Singapore 387383 during normal business hours from the date of this Circular up to and including the date of the Closing Date:

- (a) the Constitution of the Company;
- (b) the annual reports of the Company for FY2016, FY2017 and FY2018;
- (c) the unaudited financial information of the Group for 2QFY2019 as set out in **Appendix E** of this Circular;
- (d) the letter from the auditors of the Company dated 10 October 2019 as set out in **Appendix G** of this Circular in relation to the Statement of Prospects;
- (e) the IFA Letter as set out in **Appendix A** of this Circular;
- (f) the letter from the IFA dated 10 October 2019 as set out in **Appendix F** of this Circular in relation to the Statement of Prospects;
- (g) the Valuation Certificates as set out in **Appendix J** of this Circular; and
- (h) the letters of consent referred to in **Section 15** of this Circular.

LETTER TO SHAREHOLDERS

17. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors (including any who may have delegated detailed supervision of this Circular) collectively and individually accept full responsibility for the accuracy of the information given in this Circular (other than the IFA Letter, the Valuation Certificates, information extracted from the Offer Document and information relating to the Offeror) and confirm after making all reasonable inquiries that, to the best of their knowledge and belief, this Circular constitutes full and true disclosure of all material facts about the Group in the context of the Offer and the Directors are not aware of any facts the omission of which would make any statement in this Circular misleading.

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

18. ADDITIONAL INFORMATION

The attention of the Shareholders is also drawn to the Appendices which form part of this Circular.

Yours faithfully

For and on behalf of the Board of Directors of
SAN TEH LTD

Kao Chuan Chi
Executive Chairman

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

LETTER FROM ASIAN CORPORATE ADVISORS PTE. LTD. TO THE INDEPENDENT DIRECTORS OF SAN TEH LTD

ASIAN CORPORATE ADVISORS PTE. LTD.

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

160 Robinson Road #21-05
SBF Center
Singapore 068914

The Independent Directors (as hereinafter defined)
San Teh Ltd
701 Sims Drive #06-01 LHK Building,
Singapore 387383

10 October 2019

VOLUNTARY CONDITIONAL CASH OFFER BY CEL IMPETUS CORPORATE FINANCE PTE. LTD., FOR AND ON BEHALF OF SINGAPORE SAN TEH REAL ESTATE PTE. LTD. (THE "OFFEROR"), FOR THE OFFER SHARES (AS DEFINED HEREIN)

Unless otherwise defined or where the context otherwise requires, all terms used herein shall have the same meanings as defined in the circular issued by San Teh Ltd (the "Company") dated 10 October 2019 (the "Circular").

1. INTRODUCTION

On 5 September 2019 ("Offer Announcement Date" or "Announcement Date"), CEL Impetus Corporate Finance Pte. Ltd. ("CICF") announced (the "Offer Announcement" or "Announcement"), for and on behalf of the Offeror, amongst other things, that the Offeror intends to make a voluntary conditional cash offer (the "Offer") for all the shares in the Company ("Shares") (excluding treasury Shares), including all the Shares owned, controlled or agreed to be acquired by the parties acting or presumed to be acting in concert with the Offeror ("Concert Parties" or "Concert Group") (the "Offer Shares").

On 26 September 2019, CICF, for and on behalf of the Offeror announced that the offer document, dated 26 September 2019 issued by the Offeror ("Offer Document"), setting out, *inter-alia*, the terms and conditions of the Offer, Appendices A to F, and enclosing the relevant form(s) for acceptance has been despatched to the shareholders of the Company ("Shareholders").

Asian Corporate Advisors Pte. Ltd. ("ACA") has been appointed as the independent financial adviser ("IFA") to advise the directors of the Company ("Directors"), who are independent for the purpose of making a recommendation to the Shareholders in relation to the Offer ("Independent Directors"). We note from the Circular that the Independent Directors comprise Mr. Gui Kim Young @ Gui Kim Gan, Mr. Chuang Wen Fu and Mr. Ko Chuan Aun.

This letter ("Letter") and any other document, which may be issued by ACA, in respect of the Offer, for the purpose of revising, amending or supplementing or updating (as the case may be) and setting out, *inter-alia*, our views and evaluation of the financial terms of the Offer and our recommendations thereon, will form part of the Circular providing, *inter-alia*, details of the Offer and the recommendations of the Independent Directors with regard to the Offer. Unless otherwise defined or the context otherwise requires, all terms defined in the Circular shall have the same meaning ascribed herein. All figures (*inter-alia* computations and summation) in this Letter are subject to rounding.

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

2. TERMS OF REFERENCE

ACA has been appointed to advise the Independent Directors on the financial terms of the Offer and whether the Shareholders should accept or reject the Offer. We do not warrant the merits of the Offer other than to form a view, for the purposes of Rule 7.1 and 24.1(b) of The Singapore Code on Takeovers and Mergers (the “**Code**” or “**Takeover Code**”), as to whether the financial terms of the Offer are fair and reasonable. We have confined our evaluation strictly and solely on the financial terms of the Offer and have not taken into account the commercial risks and/or merits (if any) of the Offer or their strategic merits or the future prospects of the Company and its subsidiaries (“**Group**”) including, *inter-alia*, the contracts that the Company and the Group has embarked upon or are about to embark upon or the comparison with other deals involving the issued and paid up Shares or the timing or the time extended for the Offer. Such evaluation or comment remains the responsibility of the Directors and the management of the Company (“**Management**”) although we may draw up on their views or make such comments in respect thereof (to the extent deemed necessary or appropriate by us) in arriving at our view as set out in this Letter. We do not express any opinion on the relative merits of the Offer as compared to any other alternative transaction. We were not requested or authorized to solicit, and we have not solicited, any indications of interest from any third party with respect to the Offer Shares or assets or businesses of the Group. In addition, we do not express any views or opinions on the legality of the Offer or all other matters pertaining to the Offer or documents for the Offer (the Circular and the Offer Document), *inter-alia*, the mechanism or processes of acceptances, its eligibility or validity or other alternatives (if any) or the sufficiency of information or any undertakings provided or rights of compulsory acquisition under the Companies Act, Chapter 50 of Singapore (“**Act**” or “**Companies Act**”) or the requirement for a forecast or prospect statement or its contents pursuant to the Code. Our scope does not include determining the independence of the Independent Directors for the purpose of making recommendation in respect of the Offer.

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

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

Our evaluation is based solely on publicly available information and other information provided by the Company as well as the economic and market conditions prevailing as at 26 September 2019 (the “**Latest Practicable Date**”), and therefore does not reflect expected financial performance after the six (6) months financial period ended 30 June (“**6M**”) 2019 (“**6M2019**”) for the Group. Accordingly, we have not commented on or assessed the expected future performance or prospects of the Company or the Group or the Shares, irrespective of the outcome of the Offer. Accordingly, our evaluation and opinion and recommendation do not and cannot take into account the future or prospective performance and neither are we responsible for it or for any updates pursuant to any announcements subsequent to the issuance of this Letter or the timing of the Offer or the dates for issuance of the Circular. Accordingly, any estimates or analysis or evaluation of the merits of the Company or the Group or the Shares in this Letter are necessarily limited and we do not warrant or represent that it is complete or in entirety.

Our scope does not require us and we have not made any independent evaluation of the Group (including without limitation, market value or economic potential) or appraisal of the Group’s assets and liabilities (including without limitation, property, plant and equipment and investment properties held) or contracts entered into by the Company or the Group and we have not been furnished with

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

any such evaluation and appraisal in respect of assets and liabilities (if any) held or contracts entered into by the Group save for the valuation reports dated 26 September 2019 (“**Independent Valuation Reports**”) issued by Cushman & Wakefield International Property Advisers (Shanghai) Co., Ltd. and Cushman & Wakefield VHS Pte Ltd (the “**Independent Valuers**” or “**Valuers**”) in respect of the market value of the Group’s appraised properties (“**Appraised Properties**”), as at 30 June 2019 and 4 September 2019 (collectively “**Valuation Dates**”), for properties in the People’s Republic of China (“**PRC**”) and Singapore respectively. The Independent Valuation Reports or Valuation Certificates as defined in the Circular are attached as Appendix J to the Circular. With respect to such valuation, we are not experts in the evaluation or appraisal of assets and liabilities (including without limitation, property, plant and equipment and investment properties held) including, *inter-alia*, where applicable the contracts that the Group has embarked upon or are about to embark upon and have relied on the opinion of the Directors. The Directors confirm that they are aware of and satisfied with the selection of the Appraised Properties for the valuation exercise and having reviewed the Independent Valuation Reports (*inter-alia*, the assumptions, methodology used and information relied upon by the Independent Valuers) as a whole and individually (where applicable), they are of the opinion that the assumptions and methodology of the Independent Valuation Reports are reasonable.

The Directors are of the opinion that the values of the assets and liabilities as well as the financial performance or condition of the Group as reflected in the unaudited financial statements for 6M2019 and the audited financial statements for the Group for the financial year ended 31 December (“**FY**” or “**FYE**”) 2018 (“**FY2018**”) are true and fair. The Directors have also confirmed that to the best of their knowledge, nothing has come to their attention which may render the Group’s unaudited financial statements for 6M2019 and the audited financial statements for FY2018 to be false or misleading in any material aspect. In addition, the Directors have confirmed that to the best of their knowledge and belief, such information is true, complete and accurate in all respects and that there is no other information or fact, *inter-alia*, the valuation or appraisal of assets and liabilities, the contracts or agreements that the Group has embarked upon or are about to embark upon, the omission of which would render those statements or information to be untrue, inaccurate, incomplete or misleading.

The Directors further confirmed that, to the best of their knowledge, as at the Latest Practicable Date and save for matters disclosed in the Circular, this Letter, the Group’s audited financial statements for FY2018 and the unaudited financial statements for 6M2019, there has been no material changes to the Group’s assets and liabilities, financial position, condition and performance.

Our opinion in this Letter is based on economic, market, industry, monetary and other conditions (if applicable), and the information provided to us, as at the Latest Practicable Date. Accordingly, the bases or assumptions and likewise our views or opinion or recommendation may and do change in the light of these developments which, *inter-alia*, includes general as well as company-specific or industry-specific conditions or sentiments or factors or levels of acceptances after the Latest Practicable Date. The Independent Directors should note that our evaluation is based solely on publicly available information and such other information provided by the Company or its Directors or Management as well as the economic and market conditions prevailing as at the Latest Practicable Date, and therefore does not reflect expected financial performance after 6M2019 for the Group or developments (both macro and company-specific) and that these factors do and will necessarily affect the evaluation of the Offer and our recommendation or opinion or views.

The Directors have collectively and severally accepted full responsibility, as set out in the Circular, for the truth, accuracy and completeness of all information and representations as provided by the Directors and contained herein. The Directors have confirmed to ACA that to the best of their knowledge and belief, all material information including but not limited to plans or prospects or proposals involving acquisition or issuance of securities, or changes to its capital structure available to them and the Management in connection with the Company, the Group, the Offer or the Offeror or such other parties has been disclosed to ACA in its entirety and included in the Circular, that such information is true, complete and accurate in all material respects and that there is no other information or fact including the financial performance or expected future performance or future growth prospects or restructuring plans (if applicable) of the Company or the Group, the omission of which would result in the facts stated and the opinions expressed by the Directors in the Circular or this Letter to be untrue, inaccurate or incomplete in any respect or misleading. Accordingly, no representation or warranty, expressed or implied, is made and no responsibility is accepted by ACA concerning the truth, accuracy, completeness or adequacy of such information or facts.

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

The scope of our appointment does not require us to express, and we do not express, a view on the future growth prospects of the Company or the Group before and after the Offer. We are therefore not expressing any view herein as to the returns that the Shareholders may have owning the Shares upon completion or close of the Offer or on the future financial performance of the Company or the Group or the plans (if any) that the Offeror may have for the Company. In rendering our advice and giving our recommendation, we have not had regard to the general or specific investment objectives, financial situation, tax position, risk profiles or unique needs and constraints or particular circumstances of any individual Shareholder. As each Shareholder would have different investment profiles and objectives, horizons and risk profiles, we would advise Independent Directors to recommend that any Shareholder, who may require advice in the context of his specific investment objective(s), investment portfolio(s), including his investment in the Company, should consult his stockbroker, bank manager, solicitor, accountant, tax adviser or other professional adviser immediately.

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

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

3. TERMS AND CONDITIONS OF THE OFFER

The principal terms and conditions of the Offer, as extracted from Section 2 of the Offer Document, are set out in italics below. We recommend that Shareholders read the terms and conditions contained therein carefully.

"2. THE OFFER

- 2.1 **Offer Price.** *For and on behalf of the Offeror, CICF hereby makes the Offer, in accordance with Section 139 of the SFA and the Code, and subject to the terms and conditions of this Offer Document, for all the Offer Shares on the following basis:*

<i><u>S\$0.28</u> in cash for each Offer Share (the "Offer Price")</i>

The Offer Price is final and the Offeror does not intend to revise the Offer Price save that the Offeror reserves the right to revise the terms of the Offer in accordance with the Code if a competitive situation arises.

- 2.2 **Offer Shares.** *The Offer is extended, on the same terms and conditions, to all Offer Shares.*
- 2.3 **No Encumbrances.** *The Offer Shares will be acquired: (i) fully paid; (ii) free from any claim, mortgage, assignment, debenture, lien, hypothecation, charge, pledge, equity, title retention, right to acquire, security interest, option, pre-emptive or similar right, right of first refusal and any other encumbrance or condition whatsoever ("**Encumbrances**") and (iii) together with all rights, benefits and entitlements attached thereto as at the Offer Announcement Date and thereafter attaching thereto, including but not limited to, the right to receive and retain all dividends, rights, return of capital and other distributions (collectively, "**Distributions**") (if any)*

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

that may be declared, paid or made by the Company in respect of the Offer Shares on or after the Offer Announcement Date.

- 2.4 **Adjustment for Distributions.** Without prejudice to the foregoing, the Offer Price has been determined on the basis that the Offer Shares will be acquired with the right to receive any Distribution that may be declared, paid or made by the Company on or after the Offer Announcement Date.

Accordingly, if any Distribution is or has been declared, paid or made by the Company in respect of the Offer Shares on or after the Offer Announcement Date to a Shareholder who validly accepts or has validly accepted the Offer (the “**Accepting Shareholder**”), the Offer Price payable to such Accepting Shareholder shall be reduced by an amount which is equal to the amount of such Distribution payable to such Accepting Shareholder, depending on when the settlement date in respect of the Offer Shares tendered in acceptance of the Offer by the Accepting Shareholder falls, as follows:

- (a) if such settlement date falls on or before the books closure date for the determination of entitlements to the Distribution (the “**Books Closure Date**”), the Offer Price for each Offer Share shall remain unadjusted and the Offeror shall pay the Accepting Shareholder the unadjusted Offer Price for each Offer Share, as the Offeror will receive the Distribution in respect of such Offer Share from the Company; or
- (b) if such settlement falls after the Books Closure Date, the Offer Price for each Offer Share shall be reduced by an amount which is equal to the amount of the Distribution in respect of each Offer Share (the Offer Price after such reduction, the “**Adjusted Offer Price**”) and the Offeror shall pay the Accepting Shareholder the Adjusted Offer Price for each Offer Share, as the Offeror will not receive the Distribution in respect of such Offer Share from the Company.

- 2.5 **Offer Acceptance Condition.** The Offer is subject to the Offeror having received, by the Closing Date, valid acceptances in respect of such number of Offer Shares, which together with the Shares acquired or agreed to be acquired before or during the Offer, will result in the Offeror and parties acting in concert with the Offeror holding Shares representing not less than 90% of the voting rights attributable to all the Shares as at the Closing Date (the “**Offer Acceptance Condition**”).

As at the Latest Practicable Date, based on the information available to the Offeror, the Offeror and parties acting in concert with the Offeror collectively own or control in aggregate 229,993,720 Offer Shares representing 67.24% of the total number of Shares (excluding treasury Shares).

The Offeror reserves the right to revise the Offer Acceptance Condition to a lower minimum acceptance level (which shall be such number of Shares representing not less than 50% of the voting rights attributable to all the Shares as at the close of the Offer), provided that such revision may only be made after obtaining the consent of the SIC. In the event that the Offer Acceptance Condition is revised, the revised Offer will remain open for at least 14 days following such revision and Shareholders who have accepted the initial Offer will be permitted to withdraw their acceptances within eight days of the notification of such revision.

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

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

2.6 **Warranty.** A Shareholder who tenders his Offer Shares in acceptance of the Offer will be deemed to unconditionally and irrevocably represent, warrant and undertake to the Offeror that he sells such Offer Shares, as or on behalf of the beneficial owner(s) thereof, (i) fully paid; (ii) free from all Encumbrances; and (iii) together with all rights, benefits and entitlements attached thereto as at the Offer Announcement Date and thereafter attaching thereto, including but not limited to the right to receive and retain all Distributions (if any) that may be declared, paid or made by the Company in respect of the Offer Shares on or after the Offer Announcement Date.

2.7 **Further Details of the Offer.** Appendix A to this Offer Document sets out further details on, inter alia:

- (a) the duration of the Offer;
- (b) the settlement of the consideration for the Offer;
- (c) the requirements relating to the announcement of the level of acceptances of the Offer; and
- (d) the right of withdrawal of acceptances of the Offer.

3. PROCEDURES FOR ACCEPTANCE

Appendix B to this Offer Document sets out the procedures for acceptance of the Offer.”

4. INFORMATION ON THE OFFEROR

The information on the Offeror and Concert Group which comprises persons named in Appendix E of the Offer Document is set out in italics below has been extracted from Section 4 of the Offer Document. Shareholders should also refer to Appendices C and E of the Offer Document for additional information on the Offeror.

All terms and expressions used in the extract below shall have the same meanings as those defined in the Offer Document, unless otherwise stated.

“4. INFORMATION ON THE OFFEROR

4.1 **The Offeror.** The Offeror is a private company limited by shares incorporated in Singapore and is owned by:

- (a) Mrs. Kao Ching Fong nee Pan (“**Mrs. Kao**”), who is also the Executive Director of the Company;
 - (b) Mr. Kao Chuan Chi (“**KCC**”), son of Mrs. Kao, who is also the Executive Chairman cum Chief Executive Officer of the Company;
 - (c) Mr. Kao Chuan Trong (“**KCT**”), son of Mrs. Kao, who is also the Managing Director of the Company; and
 - (d) Ms. Kao Hsien Yuan (“**KHY**”), daughter of Mrs. Kao,
- (collectively, the “**Kao Family**”).

The Kao Family collectively owns all the issued shares in the Offeror in approximately the following proportion:

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

Shareholders of the Offeror	Proportion of the total shares in the Offeror
Mrs. Kao	44.80%
KCC	20.67%
KCT	20.67%
KHY	13.86%

As at the Latest Practicable Date, the board of directors of the Offeror (the “**Offeror Board**”) comprises Mrs. Kao, KCC, KCT and KHY. Mrs. Kao, KCC and KCT are also directors of the Company.

- 4.2 ***The Offeror and parties acting in concert.*** As at the Latest Practicable Date, the Kao Family, the estate of Mrs. Kao’s deceased spouse, Mr. Kao Shin Ping (the “**Estate**”), San Teh Xing Investment Pte Ltd, a private company limited by shares incorporated in Singapore (“**STX**”), and San Teh Education Inc., a private company limited by shares incorporated in the British Virgin Islands (“**STEI**”) are parties acting in concert with the Offeror, and collectively own or control an aggregate of 229,993,720 Shares, representing approximately 67.24% of all the Shares. As at the Latest Practicable Date, the Offeror does not hold any Shares.
- 4.3 ***Further Information.*** Appendix C to this Offer Document sets out additional information on the Offeror.”

5. INFORMATION ON THE COMPANY

Information and additional general information on the Company are set out in Section 6 and Appendix D of the Offer Document as well as Appendices B, D, E and I of the Circular.

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

The rationale for the Offer, the Offeror’s intentions relating to the Company and the listing status and compulsory acquisition, are set out in italics below has been extracted from Sections 7 and 8 of the Offer Document. All terms and expressions used in the extract below shall have the same meanings as those defined in the Offer Document, unless otherwise stated.

“7. ***RATIONALE FOR THE OFFER***

- 7.1 ***Opportunity for Shareholders to realise their investment in the Company at a compelling premium.*** The Offer Price represents a premium of approximately 81.82% over the last traded price per Share as quoted on the SGX-ST on 3 September 2019, being the Last Trading Day, and a premium of approximately 90.48%, 83.01%, 84.21% and 72.84% over the VWAP per Share as transacted on the SGX-ST for the one-month, three-month, six-month and 12-month periods respectively prior to and including the Last Trading Day.

Shareholders will have an opportunity to realise up to their entire investment in the Company for a cash consideration at a premium above the historical market share prices, without incurring any brokerage and other trading costs.

- 7.2 ***Opportunity for Shareholders to exit their entire investment in the Company, which may otherwise be difficult due to the low trading liquidity of the Shares.*** The trading liquidity of the Shares has been low. The average daily trading volume of the Shares for the one-month, three-month, six-month and 12-month periods prior to and including the Last Trading Day are set out in the table below:

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

	Average Daily Trading Volume (“ADTV”) ⁽¹⁾	ADTV as a percentage of total number of issued Shares ⁽²⁾
One-month period prior to and including the Last Trading Day	14,350 Shares	0.004%
Three-month period prior to and including the Last Trading Day	15,114 Shares	0.004%
Six-month period prior to and including the Last Trading Day	16,131 Shares	0.005%
12-month period prior to and including the Last Trading Day	19,050 Shares	0.006%

Notes:

- (1) The average daily trading volume is calculated based on the total trading volume of the Shares for the respective relevant periods, as extracted from Bloomberg L.P. as at the Last Trading Day, divided by the number of Market Days during the respective relevant periods prior to and including the Last Trading Day.
- (2) Calculated by expressing average daily trading volume of Shares traded as a percentage of the Company’s total number of 342,024,763 issued Shares (excluding 5,414,000 treasury Shares). The percentage figures are rounded to the nearest three decimal places.

The low trading liquidity may not provide Shareholders with sufficient opportunity to efficiently exit their investments in the Company. Hence, the Offer represents a cash exit opportunity for Shareholders to liquidate and realise up to their entire investment at a premium above the historical market share prices, an option which may not otherwise be readily available due to the low trading liquidity of the Shares.

- 7.3 **Intention to Delist and Privatisise the Company.** The Offeror intends to make the Offer with a view to delisting and privatising the Company.
- 7.4 **Greater Management Flexibility.** The Offeror is of the view that the delisting and privatisation of the Company will provide the Offeror and the Company with greater control and management flexibility in utilising and deploying the available resources of the Group and facilitating the implementation of any strategic initiatives and/or operational changes of the Group to achieve greater efficiency and competitiveness.
- 7.5 **Compliance Costs relating to Listing Status.** If the Company is delisted, the Company will be able to dispense with the resources and compliance costs associated with maintenance of a listed status and other regulatory requirements that have to be committed for such compliance and channel such expenses towards its business operations.
- 7.6 **No Necessity for Access to Equity Capital Markets.** Since 1998, the Company has not carried out any exercise to raise equity capital on the SGX-ST. The Company is unlikely to require access to Singapore equity capital markets to finance its operations in the foreseeable future. Accordingly, it is not necessary for the Company to maintain a listing on the SGX-ST.

8 OFFEROR’S INTENTIONS IN RELATION TO THE COMPANY

- 8.1 **The Offeror’s future plans in relation to the Company.** The Offeror intends to make the Company its wholly-owned subsidiary and does not intend to preserve the listing status of the Company on the Main Board of the SGX-ST. Accordingly, **the Offeror, if and when entitled upon the satisfaction of the Offer Acceptance Condition, intends to exercise its rights of compulsory acquisition** under Section 215(1) of the Companies Act and, pending the completion of such compulsory acquisition, **does not intend to take any steps for the public float to be restored and/or for any trading suspension of the Shares by the SGX-ST to be lifted in the event that, inter alia, less than 10% of the total number of Shares in issue are held in public hands. In addition, the Offeror also reserves the right to seek a voluntary delisting of the Company from the SGX-ST pursuant to Rules 1307 and 1309 of the Listing Manual.**

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

Subject as aforesaid, it is the intention of the Offeror to carry on the existing business of the Company, and the Offeror presently has no intention to:

- (a) introduce any major changes to the business of the Company or the operations of any of its subsidiaries;*
- (b) re-deploy any of the fixed assets of the Company; or*
- (c) discontinue the employment of any of the existing employees of the Group,*

save in the ordinary course of business. However, the Offeror retains the flexibility at any time to consider any options and opportunities in relation to the Group which may present themselves and which the Offeror may regard to be in the interests of the Offeror and the Group.

- 8.2 **Listing status.** *Under Rule 1105 of the Listing Manual, if the Offeror Concert Party Group (as defined in the Listing Manual), as a result of the Offer or otherwise, own or control more than 90% of all the Shares (excluding treasury Shares), the SGX-ST may suspend the trading of the Shares in the Ready and Unit Share markets until such time when the SGX-ST is satisfied that at least 10% of all the Shares (excluding treasury Shares) are held by at least 500 Shareholders who are members of the public.*

In addition, under Rule 724(1) of the Listing Manual, if the percentage of the Shares (excluding treasury Shares) held in public hands falls below 10%, the Company must, as soon as practicable, announce that fact and the SGX-ST may suspend trading of all the Shares. Under Rule 1303(1) of the Listing Manual, where the Offeror succeeds in garnering acceptances exceeding 90% of all the Shares (excluding treasury Shares), thus causing the percentage of the Company's total number of Shares (excluding treasury Shares) held in public hands to fall below 10%, the SGX-ST will suspend trading of Shares at the close of the Offer.

*Rule 724(2) of the Listing Manual states that the SGX-ST may allow the Company a period of three months, or such longer period as the SGX-ST may agree, to raise the percentage of the Shares (excluding treasury Shares) held in public hands to at least 10% (the “Free Float Requirement”), failing which the Company may be delisted from the SGX-ST. The Offer may result in the Free Float Requirement not being met. **If the Free Float Requirement is not satisfied at the close of the Offer, the trading of the Shares on the SGX-ST is suspended at the close of the Offer, and the Offeror is entitled to exercise its rights of compulsory acquisition under Section 215(1) of the Companies Act, subject to the requirements of the Listing Manual, the Offeror does not intend to support any action or take any steps to maintain the listing status of the Company or to restore the free float of the Shares.***

As at 5.00 p.m. (Singapore time) on the Latest Practicable Date and based on publicly available information provided by the Company, Shares representing at least 72.67% of the total number of Shares (excluding treasury Shares) are held by directors, and substantial shareholders, and their respective associates who are non-public.

- 8.3 **Compulsory acquisition.** *Pursuant to Section 215(1) of the Companies Act, if the Offeror acquires not less than 90% of the total issued Shares as at the date of the Offer (other than those already held by the Offeror, its related corporations or their respective nominees as at the date of the Offer and which, for the avoidance of doubt, excludes any Shares held by the Company as treasury Shares), the Offeror will be entitled to exercise its rights under Section 215(1) of the Companies Act to compulsorily acquire all the Offer Shares of the Shareholders who have not accepted the Offer on the same terms as those offered under the Offer. Accordingly, the Offeror will be entitled to exercise such rights of compulsory acquisition upon the satisfaction of the Acceptance Condition.*

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

In such event, the Offeror intends to exercise its right to compulsorily acquire all the Offer Shares of the Shareholders who have not accepted the Offer. The Offeror will then proceed to delist the Company from the SGX-ST.

Pursuant to Section 215(3) of the Companies Act, if the Offeror acquires such number of Offer Shares which, together with Shares held by it, its related corporations and their respective nominees, comprising 90% or more of the total issued Shares, the Shareholders who have not accepted the Offer have a right to require the Offeror to acquire their Shares at the Offer Price. Such Shareholders who wish to exercise such right are advised to seek their own independent legal advice.”

7. IRREVOCABLE UNDERTAKINGS

We note from the Offer Document and as defined in the Offer Document, that: each member of the Kao family (“**Kao Family**”) comprising Mrs. Kao Ching Fong nee Pan (“**Mrs. Kao**”) Mr. Kao Chuan Chi (“**KCC**”), son of Mrs. Kao, Mr. Kao Chuan Trong (“**KCT**”), son of Mrs. Kao, Ms. Kao Hsien Yuan (“**KHY**”), daughter of Mrs. Kao; the estate of Mrs. Kao’s deceased spouse, Mr. Kao Shin Ping (the “**Estate**”); San Teh Xing Investment Pte Ltd, a private company limited by shares incorporated in Singapore (“**STX**”); and San The Education Inc., a private company limited by shares incorporated in the British Virgin Islands (“**STEI**”) (collectively, the “**Undertaking Shareholders**”) have each given irrevocable undertakings to the Offeror (collectively, the “**Irrevocable Undertakings**”).

We note that the Undertaking Shareholders will NOT have the right to terminate their respective Irrevocable Undertakings on the basis that another offer for the Shares has been made (even if the price offered for the Shares is higher than the Offer Price).

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

All terms and expressions used in the extract below shall have the same meanings as those defined in the Offer Document, unless otherwise stated. The information on the Irrevocable Undertakings, as extracted from Section 5 of the Offer Document is set out in italics below.

“5. IRREVOCABLE UNDERTAKINGS

5.1 ***Irrevocable Undertakings.** As at the Latest Practicable Date, each member of the Kao Family, the Estate, STX, and STEI (collectively, the “**Undertaking Shareholders**”) have each given irrevocable undertakings to the Offeror (collectively, the “**Irrevocable Undertakings**”), under which each Undertaking Shareholder has undertaken and/or agreed, inter alia, that:*

- (a) *it will accept, or procure the acceptance of, the Offer in respect of the following Shares:*
 - (i) *all the Offer Shares it holds or is deemed interested in, as at the Despatch Date by not later than 5.00 p.m. (Singapore time) on the third business day after the Despatch Date; and*
 - (ii) *such additional Offer Shares as it may acquire after the Despatch Date and before the Offer closes by not later than 5.00 p.m. (Singapore time) on the third business day after such acquisition,*

*(collectively, the “**Relevant Shares**”); and*

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

- (b) *unless this Offer Document has not been posted within 21 days after the Offer Announcement Date or the Offer lapses or is withdrawn, it will not:*
- (i) *sell, transfer, charge, encumber, grant any option over or otherwise dispose of any interest in the Relevant Shares to any person except to the Offeror pursuant to the Offer;*
 - (ii) *accept any other offer in respect of any of the Relevant Shares (whether it is conditional or unconditional and irrespective of the means by which it is to be implemented);*
 - (iii) *withdraw its acceptance even though it may become entitled to withdraw it under the rules of the Code or any provision in this Offer Document; or*
 - (iv) *enter into any agreement or arrangement or incur any obligation or give any indication of intent that might impede or restrict its obligations under its undertaking or otherwise frustrate the Offer or its implementation.*
- 5.2 *In addition to the undertakings in **Section 5.1** of the Letter to Shareholders, each Undertaking Shareholder (except STEI) has irrevocably undertaken:*
- (a) *to waive all rights under the terms of the Offer to receive the Offer Price that would otherwise be paid by the Offeror in respect of the Relevant Shares within the time period prescribed under the Code; and*
 - (b) *that the Relevant Shares shall be transferred to the Offeror with no further obligation on the part of the Offeror to settle or pay any Offer Price in respect of its Relevant Shares.*
- 5.3 *For the avoidance of doubt, STEI will receive the Offer Price in respect of all of its Relevant Shares when it tenders them in acceptance of the Offer.*
- 5.4 **Aggregate Holdings.** *The Undertaking Shareholders have undertaken to accept the Offer in respect of an aggregate of 229,993,720 Offer Shares representing 67.24% of the total number of Shares and any additional Offer Shares as each of them may acquire after the Despatch Date and before the Offer closes. Details of the Undertaking Shareholders and the number of Relevant Shares to be tendered in acceptance of the Offer by each of them pursuant to their respective Irrevocable Undertakings are set out in **paragraph 3 of Appendix E** to this Offer Document.*
- 5.5 **Termination of Irrevocable Undertakings.** *The Irrevocable Undertakings will cease and terminate if (a) the Offer Announcement is not released by 31 December 2019; (b) the Offer Document has not been posted within 21 days after the Offer Announcement Date (or such longer period as the Offeror, with the consent of the SIC, determines); or (c) the Offer lapses or is withdrawn or fails to become or be declared to be unconditional in all respects for whatever reason other than as a result of a breach of any of the obligations under the Irrevocable Undertakings.*
- For the avoidance of doubt, the Undertaking Shareholders will NOT have the right to terminate their respective Irrevocable Undertakings on the basis that another offer for the Shares has been made (even if the price offered for the Shares is higher than the Offer Price).**
- 5.6 **SIC Confirmation.** *The SIC has confirmed that the arrangements under **Sections 5.1** and **5.2** of the Letter to Shareholders do not constitute special deals for the purposes of Rule 10 of the Code.*

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

- 5.7 **No other undertakings.** *Save for the Irrevocable Undertakings, neither the Offeror or any party acting in concert with the Offeror has received any irrevocable undertakings from any other party to accept or reject the Offer as at the Latest Practicable Date.*
- 5.8 **Available for inspection.** *Copies of the Irrevocable Undertakings are available for inspection during the Offer Period at the offices of the Offeror, at 701 Sims Drive, #06-01 LHK Building, Singapore 387383, during normal business hours."*

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

8. FINANCIAL ASSESSMENT OF THE OFFER

In assessing the financial terms of the Offer from a financial point of view, we have taken into account the following pertinent factors as well as others in the Letter, which we consider will have a significant bearing on our assessment:

- (i) historical financial performance and position of the Group;
- (ii) analysis of the Group's net asset value ("**NAV**") and net tangible assets ("**NTA**");
- (iii) relative valuation analysis;
- (iv) market quotation and trading activities for the Shares;
- (v) comparison with other successful privatisation and delisting transactions; and
- (vi) such other relevant considerations which have significant bearing on our assessment.

These factors are discussed in detail in the ensuing sections.

As at the Latest Practicable Date, the Company only has one (1) class of shares, being ordinary shares, with equal ranking rights to dividend, voting at general meetings and return of capital. We note from Appendix B of the Circular, the issued and paid-up share capital of the Company is S\$71,855,707.32 comprising 342,024,763 Shares (excluding treasury Shares), and the Company holds 5,414,000 treasury Shares as at the Latest Practicable Date.

As at the Latest Practicable Date, the Company has not granted and has no outstanding instruments convertible into, rights to subscribe for and options or derivatives in respect of, the Shares or securities which carry voting rights affecting and Shares.

In our assessment of the Offer, we have applied certain valuation ratios in assessing the reasonableness of the Offer Price. A brief description of such valuation ratios are as follows:

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

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

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

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|-------|--------------------------------------|--|
| (ii) | Price-to-Earnings
("PER") | The PER is a widely used earnings-based valuation methodology that illustrates the ratio of the current market price of a company's shares relative to its net earnings per share. Unlike the EV/EBITDA multiple, the PER is based on the net earnings attributable to shareholders after interest, taxation, depreciation and amortisation expenses. As such, the PER is affected by the capital structure of a company, tax position as well as its depreciation and goodwill policies. |
| (iii) | Price-to-NTA
("P/NTA") | <p>The P/NTA ratio is the ratio of the relevant prices of the shares to the net tangible asset value of the relevant companies. It is an asset-based valuation methodology that illustrates the ratio of the current market valuation of a company relative to its tangible asset backing as measured in terms of its NTA value.</p> <p>The NTA of a company provides an estimate of its value assuming a hypothetical sale of all its tangible assets, the proceeds of which are first used to repay the liabilities and obligations of that company with the balance available for distribution to its shareholders. The NTA-based approach is widely used for valuing the shares of property-based companies as their tangible asset backings are perceived as providing support for the value of their shares.</p> |
| (iv) | Price-to-NAV
("P/NAV") | <p>The P/NAV ratio is the ratio of the relevant prices of the shares to the net asset value of the relevant companies. It is an asset based valuation methodology that illustrates the ratio of the current market valuation of a company relative to its tangible and intangible asset backing as measured in terms of its NAV value.</p> <p>The NAV of a company provides an estimate of its value assuming a hypothetical sale of all its tangible and intangible assets, the proceeds of which are first used to repay the liabilities and obligations of that company with the balance available for distribution to its shareholders.</p> |

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

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

8.1 Historical financial performance and position of the Group

The following are extracts from the audited consolidated financial statements of the Group for the FY ended 31 December 2016 (“FY2016”), the FY ended 31 December 2017 (“FY2017”), FY2018 and the unaudited consolidated financial statements for financial period ended 30 June 2018 (“6M2018”) and 6M2019.

Summary of consolidated income statement

Figures in S\$'000 ⁽¹⁾	Unaudited 6M2019	Unaudited 6M2018	Audited FY2018	Audited FY2017	Audited FY2016
Revenue	7,713	8,536	16,782	18,526	14,862
Cost of sales	(7,469)	(7,116)	(13,836)	(17,509)	(14,819)
Gross profit	244	1,420	2,946	1,017	43
Other operating income ⁽²⁾	171	320	1,082	1,476	2,728
Gain from investments ⁽³⁾	1,522	1,636	1,419	5,173	1,001
Administrative expenses	(4,373)	(4,447)	(11,891)	(7,516)	(9,190)
Distribution costs	(175)	(156)	(380)	(481)	(336)
Other operating expenses ⁽⁴⁾	(633)	(789)	(1,505)	(1,100)	(584)
Finance costs	-	(41)	(42)	(56)	(67)
Foreign exchange (loss)/gain	(933)	657	(665)	(1,386)	(1,541)
Share of results of associate	(37)	(39)	(78)	(75)	(83)
Loss before tax	(4,214)	(1,439)	(9,114)	(2,948)	(8,029)
Loss after tax attributable to equity holders	(4,238)	(1,523)	(9,025)	(4,007)	(9,304)

Summary of balance sheets

Figures in S\$'000 ⁽¹⁾	Unaudited 6M2019	Audited FY2018	Audited FY2017	Audited FY2016
Non-current assets	136,938	139,623	135,315	139,112
Current assets ⁽⁶⁾	49,324	51,901	79,043	82,035
Non-current liabilities	615	586	527	468
Current liabilities ⁽⁶⁾	12,698	12,257	18,634	17,144
Total borrowings ⁽⁵⁾	-	-	1,843	1,329
Shareholders' equity	170,855	176,552	188,235	195,318

Summary of consolidated statements of cash flows

Figures in S\$'000 ⁽¹⁾	Unaudited 6M2019	Audited FY2018	Audited FY2017	Audited FY2016
Net cash generated (used in)/from operating activities	391	(6,675)	6,420	10,284
Net cash generated (used in)/from investing activities	(2,138)	(8,019)	980	50
Net cash generated (used in)/from financing activities	-	(7,335)	(1,787)	371
Cash and cash equivalents at end of period	23,344	25,434	48,211	43,937

Notes:

- (1) Figures and computation presented in this section are subjected to rounding. Only extracts of statements are provided.
- (2) Other operating income comprise, inter-alia, project income, gain on disposal of property, plant and equipment, reversal of impairment loss on property, plant and equipment, reversal of impairment loss on other receivables, incentive and allowance income, rental income and sundry income.
- (3) Gain from investments comprise interest income from bank deposits, other interest income, dividend income from other financial assets, net fair value (loss)/gain on other financial assets and gain on disposal of other financial assets.
- (4) Other operating expenses comprise depreciation, amortisation and bank charges.

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

(5) *The Group has no borrowings as at 30 June 2019 and 31 December 2018.*

(6) *Net working capital is defined as current assets less current liabilities.*

The following should be reviewed in conjunction with the tables and notes above:

(i) **Financial performance for FY2018, FY2017 and FY2016**

The Group's principal activities consist of investment holding, hotels and properties and PVC pipes and fittings businesses, based in two primary geographic areas, PRC and Singapore. The Group derives its revenue mainly from PVC pipes and fittings and this segment accounted for approximately 61.6%, 79.2% and 72.0% of the Group's revenue for FY2018, FY2017 and FY2016 respectively. Revenue from hotels and properties makes up for rest of revenue. For the period under review, revenue is derived solely from operations in PRC.

The Group's revenue increased by approximately 24.7% from S\$14.86 million in FY2016 to S\$18.53 million in FY2017 and decreased by approximately 9.4% to S\$16.78 million in FY2018. The increase in revenue for FY2017 was caused mainly by higher revenue recorded in the PVC pipes and fittings due to higher sales quantity and selling price despite a decline in revenue from hotel and properties. This was due to the temporary closure of Suzhou Hotel since January 2017 for redevelopment work. In FY2018, the decline in the Group's revenue was due mainly to lower revenue recorded by the PVC pipes and fittings operation as a result of weaker market conditions which offset the increase in revenue from the hotel and property operations.

The Group recorded gross profit of approximately S\$43,000, S\$1.02 million and S\$2.95 million with corresponding gross profit margin of approximately 0.3%, 5.5% and 17.6% in FY2016, FY2017 and FY2018 respectively. Cost of goods sold increased from S\$14.82 million in FY2016 to S\$17.51 million in FY2017 before decreasing to S\$13.84 million in FY2018.

Other operating income declined from approximately S\$2.73 million in FY2016 to S\$1.48 million in FY2017, and to S\$1.08 million in FY2018. The decline in FY2017 and FY2018 was mainly caused by the lower project income from the Anxi build and transfer project in FY2017 and as all income relating to the project had been received in FY2017, there was no project income for FY2018.

The group registered gain from investments of approximately S\$1.00 million, S\$5.17 million and S\$1.42 million in FY2016, FY2017 and FY2018 respectively. The increase in FY2017 was due mainly to (i) gain on disposal of investment securities of approximately S\$1.77 million (as compared to a gain of approximately S\$8,000 in FY2016); and (ii) net fair value gain on other financial assets of approximately S\$1.66 million (as compared to a loss of approximately S\$0.28 million in FY2016). The decrease in FY2018 was due mainly to (i) a smaller gain on disposal of other financial assets of approximately S\$93,000 (as compared to a gain of approximately S\$1.77 million in FY2017); and (ii) net fair value loss on other financial assets of approximately S\$80,000 (as compared to a gain of approximately S\$1.66 million in FY2017).

The Group recorded administrative expenses of approximately S\$9.19 million, S\$7.52 million and S\$11.89 million in FY2016, FY2017 and FY2018 respectively. The decline in FY2017 was due mainly to the absence of the S\$1.4 million provision made in respect of the several legal actions involved by Shanghai San Teh Xing with its tenants and the property management company in FY2016. The increase in administrative expenses in FY2018 relates mainly to, *inter-alia*, its subsidiary Dali San Teh Xing Real Estate Co., Ltd for which the company had to: (i) write down approximately S\$2.60 million of property under development; and (ii) compensate the main contractor for work stoppage of approximately S\$1.70 million.

The Group recorded other operating expenses of approximately S\$0.58 million, S\$1.10 million and S\$1.51 million in FY2016, FY2017 and FY2018 respectively. The increase in other operating expenses in FY2017 and FY2018 was due to the reclassification of depreciation charges of approximately S\$0.60 million and S\$0.50 million in FY2017 and FY2018 respectively.

Foreign exchange losses improved from approximately S\$1.54 million in FY2016 to approximately S\$0.67 million in FY2018. This was largely due to the weakening of the Renminbi against the Singapore dollar and US dollar in FY2016 and FY2018 respectively.

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

Operating profit, defined as profit before tax after deducting interest income and adding back interest expenses, has improved from an operating loss of approximately S\$8.99 million in FY2016 to an operating loss of approximately S\$4.32 million in FY2017 before worsening to an operating loss of approximately S\$10.15 million with corresponding operating profit margins of approximately negative 60.5%, negative 23.3% and negative 60.5% in FY2016, FY2017 and FY2018 respectively. The increase in operating losses in FY2018 can be attributable, *inter-alia*, mainly to an increase in administrative expenses in FY2018. We note that the improvement in operating losses in FY2017 can be attributable, *inter-alia*, mainly to a decrease in administrative expenses and increase in gains from investments in FY2017.

Throughout the period, the Group recorded losses attributable to equity holders. It improved from a loss of approximately S\$9.30 million in FY2016 to approximately S\$4.01 million in FY2017 before worsening to approximately S\$9.03 million in FY2018.

(ii) **Financial performance for 6M2019 as compared to 6M2018**

The Group's revenue decreased from approximately S\$8.54 million in 6M2018 to approximately S\$7.71 million in 6M2019 due to lower revenue registered from the PVC pipes and fittings operation caused by lower selling prices.

Despite registering lower revenue for 6M2019, the Group incurred higher cost of sales as compared to the corresponding period. The Group recorded gross profit margin of approximately 16.6% and 3.2% for 6M2018 and 6M2019 respectively. The decline in gross profit margin is mainly caused by lower selling prices and higher raw material costs in the PVC pipes and fittings operation.

The Group incurred operating losses of approximately S\$2.07 million for 6M2018 which worsened to approximately S\$4.53 million in 6M2019. Operating losses worsen from the corresponding period due mainly to foreign exchange losses incurred as a result of the weakening of the Renminbi and US dollar against the Singapore dollar. The Group registered a foreign exchange loss of approximately S\$0.93 million in 6M2019 as compared to a gain of approximately S\$0.66 million in 6M2018.

The Group recorded loss attributable to equity holders of the Company of approximately S\$1.52 million and approximately S\$4.24 million for 6M2018 and 6M2019 respectively.

(iii) **Assets and liabilities**

As at 30 June 2019, the Group's total assets amounted to approximately S\$186.26 million, comprising current assets of approximately S\$49.32 million (or approximately 26.5% of the total assets) and non-current assets of approximately S\$136.94 million (or approximately 73.5% of the total assets).

Non-current assets as at 30 June 2019 comprised investment properties of approximately S\$54.41 million; property, plant and equipment of approximately S\$41.37 million; property under development of approximately S\$30.61 million; land use rights of approximately S\$8.18 million; other financial assets of approximately S\$2.22 million and investment in associate of approximately S\$0.16 million.

Current assets as at 30 June 2019 comprised mainly of cash and cash equivalents of approximately S\$23.34 million, trade and other receivables of approximately S\$12.89 million; other financial assets of approximately S\$10.22 million, and inventories of approximately S\$2.87 million.

As at 30 June 2019, the Group's total liabilities amounted to approximately S\$13.31 million, comprising current liabilities of approximately S\$12.70 million (or approximately 95.4% of the total liabilities) and non-current liabilities of approximately S\$0.62 million (or approximately 4.6% of the total liabilities).

Non-current liabilities as at 30 June 2019 comprised of provision for retirement benefits of approximately S\$0.62 million.

Current liabilities as at 30 June 2019 comprised of trade and other payables of approximately S\$12.65 million; income tax payables of approximately S\$42,000 and provision for litigation of approximately S\$11,000.

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

(iv) **Net Working Capital**

The Group's net working capital have always been positive during the period reviewed. It has declined slightly from approximately S\$64.89 million as at the end of FY2016 to approximately S\$60.41 million as at the end of FY2017 then subsequently declined significantly to approximately S\$39.64 million as at the end of FY2018 and approximately S\$36.63 million as at 30 June 2019. The large decline in net working capital as at the end of FY2018 was caused by an approximately 47.2% decline in cash and cash equivalents.

(v) **Shareholders' equity and no borrowings**

Shareholders' equity of the Group declined from approximately S\$195.32 million as at 31 December 2016 to approximately S\$170.86 million as at 30 June 2019, largely attributable to a decline in retained earnings from approximately S\$114.87 million as at 31 December 2016 to approximately S\$97.32 million as at 30 June 2019; a decline in foreign currency translation reserve from approximately S\$8.36 million as at 31 December 2016 to approximately S\$1.71 million as at 30 June 2019; and the absence of fair value adjustment reserve as at 30 June 2019 which was slightly offset by an increase in statutory reserve from approximately S\$1.11 million as at 31 December 2016 to approximately S\$1.86 million as at 30 June 2019.

The Group did not have any borrowings as at 31 December 2018. Total borrowings which comprises only of other financial liabilities, all current in nature, for the Group have increased from approximately S\$1.33 million as at 31 December 2016 to approximately S\$1.84 million as at 31 December 2017, before declining to zero as at 31 December 2018 and 30 June 2019.

The Group's gearing ratio (being the ratio of borrowings to total equity inclusive of non-controlling interests) as at 31 December 2016 and 31 December 2017 was approximately 0.01 times. It declined to zero for both 31 December 2018 and 30 June 2019.

(vi) **Net cash flow from operating activities**

The Group generated positive net cash flow from operating activities for FY2016 and FY2017 of approximately S\$10.28 million and S\$6.42 million respectively. However, it generated negative net cash flow from operating activities for FY2018 of approximately S\$6.68 million whilst net cash flow from operating activities for 6M2019 was positive at approximately S\$0.39 million.

The Directors confirmed that, to the best of their knowledge, as at the Latest Practicable Date and save for matters disclosed in the Circular, this Letter, the Group's audited financial statements for FY2018 and unaudited financial statements for 6M2019, there has been no material changes to the Group's assets and liabilities, financial position, condition and performance.

(vii) **Outlook**

In the Group's results announcement for 3 months ended 31 March 2019 ("1Q2019") (section 10), the Company stated the following commentary on the significant trends and competitive conditions of the industry in which the Group operates and factors or events that may affect the Group in the next reporting period and the next 12 months:

Extract from the Group's results announcement for 1Q2019

"With the contribution from the Suzhou hotel and higher occupancy rate at the shopping mall at Shanghai Plaza, the Group expects the revenue of its hotel and property operation to improve.

The renovation and improvement works of Nantong hotel will commence in 2Q19. The arbitration proceeding with the hotel's former tenant is still ongoing.

The Group expects its PVC pipes and fittings operation to continue to face difficult business environment due to the keen competition and rising raw material costs."

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

As the extract for 1Q2019 results announcement constitute a prospect statement, please note the assumptions on which the statement of prospect was made and the rationale behind the IFA opining that the statement of prospects was made after due and careful enquiry. Please refer to Appendices F and H of the Circular.

In the Group's results announcement for 6M2019 (section 10), the Company stated the following commentary on the significant trends and competitive conditions of the industry in which the Group operates and factors or events that may affect the Group in the next reporting period and the next 12 months:

Extract from the Group's results announcement for 6M2019

"The Group expects the performance of Suzhou hotel to be very challenging for the remaining of 2019 as it is currently in the gestation period which normally takes two to three years.

Shanghai property operation remains stable. The current average occupancy rate of the shopping mall is approximately 85%.

The renovation and improvement works of Nantong hotel has commenced in 2Q19. The arbitration proceeding with the hotel's former tenant is still ongoing.

The Group expects its PVC pipes and fittings operation to continue to face difficult business environment due to the keen competition and rising raw material costs."

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

8.2. Analysis of the Group's NAV and NTA

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

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

NAV and NTA of the Group

In assessing the Offer Price of S\$0.28 for each Offer Share, in relation to the NAV and NTA per Share of the Group as at 30 June 2019, we have reviewed the unaudited statement of financial position of the Group as at 30 June 2019 to determine whether there are any assets that are of an intangible nature and as such would not appear in a valuation based on the NTA approach, but would be included in the NAV approach. Save as disclosed in the unaudited balance sheet of the Group as at 30 June 2019 as well as the Circular, the Directors have confirmed, that as at the Latest Practicable Date, to the best of their knowledge and based on disclosures made available to them, there are no other intangible assets or tangible assets which ought to be disclosed in such unaudited statement of financial position as at 30 June 2019 in accordance with Singapore Financial Reporting Standards and which have not been so disclosed and where such intangible or tangible assets would have had a material impact on the overall financial position of the Group as at the Latest Practicable Date.

The Directors have also confirmed that as at the Latest Practicable Date, there were no material contingent liabilities, bad or doubtful debts or unrecorded earnings or expenses or assets or liabilities which could have a material impact on the NAV or NTA of the Group as at 30 June 2019, save as disclosed in the unaudited financial statements of the Group as at 30 June 2019 and the Circular. In addition, the Directors are of the opinion that save as disclosed in the Circular, the values of the assets (other than those for which valuation has been conducted, where applicable), and liabilities as well as financial performance or condition of the Group as disclosed and reflected in the unaudited financial statements of the Group as at 30 June 2019 are true and fair, and made after due care and reasonable enquiry. Lastly, the Directors confirmed that, to the best of their knowledge or belief, such information is true, complete and accurate in all respects and that there is no other information or fact, the omission of which would render those statements or information, including our references, as well as analysis of such information to be untrue, inaccurate or incomplete or misleading in any respect.

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

Consolidated unaudited balance sheet as at 30 June 2019 ⁽¹⁾	S\$'000
Non-current assets	
Investment in associate	160
Other financial assets	2,215
Property, plant and equipment ("PPE")	41,368
Investment properties	54,405
Property under development	30,614
Land use rights ("LUR")	8,176
	136,938
Current assets	
Cash and cash equivalents ("Cash")	23,344
Trade and other receivables	12,890
Inventories	2,870
Other financial assets	10,220
	49,324
Non-current liabilities	
Provision for retirement benefits	615
	615
Current liabilities	
Trade and other payables	12,645
Income tax payables	42
Provision for litigation	11
	12,698
Net assets value including non-controlling interests	172,949
Less: Non-controlling interests	(2,094)
Net assets value attributable to owners of the Company	170,855
Less: Intangible assets	-
Net tangible assets attributable to owners of the Company	170,855
Net tangible asset attributable to owners of the Company after deducting LUR	162,679
NAV and/or NTA per Share (S\$) ⁽²⁾⁽³⁾	0.50
NTA after deducting LUR ("NTA (after deducting LUR)") per Share (S\$)	0.48
Offer Price (S\$)	0.28
Discount of Offer Price from the Group's NAV and/or NTA per Share (%)	(43.9)
Discount of Offer Price from the Group's NTA (after deducting LUR) per Share (%)	(41.1)

Notes:

(1) The figures above are based on the Group's unaudited financial statements for 6M2019 and are subject to rounding.

(2) Based on the Company's issued Share capital comprising 342,024,763 Shares (excluding 5,414,000 treasury Shares) as at 30 June 2019.

(3) For the purposes of the NTA computation above.

From the table above, we note that the Group's NAV and NTA attributable to owners of the Company as at 30 June 2019 amounted to approximately S\$170.86 million (or approximately S\$0.50 on per Share basis).

Accordingly, the Offer Price represents a discount of approximately 43.9 % from the Group's NAV and NTA per Share.

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

For the purposes of the NTA computation above, LUR has not been deducted from the Group's NAV. For illustrative purposes only, If LUR is deducted from the Group's NAV, the Group's NTA (after deducting LUR) would be approximately S\$162.68 million and the NTA (after deducting LUR) per Share would be approximately S\$0.48, and the Offer Price represents a discount of approximately 41.1 % from the Group's NTA (after deducting LUR) per Share.

Adjusted RNAV and RNTA

No dividends were declared for the announcement of the results for the unaudited financial statements for 6M2019.

We note from the unaudited financial statements for 30 June 2019, that the Group had:

- (i) approximately S\$23.34 million in cash and cash equivalents;
- (ii) approximately S\$12.44 million in other financial assets ("**Financial Assets**") which comprise current and non-current portions of approximately S\$10.22 million and S\$2.22 million respectively; and
- (iii) no bank borrowings.

As the Group has no borrowings, we have reviewed the Group's NAV and NTA in the context of Cash and Financial Assets (for which the Directors have confirmed are fairly liquid comprising mainly quoted equities and unquoted debt securities) and such is illustrated in the table below.

NAV and NTA⁽¹⁾	S\$'000
NAV and/or NTA as at 30 June 2019	170,855
Add surplus from revaluation of Financial Assets	Nil ⁽²⁾
Less potential tax liabilities arising from such revaluations	Nil ⁽²⁾
NAV and/or NTA after taking into account revaluation surplus from Financial Assets (" Adjusted NAV and/or NTA ")	170,855
Cash and cash equivalents as at 30 June 2019	23,344
Add: Market value for other non-current and current Financial Assets as at 30 June 2019	12,435
Less: Restricted Cash ⁽³⁾ (" Restricted Cash ")	(13,210)
Free Cash and Financial Assets (" Free Cash and Financial Assets ") as at 30 June 2019	22,569
Free Cash and Financial assets per Share (S\$) ⁽⁴⁾	0.07
Offer Price less Free Cash and Financial Assets per Share ("Adjusted Offer Price") (S\$)	0.21
NAV and/or NTA (after taking into account revaluation surplus from Financial Assets) less Free Cash and Financial Assets per Share (S\$)	0.43
Discount of Adjusted Offer Price from NAV and/or NTA (after taking into account revaluation surplus from Financial Assets) less Cash and Financial Assets (%)	(50.6)

Notes:

- (1) Figures and computations are subject to rounding.
- (2) Based on Directors' confirmation for the market value for Financial Assets and potential tax liability arising from any surplus.
- (3) Based on Directors' confirmation, the Restricted Cash has been earmarked for capital expenditure contracted for and capital contributions towards investments in subsidiaries not yet due.

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

(4) *Based on the Company's issued Share capital comprising 342,024,763 Shares (excluding 5,414,000 treasury Shares) as at the Latest Practicable Date.*

In addition, the Directors have confirmed that the valuations for Financial Assets arising from the revaluation of the Financial Assets as at the Latest Practicable Date would not be materially different from that of 30 June 2019, and are of the view that the Financial Assets of the Group as represented above are fairly stated. In addition, the Directors have confirmed that there will be no potential tax liabilities from such revaluation.

From the table above, we note that the Adjusted Offer Price represents a discount of approximately 50.6% from the Group's NAV and/or NTA per Share after taking into account the revaluation surplus from Financial Assets (for which the Directors have confirmed would not be material) and there being no potential tax liabilities arising from such revaluation, and deducting Free Cash and Financial Assets.

Revalued NAV ("RNAV") and Revalued NTA ("RNTA")

In our evaluation of the Offer Price, we have also considered whether there are any assets which should be valued at an amount that is materially different from that which are recorded in the unaudited balance sheet of the Group as at 30 June 2019.

The Company had commissioned the Independent Valuers to determine the market value of the Appraised Properties as at the Valuation Dates, being 4 September 2019 and 30 June 2019 for the Group's Singapore properties and China properties respectively for the purposes of the Circular. In addition, the Directors have confirmed that the market value of the Appraised Properties as at the Latest Practicable Date would not be materially different from that as at the Valuation Dates, and are of the view that the Appraised Properties of the Group are fairly stated.

The Directors and the Management represented and confirmed that the aggregate market value of the Appraised Properties of the Group is approximately S\$241.53 million, which is significantly higher than its aggregate book value of approximately S\$121.27 million as at 30 June 2019.

A summary of the Appraised Properties, the valuation methods, their respective book values as at 30 June 2019 and the respective market values of the Appraised Properties as at the Valuation Dates is summarised below.

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

Location	Type of premises	Tenure	Valuation method	Market Value as at Valuation Date (S\$)	Book Value as at 30 June 2019 (S\$)
701 Sims Drive #05/06-01 LHK Building Singapore 387383	2 strata units of B1 industrial building	Freehold	Sales Comparison Approach	4,200,000	1,683,312
Unit Nos. 6A, 6B, 6C, 6D, 6E and 6F Huli East Avenue, Huli District 6th Floor, Tong Ji Building, Xiamen The People's Republic of China ("PRC")	Administrative offices and parking lots	Leasehold	Direct Capitalization Approach / Direct Comparison Approach	3,044,496	422,716
Unit No. 12B03 Blk D, Yuxiu Centre, Xiamen PRC	Condominium	Leasehold	Direct Comparison Approach	1,393,344	47,114
No. 1 Duan Jia Ba Road Nantong, Jiangsu Province PRC	Shopping mall and hotel building	Leasehold	Discounted Cash Flow Approach	27,945,600	11,519,604
C-105 Duan Jia Ba Road Nantong, Jiangsu Province PRC	21 units of 1-storey staff quarters	Leasehold	Direct Comparison Approach	3,514,848	211,735
No. 9 Guangzhou Road, Nantong Economic & Technological Development Zone Fuming Port, Nantong Jiangsu Province PRC	Factory, office building and storage area	Leasehold	Depreciated Replacement Cost Approach	5,707,200	1,285,440
No. 3888 Huantaihu Road Xukou Town, Wuzhong District Suzhou, Jiangsu Province PRC	3-storey, 4-storey and 6-storey resort hotel buildings	Leasehold	Discounted Cash Flow Approach	40,737,600	25,884,146
Unit Nos. 101, 102, 201 and 202 No. 19 & 24 Jinguiyi Estate Anting Town, Jiading District, Shanghai PRC	Eight 1-storey office and staff hostel	Leasehold	Direct Comparison Approach	3,780,528	57,983
No. 5533 Cao'an Road Anting Town, Jiading District, Shanghai PRC	Commercial building, SOHO apartment and shopping mall	Leasehold	Direct Capitalization Approach / Direct Comparison Approach	112,766,400	55,122,906

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

Location	Type of premises	Tenure	Valuation method	Market Value as at Valuation Date (S\$)	Book Value as at 30 June 2019 (S\$)
C-2-202, 203 Jinse Junyuan Shizha Lijiaoqiao, Panlong District Kunming, Yunnan Province PRC	Two 1-storey residential apartment and parking lot	Leasehold	Direct Comparison Approach	704,544	342,159
No. 21 Shuanglong Road Lanyuanjinzhen Heqing, Dali, Yunnan Province PRC	Bungalow	Leasehold	Direct Comparison Approach	545,136	291,215
Huanglongtan, Xipianqu, Yunhe Town Heqing, Dali, Yunnan Province PRC	A parcel of land ⁽²⁾	Leasehold	Direct Comparison Approach	10,233,600	7,033,033
Zhaoxia Road, Xipianqu, Yunhe Town Heqing, Dali, Yunnan Province PRC	A parcel of land ⁽³⁾	Leasehold	Direct Comparison Approach	26,961,600	17,372,353
Total				241,534,896	121,273,716

Notes:

(1) Figures (including computations and summation) are subject to rounding.

(2) Based on the market value of the land at the property on an as is basis, as construction has not yet resumed and marketing for sale/rental have yet to commence. The land will be termed **"Development Property"**

(3) Based on the land value as ascertained by the PRC Valuer (defined later).

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

We note that the above Appraised Properties with an aggregate net book value of approximately S\$121.27 million as at 30 June 2019 accounted for approximately 90.1% of the aggregate book value for the Group's PPE, investment properties, property under development and LUR as at 30 June 2019 of approximately S\$134.56 million. The remaining assets (under the Group's PPE, investment properties, property under development and LUR) as at 30 June 2019, for which no valuation was conducted, comprised mainly plant and machinery, furniture, fittings and equipment, and motor vehicles.

We note from the Independent Valuation Reports that in general market value is the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.

The valuations have been made on the assumption that the owner sells the property on the open market in their existing state taking into account the terms of the existing occupancy arrangements, where appropriate, but without the benefit of any other deferred term contract, joint venture or any similar arrangement which would affect the value of the property.

We note that the valuer for the Appraised Properties in PRC ("**PRC Valuer**") have stated that for the specific purpose of inclusion in the Circular to be issued by the Company, they have provided a summary of the valuations of the Appraised Properties together with the key factors that have been considered in determining the market values of the Appraised Properties. The value conclusions reflect all information known by the Valuers who worked on the valuations in respect to the Appraised Properties, market conditions and available data. Please refer to Appendix J of the Circular for details.

The different approaches used by, *inter-alia*, the PRC Valuer and the valuer for the Appraised Properties in Singapore have been presented below:

(i) Sales Comparison Approach

For this method, comparison is made with sales of similar properties in the same development or in the vicinity. Adjustments are made for differences in floor area, floor level, age/condition and dates of transaction, amongst other factors, where applicable, before arriving at the value of the property.

(ii) Direct Comparison Approach

It measures the value of an asset by comparing recent sales or offerings of similar or substitute property and related market data. However, it is rarely possible to find such evidence relating to identical assets.

(iii) Depreciated Replacement Cost Approach

It requires a valuation of the market value of the land in its existing use and an estimate of the new replacement cost of the buildings and structures, from which deductions are made to allow for the age, condition and functional obsolescence.

(iv) Discounted Cash Flow Approach

It involves discounting future net cash flow of the property to its present value by using an appropriate discount rate that reflects the rate of return required by a third party investor for an investment of this type.

(v) Direct Capitalization Approach

It involves capitalizing the rental incomes derived from the existing tenancies with due provision for any reversionary income potential. The capitalization rate is derived from the relationship between the current market rent and the current market capital value of other similar properties in the locality. The PRC Valuer has made reference to the current market yield of retail or office market.

The Directors represented and confirmed the following:

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

- (i) The Directors are aware of and satisfied with the selection of the Group's assets for the valuation exercise, being the Appraised Properties. The Appraised Properties in aggregate accounted for approximately 88.6% and 65.1% of the Group's non-current assets and total assets respectively as at 30 June 2019.
- (ii) Having reviewed the Independent Valuation Reports (*inter-alia*, the assumptions, methodology used and information relied upon by the Independent Valuers) as a whole and individually, the Directors are of the opinion that the assumptions and methodology of the Independent Valuation Reports are reasonable. We note from Appendix B of the Circular that pursuant to Rule 26.3 of the Code, the Company is required, *inter-alia*, to make an assessment of any potential tax liability which would arise if the Appraised Properties, which are subject of a valuation given in connection with an offer, were to be sold at the amount of valuation. As at the Latest Practicable Date, the Company has no current plans to dispose of its interests in the Appraised Properties.

Under Rule 26.3 of the Code, the Company is required, *inter-alia*, to make an assessment of any potential tax liability which would arise if properties, which are the subject of a valuation given in connection with the Offer, were to be sold at the amount of the valuation. We note the Directors' confirmation (based on advice from tax agent) that the estimated potential tax liabilities that may be incurred by the Group on the hypothetical disposal of the Appraised Properties on an "as is" basis is approximately S\$48.90 million.

In addition, the Directors' having reviewed the basis for the valuation of the Development Property are satisfied that the basis of valuing the said property on an as is basis, is reasonable given the fact that the Group is carrying out a review of the projects after it has repossessed the construction site following the resolution of the litigation with the main contractor (see note 14 of the Group's annual report for FY2018). This review is to assess the suitability of the original development plans after taking into account, amongst others, current market condition, demand for the various types of residential properties and pricing.

As at the Latest Practicable Date, the review is still ongoing and it is likely there will be changes to the original development plans. The construction has not yet resumed. Accordingly, the expected year of completion is not yet determinable as at their valuation dates and marketing for sale/rental for the said development has not commenced. The Directors are of the view that the valuation of the Development Property, as at the Latest Practicable Date would not be materially different from that as at its valuation date, and that the Development Property of the Group is fairly stated.

- (iii) To their best knowledge and belief, as at the Latest Practicable Date, save as disclosed in the unaudited financial statements of the Group as at 30 June 2019, the announcements released by the Company on the SGXNET and the Circular, there have been no known material events that have or will have material impact to the unaudited statement of financial position of the Group, *inter-alia*, assets of the Group since 30 June 2019.
- (iv) As at the Latest Practicable Date, save as disclosed in this Letter or the Circular, the Directors have confirmed that there has been no intention to dispose of any properties owned by the Group and no firm offer for any of the properties owned by the Group.
- (v) As at the Latest Practicable Date, save for the Appraised Properties which are subject to valuation, there are no material differences between the estimated market values of the assets of the Group for which no valuation was performed and their respective book values as at 30 June 2019, which would have a material impact on the NAV and/or NTA of the Group.

We have not made any independent evaluation or appraisal of the Group's assets and we have been furnished by the Company with the Independent Valuation Reports in respect of the market value of the Appraised Properties. With respect to such valuations, we are not experts in the evaluation or appraisal of the Appraised Properties and have relied on the Independent Valuation Reports for the market value of the Appraised Properties and opinion of and confirmation from the Directors.

The aggregate market value of the Appraised Properties as ascribed by the Independent Valuers as at the Valuation Dates is approximately S\$241.53 million.

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

For illustrative purpose only, the revaluation surplus for the Appraised Properties and Financial Assets have been calculated and presented in the table below assuming a hypothetical sale of the Appraised Properties at the market values as ascribed by the Independent Valuers above and Financial Assets at the market values as indicated and confirmed by the Directors.

The Directors represented and confirmed the table as shown below that, to the best of their knowledge and based on (i) the information made available to them by the Management, and (ii) advice from the tax agent for the estimated potential tax liabilities for the Appraised Properties which are subject to valuation and Financial Assets, in the event that such assets were to be sold at the market value as ascribed by the Independent Valuers and as determined by the Directors respectively.

Furthermore, we note that the aforesaid tax liabilities if any in respect of the Appraised Properties may not crystallise as the Directors have confirmed that there are currently no plans for the disposal of any of the Appraised Properties.

RNAV and RNTA⁽¹⁾	S\$'000
Aggregate market values of the Appraised Properties as at the 30 June 2019	241,535
Less: aggregate net book values of the Appraised Properties as at 30 June 2019	(121,274)
Less: estimated potential tax liabilities ⁽²⁾	(48,897)
Revaluation surplus after potential tax liabilities from the Appraised Properties ⁽⁴⁾	71,364
Adjusted NAV and/or NTA	170,855
Add: Revaluation surplus from the Appraised Properties	71,364
Revalued NAV (“ RNAV ”) and/or revalued NTA (“ RNTA ”)	242,219
RNTA after deducting LUR⁽⁵⁾	234,043
RNAV and/or RNTA per Share (S\$)⁽³⁾	0.71
RNTA (after deducting LUR) (“RNTA (after deducting LUR)”) per Share (S\$)	0.68
RNAV and/or RNTA less Free Cash and Financial Assets per Share (“Adjusted RNAV and/or RNTA”) per Share	0.64
RNTA (after deducting LUR) less Free Cash and Financial Assets (“Adjusted RNTA (after deducting LUR)”) per Share	0.62
Discount of Offer Price from RNAV and/or RNTA per Share (%)	(60.5)
Discount of Adjusted Offer Price from Adjusted RNAV and/or RNTA per Share (%)	(66.7)
Discount of Offer Price from RNTA (after deducting LUR) per Share (%)	(59.1)
Discount of Adjusted Offer Price from Adjusted RNTA (after deducting LUR) per Share (%)	(65.4)

Notes:

- (1) Figures and computations are subject to rounding.
- (2) The Directors and the Management confirmed the above estimated potential tax liabilities based on advice from the tax agent.
- (3) Based on the Company's issued Share capital comprising 342,024,763 Shares (excluding 5,414,000 treasury Shares) as at the Latest Practicable Date.
- (4) Based on Directors' confirmation that the revaluation surplus and the estimated potential tax liability arising from the Appraised Properties as at Latest Practicable Date and the book values as at 30 June 2019 will not be materially different.

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

- (5) *The Directors confirm that for the purposes of the Independent Valuation Reports, market values for LUR had not been apportioned amongst the various properties for the Appraised Properties. Accordingly the computation and analysis for RNTA (after deducting LUR) is limited and meant as an illustration only as they are inter-alia based on the book values for the LUR and without adjustments for estimated potential tax liabilities.*

After taking into account the market value of the Appraised Properties, the Group's RNAV and/or RNTA per Share, is approximately S\$0.71. The Offer Price of S\$0.28 for each Offer Share represents a discount of approximately 60.5% from the Group's RNAV and/or RNTA per Share respectively.

Based on the table above after taking into account the market value of the Appraised Properties and Financial Assets, the Group's Adjusted RNAV and/or Adjusted RNTA per Share, is approximately S\$0.64. The Adjusted Offer Price of approximately S\$0.21 for each Offer Share represents a discount of approximately 66.7% from the Group's Adjusted RNAV and/or RNTA per Share respectively.

For the purposes of the RNTA computation above, LUR has not been deducted from the Group's RNAV. For illustrative purposes, if LUR is deducted from the Group's RNAV, the Group's RNTA (after deducting LUR) would be approximately S\$234.04 million and the RNTA per Share (after deducting LUR) would be approximately S\$0.68, and the Offer Price represents a discount of approximately 59.1% from the Group's RNTA (after deducting LUR) per Share. The Adjusted Offer Price of S\$0.21 for each Offer Share represents a discount of approximately 65.4% from the Group's Adjusted RNTA (after deducting LUR) per Share. Independent Directors should note from the assumptions made that the analysis and computations for effects of LUR are necessarily limited and meant as an illustration only.

While the RNAV and/or RNTA (or Adjusted RNAV and/or Adjusted RNTA) per Share is a relevant basis for comparison, Independent Directors should note that it is not necessarily a realisable value as the market value of the Appraised Properties, Financial Assets and any tax liabilities arising from the sale of the Appraised Properties and Financial Assets may vary depending on, *inter-alia*, prevailing market, tax rates and economic conditions prevailing at the time of sale. We wish to highlight that the Group's RNAV and/or RNTA (or Adjusted RNAV and/or Adjusted NTA) shown above include the revaluation surplus arising from the hypothetical sale of the Appraised Properties and Financial Assets. Shareholders should note that the Group has not realized the surplus on such assets as at the Latest Practicable Date, and that there is no assurance that the revaluation surplus or deficit eventually recorded by the Group on the Appraised Properties or Financial Assets (in the event they are disposed) will be the same as indicated above.

In addition, as set out in Section 8.1 of the Offer Document, the Offeror has no current intentions to (a) introduce any major changes to the business of the Company or the operations of any of its subsidiaries, (b) re-deploy any of the fixed assets of the Company, or (c) discontinue the employment of any of the existing employees of the Group save in the ordinary course of business. However, the Offeror retains the flexibility at any time to further consider any options and opportunities in relation to the Group which may present themselves and which the Offeror may regard to be in the interest of the Offeror and the Group.

The above computations and analysis are meant as an illustration and it does not necessary mean or imply that the net realisable value of the Group is as stated above. It also does not imply that the assets or properties of the Group can be disposed of at the estimated values indicated above and that after payment of all liabilities and obligations, the values or amounts as indicated is realisable or distributable to Shareholders. It should be noted that the NTA basis of valuation provides an estimate of the value of a hypothetical sale of all its tangible assets over a reasonable period of time and is only relevant in the event that the Group decides to change the nature of its business or to release or convert the uses of all its assets. The NTA basis of valuation, however, does not necessarily reflect the value of the Group as a going concern nor can it capture or illustrate any value for the Group's goodwill or branding. In addition, it does not illustrate the values at which the assets may actually be realized or disposed.

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

8.3. Relative valuation analysis

In evaluating the Offer Price, we have considered the financial performance, financial positions and valuation statistics of selected comparable companies (the “**Selected Comparable Companies**”) that may, in our view, be broadly comparable to the core businesses of the Group which are principally engaged in the hotels and properties and PVC pipes and fittings businesses.

The Selected Comparable Companies have been identified after a search was carried out on the Singapore Exchange Securities Trading Limited (“**SGX-ST**”) and Hong Kong Stock Exchange (“**HKSE**”) and evaluation of the companies operating in the same industry as the Group. We have had discussions with the Directors and Management about the suitability and reasonableness of these Selected Comparable Companies acting as a basis for comparison with the core businesses of the Group. Independent Directors should note that no two companies can be totally comparable.

Relevant information has been extracted from the annual reports and/or public announcements of the Selected Comparable Companies. Notwithstanding our use of these companies for peer analysis, the Selected Comparable Companies may or may not have similar business or operations or similar assets or geographical markets as the Group, and their accounting policies with respect to the values for which the assets or the revenue or cost are recorded or the relevant financial period compared may differ from the Group. In addition, the trading of the shares of the Selected Comparable Companies may differ from that of the Shares and shares of the Selected Comparable Companies may be caused by any actual perceived or fundamentally determined risk premiums.

We advise Independent Directors to note that there may not be any company listed on any relevant stock exchange that is directly comparable to the Group in terms of size, diversity of business activities and products/services, branding, geographical spread, track record, prospects, end-customers, supply and/or value chain, core competence, resources, revenue drivers and models, operating and financial leverage, risk profile, quality of earnings and accounting, listing status and such other relevant criteria. We wish to highlight that it may be difficult to place reliance on the comparison of valuation statistics for the Selected Comparable Companies as the markets and businesses of the Selected Comparable Companies, its capital structures, growth rates, operating and financial leverage, taxation and accounting policies as well as the liquidity of these shares and the demand/supply conditions for these shares and that of the Group may differ. As such, any comparison made herein is necessarily limited and serves only as an illustrative guide and any conclusion drawn from the comparison may not necessarily reflect the perceived or implied market valuation (as the case may be) of the Group as at the Latest Practicable Date.

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

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

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

Selected Comparable Companies	Principal Activities
Tomson Group Limited ("Tomson") <i>Listed on HKSE</i>	The company is engaged in the sale of PVC pipes and fittings.
World Houseware (Holdings) Limited ("World Houseware") <i>Listed on HKSE</i>	The company is principally engaged in the manufacture and sales of pipes and fittings. It operates through the following segments: household products; polyvinyl chloride pipes and fittings; food waste recycling; and others.
China Yuanbang Property Holdings Limited ("China Yuanbang") <i>Listed on SGX-ST</i>	The company is engaged in the development and sales of residential and commercial properties. It focuses on developing quality residential and commercial properties in Guangzhou.
Ying Li International Real Estate Limited ("Ying Li Intl") <i>Listed on SGX-ST</i>	The company is a Chongqing property developer listed in Singapore.
Pan Hong Holdings Group Limited ("Pan Hong") <i>Listed on SGX-ST</i>	The company is a property developer for quality residential and commercial properties in China. It focuses on developing cities with significant growth potential in the property market, such as Hangzhou City and Huzhou City in Zhejiang Province and Nanchang City in Jiangxi Province.

Source: Bloomberg, SGX-ST, HKSE, and the respective company's website.

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

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

Selected Comparable Companies ⁽⁸⁾	LTM ROE (%) ⁽¹⁾	LTM net profit margin ("NPM") (%) ⁽²⁾	LTM asset turnover (times) ⁽³⁾	Total liabilities ⁽⁴⁾ /shareholder equity ⁽⁵⁾ (times)	Total borrowings ⁽⁶⁾ /shareholder equity ⁽⁵⁾ (times)
Tomson	1.9	30.3	0.04	0.7	0.1
World Houseware	67.4	134.4	0.3	0.5	0.1
China Yuanbang	12.8	4.5	0.6	3.8	1.2
Ying Li Intl	4.3	34.9	0.1	0.9	0.6
Pan Hong	21.0	20.2	0.4	1.5	0.1
MAXIMUM	67.4	134.4	0.6	3.8	1.2
MINIMUM	1.9	4.5	0.04	0.5	0.1
MEDIAN	12.8	30.3	0.3	0.9	0.1
SIMPLE AVERAGE	21.5	44.9	0.3	1.5	0.4
The Group	n.m.⁽⁷⁾	n.m.⁽⁷⁾	0.1	0.1	No borrowings

Source: The latest annual reports and the announced unaudited financial statements of the respective companies.

Notes:

- (1) The last twelve months ("LTM") return on equity ("ROE") is based on the ratio of the most recent twelve months consolidated net profits after tax attributable to the equity holders to the consolidated shareholders equity (excluding minority interest) of the respective companies.
- (2) LTM net profit margin is the ratio of the most recent twelve months consolidated net profits after tax attributable to shareholders to the most recent twelve months total consolidated revenue of the respective companies.
- (3) LTM asset turnover is the ratio of the most recent twelve months total consolidated revenue to the total consolidated assets of the respective companies.
- (4) Total liabilities include, inter-alia, all the liabilities of the respective companies but exclude contingent liabilities, if any.
- (5) Shareholders' equity is the consolidated shareholders' funds excluding minority interest of the respective companies.
- (6) Total borrowings include all bank loans and borrowings as well as hire purchase obligations and interest bearing debts, where applicable.
- (7) The Group incurred a loss after tax attributable to owners of the Company of approximately S\$11.74 million for the LTM ended 30 June 2019. Hence, the group's LTM ROE and LTM net profit margin ratios are negative and not meaningful.
- (8) Figures and computation presented in this section are subjected to rounding.

For illustrative purposes only, we note the following:-

- (i) The Group's LTM ROE and LTM NPM are not meaningful as the Group incurred a net loss after tax of approximately S\$11.74 million for the LTM ended 30 June 2019. The Group is the only loss making company amongst the Selected Comparable Companies, which are all profitable during the period reviewed.
- (ii) The Group's LTM asset turnover ratio was approximately 0.1 times, which is within the range, but lower than both the simple average and the median for the Selected Comparable Companies.
- (iii) The Group's ratio of total liabilities to shareholders' equity as at 30 June 2019, was approximately 0.1 times and the Group does not have any borrowings as at 30 June 2019. The ratio of total liabilities to shareholders' equity for the Group is lower and more favourable than any of the Selected Comparable Companies.

In summary, the Group's LTM asset turnover appears to be within the range, lower than the simple average and median of the Selected Comparable Companies. As the Group was loss making for the LTM ended 30 June 2019, its LTM ROE and LTM NPM ratios are not meaningful. In terms of financial

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

position, the Group's total liabilities to shareholders' equity ratio as at 30 June 2019 appears to be lower and more favourable than any of the Selected Comparable Companies.

The following valuation statistics for the Selected Comparable Companies are based on their respective closing prices as at the Latest Practicable Date, while those for the Group are based on the Offer Price. We note that the last transacted price for the Shares as at the Latest Practicable Date is slightly lower than the Offer Price. All the valuation statistics of the Selected Comparable Companies are computed on a historical basis using financial data and information obtained from their latest publicly available unaudited financial statements or audited financial statements from their annual reports or result announcements.

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

Selected Comparable Companies ⁽⁹⁾	Market Capitalisation (\$\$ m)	LTM EV/EBITDA ⁽¹⁾ (times)	LTM PER ⁽²⁾ (times)	P/NAV ⁽³⁾ (times)	P/NTA ⁽⁴⁾ (times)	Premium/ (discount) over/from NTA (%)
Tomson	676.7	2.2	16.0	0.3	0.3	(68.7)
World Houseware	59.8	0.4	0.3	0.2	0.2	(81.1)
China Yuanbang	18.4	5.9	1.1	0.1	0.1	(86.2)
Ying Li Intl	258.3	8.5	5.8	0.3	0.3	(74.8)
Pan Hong	56.4	n.m. ⁽⁵⁾	1.8	0.4	0.4	(62.2)
MAXIMUM	676.7	8.5	16.0	0.4	0.4	(62.2)
MINIMUM	18.4	0.4	0.3	0.1	0.1	(86.2)
MEDIAN	59.8	4.0	1.8	0.3	0.3	(74.8)
SIMPLE AVERAGE	213.9	4.2	5.0	0.3	0.3	(74.6)
The Group	95.8	n.m.⁽⁶⁾	n.m.⁽⁶⁾	0.4⁽⁷⁾	0.4⁽⁷⁾	(60.5)
The Group (LUR being deducted for RNTA)	95.8	n.m.⁽⁶⁾	n.m.⁽⁶⁾	0.4⁽⁸⁾	0.4⁽⁸⁾	(59.1)

Source: The latest annual reports and the announced unaudited financial statements of the respective companies.

Notes:

- (1) The LTM EV/EBITDA for the Selected Comparable Companies is based on the most recent twelve months EBITDA as reported by the respective companies.
- (2) The LTM PERs for the Selected Comparable Companies are based on the most recent twelve months earnings after tax attributable to shareholders as reported by the respective companies.
- (3) The P/NAV ratios for the Selected Comparable Companies are based on their respective NAV values as set out in their latest available announced audited or unaudited financial statements.
- (4) The P/NTA ratios for the Selected Comparable Companies are based on their respective NTA values as set out in their latest available announced audited or unaudited financial statements.
- (5) Pan Hong's LTM EV/EBITDA as at 30 June 2019 is not meaningful as its EV is negative as its cash and cash equivalents is greater than the sum of the market capitalization, non-controlling interest and debt.
- (6) For the Group, the computations for LTM PER, LTM EV/EBITDA ratios are based on market capitalisation as implied by the Offer Price for the Shares. The earnings after tax attributable to shareholders, EBITDA, for the Group are based on the results for latest 12 months ending 30 June 2019. Both LTM PER and LTM EV/EBITDA are not meaningful as the Group incurred losses of approximately S\$11.74 million and registered negative EBITDA of approximately S\$8.73 million.
- (7) Based on the Group's RNAV and RNTA per Share of approximately S\$0.71.
- (8) Based on the Group's RNAV per Share of approximately S\$0.71 and RNTA (after deducting LUR) per Share of approximately S\$0.68.
- (9) Figures and computation presented in this section are subjected to rounding.

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

For illustrative purposes only, we note:

- (i) The market capitalisation of the Group as implied by the Offer Price is within the range and higher than the minimum and the median for the Selected Comparable Companies. We note that the trading statistics for companies with higher market capitalisation may be different than those with lower market capitalisation and this may be attributable to the relative liquidity in terms of number or value of shares traded as well as relative interest in the shares of companies with larger market capitalisation.
- (ii) The valuation of the Group (as implied by the Offer Price) in terms of LTM EV/EBITDA and LTM PER as at 30 June 2019 is not meaningful as the Group incurred negative EBITDA of approximately S\$8.73 million and losses of approximately S\$11.74 million.
- (iii) The valuation of the Group (as implied by the Offer Price and RNAV or RNTA of approximately S\$0.71 per Share) in terms of both P/NAV and P/NTA ratios are in line with the maximum of the Selected Comparable Companies.
- (iv) The valuation of the Group (as implied by the Offer Price and RNAV of approximately S\$0.71 per Share or RNTA (after deducting LUR) of approximately S\$0.68 per Share) in terms of both P/NAV and P/NTA ratios are in line with the maximum of the Selected Comparable Companies.

In addition, one of the Selected Comparable Companies, Pan Hong is in a net cash position with negative EV. We note that the valuation of the Group (as implied by the Adjusted Offer Price and the Adjusted RNAV or Adjusted RNTA per Share) of approximately 0.33 times, in terms of both P/NAV and P/NTA ratios is within the range, slightly lower than the maximum but higher than the simple average and median of the Selected Comparable Companies.

The valuation of the Group as implied by the Adjusted Offer Price and the Adjusted RNAV per Share of approximately 0.33 times, and/or the Adjusted RNTA (after deducting LUR) per Share of approximately 0.35 times, in terms of both P/NAV and P/NTA ratios are within the range, slightly lower than the maximum, higher than the simple average and median of Selected Comparable Companies.

In summary, the valuation of the Group (as implied by the Offer Price) in terms of both P/NAV and P/NTA, both before and after deducting LUR where applicable is in line with the maximum and more favourable than the median and simple average for the Selected Comparable Companies. Furthermore, the valuation of the Group (as implied by the Adjusted Offer Price and the Adjusted RNAV per Share or Adjusted RNTA per Share (both before and after deducting LUR), is within the range, higher than the simple average and median of the Selected Comparable Companies on a similar basis.

Independent Directors are advised to review the Offer and the comparison of the Group's valuation ratios with the Selected Comparable Companies in conjunction with the following facts:

- (i) The Group's relatively better financial position (in terms of the ratio of total liabilities to shareholders' equity ratio and absence of borrowings), despite the Group's recording losses of approximately S\$11.74 million and negative EBITDA of approximately S\$8.73 million for the LTM ended 30 June 2019.
- (ii) the trading statistics for the shares of the Selected Comparable Companies are based on transactions which do not result in an acquisition of control whilst for the Offer, the Offeror, *inter-alia*, does not intend to maintain the listing status of the company in the event the free float requirement is not satisfied and does not intend to take any step for the public float to be restored or for trading suspension to be lifted. In addition, the Offeror has stated it, *inter-alia*, intends to: (i) reserve its right to seek a voluntary delisting of the Company pursuant to Rules 1307 and 1309; and (ii) exercise its rights of compulsory acquisition if entitled before delisting the Company. As disclosed in the Offer Announcement and the Offer Document, the Offeror and its Concert Parties (including the Undertaking Shareholders) held an aggregate interest of approximately 67.24% in the Share capital of the Company.

We also wish to highlight that the NAV and NTA based approach of valuing a company is dependent on factors that may differ for each Selected Comparable Companies including, *inter-alia*, factors such as depreciation policies. As such, the comparison of the NAV and NTA of the Group with those of the

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

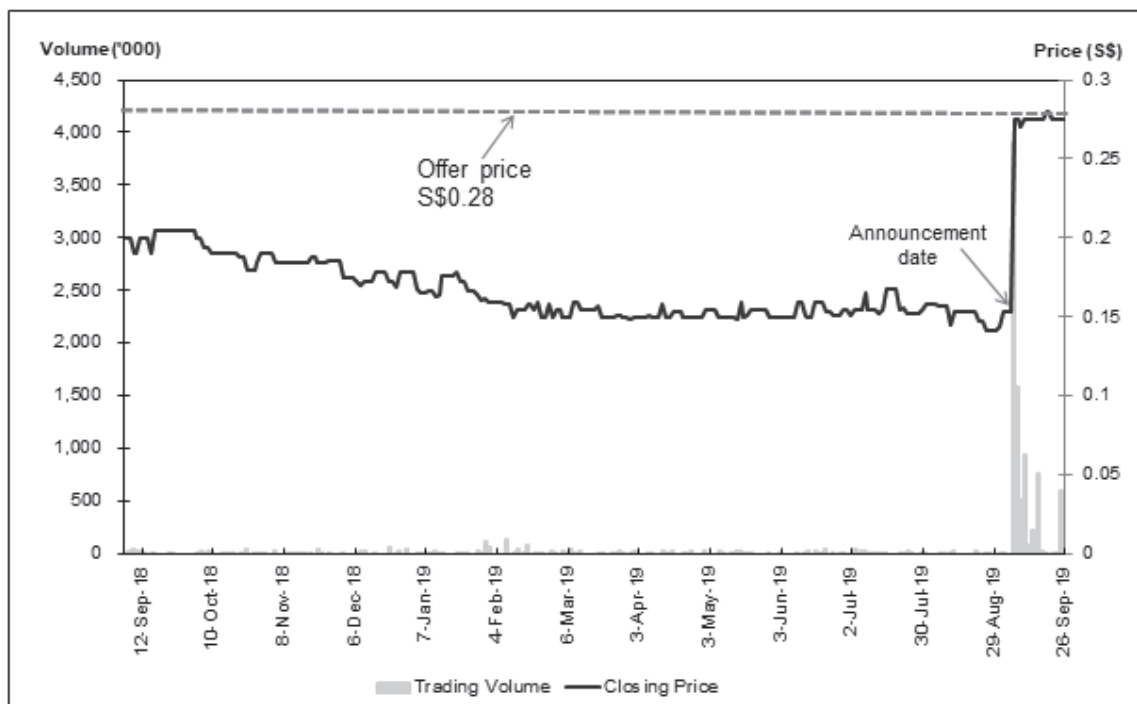
Selected Comparable Companies is necessarily limited and such comparison is made for illustrative purposes only. In addition, as all the ratios and tools used invariably uses the price of the shares, they may or may not take into account any relative or perceived or actual risk premiums or demand and supply conditions for those shares which may or may not have been fundamentally justified. In addition, as these are tools or ratios that are based on historical financial performance or position, they may or may not reflect the anticipated financial performance and the mix of its activities or the relative contributions in terms of assets, financial performance may differ.

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

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

8.4 Market quotation and trading activities for the Shares

The historical price and volume charts for the Shares (based on the closing prices together with the number of Shares traded on a daily basis) for the period commencing from 6 September 2018 (being the Market Day 12 months prior to the Offer Announcement Date) and ending on the Latest Practicable is set out below:–



Source: Bloomberg

We note that the Company requested for a trading halt on 3 September 2019 (after market closed). On 6 September 2019, being the Market Day immediately after the Offer Announcement Date, the trading halt for Shares were lifted at 8.21 a.m. before the market opened.

For the period commencing from 6 September 2018 and ending on the Offer Announcement Date (both dates inclusive), we note that the Shares were only traded on 143 Market Days out of a total 250 Market Days (or approximately 57.2%) and the closing prices for the Shares during the said period were always below the Offer Price.

For the period commencing on the Market Day immediately after the Offer Announcement Date (after lifting of the trading halt) to the Latest Practicable Date, the Shares were traded on 14 Market Days out of a total 15 Market Days and the prices for the Shares were underpinned by the Offer, increasing by approximately 78.6% from S\$0.154 as at 3 September 2019, to close at S\$0.275 as at the Latest Practicable Date but remained slightly below the Offer Price during the said period.

As a general market comparison and observation, the FTSE Straits Times Index (“**STI Index**”) declined by approximately 0.02% for the period commencing from 6 September 2018 and ending on 5 September 2019, being the Offer Announcement Date. The STI Index then further declined by approximately 0.7% from the Market Day immediately after the Offer Announcement Date to the Latest Practicable Date. We observed that the Shares appear to have underperformed against the STI Index for the period commencing from 6 September 2018 and ending on 5 September 2019 and outperformed the STI Index from the Market Day immediately after the Offer Announcement Date till the Latest Practicable Date.

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

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

The volume-weighted closing price (“**VWCP**”), the highest and lowest transacted prices and the average daily trading volume for the Shares, for the period commencing from 6 September 2018 to the Latest Practicable Date are set out below:-

	VWCP per Share ⁽¹⁾ (S\$)	Premium/ (Discount) of the Offer Price over/from VWCP per Share (%)	Lowest transacted price (S\$)	Highest transacted price (S\$)	Average daily trading volume ⁽²⁾ (Shares)	Average daily trading volume as % of free- float ⁽³⁾ (%)
For the period 12 months prior to the Offer Announcement Date						
Last 12 months	0.165	69.9	0.120	0.205	10,897	0.013
Last 6 months	0.153	82.9	0.120	0.168	8,804	0.011
Last 3 months	0.154	81.8	0.130	0.168	8,738	0.010
Last 1 month	0.151	85.2	0.130	0.157	6,833	0.008
Last transacted price on 3 September 2019 (being the Last Trading Day immediately preceding the Offer Announcement Date) ⁽⁴⁾	0.154	81.8	0.147	0.154	6,900	0.008
For the period on the Market day immediately after the Offer Announcement Date to the Latest Practicable Date						
Till the Latest Practicable Date	0.275	1.9	0.270	0.280	603,487	0.723
Last transacted price on 26 September 2019 (being the Latest Practicable Date) ⁽⁵⁾	0.275	1.8	0.275	0.275	200,000	0.240

Source: Bloomberg

Notes:

- (1) The VWCP had been weighted based on the last transacted prices of the Shares and traded volumes for the relevant trading days for each of the periods.
- (2) The average daily trading volume of the Shares is calculated based on the total number of Shares traded during the period divided by the number of Market Days during that period.
- (3) Free float refers to the approximately 83,472,935 Shares or approximately 24.4% of the issued Shares held by public Shareholders, other than the substantial Shareholders (including the Offeror and its Concert Parties) and Directors as at the Latest Practicable Date and as enumerated in the Circular.
- (4) This represents the last transacted price instead of VWCP for the Shares on 3 September 2019, being the Last Trading Day preceding the Offer Announcement Date.
- (5) This represents the last transacted price instead of VWCP and trading volume for the Shares on 26 September 2019, being the Latest Practicable Date.

Based on a general observation of the chart above and after taking into account the summary of the transacted prices for the Shares, we note that the Offer Price represents:

- (i) a premium of approximately 81.8% over the last transacted price of S\$0.154 per Share on the SGX-ST on 3 September 2019, being the Last Trading Day immediately preceding the Offer Announcement Date;
- (ii) a premium of approximately 69.9%, 82.9%, 81.8% and 85.2% from the VWCP for the Shares for the 12-month, 6-month, 3-month and 1-month periods prior to the Offer Announcement Date respectively;
- (iii) a premium of approximately 1.9% over the VWCP for the Shares for the period commencing on the Market Day immediately after the Offer Announcement Date (after lifting of the trading halt) and ending on the Latest Practicable Date; and

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

- (iv) a premium of approximately 1.8% over the last transacted price for the Shares of S\$0.275 on 26 September 2019, being the Latest Practicable Date.

For illustrative purpose only, based on the number of Shares traded on a daily basis during the period commencing from 6 September 2018 and ending on the Latest Practicable Date, we note that:-

- (i) from 6 September 2018 to 5 September 2019, being the Offer Announcement Date (both dates inclusive), Shares were traded on 143 Trading Days (approximately 57.2%) out of the total 250 Market Days during the period, with the total number of Shares traded being approximately 2.7 million Shares and an average daily trading volume (based on a total of 250 Market Days) of approximately 10,897 Shares, which represents approximately 0.003% of the issued Shares (other than treasury Shares) as at the Latest Practicable Date or approximately 0.013% of the issued Shares (other than treasury Shares) held by Shareholders other than the substantial Shareholders (including the Offeror and its Concert Parties, and Undertaking Shareholders) and Directors as at the Latest Practicable Date; and
- (ii) for the period commencing on the Market Day immediately after the Offer Announcement Date (after lifting of the trading halt) till the Latest Practicable Date (both dates inclusive), Shares were traded on 14 Trading Days out of the total 15 Market Days during the period, with the total number of Shares traded being approximately 9.1 million Shares and an average daily trading volume of approximately 603,487 Shares, which represents approximately 0.18% of the issued Share capital (other than treasury Shares) as at the Latest Practicable Date or approximately 0.72% of the issued Share capital (other than treasury Shares) held by Shareholders other than the substantial Shareholders (including the Offeror and its Concert Parties, and Undertaking Shareholders) and Directors as at the Latest Practicable Date.

We note that trading for the Shares is erratic and that the daily average number of Shares traded during the 12 months period prior to the Offer Announcement Date is relatively low as compared to the number of issued Shares held by Shareholders other than the Substantial Shareholders (including the Offeror and its Concert Parties, and the Undertaking Shareholders) and the Directors as at the Latest Practicable Date. In addition, the trading activities for the Shares appear to be relatively inactive in the context of number of Market Days wherein Shares were traded, as Shares were traded on only 143 Trading Days out of the total 250 Market Days during the 1 year period prior to the Offer Announcement Date. It is generally accepted that the more actively traded the shares, the greater the reliance on market prices as a determination of the fair value of the shares between willing buyer and willing seller. Whilst historically transacted prices for the Shares may not be a meaningful indicator of its fundamental value in view of the lack of liquidity for the Shares (in terms of number of Shares traded on daily basis and the frequency of trading), they nonetheless represent the prices for transactions between willing buyer and willing seller.

We also note that the number of Shares that were traded on a daily basis for the period commencing on the Offer Announcement Date (after lifting of the trading halt) till the Latest Practicable Date is higher than the number of Shares that were traded on a daily basis during the 1 year period prior to the Offer Announcement Date and the Shares were traded on 14 Market Days out of the total 15 Market Days for the said period. As mentioned earlier, the prices for the Shares had significantly outperformed the STI Index for the period commencing on the Offer Announcement Date (after lifting of the trading halt) to the Latest Practicable Date. The substantial increase in prices for the Shares and the higher average daily trading volume for the Shares subsequent to the Offer Announcement Date may have been underpinned by the Offer. As such, there is no assurance that the observed increase in the average number of Shares traded on a daily basis or the trading activities for the Shares will be maintained or that the transacted prices for the Shares will be the same and at the levels prevailing during the period commencing on the Offer Announcement Date (after lifting of the trading halt) and ending on the Latest Practicable Date in the event that the Offer closes.

Independent Directors should note that given the low liquidity of the Shares (in terms of number of Shares traded on daily basis and the frequency of trading) during the periods observed, the Offer may represent a realistic exit opportunity for the Shareholders to realise their entire investment for cash and that the Offer Price is at a significant premium above market prices of Shares for periods prior to the Offer Announcement Date. It is noted that the Offer Price exceeds the highest closing price for the Shares in the twelve months prior to Announcement and up to and including the Last Trading Day. In the absence of the Offer, such an exit for all Shareholders other than the Offeror and its Concert

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

Parties, and the Undertaking Shareholders may not be readily available due to the low trading liquidity for the Shares. For illustrative purpose only, based on the average daily trading volume of 10,897 Shares for the period 12 months prior to the Offer Announcement Date , it would take approximately 7,660 Market Days or close to 30.6 years (based on 250 Market Days per year) for the public Shareholders to be able to sell off their 83,472,935 Shares in the market.

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

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

8.5. Comparison with other successful privatisation and delisting transactions

For the purpose of providing an illustrative guide as to whether the financial terms of the Offer are fair and reasonable, we have compared the Offer with other selected similar successful transactions by listed companies on the SGX-ST involving:

- (i) privatisation by way of general offers (“**Selected Successful Privatisations**”); and
- (ii) voluntary delisting (“**Selected Successful Delistings**”),

which have been announced since January 2017 and which have since been completed.

In making the comparison herein, we wish to highlight that the companies selected and covered herein are not directly comparable to the Company and may largely differ from the Company in terms of, *inter alia*, size and scale of operations, type and/or composition of business activities and specialization, asset base, geographical spread, track record, financial performance, capital structure, operating and financial leverage, risk profile, liquidity, accounting policies, future prospects and other relevant criteria. Likewise, they involve shares of companies which are quoted, listed and tradeable on the stock exchange. As the Company has, *inter-alia*, more than one segment of business and percentage of its revenue or earnings or EBITDA or assets deployed for its various business segments may differ from the companies whose transactions are reflected in the Selected Successful Privatisations and Selected Successful Delistings, the relative weightage as accorded by us may differ from that as assigned by investors or Shareholders, for the valuation of each of the different business segments. Accordingly, the analysis will be limited and purely for illustrative purpose only.

We wish to highlight that other than the criteria mentioned above, the premium or discount that an offeror pays in any particular take-over varies in different specific circumstances depending on, *inter alia*, factors such as the potential synergy the offeror can gain by acquiring the target, the prevailing market conditions and sentiments, attractiveness and profitability of the target’s business and assets, the possibility of a significant revaluation of the assets to be acquired, existence of intangibles and branding or “internal goodwill or intangible assets”, the availability of substantial cash reserves, the liquidity in the trading of the target company’s shares, the presence of competing bids for the target company and the existing and desired level of control in the target company.

The data used in the table and the companies listed below have been compiled from publicly available information and serves as a guide as to the valuation ratio in connection with privatisations or delisting of companies listed on the SGX-ST without regard to their specific industry characteristics or other considerations. Each of the offers for Selected Successful Privatisations and Selected Successful Delistings must be judged on its own commercial and financial merits. The lists of target companies involved in the Selected Successful Privatisations and Selected Successful Delistings are by no means exhaustive and as such any comparison made only serves as an illustration.

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

Selected Successful Privatisations		Premium/(Discount) of offer price over/(from)				
Company	Date of announcement	% shareholding of the offeror and concert parties at the start of transaction ⁽¹⁾	Last transacted price prior to announcement (%)	VWAP for 1 month period prior to announcement (%)	VWAP for 3 month period prior to announcement (%)	P/NAV (times) ⁽²⁾
Auric Pacific Group Limited	7-Feb-17	80.6	13.4	17.7	23.8	1.2 ⁽³⁾
Global Premium Hotels Limited	23-Feb-17	71.9	14.1	18.1	21.7	0.5 ⁽⁴⁾
CWT Limited	9-Apr-17 ⁽⁵⁾	65.1	5.9	6.4	14.8	1.5 ⁽⁶⁾
Nobel Design Holdings Ltd	2-May-17	64.3	8.5	9.4	15.9	0.7 ⁽⁷⁾
Changtian Plastic & Chemical Limited	29-May-17	79.9	45.3	46.6	48.2	0.4 ⁽⁸⁾
China Flexible Packaging Holdings Limited	19-Jun-17	58.4	23.2	24.3	28.2	0.6 ⁽⁹⁾
GP Batteries International Limited	10-Aug-17 ⁽¹⁰⁾	64.9	62.5	62.9	62.7	0.8 ⁽¹¹⁾
Poh Tiong Choong Logistics Limited	20-Sep-17	66.7	1.6	30.0	41.3	3.1 ⁽¹²⁾
Cogent Holdings Limited	3-Nov-17	84.3	5.2	6.2	12.7	1.2 ⁽¹³⁾
CWG International Ltd	28-Dec-17	81.1	27.5	29.5	29.2	0.4 ⁽¹⁴⁾
Tat Hong Holdings Ltd	21-Sep-17 ⁽¹⁵⁾	0.0	29.9	34.0	35.5	0.7 ⁽¹⁶⁾
Lee Metal Group Ltd	21-Feb-18 ⁽¹⁷⁾	48.1	9.1	14.1	21.4	1.0 ⁽¹⁸⁾
Wheelock (Singapore) Properties Limited	19-Jul-18	76.2	22.7	29.0	22.7	0.8 ⁽¹⁹⁾
Keppel Telecommunications & Transportation Ltd	27-Sep-18	79.1	40.4	39.5	34.9	1.2 ⁽²⁰⁾
M1 Limited	27-Sep-18 ⁽²¹⁾	33.3	26.3	29.9	29.1	3.9 ⁽²²⁾
Cityneon Holdings Limited	29-Oct-18	69.0	4.1	6.9	11.9	4.5 ⁽²³⁾
PCI Limited	4-Jan-19	0.0	27.9	44.0	47.2	2.0 ⁽²⁴⁾
Declout Limited	7-Jan-19	60.9	62.5	66.7	66.7	1.0 ⁽²⁵⁾
Courts Asia Limited	18-Jan-19	0.0	34.9	35.8	34.0	0.6 ⁽²⁶⁾
Kingboard Copper Foil Holdings Limited	4-Apr-19	88.0	9.1	21.8	28.1	0.9 ⁽²⁷⁾
800 Super Holdings Limited	6-May-19	77.6	16.1	30.6	31.2	1.8 ⁽²⁸⁾
Memtech International Ltd.	14-May-19	57.8	23.9	31.5	31.6	1.1 ⁽²⁹⁾
Boardroom Limited	15-May-19	80.7	14.3	18.9	16.1	2.0 ⁽³⁰⁾
Delong Holdings Limited	29-Jul-19 ⁽³¹⁾	89.3	16.5	18.6	19.0	0.6 ⁽³¹⁾
MAXIMUM		89.3	62.5	66.7	66.7	4.5
MINIMUM		0.0	1.6	6.2	11.9	0.4
MEDIAN		67.8	19.6	29.3	28.7	1.0
SIMPLE AVERAGE		61.5	22.7	28.0	30.3	1.4
Group	5-Sept-19	67.2	81.8	90.5	83.0	0.4⁽³²⁾

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

Source: SGX-ST announcements, offer documents and circulars to shareholders in relation to the respective transactions.

Notes:

- (1) Where applicable, it includes the percentage shareholding of the undertaking shareholder(s) as the date of the offer document.
- (2) P/NAV ratios are based on the offer price and NAV per share for the respective companies.
- (3) Based on the revalued NAV per share of Auric Pacific Group Limited as at 31 December 2016.
- (4) Based on the revalued NAV per share of Global Premium Hotels Limited as at 31 December 2016.
- (5) Based on pre-conditional offer announcement date, being 9 April 2017.
- (6) Based on the revalued NAV per share of CWT Limited as at 30 June 2017.
- (7) Based on the revalued NAV per share of Nobel Design Holdings Limited as at 31 March 2017.
- (8) Based on the revalued NAV per share of Changtian Plastic & Chemical Limited as at 31 March 2017.
- (9) Based on the revalued NAV per share of China Flexible Holdings Limited as at 30 June 2017, which includes the net proceeds from the exercise of warrants and the revaluation of appraised assets.
- (10) Based on pre-conditional offer announcement date, being 10 August 2017.
- (11) Based on the revalued NAV per share of GP Batteries International Limited as at 30 June 2017.
- (12) Based on the revalued NAV per share of Poh Tiong Choong Logistics Limited as at 30 June 2017.
- (13) Based on the revalued NAV per share of Cogent Holdings Limited as at 30 September 2017.
- (14) Based on the revalued NAV per share of CWG International Limited as at 31 December 2017.
- (15) Based on initial announcement date, being 21 September 2017.
- (16) Based on the revalued NAV per share of Tat Hong Holdings Ltd as at the latest reported financial statements.
- (17) Based on pre-conditional offer announcement date, being 21 February 2018.
- (18) Based on the latest revalued NAV per share of Lee Metal Group Ltd as at 31 March 2018.
- (19) Based on the revalued NAV per share of Wheelock (Singapore) Properties Limited as at 30 June 2018.
- (20) Based on the historical NAV per share of Keppel Telecommunications & Transportations Ltd as at 30 June 2018.
- (21) Based on pre-conditional offer announcement date, being 27 September 2018.
- (22) Based on the revalued NAV per share of M1 Limited as at 30 September 2018.
- (23) Based on the revalued NAV per share of Cityneon Holdings Limited as at 30 September 2018.
- (24) Based on the revalued NAV per share of PCI Limited as at 31 December 2018.
- (25) Based on the revalued pro-forma NAV per share of Declout Limited as at 30 September 2018.
- (26) Based on the pro-forma NAV per share of Courts Asia Limited as at 15 January 2019.
- (27) Based on the revalued NAV per share of Kingboard Copper Foil Holdings Limited as at 31 December 2018.
- (28) Based on the unaudited NAV per share of 800 Super Holdings Limited as at 31 March 2019.
- (29) Based on the unaudited NAV per share of Memtech International Ltd. as at 31 March 2019.
- (30) Based on the unaudited NAV per share of Boardroom Limited as at 31 March 2019 adjusted with dividend payment.
- (31) Based on the unaudited NAV per share of Delong Holdings Limited as at 30 June 2019. Please note there were two offers where the first offer which was announced on 27 September 2018 was withdrawn at a later date. With regards to the first offer, undertaking shareholders held an interest of approximately 75.56% in the share capital of the company. The premium of the offer price over last transacted price was approximately 1.9%. The premium of the offer price over VWAP for the 1 month and 3 month periods prior to announcement was approximately 8.0% and 17.9% respectively. For the purpose of our analysis we have used the second offer which inter-alia was successful.
- (32) Based on the Group's Offer Price and RNAV per Share ratio.

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

For illustrative purposes only, we noted the following from the above table:

- (i) As disclosed in the Offer Announcement, the Offeror and its Concert Parties held an aggregate interest of approximately 67.24% in the Share capital of the Company, which is within the range, higher than the simple average, and comparable to the median for the percentage of shareholding interest for each of the offeror and parties acting in concert as at the start for the Selected Successful Privatisations.
- (ii) The premium of approximately 81.8% as implied by the Offer Price over the last transacted price for Shares prior to the Offer Announcement Date is higher and more favourable than all the Selected Successful Privatisations. The premium of approximately 90.5% and 83.0% as implied by the Offer Price over the VWAP for the Shares for 1-month period and 3-month periods prior to the Last Trading Day respectively are also higher and more favourable than all the Selected Successful Privatisations.
- (iii) Overall the premiums as implied by the Offer Price over the historical last transacted prices (for various periods or dates) for Shares prior to the Offer Announcement Date are generally higher and more favourable than all the Selected Successful Privatisations.
- (iv) The valuation of the Group (as implied by the Offer Price and RNAV per Share) in terms of P/NAV ratio is lower than the simple average and median for transactions under the Selected Successful Privatisations, and at the same levels as the minimum for the Selected Successful Privatisations.

In summary, the valuation of the Group as implied by the Offer Price in terms of premiums over historical prices for the Shares generally appears to be more favourable as compared to any of the Selected Successful Privatisations. In addition, the valuation of the Group, (as implied by the Offer Price and RNAV) in terms of P/NAV ratio appears to be lower than the simple average and median for the transactions under the Selected Successful Privatisations, and at the same levels as the minimum for the Selected Successful Privatisations.

When considered in the context of the shareholding of the Offeror and its Concert Parties as set out in the Offer Announcement, which is within the range and higher than both the simple average and comparable to the median for the percentage of shareholding interest for each of the offeror and parties acting in concert as at the start for the Selected Successful Privatisations, the valuation of the Group as implied by the Offer Price in terms of both premiums over historical prices for the Shares are generally higher and more favourable than all the Selected Successful Privatisations whilst the valuation of the Group, (as implied by the Offer Price and RNAV) in terms of P/NAV ratio, appears to at the same levels as the minimum for the Selected Successful Privatisations.

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

Selected Successful Delistings

Company	Date of announcement	% shareholding of the offeror and concert parties at the start of transaction ⁽¹⁾	Premium/(Discount) of offer price over/(from)			
			Last transacted price prior to announcement (%)	VWAP for 1 month period prior to announcement (%)	VWAP for 3 month period prior to announcement (%)	P/NAV (times) ⁽²⁾
Global Logistic Properties Limited	14-Jul-17	36.8	25.2	19.4	17.7	1.1 ⁽³⁾
Fischer Tech Limited	27-Jul-17	51.3	31.3	46.9	63.6	1.5 ⁽⁴⁾
Rotary Engineering Limited	2-Oct-17	0.0	20.1	19.3	25.1	1.3 ⁽⁶⁾
Vard Holdings Limited	13-Nov-17	83.5	8.7	16.2	29.3	0.9 ⁽⁶⁾
Weiye Holdings Limited	13-Mar-18	66.9	31.3	40.7	44.1	0.3 ⁽⁷⁾
LTC Corporation Limited	7-Sep-18	88.4	44.5	46.1	45.4	0.5 ⁽⁸⁾
MAXIMUM		88.4	44.5	46.9	63.6	1.5
MINIMUM		0.0	8.7	16.2	17.7	0.3
MEDIAN		59.1	28.3	30.1	36.7	1.0
SIMPLE AVERAGE		54.5	26.9	31.4	37.5	0.9
Group	5-Sept-19	67.2	81.8	90.5	83.0	0.4⁽⁹⁾

Source: SGX-ST announcements, offer documents and circulars to shareholders in relation to the respective transactions.

Notes:

- (1) Where applicable, it includes the percentage shareholding of the undertaking shareholder(s) as the date of the offer document.
- (2) P/NAV ratios are based on the offer price and NAV per share for the respective companies.
- (3) Based on the implied revalued NAV per share of Global Logistic Properties Limited as at 30 June 2017.
- (4) Based on the revalued NAV per share of Fischer Tech Limited as at 31 March 2017.
- (5) Based on the revalued NAV per share of Rotary Engineering Limited as at 30 September 2017.
- (6) Based on the revalued NAV per share of Vard Holdings Limited as at 31 March 2018.
- (7) Based on the revalued NAV per share of Weiye Holdings Limited as at 30 April 2018.
- (8) Based on the revalued NAV per share of LTC Corporation Limited.
- (9) P/NAV for the Group refers to the ratio of the Offer Price to RNAV per Share.

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

For illustrative purposes only, we noted the following from the above table:

- (i) As disclosed in the Offer Announcement, the Offeror and its Concert Parties held an aggregate interest of approximately 67.24% in the Share capital of the Company, which is within the range, higher than both the simple average and the median for the Selected Successful Delistings.
- (ii) The premium of approximately 81.8% as implied by the Offer Price over the last transacted price for Shares prior to the Offer Announcement Date is higher and more favourable than all the Selected Successful Delistings.

The premium of approximately 90.5% and 83.0% as implied by the Offer Price over the VWAP for the Shares for 1-month period and 3-month periods prior to the Last Trading Day respectively are higher and more favourable than all the Selected Successful Delistings.

- (iii) The valuation of the Group as implied by the Offer Price and the RNAV per Share in terms of P/NAV ratio of approximately 0.4 times is within the range, but less favourable than both the simple average and the median but slightly higher than the minimum for the Selected Successful Delistings.

In summary, the valuation of the Group in general, as implied by the Offer Price in terms of premiums over historical prices for the Shares appears to be higher and more favourable than all the Selected Successful Delistings. In addition, the valuation of the Group in general, as implied by the Offer Price and the RNAV per Share in terms of P/NAV ratio appears to be within the range and lower than the simple average and median for the Selected Successful Delistings.

When considered in the context of the shareholding of the Offeror and its Concert Parties as set out in the Offer Announcement, which is within the range, and higher than the simple average and median for the Selected Successful Delistings, the valuation of the Group as implied by the Offer Price in terms of both premiums over historical prices for the Shares and the RNAV per Share in terms of P/NAV ratio, appears to be more favourable and comparable when compared to the Selected Successful Delistings respectively.

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

9. OTHER CONSIDERATIONS

9.1. Existing shareholding structure of the Company

The shareholding structure of the Company as at the Latest Practicable Date is outlined below:

	Direct Interests	Deemed Interests	Total interests	% of the issued Share capital as at the Latest Practicable Date(%) ⁽¹⁾
Offeror and its Concert Group (including Undertaking Shareholders)				
Offeror	See Notes ⁽¹⁾⁽²⁾	See Notes ⁽¹⁾⁽²⁾	See Notes ⁽¹⁾⁽²⁾	See Notes ⁽¹⁾⁽²⁾
Kao Family ⁽¹⁾⁽²⁾⁽³⁾	See Notes ⁽¹⁾⁽²⁾	See Notes ⁽¹⁾⁽²⁾	See Notes ⁽¹⁾⁽²⁾	See Notes ⁽¹⁾⁽²⁾
The Estate	See Notes ⁽¹⁾⁽²⁾	See Notes ⁽¹⁾⁽²⁾	See Notes ⁽¹⁾⁽²⁾	See Notes ⁽¹⁾⁽²⁾
STX	See Notes ⁽¹⁾⁽²⁾	See Notes ⁽¹⁾⁽²⁾	See Notes ⁽¹⁾⁽²⁾	See Notes ⁽¹⁾⁽²⁾
STEI ⁽¹⁾⁽²⁾	See Notes ⁽¹⁾⁽²⁾	See Notes ⁽¹⁾⁽²⁾	See Notes ⁽¹⁾⁽²⁾	See Notes ⁽¹⁾⁽²⁾
Total Shares owned, controlled and agreed to be acquired by Offeror and its Concert Group (including Undertaking Shareholders)	See Notes ⁽¹⁾⁽²⁾	See Notes ⁽¹⁾⁽²⁾	229,993,720	67.24
Directors (other than the Offeror and its Concert Group, and Undertaking Shareholders)⁽³⁾				
Gui Kim Young @ Gui Kim Gan ⁽⁴⁾	1,300,000	1,900,000	3,200,000	0.94
Chuang Wen Fu	6,146,944	Nil	6,146,944	1.80
Substantial Shareholders (other than Offeror and Concert Group, and Undertaking Shareholders)				
Poh Choo Bin	19,211,164	Nil	19,211,164	5.62
Public Shareholdings			83,472,935	24.41
Total			342,024,763	100.00

Notes:

- (1) Based on the Company's issued Share capital comprising 342,024,763 Shares (excluding 5,414,000 treasury Shares) as at the Latest Practicable Date.
- (2) Kao Family, The Estate, STX and STEI have the meaning set out in Section 4 of the Offer Document. Please refer to Section 4 of the Offer Document for the details. Details of concert parties can be found in Appendix E of the Offer Document.
- (3) Details of Directors' interest can be found in Appendix B of the Circular. We note from the Circular that save as disclosed in the Circular, none of the Directors has any direct or deemed interests in any Offeror securities as at the Latest Practicable Date. Further save as disclosed in the Circular, the Independent Directors do not have any interest in Shares.
- (4) Mr. Gui Kim Young @ Gui Kim Gan is deemed to have interest in: 1,300,000 Shares held by him through Phillip Securities Pte Ltd; and 600,000 Shares held by Weishi Investment Pte Ltd by virtue of his 30% shareholding interest in Weishi Investment Pte Ltd.

We note from Appendix B of the Circular, that the following Directors who have direct or deemed interests in the Shares have informed the Company of their intentions in respect of the Offer as follows:

- (a) Mrs Kao Ching Fong nee Pan;
- (b) Mr. Kao Chuan Chi; and
- (c) Mr. Kao Chuan Trong,

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

have each given an Irrevocable Undertaking to, *inter alia*, accept or procure the acceptance of the Offer in respect of all the Shares held by him/her or which he/she is deemed interested in, on the third Business day after (i) the date of dispatch of the Offer Document and (ii) the date of any acquisition of additional Shares (as the case may be), and had so accepted the Offer on 1 October 2019. Transfer of the said Shares pursuant to the foregoing has yet to be completed as at the Latest Practicable Date.

We note that as stated in the Offer Announcement and the Offer Document, the Offeror and its Concert Group including Undertaking Shareholders, own or control in aggregate 229,993,720 Shares, representing approximately 67.24% of the issued Share capital (excluding treasury Shares) of the Company. Accordingly, the Offeror and its Concert Group has already had majority control over the Company (shareholding exceeding 50%), which places the Offeror and its Concert Group in a position to have an influence, *inter-alia*, on the management, operating and financial policies of the Company and ability to pass all ordinary resolution on matters in which the Offeror and its Concert Group do not have an interest, at general meetings of Shareholders.

As at the Latest Practicable Date, each member of the Kao Family, the Estate, STX and STEI have each given irrevocably undertakings to the Offeror with the following terms:

- (a) as set out in Section 5.2 of the Offer Document, each Undertaking Shareholder save for STEI has agreed to waive all rights under the terms of the Offer to receive the consideration which would otherwise be paid by the Offeror in respect of the relevant Shares ("**Relevant Shares**") as described in Offer Document and Appendix E of the Offer Document, within the time period prescribed under the Code;
- (b) each Undertaking Shareholder (except STEI) has irrevocably undertaken that the Relevant Shares be transferred to the Offeror with no further obligation on the part of the Offeror to settle or pay any Offer price in respect of its Relevant Shares. For the avoidance of doubt, STEI will receive the Offer Price in respect of all of its Relevant Shares when it tenders them in acceptance of the Offer; and
- (c) as mentioned in Section 5.6 of the Offer document, the SIC has given confirmation that the arrangements as described under Sections 5.1 and 5.2 of the Offer Document, does not constitute a special deal for the purposes of Rule 10 of the Code.

As at the Latest Practicable Date, each of the Independent Directors who has an interest in the Shares, being Mr. Gui Kim Young @ Gui Kim Gan and Mr. Chuang Wen Fu, has informed the Company that he intends to accept the Offer in respect of all the Shares held directly by him or for which he is deemed interested in.

Subsequent to the Offer Announcement Date to the Latest Practicable Date, the Offeror and its Concert Group as disclosed in the Offer Document did not make any further announcement in connection with changes in its shareholding in the Company or further purchases of Shares.

9.2. Dividend track record

For the purposes of assessing the Offer, we have considered the dividend track record of the Company against the Selected Comparable Companies and those from selected alternative investments.

Historical dividends paid by the Company

Period	Net Dividend per Share (S\$)	Net Dividend Payout ⁽¹⁾	Implied net dividend yield ⁽²⁾
FY2018 ⁽³⁾	-	n.a.	n.a.
FY2017 ⁽⁴⁾	0.003	n.m.	1.1%
FY2016 ⁽⁵⁾	0.003	n.m.	1.1%

Notes:

- (1) Based on, *inter-alia*, the net dividend per Share divided by the consolidated basic earnings per Share as reported in the Company's annual reports for the respective financial years. The earnings per Share used for the purpose of the computation above have not been adjusted for the changes in the Group's accounting policies (if any) nor any exceptional one-off items over the years.

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

- (2) Based on the net dividend per Share divided by the Offer Price.
- (3) The net dividend payout and implied net dividend yield for FY2018 was not applicable as the Group did not pay out any dividend for FY2018.
- (4) The net dividend payout for FY2017 was not meaningful as the Group recorded negative earnings per share.
- (5) The net dividend payout for FY2016 was not meaningful as the Group recorded negative earnings per share.

We note that the Company have declared and paid dividends for the past two (2) financial years, being FY2016 and FY2017. Based on our discussions with the Directors, we understand that the Company does not have a fixed dividend policy and the form, frequency, and/or dividend payout will depend, *inter-alia*, on the Company's financial performance and position, project capital expenditure, future investment plans and any other factors that the Directors consider relevant.

Investments in selected alternative investments

In evaluating the Offer, we have made comparison of dividend yields that may arise from investments in the Selected Comparable Companies and selected alternative equity investments and/or a broad market index instrument such as the STI Exchange Traded Fund ("**STI ETF**").

For illustrative purposes only, the dividend yield for the selected alternative equity investments based on their ordinary cash dividends as declared for each of their most recent financial year are as follows:

Selected Comparable Companies	Financial Year End	Net Dividend Payout⁽¹⁾	Net Dividend Yield⁽²⁾
Tomson	31-Dec-18	88.0%	9.6%
World Houseware	31-Dec-18	n.m. ⁽³⁾	n.m. ⁽³⁾
China Yuanbang	30-Jun-19	n.m. ⁽³⁾	n.m. ⁽³⁾
Ying Li Intl	31-Dec-18	n.m. ⁽³⁾	n.m. ⁽³⁾
Pan Hong	31-Mar-19	0.5%	9.1%
STI ETF	30-Jun-19	n.a.	3.9%
The Group	31-Dec-18	n.m. ⁽⁴⁾	n.m. ⁽⁴⁾

Notes:

- (1) Based on the net dividend per Share divided by the consolidated basic earnings per Share as reported in the Company's annual reports for the respective financial years. The earnings per Share used for the purpose of the computation above have not been adjusted for the changes in the Group's accounting policies (if any) nor any exceptional one-off items over the years.
- (2) Net dividend yield for each selected alternative equity investment is based on the net dividend per share divided by the closing market price for each share on the Latest Practicable Date (or where there was no trading on such date, the last available closing market price prior thereto). The aforementioned net dividend yield computed may differ from the actual dividend yield which will vary depending on the actual cost of investment paid by the individual investor.
- (3) n.m. denotes not meaningful as World Houseware, China Yuanbang and Yingli Intl did not declare nor pay dividends for the most recently completed financial year.
- (4) n.m. denotes not meaningful as the Company did not declare nor pay dividends for the most recently completed financial year.

We note that the Company's dividend profile is worse off as compared to Tomson and Pan Hong. As the Company did not pay any dividend in respect of its most recent financial year, hence as compared to the STI ETF, the dividend yield for Company is less favourable. The above analysis is on the assumption that the Company, the Selected Comparable Companies and STI ETF maintain their respective net dividend per share at the same level as that in their last financial year.

We wish to highlight that the above dividend analysis serves only as an illustrative guide and is not an indication of the future dividend policy for the Company or the Selected Comparable Companies or the STI ETF. Furthermore, an investment in the equity of the Selected Comparable Companies or the STI ETF also presents different risk-return profiles as compared to an investment in the Shares. Moreover, there is no assurance that, *inter-alia*, the Company or any of the above selected alternative equity investments will continue to pay or not to pay any dividends in the future and/or maintain the level of dividends paid in past periods.

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

9.3. Offer is conditional

We note from Section 2.5 of the Offer Document that the Offer is conditional upon the Offeror having received, by the closing date (“**Closing Date**”), being 5.30 p.m. (Singapore time) on 24 October 2019 (Thursday), or such later date(s) as may be announced from time to time by or on behalf of the Offeror, such date being the last day for the lodgement of acceptances of the Offer, valid acceptances (which have not been withdrawn) in respect of such number of Offer Shares which, when taken together with Shares owned, controlled, acquired or agreed to be acquired by the Offeror and any person acting in concert with it before or during the Offer, will result in the Offeror and any person acting in concert with it holding such number of Shares carrying not less than 90% of the voting rights attributable to all the Shares as at the Closing Date (the “**Offer Acceptance Condition**”).

We note that as at the Latest Practicable Date, the Offeror and its Concert Parties (own or control in aggregate 229,993,720 Offer Shares (or approximately 67.24% of the total number of Shares (excluding treasury Shares) as at the Latest Practicable Date).

Save for the offer acceptance condition, the Offer is unconditional in all other respects.

The Undertaking Shareholders have undertaken to accept the Offer in respect of an aggregate of 229,993,720 Offer Shares representing approximately 67.24% of the total number of Shares (excluding treasury Shares) and any additional Offer Shares as each of them may acquire after the despatch date for the Offer Document and before the Offer closes. Details of the Undertaking Shareholders and the number of Relevant Shares to be tendered in acceptance of the Offer by each of them pursuant to their respective Irrevocable Undertakings are set out in paragraph 3 of Appendix E to the Offer Document.

In addition, in Section 5.5 of the Offer Document, the Irrevocable Undertakings will cease and terminate if (a) the Offer Announcement is not released by 31 December 2019; (b) the Offer Document has not been posted within 21 days after the Offer Announcement Date (or such longer period as the Offeror, with the consent of the SIC, determines); or (c) the Offer lapses or is withdrawn or fails to become or be declared to be unconditional in all respects for whatever reason other than as a result of a breach of any of the obligations under the Irrevocable Undertakings.

For the avoidance of doubt, the Undertaking Shareholders will NOT have the right to terminate their respective Irrevocable Undertakings on the basis that another offer for the Shares has been made (even if the price offered for the Shares is higher than the Offer Price).

9.4. No revision of the Offer Price

We note from Section 2.1 of the Offer Document that the Offer Price is final and the Offeror does not intend to increase the Offer Price save that the Offeror reserves the right to revise the terms of the Offer in accordance with the Code if a competitive situation arises. It is also noted from Section 2.4 of the Offer Document that if any distribution (“**Distribution**”) is announced, declared, paid or made by the Company on or after the Offer Announcement Date, and the Offeror is not entitled to receive such Distribution in full in respect of any Offer Share tendered in acceptance of the Offer, the Offer Price payable in respect of such Offer Share will be reduced by the amount of such Distribution, depending on when the settlement date in respect of the Offer Shares tendered in acceptance of the Offer by the accepting Shareholder falls, as follows:

- (i) if such settlement date falls on or before the books closure date for the determination of entitlements to the Distribution (the “**Books Closure Date**”), the Offer Price for each Offer Share shall remain unadjusted and the Offeror shall pay the accepting Shareholder the unadjusted Offer Price for each Offer Share, as the Offeror will receive the Distribution in respect of such Offer Share from the Company; or
- (ii) if such settlement date falls after the Books Closure Date, the Offer Price for each Offer Share shall be reduced by an amount which is equal to the amount of the Distribution in respect of each Offer Share and the Offeror shall pay the accepting Shareholder the adjusted Offer Price for each Offer Share, as the Offeror will not receive the Distribution in respect of such Offer Share from the Company.

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

9.5. Alternative takeover offer

The Directors confirmed that (a) no other third parties have approached the Company with an intention to make an offer for the Company; and (b) apart from the Offer being made by the Offeror, no other third party has made a firm offer for the Company as at the Latest Practicable Date.

As at the Latest Practicable Date, the Offeror and its Concert Parties (including Undertaking Shareholders) own or control in aggregate 229,993,720 Shares, constituting approximately 67.24% of the issued Share capital of the Company (excluding treasury Shares). Under such circumstances, any competing offer for Shares is unlikely to be forthcoming without the support of the Offeror in view of its majority control as represented by the percentage of the total number of Shares (other than treasury Shares) that the Offeror and its Concert Parties (including Undertaking Shareholders) own or control. Thus, the possibility of an alternative offer from parties other than the Offeror will be significantly reduced.

9.6. Control over the Company

As at the Latest Practicable Date, the Offeror and its Concert Parties (including Undertaking Shareholders) has statutory control of the Company, which places the Offeror in a position to significantly influence, *inter-alia*, the management, operating and financial policies of the Company and ability to pass all ordinary resolutions on matters in which the Offeror and its Concert Parties do not have an interest, at general meetings of Shareholders.

9.7. Listing Status and Compulsory Acquisition

Listing status

We note from Section 8.2 of the Offer Document that under Rule 1105 of the Listing Manual of the SGX-ST (“**Listing Manual**”), upon an announcement by the Offeror that acceptances have been received that bring the holdings of the Shares owned by the Offeror and parties acting in concert with the Offeror to above 90% of the total number of issued Shares (excluding treasury Shares), the SGX-ST may suspend the trading of the listed securities of the Company on the SGX-ST until such time when the SGX-ST is satisfied that at least 10% of all the Shares (excluding treasury Shares) are held by at least 500 Shareholders who are members of the public.

In addition, under Rule 724(1) of the Listing Manual, if the percentage of the shares (excluding treasury Shares) held in public hands falls below 10%, the Company must, as soon as practicable, announce that fact and the SGX-ST may suspend trading of all the Shares.

Under Rule 1303(1) of the Listing Manual, where the Offeror succeeds in garnering acceptances exceeding 90% of all the Shares (excluding treasury Shares), thus causing the percentage of the Company’s total number of 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 only at the close of the Offer.

Shareholders are advised to note that Rule 724(2) of the Listing Manual may allow the Company a period of three months, or such longer period as the SGX-ST may agree, to raise the percentage of the Shares (excluding treasury Shares) held in public hands to at least 10% (the “**Free Float Requirement**”), failing which the Company may be delisted from the SGX-ST.

If the Free Float Requirement is not satisfied at the close of the Offer, the trading of the Shares on the SGX-ST is suspended at the close of the Offer, and the Offeror is entitled to exercise its rights of compulsory acquisition under Section 215(1) of the Companies Act, subject to the requirements of the Listing Manual, the Offeror does not intend to support any action or take any steps to maintain the listing status of the Company or to restore the free float of the Shares.

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

Independent Directors should note that under Rule 1309, if an issuer is seeking to delist from the Exchange an exit offer must be made to the issuer's shareholders and holders of any other classes of listed securities to be delisted. In addition the exit offer must:

- (a) be fair and reasonable; and
- (b) include a cash alternative as the default alternative.

Further the issuer must appoint an independent financial adviser to advise on the exit offer and the independent financial adviser must opine that the exit offer is fair and reasonable. In addition Rule 1309 do not apply to a delisting pursuant to, *inter-alia*, an offer under the Takeover Code provided that the offeror is exercising its right of compulsory acquisition.

As at 5.00 p.m. (Singapore time) on the Latest Practicable Date and based on publicly available information provided by the Company, Shares representing at least 72.67% of the total number of Shares (excluding treasury Shares) are held by directors, and substantial shareholders, and their respective associates, who are non-public.

Compulsory acquisition

We note from Section 8.3 of the Offer Document that pursuant to Section 215(1) of the Companies Act, if the Offeror acquires not less than 90% of the total issued shares as at the date of the Offer (other than those held by the Offeror, its related corporations or their respective nominees as at the date of the Offer and which, for the avoidance of doubt, excludes any Shares held by the Company as treasury Shares), the Offeror will be entitled to exercise its rights under Section 215(1) of the Companies Act to compulsorily acquire all the Offer shares of the shareholders who have not accepted the Offer on the same terms as those offered under the Offer. Accordingly, the Offeror will be entitled to exercise such rights of compulsory acquisition upon the satisfaction of the Acceptance Condition.

In such event, the Offeror intends to exercise its right to compulsorily acquire all the Offer Shares of the Shareholders who have not accepted the Offer. The Offeror will then proceed to delist the Company from the SGX-ST.

Independent Directors should not that under Rule 1309 the requirement for an independent financial adviser to opine that the exit offer is fair and reasonable does not apply to a delisting pursuant to, *inter-alia*, an offer under the Takeover Code provided that the offeror is exercising its right of compulsory acquisition.

Pursuant to Section 215(3) of the Companies Act, if the Offeror together with its related corporations and their respective nominees acquires such number of Offer Shares, which together with Shares held by the Offeror, its related corporations or their respective nominees, comprising 90% or more of the total issued shares, the shareholders who have not accepted the Offer have a right to require the Offeror to acquire their shares at the Offer price. Such Shareholders who wish to exercise such right are advised to seek their own independent legal advice.

As stated in the Offer Document, the Offeror intends to delist the Company and does not intend to take any step for the public float to be restored and for any trading suspension of the Shares by the SGX-ST to be lifted. In the event that the trading of Shares on the SGX-ST is suspended pursuant to Rule 724(1), Rule 1105 or Rule 1303(1) of the Listing Manual, the Offeror does not intend to preserve the listing status of the Company and has no intention to take any step for any such trading suspension by the SGX-ST to be lifted.

9.8. Offeror's intention for the Company

We note from Section 8.1 of the Offer Document that the Offeror intends to make the Company its wholly-owned subsidiary and does not intend to preserve the listing status of the Company on the Main Board of the SGX-ST. If and when entitled and upon the satisfaction of the Offer Acceptance Condition, the Offeror intends to exercise its rights of compulsory acquisition under Section 215(1) of the Companies Act and pending the completion of such compulsory acquisition, the Offeror does not

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

intend to take any steps for the public float to be restored and/or does not intend to take any steps for any trading suspension in the securities of the Company to be lifted. In addition, in the event that, *inter-alia*, less than 10% of the total number of Shares in issue are held by the public, the Offeror also reserves the right to seek a voluntary delisting of the Company from the SGX-ST pursuant to Rules 1307 and 1309 of the Listing Manual.

As set out in Section 8.1 of the Offer Document, it is the current intention of the Offeror for the Company to continue with its existing business. Save as disclosed in the Offer Document and other than in the ordinary course of business, the Offeror presently has no intentions to (i) introduce any major changes to the business of the Company or operations of any of its subsidiaries; (ii) re-deploy any of the fixed assets of the Company; or (iii) discontinue the employment of the existing employees of the Group. However, the Offeror retains the flexibility at any time to further consider any options or opportunities in relation to the Group which may present themselves and which the Offeror may regard to be in the interests of the Offeror and the Group.

9.9. Material Litigation and Contracts with Interested Persons

Material Litigation

We note from the Appendix B of the Circular that as at the Latest Practicable Date:

- a) save for the ongoing arbitration proceeding between the Group's Nantong Hotel and its previous lessee for the hotel building which has been disclosed in the Group's annual report for FY2018, neither the Company nor any of its subsidiaries is engaged in any material litigation or arbitration proceedings, as plaintiff or defendant which might materially and adversely affect the financial position of the Company and its subsidiaries taken as a whole; and
- b) save as disclosed above and in the Circular, the Directors are not aware of any litigation, claim or proceeding pending or threatened against the Company or any of its subsidiaries or of any fact likely to give rise to any proceeding which might materially and adversely affect the financial position of the Company and its subsidiaries taken as a whole.

Material Contracts with Interested Persons

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

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

10. OPINION

In arriving at our opinion in respect of the Offer, we have taken into account, *inter-alia*, and the following factors which we consider to have a significant bearing on our assessment as summarised below and as elaborated elsewhere in this Letter. Save for the Independent Valuation Reports in connection with the market value of the Appraised Properties, we have not been furnished with any other valuation reports, *inter-alia* the valuation of the Financial Assets. We have relied on the Director's confirmation that as at the Latest Practicable Date, the valuation of the Financial Assets will not be materially different from that of 30 June 2019 and that there will be no potential tax liabilities from such revaluation. The Directors have also given confirmation that the market value of the Appraised Properties as at the Latest Practicable Date would not be materially different from that as at the Valuation Dates. They are of the view that both the Financial Assets and Appraised Properties are fairly stated. We have relied on the Director's confirmation that as at the Latest Practicable Date, on an aggregate basis, there are no material differences between the estimated market value of the remaining assets (including, *inter-alia*, Financial Assets) for which no valuation was obtained and their respective book values and our views, recommendation and opinion are thus necessarily limited and subject to these matters.

This is purely a summary of the factors that have been highlighted in this Letter and Shareholders are advised to read the following in conjunction with, and in the context of, the full text of this Letter (including the limitations *inter-alia* computations and analysis of the effects of LUR):

- (a) The intention of the Offeror and the listing status as set out in Section 8 of the Offer Document.
- (b) The historical financial performance and position of the Group as set out in Section 8.1 of this Letter. The Group has not been profitable during the period reviewed with net losses attributable to shareholders of approximately S\$9.30 million, S\$4.01 million, S\$9.03 million, S\$1.52 million and S\$4.24 million for FY2016, FY2017, FY2018, 6M2018 and 6M2019 respectively.

The Group's financial position has generally been strong notwithstanding the decline in shareholders' equity (from approximately S\$195.32 million as at 31 December 2016 to approximately S\$170.86 million as at 30 June 2019) from, *inter-alia*, decline in retained earnings, foreign currency translation reserve and the absence of fair value adjustment reserve as at 30 June 2019. In addition, the group had minimum or no borrowings during the period reviewed. As at 31 December 2018 and 30 June 2019, the Group does not have any borrowings. Net working capital declined substantially during the period reviewed (from approximately S\$64.89 million as at 31 December 2016 to approximately S\$36.63 million as at 30 June 2019) from, *inter-alia*, a decline in cash and cash equivalents. The aggregate amounts of cash and cash equivalents and Financial Assets as at 30 June 2019, is approximately S\$35.78 million and these declined from approximately S\$62.19 million as at 31 December 2016. As at 30 June 2019, the Group has Restricted Cash of approximately S\$13.21 million earmarked for capital expenditure contracted for and capital contributions towards investments in subsidiaries not yet due.

Despite the decline in net cash flow from operating activities, the Group has been generating positive net cash flow from operating activities for the period reviewed (approximately S\$10.28 million, S\$6.42 million and S\$0.39 million for FY2016, FY2017 and 6M2019 respectively), save for FY2018, where the Group generated negative net cash flow from operating activities of approximately S\$6.68 million.

The Directors confirmed that as at the Latest Practicable Date and save for matters disclosed in the Circular, this Letter and the unaudited financial statements for the Group for 6M2019, there has been no material changes to the Group's assets and liabilities, financial position, condition and performance.

- (c) The historical financial performance and position of the Group *vis a vis* the Selected Comparable Companies - The Group as compared to the Selected Comparable Companies is in a relatively better financial position (in terms of total liabilities to shareholders' equity and total borrowings to shareholders' equity ratios). The Group has no borrowings as at 31 December 2018 and 30 June 2019. The Group's LTM ROE and LTM net profit margin for the

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

LTM ended 30 June 2019 is not meaningful as the Group recorded loss after tax attributable to owners of the Company of approximately S\$11.74 million for the LTM ended 30 June 2019. The Selected Comparable Companies are all profitable. The Group's LTM asset turnover appears to be within the range but lower than the simple average and median for the Selected Comparable Companies. Overall, in terms of financial position, the Group's ratio of total liabilities to shareholder equity is more favourable than the Selected Comparable Companies.

- (d) The Offer Price (as set out in Section 8 of this Letter) after taking into account, *inter-alia*, the following factors:
- (i) The Offer Price represents a discount of approximately 43.9% from the Group's NAV per Share and NTA per Share respectively as at 30 June 2019.
 - (ii) The Adjusted Offer Price (being the Offer Price less Free Cash and Financial Assets per Share), represents a discount of approximately 50.6% from the NAV per Share and NTA per Share for the Group after deducting Free Cash and Financial Assets per Share from the NAV per Share and NTA per Share, as at 30 June 2019.
 - (iii) The Offer Price represents a discount of approximately 60.5% from the Group's RNAV and RNTA per Share, as at 30 June 2019.
 - (iv) The Offer Price represents a premium of approximately 81.8% over the last transacted price of S\$0.154 per Share for the Shares on the SGX-ST on 3 September 2019, being the Last Trading Day prior to the Offer Announcement Date.
 - (v) The Offer Price represents a premium of approximately 69.9%, 82.9%, 81.8% and 85.2% over the VWCP for the Shares for the 12-month, 6-month, 3-month and 1-month periods prior to the Offer Announcement Date respectively.
 - (vi) The Offer Price represents a premium of approximately 1.9% over the VWCP for the Shares for the period commencing on the Market Day immediately after the Offer Announcement Date till the Latest Practicable Date.
 - (vii) The Offer Price represents a premium of approximately 1.8% over the last transacted price of S\$0.275 per Share on the SGX-ST on 26 September 2019, being the Latest Practicable Date.
 - (viii) Fair comparison with the valuation of the Selected Comparable Companies. The valuation of the Group in terms of P/RNAV and P/RNTA ratios (as implied by the Offer Price and the Group's RNAV per Share and RNTA per Share of S\$0.71) appears to be in line with the maximum for the Selected Comparable Companies. In addition, the valuation of the Group as implied by the Offer Price and RNTA (after deducting LUR) of approximately S\$0.68 per Share appears to be in line with the maximum for the Selected Comparable Companies. However, it is noted that the valuation of the Group in terms of LTM EV/EBITDA and PER as at 30 June 2019 (as implied by the Offer Price) is not meaningful as the Group registered negative EBITDA of approximately S\$8.73 million and losses of approximately S\$11.74 million for the LTM ended 30 June 2019. Such comparison should be reviewed in conjunction with the following: (a) the Group is in a relatively better financial position (in terms of total liabilities to shareholders' equity and total borrowings to shareholders' equity ratios); (b) the trading statistics for the shares of the Selected Comparable Companies are based on transactions which do not result in acquisition of control whilst for the Offer, the Offeror's does not intend to maintain the listing status of the Company in the event the public float is not satisfied and (as stated in the Offer Announcement and Offer Document), the Offeror intends to (i) reserve its right to seek a voluntary delisting of the Company pursuant to Rules 1307 and 1309, and (ii) exercise its rights of compulsory acquisition. As disclosed in the Offer Document, the Offeror and its Concert Parties (including the Undertaking Shareholders) had already a majority control over the Company by having an interest in 229,993,720 Shares representing approximately 67.24% of the total number of issued Shares (excluding treasury Shares); and (c) considering, *inter-alia*, the core business of the Group (being investment holding, hotels and properties and PVC pipes and fittings) where majority of the assets are used

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

for its hotels and properties operations despite its PVC pipes and fittings business generating majority of the revenue and that as the Group's operations are on a going concern basis, earnings-based valuation ratios (being PER and EV/EBITDA) may likely be more appropriate valuation benchmark as compared to asset-based valuation multiples. Notwithstanding, the valuation of the Group in terms of P/NAV and P/NTA ratios (as implied by the Offer Price and RNAV per Share or RNTA (both before and after deducting LUR) per Share), appears to be more favourable as compared to the median and simple average of the Selected Comparable Companies. Furthermore the valuation of the Group (as implied by the Adjusted Offer Price and the Adjusted RNAV or Adjusted RNTA per Share (both before and after deducting LUR), is in general favourable as compared to the Selected Comparable Companies on a similar basis.

- (ix) Fair or favourable comparison in terms of historical premiums for the Selected Successful Privatisations and comparable in terms of P/NAV ratios as compared to the Selected Successful Privatisations. The valuation of the Group as implied by the Offer Price in terms of premiums over historical prices (for various period or dates) for Shares prior to the Offer Announcement date appears to be higher and more favourable than all the Selected Successful Privatisations. In addition, the valuation of the Group (as implied by the Offer Price and RNAV per Share) in terms of the P/NAV ratio appears to be within the range but lower than the simple average and median, and at the same level as the minimum for the Selected Successful Privatisations, when considered in the context of the shareholdings of the Offeror and its Concert Parties including Undertaking Shareholders as set out in the Offer Announcement and the Offer Document, which is higher than the simple average and comparable to the median for the percentage of shareholding interest for each of the offeror and parties acting in concert including undertaking shareholders as at the start for the Selected Successful Privatisations.
- (x) Fair or favourable comparison in terms of historical premiums for with the Selected Successful Delistings and comparable in terms of P/NAV ratios as compared to the Selected Successful Privatisations. The valuation of the Group as implied by the Offer Price in terms of premiums over historical prices for the Shares appears to be higher and more favourable than all the Selected Successful Delistings. In addition, the valuation of the Group (as implied by the Offer Price and RNAV per Share) in terms of the P/NAV ratio appears to be within the range, above minimum but below median and average for the Selected Successful Delistings, when considered in the context of the shareholdings of the Offeror and its Concert Parties (including Undertaking Shareholders) as set out in the Offer Announcement and Offer Document, which is within the range, higher than both the median and simple average as at the start for the Selected Successful Delistings.
- (e) As at the Offer Announcement Date, the Offeror and its Concert parties including Undertaking Shareholders held 229,993,720 Shares, constituting approximately 67.24% of the issued Share capital of the Company (excluding treasury Shares). Accordingly, the Offeror already has statutory control over the Company, which places the Offeror and its Concert Parties (including Undertaking Shareholders) in a position to have significant influence, *inter-alia*, on the management, operating and financial policies of the Company and ability to pass all ordinary resolution on matters in which the Offeror and its Concert Parties do not have an interest, at general meetings of Shareholders. Subsequent to the Offer Announcement Date to the Latest Practicable Date, the Offeror did not make any further announcement in connection with changes in its shareholding in the Company or further purchases of Shares. Competing offer for the Shares (if any) is unlikely to be forthcoming without the support of the Offeror in view of its majority control as represented by the percentage of the total number of Shares (other than treasury Shares) that the Offeror and its Concert Parties including Undertaking Shareholders hold. In addition, in Section 9.5 of the IFA letter, the Directors have confirmed that apart from the Offeror, no other third parties have approached the Company with an intention to make an offer. Thus, the possibility of an alternative offer from parties other than the Offeror will be significantly reduced.
- (f) Our analysis as set out in paragraph 9.2 of this Letter suggests that the Company's dividend profile is worse off as compared to Tomson and Pan Hong. As the Company did not pay any dividends in its most recent financial year, its dividend yield in respect of its most recent

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

financial year as implied by the Offer Price is less favourable as compared to Tomson, Pan Hong and the STI ETF.

- (g) As at the Latest Practicable Date, the Offer is conditional upon the 90% Offer Acceptance Condition. Save for the Offer Acceptance Condition, the Offer is unconditional in all other aspects. The Offeror does not intend to preserve the listing status of the Company.
- (h) As set out in the Offer Document, the Offer Price is final and the Offeror does not intend to increase the Offer Price save that the Offeror reserves the right to revise the terms of the Offer in accordance with the Code if a competitive situation arises.
- (i) The Directors' confirmation that: (a) no other third parties have approached the Company with an intention to make an offer for the Company; and (b) apart from the Offer being made by the Offeror, no other third party has made a firm offer for the Company as at the Latest Practicable Date.
- (j) Other considerations are set out in paragraph 9 or other such sections of this Letter.

In summary, having regard to our analysis and the consideration in this Letter (including, *inter-alia*, its limitation and constraints) and after having considered carefully the information available to us and based on market, economic and other relevant considerations prevailing as at the Latest Practicable Date, and subject to our terms of reference, we are of the opinion that, in the absence of an alternative offer, the financial terms of the Offer is, on balance, **FAIR** and **REASONABLE**.

For the purposes of evaluation of the Offer from a financial point of view, we have adopted the approach that the term "fair and reasonable" comprises two distinct concepts:

- (i) Whether the Offer is "fair" relates to the value of the offer price which is based strictly on the evaluation of the Offer Price (i.e. by looking at the financial or fundamental analyses of the Offer Price as set out in this Letter and based on information known to us or which is publicly available).
- (ii) Whether the Offer is "reasonable", after taking into consideration the actual and potential financial impact of other circumstances surrounding the Offer and the Company which we consider relevant (being both quantitative and qualitative factors available and made known to us).

We consider the financial terms of the Offer to be **FAIR**, from a financial point of view after factoring, *inter-alia*, the following:-

- (i) Fair comparison with the valuation of the Selected Comparable Companies in terms of P/NAV or P/NTA ratios. The valuation of the Group (as implied by the Offer Price and RNAV or RNTA of approximately S\$0.71 per Share) in terms of both P/NAV and P/NTA is in line with the maximum for the Selected Comparable Companies. The valuation of the Group (as implied by the Offer Price and RNTA (after deducting LUR) of approximately S\$0.68 per Share) in terms of P/NTA is also in line with the maximum of the Selected Comparable Companies.

The above comparison were made taking into account: (a) the Group's relatively better financial position as at 30 June 2019 (in terms of total liabilities to shareholders' equity and total borrowings to shareholders' equity ratios), despite the Group recording negative EBITDA of approximately S\$8.73 million and losses of approximately S\$11.74 million for the LTM ended 30 June 2019, whereby both LTM EV/EBITDA and LTM PER as at 30 June 2019 are not meaningful; and (b) the fact that the Offeror and its Concert Parties (including Undertaking Shareholders) had already a majority control over the Company as at the Offer Announcement Date. In summary, the valuation of the Group in terms of P/NAV and P/NTA ratios (both before and after deducting LUR) appears to be in line with the maximum of the Selected Comparable Companies.

- (i) Fair comparison with the Selected Successful Privatisations in terms of both premiums over historical prices for the Shares and the valuation of the Group (as implied by the Offer Price and the RNAV per Share per Share) in terms of P/NAV ratio, appears at the same levels as the

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

minimum for the Selected Successful Privatisations. This should be viewed in conjunction with the fact that the Offeror and its Concert Parties including Undertaking Shareholders had already a majority control over the Company as at the Offer Announcement Date.

- (ii) Fair comparison with the Selected Successful Delistings in terms of both premiums over historical prices for the Shares and the valuation of the Group (as implied by the Offer Price and the RNAV per Share) in terms of P/NAV ratio, appears in general to be comparable to the Selected Successful Delistings. This should be viewed in conjunction with the fact that the Offeror and its Concert Parties including Undertaking Shareholders had already a majority control over the Company as at the Offer Announcement Date.
- (iii) Significant premiums implied by the Offer Price over the historical prices for the Shares prior to the Offer Announcement Date considering, *inter-alia*, (a) the premium of approximately 81.8% over the last transacted price prior to the Offer Announcement Date; and (b) the premiums of approximately 69.9%, 82.9%, 81.8% and 85.2% over the VWCP for the Shares for the 12-month, 6-month, 3-month and 1-month periods prior to the Offer Announcement Date.
- (v) As set out in this Letter and confirmed by the Directors, the Shares have not been transacted above the Offer Price for at least one year prior to the Announcement.

We consider the financial terms of the Offer to be, on balance, **REASONABLE**, from a financial point of view after factoring, *inter-alia*, the following:-

- (i) As set out in the Offer Announcement and the Offer Document, the Offeror and its Concert Parties including Undertaking Shareholders had already a statutory control of the Company, which places the Offeror in a position to significantly influence, *inter-alia*, the management, operating and financial policies of the Company and is in a position to pass all ordinary resolutions on matters in which the Offeror and its Concert Parties do not have an interest, at general meetings of Shareholders.
- (ii) More favourable comparison with the Selected Successful Privatisations in terms of premiums over historical prices for the Shares. This should be viewed in conjunction with the fact that the Offeror and its Concert Parties including Undertaking Shareholders had already a majority control over the Company as at the Offer Announcement Date.
- (iii) More favourable comparison with the Selected Successful Delistings in terms of premiums over historical prices for the Shares. This should be viewed in conjunction with the fact that the Offeror and its Concert Parties including Undertaking Shareholders had already a majority control over the Company as at the Offer Announcement Date.
- (iv) Significant premiums implied by the Offer Price over the historical prices for the Shares prior to the Offer Announcement Date. Within the past one year, the highest closing price of S\$0.280 was transacted on 19 September 2019 after the announcement of the Offer.
- (v) As set out in this Letter, the Shares have not been transacted above the Offer Price for at least one year prior to the Announcement.
- (vi) The Director's confirmation that: (a) no other third parties have approached the Company with an intention to make an offer for the Company; and (b) apart from the Offer being made by the Offeror, no other third party has made a firm offer for the Company as at the Latest Practicable Date.
- (vii) While the transacted prices for the Shares subsequent to the Offer Announcement Date may have been underpinned by the Offer and the trading for the Shares on a daily basis may have (in general) increased subsequent to the Offer Announcement Date and till the Latest Practicable Date (as compared to the 1-year period prior to the Offer Announcement Date), there is no assurance that the trading activities for the Shares will be maintained at such levels or that the transacted prices for the Shares will be maintained after the closing of the Offer. In particular, there is no assurance that interest in the Shares will be maintained after the Offer as the possibility of an alternative offer from parties other than the Offeror is low in view of the Offeror and its Concert Parties including Undertaking Shareholders' majority control as

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

represented by the percentage of the total number of Shares (excluding treasury Shares) that it holds.

- (viii) Low liquidity for the Shares (in terms of daily average trading volume and the frequency of trading) prior to the Offer Announcement Date with the Offer being a realistic exit opportunity for Shareholders to realise their investments. This should be viewed in the context of the, *inter-alia*, relative underperformance (as compared to the STI Index) and absolute underperformance of the Shares for the one year period prior to Announcement; and the substantial premiums of the Offer Price over the historical prices for the Shares (including the last transacted price for the Shares) prior to Announcement.

ACA's Recommendation on the Offer

Based on our assessment of the financial terms of the Offer as set out above, we advise the Independent Directors that they should recommend that Shareholders **ACCEPT** the Offer. In addition, the Offer represent a realistic opportunity for Shareholders to realise their entire investment in cash taking into account, *inter-alia*, the low liquidity for the Shares (in terms of daily average trading volume and frequency of trading) prior to the Offer Announcement Date and that the Share price have not transacted above the Offer Price for at least one year prior to the Announcement.

While the transacted prices for the Shares subsequent to the Offer Announcement Date may have been underpinned by the Offer and the trading for the Shares on a daily basis may have (in general) increased after the Offer Announcement Date to the Latest Practicable Date (as compared to the 1-year period prior to the Offer Announcement Date), there is no assurance that the trading activities for the Shares will be maintained at such levels or that the transacted prices for the Shares will be maintained after the closing of the Offer. In particular, there is no assurance that interest in the Shares will be maintained after the Offer as the possibility of an alternative offer from parties other than the Offeror is low.

In the event that Shareholders are concerned about the liquidity and the prices at which they can realise their investments in the Offer Shares (including whether they can realize their investments at prices higher than the Offer Price after deducting related expenses), acceptance of the Offer will provide certainty of exit at the Offer Price. However, in the event that Shareholders are able to dispose the Offer Shares in the open market and realise their investments at prices higher than the Offer Price after deducting related expenses, they should consider selling the Offer Shares in the open market. It should be noted that for the period commencing on the Market Day immediately after the Offer Announcement Date to the Latest Practicable Date (save for 19 September 2019 when the highest closing price was S\$0.280 per share) transacted prices for the Shares have always been lower than the Offer Price and the Offer Price represents a small premium of approximately 1.8% over the last transacted price of S\$0.275 per Share on the SGX-ST on 26 September 2019, being the Latest Practicable Date.

Matters to highlight

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

1. If Shareholders are considering selling their Offer Shares in the open market, they should be aware that the current market prices and trading volumes for the Shares may have been supported by the Offer and may not be maintained at current levels when the Offer closes. It should be noted that for the period commencing on the Market Day immediately after the Offer Announcement Date to the Latest Practicable Date, the transacted prices for the Shares have always been lower than the Offer Price (save for 19 September 2019 when the highest closing price was S\$0.280 per share) and the Offer Price represents a small premium of approximately 1.8% over the last transacted price of S\$0.275 per Share on the SGX-ST on 26 September 2019, being the Latest Practicable Date.
2. The Offeror has stated in the Offer Document that it will not revise the Offer Price of S\$0.28 per Share save that the Offeror reserves the right to revise the terms of the Offer in accordance with the Code if a competitive situation arises.

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

3. Whilst the possibility of a higher offer from a third party cannot be ruled out, as at the Latest Practicable Date, we are not aware of any publicly available evidence of an alternative offer for the Shares. Shareholders should be aware that the chances of such an alternative offer for Shares being made by a third party may be affected by the fact that as at the Latest Practicable Date, the Offeror and its Concert Parties (including the Undertaking Shareholders) hold in aggregate of 229,993,720 Shares, representing approximately 67.24% of the total number of issued Shares (excluding treasury Shares).
4. The Offeror is making the Offer with a view to delist or privatise the Company from the SGX-ST and if entitled to under the Companies Act, the Offeror intends to compulsorily acquire all the Offer Shares.
5. In the event the Company does not meet the Free Float Requirement, the Offeror does not intend to preserve the listing status of the Company and does not intend to take any steps for any trading suspension in the securities of the Company to be lifted.
6. In the event that the trading of Shares on the SGX-ST is suspended pursuant to the relevant Rules of the Listing Manual, the Offeror does not intend to preserve the listing status of the Company and has no intention of undertaking or supporting any action for any such trading suspension by the SGX-ST to be lifted.
7. The Directors confirmed that as at the Latest Practicable Date and save for matters disclosed in the Circular, this Letter and the unaudited financial statements for the Group for 6M2019, there has been no material changes to the Group's assets and liabilities, financial position, condition and performance.
8. Our scope does not require us and we have not made any independent evaluation of the Group (including without limitation, market value or economic potential) or appraisal of the Group's assets and liabilities (including without limitation, property, plant and equipment and assets held for sale) or contracts entered into by the Company or the Group and we have not been furnished with any such evaluation and appraisal in respect of assets and liabilities (if any) held or contracts entered into by the Group save for the Independent Valuation Reports issued by the Independent Valuers in respect of the market value of the Appraised Properties as at the Valuation Dates. With respect to such valuation, we are not experts in the evaluation or appraisal of assets and liabilities (including without limitation, property, plant and equipment and assets held for sale where applicable) including, *inter-alia*, the contracts that the Group has embarked upon or are about to embark upon and have relied on the opinion of the Directors.

Limitations

It is also to be noted that as trading of the Shares is subject to possible market fluctuations and accordingly, our advice on the Offer does not and cannot take into account the future trading activities or patterns or price levels that may be established for the Shares since these are governed by factors beyond the ambit of our review and also such advice, if given, would not fall within our terms of reference in connection with the Offer.

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

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

11. ACTION TO BE TAKEN BY SHAREHOLDERS

Shareholders **who wish to accept the Offer** must do so not later than the 5.30 pm (Singapore time) on 24 October 2019 or such later date(s) as may be announced from time to time by or on behalf of the Offeror, abiding by the procedures for the acceptance of the Offer as set out in Appendix B of the Offer Document, and in the accompanying FAA and/or FAT.

Acceptances should be completed and returned as soon as possible and, in any event, so as to be received, on behalf of the Offeror, by CDP (in respect of the FAA) or the Registrar (in respect of the FAT), as the case may be, not later than 5.30 p.m. (Singapore time) on 24 October 2019 as may be announced from time to time by or on behalf of the Offeror.

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

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

The recommendations made by the Independent Directors to Shareholders in relation to the Offer and the issue of the Circular (as well as any information therein) shall remain the sole responsibility of the Independent Directors and the Directors respectively.

Yours faithfully,

For and on behalf of

ASIAN CORPORATE ADVISORS PTE. LTD.

H.K. LIAU
MANAGING DIRECTOR

FOO QUEE YIN
MANAGING DIRECTOR

APPENDIX B – ADDITIONAL GENERAL INFORMATION

1. DIRECTORS

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

Name	Address	Description
Mr. Kao Chuan Chi	c/o 701 Sims Drive #06-01 LHK Building Singapore 387383	Executive Chairman and Chief Executive Officer
Mr. Kao Chuan Trong	c/o 701 Sims Drive #06-01 LHK Building Singapore 387383	Executive Director and Managing Director
Mrs. Kao Ching Fong nee Pan	c/o 701 Sims Drive #06-01 LHK Building Singapore 387383	Executive Director
Mr. Gui Kim Young @ Gui Kim Gan	c/o 701 Sims Drive #06-01 LHK Building Singapore 387383	Non-Executive and Independent Director
Mr. Chuang Wen Fu	c/o 701 Sims Drive #06-01 LHK Building Singapore 387383	Non-Executive and Independent Director
Mr. Ko Chuan Aun	c/o 701 Sims Drive #06-01 LHK Building Singapore 387383	Non-Executive and Independent Director

2. REGISTERED OFFICE OF THE COMPANY

The registered office of the Company is at 701 Sims Drive #06-01, LHK Building, Singapore 387383.

3. PRINCIPAL ACTIVITIES OF THE COMPANY

The Company was incorporated in Singapore on 11 April 1979 and is listed on the Main Board of the SGX-ST. The principal activities of the Company relate to property development and investment, hotel, and PVC pipes and fittings businesses.

4. SHARE CAPITAL OF THE COMPANY

4.1 Number and class of Shares

The Company has only one class of Shares, being ordinary shares. The Shares are quoted and listed on the Main Board of the SGX-ST. As at the Latest Practicable Date, based on a search conducted at the ACRA, the total issued and paid-up share capital of the Company is approximately S\$71,855,707.32 comprising 342,024,763 Shares (excluding treasury Shares). The Company holds 5,414,000 treasury Shares.

4.2 Rights of Shareholders in respect of capital, dividends and voting

The rights of Shareholders in respect of capital, dividends and voting are contained in the Constitution. An extract of the relevant provisions in the Constitution relating to the rights of Shareholders in respect of capital, dividends and voting is reproduced in **Appendix I** of this Circular. The Constitution is available for inspection at the registered address of the Company

APPENDIX B – ADDITIONAL GENERAL INFORMATION

at 701 Sims Drive #06-01, LHK Building, Singapore 387383. Capitalised terms and expressions not defined in the extract have the meanings ascribed to them in the Constitution and/or the Companies Act.

4.3 Number of Shares issued since the end of the last financial year

As at the Latest Practicable Date, no new Shares have been issued by the Company since 31 December 2018, being the end of the last financial year.

4.4 Convertible instruments

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

5. SUMMARY OF FINANCIAL INFORMATION

5.1 Consolidated statements of comprehensive income

A summary of the audited consolidated statement of comprehensive income of the Group for FY2016, FY2017 and FY2018 and the unaudited financial information of the Group for 2QFY2019 is set out below.

	FY2016 \$'000	FY2017 \$'000	FY2018 \$'000	2QFY2019 \$'000
Revenue	14,862	18,526	16,782	7,713
Cost of sales	(14,819)	(17,509)	(13,836)	(7,469)
Gross profit	43	1,017	2,946	244
Gain from investments	1,001	5,173	1,419	1,522
Other operating income	2,728	1,476	1,082	171
Administrative expenses	(9,190)	(7,516)	(11,891)	(4,373)
Distribution costs	(336)	(481)	(380)	(175)
Finance costs	(67)	(56)	(42)	–
Foreign exchange losses	(1,541)	(1,386)	(665)	(933)
Other operating expenses	(584)	(1,100)	(1,505)	(633)
Share of results of associate	(83)	(75)	(78)	(37)
Loss before income tax	(8,029)	(2,948)	(9,114)	(4,214)
Income tax expense	(969)	(868)	(79)	(27)
Loss for the year	(8,998)	(3,816)	(9,193)	(4,241)
Other comprehensive (loss)/income				
<i>Items that may be reclassified subsequently to profit or loss</i>				
Exchange differences on translating foreign operations, net of tax	(6,629)	(2,433)	(3,067)	(1,491)
Net fair value gain on available-for-sale financial assets	1,071	2,022	–	–
Net fair value changes on available-for-sale financial assets reclassified to profit or loss	–	(1,788)	–	–
Other comprehensive loss for the year, net of tax	(5,558)	(2,199)	(3,067)	(1,491)
Total comprehensive loss for the year	(14,556)	(6,015)	(12,260)	(5,732)

APPENDIX B – ADDITIONAL GENERAL INFORMATION

	FY2016 \$'000	FY2017 \$'000	FY2018 \$'000	2QFY2019 \$'000
Loss attributable to owners of the Company	(9,304)	(4,007)	(9,025)	(4,238)
Profit/(loss) attributable to non-controlling interests	306	191	(168)	(3)
Loss for the year	<u>(8,998)</u>	<u>(3,816)</u>	<u>(9,193)</u>	<u>(4,241)</u>
Total comprehensive loss attributable to owners of the Company	(14,501)	(6,057)	(11,938)	(5,697)
Total comprehensive (loss)/income attributable to non-controlling interests	(55)	42	(322)	(35)
Total comprehensive loss for the year	<u>(14,556)</u>	<u>(6,015)</u>	<u>(12,260)</u>	<u>(5,732)</u>

The above summary should be read together with the annual reports and relevant financial statements, copies of which are available for inspection at the registered office of the Company at 701 Sims Drive #06-01, LHK Building, Singapore 387383 during normal business hours.

The unaudited financial information of the Group for 2QFY2019 is set out in fuller detail in **Appendix E** of this Circular.

5.2 Statement of financial position

A summary of the audited consolidated statement of financial position of the Group as at 31 December 2018 is set out below.

	\$'000
ASSETS	
Non-current assets	
Property, plant and equipment	41,380
Investment properties	56,258
Properties under development	31,081
Investment in associate	198
Other financial assets, non-current	2,249
Land use rights	8,457
Total non-current assets	<u>139,623</u>
Current assets	
Inventories	2,627
Prepayments	645
Trade and other receivables	13,301
Other financial assets, current	9,894
Cash and cash equivalents	25,434
Total current assets	<u>51,901</u>
Total assets	<u>191,524</u>

APPENDIX B – ADDITIONAL GENERAL INFORMATION

	\$'000
LIABILITIES AND EQUITY	
Current liabilities	
Trade and other payables	12,138
Income tax payable	50
Provision for litigation	69
Total current liabilities	12,257
Net current assets	39,644
Non-current liabilities	
Provision for retirement benefits	586
Total liabilities	12,843
Net assets	178,681
Equity attributable to owners of the Company	
Share capital	71,856
Treasury shares	(1,929)
Other reserves	5,067
Retained earnings	101,558
	176,552
Non-controlling interests	2,129
Total equity	178,681
Total equity and liabilities	191,524

The above summary should be read together with the annual report for FY2018, the audited consolidated statements of financial position of the Group for FY2018, which are set out in **Appendix D** of this Circular, and the related notes thereto.

5.3 Significant accounting policies

A summary of the significant accounting policies of the Group is set out in Note 2 to the audited financial statements of the Group for FY2018, which are reproduced in **Appendix D** of this Circular.

Save as disclosed in this Circular and publicly available information on the Group (including but not limited to that contained in the audited financial statements of the Group for FY2018 and Sections 4 and 5 of the unaudited financial information of the Group for 2QFY2019), there are no significant accounting policies or any points from the notes to the financial statements which are of major relevance for the interpretation of the accounts.

5.4 Changes in accounting policies

The Group has applied the same accounting policies and methods of computation as with those in the audited financial statements of the Group for FY2018 and there are no changes in the accounting policies of the Group which will cause the financial statements of the Group not to be comparable to a material extent.

APPENDIX B – ADDITIONAL GENERAL INFORMATION

5.5 Valuation of the Subject Properties

The Company has commissioned independent valuations of the Subject Properties. As disclosed in the Valuation Certificates, the basis of valuation is market value. Copies of the Valuation Certificates are set out in **Appendix J** of this Circular. The Valuation Certificates in respect of the Subject Properties are available for inspection at the registered address of the Company at 701 Sims Drive #06-01, LHK Building, Singapore 387383.

Under Rule 26.3 of the Code, the Company is required, *inter alia*, to make an assessment of any potential tax liabilities which would arise if the Subject Properties, which are the subject of a valuation given in connection with the Offer, were to be sold at the amount of the valuation. Based on information provided to the Company by the respective Valuers, the potential tax liabilities that may be incurred by the Company on the hypothetical disposal of the Subject Properties on an “as is” basis is approximately S\$48.90 million.

As at the Latest Practicable Date, the Company has no current plans to dispose of its interests in the Subject Properties.

6. MATERIAL CHANGES IN FINANCIAL POSITION

Save as disclosed in this Circular and publicly available information on the Company (including but not limited to announcements released by the Company in respect of its financial results such as the unaudited financial information of the Group for 2QFY2019 as announced on 14 August 2019 and set out in **Appendix E** of this Circular), there are no known material changes in the financial position of the Company as at the Latest Practicable Date since 31 December 2018, being the date to which the Company's last published audited financial statements were made up.

7. DISCLOSURE OF INTERESTS OF THE COMPANY AND THE DIRECTORS

7.1 Shareholdings and dealings

As at the Latest Practicable Date:

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

Interests in Offeror Securities

Name	Direct Interest		Deemed Interest	
	No. of Shares	% ⁽¹⁾	No. of Shares	% ⁽¹⁾
Mr. Kao Chuan Chi	20,670	20.67	—	—
Mr. Kao Chuan Trong	20,670	20.67	—	—
Mrs. Kao Ching Fong nee Pan	44,800	44.80	—	—

Note:

- (1) Calculated based on a total of 100,000 issued shares of the Offeror as at the Latest Practicable Date and rounded to the nearest two decimal places.

- (c) each of the Company and the Directors have not dealt for value in any Offeror Securities during the Relevant Period;

APPENDIX B – ADDITIONAL GENERAL INFORMATION

- (d) save as disclosed below and in this Circular, none of the Directors has any direct or deemed interests in any Company Securities:

Interests in Shares

Name	Direct Interest		Deemed Interest	
	No. of Shares	% ⁽¹⁾	No. of Shares	% ⁽¹⁾
Mrs. Kao Ching Fong nee Pan ⁽²⁾	34,560,576	10.10	87,427,527	25.56
Mr. Kao Chuan Chi ⁽³⁾	15,393,508	4.50	87,427,528	25.56
Mr. Kao Chuan Trong ⁽⁴⁾	14,643,200	4.28	87,427,528	25.56
Mr. Gui Kim Young @ Gui Kim Gan ⁽⁵⁾	1,300,000	0.38	1,900,000	0.56
Mr. Chuang Wen Fu	6,146,944	1.80	–	–

Note:

- (1) Calculated based on a total of 342,024,763 issued shares of the Offeror (excluding treasury Shares) as at the Latest Practicable Date and rounded to the nearest two decimal places.
 - (2) Mrs. Kao Ching Fong nee Pan is deemed to have interest in: 68,838,140 Shares held by STX by virtue of her 25%, direct and indirect, shareholding interest in STX; and 18,589,387 Shares held by the Estate by virtue of her beneficial interest in those Shares.
 - (3) Mr. Kao Chuan Chi is deemed to have interest in: 68,838,140 Shares held by STX by virtue of his 25%, direct and indirect, shareholding interest in STX; and 18,589,388 Shares held by the Estate by virtue of his beneficial interest in those Shares.
 - (4) Mr. Kao Chuan Trong is deemed to have interest in: 68,838,140 Shares held by STX by virtue of his 25%, direct and indirect, shareholding interest in STX; and 18,589,388 Shares held by the Estate by virtue of his beneficial interest in those Shares.
 - (5) Mr. Gui Kim Young @ Gui Kim Gan is deemed to have interest in: 1,300,000 Shares held by him through Phillip Securities Pte Ltd; and 600,000 Shares held by Weishi Investment Pte Ltd by virtue of his 30% shareholding interest in Weishi Investment Pte Ltd.
- (e) none of the Directors has dealt for value in any Company Securities during the Relevant Period.

7.2 Directors' intentions in relation to the Offer

The following Directors who have direct or deemed interests in the Shares have informed the Company of their intentions in respect of the Offer as follows:

- (a) Mrs. Kao Ching Fong nee Pan;
- (b) Mr. Kao Chuan Chi; and
- (c) Mr. Kao Chuan Trong,

have each given an Irrevocable Undertaking to, *inter alia*, accept or procure the acceptance of the Offer in respect of all the Shares held by him/her or which he/she is deemed interested in, on the third Business Day after (i) the date of despatch of the Offer Document and (ii) the date of any acquisition of additional Shares (as the case may be), and had so accepted the Offer on 1 October 2019. Transfer of the said Shares pursuant to the foregoing has yet to be completed as at the Latest Practicable Date.

As at the Latest Practicable Date, each of the Independent Directors who has an interest in the Shares, being Mr. Gui Kim Young @ Gui Kim Gan and Mr. Chuang Wen Fu, has informed the Company that he intends to accept the Offer in respect of all the Shares held directly by him or for which he is deemed interested in.

APPENDIX B – ADDITIONAL GENERAL INFORMATION

7.3 Directors' service contracts

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

7.4 Arrangements affecting directors

As at the Latest Practicable Date:

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

8. DISCLOSURE OF INTERESTS OF THE INDEPENDENT FINANCIAL ADVISER

None of the IFA or any of the funds whose investments are managed by the IFA on a discretionary basis, owns or controls any Company Securities as at the Latest Practicable Date, or has dealt with any Company Securities during the Relevant Period.

9. MATERIAL CONTRACTS WITH INTERESTED PERSONS

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

10. MATERIAL LITIGATION

As at the Latest Practicable Date:

- (a) save for the ongoing arbitration proceeding between the Group's Nantong hotel and its previous lessee for the hotel building, as disclosed in the Company's annual report for FY2018 which is available for inspection at the registered address of the Company at 701 Sims Drive #06-01, LHK Building, Singapore 387383 during normal business hours until the Closing Date, neither the Company nor any of its subsidiaries is engaged in any material litigation or arbitration proceedings, as plaintiff or defendant, which might materially and adversely affect the financial position of the Company and its subsidiaries taken as a whole; and
- (b) save as disclosed above, the Directors are not aware of any litigation, claim or proceeding pending or threatened against the Company or any of its subsidiaries or of any fact likely to give rise to any proceeding which might materially and adversely affect the financial position of the Company and its subsidiaries taken as a whole.

APPENDIX C – ADDITIONAL INFORMATION ON THE OFFEROR

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

“APPENDIX C – ADDITIONAL INFORMATION ON THE OFFEROR

1 DIRECTORS OF THE OFFEROR

The name, address and description of the Offeror Board as at the Latest Practicable Date is as follows:

Name	Address	Description
Mrs. Kao Ching Fong nee Pan	701 Sims Drive, #06-01 LHK Building, Singapore 387383	Director
Mr. Kao Chuan Chi	701 Sims Drive, #06-01 LHK Building, Singapore 387383	Director
Mr. Kao Chuan Trong	701 Sims Drive, #06-01 LHK Building, Singapore 387383	Director
Ms. Kao Hsien Yuan	701 Sims Drive, #06-01 LHK Building, Singapore 387383	Director

2 PRINCIPAL ACTIVITIES OF THE OFFEROR

The Offeror is a private company limited by shares incorporated in Singapore on 27 July 2011, and its principal activity is investment holding.

3 SHARE CAPITAL OF THE OFFEROR

As at the Latest Practicable Date, the Offeror has an issued and paid-up share capital of S\$100,000 comprising 100,000 ordinary shares, and the Kao Family collectively owns all the issued shares in the Offeror in approximately the following proportion:

Shareholder of the Offeror	Proportion of the total shares in the Offeror
Mrs. Kao	44.80%
KCC	20.67%
KCT	20.67%
KHY	13.86%

4 REGISTERED OFFICE OF THE OFFEROR

The registered office of the Offeror is 701 Sims Drive, #06-01 LHK Building, Singapore 387383.

5 FINANCIAL SUMMARY OF THE OFFEROR

The Offeror is an exempt private company that is a small company (as defined in the Companies Act) and does not have any published audited accounts. The SIC has ruled that the Offeror is not required to disclose in this Offer Document the information required under Rule 23.4(c) to (h) of the Code.”

APPENDIX D – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR FY2018

The audited consolidated financial statements of the Group for FY2018 which are set out below have been reproduced from the Company's annual report for FY2018, 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 FY2018 set out below shall have the same meanings given to them in the annual report of the Company for FY2018.

A copy of the annual report of the Company for FY2018 is available for inspection at the registered address of the Company at 701 Sims Drive #06-01, LHK Building, Singapore 387383, during normal business hours until the Closing Date.

APPENDIX D – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR FY2018

STATEMENT BY DIRECTORS

The directors are pleased to present the accompanying consolidated financial statements of San Teh Ltd (the “Company”) and its subsidiaries (the “Group”) and the statement of financial position and statement of changes in equity of the Company for the reporting year ended 31 December 2018.

1. Opinion of the directors

In the opinion of the directors:

- (a) The consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2018 and of the financial performance, changes in equity and cash flows of the Group and changes in equity of the Company for the year ended on that date; and
- (b) At the date of the statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

The board of directors approved and authorised these financial statements for issue.

2. Directors

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

- Kao Chuan Chi (Executive Chairman)
- Kao Chuan Trong
- Kao Ching Fong nee Pan
- Gui Kim Young @ Gui Kim Gan
- Chuang Wen Fu
- Ko Chuan Aun

3. Directors’ interests in shares and debentures

The directors of the Company holding office at the end of the reporting year were not interested in shares in or debentures of the Company or other related body corporate as recorded in the register of directors’ shareholdings kept by the Company under section 164 of the Companies Act, Chapter 50 (the “Act”) except as follows:

	Direct interest		Deemed interest	
	At beginning of reporting year	At end of reporting year	At beginning of reporting year	At end of reporting year
Company				
Kao Ching Fong nee Pan	33,672,176	34,560,576	87,427,527	87,427,527
Kao Chuan Chi	–	–	102,821,036	102,821,036
Kao Chuan Trong	–	–	102,070,728	102,070,728
Gui Kim Young @ Gui Kim Gan	1,100,000	1,300,000	1,900,000	1,900,000
Chuang Wen Fu	6,146,944	6,146,944	–	–

By virtue of section 7 of the Act, Mrs. Kao Ching Fong nee Pan, Mr. Kao Chuan Chi and Mr. Kao Chuan Trong are deemed to have interests in all the related corporations of the Company.

The directors’ interests as at 21 January 2019 were the same as those at the end of the reporting year.

APPENDIX D – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR FY2018

STATEMENT BY DIRECTORS

4. Arrangements to enable directors to acquire benefits by means of acquisition of shares and debentures

Neither at the end of nor at any time during the reporting year did there subsist arrangements to which the Company is a party, being arrangements whose objects are, or one of whose objects is, to enable 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.

5. Share options

During the reporting year, no option to take up unissued shares of the Company or any subsidiary was granted.

During the reporting year, there were no shares of the Company or any subsidiary issued by virtue of the exercise of an option to take up unissued shares.

At the end of the reporting year, there were no unissued shares of the Company or any subsidiary under option.

6. Audit committee

The members of the Audit Committee ("AC") at the date of this statement are:

- Gui Kim Young @ Gui Kim Gan (Chairman)
- Chuang Wen Fu
- Ko Chuan Aun

All members of the AC are non-executive directors and are independent.

The AC performs the functions specified by section 201B(5) of the Act. Among other functions, it performed the following:

- Reviewed with the independent auditor their audit plan;
- Reviewed with the independent auditor their evaluation of the Company's internal accounting controls relevant to their statutory audit, and their report on the financial statements and the assistance given by management to them;
- Reviewed the quarterly and annual financial statements and the independent auditor's report on the annual financial statements of the Group and Company before their submission to the board of directors for adoption;
- Reviewed the effectiveness of the Group's material internal controls, including financial, operational and compliance controls and risk management through reviews carried out by the internal auditor;
- Met with the independent auditor, other committees and management in separate executive sessions to discuss any matters that these parties believe should be discussed privately with the AC;
- Reviewed legal and regulatory matters that may have a material impact on the financial statements, related compliance policies and programmes and any reports received from regulators;
- Reviewed the cost effectiveness and the independence and objectivity of the independent auditor;
- Reported actions and minutes of the AC to the board of directors with such recommendations as the AC considered appropriate; and
- Reviewed interested person transactions in accordance with the requirements of the Singapore Exchange Securities Trading Limited's Listing Manual.

APPENDIX D – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR FY2018

STATEMENT BY DIRECTORS

6. Audit committee (cont'd)

Other functions performed by the AC are described in the Corporate Governance Report included in the annual report. It also includes an explanation of how independent auditor objectivity and independence are safeguarded where the independent auditor provides non-audit services, if any.

The AC has recommended to the board of directors that the independent auditor, RSM Chio Lim LLP, be nominated for re-appointment as independent auditor at the next Annual General Meeting of the Company.

7. Independent auditor

RSM Chio Lim LLP has expressed willingness to accept re-appointment.

8. Directors' opinion on the adequacy of internal controls

Based on the internal controls established and maintained by the Company, work performed by the independent auditor, and reviews performed by management, other committees of the board and the board, the AC and the board are of the opinion that the Company's internal controls, addressing financial, operational and compliance risks, are adequate as at the end of the reporting year 31 December 2018.

9. Subsequent developments

There are no significant developments subsequent to the release of the Group's and the Company's preliminary financial statements, as announced on 28 February 2019, which would materially affect the Group's and the Company's operating and financial performance as of the date of this report.

On behalf of the directors

Kao Chuan Chi
Director

19 March 2019

Kao Chuan Trong
Director

APPENDIX D – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR FY2018

INDEPENDENT AUDITOR'S REPORT

To the Members of San Teh Ltd

Report on the audit of the financial statements

Opinion

We have audited the financial statements of San Teh Ltd (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 31 December 2018, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group and the statement of changes in equity of the Company for the year then ended, and notes to the financial statements, including significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements of the Group and the statement of financial position and the statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards (International) ("SFRS(I)") 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 2018 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and changes in equity of the Company for the 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 period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

(a) Assessment of impairment of property, plant and equipment and investment properties

Please refer to note 2A on the relevant accounting policies, note 2C on critical judgements, assumptions and estimation uncertainties, and notes 12 and 13 on property, plant and equipment and investment properties, respectively.

The Group owns a number of properties in the People's Republic of China ("PRC"), including hotels, apartments, commercial and office buildings and shopping malls (the "Properties"). The Properties are classified either as property, plant and equipment or investment properties, depending on the usage. The Properties are stated at cost less accumulated depreciation and impairment, and the carrying amount as at 31 December 2018 represents a significant portion of the Group's total assets.

Certain PRC subsidiaries that hold these Properties incurred losses during the year ended 31 December 2018 and, consequently, show indications of impairment. Management performed an impairment assessment of the Properties by comparing the carrying amounts with the recoverable amounts. The recoverable amounts are estimated based on fair value less costs of disposal. To this end, management has engaged an external valuer to perform an independent valuation of the Properties.

As part of our audit procedures, we evaluated the independence, objectivity and competency of the external valuer and read their terms of engagement to check whether there are matters that might have affected the scope of their work and their objectivity.

In addition, using our internal valuation specialists, the audit team also assessed the valuation methodologies used by the external valuer.

APPENDIX D – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR FY2018

INDEPENDENT AUDITOR'S REPORT

To the Members of San Teh Ltd

Key audit matters (cont'd)

(a) Assessment of impairment of property, plant and equipment and investment properties (cont'd)

Where the income approach was used, the audit team tested the integrity of inputs of the projected cash flows used. The audit team also challenged the growth rates and discount rates used in the computations by comparing them against historical rates and available industry data, taking into consideration comparability and market factors. Where the rates were outside the expected range, the audit team undertook further procedures to understand the effect of additional factors and, when necessary, held further discussions with management.

Where the direct comparison approach was used, the audit team reviewed the reasonableness of comparable sales prices of similar properties in the vicinity used by the external valuer.

(b) Assessment of net realisable value of properties under development

Please refer to note 2A on the relevant accounting policy, note 2C on critical judgements, assumptions and estimation uncertainties, and note 14 on properties under development.

The Group has properties under development in the PRC. These properties under development are measured at the lower of cost and estimated net realisable value, and the carrying amount as at 31 December 2018 represents a significant portion of the Group's total assets.

As set out in note 24, the construction of these properties had been put on hold as the Group was involved in a legal proceeding with the main contractor responsible for the project. Whilst the case has now been concluded, construction has not yet resumed because management has decided to perform a review of the original development plan. Consequently, there is a risk that the carrying amount of the properties under development may not be recovered as a result of these delays and/or review.

Management has engaged an external valuer to perform an independent valuation of the two land parcels classified as properties under development. As part of our audit procedures, we evaluated the independence, objectivity and competency of the external valuer and read their terms of engagement to check whether there are matters that might have affected the scope of their work and their objectivity.

In addition, using our internal valuation specialists, the audit team also assessed the valuation methodologies used by the external valuer. The audit team also researched on the benchmark price of land issued by the relevant local government authorities and performed an independent computation of the fair value of the land parcels. In addition, the audit team also discussed the various options currently being evaluated by management as part of the aforesaid review and critically assessed the net realisable value estimated by management under each option.

(c) Assessment of impairment of trade receivables

Please refer to note 2A on the relevant accounting policy, note 2C on critical judgements, assumptions and estimation uncertainties, and note 20 on trade and other receivables.

On 1 January 2018, the Group adopted SFRS(I) 9 *Financial Instruments*. Under the new impairment model set out in SFRS(I) 9, credit losses are recognised on an expected credit loss ("ECL") basis.

The ECLs are recognised from initial recognition of the trade receivables and, accordingly, requires management to develop new methodologies involving the use of significant judgements. In estimating the ECLs, the Group developed a matrix that took into account historical credit loss experience for trade receivables and, where relevant, incorporated forward-looking information that reflect management's view of potential future economic conditions.

We have reviewed the allowance matrix developed by the Group and assessed management's assumptions and estimates, in particular, the historical observed default rates of trade receivables grouped based on shared credit risk characteristics and those relating to forward-looking information (if any). In addition, we have also assessed the adequacy of the loss allowance recorded as at end of the reporting year and the disclosures made in the financial statements.

APPENDIX D – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR FY2018

INDEPENDENT AUDITOR'S REPORT

To the Members of San Teh Ltd

Other information

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

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

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

Responsibilities of management and directors for the financial statements

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

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

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

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.

APPENDIX D – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR FY2018

INDEPENDENT AUDITOR'S REPORT

To the Members of San Teh Ltd

Auditor's responsibilities for the audit of the financial statements (cont'd)

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

Report on other legal and regulatory requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this independent auditor's report is Adrian Tan Khai-Chung.

RSM Chio Lim LLP
Public Accountants and
Chartered Accountants
Singapore

19 March 2019

Engagement partner – effective from year ended 31 December 2016

**APPENDIX D – AUDITED CONSOLIDATED FINANCIAL STATEMENTS
OF THE GROUP FOR FY2018**

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the financial year ended 31 December 2018

		Group	
	Note	2018 \$'000	2017 \$'000
Revenue	4	16,782	18,526
Cost of sales		(13,836)	(17,509)
Gross profit		2,946	1,017
Gain from investments	5	1,419	5,173
Other operating income	6	1,082	1,476
Administrative expenses		(11,891)	(7,516)
Distribution costs		(380)	(481)
Finance costs		(42)	(56)
Foreign exchange losses		(665)	(1,386)
Other operating expenses	7	(1,505)	(1,100)
Share of results of associate		(78)	(75)
Loss before income tax	9	(9,114)	(2,948)
Income tax expense	10	(79)	(868)
Loss for the year		(9,193)	(3,816)
Other comprehensive (loss)/income			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Exchange differences on translating foreign operations, net of tax		(3,067)	(2,433)
Net fair value gain on available-for-sale financial assets		–	2,022
Net fair value changes on available-for-sale financial assets reclassified to profit or loss		–	(1,788)
Other comprehensive loss for the year, net of tax		(3,067)	(2,199)
Total comprehensive loss for the year		(12,260)	(6,015)
Loss attributable to owners of the Company		(9,025)	(4,007)
(Loss)/profit attributable to non-controlling interests		(168)	191
Loss for the year		(9,193)	(3,816)
Total comprehensive loss attributable to owners of the Company		(11,938)	(6,057)
Total comprehensive (loss)/income attributable to non-controlling interests		(322)	42
Total comprehensive loss for the year		(12,260)	(6,015)
Loss per share (cents)			
Basic	11	(2.64)	(1.17)
Diluted	11	(2.64)	(1.17)

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

**APPENDIX D – AUDITED CONSOLIDATED FINANCIAL STATEMENTS
OF THE GROUP FOR FY2018**

STATEMENTS OF FINANCIAL POSITION

As at 31 December 2018

	Note	31 Dec 2018 \$'000	Group 31 Dec 2017 \$'000	1 Jan 2017 \$'000
ASSETS				
Non-current assets				
Property, plant and equipment	12	41,380	30,592	19,437
Investment properties	13	56,258	59,027	69,456
Properties under development	14	31,081	32,913	33,501
Investment in associate	16	198	280	361
Other financial assets, non-current	17	2,249	3,514	6,717
Land use rights	18	8,457	8,989	9,472
Deferred tax assets	10	–	–	168
Total non-current assets		139,623	135,315	139,112
Current assets				
Inventories	19	2,627	2,136	3,491
Prepayments		645	679	400
Trade and other receivables	20	13,301	15,689	22,670
Other financial assets, current	17	9,894	12,328	11,537
Cash and cash equivalents	21	25,434	48,211	43,937
Total current assets		51,901	79,043	82,035
Total assets		191,524	214,358	221,147
LIABILITIES AND EQUITY				
Current liabilities				
Trade and other payables	22	12,138	15,050	14,150
Income tax payable		50	266	271
Other financial liabilities	23	–	1,843	1,329
Provision for litigation	24	69	1,475	1,394
Total current liabilities		12,257	18,634	17,144
Net current assets		39,644	60,409	64,891
Non-current liabilities				
Provision for retirement benefits	25	586	527	468
Total liabilities		12,843	19,161	17,612
Net assets		178,681	195,197	203,535
Equity attributable to owners of the Company				
Share capital	26	71,856	71,856	71,856
Treasury shares	26	(1,929)	(1,929)	(1,929)
Other reserves	27	5,067	8,474	10,524
Retained earnings		101,558	109,834	114,867
		176,552	188,235	195,318
Non-controlling interests		2,129	6,962	8,217
Total equity		178,681	195,197	203,535
Total equity and liabilities		191,524	214,358	221,147

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

APPENDIX D – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR FY2018

STATEMENTS OF FINANCIAL POSITION

As at 31 December 2018

		Company		
	Note	31 Dec 2018 \$'000	31 Dec 2017 \$'000	1 Jan 2017 \$'000
ASSETS				
Non-current assets				
Property, plant and equipment	12	1,160	1,237	1,314
Investment properties	13	860	887	914
Investments in subsidiaries	15	148,623	162,157	162,157
Other financial assets, non-current	17	–	2,489	5,674
Other receivables	20	4,387	4,282	–
Total non-current assets		155,030	171,052	170,059
Current assets				
Prepayments		23	24	23
Trade and other receivables	20	21,320	32,045	37,563
Other financial assets, current	17	9,894	12,328	7,057
Cash and cash equivalents	21	14,458	13,057	11,110
Total current assets		45,695	57,454	55,753
Total assets		200,725	228,506	225,812
LIABILITIES AND EQUITY				
Current liabilities				
Trade and other payables	22	348	349	381
Income tax payable		18	102	84
Total current liabilities		366	451	465
Net current assets		45,329	57,003	55,288
Non-current liabilities				
Provision for retirement benefits	25	586	527	468
Total liabilities		952	978	933
Net assets		199,773	227,528	224,879
Equity attributable to owners of the Company				
Share capital	26	71,856	71,856	71,856
Treasury shares	26	(1,929)	(1,929)	(1,929)
Other reserves	27	–	1,239	1,005
Retained earnings		129,846	156,362	153,947
Total equity		199,773	227,528	224,879
Total equity and liabilities		200,725	228,506	225,812

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

APPENDIX D – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR FY2018

STATEMENTS OF CHANGES IN EQUITY

For the financial year ended 31 December 2018

	Note	Attributable to owners of the Company								Non-controlling interests	Total equity
		Share capital	Treasury shares	Fair value adjustment reserve	Foreign currency translation reserve	Statutory reserve	Capital reserve	Retained earnings	Total		
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Group											
At 1 January 2017		71,856	(1,929)	1,005	8,361	1,110	48	114,867	195,318	8,217	203,535
Net (loss)/profit for the year		–	–	–	–	–	–	(4,007)	(4,007)	191	(3,816)
Other comprehensive (loss)/income for the year											
Currency translation differences		–	–	–	(2,284)	–	–	–	(2,284)	(149)	(2,433)
Net fair value gain on available-for-sale financial assets		–	–	2,022	–	–	–	–	2,022	–	2,022
Net fair value changes on available-for-sale financial assets reclassified to profit or loss		–	–	(1,788)	–	–	–	–	(1,788)	–	(1,788)
Total comprehensive income/(loss) for the year		–	–	234	(2,284)	–	–	(4,007)	(6,057)	42	(6,015)
Dividends paid	28	–	–	–	–	–	–	(1,026)	(1,026)	(1,297)	(2,323)
At 31 December 2017 and 1 January 2018		71,856	(1,929)	1,239	6,077	1,110	48	109,834	188,235	6,962	195,197
Adoption of SFRS(I) 9 (note 34)		–	–	(1,239)	–	–	–	2,520	1,281	–	1,281
At 1 January 2018, as adjusted		71,856	(1,929)	–	6,077	1,110	48	112,354	189,516	6,962	196,478
Net loss for the year		–	–	–	–	–	–	(9,025)	(9,025)	(168)	(9,193)
Other comprehensive loss for the year											
Currency translation differences		–	–	–	(2,913)	–	–	–	(2,913)	(154)	(3,067)
Total comprehensive loss for the year		–	–	–	(2,913)	–	–	(9,025)	(11,938)	(322)	(12,260)
Transfers to statutory reserve		–	–	–	–	745	–	(745)	–	–	–
Distributions to non-controlling interests pursuant to capital reduction of subsidiary		–	–	–	–	–	–	–	–	(4,511)	(4,511)
Dividends paid	28	–	–	–	–	–	–	(1,026)	(1,026)	–	(1,026)
At 31 December 2018		71,856	(1,929)	–	3,164	1,855	48	101,558	176,552	2,129	178,681

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

APPENDIX D – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR FY2018

STATEMENTS OF CHANGES IN EQUITY

For the financial year ended 31 December 2018

	Note	Share capital \$'000	Treasury shares \$'000	Fair value adjustment reserve \$'000	Retained earnings \$'000	Total equity \$'000
Company						
At 1 January 2017		71,856	(1,929)	1,005	153,947	224,879
Net profit for the year		–	–	–	3,441	3,441
Other comprehensive income/(loss) for the year						
Net fair value gain on available-for-sale financial assets		–	–	2,022	–	2,022
Net fair value changes on available-for- sale financial assets reclassified to profit or loss		–	–	(1,788)	–	(1,788)
Total comprehensive income for the year		–	–	234	3,441	3,675
Dividends paid	28	–	–	–	(1,026)	(1,026)
At 31 December 2017 and 1 January 2018		71,856	(1,929)	1,239	156,362	227,528
Adoption of SFRS(I) 9 (note 34)		–	–	(1,239)	1,239	–
At 1 January 2018, as adjusted		71,856	(1,929)	–	157,601	227,528
Net loss for the year		–	–	–	(26,729)	(26,729)
Total comprehensive loss for the year		–	–	–	(26,729)	(26,729)
Dividends paid	28	–	–	–	(1,026)	(1,026)
At 31 December 2018		71,856	(1,929)	–	129,846	199,773

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

**APPENDIX D – AUDITED CONSOLIDATED FINANCIAL STATEMENTS
OF THE GROUP FOR FY2018**

CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial year ended 31 December 2018

	Group	
	2018	2017
	\$'000	\$'000
Cash flows from operating activities		
Loss before income tax	(9,114)	(2,948)
Adjustments for:		
Amortisation of land use rights	312	320
Depreciation of property, plant and equipment	1,600	1,278
Depreciation of investment properties	2,004	2,344
Reversal of impairment loss on property, plant and equipment	(244)	–
Gain on disposal of property, plant and equipment	(106)	–
Loss on disposal of property, plant and equipment	89	301
Property, plant and equipment written-off	37	60
Dividend income from other financial assets	(330)	(305)
Gain on disposal of other financial assets	(71)	(1,774)
Write-down of properties under development	2,562	–
Provision for retirement benefits	59	59
Provision for litigation	1,678	105
Share of results of associate	78	75
Unrealised foreign exchange losses	62	782
Interest income	(1,076)	(1,430)
Interest expense	42	56
Total adjustments	6,696	1,871
Operating cash flows before changes in working capital	(2,418)	(1,077)
Trade and other receivables and prepayments	(183)	5,783
Inventories	(569)	1,288
Trade and other payables	(4,179)	2,053
Other financial assets	1,011	(869)
Cash flows (used in)/from operations	(6,338)	7,178
Interest paid	(45)	(53)
Income taxes paid	(292)	(705)
Net cash (used in)/from operating activities	(6,675)	6,420
Cash flows from investing activities		
Interest received	1,219	1,696
Purchase of property, plant and equipment	(13,210)	(4,372)
Increase in investment properties	(660)	(1,874)
Proceeds from disposal of property, plant and equipment	322	31
Proceeds from disposal of other financial assets	3,980	5,194
Dividends received from other financial assets	330	305
Net cash (used in)/from investing activities	(8,019)	980
Cash flows from financing activities		
Proceeds from bank borrowings	–	1,843
Repayment of bank borrowings	(1,798)	(1,307)
Distributions to non-controlling interests pursuant to capital reduction of subsidiary	(4,511)	–
Dividends paid	(1,026)	(1,026)
Dividends paid to non-controlling interests by subsidiary	–	(1,297)
Net cash used in financing activities	(7,335)	(1,787)
Net (decrease)/increase in cash and cash equivalents	(22,029)	5,613
Cash and cash equivalents at beginning of year	48,211	43,937
Effects of exchange rate changes on cash and cash equivalents	(748)	(1,339)
Cash and cash equivalents at end of year (note 21)	25,434	48,211

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

APPENDIX D – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR FY2018

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

1. General

San Teh Ltd (the “Company”) is incorporated in Singapore with limited liability. The financial statements are presented in Singapore dollars (“SGD” or “\$”).

The board of directors approved and authorised these financial statements for issue on the date of the statement by directors.

The principal activity of the Company is that of investment holding.

The principal activities of the significant subsidiaries are set out in note 15 to the financial statements.

The registered office and principal place of business of the Company is located at 701 Sims Drive, #06-01 LHK Building, Singapore 387383.

The Company is listed on the Singapore Exchange Securities Trading Limited (“SGX-ST”).

Statement of compliance with financial reporting standards

These financial statements have been prepared in accordance with Singapore Financial Reporting Standards (International) (“SFRS(I)s”) and the related Interpretations to SFRS(I)s (“SFRS(I) INT”) as issued by the Singapore Accounting Standards Council. They are also in compliance with the provisions of the Companies Act, Chapter 50 (the “Act”).

Accounting convention

The financial statements are prepared on a going concern basis under the historical cost convention except where a financial reporting standard requires an alternative treatment (such as fair values) as disclosed where appropriate in these financial statements. The accounting policies in the financial reporting standards may not be applied when the effect of applying them is not material. The disclosures required by financial reporting standards may not be provided if the information resulting from that disclosure is not material.

Basis of preparation of financial statements

The preparation of financial statements in conformity with generally accepted accounting principles requires the management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting year. Actual results could differ from those estimates. The estimates and assumptions are reviewed on an ongoing basis. Apart from those involving estimations, management has made judgements in the process of applying the entity’s accounting policies. The areas requiring management’s most difficult, subjective or complex judgements, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 2C.

Basis of presentation

The consolidated financial statements include the financial statements made up to the end of the reporting year of the Company and its subsidiaries (the “Group”). The consolidated financial statements are the financial statements of the Group (the parent and its subsidiaries) presented as those of a single economic entity and are prepared using uniform accounting policies for like transactions and other events in similar circumstances. All significant intragroup balances and transactions are eliminated on consolidation. Subsidiaries are consolidated from the date the reporting entity obtains control of the investee and cease when the reporting entity loses control of the investee.

Changes in the Group’s ownership interest in a subsidiary that do not result in the loss of control are accounted for within equity as transactions with owners in their capacity as owners. The carrying amounts of the Group’s and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. When the Group loses control of a subsidiary it derecognises the assets and liabilities and related equity components of the former subsidiary. Any gain or loss is recognised in profit or loss. Any investment retained in the former subsidiary is measured at fair value at the date when control is lost and is subsequently accounted as fair value through profit or loss financial assets in accordance with SFRS(I) 9.

The Company’s financial statements have been prepared on the same basis and, as permitted by the Act, no statement of profit or loss and other comprehensive income is presented for the Company.

APPENDIX D – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR FY2018

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

2. Significant accounting policies and other explanatory information

2A. Significant accounting policies

Revenue recognition

The financial reporting standard on revenue from contracts with customers establishes a five-step model to account for revenue arising from contracts with customers. Revenue is recognised at an amount that reflects the consideration to which the entity expects to be entitled in exchange for transferring goods or services to a customer (which excludes estimates of variable consideration that are subject to constraints, such as right of return exists, trade discounts, volume rebates and changes to the transaction price arising from modifications), net of any related sales taxes and excluding any amounts collected on behalf of third parties. An asset (goods or services) is transferred when or as the customer obtains control of that asset. As a practical expedient the effects of any significant financing component is not adjusted if the payment for the good or service will be within one year.

Sale of goods

Revenue is recognised at a point in time when the performance obligation is satisfied by transferring a promised good or service to the customer. Control of the goods is transferred to the customer generally on delivery of the goods (in this respect, incoterms are considered).

Provision of services

Revenue from service orders and term projects is recognised when the entity satisfies the performance obligation at a point in time generally when the significant acts have been completed and when transfer of control occurs or, for services that are not significant transactions, revenue is recognised as the services are provided.

Sale of development properties

The Group develops and sells residential and commercial projects to customers. Revenue is recognised when the control over a project has been transferred to the customer. At contract inception, the Group assesses whether the Group transfers control of a project over time or at a point in time by determining if (a) its performance does not create an asset with an alternative use to the Group; and (b) the Group has an enforceable right to payment for performance completed to date.

If a project has no alternative use for the Group due to contractual restriction, and the Group has enforceable rights to payment arising from the contractual terms, revenue is recognised over time by reference to the Group's progress towards completing the construction of the project. The measure of progress is determined based on the proportion of contract costs incurred to date to the estimated total contract costs. Costs incurred that are not related to the contract or that do not contribute towards satisfying a performance obligation are excluded from the measure of progress and instead are expensed as incurred.

For projects where the Group does not have enforceable right to payment, revenue is recognised only when the completed residential project is delivered to the customers and the customers have accepted it in accordance with the sales contract.

Revenue is measured at the transaction price agreed under the contract. Estimates of revenues, costs or extent of progress toward completion are revised if circumstances change. Any resulting increases or decreases in estimated revenues or costs are reflected in the profit or loss in the period in which the circumstances that give rise to the revision become known by management.

For costs incurred in fulfilling the contract, the Group will capitalise these as contract costs assets only if (a) these cost relate directly to a contract or an anticipated contract which the Group can specifically identify; (b) these cost generate or enhance resources of the Group that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and (c) these costs are expected to be recovered. Otherwise, such costs are recognised as an expense immediately.

Capitalised contract costs are subsequently amortised on a systematic basis as the Group recognises the related revenue over time. An impairment loss is recognised in the profit or loss to the extent that the carrying amount of capitalised contract costs exceeds the expected remaining consideration less any directly related costs not yet recognised as expenses.

APPENDIX D – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR FY2018

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

2. Significant accounting policies and other explanatory information (cont'd)

2A. Significant accounting policies (cont'd)

Rental income

Rental income is recognised on a time-proportion basis that takes into account the effective yield on the asset on a straight-line basis over the lease term.

Other income

Interest income is recognised using the effective interest method.

Dividend from equity instruments is recognised in profit or loss only when the entity's right to receive payment of the dividend is established; it is probable that the economic benefits associated with the dividend will flow to the entity; and the amount of the dividend can be measured reliably.

Employee benefits

Contributions to a defined contribution retirement benefit plan are recorded as an expense as they fall due. The entity's legal or constructive obligation is limited to the amount that it is obligated to contribute to an independently administered fund (such as the Central Provident Fund in Singapore, a government managed defined contribution retirement benefit plan).

For employee leave entitlement, the expected cost of short-term employee benefits in the form of compensated absences is recognised in the case of accumulating compensated absences; when the employees render service that increases their entitlement to future compensated absences, and in the case of non-accumulating compensated absences, when the absences occur. A liability for bonuses is recognised where the entity is contractually obliged or where there is constructive obligation based on past practice.

Pursuant to the relevant regulations of the People's Republic of China ("PRC"), the subsidiaries in the PRC have participated in local municipal government social insurance whereby these subsidiaries are required to contribute a certain percentage of the basic salaries of its employees to the social insurance to fund their retirement, medical, unemployment and other benefits. The local municipal government undertakes to assume the social insurance obligations of these employees of the Group.

Borrowings

Borrowing costs are interest and other costs incurred in connection with the borrowing of funds. Interest expense is calculated using the effective interest rate method. Borrowing costs are recognised as an expense in the period in which they are incurred except that borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset that necessarily take a substantial period of time to get ready for their intended use or sale are capitalised as part of the cost of that asset until substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

Foreign currency transactions

The functional currency of the Company is the SGD as it reflects the primary economic environment in which the entity operates. Transactions in foreign currencies are recorded in the functional currency at the rates ruling at the dates of the transactions. At each end of the reporting year, recorded monetary balances and balances measured at fair value that are denominated in non-functional currencies are reported at the rates ruling at the end of the reporting year and fair value measurement dates respectively. All realised and unrealised exchange adjustment gains and losses are dealt with in profit or loss except when a gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss is recognised in other comprehensive income. The presentation is in the functional currency.

APPENDIX D – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR FY2018

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

2. Significant accounting policies and other explanatory information (cont'd)

2A. Significant accounting policies (cont'd)

Translation of financial statements of other entities

Each entity in the Group determines the appropriate functional currency as it reflects the primary economic environment in which the relevant reporting entity operates. In translating the financial statements of such an entity for incorporation in the consolidated financial statements in the presentation currency, the assets and liabilities denominated in other currencies are translated at end of the reporting year rates of exchange and the income and expense items for each statement presenting profit or loss and other comprehensive income are translated at average rates of exchange for the reporting year. The resulting translation adjustments (if any) are recognised in other comprehensive income and accumulated in a separate component of equity until the disposal of that relevant reporting entity.

Income tax

The income taxes are accounted using the asset and liability method that requires the recognition of taxes payable or refundable for the current year and deferred tax liabilities and assets for the future tax consequence of events that have been recognised in the financial statements or tax returns. The measurements of current and deferred tax liabilities and assets are based on provisions of the enacted or substantially enacted tax laws; the effects of future changes in tax laws or rates are not anticipated. Tax expense (tax income) is the aggregate amount included in the determination of profit or loss for the reporting year in respect of current tax and deferred tax. Current and deferred income taxes are recognised as income or as an expense in profit or loss unless the tax relates to items that are recognised in the same or a different period outside profit or loss. For such items recognised outside profit or loss the current tax and deferred tax are recognised (a) in other comprehensive income if the tax is related to an item recognised in other comprehensive income; and (b) directly in equity if the tax is related to an item recognised directly in equity. Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same income tax authority.

The carrying amount of deferred tax assets is reviewed at each end of the reporting year and is reduced, if necessary, by the amount of any tax benefits that, based on available evidence, are not expected to be realised. A deferred tax amount is recognised for all temporary differences, unless the deferred tax amount arises from the initial recognition of an asset or liability in a transaction which (i) is not a business combination; and (ii) at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss). A deferred tax liability or asset is recognised for all taxable temporary differences associated with investments in subsidiaries, except where the reporting entity is able to control the timing of the reversal of the taxable temporary difference and it is probable that the taxable temporary difference will not reverse in the foreseeable future or for deductible temporary differences, they will not reverse in the foreseeable future and they cannot be utilised against taxable profits.

Property, plant and equipment

Depreciation is provided on a straight-line basis to allocate the gross carrying amounts of the assets less their residual values over their estimated useful lives of each part of an item of these assets. The annual rates of depreciation are as follows:

Freehold properties	–	2%
Leasehold buildings	–	2.5% – 20%
Plant and machinery	–	3.3% – 20%
Motor vehicles	–	10% – 20%
Furniture, fittings and equipment	–	5% – 20%

An asset is depreciated when it is available for use until it is derecognised even if during that period the item is idle. Fully depreciated assets still in use are retained in the financial statements.

APPENDIX D – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR FY2018

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

2. Significant accounting policies and other explanatory information (cont'd)

2A. Significant accounting policies (cont'd)

Property, plant and equipment (cont'd)

Property, plant and equipment are carried at cost on initial recognition and after initial recognition at cost less any accumulated depreciation and any accumulated impairment losses. The gain or loss arising from the derecognition of an item of property, plant and equipment is measured as the difference between the net disposal proceeds, if any, and the carrying amount of the item and is recognised in profit or loss. The residual value and the useful life of an asset is reviewed at each end of the reporting year and, if expectations differ significantly from previous estimates, the changes are accounted for as a change in an accounting estimate, and the depreciation charge for the current and future periods are adjusted.

Cost also includes acquisition cost, borrowing cost capitalised and any cost directly attributable to bringing the asset or component to the location and condition necessary for it to be capable of operating in the manner intended by management. Subsequent costs are recognised as an 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 repairs and maintenance are charged to profit or loss when they are incurred.

Land use rights

Land use rights are initially measured at cost. Following initial recognition, land use rights are measured at cost less accumulated amortisation and accumulated impairment losses. The land use rights are amortised over the remaining lease terms. The annual rate of amortisation is as follows:

Land use rights – 2.1% – 3%

Investment properties

Investment properties are properties (building or part of a building) owned or held under a finance lease to earn rentals or for capital appreciation or both, rather than for use in the production or supply of goods or services or for administrative purposes or sale in the ordinary course of business. After initial recognition at cost including transaction costs the cost model is used to measure the investment properties using the treatment for property, plant and equipment, that is, at cost less any accumulated depreciation and any accumulated impairment losses. An investment property that meets the criteria to be classified as held for sale is carried at the lower of carrying amount and fair value. For disclosure purposes only, the fair values are measured periodically on a systematic basis at least once yearly by manager or external independent valuers having an appropriate recognised professional qualification and recent experience in the location and category of the property being valued. The annual rate of depreciation is as follows:

Investment properties – 2% – 2.8%

Properties under development

Properties under development includes properties being constructed or developed for future use as residential and shop units. The properties are carried at cost less any accumulated impairment losses until construction or development is completed, at which time the properties will be transferred and be accounted for as inventories and investment properties. Cost capitalised include cost of land and other directly related development expenditure. Properties under development are not depreciated.

APPENDIX D – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR FY2018

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

2. Significant accounting policies and other explanatory information (cont'd)

2A. Significant accounting policies (cont'd)

Leases

Whether an arrangement is, or contains, a lease, it is based on the substance of the arrangement at the inception date, that is, whether (a) fulfilment of the arrangement is dependent on the use of a specific asset or assets (the "asset"); and (b) the arrangement conveys a right to use the asset. Leases are classified as finance leases if substantially all the risks and rewards of ownership are transferred to the lessee. All other leases are classified as operating leases. At the commencement of the lease term, a finance lease is recognised as an asset and as a liability in the statement of financial position at amounts equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments, each measured at the inception of the lease. The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease, if this is practicable to determine, the lessee's incremental borrowing rate is used. Any initial direct costs of the lessee are added to the amount recognised as an asset. The excess of the lease payments over the recorded lease liability are treated as finance charges which are allocated to each reporting year during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent rents are charged as expenses in the reporting years in which they are incurred. The assets are depreciated as owned depreciable assets.

Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased assets are classified as operating leases. For operating leases, lease payments are recognised as an expense in profit or loss on a straight-line basis over the term of the relevant lease unless another systematic basis is representative of the time pattern of the user's benefit, even if the payments are not on that basis. Lease incentives received are recognised in profit or loss as an integral part of the total lease expense. Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease unless another systematic basis is representative of the time pattern of the user's benefit, even if the payments are not on that basis. Initial direct cost incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

Inventories

Inventories are measured at the lower of cost (weighted average method) and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. A write down on cost is made where the cost is not recoverable or if the selling prices have declined. Cost includes all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Subsidiaries

A subsidiary is an entity including unincorporated and special purpose entity that is controlled by the reporting entity and the reporting entity is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The existence and effect of substantive potential voting rights that the reporting entity has the practical ability to exercise (that is, substantive rights) are considered when assessing whether the reporting entity controls another entity.

In the Company's separate financial statements, an investment in a subsidiary is accounted for at cost less any allowance for impairment in value. Impairment loss recognised in profit or loss for a subsidiary is reversed 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 value and the net book value of the investment in a subsidiary are not necessarily indicative of the amount that would be realised in a current market exchange.

APPENDIX D – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR FY2018

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

2. Significant accounting policies and other explanatory information (cont'd)

2A. Significant accounting policies (cont'd)

Associates

An associate is an entity including an unincorporated entity in which the reporting entity has a significant influence and that is neither a subsidiary nor a joint arrangement of the reporting entity. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies. An investment in an associate includes goodwill on acquisition, which is accounted for in accordance with SFRS(I) 3. However the entire carrying amount of the investment is tested under SFRS(I) 1-36 for impairment, by comparing its recoverable amount (higher of value in use and fair value) with its carrying amount, whenever application of the requirements in SFRS(I) 9 indicates that the investment may be impaired.

In the consolidated financial statements, the accounting for investments in an associate is on the equity method. Under the equity method the investment is initially recognised at cost and adjusted thereafter for the post-acquisition change in the investor's share of the investee's net assets. The carrying value and the net book value of the investment in the associate are not necessarily indicative of the amounts that would be realised in a current market exchange. The investor's profit or loss includes its share of the investee's profit or loss and the investor's other comprehensive income includes its share of the investee's other comprehensive income. Losses of an associate in excess of the reporting entity's interest in the relevant associate are not recognised except to the extent that the reporting entity has an obligation. Profits and losses resulting from transactions between the reporting entity and an associate are recognised in the financial statements only to the extent of unrelated reporting entity's interests in the associate. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates are changed where necessary to ensure consistency with the policies adopted by the reporting entity. The reporting entity discontinues the use of the equity method from the date that when its investment ceases to be an associate and accounts for the investment in accordance with SFRS(I) 9 from that date. Any gain or loss is recognised in profit or loss. Any investment retained in the former associate is measured at fair value at the date that it ceases to be an associate.

In the Company's separate financial statements, an investment in an associate is accounted for at cost less any allowance for impairment in value. Impairment loss recognised in profit or loss for an associate is reversed 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 value and the net book value of an investment in the associate are not necessarily indicative of the amounts that would be realised in a current market exchange.

Business combinations

Business combinations are accounted for by applying the acquisition method. There were no acquisitions during the reporting year.

Non-controlling interests

The non-controlling interest is equity in a subsidiary not attributable, directly or indirectly, to the reporting entity as the parent. The non-controlling interest is presented in the consolidated statement of financial position within equity, separately from the equity of the owners of the parent. For each business combination, any non-controlling interest in the acquiree (subsidiary) is initially measured either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets. Where the non-controlling interest is measured at fair value, the valuation techniques and key model inputs used are disclosed in the relevant note. Profit or loss and each component of other comprehensive income are attributed to the owners of the parent and to the non-controlling interests. Total comprehensive income is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

APPENDIX D – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR FY2018

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

2. Significant accounting policies and other explanatory information (cont'd)

2A. Significant accounting policies (cont'd)

Impairment of non-financial assets

Irrespective of whether there is any indication of impairment, an annual impairment test is performed at about the same time every year on an intangible asset with an indefinite useful life or an intangible asset not yet available for use. The carrying amount of other non-financial assets is reviewed at each end of the reporting year for indications of impairment and where an asset is impaired, it is written down through profit or loss to its estimated recoverable amount. The impairment loss is the excess of the carrying amount over the recoverable amount and is recognised in profit or loss. The recoverable amount of an asset or a cash-generating unit ("CGU") is the higher of its fair value less costs of disposal and its value in use.

When the fair value less costs of disposal method is used, any available recent market transactions are taken into consideration. When the value in use method is adopted, in assessing the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows, i.e., CGU. At each end of the reporting year non-financial assets other than goodwill with impairment loss recognised in prior periods are assessed for possible reversal of the impairment. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been measured, net of depreciation or amortisation, if no impairment loss had been recognised.

Financial instruments

Recognition and derecognition of financial instruments

A financial asset or a financial liability is recognised in the statement of financial position when, and only when, the entity becomes party to the contractual provisions of the instrument. All other financial instruments (including regular-way purchases and sales of financial assets) are recognised and derecognised, as applicable, using trade date accounting or settlement date accounting. A financial asset is derecognised when the contractual rights to the cash flows from the financial asset expire or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the entity neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset. A financial liability is removed from the statement of financial position when, and only when, it is extinguished, that is, when the obligation specified in the contract is discharged or cancelled or expires. At initial recognition the financial asset or financial liability is measured at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

Classification and measurement of financial assets

(i) Financial asset classified as measured at amortised cost

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at fair value through profit or loss ("FVTPL"), that is: (a) the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and (b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Typically trade and other receivables, bank and cash balances are classified in this category.

(ii) Financial asset that is a debt asset instrument classified as measured at fair value through other comprehensive income ("FVTOCI")

There were no financial assets classified in this category at reporting year end date.

APPENDIX D – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR FY2018

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

2. Significant accounting policies and other explanatory information (cont'd)

2A. Significant accounting policies (cont'd)

Financial instruments (cont'd)

Classification and measurement of financial assets (cont'd)

- (iii) Financial asset that is an equity investment classified as measured at FVTOCI

There were no financial assets classified in this category at reporting year end date.

- (iv) Financial asset classified as measured at FVTPL

All other financial assets are classified as measured at FVTPL. In addition, on initial recognition, management may irrevocably designate a financial asset as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases.

Classification and measurement of financial liabilities

Financial liabilities are classified as at FVTPL in either of the following circumstances:

- (i) The liabilities are managed, evaluated and reported internally on a fair value basis; or
- (ii) The designation eliminates or significantly reduces an accounting mismatch that would otherwise arise.

All other financial liabilities are carried at amortised cost using the effective interest method. Reclassification of any financial liability is not permitted.

Cash and cash equivalents

Cash and cash equivalents include bank and cash balances, on demand deposits and any highly liquid debt instruments purchased with an original maturity of three months or less. For the statement of cash flows the item includes cash and cash equivalents less cash subject to restriction and bank overdrafts payable on demand that form an integral part of cash management.

Fair value measurement

The fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When measuring the fair value of an asset or a liability, market observable data to the extent possible is used. If the fair value of an asset or a liability is not directly observable, an estimate is made using valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs (e.g., by use of the market comparable approach that reflects recent transaction prices for similar items, discounted cash flow analysis, or option pricing models refined to reflect the issuer's specific circumstances). Inputs used are consistent with the characteristics of the asset/liability that market participants would take into account. The entity's intention to hold an asset or to settle or otherwise fulfil a liability is not taken into account as relevant when measuring fair value.

Fair values are categorised into different levels in a fair value hierarchy based on the degree to which the inputs to the measurement are observable and the significance of the inputs to the fair value measurement in its entirety: Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities. Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices). Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs). Transfers between levels of the fair value hierarchy are recognised at the end of the reporting period during which the change occurred.

APPENDIX D – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR FY2018

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

2. Significant accounting policies and other explanatory information (cont'd)

2A. Significant accounting policies (cont'd)

Fair value measurement (cont'd)

The carrying values of current financial instruments approximate their fair values due to the short-term maturity of these instruments and the disclosures of fair value are not made when the carrying amount of current financial instruments is a reasonable approximation of the fair value. The fair values of non-current financial instruments may not be disclosed separately unless there are significant differences at the end of the reporting year and in the event the fair values are disclosed in the relevant notes to the financial statements.

2B. Other explanatory information

Segment reporting

The reporting entity discloses financial and descriptive information about its consolidated reportable segments. Reportable segments are operating segments or aggregations of operating segments that meet specified criteria. Operating segments are components about which separate financial information is available that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing the performance. Generally, financial information is reported on the same basis as is used internally for evaluating operating segment performance and deciding how to allocate resources to operating segments.

Provisions

A liability or provision is recognised when there is a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. A provision is made using best estimates of the amount required in settlement and where the effect of the time value of money is material, the amount recognised is the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense. Changes in estimates are reflected in profit or loss in the reporting year they occur.

Treasury shares

Where the entity reacquires its own equity instruments as treasury shares, the consideration paid, including any directly attributable incremental cost is deducted from equity attributable to the entity's owners until the shares are cancelled, reissued or disposed of. Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the entity's owners and no gain or loss is recognised in profit or loss.

2C. Critical judgements, assumptions and estimation uncertainties

The critical judgements made in the process of applying the accounting policies that have the most significant effect on the amounts recognised in the financial statements and the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting year, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next reporting year are discussed below. These estimates and assumptions are periodically monitored to ensure they incorporate all relevant information available at the date when financial statements are prepared. However, this does not prevent actual figures differing from estimates.

APPENDIX D – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR FY2018

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

2. Significant accounting policies and other explanatory information (cont'd)

2C. Critical judgements, assumptions and estimation uncertainties (cont'd)

Assessment of impairment of property, plant and equipment and investment properties

An assessment is made for the reporting year whether there is any indication that the asset may be impaired. If any such indication exists, an estimate is made of the recoverable amount of the asset. The recoverable amounts of CGUs, if applicable, is measured based on fair value less costs of disposal or value in use calculations. It is impracticable to disclose the extent of the possible effects. It is reasonably possible, based on existing knowledge, that outcomes within the next reporting year that are different from assumptions could require a material adjustment to the carrying amount of the items affected. The carrying amounts of the specific asset or class of assets at the end of the reporting year affected by the assumption are disclosed in notes 12 and 13 to the financial statements.

Assessment of net realisable value of properties under development

A review is made to assess declines in net realisable value below cost and a write-down is made against the carrying amount for any such declines. The review requires management to consider the future demand for the assets. In any case, the realisable value represents the best estimate of the recoverable amount and is based on acceptable evidence available at the end of the reporting year and inherently involves estimates regarding future expected realisable value. In general, such an evaluation process requires significant judgement and materially affects the carrying amount at the end of the reporting year. Possible changes in these estimates could result in revisions to the stated value of properties under development. The carrying amount at the end of the reporting year is disclosed in note 14 to the financial statements.

Assessment of impairment of trade receivables

Trade receivables are subject to the expected credit loss ("ECL") model under the financial reporting standard on financial instruments. The expected lifetime losses are recognised from initial recognition of these assets. These assets are grouped based on shared credit risk characteristics and the days past due for measuring the ECL. The allowance matrix is based on its historical observed default rates (over a number of years) over the expected life of the trade receivables and is adjusted for forward-looking estimates. At every reporting date the historical observed default rates are updated and changes in the forward-looking estimates are analysed. The loss allowance was determined accordingly. The carrying amounts might change materially within the next reporting year but these changes may not arise from assumptions or other sources of estimation uncertainty at the end of the reporting year. The carrying amount is disclosed in note 20 to the financial statements.

Fair value of unquoted investments

If a financial asset is not traded in an active market or if the quoted price is not readily and regularly available, the fair value is established by using valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. The fair value measurement requires the selection among a range of different valuation methodologies, and making estimates about expected future cash flows and discount rates. The carrying amount of unquoted investments is disclosed in note 17 to the financial statements.

Income tax

The Group is subject to income taxes in numerous jurisdictions. Significant judgement is required in determining the capital allowances and deductibility of certain expenses during the estimation of the provision for income taxes. There are certain transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred income tax provisions in the period in which such determination is made.

APPENDIX D – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR FY2018

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

3. Related party relationships and transactions

The financial reporting standard on related party disclosures requires the reporting entity to disclose: (a) transactions with its related parties; and (b) relationships between parents and subsidiaries irrespective of whether there have been transactions between those related parties. A party is related to a party if the party controls, or is controlled by, or can significantly influence or is significantly influenced by the other party.

The ultimate controlling party is the estate of Kao Shin Ping (deceased).

3A. Members of a group

Related companies in these financial statements include the members of the Group. Associates also include those that are associates of members of the Group.

3B. Related party transactions

There are transactions and arrangements between the reporting entity and related parties and the effects of these on the basis determined between the parties are reflected in these financial statements. The related party balances and any financial guarantees are unsecured, without fixed repayment terms and interest or charge unless stated otherwise.

Intragroup transactions and balances that have been eliminated in these consolidated financial statements are not disclosed.

The other related party transactions are not significant.

3C. Key management compensation

	Group	
	2018	2017
	\$'000	\$'000
Salaries and other short-term employee benefits	1,312	1,306
Employer's contributions to defined contribution plans	55	55
Retirement benefits	59	59

The above amounts are included under employee benefits expense. Included in the above amounts are the following items:

	Group	
	2018	2017
	\$'000	\$'000
Remuneration of directors of the Company	901	902
Fees to directors of the Company	136	136

Key management personnel are the directors and those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly. The above amounts for key management compensation are for all the directors and other members of key management.

Further information about the remuneration of individual directors is provided in the corporate governance report.

APPENDIX D – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR FY2018

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

4. Revenue

	Group	
	2018	2017
	\$'000	\$'000
Revenue from contracts with customers		
– Sale of goods	10,341	14,676
– Hotel operations	–	9
Rental income	6,441	3,841
	<u>16,782</u>	<u>18,526</u>

The revenue from contracts with customers are recognised based on point in time. All the contracts are less than 12 months. The customers include commercial consumers, individuals and government authorities.

5. Gain from investments

	Group	
	2018	2017
	\$'000	\$'000
Interest income from bank deposits	1,008	1,206
Other interest income	68	224
Dividend income from other financial assets	330	305
Net fair value (loss)/gain on other financial assets	(80)	1,664
Gain on disposal of other financial assets	93	1,774
	<u>1,419</u>	<u>5,173</u>

6. Other operating income

	Group	
	2018	2017
	\$'000	\$'000
Project income	–	1,060
Gain on disposal of property, plant and equipment	106	–
Reversal of impairment loss on property, plant and equipment	244	–
Reversal of impairment loss on other receivables	205	–
Incentive and allowance income	14	16
Rental income	236	231
Sundry income	277	169
	<u>1,082</u>	<u>1,476</u>

**APPENDIX D – AUDITED CONSOLIDATED FINANCIAL STATEMENTS
OF THE GROUP FOR FY2018**

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

7. Other operating expenses

	Group	
	2018	2017
	\$'000	\$'000
Depreciation	1,418	1,014
Amortisation	73	75
Bank charges	14	11
	1,505	1,100

8. Employee benefits expense

	Group	
	2018	2017
	\$'000	\$'000
Salaries and other short-term employee benefits	3,068	2,764
Contributions to defined contribution plans	422	327
Retirement benefits	59	59
	3,549	3,150

9. Loss before income tax

Loss before income tax has been arrived at after charging/(crediting) the following:

		Group	
	Note	2018	2017
		\$'000	\$'000
Audit fees			
– Auditors of the Company		190	189
– Other auditors		13	12
Total audit fees		203	201
Cost of inventories recognised as expense	19	7,914	11,186
Depreciation of property, plant and equipment	12	1,600	1,278
Depreciation of investment properties	13	2,004	2,344
Amortisation of land use rights	18	312	320
Employee benefits expense	8	3,549	3,150
Loss on disposal of property, plant and equipment		89	301
Property, plant and equipment written-off		37	60
Reversal of impairment loss on property, plant and equipment	12	(244)	–
Write-down of properties under development	14	2,562	–
Write-down of inventories	19	236	699
Impairment loss on trade receivables	20	105	–
Impairment loss on other receivables	20	47	48
Provision for litigation	24	1,678	105

There were no non-audit fees paid to the auditors of the Company for the years ended 31 December 2018 and 2017.

APPENDIX D – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR FY2018

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

10. Income tax expense

10A. Components of tax expense recognised in profit or loss

	Group	
	2018	2017
	\$'000	\$'000
Current tax		
Current tax expense	74	517
Withholding tax	26	224
Adjustments in respect of prior years	(21)	(37)
	79	704
Deferred tax		
Deferred tax expense	–	164
	79	868

The income tax in profit or loss varied from the amount of income tax amount determined by applying the Singapore income tax rate of 17% (2017: 17%) to profit or loss before income tax as a result of the following differences:

	Group	
	2018	2017
	\$'000	\$'000
Loss before income tax	(9,114)	(2,948)
Income tax using statutory tax rate of 17%	(1,549)	(501)
Non-deductible expenses	5,423	1,923
Non-taxable items	(4,887)	(1,346)
Tax-exempt income	(19)	(25)
Adjustments in respect of prior years	(21)	(37)
Unrecognised deferred tax assets from unutilised tax losses	1,626	927
Differences in tax rates of entities in other jurisdictions	(520)	(297)
Withholding tax	26	224
	79	868

APPENDIX D – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR FY2018

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

10. Income tax expense (cont'd)

10B. Deferred tax assets

The following are the major deferred tax assets recognised by the Group, and the movements thereon, during the current and prior reporting years:

	Group \$'000
At 1 January 2017	168
Charged to profit or loss	(164)
Foreign exchange adjustments	(4)
At 31 December 2017 and 31 December 2018	–

On 22 February 2008, the State Administration of Taxation of the PRC issued a circular Caishui [2008] No.001, which imposes withholding tax on distribution of dividends from post 1 January 2008 profits to foreign investors. Accordingly, provision for deferred tax liabilities is required on profits accumulated from 1 January 2008 onwards.

However, as at 31 December 2018, no deferred tax liability has been recognised for withholding tax that would be payable on the undistributed profits of the PRC subsidiaries as the Group has determined that the portion of the undistributed profits of its PRC subsidiaries will not be distributed in the foreseeable future. Such temporary difference for which no deferred tax liability has been recognised amounted to approximately \$2,889,000 (31 December 2017: \$3,666,000; 1 January 2017: \$6,404,000) and the deferred tax liability is estimated at approximately \$144,000 (31 December 2017: \$183,000; 1 January 2017: \$320,000), subject to certain conditions being fulfilled.

10C. Unrecognised deferred tax assets

Unutilised tax losses for which no deferred tax asset has been recognised are as follows:

	Group 2018 \$'000	2017 \$'000
At beginning of year	21,684	20,419
Additions	6,504	3,709
Expired	(3,842)	(2,444)
At end of year	24,346	21,684
Deferred tax assets not recognised	6,086	5,421

Subject to the agreement by the local tax authorities, certain subsidiaries of the Group located in the PRC have the above unutilised tax losses available for offset against future taxable income. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable income will be available against which the Group can utilise the benefits. The tax losses in the PRC have a validity period of five years.

APPENDIX D – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR FY2018

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

10. Income tax expense (cont'd)

10C. Unrecognised deferred tax assets (cont'd)

The expiry dates of the unutilised tax losses are as follows:

	31 Dec 2018 \$'000	Group 31 Dec 2017 \$'000	1 Jan 2017 \$'000
2017	–	–	2,487
2018	–	3,938	4,007
2019	3,463	3,550	3,612
2020	5,272	5,404	5,499
2021	4,559	4,673	4,814
2022	3,922	4,119	–
2023	7,130	–	–
	<u>24,346</u>	<u>21,684</u>	<u>20,419</u>

11. Loss per share

The following table illustrates the numerators and denominators used to calculate basic and diluted loss per share of no par value:

	Group 2018 \$'000	2017 \$'000
Loss for the year, net of tax, attributable to owners of the Company used in computation of basic and diluted loss per share	<u>(9,025)</u>	<u>(4,007)</u>
	Group 2018	2017
Weighted average number of ordinary shares*	<u>342,024,763</u>	<u>342,024,763</u>
Loss per share (cents)		
– Basic	(2.64)	(1.17)
– Diluted	<u>(2.64)</u>	<u>(1.17)</u>

* The weighted average number of equity shares takes into account the weighted average effect of changes in treasury shares transactions, if any, during the year.

**APPENDIX D – AUDITED CONSOLIDATED FINANCIAL STATEMENTS
OF THE GROUP FOR FY2018**

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

12. Property, plant and equipment

	Freehold properties \$'000	Leasehold buildings \$'000	Plant and machinery \$'000	Motor vehicles \$'000	Furniture, fittings and equipment \$'000	Capital work-in- progress \$'000	Total \$'000
Group							
Cost							
At 1 January 2017	1,361	17,803	14,933	1,742	14,626	–	50,465
Foreign exchange adjustments	–	(300)	(257)	(24)	(250)	–	(831)
Additions	–	–	110	–	16	4,246	4,372
Disposals/write-offs	–	–	(837)	(16)	(166)	–	(1,019)
Transfers from investment properties (note 13)	–	11,006	6,779	–	982	98	18,865
At 31 December 2017	1,361	28,509	20,728	1,702	15,208	4,344	71,852
Foreign exchange adjustments	–	(685)	(507)	(33)	(367)	(106)	(1,698)
Additions	–	62	51	85	11	13,001	13,210
Disposals/write-offs	–	(225)	(631)	(97)	(186)	–	(1,139)
At 31 December 2018	1,361	27,661	19,641	1,657	14,666	17,239	82,225
Accumulated depreciation							
At 1 January 2017	456	5,359	11,563	1,122	11,393	–	29,893
Foreign exchange adjustments	–	(89)	(200)	(15)	(194)	–	(498)
Depreciation for the year (note 9)	27	436	294	124	397	–	1,278
Disposals/write-offs	–	–	(462)	(14)	(150)	–	(626)
Transfers from investment properties (note 13)	–	4,557	5,259	–	276	–	10,092
At 31 December 2017	483	10,263	16,454	1,217	11,722	–	40,139
Foreign exchange adjustments	–	(246)	(402)	(23)	(283)	–	(954)
Depreciation for the year (note 9)	27	691	359	117	406	–	1,600
Disposals/write-offs	–	(44)	(500)	(87)	(166)	–	(797)
At 31 December 2018	510	10,664	15,911	1,224	11,679	–	39,988
Impairment losses							
At 1 January 2017	–	8	462	–	665	–	1,135
Foreign exchange adjustments	–	–	(5)	–	(9)	–	(14)
At 31 December 2017	–	8	457	–	656	–	1,121
Foreign exchange adjustments	–	–	(8)	–	(12)	–	(20)
(Reversals)/additions	–	(8)	17	–	(253)	–	(244)
At 31 December 2018	–	–	466	–	391	–	857
Carrying amount							
At 1 January 2017	905	12,436	2,908	620	2,568	–	19,437
At 31 December 2017	878	18,238	3,817	485	2,830	4,344	30,592
At 31 December 2018	851	16,997	3,264	433	2,596	17,239	41,380

APPENDIX D – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR FY2018

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

12. Property, plant and equipment (cont'd)

	Freehold properties \$'000	Leasehold buildings \$'000	Motor vehicles \$'000	Furniture, fittings and equipment \$'000	Total \$'000
Company					
Cost					
At 1 January 2017	1,361	452	353	158	2,324
Additions	–	–	–	4	4
Disposals	–	–	–	(7)	(7)
At 31 December 2017 and 31 December 2018	1,361	452	353	155	2,321
Accumulated depreciation					
At 1 January 2017	456	186	226	142	1,010
Depreciation for the year	27	11	36	6	80
Disposals	–	–	–	(6)	(6)
At 31 December 2017	483	197	262	142	1,084
Depreciation for the year	27	11	35	4	77
At 31 December 2018	510	208	297	146	1,161
Carrying amount					
At 1 January 2017	905	266	127	16	1,314
At 31 December 2017	878	255	91	13	1,237
At 31 December 2018	851	244	56	9	1,160

During the current reporting year, the Group reversed impairment loss of approximately \$244,000 (2017: Nil) to profit or loss as the items were disposed of. The reversal of impairment loss was included in "other operating income".

13. Investment properties

	Group	
	2018 \$'000	2017 \$'000
Cost		
At beginning of year	66,304	84,738
Additions	660	1,874
Transfers to property, plant and equipment (note 12)	–	(18,865)
Foreign exchange adjustments	(1,590)	(1,443)
At end of year	65,374	66,304
Accumulated depreciation		
At beginning of year	7,277	15,282
Depreciation for the year (note 9)	2,004	2,344
Transfers to property, plant and equipment (note 12)	–	(10,092)
Foreign exchange adjustments	(165)	(257)
At end of year	9,116	7,277
Carrying amount		
At beginning of year	59,027	69,456
At end of year	56,258	59,027

APPENDIX D – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR FY2018

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

13. Investment properties (cont'd)

	Company	
	2018	2017
	\$'000	\$'000
Cost		
At beginning and end of year	1,361	1,361
Accumulated depreciation		
At beginning of year	474	447
Depreciation for the year	27	27
At end of year	501	474
Carrying amount		
At beginning of year	887	914
At end of year	860	887

During the previous reporting year, the Group reclassified certain non-current assets of a subsidiary within the hotels and properties segment with a net book value of approximately \$8,773,000 to property, plant and equipment following the change in operational model from an investment property to an owner-operated hotel.

Details of the Group's investment properties as at 31 December 2018 are as follows:

Held by	Location	Description	Tenure of land	Fair value		
				31 Dec 2018	31 Dec 2017	1 Jan 2017
				\$'000	\$'000	\$'000
Company	Commercial property at 701 Sims Drive, #05-01 LHK Building, Singapore	B1 industrial building	Freehold	2,079	1,950	1,950
Subsidiaries						
– Shanghai San Teh Xing Real Estate Co., Ltd ("Shanghai San Teh Xing")	Commercial property at No. 5533 Cao'an Road Anting Town Jiading District Shanghai, PRC	Commercial building, SOHO apartment and shopping mall	Leasehold (expiring on 30 August 2050 and 30 August 2060)	113,640	71,130	84,169
– Nantong Santeh Hotel Co., Ltd ("Nantong Santeh Hotel")	Commercial property at No.1 Duan Jia Ba Road Nantong, Jiangsu Province, PRC	Shopping mall Hotel	Leasehold (expiring on 28 July 2043)	9,690 –	9,546 –	15,105 16,076
				125,409	82,626	117,300

The Group has no restrictions on the realisability of its investment properties and no contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancements.

The property rental income from the Group's and the Company's investment properties, several of which are leased out under operating leases, amounted to approximately \$6,507,000 (2017: \$3,902,000) and \$66,000 (2017: \$61,000), respectively.

APPENDIX D – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR FY2018

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

13. Investment properties (cont'd)

Direct operating expenses (including repairs and maintenance) of the Group and the Company are summarised as follows:

	Group		Company	
	2018	2017	2018	2017
	\$'000	\$'000	\$'000	\$'000
Direct operating expenses arising from investment properties that generated rental income	3,132	2,642	45	45
Direct operating expenses arising from investment properties that did not generate rental income	1,135	941	–	–
	4,267	3,583	45	45

13A. Fair value measurements

The following table shows an analysis of the investment properties not measured at fair value but for which fair value is disclosed:

	Fair value measurements at end of reporting year using			
	Quoted prices in active markets for identical instruments (Level 1) \$'000	Significant observable inputs other than quoted prices (Level 2) \$'000	Significant unobservable inputs (Level 3) \$'000	Total \$'000
Group				
31 December 2018				
Investment properties	–	–	125,409	125,409
31 December 2017				
Investment properties	–	–	82,626	82,626
1 January 2017				
Investment properties	–	–	117,300	117,300
Company				
31 December 2018				
Investment properties	–	–	2,079	2,079
31 December 2017				
Investment properties	–	–	1,950	1,950
1 January 2017				
Investment properties	–	–	1,950	1,950

APPENDIX D – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR FY2018

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

13. Investment properties (cont'd)

13A. Fair value measurements (cont'd)

A description of the valuation techniques and information about the significant observable inputs used in the fair value measurement (for disclosure purposes) are as follows:

(a) Commercial property held by the Company

The fair value is determined by management based on comparable market transactions that consider the sales of similar properties transacted in the open market.

Sensitivity to changes in comparable market price

As at the reporting year end, a possible change to the comparable market price used for fair value will result in changes in fair value as follows:

	Comparable market price	
	5% increase	5% decrease
	\$'000	\$'000
Increase/(decrease) in fair value	104	(104)

(b) Commercial property held by Shanghai San Teh Xing

As at 31 December 2018, fair value is determined based on an independent valuation performed by Cushman & Wakefield International Property Advisers (Shanghai) Co., Ltd ("Cushman & Wakefield"), an external valuer with a recognised and relevant professional qualification and with recent experience in the location and category of the property being valued.

According to the valuation report, the fair value of the property is determined using a combination of the following:

- Direct comparison approach by making reference to comparable sales and rental evidence as available in the relevant market; and
- Direct capitalisation approach to derive the value of the property by capitalising the rental income derived from the market rental using a market related capitalisation rate.

Sensitivity to changes in comparable market price and capitalisation rate

As at the reporting year end, a possible change to the comparable market price and capitalisation rate used in the valuation will result in changes in fair value as follows:

	Comparable market price		Capitalisation rate	
	5% increase	5% decrease	1% increase	1% decrease
	\$'000	\$'000	\$'000	\$'000
Increase/(decrease) in fair value	2,821	(2,821)	(5,527)	6,607

APPENDIX D – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR FY2018

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

13. Investment properties (cont'd)

13A. Fair value measurements (cont'd)

(b) Commercial property held by Shanghai San Teh Xing (cont'd)

As at 1 January 2017 and 31 December 2017, the fair value was estimated using the income approach based on management's cash flow forecasts.

The major assumptions are summarised as follows:

	31 Dec 2017	1 Jan 2017
Years covered by cash flow forecasts	32.68	33.68
Growth rate	2.0%	2.0%
Pre-tax discount rate	8.3%	7.0%

The calculations of discounted cash flow method for the investment property were most sensitive to the following assumptions:

- Lease income – The forecasted lease income was either based on existing tenancy agreements or based on market rates of comparable properties in the neighbourhood; and
- Discount rate – Discount rate was developed based on management's research on the evidence of rental of similar properties in the vicinity.

(c) Commercial property held by Nantong Santeh Hotel

As at 31 December 2018, the fair value is determined based on an independent valuation performed by Cushman & Wakefield, an external valuer with a recognised and relevant professional qualification and with recent experience in the location and category of the property being valued. The valuation is estimated using the income approach, pursuant to which the external valuer discounted the estimated future net cash flows of the property to its present value using an appropriate discount rate that reflects the rate of return.

As at 1 January 2017 and 31 December 2017, the fair value was estimated by management using the income approach based on management's cash flow forecasts.

The major assumptions are summarised as follows:

	31 Dec 2018	31 Dec 2017	1 Jan 2017
Years covered by cash flow forecasts	24.58	25.58	26.58
Growth rate	4.5%	2.0%	2.0%
Pre-tax discount rate	10.0%	8.3%	7.0%

Sensitivity to changes in assumptions

As at end of reporting year, a possible change to the following estimates used (holding other assumptions unchanged) will result in changes in fair value as follows:

	Discount rate		Lease income	
	1% increase \$'000	1% decrease \$'000	5% increase \$'000	5% decrease \$'000
(Decrease)/increase in fair value	(652)	713	579	(579)

APPENDIX D – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR FY2018

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

14. Properties under development

	31 Dec 2018 \$'000	Group 31 Dec 2017 \$'000	1 Jan 2017 \$'000
Cost of leasehold land	24,777	25,398	25,844
Development costs	6,304	7,515	7,657
	<u>31,081</u>	<u>32,913</u>	<u>33,501</u>

Movements in properties under developments are as follows:

	2018 \$'000	2017 \$'000
At beginning of year	32,913	33,501
Additions	1,534	–
Write-down recognised in profit or loss (note 9)	(2,562)	–
Foreign exchange adjustments	(804)	(588)
At end of year	<u>31,081</u>	<u>32,913</u>

Details of the Group's properties under development as at 31 December 2018 are as follows:

Description and location	Percentage owned	Site area/ gross floor area (sqm)	Percentage of completion as at 31 Dec 2018	Expected year of completion
Residential and shop units along Huanglongtan, Xipianqu, Yunhe Town, Heqing Dali, Yunnan Province, PRC	95%	36,553/108,229	14%	To be determined
Residential, commercial and hotel project along Zhaoxia Road, Xipianqu, Yunhe Town Heqing, Dali, Yunnan Province, PRC	95%	113,665/249,411	Nil%	To be determined

The Group is carrying out a review of the aforesaid projects after it has repossessed the construction site following the resolution of the litigation with the main contractor (see note 24). This review is to assess the suitability of the original development plans after taking into account, amongst others, current market condition, demand for the various types of residential properties and pricing.

The review is still ongoing and it is likely there will be changes to the original development plans. Accordingly, the expected year of completion is not yet determinable as at end of the reporting year.

APPENDIX D – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR FY2018

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

15. Investments in subsidiaries

	Company	
	2018	2017
	\$'000	\$'000
At beginning of year	162,157	162,157
Capital reduction	(13,534)	–
At end of the year	148,623	162,157

Details of the Company's significant subsidiaries are as follows:

Name	Country of incorporation	Principal activities	Proportion of ownership interest		
			31 Dec 2018	31 Dec 2017	1 Jan 2017
			%	%	%
Suzhou San Teh Hotel Co., Ltd #	PRC	Hotel operation	100	100	100
Nantong Santeh Hotel #	PRC	Hotel operation and property investment	100	100	100
SanTeh Pipes & Fittings Industry (Nantong) Co., Ltd #	PRC	Manufacture and sale of PVC pipes and fittings	100	100	100
Shanghai San Teh Xing #	PRC	Property development and investment	100	100	100
San Teh Xing Real Estate (Fujian) Co., Ltd ("San Teh Xing Fujian") #	PRC	Property development	75	75	75
Dali San Teh Xing Real Estate Co., Ltd ("Dali San Teh Xing") #	PRC	Property development	95	95	95

Audited by SBA Stone Forest CPA Co., Ltd, an affiliated firm of RSM Chio Lim LLP in the PRC, for consolidation purposes.

APPENDIX D – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR FY2018

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

15. Investments in subsidiaries (cont'd)

15A. Interest in subsidiaries with material non-controlling interests

The subsidiaries that have non-controlling interests that are material to the Group are as follows:

Name	Proportion of ownership interest held by non-controlling interests	Profit/(loss) allocated to non-controlling interests during reporting year \$'000	Accumulated non-controlling interests at end of reporting year \$'000	Dividends paid to non- controlling interests \$'000
31 December 2018				
San Teh Xing Fujian	25%	70	694	–
Dali San Teh Xing	5%	(238)	1,435	–
31 December 2017				
San Teh Xing Fujian	25%	267	5,250	1,297
Dali San Teh Xing	5%	(76)	1,712	–
1 January 2017				
San Teh Xing Fujian	25%	317	6,397	–
Dali San Teh Xing	5%	(11)	1,820	–

Significant restrictions

The nature and extent of significant restrictions on the Group's ability to use or access assets and settle liabilities of subsidiaries with material non-controlling interests are reported by cash and cash equivalents of \$5,628,000 (31 December 2017: \$24,493,000; 1 January 2017: \$16,368,000) held in the PRC that are subject to local exchange control regulations. These regulations place restrictions on the amount of currency being remitted other than through dividends.

APPENDIX D – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR FY2018

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

15. Investments in subsidiaries (cont'd)

15B. Summarised financial information of subsidiaries with material non-controlling interests

Summarised financial information including goodwill on acquisition and consolidation adjustments but before intercompany eliminations of subsidiaries with material non-controlling interests are as follows:

Summarised statement of financial position

	San Teh Xing Fujian		
	31 Dec 2018	31 Dec 2017	1 Jan 2017
	\$'000	\$'000	\$'000
Current			
Assets	5,383	23,923	30,447
Liabilities	(2,607)	(2,926)	(5,029)
Net current assets	2,776	20,997	25,418
Non-current			
Assets	2	2	170
Liabilities	–	–	–
Net non-current assets	2	2	170
Net assets	2,778	20,999	25,588

	Dali San Teh Xing		
	31 Dec 2018	31 Dec 2017	1 Jan 2017
	\$'000	\$'000	\$'000
Current			
Assets	659	2,894	4,060
Liabilities	(3,390)	(2,113)	(1,757)
Net current (liabilities)/assets	(2,731)	781	2,303
Non-current			
Assets	31,428	33,458	34,098
Liabilities	–	–	–
Net non-current assets	31,428	33,458	34,098
Net assets	28,697	34,239	36,401

**APPENDIX D – AUDITED CONSOLIDATED FINANCIAL STATEMENTS
OF THE GROUP FOR FY2018**

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

15. Investments in subsidiaries (cont'd)

15B. Summarised financial information of subsidiaries with material non-controlling interests (cont'd)

Summarised statement of comprehensive income

	San Teh Xing Fujian		Dali San Teh Xing	
	2018	2017	2018	2017
	\$'000	\$'000	\$'000	\$'000
Revenue	–	–	–	–
Profit/(loss) before income tax	319	1,664	(4,751)	(1,530)
Income tax expense	(40)	(595)	–	–
Profit/(loss) after tax	279	1,069	(4,751)	(1,530)
Other comprehensive loss	(455)	(470)	(792)	(631)
Total comprehensive (loss)/income	(176)	599	(5,543)	(2,161)

Other summarised information

	San Teh Xing Fujian		Dali San Teh Xing	
	2018	2017	2018	2017
	\$'000	\$'000	\$'000	\$'000
Net cash flows (used in)/from operations	(488)	12,677	(1,972)	(530)

16. Investment in associate

	Group	
	2018	2017
	\$'000	\$'000
At beginning of year	280	361
Share of results for the year	(78)	(75)
Share of other comprehensive loss	(4)	(6)
At end of year	198	280

The carrying value comprises the following:

	31 Dec 2018	31 Dec 2017	1 Jan 2017
	\$'000	\$'000	\$'000
Unquoted equity shares at cost	786	786	786
Share of post-acquisition results, net of dividends received	(647)	(569)	(494)
Share of post-acquisition other comprehensive income	59	63	69
	198	280	361

APPENDIX D – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR FY2018

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

16. Investment in associate (cont'd)

The associate held is as follows:

Name	Country of incorporation	Principal activities	Proportion of ownership interest		
			31 Dec 2018 %	31 Dec 2017 %	1 Jan 2017 %
Dali San Teh Coal Industry Co., Ltd ("Dali San Teh Coal")	PRC	Dormant	38	38	38

This associate is not significant as defined under Rule 718 of the Listing Manual of SGX-ST.

16A. Summarised financial information of associate

The summarised financial information in respect of Dali San Teh Coal, based on its SFRS(I) financial statements, and a reconciliation with the carrying amount of the investment in the consolidated financial statements, are as follows:

Summarised statement of financial position

	31 Dec 2018 \$'000	31 Dec 2017 \$'000	1 Jan 2017 \$'000
Current assets	234	270	300
Non-current assets	1,389	1,556	1,719
Total assets	1,623	1,826	2,019
Current liabilities	1,217	1,204	1,185
Total liabilities	1,217	1,204	1,185
Net assets	406	622	834
Net assets	406	622	834
Proportion of Group's ownership	38%	38%	38%
Group's share of net assets	154	236	317
Others	44	44	44
Carrying amount	198	280	361

Summarised statement of comprehensive income

	2018 \$'000	2017 \$'000
Revenue	–	–
Loss after tax	(205)	(197)
Other comprehensive loss	(11)	(15)
Total comprehensive loss	(216)	(212)

**APPENDIX D – AUDITED CONSOLIDATED FINANCIAL STATEMENTS
OF THE GROUP FOR FY2018**

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

17. Other financial assets

	31 Dec 2018 \$'000	31 Dec 2017 \$'000	1 Jan 2017 \$'000
Group			
Current			
Equity instruments (quoted) – at FVTPL	2,782	4,449	1,489
Debt instruments (unquoted) – at FVTPL	6,611	7,879	5,568
Debt instruments (unquoted) – at amortised cost	501	–	–
Other instruments (unquoted) – at cost	–	–	4,480
	<u>9,894</u>	<u>12,328</u>	<u>11,537</u>
Non-current			
Transferable club memberships, at cost	–	131	131
Less: Accumulated impairment losses	–	(90)	(90)
	–	41	41
Equity instruments (unquoted) – at cost	–	1,025	1,043
Equity instruments (unquoted) – at FVTPL	2,249	–	–
Equity instruments (quoted) – available-for-sale	–	2,448	4,680
Other instruments (unquoted) – available-for-sale	–	–	953
	<u>2,249</u>	<u>3,514</u>	<u>6,717</u>
Company			
Current			
Equity instruments (quoted) – at FVTPL	2,782	4,449	1,489
Debt instruments (unquoted) – at FVTPL	6,611	7,879	5,568
Debt instruments (unquoted) – at amortised cost	501	–	–
	<u>9,894</u>	<u>12,328</u>	<u>7,057</u>
Non-current			
Transferable club memberships, at cost	–	131	131
Less: Accumulated impairment losses	–	(90)	(90)
	–	41	41
Equity instruments (quoted) – available-for-sale	–	2,448	4,680
Other instruments (unquoted) – available-for-sale	–	–	953
	<u>–</u>	<u>2,489</u>	<u>5,674</u>

APPENDIX D – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR FY2018

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

17. Other financial assets (cont'd)

17A. Movements in financial assets measured at FVTPL

	Group		Company	
	2018	2017	2018	2017
	\$'000	\$'000	\$'000	\$'000
Fair value at beginning of year	12,328	7,057	12,328	7,057
Adoption of SFRS(I) 9				
– Reclassification from/(to) financial asset measured at cost	520	–	(505)	–
– Reclassification from available-for-sale financial asset	2,448	–	2,448	–
– Recognition of fair value	1,281	–	–	–
Fair value at beginning of year, as adjusted	16,577	7,057	14,271	7,057
Additions	–	7,158	–	7,158
Disposals	(4,798)	(3,551)	(4,798)	(3,551)
(Decrease)/increase in FVTPL under gains from investments (note 5)	(80)	1,664	(80)	1,664
Foreign exchange adjustments	(57)	–	–	–
Fair value at end of year	11,642	12,328	9,393	12,328

APPENDIX D – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR FY2018

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

17. Other financial assets (cont'd)

17B. Disclosures relating to financial assets measured at FVTPL

The following information provides a summary of the significant sector concentrations within the investment portfolio including Level 1, 2 and 3 securities:

	Industry	Location	Level	31 Dec 2018 \$'000	31 Dec 2017 \$'000	1 Jan 2017 \$'000	31 Dec 2018 %	31 Dec 2017 %	1 Jan 2017 %
Group									
Equity instruments (quoted)	Insurance	Hong Kong	1	79	90	–	1	1	–
Equity instruments (quoted)	Banking	Hong Kong	1	67	75	–	1	1	–
Equity instruments (quoted)	Banking	Singapore	1	353	370	380	3	3	5
Equity instruments (quoted)	Banking	United States of America	1	214	488	334	2	4	5
Equity instruments (quoted)	Asset management	Hong Kong	1	–	799	417	–	6	6
Equity instruments (quoted)	Real estate	Singapore	1	1,548	1,620	–	13	13	–
Equity instruments (quoted)	Institutional financial services	Singapore	1	–	372	358	–	3	5
Equity instruments (quoted)	Telecommunication	Singapore	1	521	635	–	4	5	–
Equity instruments (unquoted)	Real estate	PRC	3	2,249	–	–	19	–	–
Debt instruments (unquoted)	Real estate	Singapore	2	–	505	497	–	4	7
Debt instruments (unquoted)	Asset management	Singapore	2	1,731	1,706	1,659	15	14	23
Debt instruments (unquoted)	Asset management	Luxembourg	2	940	1,009	–	8	8	–
Debt instruments (unquoted)	Asset management	Ireland	2	3,940	4,659	–	34	38	–
Debt instruments (unquoted)	Asset management	Luxembourg	2	–	–	1,452	–	–	21
Debt instruments (unquoted)	Asset management	Cayman Islands	2	–	–	1,960	–	–	28
				11,642	12,328	7,057	100	100	100

APPENDIX D – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR FY2018

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

17. Other financial assets (cont'd)

17B. Disclosures relating to financial assets measured at FVTPL (cont'd)

	Industry	Location	Level	31 Dec 2018 \$'000	31 Dec 2017 \$'000	1 Jan 2017 \$'000	31 Dec 2018 %	31 Dec 2017 %	1 Jan 2017 %
Company									
Equity instruments (quoted)	Insurance	Hong Kong	1	79	90	–	1	1	–
Equity instruments (quoted)	Banking	Hong Kong	1	67	75	–	1	1	–
Equity instruments (quoted)	Banking	Singapore	1	353	370	380	4	3	5
Equity instruments (quoted)	Banking	United States of America	1	214	488	334	2	4	5
Equity instruments (quoted)	Asset management	Hong Kong	1	–	799	417	–	6	6
Equity instruments (quoted)	Real estate	Singapore	1	1,548	1,620	–	16	13	–
Equity instruments (quoted)	Institutional Financial Services	Singapore	1	–	372	358	–	3	5
Equity instruments (quoted)	Telecommunication	Singapore	1	521	635	–	6	5	–
Debt instruments (unquoted)	Real estate	Singapore	2	–	505	497	–	4	7
Debt instruments (unquoted)	Asset management	Singapore	2	1,731	1,706	1,659	18	14	23
Debt instruments (unquoted)	Asset management	Luxembourg	2	940	1,009	–	10	8	–
Debt instruments (unquoted)	Asset management	Ireland	2	3,940	4,659	–	42	38	–
Debt instruments (unquoted)	Asset management	Luxembourg	2	–	–	1,452	–	–	21
Debt instruments (unquoted)	Asset management	Cayman Islands	2	–	–	1,960	–	–	28
				9,393	12,328	7,057	100	100	100

17C. Fair value measurements (Level 2) recognised in statement of financial position

The unquoted debt instruments are not traded in an active market. As a result, their fair values are based on valuation techniques currently consistent with generally accepted valuation methodologies for pricing financial instruments, and incorporate all factors and assumptions that knowledgeable willing market participants would consider in setting the price. The valuation technique uses market observable inputs.

17D. Fair value measurements (Level 3) recognised in statement of financial position

The unquoted equity instruments relate to the investment in 3.8% of the equity interests in Xiamen Fufeng Real Estate Development Co., Ltd ("Xiamen Fufeng") held by the Group. Xiamen Fufeng operates in the real estate industry in the PRC.

As at 31 December 2018, the estimated fair value of this investment is \$2,249,000 (1 January 2018: \$2,306,000). The valuation is determined by management using the net assets approach, which is based on the Group's 3.8% share of the fair value of the net assets of Xiamen Fufeng.

APPENDIX D – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR FY2018

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

17. Other financial assets (cont'd)

17D. Fair value measurements (Level 3) recognised in statement of financial position (cont'd)

The major assumptions are summarised as follows:

	31 Dec 2018	1 Jan 2018
Discount factor for lack of control over Xiamen Fufeng	20.0%	20.0%

Sensitivity to changes in assumptions

As at end of reporting year, a possible change to the discount factor for lack of control would result in changes in the fair value as follows:

	Discount factor 5% increase \$'000	5% decrease \$'000
(Decrease)/increase in fair value	(138)	138

17E. Reconciliation for fair value measurements in Level 3 of fair value hierarchy

	Unquoted equity shares \$'000
At 1 January 2018	–
Adoption of SFRS(I) 9	
– Reclassification from financial asset measured at cost	1,025
– Recognition of fair value	1,281
At 1 January 2018, as adjusted	2,306
Fair value changes during the year	–
Foreign exchange adjustments	(57)
At 31 December 2018	2,249

17F. Sensitivity analysis for price risk of equity instruments at FVTPL

There are investments in equity shares or similar instruments. Such investments are exposed to both currency risk and market price risk arising from uncertainties about future values of the investment securities. The sensitivity analysis is as follows:

	2018 \$'000	2017 \$'000
A hypothetical 10% increase in market index that relates to quoted equity shares at FVTPL would have an effect on fair value of	278	445

For similar price decreases in the fair value of the above financial assets, there would be comparable impacts in the opposite direction.

This figure does not reflect currency risk, which has been considered in the foreign currency risks analysis section only. The hypothetical changes in basis points are not based on observable market data (unobservable inputs).

APPENDIX D – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR FY2018

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

18. Land use rights

	Group	
	2018	2017
	\$'000	\$'000
Cost		
At beginning of year	11,844	12,052
Foreign exchange adjustments	(290)	(208)
At end of year	11,554	11,844
Accumulated amortisation		
At beginning of year	2,855	2,580
Foreign exchange adjustments	(70)	(45)
Amortisation for the year (note 9)	312	320
At end of year	3,097	2,855
Carrying amount		
At beginning of year	8,989	9,472
At end of year	8,457	8,989

The Group has land use rights over six plots (31 December 2017: six plots; 1 January 2017: six plots) of land in the PRC. The land use rights are amortised over the tenure period of between 33 to 48 years. The remaining tenure of the land use rights ranges from 25 to 32 years (31 December 2017: 26 to 33 years; 1 January 2017: 27 to 34 years).

Amortisation of land use rights is included in other operating expenses and cost of sales in profit or loss.

19. Inventories

	Group		
	31 Dec 2018	31 Dec 2017	1 Jan 2017
	\$'000	\$'000	\$'000
Statement of financial position			
Raw materials and consumables (at cost)	1,095	774	1,106
Work-in-progress (at cost)	39	45	39
Finished goods (at cost or net realisable value)	1,493	1,317	2,346
	2,627	2,136	3,491
		2018	2017
		\$'000	\$'000
Profit or loss			
Inventories recognised as expense in cost of sales		7,914	11,186
Write-down of inventories recognised in profit or loss		236	699
		8,150	11,885

**APPENDIX D – AUDITED CONSOLIDATED FINANCIAL STATEMENTS
OF THE GROUP FOR FY2018**

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

20. Trade and other receivables

	31 Dec 2018 \$'000	Group 31 Dec 2017 \$'000	1 Jan 2017 \$'000
Current			
Trade receivables			
Outside parties	12,392	12,640	19,622
Less: Allowance for impairment loss	(520)	(467)	(790)
	11,872	12,173	18,832
Other receivables			
Associate	1,208	1,191	1,163
Outside parties	1,047	1,253	1,144
Less: Allowance for impairment loss	(1,208)	(1,400)	(1,376)
Deposits	292	2,400	2,503
Interest receivables	90	72	404
	13,301	15,689	22,670
	31 Dec 2018 \$'000	Company 31 Dec 2017 \$'000	1 Jan 2017 \$'000
Current			
Trade receivables			
Outside parties	2	2	1
Other receivables			
Subsidiaries			
– Loans receivable	18,583	6,691	11,852
– Non-trade amounts	28,109	25,322	25,670
Less: Allowance for impairment loss	(25,415)	–	–
Outside parties	11	11	11
Deposits	2	2	2
Interest receivables	28	17	27
	21,320	32,045	37,563
Non-current			
Other receivables			
Subsidiaries			
– Loans receivable	4,387	4,282	–

APPENDIX D – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR FY2018

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

20. Trade and other receivables (cont'd)

Movements in allowance for impairment are as follows:

	Group	
	2018	2017
	\$'000	\$'000
Trade receivables		
At beginning of year	467	790
Foreign exchange adjustments	(11)	(14)
Allowance recognised in profit or loss (note 9)	105	–
Allowance written-off	(41)	(309)
At end of year	520	467
Other receivables		
At beginning of year	1,400	1,376
Allowance recognised in profit or loss (note 9)	47	48
Foreign exchange adjustments	(34)	(24)
Reversal to profit or loss included in other operating income (note 6)	(205)	–
At end of year	1,208	1,400
	Company	
	2018	2017
	\$'000	\$'000
Other receivables		
At beginning of year	–	–
Allowance recognised in profit or loss	25,415	–
At end of year	25,415	–

The trade receivables are subject to the ECL model under the financial reporting standard on financial instruments. The methodology applied for impairment loss is the simplified approach to measuring ECL which uses a lifetime expected loss allowance for all trade receivables. The expected lifetime losses are recognised from initial recognition of these assets. These assets are grouped based on shared credit risk characteristics and the days past due for measuring the ECL. The allowance matrix is based on historical observed default rates over the expected life of the trade receivables and adjusted for forward-looking estimates. At every reporting date, the historical observed default rates are updated and changes in forward-looking estimates are analysed.

**APPENDIX D – AUDITED CONSOLIDATED FINANCIAL STATEMENTS
OF THE GROUP FOR FY2018**

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

20. Trade and other receivables (cont'd)

The loss allowance for trade receivables was determined as follows:

	Gross amount		ECL rate		Loss allowance	
	31 Dec 2018 \$'000	1 Jan 2018 \$'000	31 Dec 2018 %	1 Jan 2018 %	31 Dec 2018 \$'000	1 Jan 2018 \$'000
Group						
Less than 1 year	7,345	10,540	0.42	0.57	31	60
1 – 2 years	3,758	749	2.02	2.00	76	15
2 – 3 years	292	463	5.48	5.40	16	25
3 – 6 years	776	674	22.68	22.70	176	153
More than 6 years	221	214	100.00	100.00	221	214
	<u>12,392</u>	<u>12,640</u>			<u>520</u>	<u>467</u>

The loans receivable from subsidiaries are unsecured and denominated in United States dollars ("USD") and Renminbi ("RMB"). These loans bear interest ranging from 0% to 3.6% (2017: 0% to 3.6%) per annum and are repayable as follows:

- Loans amounting to \$18,583,000 (31 December 2017: \$6,691,000; 1 January 2017: \$7,227,000) are repayable on demand; and
- Loans amounting to \$4,387,000 (31 December 2017: \$4,282,000) were rolled over from loans amounting to \$4,282,000 as at 31 December 2017 (1 January 2017: \$4,625,000) and are repayable by various instalments up to December 2022.

20A. Credit risk concentration profile

The Group determines concentrations of credit risk by monitoring the industry sector profile of its trade receivables on an ongoing basis. The credit risk concentration profile of the Group's trade receivables at end of reporting year by industry sector is as follows:

	31 Dec 2018		Group 31 Dec 2017		1 Jan 2017	
	\$'000	%	\$'000	%	\$'000	%
Hotels and properties	3,435	29	2,032	17	15,585	83
PVC pipes and fittings	8,435	71	10,138	83	3,246	17
Others	2	–	3	–	1	–
	<u>11,872</u>	<u>100</u>	<u>12,173</u>	<u>100</u>	<u>18,832</u>	<u>100</u>

Concentration of trade receivable customers at end of reporting year is as follows:

	31 Dec 2018 \$'000	31 Dec 2017 \$'000	1 Jan 2017 \$'000
Top 1 customer	2,462	904	877
Top 2 customers	4,697	1,391	1,373
Top 3 customers	<u>5,601</u>	<u>1,828</u>	<u>1,817</u>

Other receivables are normally with no fixed terms and therefore there is no maturity.

APPENDIX D – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR FY2018

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

21. Cash and cash equivalents

	31 Dec 2018 \$'000	Group 31 Dec 2017 \$'000	1 Jan 2017 \$'000
Not restricted in use	5,691	5,546	4,215
Fixed deposits with banks	13,499	11,558	9,444
Short-term deposits	6,244	31,107	30,278
	<u>25,434</u>	<u>48,211</u>	<u>43,937</u>

	31 Dec 2018 \$'000	Company 31 Dec 2017 \$'000	1 Jan 2017 \$'000
Not restricted in use	959	1,499	1,666
Fixed deposits with banks	13,499	11,558	9,444
	<u>14,458</u>	<u>13,057</u>	<u>11,110</u>

Fixed deposits of the Group and the Company bear interest ranging from 1.58% to 2.80% (2017: 1.40% to 3.10%) per annum and are placed for tenures ranging from 7 to 90 days (2017: 31 to 33 days).

Short-term deposits of the Group bear interest ranging from 3.65% to 4.15% (2017: 4.10% to 4.60%) per annum and are placed for tenures ranging from 88 to 182 days (2017: 32 to 92 days).

Note 15 disclose the significant restrictions.

21A. Reconciliation of liabilities arising from financing activities

	Group 2018 \$'000	2017 \$'000
Short-term borrowing		
At beginning of year	1,843	1,329
Cash flows	(1,798)	536
Foreign exchange adjustments	(45)	(22)
At end of year	<u>–</u>	<u>1,843</u>

**APPENDIX D – AUDITED CONSOLIDATED FINANCIAL STATEMENTS
OF THE GROUP FOR FY2018**

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

22. Trade and other payables

	31 Dec 2018 \$'000	Group 31 Dec 2017 \$'000	1 Jan 2017 \$'000
Trade payables			
Outside parties and accrued liabilities	3,711	4,254	6,133
Other payables			
Directors	1,772	2,143	2,019
Outside parties			
– Payables for purchase of property, plant and equipment	3,166	2,350	110
– Payables for properties under development	26	26	27
– Payables for investment properties	471	1,083	1,539
– Interest payables	–	3	–
– Sundry payables	1,333	1,673	1,247
Deposits received	1,659	3,518	3,075
	<u>12,138</u>	<u>15,050</u>	<u>14,150</u>
		Company	
	31 Dec 2018 \$'000	31 Dec 2017 \$'000	1 Jan 2017 \$'000
Trade payables			
Outside parties and accrued liabilities	312	323	353
Other payables			
Outside parties			
– Sundry payables	–	–	1
Deposits received	36	26	27
	<u>348</u>	<u>349</u>	<u>381</u>

23. Other financial liabilities

	31 Dec 2018 \$'000	Group 31 Dec 2017 \$'000	1 Jan 2017 \$'000
Short-term bank borrowing	–	1,843	1,329

The short-term bank borrowing is covered by corporate guarantee by subsidiaries, a company controlled by a director of the Company and personal guarantee by a director. This borrowing bears interest ranging from 5.00% to 5.44% (2017: 5.00% to 5.44%) per annum.

APPENDIX D – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR FY2018

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

24. Provision for litigation

	Group	
	2018	2017
	\$'000	\$'000
At beginning of year	1,475	1,394
Additions	1,678	105
Amount utilised	(3,048)	–
Foreign exchange adjustments	(36)	(24)
At end of year	69	1,475

Certain of the Company's subsidiaries in the PRC were involved as parties in legal proceedings. These legal proceedings included civil court action or arbitration brought against the subsidiaries (whether by way of claim or counterclaim). The recognition of provisions was determined in accordance with the accounting policies set out in note 2A.

24A. Dali San Teh Xing

Dali San Teh Xing, a subsidiary whose principal activities relate to property development in the PRC, was involved in litigation with its main contractor due to disputes in quality of the constructions works. Legal proceedings commenced in 2014 and the construction was put on hold since then. For more details on these legal proceedings, please refer to the respective announcements released by the Company.

On 3 September 2018, the People's High Court of Yunnan Province (the "Yunnan High Court") delivered its final judgement on the appeal of Dali San Teh Xing. In this connection, the Yunnan High Court ruled that the main contractor is to return the construction site to Dali San Teh Xing and to pay Dali San Teh Xing \$234,000 (equivalent to RMB1,146,000) for progress payments overbilled.

At the same time, Dali San Teh Xing is required to:

- Pay compensation for work stoppages for the period from 25 August 2014 to 22 May 2015 amounting to \$686,000 (equivalent to RMB3,368,000);
- Pay 40% of compensation for work stoppages for the period from 23 May 2015 up to 15 September 2018, amounting to \$996,000 (equivalent to RMB4,887,000); and
- Return the security deposit of \$1,630,000 (equivalent to RMB8,000,000) to the main contractor.

Based on the above, the Group made a payment of \$3,078,000 during the year to settle the case and provision was no longer necessary as at end of reporting year.

24B. Shanghai San Teh Xing

Since the prior years, Shanghai San Teh Xing, a subsidiary which owns a shopping mall in the PRC, has been involved in a number of lawsuits with various parties, including its tenants and property managers, due to disputes in the contractual agreements. All of these lawsuits have been concluded during the current year. As at 31 December 2018, a provision of \$69,000 according to court ruling has been recognised.

APPENDIX D – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR FY2018

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

25. Provision for retirement benefits

	Group and Company	
	2018	2017
	\$'000	\$'000
At beginning of year	527	468
Provision recognised in profit or loss	59	59
At end of year	586	527

Three (31 December 2017: three; 1 January 2017: three) of the directors of the Company are entitled to retirement benefits in accordance with their service agreements with the Company.

26. Share capital and treasury shares

26A. Share capital

	Group and Company	
	No. of shares	
	'000	\$'000
Issued and fully paid ordinary shares		
At 1 January 2017, 31 December 2017 and 31 December 2018	347,439	71,856

The holders of ordinary shares (except for treasury shares) are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares, with no par value, rank equally with regard to the Company's residual assets.

Capital management

The objectives when managing capital are to safeguard the reporting entity's ability to continue as a going concern, so that it can continue to provide returns for owners and benefits for other stakeholders, and to provide an adequate return to owners by pricing the sales commensurately with the level of risk. Management sets the amount of capital to meet its requirements and the risk taken. There were no changes in the approach to capital management during the reporting year. Management manages the capital structure and makes adjustments to it where necessary or possible in the light of changes in conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, management may adjust the amount of dividends paid to owners, return capital to owners, issue new shares, or sell assets to reduce debt. Adjusted capital comprises all components of equity (that is, share capital and reserves).

In order to maintain its listing on the SGX-ST it has to have share capital with a free float of at least 10% of the shares. The company met the capital requirement on its initial listing and the rules limiting treasury share purchases mean it will continue to satisfy that requirement, as it did throughout the reporting year. Management receives a report from the share registrars frequently on substantial share interests showing the non-free float to ensure continuing compliance with the 10% limit throughout the reporting year.

There are no significant external borrowings. The debt-to-adjusted capital ratio does not provide a meaningful indicator of the risk of borrowings.

APPENDIX D – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR FY2018

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

26. Share capital and treasury shares (cont'd)

26B. Treasury shares

	Group and Company No. of shares '000	\$'000
At 1 January 2017, 31 December 2017 and 31 December 2018	5,414	1,929

Treasury shares relate to ordinary shares of the Company that are held by the Company.

27. Other reserves

	31 Dec 2018 \$'000	Group 31 Dec 2017 \$'000	1 Jan 2017 \$'000
Fair value adjustment reserve	–	1,239	1,005
Foreign currency translation reserve	3,164	6,077	8,361
Statutory reserve	1,855	1,110	1,110
Capital reserve	48	48	48
	5,067	8,474	10,524

	31 Dec 2018 \$'000	Company 31 Dec 2017 \$'000	1 Jan 2017 \$'000
Fair value adjustment reserve	–	1,239	1,005

Fair value adjustment reserve represents the cumulative fair value changes, net of tax, of available-for-sale financial assets until they are disposed of or impaired.

Foreign currency translation reserve comprises exchange differences arising from translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency, and includes the exchange differences on monetary items which form part of the Group's net investment in foreign operations.

Statutory reserve is set aside in compliance with the regulations of the country of registration of those subsidiaries registered in the PRC. At least 10% of the statutory after tax profits as determined in accordance with the applicable PRC accounting standards and regulations must be allocated to the statutory reserve until the cumulative total of the statutory reserve reaches 50% of the subsidiary's registered capital. Subject to approval from the relevant PRC authorities, the statutory reserve may be used to offset any accumulated losses or increase the registered capital of the subsidiary.

APPENDIX D – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR FY2018

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

28. Dividends

	Group and Company	
	2018	2017
	\$'000	\$'000
Paid during the reporting year		
First and final exempt (1-tier) dividend paid of \$0.003 (2017: \$0.003) per share in respect of previous reporting year	1,026	1,026
Proposed but not recognised as liability at end of reporting year		
<i>Dividends on ordinary shares subject to shareholders' approval at Annual General Meeting</i>		
First and final exempt (one-tier) dividend of \$Nil (2017: \$0.003) per share	–	1,026

29. Commitments

29A. Capital commitments

	31 Dec 2018 \$'000	Group 31 Dec 2017 \$'000	1 Jan 2017 \$'000
Estimated amounts committed for future capital expenditure authorised and contracted for but not provided for in the financial statements	6,632	24,628	19,513
Capital contributions towards investment in subsidiaries not yet due	7,791	7,986	8,126
	14,423	32,614	27,639
		Company	
	31 Dec 2018 \$'000	31 Dec 2017 \$'000	1 Jan 2017 \$'000
Capital contributions towards investment in subsidiaries not yet due	7,791	7,986	8,126

APPENDIX D – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR FY2018

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

29. Commitments (cont'd)

29B. Operating lease commitments – as lessor

At end of reporting year, total of future minimum lease receivables committed under non-cancellable operating leases are as follows:

	31 Dec 2018 \$'000	Group 31 Dec 2017 \$'000	1 Jan 2017 \$'000
Not later than 1 year	5,687	5,189	3,134
Later than 1 year but not later than 5 years	22,886	22,868	16,108
Later than 5 years	2,997	4,773	7,256
	31,570	32,830	26,498

	31 Dec 2018 \$'000	Company 31 Dec 2017 \$'000	1 Jan 2017 \$'000
Not later than 1 year	69	28	61
Later than 1 year but not later than 5 years	32	–	28
	101	28	89

The Group leases out office premises, commercial building and shopping mall to non-related parties under non-cancellable operating leases. The leases have remaining lease terms of between 1 to 9.5 years (31 December 2017: 0.5 to 8 years; 1 January 2017: 1.5 to 9 years).

30. Segment information

Segment information is presented in respect of the Group's operating and geographical segments. These segments are based on the Group's management and internal reporting structure.

30A. Operating segments

The Group is currently organised into three reportable operating segments as follows:

- Investment holding – investment holding and administrative activities;
- Hotels and properties – operation of hotels and property development and investment; and
- PVC pipes and fittings – manufacturing and sale of PVC pipes and fittings.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on segment profit or loss and is measured in the same way as operating profit or loss in the consolidated financial statements.

Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties.

**APPENDIX D – AUDITED CONSOLIDATED FINANCIAL STATEMENTS
OF THE GROUP FOR FY2018**

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

30. Segment information (cont'd)

30A. Operating segments (cont'd)

	Investment holding \$'000	Hotels and properties \$'000	PVC pipes and fittings \$'000	Others \$'000	Total \$'000
Group					
2018					
Revenue					
Total revenue	–	6,441	10,341	–	16,782
Results					
Segment results	(2,029)	(7,114)	(898)	(29)	(10,070)
Interest income	441	530	26	79	1,076
Interest expense	–	(39)	(3)	–	(42)
Share of results of associate	(78)	–	–	–	(78)
(Loss)/profit before income tax	(1,666)	(6,623)	(875)	50	(9,114)
Income tax expense	(23)	(40)	–	(16)	(79)
(Loss)/profit for the year	(1,689)	(6,663)	(875)	34	(9,193)
Assets					
Segment assets	27,786	144,422	14,571	4,547	191,326
Investments in associate	198	–	–	–	198
Total assets	27,984	144,422	14,571	4,547	191,524
Liabilities					
Segment liabilities	944	11,280	508	61	12,793
Income tax payable	22	15	–	13	50
Total liabilities	966	11,295	508	74	12,843
Other segment information					
Additions to property, plant and equipment	–	13,053	157	–	13,210
Additions to properties under development	–	1,534	–	–	1,534
Additions to investment properties	–	660	–	–	660
Depreciation and amortisation	119	3,485	264	48	3,916
Foreign exchange losses	67	598	–	–	665

APPENDIX D – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR FY2018

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

30. Segment information (cont'd)

30A. Operating segments (cont'd)

	Investment holding \$'000	Hotels and properties \$'000	PVC pipes and fittings \$'000	Others \$'000	Total \$'000
Group					
2017					
Revenue					
Total revenue	–	3,850	14,676	–	18,526
Results					
Segment results	(755)	(3,684)	229	(37)	(4,247)
Interest income	334	779	21	296	1,430
Interest expense	–	(51)	(5)	–	(56)
Share of results of associate	(75)	–	–	–	(75)
(Loss)/profit before income tax	(496)	(2,956)	245	259	(2,948)
Income tax expense	(248)	(595)	37	(62)	(868)
(Loss)/profit for the year	(744)	(3,551)	282	197	(3,816)
Assets					
Segment assets	31,559	157,310	16,098	9,111	214,078
Investments in associate	280	–	–	–	280
Total assets	31,839	157,310	16,098	9,111	214,358
Liabilities					
Segment liabilities	941	16,641	1,253	60	18,895
Income tax payable	106	76	–	84	266
Total liabilities	1,047	16,717	1,253	144	19,161
Other segment information					
Additions to property, plant and equipment	4	4,253	115	–	4,372
Additions to investment properties	–	1,874	–	–	1,874
Depreciation and amortisation	122	3,480	290	50	3,942
Foreign exchange losses/(gains)	2,106	(720)	–	–	1,386

APPENDIX D – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR FY2018

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

30. Segment information (cont'd)

30A. Operating segments (cont'd)

Information about segment assets and liabilities as at 1 January 2017 are as follows:

	Investment holding \$'000	Hotels and properties \$'000	PVC pipes and fittings \$'000	Others \$'000	Total \$'000
Group					
Assets					
Segment assets	32,607	161,995	15,122	10,894	220,618
Investments in associate	361	–	–	–	361
Deferred tax assets	–	168	–	–	168
Total assets	32,968	162,163	15,122	10,894	221,147
Liabilities					
Segment liabilities	861	15,854	569	57	17,341
Income tax payable	90	105	–	76	271
Total liabilities	951	15,959	569	133	17,612

30B. Geographical information

Revenue and non-current assets information based on geographical location of customers and assets respectively are as follows:

	Revenue		Group Non-current assets		
	2018	2017	31 Dec 2018	31 Dec 2017	1 Jan 2017
	\$'000	\$'000	\$'000	\$'000	\$'000
PRC	16,782	18,526	135,156	129,397	129,638
Singapore	–	–	2,020	2,124	2,228
	16,782	18,526	137,176	131,521	131,866

Non-current assets information presented above consist of property, plant and equipment, properties under development, investment properties and land use rights as presented in the consolidated statement of financial position.

Revenue of approximately \$1,882,000 (2017: \$3,225,000) is derived from a single external customer attributable to the PVC pipes and fittings segment.

APPENDIX D – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR FY2018

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

31. Financial instruments – information on financial risks

31A. Categories of financial assets and liabilities

The following table categorises the carrying amount of financial assets and liabilities recorded at end of reporting year:

	31 Dec 2018 \$'000	Group 31 Dec 2017 \$'000	1 Jan 2017 \$'000
Financial assets			
Financial assets at amortised cost	39,236	63,900	71,087
Available-for-sale financial assets	–	3,473	6,676
Financial assets measured at FVTPL	11,642	12,328	7,057
	<u>50,878</u>	<u>79,701</u>	<u>84,820</u>
Financial liabilities			
Financial liabilities at amortised cost	12,138	16,893	15,479
	<u>12,138</u>	<u>16,893</u>	<u>15,479</u>
		Company	
	31 Dec 2018 \$'000	31 Dec 2017 \$'000	1 Jan 2017 \$'000
Financial assets			
Financial assets at amortised cost	36,279	45,102	48,673
Available-for-sale financial assets	–	2,448	5,633
Financial assets measured at FVTPL	9,393	12,328	7,057
	<u>45,672</u>	<u>59,878</u>	<u>61,363</u>
Financial liabilities			
Financial liabilities at amortised cost	348	349	381
	<u>348</u>	<u>349</u>	<u>381</u>

Further quantitative disclosures are included throughout these financial statements.

31B. Financial risk management

The main purpose for holding or issuing financial instruments is to raise and manage the finances for the entity's operating, investing and financing activities. There are exposures to the financial risks on the financial instruments such as credit risk, liquidity risk and market risk comprising interest rate, currency risk and price risk exposures. Management has certain practices for the management of financial risks and actions to be taken in order to manage the financial risks. However these are not documented in formal written form. The guidelines include the following:

- (i) Minimise interest rate, currency, credit and market risks for all kinds of transactions.
- (ii) Maximise the use of “natural hedge”: favouring as much as possible the natural off-setting of sales and costs and payables and receivables denominated in the same currency and therefore put in place hedging strategies only for the excess balance. The same strategy is pursued with regard to interest rate risk.
- (iii) All financial risk management activities are carried out and monitored by senior staff.
- (iv) All financial risk management activities are carried out following acceptable market practices.

APPENDIX D – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR FY2018

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

31. Financial instruments – information on financial risks (cont'd)

31C. Fair value of financial instruments

The analyses of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 are disclosed in the relevant notes to the financial statements. These include both the significant financial instruments stated at amortised cost and at fair value in the statement of financial position. The carrying values of current financial instruments approximate their fair values due to the short-term maturity of these instruments and the disclosures of fair value are not made when the carrying amount of current financial instruments is a reasonable approximation of the fair value.

The Group categorises fair value measurement using the fair value hierarchy as set out in note 2A.

31D. Credit risk on financial assets

Financial assets could potentially subject to concentrations of credit risk and failures by counterparties to discharge their obligations in full or in a timely manner. These arise principally from cash balances with banks, cash equivalents, receivables and other financial assets. The maximum exposure to credit risk is the total of the fair value of the financial assets at the end of the reporting year. Credit risk on cash balances with banks and any other financial instruments is limited because the counter-parties are entities with acceptable credit ratings. For ECL on financial assets, the three-stage approach in the financial reporting standard on financial instruments is used to measure the impairment allowance. Under this approach the financial assets move through the three stages as their credit quality changes. However, a simplified approach is permitted by the financial reporting standards on financial instruments for financial assets that do not have a significant financing component, such as trade receivables. On initial recognition, a day-one loss is recorded equal to the 12 month ECL (or lifetime ECL for trade receivables), unless the assets are considered credit impaired. For credit risk on trade receivables an ongoing credit evaluation is performed on the financial condition of the debtors and an impairment loss is recognised in profit or loss. Reviews and assessments of credit exposures in excess of designated limits are made. Renewals and reviews of credits limits are subject to the same review process.

Note 21 disclose the maturity of the cash and cash equivalents balances. Cash and cash equivalents are also subject to the impairment requirements of the standard on financial instruments. There was no identified impairment loss.

31E. Liquidity risk

Liquidity risk refers to the difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. It is expected that all the liabilities will be settled at their contractual maturity. The average credit period taken to settle trade payables is approximately 30 to 60 days (2017: 30 to 60 days). The other payables are with short-term durations. The classification of the financial assets is shown in the statement of financial position as they may be available to meet liquidity needs and no further analysis is deemed necessary. In order to meet such cash commitments the operating activity is expected to generate sufficient cash inflows. In addition, the financial assets are held for which there is a liquid market and that are readily available to meet liquidity needs.

APPENDIX D – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR FY2018

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

31. Financial instruments – information on financial risks (cont'd)

31E. Liquidity risk (cont'd)

	Less than 1 year \$'000	1 – 5 years \$'000	More than 5 years \$'000	Total \$'000
Group				
31 December 2018				
Financial assets				
Trade and other receivables	13,301	–	–	13,301
Cash and cash equivalents	25,434	–	–	25,434
Other financial assets	9,894	–	2,249	12,143
Total financial assets	48,629	–	2,249	50,878
Financial liabilities				
Trade and other payables	12,138	–	–	12,138
Total undiscounted financial liabilities	12,138	–	–	12,138
Net financial assets	36,491	–	2,249	38,740
31 December 2017				
Financial assets				
Trade and other receivables	15,689	–	–	15,689
Cash and cash equivalents	48,211	–	–	48,211
Other financial assets	12,328	2,448	1,025	15,801
Total financial assets	76,228	2,448	1,025	79,701
Financial liabilities				
Trade and other payables	15,050	–	–	15,050
Other financial liabilities	1,889	–	–	1,889
Total undiscounted financial liabilities	16,939	–	–	16,939
Net financial assets	59,289	2,448	1,025	62,762
1 January 2017				
Financial assets				
Trade and other receivables	22,670	–	–	22,670
Cash and cash equivalents	43,937	–	–	43,937
Other financial assets	11,537	5,633	1,043	18,213
Total financial assets	78,144	5,633	1,043	84,820
Financial liabilities				
Trade and other payables	14,150	–	–	14,150
Other financial liabilities	1,340	–	–	1,340
Total undiscounted financial liabilities	15,490	–	–	15,490
Net financial assets	62,654	5,633	1,043	69,330

**APPENDIX D – AUDITED CONSOLIDATED FINANCIAL STATEMENTS
OF THE GROUP FOR FY2018**

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

31. Financial instruments – information on financial risks (cont'd)

31E. Liquidity risk (cont'd)

	Less than 1 year \$'000	1 – 5 years \$'000	Total \$'000
Company			
31 December 2018			
Financial assets			
Trade and other receivables	21,320	4,387	25,707
Cash and cash equivalents	14,458	–	14,458
Other financial assets	9,894	–	9,894
Total financial assets	45,672	4,387	50,059
Financial liabilities			
Trade and other payables	348	–	348
Total undiscounted financial liabilities	348	–	348
Net financial assets	45,324	4,387	49,711
31 December 2017			
Financial assets			
Trade and other receivables	32,045	4,282	36,327
Cash and cash equivalents	13,057	–	13,057
Other financial assets	12,328	2,448	14,776
Total financial assets	57,430	6,730	64,160
Financial liabilities			
Trade and other payables	349	–	349
Total undiscounted financial liabilities	349	–	349
Net financial assets	57,081	6,730	63,811
1 January 2017			
Financial assets			
Trade and other receivables	37,563	–	37,563
Cash and cash equivalents	11,110	–	11,110
Other financial assets	7,057	5,633	12,690
Total financial assets	55,730	5,633	61,363
Financial liabilities			
Trade and other payables	381	–	381
Total undiscounted financial liabilities	381	–	381
Net financial assets	55,349	5,633	60,982

The undiscounted amounts on borrowings with fixed and floating interest rates are determined by reference to conditions existing at the reporting date.

APPENDIX D – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR FY2018

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

31. Financial instruments – information on financial risks (cont'd)

31F. Interest rate risk

The effect on pre-tax profit is not significant.

31G. Foreign currency risk

Analysis of amounts denominated in non-functional currencies:

	USD \$'000	HKD \$'000	RMB \$'000	Total \$'000
Group				
2018				
Financial assets				
Cash and cash equivalents	7,255	8	5,610	12,873
Trade and other receivables	12	–	8	20
Other financial assets	2,542	146	–	2,688
	9,809	154	5,618	15,581
Financial liabilities				
Trade and other payables	–	–	21	21
	–	–	21	21
Net financial assets at end of year	9,809	154	5,597	15,560
2017				
Financial assets				
Cash and cash equivalents	8,198	3	3,764	11,965
Trade and other receivables	2	–	8	10
Other financial assets	3,403	3,413	–	6,816
	11,603	3,416	3,772	18,791
Financial liabilities				
Trade and other payables	–	–	11	11
	–	–	11	11
Net financial assets at end of year	11,603	3,416	3,761	18,780

APPENDIX D – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR FY2018

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

31. Financial instruments – information on financial risks (cont'd)

31G. Foreign currency risk (cont'd)

Analysis of amounts denominated in non-functional currencies (cont'd):

	USD \$'000	HKD \$'000	RMB \$'000	Total \$'000
Company				
2018				
Financial assets				
Cash and cash equivalents	7,255	8	5,610	12,873
Trade and other receivables	7,783	–	38,967	46,750
Other financial assets	2,542	146	–	2,688
	17,580	154	44,577	62,311
Financial liabilities				
Trade and other payables	–	–	21	21
	–	–	21	21
Net financial assets at end of year	17,580	154	44,556	62,290
2017				
Financial assets				
Cash and cash equivalents	8,175	3	3,764	11,942
Trade and other receivables	7,454	–	24,607	32,061
Other financial assets	3,403	3,413	–	6,816
	19,032	3,416	28,371	50,819
Financial liabilities				
Trade and other payables	–	–	11	11
	–	–	11	11
Net financial assets at end of year	19,032	3,416	28,360	50,808

Sensitivity analysis is as follows:

	Group		Company	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
A hypothetical 10% strengthening in the exchange rate of the respective functional currency against USD with all other variables held constant would have an adverse effect on pre-tax loss of	(981)	(1,160)	(1,758)	(1,903)
A hypothetical 10% strengthening in the exchange rate of the respective functional currency against HKD with all other variables held constant would have an adverse effect on pre-tax loss of	(15)	(342)	(15)	(342)
A hypothetical 10% strengthening in the exchange rate of the respective functional currency against RMB with all other variables held constant would have an adverse effect on pre-tax loss of	(560)	(376)	(4,456)	(2,836)

APPENDIX D – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR FY2018

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

31. Financial instruments – information on financial risks (cont'd)

31G. Foreign currency risk (cont'd)

The above table shows sensitivity to a hypothetical 10% variation in the respective functional currency against the relevant non-functional foreign currencies. The sensitivity rate used is the reasonably possible change in foreign exchange rates. For similar rate weakening of the functional currency against the relevant foreign currencies above, there would be comparable impacts in the opposite direction.

In management's opinion, the above sensitivity analysis is unrepresentative of the foreign currency risks as the historical exposure does not reflect the exposure in future.

The hypothetical changes in exchange rates are not based on observable market data (unobservable inputs). The sensitivity analysis is disclosed for each non-functional currency to which the entity has significant exposure at end of the reporting year.

31H. Market price risk

Market price risk is that the fair value or future cash flows of the Group's financial instruments will fluctuate because of changes in market prices (other than interest or exchange rates). The Group is exposed to equity price risk arising from its investments in quoted equity instruments. These instruments are quoted on the Hong Kong Exchanges and Clearing Ltd in Hong Kong, SGX-ST in Singapore and New York Stock Exchange in the United States of America and are classified as financial assets at FVTPL. The Group does not have exposure to commodity price risk. The sensitivity analysis is disclosed in note 17.

32. Changes and adoption of financial reporting standards

For the current reporting year, new or revised financial reporting standards were issued by the Singapore Accounting Standards Council. Those applicable to the reporting entity are listed below. Adoption of the applicable new or revised standards has resulted in some changes in the detailed application of the accounting policies and some modifications to financial statements presentation and measurement as disclosed in note 34.

SFRS(I) No.	Title
SFRS(I) 1-40	Amendments to Investment Property
SFRS(I) 1	First-time Adoption of Singapore Financial Reporting Standards (International)
SFRS(I) 9	Financial Instruments
SFRS(I) 15	Revenue from Contracts with Customers
	Amendments and Clarifications to SFRS(I) 15 Revenue from Contracts with Customers
SFRS(I) INT 22	Foreign Currency Transactions and Advance Consideration

APPENDIX D – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR FY2018

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

33. New or amended standards in issue but not yet effective

For the future reporting years certain new or revised financial reporting standards were issued by the Singapore Accounting Standards Council and these will only be effective for future reporting years. Those applicable to the reporting entity for future reporting years are listed below. The transfer to the applicable new or revised standards from the effective dates is not expected to result in any significant modification of the measurement methods or the presentation in the financial statements for the following year from the known or reasonably estimable information relevant to assessing the possible impact that application of the new or revised standards will have on the entity's financial statements in the period of initial application.

SFRS(I) No.	Title	Effective date for periods beginning on or after
SFRS(I) 16	Leases (and Leases – Illustrative Examples and Amendments to Guidance on Other Standards)	1 January 2019
SFRS(I) INT 23	Uncertainty over Income Tax Treatments	1 January 2019
SFRS(I) 1-12	Improvements (2017) – Amendments: Income Taxes	1 January 2019
SFRS(I) 3	Improvements (2017) – Amendments: Business Combinations	1 January 2019

34. Changes in accounting policies and restatements of comparative figures

SFRS(I) 9 contains requirements for the classification and measurement of financial assets and financial liabilities, impairment, hedge accounting and derecognition. It requires all recognised financial assets to be subsequently measured at amortised cost or fair value (through profit or loss or through other comprehensive income), depending on their classification. For financial liabilities, it also has requirements to cases where the fair value option is taken. For impairment of financial assets, it introduces the ECL model; recognition of a credit loss should no longer wait for there to be objective evidence of impairment. For hedge accounting, it allows financial statements to better reflect how risk management activities are undertaken when hedging financial and non-financial risk exposures. Prior reporting periods need not be restated. The Group may restate prior periods if, and only if, it is possible without the use of hindsight. Therefore, the standard has been applied for the reporting year ended 31 December 2018 only. As the Group does not restate prior periods, it has recognised the difference if any between the previous carrying amount and the carrying amount at 1 January 2018 in the opening retained earnings/equity. The details of adjustments to opening account balances as at 1 January 2018 are as follows:

	Note	1 Jan 2018 \$'000	31 Dec 2017 \$'000	Difference \$'000
Group				
Other financial assets, non-current	A, B, C	4,795	1,066	3,729
Investment securities, non-current	A, C	–	2,448	(2,448)
Other financial assets, current	A	12,328	–	12,328
Investment securities, current	A	–	12,328	(12,328)
Retained earnings	B, C	(112,354)	(109,834)	(2,520)
Other reserves	C	(7,235)	(8,474)	1,239
Company				
Other financial assets, non-current	A, C	2,489	41	2,448
Investment securities, non-current	A, C	–	2,448	(2,448)
Other financial assets, current	A	12,328	–	12,328
Investment securities, current	A	–	12,328	(12,328)
Retained earnings	B, C	(157,601)	(156,362)	(1,239)
Other reserves	C	–	(1,239)	1,239

APPENDIX D – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR FY2018

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

34. Changes in accounting policies and restatements of comparative figures (cont'd)

- A Certain reclassifications have been made to the comparative financial information to enhance comparability with the current year's presentation.
- B Unquoted equity investment measured at cost in the previous year that should be measured at FVTPL under the new standard amounted to \$2,306,000. The Group has applied the new standard to this item that existed at 1 January 2018 in accordance with the transition requirements. Accordingly, the difference between the fair value and the previous carrying amount of the instrument at 1 January 2018 is recorded as an adjustment to opening retained earnings.
- C Quoted equity investments classified as available-for-sale and measured at FVTOCI in the previous year that should be measured at FVTPL under the new standard amounted to \$2,448,000. The Group has applied the new standard to these items that existed at 1 January 2018 in accordance with the transition requirements. Accordingly, the Group has recognised the cumulative effect of initial application as an adjustment to opening retained earnings at 1 January 2018.

APPENDIX E – UNAUDITED FINANCIAL INFORMATION OF THE GROUP FOR 2QFY2019



(Reg. No. 197901039W)

Second Quarter Financial Statement Announcement for the Period Ended 30/6/2019

PART I – INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1, Q2 & Q3), HALF-YEAR AND FULL YEAR RESULTS

1(a) An income statement (for the group) together with a comparative statement for the corresponding period of the immediately preceding financial year

Group						
S\$'000			%	S\$'000		
3 months ended 30 June				6 months ended 30 June		
Note	2019	2018	Change	2019	2018	Change
Revenue	4,190	4,972	(15.73)	7,713	8,536	(9.64)
Cost of sales	(4,289)	(3,946)	8.69	(7,469)	(7,116)	4.96
Gross (loss)/profit	(99)	1,026	NM	244	1,420	(82.82)
Other operating income	91	173	(47.40)	171	320	(46.56)
Gain from investments	548	813	(32.60)	1,522	1,636	(6.97)
Administrative expenses	(2,988)	(3,135)	(4.69)	(4,373)	(4,447)	(1.66)
Distribution costs	(96)	(79)	21.52	(175)	(156)	12.18
Other operating expenses	(261)	(389)	(32.90)	(633)	(789)	(19.77)
Finance costs	-	(17)	(100.00)	-	(41)	(100.00)
Foreign exchange (loss)/gain	(1,354)	80	NM	(933)	657	NM
Share of results of associate	(19)	(20)	(5.00)	(37)	(39)	(5.13)
Loss before tax	(4,178)	(1,548)	NM	(4,214)	(1,439)	NM
Income tax expense	(15)	3	NM	(27)	(69)	(60.87)
Loss for the period	(4,193)	(1,545)	NM	(4,241)	(1,508)	NM
Attributable to:						
Owners of the Company	(4,190)	(1,522)	NM	(4,238)	(1,523)	NM
Non-controlling interests	(3)	(23)	(86.96)	(3)	15	NM
	(4,193)	(1,545)	NM	(4,241)	(1,508)	NM

NM – Not Meaningful

APPENDIX E – UNAUDITED FINANCIAL INFORMATION OF THE GROUP FOR 2QFY2019

Statement of Comprehensive Income

	Group					
	S\$'000		%	S\$'000		%
	3 months ended 30 June			6 months ended 30 June		
	2019	2018	Change	2019	2018	Change
Loss for the period	(4,193)	(1,545)	NM	(4,241)	(1,508)	NM
Other comprehensive (loss)/income: Items that may be reclassified subsequently to profit or loss:						
Currency translation differences	(2,286)	(1,336)	71.11	(1,491)	1,056	NM
Other comprehensive (loss)/income for the period, net of tax	(2,286)	(1,336)	71.11	(1,491)	1,056	NM
Total comprehensive loss for the period	(6,479)	(2,881)	NM	(5,732)	(452)	NM
Attributable to:						
Owners of the Company	(6,427)	(2,653)	NM	(5,697)	(391)	NM
Non-controlling interests	(52)	(228)	(77.19)	(35)	(61)	(42.62)
	(6,479)	(2,881)	NM	(5,732)	(452)	NM

Other information

	Group					
	S\$'000		%	S\$'000		%
	3 months ended 30 June			6 months ended 30 June		
	2019	2018	Change	2019	2018	Change
Depreciation and amortisation	978	1,005	(2.69)	1,972	2,011	(1.94)
Property, plant and equipment written-off	1,160	16	NM	1,162	16	NM
Provision for litigation	-	1,155	(100.00)	-	1,155	(100.00)

NM – Not Meaningful

APPENDIX E – UNAUDITED FINANCIAL INFORMATION OF THE GROUP FOR 2QFY2019

Note 1

Group						
S\$'000		%	S\$'000		%	
3 months ended 30 June			6 months ended 30 June			
2019	2018	Change	2019	2018	Change	
Other operating income:						
Rental income	69	55	25.45	132	111	18.92
Gain on disposal of property, plant and equipment	-	15	(100.00)	-	15	(100.00)
Incentive and allowance income	13	4	NM	13	8	62.50
Reversal of impairment loss on trade receivables	-	32	(100.00)	-	32	(100.00)
Sundry income	9	67	(86.57)	26	154	(83.12)
	91	173	(47.40)	171	320	(46.56)

Note 2

Group						
S\$'000		%	S\$'000		%	
3 months ended 30 June			6 months ended 30 June			
2019	2018	Change	2019	2018	Change	
Gain from investments:						
Interest income	149	273	(45.42)	311	667	(53.37)
Gain on disposal of other financial assets	-	71	(100.00)	-	71	(100.00)
Dividend income	58	126	(53.97)	128	204	(37.25)
Net fair value gain on other financial assets	341	343	(0.58)	1,083	694	56.05
	548	813	(32.60)	1,522	1,636	(6.97)

Note 3

The increase in distribution costs was due to higher advertising and carriage costs.

Note 4

Other operating expenses decreased due to lower depreciation charges. In 2Q18, all the depreciation charges of Suzhou hotel was recorded in other operating expenses as the hotel operation was ceased for redevelopment work. In 2Q19, depreciation arising from the operating property, plant and equipment of Suzhou hotel was classified under cost of sales following the re-commencement of the Suzhou hotel operation.

Note 5

Group						
S\$'000		%	S\$'000		%	
3 months ended 30 June			6 months ended 30 June			
2019	2018	Change	2019	2018	Change	
Finance cost:						
Interest expense	-	(17)	(100.00)	-	(41)	(100.00)
	-	(17)	(100.00)	-	(41)	(100.00)

No finance cost was reported in 2Q19 as the Group has fully repaid its bank borrowings.

Note 6

The Group reported an exchange loss of \$1.4 million in 2Q19 due mainly to the weakening of the Renminbi and US dollar against the Singapore dollar. The currency translation loss of \$2.3 million reported in other comprehensive income was attributable to the weakening of the Renminbi against the Singapore dollar.

NM – Not Meaningful

APPENDIX E – UNAUDITED FINANCIAL INFORMATION OF THE GROUP FOR 2QFY2019

Note 7

Note 7

Group						
S\$'000		%	S\$'000		%	
3 months ended 30 June			6 months ended 30 June			
2019	2018	Change	2019	2018	Change	
Income tax expense:						
Current	(7)	10	NM	(13)	(56)	(76.79)
Overseas withholding tax	(8)	(7)	14.29	(14)	(13)	7.69
	(15)	3	NM	(27)	(69)	(60.87)

The current tax expense arose despite of a loss sustained by the Group as: (i) certain subsidiaries within the Group were profitable and that losses incurred by other entities within the Group could not be used to offset against the profits of these subsidiaries for income tax purposes; and (ii) withholding tax paid by the Company arising from the interest income received from a China subsidiary.

NM – Not Meaningful

APPENDIX E – UNAUDITED FINANCIAL INFORMATION OF THE GROUP FOR 2QFY2019

1(b)(i) A balance sheet (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year

AS AT	Note	Group 30/6/2019 S\$'000	31/12/2018 S\$'000	Company 30/6/2019 S\$'000	31/12/2018 S\$'000
ASSETS					
Current assets:					
Cash and cash equivalents		23,344	25,434	10,724	14,458
Trade and other receivables		12,890	13,946	24,250	21,343
Inventories		2,870	2,627	-	-
Other financial assets		10,220	9,894	10,220	9,894
Total current assets		<u>49,324</u>	<u>51,901</u>	<u>45,194</u>	<u>45,695</u>
Non-current assets:					
Investment in subsidiaries		-	-	148,623	148,623
Investment in associate	1	160	198	-	-
Other financial assets		2,215	2,249	-	-
Property, plant and equipment		41,368	41,380	1,121	1,160
Investment properties		54,405	56,258	846	860
Property under development		30,614	31,081	-	-
Other receivables		-	-	4,330	4,387
Land use rights		8,176	8,457	-	-
Total non-current assets		<u>136,938</u>	<u>139,623</u>	<u>154,920</u>	<u>155,030</u>
Total assets		<u>186,262</u>	<u>191,524</u>	<u>200,114</u>	<u>200,725</u>
LIABILITIES AND EQUITY					
Current liabilities:					
Trade and other payables		12,645	12,138	155	348
Income tax payable		42	50	11	18
Provision for litigation	2	11	69	-	-
Total current liabilities		<u>12,698</u>	<u>12,257</u>	<u>166</u>	<u>366</u>
Non-current liabilities:					
Provision for retirement benefits		615	586	615	586
Total non-current liabilities		<u>615</u>	<u>586</u>	<u>615</u>	<u>586</u>
Equity attributable to owners of the Company:					
Share capital		71,856	71,856	71,856	71,856
Treasury shares		(1,929)	(1,929)	(1,929)	(1,929)
Foreign currency translation reserve		1,705	3,164	-	-
Statutory reserve		1,855	1,855	-	-
Capital reserve		48	48	-	-
Retained earnings		97,320	101,558	129,406	129,846
		<u>170,855</u>	<u>176,552</u>	<u>199,333</u>	<u>199,773</u>
Non-controlling interests		2,094	2,129	-	-
Total equity		<u>172,949</u>	<u>178,681</u>	<u>199,333</u>	<u>199,773</u>
Total liabilities and equity		<u>186,262</u>	<u>191,524</u>	<u>200,114</u>	<u>200,725</u>

Notes:

1. Decrease in investment in associate was attributable to operating losses recorded by the associate.
2. Provision for litigation decreased due to settlement of litigation.

**APPENDIX E – UNAUDITED FINANCIAL INFORMATION OF THE GROUP
FOR 2QFY2019**

1(b)(ii) Aggregate amount of group's borrowings and debt securities

Amount repayable in one year or less, or on demand

As at 30 June 2019		As at 31 December 2018	
Secured S\$	Unsecured S\$	Secured S\$	Unsecured S\$
-	-	-	-

Amount repayable after one year

As at 30 June 2019		As at 31 December 2018	
Secured S\$	Unsecured S\$	Secured S\$	Unsecured S\$
-	-	-	-

Details of any collateral

None

APPENDIX E – UNAUDITED FINANCIAL INFORMATION OF THE GROUP FOR 2QFY2019

1(c) A cash flow statement (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year

	Group			
	S\$'000			
	3 months ended 30 June		6 months ended 30 June	
	2019	2018	2019	2018
Cash flows from operating activities:				
Loss before tax	(4,178)	(1,548)	(4,214)	(1,439)
Adjustments for:				
Depreciation of property, plant and equipment	406	414	800	838
Amortisation of land use rights	75	79	154	161
Depreciation of investment properties	497	512	1,018	1,012
Gain on disposal of property, plant and equipment	-	(15)	-	(15)
Loss on disposal of property, plant and equipment	19	51	36	73
Property, plant and equipment written off	1,160	16	1,162	16
Gain on disposal of other financial assets	-	(69)	-	(69)
Share of results of associate	19	20	37	39
Provision for retirement benefits	14	15	29	30
Provision for litigation	-	1,155	-	1,155
Dividend income	(58)	(126)	(128)	(204)
Interest income	(149)	(273)	(311)	(667)
Interest expense	-	17	-	41
Foreign exchange adjustment unrealised losses	209	(436)	219	(367)
Operating cash flows before changes in working capital	(1,986)	(188)	(1,198)	604
Trade and other receivables	(1,802)	(951)	438	1,068
Inventories	(251)	(268)	(279)	(703)
Trade and other payables	3,462	(194)	1,790	(2,221)
Other financial assets	(84)	229	(326)	(122)
Cash (used in)/from operations	(661)	(1,372)	425	(1,374)
Interest paid	-	(19)	-	(43)
Income taxes paid	(15)	(33)	(34)	(177)
Net cash (used in)/from operating activities	(676)	(1,424)	391	(1,594)
Cash flows from investing activities:				
Increase in investment properties	-	(26)	-	(502)
Purchase of property, plant and equipment	(1,090)	(2,947)	(2,614)	(5,462)
Proceeds from disposal of property, plant and equipment	15	60	24	69
Proceeds from disposal of other financial assets	-	3,937	-	3,937
Dividends received	58	126	128	204
Interest received	165	438	324	722
Net cash (used in)/from investing activities	(852)	1,588	(2,138)	(1,032)
Cash flows from financing activities:				
Repayment of bank borrowings	-	(1,654)	-	(1,654)
Dividends paid	-	(1,026)	-	(1,026)
Distributions to non-controlling interests pursuant to capital reduction	-	(4,511)	-	(4,511)
Net cash used in financing activities	-	(7,191)	-	(7,191)
Net decrease in cash and cash equivalents	(1,528)	(7,027)	(1,747)	(9,817)
Cash and cash equivalents at beginning of period	25,271	45,979	25,434	48,211
Effects of exchange rate changes on cash and cash equivalents	(399)	(17)	(343)	541
Cash and cash equivalents at end of period	23,344	38,935	23,344	38,935

The Group had a net cash outflow of \$0.7 million used in its operating activities in 2Q19 as compared to \$1.4 million in 2Q18. Net cash used in investing activities of \$0.9 million in 2Q19 was due mainly to payment of \$1.1 million for the redevelopment work of Suzhou hotel.

APPENDIX E – UNAUDITED FINANCIAL INFORMATION OF THE GROUP FOR 2QFY2019

1(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year

Group	Attributable to owners of the Company								
	Share capital S\$'000	Treasury shares S\$'000	Capital reserve S\$'000	Foreign currency translation reserve S\$'000	Statutory reserve S\$'000	Retained earnings S\$'000	Total S\$'000	Non-controlling interests S\$'000	Total equity S\$'000
Balance at 1 January 2019	71,856	(1,929)	48	3,164	1,855	101,558	176,552	2,129	178,681
Net loss for the period	-	-	-	-	-	(48)	(48)	-	(48)
Other comprehensive income for the period									
Currency translation differences	-	-	-	778	-	-	778	17	795
Total comprehensive income/(loss) for the period	-	-	-	778	-	(48)	730	17	747
Balance at 31 March 2019 and 1 April 2019	71,856	(1,929)	48	3,942	1,855	101,510	177,282	2,146	179,428
Net loss for the period	-	-	-	-	-	(4,190)	(4,190)	(3)	(4,193)
Other comprehensive loss for the period									
Currency translation differences	-	-	-	(2,237)	-	-	(2,237)	(49)	(2,286)
Total comprehensive loss for the period	-	-	-	(2,237)	-	(4,190)	(6,427)	(52)	(6,479)
Balance at 30 June 2019	71,856	(1,929)	48	1,705	1,855	97,320	170,855	2,094	172,949

APPENDIX E – UNAUDITED FINANCIAL INFORMATION OF THE GROUP FOR 2QFY2019

Group	Attributable to owners of the Company									
	Share capital S\$'000	Treasury shares S\$'000	Fair value adjustment reserve S\$'000	Capital reserve S\$'000	Foreign currency translation reserve S\$'000	Statutory reserve S\$'000	Retained earnings S\$'000	Total S\$'000	Non-controlling interests S\$'000	Total equity S\$'000
Balance at 1 January 2018 as previously reported	71,856	(1,929)	1,239	48	6,077	1,110	109,834	188,235	6,962	195,197
Adoption of SFRS(I) 9	-	-	(1,239)	-	-	-	2,520	1,281	-	1,281
Balance at 1 January 2018 as restated	71,856	(1,929)	-	48	6,077	1,110	112,354	189,516	6,962	196,478
Net (loss)/profit for the period	-	-	-	-	-	-	(1)	(1)	38	37
Other comprehensive income for the period										
Currency translation differences	-	-	-	-	2,263	-	-	2,263	129	2,392
Total comprehensive income/(loss) for the period	-	-	-	-	2,263	-	(1)	2,262	167	2,429
Transfer to statutory reserve	-	-	-	-	-	742	(742)	-	-	-
Balance at 31 March 2018 and 1 April 2018	71,856	(1,929)	-	48	8,340	1,852	111,611	191,778	7,129	198,907
Net loss for the period	-	-	-	-	-	-	(1,522)	(1,522)	(23)	(1,545)
Other comprehensive loss for the period										
Currency translation differences	-	-	-	-	(1,131)	-	-	(1,131)	(205)	(1,336)
Total comprehensive loss for the period	-	-	-	-	(1,131)	-	(1,522)	(2,653)	(228)	(2,881)
Distribution to non-controlling interests pursuant to capital reduction	-	-	-	-	-	-	-	-	(4,511)	(4,511)
Dividends paid	-	-	-	-	-	-	(1,026)	(1,026)	-	(1,026)
Balance at 30 June 2018	71,856	(1,929)	-	48	7,209	1,852	109,063	188,099	2,390	190,489

APPENDIX E – UNAUDITED FINANCIAL INFORMATION OF THE GROUP FOR 2QFY2019

Company	Share capital S\$'000	Treasury shares S\$'000	Fair value adjustment reserve S\$'000	Retained earnings S\$'000	Total equity S\$'000
Balance at 1 January 2019	71,856	(1,929)	-	129,846	199,773
Net profit for the period	-	-	-	623	623
Total comprehensive income for the period	-	-	-	623	623
Balance at 31 March 2019 and 1 April 2019	71,856	(1,929)	-	130,469	200,396
Net loss for the period	-	-	-	(1,063)	(1,063)
Total comprehensive loss for the period	-	-	-	(1,063)	(1,063)
Balance at 30 June 2019	71,856	(1,929)	-	129,406	199,333
Balance at 1 January 2018 as previously reported	71,856	(1,929)	1,239	156,362	227,528
Adoption of SFRS(I) 9	-	-	(1,239)	1,239	-
Balance at 1 January 2018 as restated	71,856	(1,929)	-	157,601	227,528
Net profit for the period	-	-	-	139	139
Total comprehensive income for the period	-	-	-	139	139
Balance at 31 March 2018 and 1 April 2018	71,856	(1,929)	-	157,740	227,667
Net profit for the period	-	-	-	1,290	1,290
Total comprehensive income for the period	-	-	-	1,290	1,290
Dividends paid	-	-	-	(1,026)	(1,026)
Balance at 30 June 2018	71,856	(1,929)	-	158,004	227,931

APPENDIX E – UNAUDITED FINANCIAL INFORMATION OF THE GROUP FOR 2QFY2019

- 1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State the number of shares that may be issued on conversion of all the outstanding convertibles, if any, against the total number of issued shares excluding treasury shares and subsidiary holdings of the issuer, as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year. State also the number of shares held as treasury shares and the number of subsidiary holdings, if any, and the percentage of the aggregate number of treasury shares and subsidiary holdings held against the total number of shares outstanding in a class that is listed as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year**

Share Capital

There were no changes in the Company's issued and paid-up share capital during the second quarter ended 30 June 2019.

As at 30 June 2019, the Company has 342,024,763 issued ordinary shares, excluding treasury shares.

Treasury Shares

As at 30 June 2019, there were 5,414,000 (2018: 5,414,000) treasury shares held by the Company.

Subsidiary Holdings

There were no subsidiary holdings as at 30 June 2019 and 30 June 2018.

- 1(d)(iii) To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year**

The total number of issued ordinary shares excluding treasury shares as at 30 June 2019 was 342,024,763 (31 December 2018: 342,024,763).

- 1(d)(iv) A statement showing all sales, transfers, disposal, cancellation and/or use of treasury shares as at the end of the current financial period reported on**

There were no sales, transfer, disposal, cancellation and/or use of treasury shares as at 30 June 2019.

- 1(d)(v) A statement showing all sales, transfers, cancellation and/or use of subsidiary holdings as at the end of the current financial period reported on**

Not applicable as the Company does not have any subsidiary holdings.

- 2 Whether the figures have been audited or reviewed and in accordance with which auditing standard or practice**

The figures have not been audited or reviewed.

- 3 Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of matter)**

N/A

APPENDIX E – UNAUDITED FINANCIAL INFORMATION OF THE GROUP FOR 2QFY2019

4 Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied

The Group has applied the same accounting policies and methods of computation in the financial statements for the current financial period compared with those of the audited financial statements as at 31 December 2018, except as disclosed in paragraph 5 below.

5 If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change

The Group has adopted the new Singapore Financial Reporting Standards (International) ("SFRS(I)") and the related Interpretations to SFRS(I)s ("SFRS(I) INT") that are relevant to its operations and effective for annual periods beginning on or after 1 January 2019. The adoption of these new/revised FRS and INT FRS did not result in any substantial change to the Group's and Company's accounting policies or have any significant impact on the financial statements.

6 Earnings per ordinary share of the group for the current financial period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends

	Group			
	3 months ended 30 June		6 months ended 30 June	
	2019	2018	2019	2018
Loss per ordinary share for the period				
(i) Based on weighted average number of ordinary shares on issue	(1.22) cent	(0.45) cent	(1.24) cent	(0.45) cent
Weighted average number of ordinary shares	342,024,763	342,024,763	342,024,763	342,024,763
(ii) On a fully diluted basis	(1.22) cent	(0.45) cent	(1.24) cent	(0.45) cent
Adjusted weighted average number of ordinary shares	342,024,763	342,024,763	342,024,763	342,024,763

7 Net asset value (for the issuer and group) per ordinary share based on issued share capital of the issuer at the end of the:
(a) current financial period reported on; and
(b) immediately preceding financial year

	Group		Company	
	As At 30/6/2019	As At 31/12/2018	As At 30/6/2019	As At 31/12/2018
Net asset value per ordinary share based on issued share capital at the end of the period reported on (S\$)	0.50	0.52	0.58	0.58
Total number of issued shares, excluding treasury shares, at the end of the period reported on	342,024,763	342,024,763	342,024,763	342,024,763

APPENDIX E – UNAUDITED FINANCIAL INFORMATION OF THE GROUP FOR 2QFY2019

- 8 A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following:
- (a) any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and
 - (b) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.

PERFORMANCE REVIEW

Revenue of the Group decreased by \$0.8 million from \$5.0 million in 2Q18 to \$4.2 million in 2Q19 mainly because of lower revenue recorded in the PVC pipes and fittings operation. Net loss increased from \$1.5 million in 2Q18 to \$4.2 million in 2Q19 principally due to: (i) exchange loss of \$1.4 million in 2Q19; and (ii) operating loss of Suzhou hotel which was at the start-up period.

Hotel and Property Operation

Hotel and property operation reported a slight decrease in revenue of \$0.1 million from \$1.9 million in 2Q18 to \$1.8 million in 2Q19. Loss of the operation increased by \$0.7 million to \$3.0 million due mainly to the operating loss of Suzhou hotel. The hotel only became fully operational in May when it was integrated to the reservation system of the AccorHotels website. Low hotel occupancy rate during the start-up period and high initial operating cost have led to an increase in operation loss at Suzhou hotel. During the quarter under review, hotel and property operation wrote-off obsolete property, plant and equipment amounted to \$1.2 million at the Suzhou hotel. In the previous corresponding period, the operation made a \$1.2 million provision for litigation involving Dali San Teh Xing with its main contractor.

PVC Pipes and Fittings Operation

Revenue of the PVC pipes and fittings operation decreased from \$3.1 million in 2Q18 to \$2.4 million in 2Q19 owing to lower selling price. Despite the lower turnover, operating loss narrowed from \$214,000 in 2Q18 to \$147,000 in 2Q19 due to lower administrative expenses.

- 9 Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results

The Group's performance in the second quarter of 2019 is in line with the profit guidance announcement released on 6 August 2019.

- 10 A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months

The Group expects the performance of Suzhou hotel to be very challenging for the remaining of 2019 as it is currently in the gestation period which normally takes two to three years.

Shanghai property operation remains stable. The current average occupancy rate of the shopping mall is approximately 85%.

The renovation and improvement works of Nantong hotel has commenced in 2Q19. The arbitration proceeding with the hotel's former tenant is still ongoing.

The Group expects its PVC pipes and fittings operation to continue to face difficult business environment due to the keen competition and rising raw material costs.

APPENDIX E – UNAUDITED FINANCIAL INFORMATION OF THE GROUP FOR 2QFY2019

11 Dividend

(a) *Current Financial Period Reported On*

Any dividend declared for the current financial period reported on? No

Name of Dividend

Dividend Type

Dividend Amount per Share (in cents)

Tax Rate

(b) *Corresponding Period of the Immediately Preceding Financial Year*

Any dividend declared for the corresponding period of the immediately preceding financial year? No

Name of Dividend

Dividend Type

Dividend Amount per Share (in cents)

Tax Rate

(c) *Date payable*

N/A

(d) *Books closure date*

N/A

12 If no dividend has been declared/recommended, a statement to that effect and the reason(s) for the decision.

No dividend has been declared or recommended for the period ended 30 June 2019. Dividend, if any, will be recommended in the full year financial statement and related announcement.

13 If the Group has obtained a general mandate from shareholders for IPTs, the aggregate value of such transactions as required under Rule 920(1)(a)(ii). If no IPT mandate has been obtained, a statement to that effect.

The Company did not obtain any general mandate from its shareholders for interested person transactions.

14 Confirmation pursuant to Rule 720(1) of the Listing Manual.

The Company confirms that it has procured undertakings from all its Directors and Executive Officers in the format set out in Appendix 7.7 under Rule 720(1).

APPENDIX E – UNAUDITED FINANCIAL INFORMATION OF THE GROUP FOR 2QFY2019

15 Segment Information

3 months ended 30 June 2019

	Investment Holding S\$'000	Hotel and Property S\$'000	PVC Pipes and Fittings S\$'000	Others S\$'000	Total S\$'000
Revenue					
Total revenue	-	1,750	2,440	-	4,190
Results					
Segment results	(1,172)	(2,997)	(147)	8	(4,308)
Interest income	77	52	10	10	149
Share of results of associates	(19)	-	-	-	(19)
(Loss)/Profit before tax	(1,114)	(2,945)	(137)	18	(4,178)
Income tax expense	(8)	(2)	-	(5)	(15)
(Loss)/Profit for the period	(1,122)	(2,947)	(137)	13	(4,193)
Assets					
Segment assets	24,393	142,296	14,897	4,516	186,102
Investment in associate	160	-	-	-	160
Total assets	24,553	142,296	14,897	4,516	186,262
Liabilities					
Segment liabilities	775	11,174	1,268	54	13,271
Income tax payable	15	23	-	4	42
Total liabilities	790	11,197	1,268	58	13,313
Other segment information					
Additions to property, plant and equipment	-	1,063	27	-	1,090
Depreciation and amortisation	29	876	62	11	978
Property, plant and equipment written-off	-	1,160	-	-	1,160
Loss on disposal of property, plant and equipment	-	19	-	-	19
Foreign exchange loss	1,099	255	-	-	1,354

APPENDIX E – UNAUDITED FINANCIAL INFORMATION OF THE GROUP FOR 2QFY2019

3 months ended 30 June 2018

	Investment Holding S\$'000	Hotel and Property S\$'000	PVC Pipes and Fittings S\$'000	Others S\$'000	Total S\$'000
Revenue					
Total revenue	-	1,852	3,120	-	4,972
Results					
Segment results	733	(2,297)	(214)	(6)	(1,784)
Interest income	90	154	9	20	273
Interest expense	-	(17)	-	-	(17)
Share of results of associates	(20)	-	-	-	(20)
Profit/(Loss) before tax	803	(2,160)	(205)	14	(1,548)
Income tax expense	(7)	15	-	(5)	3
Profit/(Loss) for the period	796	(2,145)	(205)	9	(1,545)
Assets					
Segment assets	41,581	145,968	15,073	3,412	206,034
Investment in associates	243	-	-	-	243
Total assets	41,824	145,968	15,073	3,412	206,277
Liabilities					
Segment liabilities	743	15,543	567	56	16,909
Income tax payable	99	42	-	19	160
Total liabilities	842	15,585	567	75	17,069
Other segment information					
Additions to property, plant and equipment	-	2,886	61	-	2,947
Additions to investment properties	-	26	-	-	26
Depreciation and amortisation	30	894	69	12	1,005
Property, plant and equipment written-off	-	13	3	-	16
Loss on disposal of property, plant and equipment	-	51	-	-	51
Foreign exchange (gain)/loss	(689)	609	-	-	(80)

BY ORDER OF THE BOARD
LIM WEE TZIANG
COMPANY SECRETARY
14 August 2019

APPENDIX E – UNAUDITED FINANCIAL INFORMATION OF THE GROUP FOR 2QFY2019

RULE 705(5) – NEGATIVE ASSURANCE

SAN TEH LTD

Confirmation by the Board of Directors

Pursuant to Rule 705(5) of the SGX-ST Listing Manual, we, Kao Chuan Chi and Kao Chuan Trong, being two Directors of San Teh Limited (the “Company”), do hereby confirm on behalf of the Board of Directors of the Company that, to the best of their knowledge, nothing has come to the attention of the Board of Directors of the Company which may render the Group’s unaudited interim financial results for the second quarter ended 30 June 2019 to be false or misleading in any material aspect.

On behalf of the Board of Directors:

Kao Chuan Chi
Director

Kao Chuan Trong
Director

Singapore, 14 August 2019

**LETTER FROM ASIAN CORPORATE ADVISORS PTE. LTD. TO THE
INDEPENDENT DIRECTORS OF SAN TEH LIMITED**

ASIAN CORPORATE ADVISORS PTE. LTD.

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

160 Robinson Road #21-05
SBF Center
Singapore 068914

The Independent Directors (as hereinafter defined)
San Teh Limited
701 Sims Drive #06-01,
Singapore 387383

10 October 2019

VOLUNTARY CONDITIONAL CASH OFFER BY CEL IMPETUS CORPORATE FINANCE PTE LTD., FOR AND ON BEHALF OF SINGAPORE SAN TEH REAL ESTATE PTE. LTD. (THE “OFFEROR”), FOR THE OFFER SHARES (AS DEFINED HEREIN)

Unless otherwise defined or where the context otherwise requires, all terms used herein shall have the same meanings as defined in the circular dated 10 October 2019 (the “Circular”) and our letter dated 10 October 2019 in Appendix A of the Circular.

This letter is prepared for inclusion in the Circular dated 10 October 2019 issued by San Teh Limited in relation to the Offer.

The extracted statement of prospects below was issued by the Company on 30 April 2019 in connection with the Company’s commentary on the unaudited financial results for the first quarter ended 31 March 2019 (“**Prospects Statements**”).

<i>With the contribution from the Suzhou hotel and higher occupancy rate at the shopping mall at Shanghai Plaza, the Group expects the revenue of its hotel and property operation to improve.</i>
--

We note from Appendix H of the Circular that the Statement of Prospects was not made in conjunction with the Offer. The Directors have not issued a profit forecast for the Group for the financial year ending 31 December 2019 (“**FY2019**”) in connection with the Offer. Accordingly, the Statement of Prospects should not be regarded as a forecast of the Group for FY2019.

We have discussed the key bases and assumptions underlying the Prospects Statements with the management and Directors of the Company as reproduced in Appendix H of the Circular. We have noted and have considered the letter dated 10 October 2019 addressed to the Directors by the auditors of the Company (“**Auditors**”) in relation to its review of the Prospects Statements, in Appendix G of the Circular.

We have relied on the accuracy and completeness of all financial and other information discussed with us and assumed such accuracy and completeness for the purposes of providing this letter. We have not independently verified the information both written and verbal and accordingly cannot and do not make any representation or warranty, expressly or impliedly, in respect of, and do not accept any responsibility for, the accuracy, completeness or adequacy of such information. We have not undertaken any independent evaluation or appraisal of any of the assets or liabilities of the Company or the Group. Save as provided in this letter, we do not express any other opinion on the Prospects Statements.

Based on the above discussions with the management and Directors of the Company and having considered the letter from the Auditors as reproduced in Appendix G of the Circular, we are of the

APPENDIX F – LETTER FROM IFA IN RELATION TO STATEMENT OF PROSPECTS

view that the Prospects Statements (for which the Directors are solely responsible) had been issued by the Directors after due and careful enquiry.

This letter is addressed to the Directors for the sole purpose of complying with Rule 25 of The Singapore Code on Take-overs and Mergers, and we do not accept any responsibility to any other person (other than the Directors) in respect of, arising from or in connection with this letter.

Yours faithfully,

For and on behalf of

ASIAN CORPORATE ADVISORS PTE. LTD.

H.K. LIAU
MANAGING DIRECTOR

FOO QUEE YIN
MANAGING DIRECTOR

APPENDIX G – LETTER FROM AUDITORS OF THE COMPANY IN RELATION TO STATEMENT OF PROSPECTS



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Audit@RSMSingapore.sg
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The Board of Directors
San Teh Ltd
701 Sims Drive
#06-01 LHK Building
Singapore 387383

Dear Sirs

Letter from auditors on statement of prospects

We have provided this letter solely to the directors of San Teh Ltd (the “Company”) for inclusion in the circular dated 10 October 2019 to be issued to the shareholders of the Company in connection with the voluntary conditional cash offer by CEL Impetus Corporate Finance Pte. Ltd., for and on behalf of Singapore San Teh Real Estate Pte. Ltd. (the “Offeror”), to acquire all the issued and paid up ordinary shares (excluding treasury shares) in the capital of the Company (the “Circular”).

As disclosed in Appendix H to the Circular, the directors of the Company have made the statement set out below (the “Statement of Prospects”) in paragraph 10 of the announcement dated 30 April 2019 in relation to the unaudited financial results of the Company and its subsidiaries (the “Group”) for the first quarter ended 31 March 2019:

“With the contribution from the Suzhou hotel and higher occupancy rate at the shopping mall at Shanghai Plaza, the Group expects the revenue of its hotel and property operation to improve.”

The directors of the Company are solely responsible for the Statement of Prospects, including the assumptions set out in Appendix H to the Circular.

We have been requested by the Company to report on the Statement of Prospects in accordance with Rule 25 of The Singapore Code on Take-overs and Mergers issued by the Monetary Authority of Singapore (the “Take-over Code”). We conducted our examination in accordance with the Singapore Standard on Assurance Engagements 3400 *The Examination of Prospective Financial Information* insofar as the Statement of Prospects is properly prepared in accordance with the bases and assumptions determined by the directors, as set out in Appendix H to the Circular, and is consistent with the accounting policies of the Group. Our responsibility under Rule 25.3 of the Take-over Code is to examine and report, insofar as the accounting policies of the Group and calculations are concerned, that the Statement of Prospects has been properly prepared based on the assumptions made by the directors.

Based on our examination of the evidence supporting the assumptions, nothing has come to our attention which causes us to believe that these assumptions do not provide a reasonable basis for the Statement of Prospects. Further, in our opinion, the Statement of Prospects, insofar as the accounting policies of the Group and calculations are concerned, is properly prepared on the bases and assumptions set out in Appendix H to the Circular and, in all material respects, is consistent with the accounting policies normally adopted by the Group.

Actual results may be different from the Statement of Prospects since anticipated events frequently do not occur as expected and the variation may be material.

UEN: T09LL00081

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Business Advisors to Growing Businesses

**APPENDIX G – LETTER FROM AUDITORS OF THE COMPANY
IN RELATION TO STATEMENT OF PROSPECTS**

Our work in connection with the Statement of Prospects has been undertaken solely for the purpose of reporting to the directors under the Take-over Code to meet the regulatory requirements for the Circular and is not intended to be used or relied on for any other purpose.

Yours faithfully



RSM Chio Lim LLP
Public Accountants and
Chartered Accountants
Singapore

10 October 2019

APPENDIX H – STATEMENT OF PROSPECTS

The following statement (“**Statement of Prospects**”) was made by the Directors in paragraph 10 of the announcement dated 30 April 2019 by the Company in relation to the unaudited financial results for the first quarter ended 31 March 2019 of the Group:

“With the contribution from the Suzhou hotel and higher occupancy rate at the shopping mall at Shanghai Plaza, the Group expects the revenue of its hotel and property operation to improve.”

The Statement of Prospects was not made in conjunction with the Offer.

The Directors have not issued a profit forecast for the Group for the financial year ending 31 December 2019 (“**FY2019**”) in connection with the Offer. Accordingly, the Statement of Prospects should not be regarded as a forecast of the Group for FY2019.

The Statement of Prospects, for which the Directors are solely responsible, was made on bases consistent with the accounting policies normally adopted by the Group. It was not made in connection with the Offer and was based on the following assumptions and/or information available as of 30 April 2019, being the date which the Statement of Prospects was made:

- (a) There will be no material change in, *inter-alia*, the existing political conditions, regulatory (including environmental) requirements or legal conditions or operating conditions, *inter-alia*, utilities, shut-downs, shortages or availability of relevant labour, labour shortages and strikes etc. affecting the activities of the Group, the industries and the countries in which the Group operates.
- (b) There will be no material change in the principal activities, management and organisation structure of the Group, management and franchises that the Group operates its hotel business.
- (c) There will be no material change in the accounting policies of the Group.
- (d) There will be no material change in the competitive environment in which the Group operates.
- (e) There will be no material change in applicable accounting standards, which may adversely affect the revenue of hotel and property operation of the Group.
- (f) There will be no material change in the prevailing foreign currency exchange rates that will adversely affect the revenue of hotel and property operation of the Group.
- (g) There will be no material exceptional item that will adversely affect the revenue of hotel and property operation of the Group.
- (h) There will be no adverse change to the tax legislations and the bases or rates of taxation of the countries in which the Group operates.
- (i) There will be no material change to the then prevailing occupancy, rental rates and other revenue contributors of the Group’s investment properties, and there will be no major payment defaults and/or no premature termination of contractual agreements for the operations of the Group’s hotel and property operation, *inter-alia*, existing major tenancy, management and maintenance agreements.
- (j) There will be no major change in the relationship that the Group has with major tenants and customers that will adversely affect, *inter-alia*, the revenue or operations of hotel and property operation of the Group.
- (k) There will be no material change in inflation rates.

APPENDIX H – STATEMENT OF PROSPECTS

- (l) There will be no major acquisitions of assets by the Group, save for those acquisitions carried out in the ordinary course of business for the Group's hotel and property operation. There will be no major disposals of the Group's assets, subsidiaries, property, plant and equipment, and investment properties utilised for the Group's hotel and property operation.
- (m) There will be no legal litigation or arbitration or disputes that results in claims against the Group which has not been duly provided for or which would lead to loss of revenue or contributions to revenue or stoppages for the Group's hotel and property operation.

APPENDIX I – EXTRACTS FROM THE COMPANY'S CONSTITUTION

The provisions in the Constitution relating to rights of Shareholders in respect of capital, voting and dividends are reproduced below.

All capitalised terms used in the following extracts shall have the same meanings ascribed to them in the Constitution and/or the Companies Act, a copy of which is available for inspection at the registered office of the Company at 701 Sims Drive #06-01, LHK Building, Singapore 387383, during normal business hours until the Closing Date.

(A) RIGHTS IN RESPECT OF CAPITAL

SHARES

5. Save to the extent permitted by the Act, none of the funds of the Company or of any subsidiary thereof shall be directly or indirectly employed in the purchase or subscription of or in loans upon the security of the Company's shares. Company's shares as security
6. (1) Subject to the Act and to these Articles, no shares may be issued by the Directors without the prior approval of the Company in General Meeting pursuant to Section 161 of the Act, but subject thereto and the terms of such approval, and to Article 47, and to any special rights attached to any shares for the time being issued, the Directors may allot and issue shares or grant options over or otherwise dispose of the same to such persons on such terms and conditions and for such consideration and at such time and whether or not subject to the payment of any part of the amount thereof in cash as the Directors may think fit, and any shares may, subject to compliance with Sections 70 and 75 of the Act, be issued with such preferential, deferred, qualified or special rights, privileges, conditions or restrictions, whether as regards Dividends, return of capital, participation in surplus assets and profits, voting, conversion or otherwise, 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 in accordance with the Act, Provided Always that no options be granted over unissued shares except in accordance with the Act and the Designated Stock Exchange's listing rules. Issue of shares
Issue of shares
- (2) The Directors may, at any time after the allotment of any share but before any person has been entered in the Register of Members as the holder, recognise a renunciation thereof by the allottee in favour of some other person and may accord to any allottee of a share a right to effect such renunciation upon and subject to such terms and conditions as the Directors may think fit to impose.
- (3) Except so far as otherwise provided by the conditions of issue or by these Articles, all new shares shall be issued subject to the provisions of the Statutes and of these Articles with reference to allotment, payment of calls, lien, transfer, transmission, forfeiture or otherwise.
7. The Company shall not exercise any right in respect of treasury shares other than as provided by the Act. Subject thereto, the Company may hold or deal with its treasury shares in the manner authorised by, or prescribed pursuant to, the Act. Treasury shares

APPENDIX I – EXTRACTS FROM THE COMPANY’S CONSTITUTION

8. (1) Preference shares may be issued subject to such limitation thereof as may be prescribed by the Designated Stock Exchange. 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, and preference shareholders shall also have the right to vote at any General Meeting convened for the purpose of reducing the capital or winding up or sanctioning a sale of the undertaking or where the proposal to be submitted to the General Meeting directly affects their rights and privileges or when the Dividend on the preference shares is more than six months in arrears. Rights attached to certain shares

(2) The Company has power to issue further preference capital ranking equally with, or in priority to, preference shares already issued.

9. (1) Whenever the share capital is divided into different classes, the variation or abrogation of special rights attached to any class may, subject to the provisions of the Act, be made either with the consent in writing of the holders of three-quarters of the total number of the issued shares of the class or with the sanction of a Special Resolution passed at a separate General Meeting of the holder of shares of the class (but not otherwise) and may be so made either whilst the Company is a going concern or during or in contemplation of a winding up. To every such separate General Meeting all the provisions of these Articles relating to General Meetings of the Company and to the proceedings thereat shall *mutatis mutandis* apply; except that the necessary quorum shall be two or more persons holding at least one-third of the total number of the issued shares of the class present in person or by proxy or by attorney and any holder of shares of the class present in person or by proxy or attorney may demand a poll and that every such holder shall on a poll have one vote for every share of the class held by him where the class is a class of equity shares within the meaning of Section 64(1) of the Act or at least one vote for every share of the class where the class is a class of preference shares within the meaning of Section 180(2) of the Act, Provided Always that where the necessary majority for such a Special Resolution is not obtained at the General Meeting, the consent in writing, if obtained from the holders of three-quarters of the total number of the issued shares of the class concerned within two months of the General Meeting shall be as valid and effectual as a Special Resolution carried at such General Meeting.

Variation of rights

(2) The provisions in Article 9(1) shall *mutatis mutandis* apply to any repayment of preference capital (other than redeemable preference capital) and any variation or abrogation of the rights attached to preference shares or any class thereof.

10. The special rights attached to any class of shares having preferential rights shall not unless otherwise expressly provided by the terms of issue thereof be deemed to be varied by the creation or issue of further shares ranking as regards participation in the profits or assets of the Company in some or all respects *pari passu* therewith but in no respect in priority thereto.

Creation or issue of further shares with special rights

11. The Company may pay commissions or brokerage on any issue of shares at such rate or amount and in such manner as the Directors 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 pay commission and brokerage

APPENDIX I – EXTRACTS FROM THE COMPANY’S CONSTITUTION

12. Where any shares 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 pay interest on so much of that share capital as is for the time being paid up for the period and may charge the same to capital as part of the cost of the construction of the works or buildings or provision of the plant, subject to the conditions and restrictions mentioned in the Act. Power to charge interest on capital
13. Except as required by the Statutes or law, no person shall be recognised by the Company as holding any share upon any trust and the Company shall not be bound by or compelled in any way to recognise (even when having notice thereof) any equitable, contingent, future or partial interest in any share or any interest in any fractional part of a share or (except only as by these Articles or by the Statutes or by law otherwise provided) any other rights in respect of any share, except an absolute right to the entirety thereof in the registered holder and nothing in these Articles contained relating to CDP or to Depositors or in any depository agreement made by the Company with any common depository for shares shall in any circumstances be deemed to limit, restrict or qualify the above. Exclusion of equities
14. (1) The Company shall not be bound to register more than three persons as joint holders of share except in the case of executors, trustees or administrators of the estate of a deceased Member. Joint holders
Joint holders
- (2) In the case of a share held jointly by several persons, the Company shall not be bound to issue more than one certificate therefore and delivery of a certificate for a share to any one of the joint holders shall be sufficient delivery to all .
15. 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. Fractional part of a share
16. If by the conditions of allotment of any shares the whole or any part of the amount of the issue price thereof shall be payable by instalments every such instalment shall, when due, be paid to the Company by the person who for the time being shall be the registered holder of the share or his personal representatives, but this provision shall not affect the liability of any allottee who may have agreed to pay the same. Payment of instalment
17. Every share certificate shall be issued under the Seal and shall bear the autographic or facsimile signatures at least of any two Directors, or one of the Directors and the Secretary or some other person as may be authorised by the Directors and shall specify the number and class of shares to which it relates and the amount paid up and the amount (if any) unpaid thereon. 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 Directors of the Company. No certificate shall be issued representing shares of more than one class. Share certificates
18. (1) Every person whose name is entered as a Member in the Register of Members shall be entitled within ten market days (or such period as may be approved by the Designated Stock Exchange) after the closing date of any application for shares or (as the case may be) the date of lodgement of a registrable transfer to one certificate for all his shares of any one class or to several certificates in reasonable denominations each for a part of the shares so allotted or transferred. Entitlement of certificate

APPENDIX I – EXTRACTS FROM THE COMPANY’S CONSTITUTION

(2) Where a Member transfers part only of the shares comprised in a certificate or where a Member 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 (in the case of transfer) and the whole of such shares (in the case of sub-division) shall be issued in lieu thereof and the Member shall pay (in the case of sub-division) a maximum fee of S\$2.00 (or such other fee as the Directors may determine having regard to any limitation thereof as may be prescribed by the Designated Stock Exchange from time to time) for each new certificate. Where some only of the shares comprised in a share certificate are transferred, the new certificate for the balance of such shares shall be issued in lieu thereof without charge.

(3) Any two or more certificates representing shares of any one class held by any Member may at his request be cancelled and a single new certificate for such shares issued in lieu thereof without charge.

19. Subject to the provisions of the Statutes, if any share certificate shall be defaced, worn out, destroyed, lost or stolen, it may be renewed on such evidence being produced and a written indemnity (if required) being given by the shareholder, transferee, person entitled, purchaser, member firm or member company of the Designated Stock 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\$2.00 (or such other fee as the Directors may determine having regard to any limitation thereof as may be prescribed by the Designated Stock Exchange from time to time) as the Directors may from time to time require. In the case of destruction, loss or theft, a shareholder or person entitled to, and 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
may be issued

TRANSFER OF SHARES

20. All transfers shall be effected by written instruments of transfer in the form for the time being approved by the Directors and the Designated Stock Exchange.

Form of transfer
of shares

21. The instrument of transfer of any share shall be signed by or on behalf of both the transferor and the transferee and be witnessed, Provided Always that an instrument of transfer in respect of which the transferee is the CDP shall be effective although not signed or witnessed by or on behalf of the CDP. 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 in respect thereof.

Execution

22. No share shall in any circumstances be transferred to any infant, bankrupt or person of unsound mind.

Person under
disability

23. (1) There shall be no restriction on the transfer of fully paid up shares (except where required by the rules, bye-laws or listing rules of the Designated Stock 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, Provided Always that in the event of the Directors refusing to register a transfer of shares, the Company shall within ten market days (or such period as the Directors may determine having regard to any limitation thereof as

Directors' power
to decline to
register

APPENDIX I – EXTRACTS FROM THE COMPANY’S CONSTITUTION

may be prescribed by the Designated Stock Exchange from time to time) after the date on which the application for a transfer of shares was made, serve a notice in writing to the applicant stating the facts which are considered to justify the refusal as required by the Statutes.

(2) The Directors may decline to register any instrument of transfer unless:

- (i) such fee not exceeding S\$2.00 (or such other fee as the Directors may determine having regard to any limitation thereof as may be prescribed by the Designated Stock Exchange from time to time) as the Directors may from time to time require, is paid to the Company in respect thereof;
- (ii) the instrument of transfer is deposited at the Office or at such other place (if any) as the Directors may appoint accompanied by a certificate of payment of stamp duty (if stamp duty is payable on such instrument of transfer in accordance with any law for the time being in force relating to stamp duty), the certificates of the shares to which it relates, and such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer and, if the instrument of transfer is executed by some other person on his behalf, the authority of the person so to do;
- (iii) the instrument of transfer is in respect of only one class of shares; and
- (iv) the amount of the proper duty (if any) with which each instrument of transfer is chargeable under any law for the time being in force relating to stamps is paid.

24. 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.

Retention of
transfer

25. The Registers of Members and of Transfers may be closed at such times and for such periods as the Directors may from time to time determine, Provided Always that such Registers shall not be closed for more than thirty days in any year and that the Company shall give prior notice of each such closure, as may be required, to the Designated Stock Exchange, stating the period and purpose for which the closure is made.

Closure of
Registers

26. 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.

Renunciation of
allotment

27. The Company shall be entitled to destroy all instruments of transfer which have been registered at any time after the expiration of six years from the date of registration thereof and all Dividend mandates and notifications of change of address at any time after the expiration of six years from the date of recording thereof and all share certificates which have been cancelled at any time after the expiration of six years from the date of the cancellation thereof and it shall conclusively be 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 document so destroyed was duly and properly

Company entitled
to destroy
documents after
six years

APPENDIX I – EXTRACTS FROM THE COMPANY’S CONSTITUTION

made and every instrument of transfer so destroyed was a valid and effective instrument duly and properly registered and every share certificate so destroyed was a valid and effective certificate duly and properly cancelled and every other document hereinbefore mentioned so destroyed was a valid and effective document in accordance with the recorded particulars thereof in the books or records of the Company, Provided Always that:

- (a) the provisions aforesaid shall apply only to the destruction of a document in good faith and without notice of any claim (regardless of the parties thereto) to which the document might be relevant;
- (b) nothing herein contained shall be construed as imposing upon the Company any liability in respect of the destruction of any such document earlier than as aforesaid or in any other circumstances which would not attach to the Company in the absence of this Article; and
- (c) references herein to the destruction of any document include references to the disposal thereof in any manner.

TRANSMISSION OF SHARES

28. (1) In the case of the death of a Member whose name is registered in the Register of Members, the survivor or survivors, where the deceased was a joint holder, and the executors or administrators of the deceased, where he was a sole or only surviving holder, shall be the only person(s) recognised by the Company as having any title to his interest in the shares.

Transmission on death

(2) In the case of the death of a Member who is a Depositor, the survivors or survivor, where the deceased is a joint holder, and the executors or administrators of the deceased, where he was a sole or only surviving holder and where such executors or administrators are entered into the Depository Register in respect of any shares to the deceased Member, shall be the only person(s) recognised by the Company as having any title to his interest in the shares.

(3) Nothing herein shall release the estate of a deceased Member (whether sole or joint) from any liability in respect of any share held by him.

29. Any person becoming entitled to a share in consequence of the death or bankruptcy of any Member may (subject as hereinafter provided) upon supplying to the Directors such evidence as the Directors may reasonably require to show his title to the share, elect either to be registered himself as holder of the share or to have another person nominated by him registered as the transferee thereof. If the person so becoming entitled elects to be registered himself, he shall deliver or send to the Company a notice in writing signed by him stating that he so elects. If he elects 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 of transfer were a transfer executed by such Member.

Persons becoming entitled on death or bankruptcy of Member may be registered

APPENDIX I – EXTRACTS FROM THE COMPANY’S CONSTITUTION

30. Save as otherwise provided by or in accordance with these Articles, a person becoming entitled to a share in consequence of the death or bankruptcy of a Member (upon supplying to the Company such evidence as the Directors may reasonably require to show his title to the share) shall be entitled to the same Dividends and other advantages to which he would be entitled if he were the registered holder of the share except that he shall not be entitled in respect thereof (except with the authority of the Directors) to exercise any right conferred by membership in relation to General Meetings of the Company until he shall have been registered as a Member in respect of the share.

Rights of
unregistered
executors and
trustees

31. There shall be paid to the Company in respect of the registration of any probate or letters of administration or certificate of marriage or death or stop notice or power of attorney or other document relating to or affecting the title to any shares or otherwise for making any entry in the Register of Members affecting the title to any shares, such fee not exceeding S\$2.00 (or such other fee as the Directors may determine having regard to any limitation thereof as may be prescribed by the Designated Stock Exchange from time to time) as the Directors may from time to time require .

Fee for
registration of
probate, etc.

CALLS ON SHARES

32. The Directors may from time to time make calls upon the Members in respect of any moneys unpaid on their shares but subject always to the terms of the issue of such shares. Each Member shall (subject to receiving at least fourteen days’ notice specifying the time or times and place of payment) pay to the Company at the time or times and place so specified the amount called on his shares. The joint holders of a share shall be jointly and severally liable to pay all calls in respect thereof. A call may be revoked or postponed as the Directors may determine.

Calls on shares

33. 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.

Time when made

34. If a sum called in respect of a share is not paid before or on the day appointed for payment thereof, the person from whom the sum is due shall pay interest on the sum due from the day appointed for payment thereof to the time of actual payment at such rate (not exceeding ten per cent. per annum) as the Directors determine, but the Directors shall be at liberty to waive payment of such interest in whole or in part.

Interest on calls

35. Any sum which by the terms of issue 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 . In the 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.

Sum due on
allotment

36. 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.

Power to
differentiate

APPENDIX I – EXTRACTS FROM THE COMPANY’S CONSTITUTION

37. 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 *pro tanto* the liability upon the shares in respect of which it is made, and upon the moneys so received (until and to the extent that the same would but for such advance become payable) the Company may pay interest at such rate (not exceeding eight per cent. per annum) as the Member paying such sum and the Directors may agree. Capital paid on shares in advance of calls shall not whilst carrying interest confer a right to participate in profits.

Payment in advance of calls

FORFEITURE AND LIEN

38. If any Member fails to pay in full any call or instalment of a call on the due date for payment thereof, the Directors may at any time thereafter serve a notice on him requiring payment of so much of the call or instalment as is unpaid together with any interest which may have accrued thereon and any expenses incurred by the Company by reason of such non-payment.

Notice requiring payment of calls.

39. The notice shall name a further day (not being less than fourteen 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.

Notice to state time and place

40. 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 Directors may accept a surrender of any share liable to be forfeited hereunder.

Forfeiture on non-compliance with notice

41. A share so forfeited or surrendered shall become the property of the Company and may be sold, re-allotted or otherwise disposed of either to the person who was before such forfeiture or surrender the holder thereof or entitled thereto or to any other person, upon such terms and in such manner as the Directors shall think fit, and at any time before a sale, re-allotment or disposal, the forfeiture or surrender may be cancelled on such terms as the Directors shall think fit. The Directors may, if necessary, authorise some person to transfer a forfeited or surrendered share to any such other person as aforesaid.

Sale of shares forfeited

42. 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 presently payable by him to the Company in respect of the shares with interest thereon at eight per cent per annum (or such lower rate as the Directors may determine) from the date of forfeiture or surrender until payment and the Directors may at their absolute discretion enforce payment without any allowance for the value of such shares at that time of forfeiture or surrender or waive payment in whole or in part.

Rights and liabilities of Members whose shares have been forfeited or surrendered

43. The Company shall have a first and paramount lien (not being a fully paid share) and Dividends from time to time declared in respect of such shares. Such lien shall be restricted to unpaid calls and instalments upon the specific shares in respect of which such moneys 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 43.

Company's lien

APPENDIX I – EXTRACTS FROM THE COMPANY’S CONSTITUTION

44. The Company may sell in such manner as the Directors think fit any share on which the Company has a lien but no sale shall be made unless some sum in respect of which the lien exists is presently payable nor until the expiration of fourteen days after notice in writing stating and demanding payment of the sum presently payable and giving notice of intention to sell in default, shall have been given to the registered holder for the time being of the share or the person entitled thereto by reason of his death or bankruptcy.
45. The net proceeds of such sale after payment of the costs of such sale shall be applied in or towards payment or satisfaction of the debts and liabilities and the any residue shall be paid to the person entitled to the share at the time of sale or his executors, administrators or assigns, as he may direct. For the purpose of giving effect to any such sale, the Directors may authorise some person to transfer the shares sold to the purchaser.
46. A statutory declaration in writing that the declarant is a Director or Secretary of the Company and 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. Such declaration and the receipt of the Company of the consideration (if any) given for the share on the sale, re-allotment or disposal thereof, together with the share certificate delivered to a purchaser (where the purchaser is a Depositor, the Depository Register) 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 registered as the holder of the share, or where such person is a Depositor, the Company shall procure that his name be entered in the Depository Register in respect of the share so sold, re-allotted and disposed of. Such person 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 proceedings relating to the forfeiture, surrender, sale, re-allotment or disposal of the share.

Sale of shares
subject to lien

Application of
proceeds of such
sale

Title to shares
forfeited or
surrendered or
sold to satisfy a
lien

ALTERATION OF CAPITAL

47. (1) Subject to any direction to the contrary that may be given by the Company in General meeting and as permitted by the rules of the Designated Stock Exchange, all new shares shall before issue be offered to such persons as at the date (as determined by the Directors) of the offer are entitled to receive notices from the Company of General Meetings in proportion, as nearly as the circumstances admit, to the number of the existing shares to which they are entitled. 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 47.

Issue of new
shares to
Members

APPENDIX I – EXTRACTS FROM THE COMPANY’S CONSTITUTION

(2) Notwithstanding Article 47(1) above, the Company may by Ordinary Resolution in General Meeting give to the Directors a general authority, either unconditionally or subject to such conditions as may be specified in the Ordinary Resolution, to:–

- (a) (i) issue shares in the capital of the Company (“shares”) whether by way of rights, bonus or otherwise; and/or
- (ii) make or grant offers, agreements or options (collectively, “Instruments”) that might or would require shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) warrants, debentures or other instruments convertible into shares; and
- (b) (notwithstanding the authority conferred by the Ordinary Resolution may have ceased to be in force) issue shares in pursuance of any Instrument made or granted by the Directors while the Ordinary Resolution was in force,

Provided that:–

- (a) the aggregate number of shares to be issued pursuant to the Ordinary Resolution (including shares to be issued in pursuance of Instruments made or granted pursuant to the Ordinary Resolution) shall be subject to such limits and manner of calculation as may be prescribed by the Designated Stock Exchange;
- (b) in exercising the authority conferred by the Ordinary Resolution, the Company shall comply with the provisions of the listing rules of the Designated Stock Exchange for the time being in force (unless such compliance is waived by the Designated Stock Exchange) and these 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 of the Company next following the passing of the Ordinary Resolution, or the date by which such Annual General Meeting of the Company is required by law to be held, or the expiration of such other period as may be prescribed by the Act (whichever is the earliest).

(3) The Company may, notwithstanding Articles 47(1) and 47(2) above, authorize the Directors not to offer new shares to Members to whom by reason of foreign securities laws, such offers may not be made without registration of the shares or a prospectus or other document, but to sell the entitlements to the new shares on behalf of such Members on such terms and conditions as the Company may direct.

48. Except so far as otherwise provided by the conditions of issue or by these Articles, all new shares shall be subject to the provisions of these Articles with reference to allotments, payment of calls, lien, transfer, transmission, forfeiture and otherwise.

New shares
otherwise subject
to provisions of
Articles

APPENDIX I – EXTRACTS FROM THE COMPANY’S CONSTITUTION

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| 49. | <p>The Company may by Ordinary Resolution:</p> <ul style="list-style-type: none"> (i) consolidate and divide all or any of its share capital; (ii) cancel the number of shares which, at the date of the passing of the Resolution in that behalf, have not been taken or agreed to be taken by any person or which have been forfeited and diminish the amount of its share capital by the number of the shares so cancelled; (iii) subdivide its shares or any of them , 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) convert or exchange any class of shares into or for any other class of shares. | <p>Power to
consolidate cancel
convert exchange
and subdivide
shares</p> |
| 50. | <p>(1) The Company may reduce its share capital or any other undistributable reserve in any manner permitted, and with, and subject to, any incident authorised and consent or confirmation required, by law.</p> <p>(2) The Company may purchase or otherwise acquire its issued shares subject to and in accordance with the provisions of the Statutes and any applicable rules of the Designated Stock Exchange (hereafter, the “Relevant Laws”), on such terms and subject to such conditions as the Company may in General Meeting prescribe in accordance with the Relevant Laws. Any shares purchased or acquired by the Company as aforesaid shall, unless held in treasury in accordance with the Act, be deemed to be cancelled immediately on purchase or acquisition by the Company. On the cancellation of any share as aforesaid, the rights and privileges attached to that share shall expire. In any other instance, the Company may hold or deal with any such share which is so purchased or acquired by it in such manner as may be permitted by, and in accordance with the Relevant Laws. Without prejudice to the generality of the foregoing, upon cancellation of any share purchased or otherwise acquired by the Company pursuant to these Articles and the Statutes, the number of issued shares of the Company shall be diminished by the number of shares so cancelled, and, where any such cancelled share was purchased or acquired out of the capital of the Company, the amount of share capital of the Company shall be reduced accordingly.</p> | <p>Power to reduce
capital</p> <p>Company may
purchase its
issued shares</p> |

CENTRAL DEPOSITORY SYSTEM

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| 51. | <p>A reference to a Member shall be a reference to a registered holder of shares in the Company, or where such registered holder is CDP, the Depositors on behalf of whom CDP holds the shares, Provided that:-</p> <ul style="list-style-type: none"> (i) a Depositor shall only be entitled to attend any General Meeting and to speak and vote thereat if his name appears on the Depository Register maintained by CDP forty-eight (48) hours before the General Meeting as a Depositor on whose behalf CDP holds shares in the Company, the Company being entitled to deem each such Depositor, or each proxy of a Depositor who is to represent the entire balance standing to the Securities Account of the Depositor, to represent such number of shares as is actually credited to the Securities Account of the Depositor as at such time, according to the records of CDP as supplied by CDP to the | <p>CDP</p> |
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APPENDIX I – EXTRACTS FROM THE COMPANY’S CONSTITUTION

Company, and where a Depositor has apportioned the balance standing to his Securities Account between two proxies, to apportion the said number of shares between the two proxies in the same proportion as previously 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 proportion of Depositor’s shareholding specified in the instrument of proxy, or where the balance standing to a Depositor’s Securities Account has been apportioned between two proxies the aggregate of the proportions of the Depositor’s shareholding they are specified to represent, and the true balance standing to the Securities Account of a Depositor as at the time of the General Meeting, if the instrument is dealt with in such manner as is provided above;

- (ii) the payment by the Company to CDP 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;
- (iii) the delivery by the Company to CDP 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; and
- (iv) the provisions in these Articles relating to the transfers, transmissions or certification of shares shall not apply to the transfer of book-entry securities (as defined in the Statutes).

STOCK

52. The Company may from time to time by Ordinary Resolution convert any paid-up shares into stock and may from time to time by like resolution reconvert any Stock into paid-up shares of any denomination. Power to convert into stock
53. The holders of stock may transfer the same or any part thereof in the same manner and subject to the same Articles as and subject to which the shares from which the stock arose might previous to conversion have been transferred (or as near thereto as circumstances admit) but no stock shall be transferable except in such units as the Directors may from time to time determine. Transfer of stock
54. The holders of stock shall, according to the amount of stock 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 participation in the profits or assets of the Company) shall be conferred by amount of stock 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. Rights of stockholders

APPENDIX I – EXTRACTS FROM THE COMPANY’S CONSTITUTION

(B) RIGHTS IN RESPECT OF VOTING

GENERAL MEETINGS

55. (1) An Annual General Meeting shall be held once in every year and at such time (within a period of not more than fifteen months after the holding of the last preceding Annual General Meeting) and place as may be determined by the Directors. 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.

Annual General Meeting

(2) All General Meetings other than Annual General Meetings shall be called Extraordinary General Meetings.

Extraordinary General Meetings

56. The Directors may, whenever they think fit, convene an Extraordinary General Meeting and Extraordinary General Meetings shall also be convened on such requisition or, in default, may be convened by such requisitionists as provided by Section 176 of the Act. If at any time there are not within Singapore sufficient Directors capable of acting to form a quorum at a meeting of Directors, any Director may convene an Extraordinary General Meeting in the same manner as nearly as possible as that in which meetings may be convened by the Directors.

Calling of Extraordinary General Meeting

NOTICE OF GENERAL MEETINGS

57. Any Extraordinary General Meeting at which it is proposed to pass a Special Resolution or a resolution of which special notice has been given to the Company, shall be called by twenty-one days’ notice in writing at the least and an Annual General Meeting or any other Extraordinary General Meeting, by fourteen days’ notice in writing at the least. The period of notice shall in each case be exclusive both of the day on which the notice is served or deemed to be served and of the day on which the General Meeting is to be held and shall be given in the manner hereinafter mentioned to all Member other than such as are not under the provisions of these Articles entitled to receive such notices from the Company, 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:

Notice of meetings

- (i) in the case of an Annual General Meeting by all the Members entitled to attend and vote thereat; and
- (ii) 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 the Members having a right to vote at thereat.

Provided also that 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. At least fourteen days notice of such Meeting shall be given by advertisement in the daily press and in writing to the Designated Stock Exchange, Provided Always that in the case of any Extraordinary General Meeting at which it is proposed to pass a Special Resolution, at least twenty-one days’ notice in writing of such Extraordinary General Meeting shall be given to the Designated Stock Exchange.

APPENDIX I – EXTRACTS FROM THE COMPANY’S CONSTITUTION

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| <p>58. (1) Every notice calling a General Meeting shall specify the place and the day and hour of the Meeting and there shall appear with reasonable prominence in every such notice a statement that a Member entitled to attend and vote is entitled to appoint a proxy to attend and to vote instead of him and that a proxy need not be a Member of the Company.</p> | <p>Contents of notice</p> |
| <p>(2) In the case of an Annual General Meeting, the notice shall also specify the Meeting as such.</p> | <p>Notice of Annual General Meeting</p> |
| <p>(3) In the case of any General Meeting at which business other than routine business (“special business”) is to be transacted, the notice shall specify the general nature of such business, and if any resolution is to be proposed as a Special Resolution, the notice shall contain a statement to that effect.</p> | <p>Nature of special business to be specified</p> |
| <p>59. Routine business shall mean and include only business transacted at an Annual General Meeting of the following classes, that is to say:</p> | <p>Routine business</p> |
| <p>(i) declaring Dividends;</p> | |
| <p>(ii) receiving and adopting the accounts, the reports of the Directors and Auditors, and other documents required to be annexed to the accounts;</p> | |
| <p>(iii) re-appointing the retiring Auditors (unless they were last appointed otherwise than by the Company in General Meeting);</p> | |
| <p>(iv) appointing or re-appointing Directors to fill vacancies arising at the meeting on retirement whether by rotation or otherwise ;</p> | |
| <p>(v) fixing the remuneration of the Auditors or determining the manner in which such remuneration is to be fixed; and</p> | |
| <p>(iv) fixing the Directors’ fees.</p> | |
| <p>60. Any notice of a Meeting to consider special business shall be accompanied by a statement regarding the effect of any proposed resolution on the Company in respect of such special business.</p> | <p>Special business</p> |

PROCEEDINGS AT GENERAL MEETINGS

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|--|---------------------------|
| <p>61. The Chairman of the Board of Directors, failing whom the Deputy Chairman, shall preside as Chairman at a General Meeting. If there be no such Chairman or Deputy Chairman, or if at any General Meeting neither be present within five minutes after the time appointed for holding the meeting and willing to act, the Directors present shall choose one of their number (or, if no Director be present or if all the Directors present decline to take the chair, the Members present shall choose one of their number) to be chairman of the General Meeting.</p> | <p>Notice of meetings</p> |
| <p>62. No business other than the appointment of a Chairman 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, the quorum at any General Meeting shall be two Members present in person or by proxy, provided that (i) a proxy representing more than one Member shall only count as one Member for purpose of determining if the quorum aforesaid is present; and (ii) where a Member is represented by more than one proxy, such proxies of such Member shall only count as one Member for purposes of determining if the quorum aforesaid is present.</p> | <p>Quorum</p> |

APPENDIX I – EXTRACTS FROM THE COMPANY'S CONSTITUTION

63. If within half an hour from the time appointed for the General Meeting (or such longer interval as the Chairman of the Meeting may think fit to allow) a quorum is not present, the Meeting if convened on the requisition of Members shall be dissolved. In any other case it shall stand adjourned to the same day in the next week (or if that day is a public holiday then to the next business day following that public holiday) at the same time and place, or to such other day and at such other time and place as the Directors may by not less than ten days appoint. Adjournment if quorum not present
64. The Chairman of any General Meeting at which a quorum is present may, with the consent of any Meeting (and shall if so directed by the Meeting), adjourn the Meeting from time to time (or *sine die*) and from place to place, but no business shall be transacted at any adjourned Meeting except business which might lawfully have been transacted at the Meeting from which the adjournment took place. Chairman
65. Where a General Meeting is adjourned *sine die*, the time and place for the adjourned meeting shall be fixed by the Directors. When a meeting is adjourned for thirty days or more or *sine die*, not less than seven days' notice of the adjourned meeting shall be given in like manner as in the case of the original Meeting. Save as aforesaid, it shall not be necessary to give any notice of an adjournment or of the business to be transacted at an adjourned General Meeting. Adjournment
66. If an amendment shall be proposed to any resolution under consideration but shall in good faith be ruled out of order by the Chairman of the General Meeting, the proceedings on the substantive resolution shall not be invalidated by any error in such ruling. In the case of a resolution duly proposed as a Special Resolution, no amendment thereto (other than a mere clerical amendment to correct a patent error) may in any event be considered or voted upon. Amendment to resolution
67. At any General Meeting a resolution put to the vote of the Meeting shall be decided on a show of hands unless a poll is (before or on the declaration of the result of the show of hands) demanded by: Method of voting
- (i) the Chairman of the Meeting; or;
 - (ii) not less than two Members present in person or by proxy and entitled to vote thereat; or
 - (iii) any Member present in person or by proxy, or where such a Member has appointed two proxies any one of such proxies, or any number or combination of such Members or proxies, holding or representing as the case may be not less than one-tenth of the total voting rights of all the Members having the right to vote at the Meeting; or
 - (iv) any Member present in person or by proxy, or where such a Member has appointed two proxies any one of such proxies, or a number or combination of such Members or proxies, holding shares conferring a right to vote at the General Meeting of which an aggregate sum has been paid up equal to not less than ten per cent. of the total sum paid up on all the shares conferring that right;

APPENDIX I – EXTRACTS FROM THE COMPANY'S CONSTITUTION

Provided Always that no poll shall be demanded on the choice of the Chairman of the Meeting or on a question of adjournment. Unless a poll is required, a declaration by the Chairman of the General Meeting 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.

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| 68. If a poll is required, it shall be taken in such manner (including the use of ballot or voting papers or tickets) as the Chairman of the General Meeting may direct and the result of a poll shall be deemed to be the resolution of the Meeting at which the poll was demanded. The Chairman may, and if so directed by the General Meeting shall, appoint scrutineers and may adjourn the Meeting to some place and time fixed by him for the purpose of declaring the result of the poll. | Taking a poll |
| 69. In the case of equality of votes, whether on a show of hands or on a poll, the Chairman of the Meeting at which the show of hands takes place or at which the poll is demanded shall be entitled to a second or casting vote. | Chairman's casting vote |
| 70. A poll demanded on any question shall be taken either immediately or at such subsequent time (not being more than thirty days from the date of the Meeting) and place as the Chairman of the Meeting may direct. No notice need be given of a poll not taken immediately. | Time for taking a poll |
| 71. 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. | Continuance of business after demand for a poll |

VOTES OF MEMBERS

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|---|--------------------------------|
| 72. Subject to any special rights or restrictions as to voting attached by or in accordance with these Articles to any class of shares, and to Article 7, each Member entitled to vote may vote in person or by proxy, On a show of hands every Member who is present in person or by proxy shall have one vote (provided that in the case of a Member who is represented by two proxies, only one of the two proxies as determined by that Member or, failing such determination, by the Chairman of the General Meeting (or by the person authorised by him) in his sole discretion shall be entitled to vote on a show of hands) and on a poll every Member present in person or by proxy shall have one vote for every share of which he holds or represents. For the purposes of determining the number of votes which a Member, being a Depositor, or his proxy may cast at any General Meeting on a poll, the references to shares held or represented shall, in relation to shares of that Depositor, be the number of shares entered against his name in the Depository Register as at 48 hours before the time of the relevant General Meeting as certified by CDP to the Company. A Member who is bankrupt shall not, while his bankruptcy continues, be entitled to exercise his rights as a Member, or attend, vote or act at any General Meeting. | Voting rights of Members |
| 73. In the case of joint holders of a share, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders and for this purpose, seniority shall be determined by the order in which the names stand in the Register of Members or, as the case may be, the order in which the names appear in the Depository Register in respect of the joint holding. | Voting rights of joint holders |

APPENDIX I – EXTRACTS FROM THE COMPANY’S CONSTITUTION

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| <p>74. Where in Singapore or elsewhere a receiver or other person (by whatever name called) has been appointed by any court claiming jurisdiction in that behalf to exercise powers with respect to the property or affairs of any Member on the ground (however formulated) of mental disorder, the Directors may in their absolute discretion, upon or subject to production of such evidence of the appointment as the Directors may require, permit such receiver or other person on behalf of such Member, to vote in person or by proxy at any General Meeting, or to exercise any other right conferred by Membership in relation to General Meetings.</p> | <p>Voting rights of Members of unsound mind</p> |
| <p>75. Subject to the provisions of these Articles, every Member shall be entitled to be present and to vote at any General Meeting either personally or by proxy and to be reckoned in a quorum in respect of shares fully paid and in respect of partly paid shares where calls are not due and unpaid.</p> | <p>Right to vote</p> |
| <p>76. No Member shall be entitled in respect of shares held by him to vote at a General Meeting either personally or by proxy or to exercise any other right conferred by Membership in relation to General Meetings if any call or other sum payable by him to the Company in respect of such shares remains unpaid.</p> | <p>No right to vote if call unpaid</p> |
| <p>77. No objection shall be raised to the admissibility of any vote except at the General Meeting or adjourned General Meeting at which the vote objected to is or may be given or tendered and every vote not disallowed at such Meeting shall be valid for all purposes. Any such object shall be referred to the Chairman of the Meeting whose decision shall be final and conclusive.</p> | <p>Objections</p> |
| <p>78. On a poll votes may be given either personally or by proxy and a person entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.</p> | <p>Votes on a poll</p> |
| <p>79. (1) A Member shall not be entitled to appoint more than two proxies to attend and vote at the same General Meeting, provided that if a Member is a Depositor, the Company shall be entitled and bound:-</p> <div style="margin-left: 40px;"> <p>(i) to reject any instrument of proxy lodged if the Depositor, is not shown, to have any shares entered against his name in the Depository Register as at 48 hours before the time of the relevant General Meeting as certified by CDP to the Company; and</p> <p>(ii) to accept as the maximum number of votes which in aggregate the proxy or proxies appointed by the Depositor is or are able to cast on a poll a number which is the number of shares entered into against the name of that Depositor in the Depository Register as at 48 hours before the time of the relevant General Meeting as certified by CDP 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.</p> </div> <p>(2) Where a Member appoints more than one proxy, the Member shall specify the proportion of his shares to be represented by each such proxy, failing which the nomination shall be deemed to be alternative.</p> | <p>Appointment of proxies</p> |

APPENDIX I – EXTRACTS FROM THE COMPANY’S CONSTITUTION

80. A proxy need not be a Member of the Company. Proxy need not be a Member
81. An instrument appointing a proxy must be left at such place or of such places (if any) as may be specified for that purpose in or by way of note to or in any document accompanying the notice convening the General Meeting (or, if no place is so specified, at the Office) not less than forty-eight hours before the time appointed for the holding of the Meeting or adjourned Meeting (or in the case of a poll taken otherwise than at or on the same day as the Meeting or the adjourned Meeting) for the taking of the poll at which it is to be used and in default shall not be treated as valid. The instrument shall, unless the contrary is stated thereon, be valid as well for any adjournment of the General Meeting as for the meeting to which it relates, Provided that an instrument of proxy relating to more than one meeting (including any adjournment thereof) having once been so delivered for the purposes of any meeting shall not require again to be delivered for the purposes of any subsequent meeting to which it relates. Deposit of proxies
82. (1) An instrument appointing a proxy for any Member shall be in any usual or common form or in any other form which the Directors may approve and: Form of proxies
- (a) in the case of an individual Member, shall be signed by the Member or his attorney duly authorised in writing; and
- (b) in the case of a Member which is a corporation shall be either given under its common seal or signed on its behalf by an attorney duly authorised in writing or a duly authorized officer of the corporation.
- (2) The signatures on an instrument of proxy need not be witnessed. Where an instrument appointing a proxy is signed on behalf of a Member by an attorney, the letter or power of attorney or a duly certified copy thereof shall (failing previous registration with the Company) be lodged with the instrument of proxy pursuant to the next following Article, failing which the instrument of proxy may be treated as invalid.
83. An instrument appointing a proxy shall be deemed to include the right to demand or join in demanding a poll and to speak at the General Meeting. Right to demand a poll and to speak at General Meetings
84. A vote cast by proxy shall not be invalidated by the previous death or insanity of the principal or by the revocation of the appointment of the proxy, or of the authority under which the appointment was made provided that no intimation in writing of such death, insanity or revocation shall have been received by the Company at the Office at least one hour before the commencement of the General Meeting or adjourned General Meeting (or in the case of a poll taken otherwise than at or on the same day as the Meeting or adjourned Meeting) the time appointed for the taking of the poll at which the vote is cast. Intervening death or insanity of principal
85. Subject to these Articles and the Statutes, 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. Voting in absentia

APPENDIX I – EXTRACTS FROM THE COMPANY’S CONSTITUTION

86. Any corporation which is a Member of the Company may by resolution of its Directors or other governing body authorise such person as it thinks fit to act as its representative at any General Meeting. The persons so authorised shall be entitled to exercise the same powers on behalf of such corporation as the corporation could exercise if it were an individual Member of the Company and such corporation shall for the purposes of these Articles (but subject to the Act) be deemed to be present in person at any such meeting if a person so authorised is present thereat.	Corporations acting by representatives
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(C) RIGHTS IN RESPECT OF DIVIDENDS

DIVIDENDS AND RESERVES

131. The Directors may by Ordinary Resolution declare Dividends but no such Dividend shall exceed the amount recommended by the Directors.	Payment of Dividends
132. Subject to any rights or restrictions attached to any shares or class of shares and except as otherwise permitted under the Act:- (i) 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 (ii) 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.	Apportionment of Dividends
133. If, and so far as in the opinion of the Directors, the profits of the Company justify such payments, the Directors may declare and pay fixed Dividends on any class of shares carrying a fixed Dividend expressed to be payable on a fixed date on the half-yearly or other dates (if any) prescribed for the payment thereof and may also from time to time declare and pay interim Dividends on shares of any class of such amounts and on such dates and in respect of such periods as they think fit.	Payment of preference and interim Dividends
134. No Dividend or other moneys payable on or in respect of a share shall bear interest against the Company.	Dividends not to bear interest
135. 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 subject to lien

APPENDIX I – EXTRACTS FROM THE COMPANY’S CONSTITUTION

136. 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.

Retention of
Dividends on
shares pending
transmission

137. (1) No Dividend shall be paid otherwise than out of profits available for distribution under the provisions of the Statutes. 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 remaining unclaimed after one year from having been first payable may be invested or otherwise made use of by the Directors for the benefit of the Company and any Dividend or any moneys unclaimed after a period of six years from having been first payable shall be forfeited and shall revert to the Company Provided Always that 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. If CDP returns any such Dividend or moneys to the Company, the relevant Depositor shall not have any right or claim in respect of such Dividend or moneys against the Company if a period of six years has elapsed from the date of the declaration of such Dividend or the date on which such other moneys are first payable.

Unclaimed
Dividends

(2) A payment by the Company to CDP of any Dividend or other moneys 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.

138. 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) and the Directors shall give effect to such Resolution. 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, may fix the value for distribution of such specific assets or any part thereof, 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.

Payment of
Dividend in
specie

139. 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 appearing in the Register of Members or (as the case may be) the Depository Register of the Member or person entitled thereto (or, if two or more persons are registered in the Register of Members or (as the case may be) the Depository Register 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 persons and such address as such Member or person or persons may by writing direct. Every such cheque or 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 or warrant by the banker upon whom it is drawn shall be a good discharge to the Company. Every such cheque or warrant shall be sent at the risk of the person entitled to the money represented thereby.

Dividends
payable by
cheque.

APPENDIX I – EXTRACTS FROM THE COMPANY’S CONSTITUTION

140. The waiver in whole or in part of any Dividend on any share by any document (whether or not under seal) shall be effective only if such document is signed by the Member (or the person entitled to the share in consequence of the death or bankruptcy of the holder) and delivered to the Company and if or to the extent that the same is accepted as such or acted upon by the Company.

Waiver of
Dividend

141. If two or more persons are registered in the Register of Members or (as the case may be) the Depository Register as joint holders of any share, or are entitled jointly to a share in consequence of the death or bankruptcy of the holder, any one of them may give effectual receipts for any Dividend or other moneys payable or property distributable on or in respect of the share.

Effectual receipt

142. Any resolution declaring a Dividend on shares of any class, whether a resolution of the Company in General Meeting or a resolution of the Directors, may specify that the same shall be payable to the persons registered as the holders of such shares in the Register of Members or (as the case may be) the Depository Register at the close of business on a particular date and thereupon the Dividend shall be payable to them in accordance with their respective holdings so registered, but without prejudice to the rights *inter se* in respect of such Dividend of transferors and transferees of any such shares.

Resolution
Declaring
Dividend

RESERVES

143. 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 any purpose to which the profits of the Company may properly be applied and pending such application may either be employed in the business of the Company or be invested. The Directors may divide the reserve into such special funds as they think fit and may consolidate into one fund, any special funds or any parts of any special funds into which the reserve may have been divided. The Directors may also, without placing the same to reserve, carry forward any profits which they may think it not prudent to divide. In carrying sums to reserve and in applying the same, the Directors shall comply with the provisions of the Statutes.

Power to carry
profit to reserve

BONUS ISSUES AND CAPITALISATION OF PROFITS AND RESERVES

144. (1) The Company may, with the sanction of an Ordinary Resolution of the Company (including any Ordinary Resolution passed pursuant to Article 47(2):

Power to issue
bonus shares
and capitalise
profits

- (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/or

APPENDIX I – EXTRACTS FROM THE COMPANY'S CONSTITUTION

- (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 the profit and loss account by appropriating such sum to the persons registered as holders of shares in the Register of Members or (as the case may be) 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) The Directors may do all acts and things considered necessary or expedient to give effect to any bonus issue or capitalisation under this Article 144, with full power to the Directors to make such provision as they think fit for any fractional entitlements which would arise on the basis aforesaid (including provisions whereby fractional entitlements are disregarded or the benefit thereof accrues to the Company rather than to the Members concerned). The Company may authorise any person to enter on behalf of all the Members interested into an agreement with the Company providing for any such bonus issue or capitalization and matters incidental thereto and any agreement made under such authority shall be effective and binding on such Members.

Directors to do
all acts and
things to give
effect

(3) In addition and without prejudice to the powers provided for by this Article 144, 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 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 and approved by Members in General Meeting and on such terms as the Directors shall think fit.

APPENDIX J – VALUATION CERTIFICATES



26 September 2019

Board of Directors of

San Teh Limited

701 Sims Drive
#06-01 LHK Building
Singapore 387383

Dear Sirs/Madam

Valuation of 11 Properties situated in Shanghai, Suzhou, Nantong, Dali, Xiamen, Kunming in the People's Republic of China

Instructions, Purpose and Date of Valuation

Cushman & Wakefield International Property Advisers (Shanghai) Co., Ltd. ("C&W") has been instructed by San Teh Limited (the "Company") to provide the market values as at 30 June 2019 and reports in respect of 11 properties in China which are listed below (collectively the "Properties") for public disclosure purposes.

1. San Teh Building, situated at No. 5533, Caoan Road & San Teh Plaza situated at Nos. 1060, 1080, South Moyu Road Anting Town, Jiading District, Shanghai, the PRC
2. Novotel Suzhou Tai Lake Santeh Hotel, No. 3888 Huantaihu Avenue, Xukou Town, Wuzhong District, Suzhou, Jiangsu Province, the PRC
3. Nantong San Teh Hotel, No. 1 Duanjiaba Road, Nantong, Jiangsu Province, the PRC
4. Industrial factory, No. 9 Guangzhou Road, Nantong, Jiangsu Province, the PRC
5. Two plots of urban residential, other commercial services land, Heqing County, Bai Autonomous Prefecture of Dali, Yunnan Province, the PRC
6. 6 units and 6 lots of car park situated at No. 99 Huli Avenue, Huli District, Xiamen, Fujian Province, the PRC
7. Room 12b03, No. 37, Yuxiu Li, Siming District, Xiamen, Fujian Province, the PRC
8. 21 Residential Units situated at 「Duanjiaba Xiao Yuan」, Duanjiaba Road, Chongchuan District, Nantong, Jiangsu Province, the PRC
9. 8 Residential Units situated at 「Jin Gui Yi Cun」, Lane 118 Nan'an Road, Anting, Jiading District, Shanghai, the PRC
10. Residential Unit Nos. 202, 203 on 2nd Floor of Tower C2, Car Parking Space Unit D73 of Area D on B1 Floor, of Jinse Junyuan, beside Shizha Overpass in Panlong District, Kunming, Yunnan Province, the PRC

APPENDIX J – VALUATION CERTIFICATES



11. Villa No.21, Lanyuan Jinzhen, west of Shuanglong Road, Heqing County, Dali Bai Autonomous Prefecture, Yunnan Province, the PRC

C&W has prepared the valuations in accordance with the requirements of the instructions and following the international definition of Market Value.

Definition of Market Value

Our valuation of each of the Properties represents its market value which in accordance with The RICS Valuation – Professional Standards January 2017 (Red Book) published by The Royal Institution of Chartered Surveyors is defined as “the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s-length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion”.

The valuations have been made on the assumption that the owner sells the Property on the open market in their existing state taking into account the terms of the existing occupancy arrangements, where appropriate, but without the benefit of any other deferred term contract, joint venture or any similar arrangement which would affect the value of the Property.

For the specific purpose of inclusion in the circular to be issued by the Company, we provide a summary of the valuations of the Properties together with the key factors that have been considered in determining the market values of the Properties. The value conclusions reflect all information known by the valuers of C&W who worked on the valuations in respect to the Properties, market conditions and available data.

Direct Comparison Approach

The direct comparison approach measures the value of an asset by comparing recent sales or offerings of similar or substitute property and related market data. However, it is rarely possible to find such evidence relating to identical assets.

Depreciated Replacement Cost Approach

Depreciated Replacement Cost (“DRC”) Approach, which requires a valuation of the market value of the land in its existing use and an estimate of the new replacement cost of the buildings and structures, from which deductions are made to allow for the age, condition and functional obsolescence.

Discounted Cash Flow Approach

Discounted Cash Flow (“DCF”) Method involves discounting future net cash flow of the Property to its present value by using an appropriate discount rate that reflects the rate of return required by a third party investor for an investment of this type.

Direct Capitalization Approach

The Direct Capitalization Approach involves capitalizing the rental incomes derived from the existing tenancies with due provision for any reversionary income potential. The capitalization rate is derived from the relationship between the current market rent and the current market capital value of other similar properties in the locality. We have made reference to the current market yield of retail or office market.

APPENDIX J – VALUATION CERTIFICATES



Summary of Valuation

The valuation of the Properties is summarized below:

Nos.	Property Name and Address	Type of property	Land Area (sq m)	Gross Floor Area (sq m)	Market Value as at 30 June 2019 (RMB)
1.	San Teh Building, situated at No. 5533, Caoan Road & San Teh Plaza situated at Nos. 1060, 1080, South Moyu Road Anting Town, Jiading District, Shanghai, the PRC	Commercial, Office	16,461.00	58,513.75	573,000,000
2.	Novotel Suzhou Tai Lake Santeh Hotel, No. 3888 Huantaihu Avenue, Xukou Town, Wuzhong District, Suzhou, Jiangsu Province, the PRC	Hotel	65,412.80	25,966.80	207,000,000
3.	Nantong San Teh Hotel No. 1 Duanjiaba Road, Nantong, Jiangsu Province, the PRC	Hotel	8,270.32	28,661.30	142,000,000
4.	Industrial factory, No. 9 Guangzhou Road, Nantong, Jiangsu Province, the PRC	Industrial	51,029.49	10,533.90	29,000,000
5.	Two plots of urban residential, other commercial services land, Heqing County, Bai Autonomous Prefecture of Dali, Yunnan Province, the PRC	Bare Land	150,218.56	NA	189,000,000
6.	6 units and 6 lots of car park situated at No. 99 Huli Avenue, Huli District, Xiamen, Fujian Province, the PRC	Industrial	NA	2,502.09	15,470,000
7.	Room 12b03, No. 37, Yuxiu Li, Siming District, Xiamen, Fujian Province, the PRC	Residential	NA	152.33	7,080,000
8.	21 Residential Units situated at 「Duanjiaba Xiao Yuan」, Duanjiaba Road, Chongchuan District, Nantong, Jiangsu Province, the PRC	Residential	NA	1,623.3	17,860,000
9.	8 Residential Units situated at 「Jin Gui Yi Cun」, Lane 118 Nan'an Road, Anting, Jiading District, Shanghai, the PRC	Residential	NA	722.12	19,210,000
10.	Residential Unit Nos. 202, 203 on 2nd Floor of Tower C2, Car Parking Space Unit D73 of Area D	Residential	NA	308.47	3,580,000

APPENDIX J – VALUATION CERTIFICATES



Nos.	Property Name and Address	Type of property	Land Area (sq m)	Gross Floor Area (sq m)	Market Value as at 30 June 2019 (RMB)
	on B1 Floor, of Jinse Junyuan, beside Shizha Overpass in Panlong District, Kunming, Yunnan Province, the PRC				
11.	Villa No.21, Lanyuan Jinzhen, west of Shuanglong Road, Heqing County, Dali Bai Autonomous Prefecture, Yunnan Province, the PRC	Residential	281.40	325.50	2,770,000

Disclaimer

We have prepared this valuation summary for the purpose of inclusion in the circular to be issued by the Company and specifically disclaim liability to any person in the event of any omission from or false or misleading statement included in the circular, other than in respect of the information provided within the reports and summary. We only make warranty or representation as to the accuracy of the information in this valuation summary and the reports.

All information provided to us is treated as correct and true and we accept no responsibility for subsequent changes in information and reserve the right to change our valuation if any information provided were to materially change.

The reported analyses, opinions and conclusions are limited only by the reported assumptions and limiting conditions and are our personal, unbiased professional analyses, opinions and conclusions.

We have no present or prospective interest in the Properties and are not a related corporation of nor do we have a relationship with the property owner(s) or other party/parties whom the Company is contracting with.

The valuers' compensation is not contingent upon the reporting of a predetermined value or direction in value that favours the cause of the client, the amount of the value estimate, the attainment of a stipulated result, or the occurrence of a subsequent event.

We hereby certify that the valuers undertaking the valuation are authorized to practice as valuers in the respective jurisdictions and have the necessary experience in valuing similar types of properties.

We enclose herewith a summary of valuations and valuation certificates for your attention.

Yours faithfully,
For and on behalf of

Cushman & Wakefield International Property Advisers (Shanghai) Co., Ltd

Yi Fan
MRICS
Director



APPENDIX J – VALUATION CERTIFICATES



VALUATION CERTIFICATE

Property 1	:	San Teh Building, situated at No.5533, Caoan Road & San Teh Plaza, situated at Nos. 1060, 1080, South Moyu Road, Anting Town, Jiading District, Shanghai, the PRC
Date of Valuation	:	30 June 2019
Report Date	:	26 September 2019
Instructing Party	:	San Teh Limited
Purpose of Valuation	:	For the purpose of public disclosure and the inclusion of the valuation certificate/report in a circular to be issued by the Company.
Basis of Valuation	:	Our valuation of the Property represents its Market Value in accordance with the RICS Valuation – Global Standards 2017 (the "Red Book"), which is defined as: <i>"The estimated amount for which a property should exchange on the date of Valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion."</i>
Legal Description	:	No.5533, Caoan Road, Nos. 1060, 1080, South Moyu Road, Jiading District
Land Use Term	:	Retail: Leasehold expiring on 30 August 2050 Office: Leasehold expiring on 30 August 2060
Registered Lessee/Licensee	:	Shanghai San Teh Xing Real Estate Co., Ltd 上海三德兴房地产有限公司
Brief Description	:	The Property comprises "San Teh Building" and "San Teh Plaza" with a total gross floor area of approximately 58,513.75 sq m erected on a piece of land with a site area of approximately 16,461.00 sq m. As advised, the Property provides 280 car parks underground. "San Teh Building" is a 15-storey office Tower above a single storey basement with a total gross floor area of approximately 17,863.17 sq m, while "San Teh Plaza" is a complex Tower with a 9-storey office Tower on a 5-storey retail podium and a single storey basement with a total gross floor area of approximately 40,650.58 sqm.
Town Planning	:	Commercial Use & Industrial Use
Land Area	:	16,461.00 sq m

APPENDIX J – VALUATION CERTIFICATES



Gross Floor Area

Property	Usage	Above Ground GFA (sq m)	Under Ground GFA (sq m)	Total GFA (sq m)
San Teh Building	Office	15,818.38		17,863.17
	Car Parks		1,929.95	
	Others	114.84		
San Teh Plaza	Office	7,618.51		40,650.58
	Retail	23,195.66		
	Car Parks		9,125.06	
	Others	349.41	361.94	
Total				58,513.75

Particulars of Occupancy

As at the date of valuation, "San Teh Building" was partly leased to two tenants and occupancy rate as at 30 June 2019 was around 69% for office use according to the tenancy information provided to us. "San Teh Building" was completed in 2006.

As at the date of valuation, office portion of "San Teh Plaza" was fully leased to one tenant, while the retail portion was multi-tenanted and occupancy rate as at 30 June 2019 was about 82%, according to the tenancy information provided to us. "San Teh Plaza" was completed in 2014.

The landlord is responsible for all property maintenance and outgoings including property taxes and capital expenditure. The tenanted areas are generally the responsibility of the individual tenants.

Valuation Approaches

Direct Capitalization Approach / Direct Comparison Approach

Reversionary Yield

5.50% for Office Use, 6.50% for Commercial Use

Market Value

RMB 573,000,000

(RENMINBI FIVE HUNDRED AND SEVENTY THREE MILLION ONLY)

Unit Value on GFA

RMB9,793 per sq m

Valuation Assumptions

Notwithstanding the assumptions stated within other parts of this report and valuation, our valuation is also prepared on the following principal assumptions:

(a) The Property has been granted with the proper legal title and may be transferred with the residual term of the land use rights at no extra land premium or other onerous payment payable to the government;

(b) All land premium, demolition and settlement and public utilities costs have been fully settled;

APPENDIX J – VALUATION CERTIFICATES



- (c) The design and construction of the Property are in compliance with the local planning regulations and have been approved by the relevant authorities; and
- (d) The Property may be disposed of freely to third parties.

For and on behalf of
Cushman & Wakefield International Property Advisers (Shanghai) Co., Ltd



Yi Fan
MRICS
Director

APPENDIX J – VALUATION CERTIFICATES



VALUATION CERTIFICATE

Property 2	:	Novotel Suzhou Tai Lake Santeh Hotel, No. 3888 Huantaihu Avenue, Xukou Town, Wuzhong District, Suzhou, Jiangsu Province, the PRC																								
Date of Valuation	:	30 June 2019																								
Report Date	:	26 September 2019																								
Instructing Party	:	San Teh Limited																								
Purpose of Valuation	:	For the purpose of public disclosure and the inclusion of the valuation certificate/report in a circular to be issued by the Company.																								
Basis of Valuation	:	Our valuation of the Property represents its Market Value in accordance with the RICS Valuation – Global Standards 2017 (the “Red Book”), which is defined as: <i>“The estimated amount for which a property should exchange on the date of Valuation between a willing buyer and a willing seller in an arm’s-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.</i>																								
Legal Description	:	No.3888, Huantaihu Avenue, Xukou Town, Wuzhong District, Suzhou																								
Land Use Term	:	Leasehold expiring on 25 September 2047																								
Registered Lessee/Licensee	:	Suzhou San Teh Hotel Co., Ltd 苏州三德大酒店有限公司																								
Brief Description	:	The Property comprises 4 buildings for hotel use with a total gross floor area of approximately 25,966.80 sq m erected on a piece of land with a site area of approximately 65,412.80 sqm. The Property was completed in December 2010. A renovation work was started from first quarter of 2017 and the Property was reopened in May 2019.																								
Town Planning	:	Accommodation																								
Land Area	:	65,412.80 sq m																								
Gross Floor Area	:	<table><tr><th>Building</th><th>Storey</th><th>GFA (sq m)</th><th>Use</th></tr><tr><td>Block No.1</td><td>L1-L4</td><td>11,936.20</td><td>Hotel</td></tr><tr><td>Block No.2</td><td>B1-L3</td><td>4,896.87</td><td>Hotel</td></tr><tr><td>Block No.3</td><td>L1-L4</td><td>2,321.76</td><td>Hotel</td></tr><tr><td>Block No.4</td><td>B1-L5</td><td>6,811.97</td><td>Hotel</td></tr><tr><td>Total</td><td></td><td>25,966.80</td><td></td></tr></table>	Building	Storey	GFA (sq m)	Use	Block No.1	L1-L4	11,936.20	Hotel	Block No.2	B1-L3	4,896.87	Hotel	Block No.3	L1-L4	2,321.76	Hotel	Block No.4	B1-L5	6,811.97	Hotel	Total		25,966.80	
Building	Storey	GFA (sq m)	Use																							
Block No.1	L1-L4	11,936.20	Hotel																							
Block No.2	B1-L3	4,896.87	Hotel																							
Block No.3	L1-L4	2,321.76	Hotel																							
Block No.4	B1-L5	6,811.97	Hotel																							
Total		25,966.80																								
Particulars of Occupancy	:	As at the date of valuation, the Property which was reopened in May 2019 was operated normally for hotel use.																								

APPENDIX J – VALUATION CERTIFICATES



Valuation Approaches	:	Discounted Cash Flow Approach
Discount Rate	:	10.00%
Terminal Cap Rate	:	7.00%
Market Value	:	RMB 207,000,000 (RENMINBI TWO HUNDRED AND SEVEN MILLION ONLY)
Unit Value on GFA	:	RMB7,972 per sq m
Valuation Assumptions	:	Notwithstanding the assumptions stated within other parts of this report and valuation, our valuation is also prepared on the following principal assumptions: (a) The Property has been granted with the proper legal title and may be transferred with the residual term of the land use rights at no extra land premium or other onerous payment payable to the government; (b) All land premium, demolition and settlement and public utilities costs have been fully settled; (c) The design and construction of the Property are in compliance with the local planning regulations and have been approved by the relevant authorities; and (d) The Property may be disposed of freely to third parties.

For and on behalf of
Cushman & Wakefield International Property Advisers (Shanghai) Co., Ltd

Yi Fan
MRICS
Director



APPENDIX J – VALUATION CERTIFICATES



VALUATION CERTIFICATE

Property 3	:	Nantong San Teh Hotel, No. 1 Duanjiaba Road, Nantong, Jiangsu Province, the PRC
Date of Valuation	:	30 June 2019
Report Date	:	26 September 2019
Instructing Party	:	San Teh Limited
Purpose of Valuation	:	For the purpose of public disclosure and the inclusion of the valuation certificate/report in a circular to be issued by the Company.
Basis of Valuation	:	Our valuation of the Property represents its Market Value in accordance with the RICS Valuation – Global Standards 2017 (the "Red Book"), which is defined as: <i>"The estimated amount for which a property should exchange on the date of Valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion."</i>
Legal Description	:	No. 1 Duanjiaba Road, Nantong, Jiangsu Province
Land Use Term	:	Leasehold expiring on 28 July 2043 and 29 July 2063
Registered Lessee/Licensee	:	Nantong Santeh Hotel Co., Ltd 南通三德大酒店有限公司
Brief Description	:	The Property is a hotel named Nantong San Teh Hotel, comprising a 24-storey hotel building with 5-storey retail podium and two-storey basement with a total gross floor area of approximately 28,661.3 sq m. The Property was completed in 2001.
Town Planning	:	Tourism
Land Area	:	8,270.32 sq m

Gross Floor Area

Level	GFA (sq m)	Use
Level 1	2,087.20	Retail
Level 2	2,480.89	Retail
Level 3	2,480.84	Retail
Level 4	1,806.51	Retail
Level 5	797.46	Retail
Level 6-24	18,622.12	Hotel
Facility	386.28	
Total	28,661.30	

Particulars of Occupancy

According to the information provided by the Company, as at the date of valuation, the hotel portion of the Property was closed, which is expected to be renovated from August 2019 to December

APPENDIX J – VALUATION CERTIFICATES



	: 2019. The total leasable area of approximately 9,652.9 sq m of the retail podium was partly subject to various tenancy agreements with the latest lease expiring date on 30 June 2026 at a total monthly rental of approximately RMB89,714, whilst the remainder was vacant.
Valuation Approaches	: Discounted Cash Flow Approach
Discount Rate	: 10%
Terminal Cap Rate	: 7.00%
Market Value	: RMB 142,000,000 (RENMINBI ONE HUNDRED AND FORTY-TWO MILLION ONLY)
Unit Value on GFA	: RMB4,954 per sq m
Valuation Assumptions	: Notwithstanding the assumptions stated within other parts of this report and valuation, our valuation is also prepared on the following principal assumptions: (a) The Property has been granted with the proper legal title and may be transferred with the residual term of the land use rights at no extra land premium or other onerous payment payable to the government; (b) All land premium, demolition and settlement and public utilities costs have been fully settled; (c) The design and construction of the Property are in compliance with the local planning regulations and have been approved by the relevant authorities; and (d) The Property may be disposed of freely to third parties.

For and on behalf of
Cushman & Wakefield International Property Advisers (Shanghai) Co., Ltd

Yi Fan
MRICS
Director



APPENDIX J – VALUATION CERTIFICATES



VALUATION CERTIFICATE

Property 4	:	Industrial Factory Situated at No. 9 Guangzhou Road, Nantong, Jiangsu Province, the PRC
Date of Valuation	:	30 June 2019
Report Date	:	26 September 2019
Instructing Party	:	San Teh Limited
Purpose of Valuation	:	For the purpose of public disclosure and the inclusion of the valuation certificate/report in a circular to be issued by the Company.
Basis of Valuation	:	Our valuation of the Property represents its Market Value in accordance with the RICS Valuation – Global Standards 2017 (the "Red Book"), which is defined as: <i>"The estimated amount for which a property should exchange on the date of Valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion."</i>
Legal Description	:	No. 9 Guangzhou Road, Nantong, Jiangsu Province, the PRC
Land Use Term	:	Leasehold expiring on 31 May 2043 and 1 November 2050
Registered Lessee/Licensee	:	SanTeh Pipes & Fittings Industry (Nantong) Co., Ltd 三德管业（南通）有限公司
Brief Description	:	The Property is industrial factory containing two pieces of industrial land with a total site area of 51,029.49 sq m and 8 buildings with a total gross floor area of 10,533.90 sq m. As advised by the Company, the Property was completed from 1995 to 2002.
Town Planning	:	Industrial Use
Land Area	:	51,029.49 sq m

Gross Floor Area

Building No.	GFA (sq m)	Use
1	3,977.43	Factory
2	128.1	Facility
3	612.59	Factory
4	122.34	Facility
5	1,546.56	Office
6	56.16	Factory
7	2,552.16	Factory
8	1,538.56	Storage
Total	10,533.90	

APPENDIX J – VALUATION CERTIFICATES



Particulars of Occupancy	: According to the information provided by the Company, as at the date of valuation, the Property was owner occupied as pipe production factory.
Valuation Approaches	: Depreciated Replacement Cost Approach
Market Value	: RMB 29,000,000 (RENMINBI TWENTY NINE MILLION ONLY)
Unit Value on GFA	: RMB2,753 per sq m
Valuation Assumptions	: Notwithstanding the assumptions stated within other parts of this report and valuation, our valuation is also prepared on the following principal assumptions: (a) The Property has been granted with the proper legal title and may be transferred with the residual term of the land use rights at no extra land premium or other onerous payment payable to the government; (b) All land premium, demolition and settlement and public utilities costs have been fully settled; (c) The design and construction of the Property are in compliance with the local planning regulations and have been approved by the relevant authorities; and (d) The Property may be disposed of freely to third parties.

For and on behalf of

Cushman & Wakefield International Property Advisers (Shanghai) Co., Ltd

Yi Fan
MRICS
Director



APPENDIX J – VALUATION CERTIFICATES



VALUATION CERTIFICATE

Property 5	:	Two Plots of Urban Residential, Commercial Services Land, Heqing County, Bai Autonomous Prefecture of Dali, Yunnan Province, the PRC
Date of Valuation	:	30 June 2019
Report Date	:	26 September 2019
Instructing Party	:	San Teh Limited
Purpose of Valuation	:	For the purpose of public disclosure and the inclusion of the valuation certificate/report in a circular to be issued by the Company.
Basis of Valuation	:	Our valuation of the Property represents its Market Value in accordance with the RICS Valuation – Global Standards 2017 (the “Red Book”), which is defined as: <i>“The estimated amount for which a property should exchange on the date of Valuation between a willing buyer and a willing seller in an arm’s-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.</i>
Legal Description	:	Property 1: A parcel of land for residential and other commercial services uses, situated at the south of the Nursing Home (The Original County Party School), west of Huanglongtan, West area Heqing County, Bai Autonomous Prefecture of Dali, Yunnan Province, the PRC. Property 2: A parcel of land for residential and other commercial services uses, situated at the south of Zhaoxia Road, West area of Yunhe Town, Heqing County, Bai Autonomous Prefecture of Dali, Yunnan Province, the PRC.
Land Use Term	:	Property 1: The land use rights of the Property have been granted for 70 years due to expire on 28 March 2083 for urban residential use and 40 years due to expire on 28 March 2053 for other commercial services use. Property 2: The land use rights of the Property have been granted for 70 years due to expire on 1 March 2083 for urban residential use and 40 years due to expire on 1 March 2053 for other commercial services use.
Registered Lessee/Licensee	:	Dali San Teh Xing Real Estate Co., Ltd 大理三德兴置业有限公司

APPENDIX J – VALUATION CERTIFICATES



Brief Description	: Property 1 is situated at the south of the Nursing Home (The Original County Party School), west of Huanglongtan, West area Heqing County, Bai Autonomous Prefecture of Dali, Yunnan Province, the PRC. As at the valuation date, part of the basement and the structural framework of two villas was built on the land of the Property. Currently the construction works was pending. In the course of valuation, we assume the Property was a vacant site. Property 2 is situated at the south of Zhaoxia Road, West area of Yunhe Town, Heqing County, Bai Autonomous Prefecture of Dali, Yunnan Province, the PRC. As at the date of valuation, the Property was a piece of vacant land pending for development.
Town Planning	: Residential and commercial uses
Land Area	: Property 1: 36,553.33 sq m Property 2: 113,665.23 sq m
Plot ratio	: Property 1: 2.48. Property 2: 1.80
Planned Gross Floor Area	: Property 1: Approximately 90,652.26 sq m Property2: Approximately 204,597.41 sq m
Particulars of Occupancy	: Property 1: As at the valuation date, part of the basement and the structural framework of two villas was built on the land of the Property. Currently the construction works was pending. In the course of valuation, we assumed the Property was a vacant site. Property 2: As at the date of valuation, the Property was a piece of vacant land pending for development.
Valuation Approaches	: Direct Comparison Approach
Market Value	: Property 1: RMB52,000,000 (RENMINBI FIFTY TWO MILLION ONLY) Property 2: RMB137,000,000 (RENMINBI ONE HUNDRED AND THIRTY SEVEN MILLION ONLY)
Accommodation Value	: Property 1: RMB574 per sq m Property 2: RMB670 per sq m
Valuation Assumptions	: Notwithstanding the assumptions stated within other parts of this report and valuation, our valuation is also prepared on the following principal assumptions: (a) The Property has been granted with the proper legal title and may be transferred with the residual term of the land use rights at

APPENDIX J – VALUATION CERTIFICATES



no extra land premium or other onerous payment payable to the government;

(b) All land premium, demolition and settlement and public utilities costs have been fully settled;

(c) The design and construction of the Property are in compliance with the local planning regulations and have been approved by the relevant authorities; and

(d) The Property may be disposed of freely to third parties.

For and on behalf of

Cushman & Wakefield International Property Advisers (Shanghai) Co., Ltd

Yi Fan
MRICS
Director



APPENDIX J – VALUATION CERTIFICATES



VALUATION CERTIFICATE

Property 6	: 6 units and 6 lots of car park situated at No. 99 Huli Avenue, Huli District, Xiamen, Fujian Province, the PRC
Date of Valuation	: 30 June 2019
Report Date	: 26 September 2019
Instructing Party	: San Teh Limited
Purpose of Valuation	: For the purpose of public disclosure and the inclusion of the valuation certificate/report in a circular to be issued by the Company.
Basis of Valuation	: Our valuation of the Property represents its Market Value in accordance with the RICS Valuation – Global Standards 2017 (the "Red Book"), which is defined as: <i>"The estimated amount for which a property should exchange on the date of Valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion."</i>
Legal Description	: 6 units on the 6th floor and 6 lots of underground car park, No. 99 Huli Avenue, Huli District, Xiamen, Fujian Province, the PRC
Land Use Term	: Leasehold expiring on 1 September 2041
Registered Lessee/Licensee	: Unit Nos. 6A, 6B and 6C and underground car park lot Nos. 1,2 and 3 owned by San Teh Limited (三德有限公司) Unit Nos. 6D, 6E, 6F and underground car park lot Nos. 6,7 and 36 owned by San Teh Xing (Xiamen) Trade Co., Ltd (厦门三德兴贸易有限公司)
Brief Description	: Tongji plaza is an 8-storey industrial building above a single storey basement. As advised, the Property comprises 6 units on the 6th floor and 6 lots of underground car park of Tongji Plaza with a total gross floor area of 2,502.09 sq m. It was completed in 2001.
Town Planning	: Industrial Use

APPENDIX J – VALUATION CERTIFICATES



Gross Floor Area	:	<table border="1"> <thead> <tr> <th>Address of the Property</th><th>Property Use</th><th>Gross Floor Area (sq m)</th></tr> </thead> <tbody> <tr> <td>Unit 6A, No.99 Huli Avenue, Huli District</td><td rowspan="6">Industrial Use</td><td>434.17</td></tr> <tr> <td>Unit 6B, No.99 Huli Avenue, Huli District</td><td>349.24</td></tr> <tr> <td>Unit 6C, No.99 Huli Avenue, Huli District</td><td>361.75</td></tr> <tr> <td>Unit 6D, No.99 Huli Avenue, Huli District</td><td>361.75</td></tr> <tr> <td>Unit 6E, No.99 Huli Avenue, Huli District</td><td>349.17</td></tr> <tr> <td>Unit 6F, No.99 Huli Avenue, Huli District</td><td>434.09</td></tr> <tr> <td>Subtotal</td><td></td><td>2,290.17</td></tr> <tr> <td>Car Park Property No. 6, No.99 Huli Avenue, Huli District</td><td rowspan="6">Car Park Use</td><td>35.32</td></tr> <tr> <td>Car Park Property No. 7, No.99 Huli Avenue, Huli District</td><td>35.32</td></tr> <tr> <td>Car Park Property No. 36, No.99 Huli Avenue, Huli District</td><td>35.32</td></tr> <tr> <td>Car Park Property No. 1, No.99 Huli Avenue, Huli District</td><td>35.32</td></tr> <tr> <td>Car Park Property No. 2, No.99 Huli Avenue, Huli District</td><td>35.32</td></tr> <tr> <td>Car Park Property No. 3, No.99 Huli Avenue, Huli District</td><td>35.32</td></tr> <tr> <td>Subtotal</td><td></td><td>211.92</td></tr> <tr> <td>Total</td><td>/</td><td>2,502.09</td></tr> </tbody> </table>	Address of the Property	Property Use	Gross Floor Area (sq m)	Unit 6A, No.99 Huli Avenue, Huli District	Industrial Use	434.17	Unit 6B, No.99 Huli Avenue, Huli District	349.24	Unit 6C, No.99 Huli Avenue, Huli District	361.75	Unit 6D, No.99 Huli Avenue, Huli District	361.75	Unit 6E, No.99 Huli Avenue, Huli District	349.17	Unit 6F, No.99 Huli Avenue, Huli District	434.09	Subtotal		2,290.17	Car Park Property No. 6, No.99 Huli Avenue, Huli District	Car Park Use	35.32	Car Park Property No. 7, No.99 Huli Avenue, Huli District	35.32	Car Park Property No. 36, No.99 Huli Avenue, Huli District	35.32	Car Park Property No. 1, No.99 Huli Avenue, Huli District	35.32	Car Park Property No. 2, No.99 Huli Avenue, Huli District	35.32	Car Park Property No. 3, No.99 Huli Avenue, Huli District	35.32	Subtotal		211.92	Total	/	2,502.09
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Car Park Property No. 3, No.99 Huli Avenue, Huli District		35.32																																						
Subtotal		211.92																																						
Total	/	2,502.09																																						
Particulars of Occupancy	:	As advised, as at the Date of Valuation, the total leasable area of the Property was 2,502.09 sq m. It was partly leased to several tenants with the latest expiring date on 15 August 2022 at a total monthly rental of approximately RMB68,995 whilst the remainder are used by the owner. The landlord is responsible for all property maintenance and outgoings including property taxes and capital expenditure. The tenanted areas are generally the responsibility of the individual tenants.																																						
Valuation Approaches	:	Direct Capitalization Approach / Direct Comparison Approach																																						
Reversionary Yield	:	4.50%																																						
Market Value	:	RMB15,470,000 (RENMINBI FIFTEEN MILLION FOUR HUNDRED AND SEVENTY THOUSAND ONLY).																																						
Unit Value on GFA	:	Industrial: RMB6,283 per sq m Car park: RMB180,000 per lot																																						
Valuation Assumptions	:	Notwithstanding the assumptions stated within other parts of this report and valuation, our valuation is also prepared on the following principal assumptions:																																						

APPENDIX J – VALUATION CERTIFICATES



- (a) The Property has been granted with the proper legal title and may be transferred with the residual term of the land use rights at no extra land premium or other onerous payment payable to the government;
- (b) All land premium, demolition and settlement and public utilities costs have been fully settled;
- (c) The design and construction of the Property are in compliance with the local planning regulations and have been approved by the relevant authorities; and
- (d) The Property may be disposed of freely to third parties.

For and on behalf of

Cushman & Wakefield International Property Advisers (Shanghai) Co., Ltd

Yi Fan
MRICS
Director



APPENDIX J – VALUATION CERTIFICATES



VALUATION CERTIFICATE

Property 7	: Room 12b03, No. 37, Yuxiu Li, Siming District, Xiamen, Fujian Province, the PRC
Date of Valuation	: 30 June 2019
Report Date	: 26 September 2019
Instructing Party	: San Teh Limited
Purpose of Valuation	: For the purpose of public disclosure and the inclusion of the valuation certificate/report in a circular to be issued by the Company.
Basis of Valuation	: Our valuation of the Property represents its Market Value in accordance with the RICS Valuation – Global Standards 2017 (the “Red Book”), which is defined as: <i>“The estimated amount for which a property should exchange on the date of Valuation between a willing buyer and a willing seller in an arm’s-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.”</i>
Legal Description	: Room 12b03, No. 37, Yuxiu Li, Siming District, Xiamen
Land Use Term	: Leasehold expiring on 11 June 2068
Registered Lessee/Licensee	: San Teh Xing (Xiamen) Trade Co., Ltd 厦门三德兴贸易有限公司
Brief Description	: The Property is situated at 12th floor of a residential building in “Yuxiu Center”, a community comprising 4 high-rises of apartment buildings. It was completed in 2001. The Property comprises one residential unit with a gross floor area of 152.33 sq m.
Town Planning	: Residential
Gross Floor Area	: 152.33 sq m
Particulars of Occupancy	: As at the date of valuation, according to the information provided to us, the Property was leased for office use.
Valuation Approaches	: Direct Comparison Approach
Market Value	: RMB7,080,000 (RENMINBI SEVEN MILLION EIGHTY THOUSAND ONLY).
Unit Value on GFA	: RMB46,478 per sq m
Valuation Assumptions	: Notwithstanding the assumptions stated within other parts of this report and valuation, our valuation is also prepared on the following principal assumptions:

APPENDIX J – VALUATION CERTIFICATES



- (a) The Property has been granted with the proper legal title and may be transferred with the residual term of the land use rights at no extra land premium or other onerous payment payable to the government;
- (b) All land premium, demolition and settlement and public utilities costs have been fully settled;
- (c) The design and construction of the Property are in compliance with the local planning regulations and have been approved by the relevant authorities; and
- (d) The Property may be disposed of freely to third parties.

For and on behalf of

Cushman & Wakefield International Property Advisers (Shanghai) Co., Ltd

Yi Fan
MRICS
Director



APPENDIX J – VALUATION CERTIFICATES



VALUATION CERTIFICATE

Property 8	:	21 Residential Units situated at 「Duanjiaba Xiao Yuan」, Duanjiaba Road, Chongchuan District, Nantong, Jiangsu Province, the PRC
Date of Valuation	:	30 June 2019
Report Date	:	26 September 2019
Instructing Party	:	San Teh Limited
Purpose of Valuation	:	For the purpose of public disclosure and the inclusion of the valuation certificate/report in a circular to be issued by the Company.
Basis of Valuation	:	Our valuation of the Property represents its Market Value in accordance with the RICS Valuation – Global Standards 2017 (the “Red Book”), which is defined as: <i>“The estimated amount for which a property should exchange on the date of Valuation between a willing buyer and a willing seller in an arm’s-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.”</i>
Legal Description	:	Duanjiaba Road, Chongchuan District, Nantong, Jiangsu Province
Land Use Term		The land use term of the Property is not specified in the title deed. In the course of our valuation, we assumed that the Property is held with land use rights for a term of 70 years for residential use.
Registered Lessee/Licensee	:	Nantong Santeh Hotel Co., Ltd 南通三德大酒店有限公司
Brief Description	:	The Property is situated at 「Duanjiaba Xiao Yuan」, a residential community comprising approximately 150 units of apartments. The phase I of 「Duanjiaba Xiao Yuan」 consists of 10 blocks (No.1-10) completed in 1996, while the phase II consists of 9 blocks (No.11-18, No.22) completed in 2002. The Property comprises 21 units of residential apartment situated at Block No.1-2 with a total gross floor area of 1,623.33 sq m.
Town Planning	:	Residential

APPENDIX J – VALUATION CERTIFICATES



Gross Floor Area

Block No.	Unit	Level	Gross Floor Area (sq m)
1	603	6	77.90
1	604	6	77.34
1	701	7	84.74
1	702	7	79.09
1	703	7	79.09
1	704	7	79.09
1	705	7	79.09
1	706	7	84.74
2	209	2	68.33
2	403	4	75.95
2	509	5	68.33
2	610	6	74.56
2	701	7	74.56
2	702	7	90.53
2	703	7	75.95
2	705	7	75.95
2	706	7	84.43
2	707	7	75.95
2	708	7	74.82
2	709	7	68.33
2	710	7	74.56
Total			1,623.33

Particulars of Occupancy : As at the date of valuation, according to the information provided to us, the Property was used as staff dormitory of Nantong Santeh Hotel Co., Ltd. (南通三德大酒店有限公司).

Valuation Approaches : Direct Comparison Approach

Market Value : **RMB 17,860,000**
(RENMINBI SEVENTEEN MILLION EIGHT HUNDRED AND SIXTY HUNDRED THOUSAND ONLY)

Unit Value on GFA : RMB11,002 per sq m

Valuation Assumptions : Notwithstanding the assumptions stated within other parts of this report and valuation, our valuation is also prepared on the following principal assumptions:

- (a) The Property has been granted with the proper legal title and may be transferred with the residual term of the land use rights at no extra land premium or other onerous payment payable to the government;
- (b) All land premium, demolition and settlement and public utilities costs have been fully settled;
- (c) The design and construction of the Property are in compliance with the local planning regulations and have been approved by the relevant authorities; and
- (d) The Property may be disposed of freely to third parties.

APPENDIX J – VALUATION CERTIFICATES



For and on behalf of
Cushman & Wakefield International Property Advisers (Shanghai) Co., Ltd

Yi Fan
MRICS
Director



APPENDIX J – VALUATION CERTIFICATES



VALUATION CERTIFICATE

Property 9	:	8 Residential Units situated at 「Jin Gui Yi Cun」, Lane 118 Nan'an Road, Anting, Jiading District, Shanghai, the PRC
Date of Valuation	:	30 June 2019
Report Date	:	26 September 2019
Instructing Party	:	San Teh Limited
Purpose of Valuation	:	For the purpose of public disclosure and the inclusion of the valuation certificate/report in a circular to be issued by the Company.
Basis of Valuation	:	Our valuation of the Property represents its Market Value in accordance with the RICS Valuation – Global Standards 2017 (the "Red Book"), which is defined as: <i>"The estimated amount for which a property should exchange on the date of Valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion."</i>
Legal Description	:	Lane 118 Nan'an Road, Anting, Jiading District, Shanghai
Land Use Term		The land use term of the Property is not specified in the title deed. In the course of our valuation, we assumed that the Property is held with land use rights for a term of 70 years for residential use.
Registered Lessee/Licensee	:	Shanghai San Teh Xing Real Estate Co., Ltd 上海三德兴房地产有限公司
Brief Description	:	The Property is situated at 「Jin Gui Yi Cun」, a residential community comprising a number of villas and apartment buildings. It was completed in 1994. The Property comprises 8 units of residential apartment situated at Block No.19 & 24 with a total gross floor area of 722.12 sq m.
Town Planning	:	Residential

Gross Floor Area

Block No.	Unit	Level	Total Floors	Gross Floor Area (sq m)
19	101	1	6	97.33
19	102	1	6	80.63
19	201	2	6	100.53
19	202	2	6	83.83
24	101	1	6	96.60
24	102	1	6	80.10
24	201	2	6	99.80
24	202	2	6	83.30
Total				722.12

APPENDIX J – VALUATION CERTIFICATES



Particulars of Occupancy	:	As at the date of valuation, according to the information provided to us, the Property was used as staff dormitory of Shanghai San Teh Xing Real Estate Co., Ltd. (上海三德兴房地产有限公司).
Valuation Approaches	:	Direct Comparison Approach
Market Value	:	RMB 19,210,000 (RENMINBI NINETEEN MILLION TWO HUNDRED AND TEN THOUSAND ONLY)
Unit Value on GFA	:	RMB 26,602 per sq m
Valuation Assumptions	:	Notwithstanding the assumptions stated within other parts of this report and valuation, our valuation is also prepared on the following principal assumptions: (a) The Property has been granted with the proper legal title and may be transferred with the residual term of the land use rights at no extra land premium or other onerous payment payable to the government; (b) All land premium, demolition and settlement and public utilities costs have been fully settled; (c) The design and construction of the Property are in compliance with the local planning regulations and have been approved by the relevant authorities; and (d) The Property may be disposed of freely to third parties.

For and on behalf of
Cushman & Wakefield International Property Advisers (Shanghai) Co., Ltd

Yi Fan
MRICS
Director



APPENDIX J – VALUATION CERTIFICATES



VALUATION CERTIFICATE

Property 10	:	Residential Unit Nos. 202, 203 on 2nd Floor of Tower C2, Car Parking Space Unit D73 of Area D on B1 Floor, of Jinse Junyuan, beside Shizha Overpass in Panlong District, Kunming, Yunnan Province, the PRC																									
Date of Valuation	:	30 June 2019																									
Report Date	:	26 September 2019																									
Instructing Party	:	San Teh Limited																									
Purpose of Valuation	:	For the purpose of public disclosure and the inclusion of the valuation certificate/report in a circular to be issued by the Company.																									
Basis of Valuation	:	Our valuation of the Property represents its Market Value in accordance with the RICS Valuation – Global Standards 2017 (the “Red Book”), which is defined as: <i>“The estimated amount for which a property should exchange on the date of Valuation between a willing buyer and a willing seller in an arm’s-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.</i>																									
Legal Description	:	Residential Unit 202, 203 on 2nd Floor of Tower C2, Car Parking Space Unit D73 of Area D on B1 Floor, of Jinse Junyuan, beside Shizha Overpass in Panlong District, Kunming, Yunnan Province, the PRC																									
Land Use Term	:	Leasehold expiring on 25 July 2077.																									
Registered Lessee/Licensee	:	Yunnan San Teh Industrial Co., Ltd 云南三德实业有限公司																									
Brief Description	:	The Property is situated at 「Jinse Junyuan」, a residential community comprising a number of apartments, which was completed in 2009. The Property comprises 2 units of apartment with a gross floor area of 271.46 sq m and an underground car parking lot with a gross floor area of 37.01 sq m.																									
Town Planning	:	Residential Use																									
Gross Floor Area	:	<table><tr><th>Property No.</th><th>Unit</th><th>Level</th><th>Property Usage</th><th>Gross Floor Area (sq m)</th></tr><tr><td>1</td><td>202</td><td>2</td><td>Residential</td><td>136.94</td></tr><tr><td>2</td><td>203</td><td>2</td><td>Residential</td><td>134.52</td></tr><tr><td>3</td><td>D73</td><td>B1</td><td>Car park</td><td>37.01</td></tr><tr><td colspan="4">Total</td><td>308.47</td></tr></table>	Property No.	Unit	Level	Property Usage	Gross Floor Area (sq m)	1	202	2	Residential	136.94	2	203	2	Residential	134.52	3	D73	B1	Car park	37.01	Total				308.47
Property No.	Unit	Level	Property Usage	Gross Floor Area (sq m)																							
1	202	2	Residential	136.94																							
2	203	2	Residential	134.52																							
3	D73	B1	Car park	37.01																							
Total				308.47																							
Particulars of Occupancy	:	As at the valuation date, Property 2 was currently leased for office use at a monthly rent of RMB 2,700. Property 1 and the underground car park lot were owner occupied.																									
Valuation Approaches	:	Direct Comparison Approach																									

APPENDIX J – VALUATION CERTIFICATES



- Market Value** : RMB3,580,000
(RENMINBI THREE MILLION FIVE HUNDRED AND EIGHTY THOUSAND ONLY)
- Unit Value on GFA** : Residential: RMB12,488 per sq m
Car park: RMB190,000 per lot
- Valuation Assumptions** : Notwithstanding the assumptions stated within other parts of this report and valuation, our valuation is also prepared on the following principal assumptions:
- (a) The Property has been granted with the proper legal title and may be transferred with the residual term of the land use rights at no extra land premium or other onerous payment payable to the government;
 - (b) All land premium, demolition and settlement and public utilities costs have been fully settled;
 - (c) The design and construction of the Property are in compliance with the local planning regulations and have been approved by the relevant authorities; and
 - (d) The Property may be disposed of freely to third parties.

For and on behalf of
Cushman & Wakefield International Property Advisers (Shanghai) Co., Ltd

Yi Fan
MRICS
Director



APPENDIX J – VALUATION CERTIFICATES



VALUATION CERTIFICATE

Property 11	:	Villa No.21, Lanyuan Jinzhen, west of Shuanglong Road, Heqing County, Dali Bai Autonomous Prefecture, Yunnan Province, the PRC
Date of Valuation	:	30 June 2019
Report Date	:	26 September 2019
Instructing Party	:	San Teh Limited
Purpose of Valuation	:	For the purpose of public disclosure and the inclusion of the valuation certificate/report in a circular to be issued by the Company.
Basis of Valuation	:	Our valuation of the Property represents its Market Value in accordance with the RICS Valuation – Global Standards 2017 (the "Red Book"), which is defined as: <i>"The estimated amount for which a property should exchange on the date of Valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion."</i>
Legal Description	:	Lanyuan Jinzhen, west of Shuanglong Road, Heqing County, Dali Bai Autonomous Prefecture, Yunnan Province, the PRC
Land Use Term	:	Leasehold expiring on 16 October 2076.
Registered Lessee/Licensee	:	Dali San Teh Xing Real Estate Co., Ltd 大理三德兴置业有限公司
Brief Description	:	The Property is a residential villa, a building of 3 floor above ground and one floor in the basement with a gross floor area of 325.50 sq m. It was completed in September 2011 for residential use.
Town Planning	:	Residential Use
Land Area	:	281.40 sq m
Gross Floor Area	:	325.50 sq m
Particulars of Occupancy	:	As at the date of valuation, the Property was owner occupied.
Valuation Approaches	:	Direct Comparison Approach
Market Value	:	RMB2,770,000 (RENMINBI TWO MILLION SEVEN HUNDRED AND SEVENTY THOUSAND ONLY)

APPENDIX J – VALUATION CERTIFICATES



Unit Value on GFA : RMB8,510 per sq m

Valuation Assumptions : Notwithstanding the assumptions stated within other parts of this report and valuation, our valuation is also prepared on the following principal assumptions:

- (a) The Property has been granted with the proper legal title and may be transferred with the residual term of the land use rights at no extra land premium or other onerous payment payable to the government;
- (b) All land premium, demolition and settlement and public utilities costs have been fully settled;
- (c) The design and construction of the Property are in compliance with the local planning regulations and have been approved by the relevant authorities; and
- (d) The Property may be disposed of freely to third parties.

For and on behalf of

Cushman & Wakefield International Property Advisers (Shanghai) Co., Ltd

Yi Fan
MRICS
Director



APPENDIX J – VALUATION CERTIFICATES



VALUATION CERTIFICATE

Prepared For: Board of Directors of San Teh Ltd

Date of Valuation: 4 September 2019

Valuation Purpose: Public Disclosure Purposes

Property: 701 Sims Drive #05-01 & #06-01
LHK Building, Singapore 387383

Brief Description of Property: Two strata-titled industrial units located on the 5th & 6th storeys of a part 3/ part 8-storey development known as LHK Building. The original 3-storey section of the development was completed about 41 years ago and the 8-storey extension added around in the early 2000s.

LHK Building is located along Sims Drive, situated within the Central Region of Singapore. It is well connected by both public transport and MRT network. Immediate surrounding developments are primarily light industrial development and residential in nature.



Legal Description: Lot Nos. U33816V & U33815W Mukim 24

Interest Valued: Estate in Fee Simple (Freehold)

Registered Proprietor: San Teh Ltd

Town Planning: Zoned "B1" use with plot ratio up to 2.5 in the Master Plan 2014 Edition

Strata Floor Areas ("SFA"):	Unit No.	Square metres	Square feet
	#05-01	297.0	3,197
	#06-01	297.0	3,197

Tenancy Details: At the time of inspection, #06-01 was owner occupied while #05-01 was tenanted at a total gross rent of S\$5,754.60 per month for the period between 15 June 2018 and 14 June 2020, excluding Goods & Services Tax (GST).

Valuation Approach: Sales Comparison Approach

Aggregate Market Value, assuming free from encumbrances: **S\$4,200,000/-**
(Singapore Dollars Four Million and Two Hundred Thousand only)

Value of SFA: Approximately S\$7,071/- per square metre or S\$657/- per square foot

Remarks: This Valuation Certificate is a summary of the full report Cushman & Wakefield VHS Pte. Ltd. have carried out and it does not contain all the necessary information, assumptions and limiting conditions that are included in the report. Further reference may be made to the report, copies of which are held by San Teh Ltd.

Yours faithfully

CUSHMAN & WAKEFIELD VHS PTE. LTD.

Chew May Yen
Executive Director - Valuation & Advisory,
MSISV
Licensed Appraiser No AD41-2004419H