

CIRCULAR DATED 24 SEPTEMBER 2019

THIS CIRCULAR IS IMPORTANT AS IT CONTAINS THE RECOMMENDATION OF THE RECOMMENDING DIRECTORS OF PS GROUP HOLDINGS LTD. AND THE ADVICE OF HONG LEONG FINANCE LIMITED (AS THE INDEPENDENT FINANCIAL ADVISER TO THE RECOMMENDING DIRECTORS). THIS CIRCULAR REQUIRES YOUR IMMEDIATE ATTENTION. PLEASE READ IT CAREFULLY.

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.

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

This Circular has been prepared by the Company and its contents have been reviewed by the Company’s sponsor, CIMB Bank Berhad, Singapore Branch (the “**Sponsor**”), in accordance with Rule 226(2)(b) of the Singapore Exchange Securities Trading Limited (“**SGX-ST**”), Listing Manual Section B: Rules of Catalist.

This Circular has not been examined or approved by the SGX-ST and the SGX-ST assumes no responsibility for the contents of this Circular including the correctness of any of the statements made or opinions expressed or reports contained in this Circular. The contact person for the Sponsor is Ms Tan Cher Ting, Director, Investment Banking, CIMB Bank Berhad, Singapore Branch, at 50 Raffles Place, #09-01 Singapore Land Tower, Singapore 048623, Telephone: 6337 5115.



PS GROUP HOLDINGS LTD.
(Company Registration No. 201311530Z)
(Incorporated in the Republic of Singapore)

CIRCULAR TO SHAREHOLDERS

in relation to the

VOLUNTARY CONDITIONAL GENERAL OFFER

by

SOOCHOW CSSD CAPITAL MARKETS (ASIA) PTE. LTD.

(Company Registration No. 201726618K)
(Incorporated in the Republic of Singapore)

for and on behalf of

PS INVESTMENT PTE. LTD.

(Company Registration No. 201926089K)
(Incorporated in the Republic of Singapore)

to acquire the Offer Shares (as defined herein)

Independent Financial Adviser to the Recommending Directors



HONG LEONG FINANCE

HONG LEONG FINANCE LIMITED

(Company Registration No. 196100003D)
(Incorporated in the Republic of Singapore)

SHAREHOLDERS SHOULD NOTE THAT ACCEPTANCES SHOULD BE RECEIVED BY THE CLOSE OF THE OFFER AT 5.30 P.M. (SINGAPORE TIME) ON 22 OCTOBER 2019.

CONTENTS

	PAGE
DEFINITIONS	1
CAUTIONARY NOTE ON FORWARD-LOOKING STATEMENTS	5
INDICATIVE TIMETABLE	6
LETTER TO SHAREHOLDERS	7
1. INTRODUCTION	7
2. THE OFFER	8
3. INFORMATION ON THE OFFEROR AND ITS SHAREHOLDERS	10
4. RATIONALE FOR THE OFFER	11
5. IRREVOCABLE UNDERTAKINGS	12
6. OFFEROR'S INTENTION FOR THE COMPANY	13
7. OFFER DECLARED UNCONDITIONAL AND EXERCISE OF COMPULSORY ACQUISITION	14
8. FINANCIAL ASPECTS OF THE OFFER	15
9. ADVICE AND RECOMMENDATION	16
10. OVERSEAS SHAREHOLDERS	18
11. ACTION TO BE TAKEN	19
12. DIRECTORS' RESPONSIBILITY STATEMENT	19
13. ADDITIONAL INFORMATION	20
APPENDIX 1 – ADDITIONAL GENERAL INFORMATION	1-1
APPENDIX 2 – LETTER FROM THE IFA TO THE RECOMMENDING DIRECTORS	2-1
APPENDIX 3 – VALUATION REPORT OF KNIGHT FRANK	3-1
APPENDIX 4 – EXTRACTS FROM THE COMPANY'S CONSTITUTION	4-1
APPENDIX 5 – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR FINANCIAL YEAR ENDED 31 DECEMBER 2018	5-1
APPENDIX 6 – UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR HALF YEAR ENDED 30 JUNE 2019	6-1

DEFINITIONS

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

“Act”	:	The Companies Act, Chapter 50 of Singapore
“Auditors”	:	Ernst & Young LLP, the independent auditors of the Company
“Board”	:	Board of Directors of the Company
“Books Closure Date”	:	Has the meaning ascribed to it in Section 2.5.2 of the Offer Document
“Business Day”	:	A day other than Saturday, Sunday or a public holiday on which banks are open for business in Singapore
“Catalist Listing Manual”	:	Section B to the Listing Manual of the SGX-ST: Rules of Catalist
“CDP”	:	The Central Depository (Pte) Limited
“Circular”	:	This Circular to Shareholders in relation to the Offer, setting out, <i>inter alia</i> , the recommendation of the Recommending Directors and the advice of the IFA to the Recommending Directors.
“Clarification Announcement”	:	Clarification announcement dated 13 September 2019, issued by SCCM, for and on behalf of the Offeror
“Closing Date”	:	5.30 p.m. (Singapore time) on 8 October 2019 or such later date(s) as may be announced from time to time by or on behalf of the Offeror, being the last day for the lodgement of acceptances for the Offer
“Code”	:	The Singapore Code on Take-overs and Mergers
“Company”	:	PS Group Holdings Ltd.
“Commencement Date”	:	10 September 2019, being the date of despatch of the Offer Document
“Compulsory Acquisition Right”	:	Has the meaning ascribed to it in Section 10.2 of the Offer Document
“Constitution”	:	The constitution of the Company
“Concert Parties”	:	Parties acting or deemed to be acting in concert with the Offeror, including but not limited to, Teo Choon Hock and Kwek Keng Seng
“Consortium Agreement”	:	Has the meaning ascribed to it in Section 6.4 of the Offer Document
“Directors”	:	The directors of the Company as at the Latest Practicable Date
“Distributions”	:	Has the meaning ascribed to it in Section 2.3 of this Circular
“Encumbrances”	:	Has the meaning ascribed to it in Section 2.3 of this Circular
“FAA”	:	Form of Acceptance and Authorisation for Offer Shares in respect of the Offer, applicable to Shareholders whose Shares are deposited with CDP and which forms part of the Offer Document

DEFINITIONS

“FAT”	:	Form of Acceptance and Transfer for Offer Shares in respect of the Offer, applicable to Shareholders whose Shares are registered in their own names in the Register and are not deposited with CDP and which forms part of the Offer Document
“Final Closing Date”	:	5.30 p.m. (Singapore time) on 22 October 2019
“Free Float Requirement”	:	Has the meaning ascribed to it in Section 7 of this Circular
“FY16”	:	Financial year ended 31 December 2016
“FY17”	:	Financial year ended 31 December 2017
“FY18”	:	Financial year ended 31 December 2018
“Group”	:	The Company and its subsidiaries
“HY19”	:	The six (6) months financial period ended 30 June 2019
“IFA” or “Hong Leong”	:	Hong Leong Finance Limited, the independent financial adviser to the Recommending Directors in relation to the Offer
“IFA Letter”	:	The letter from the IFA to the Recommending Directors dated 24 September 2019 containing the advice of the IFA to the Recommending Directors in respect of the Offer, a copy of which is set out in Appendix 2 of this Circular
“Irrevocable Undertakings”	:	The TCH Irrevocable Undertaking and the KKS Irrevocable Undertaking
“KKS”	:	Kwek Keng Seng
“Knight Frank”	:	Knight Frank Pte Ltd
“Latest Practicable Date”	:	17 September 2019, being the latest practicable date prior to the printing of this Circular
“Loan Agreement”	:	Has the meaning ascribed to it in Section 6.5 of the Offer Document
“Market Day”	:	A day on which the SGX-ST is open for trading of securities
“Offer”	:	The voluntary conditional general offer made by the Offeror for the Offer Shares on the terms and subject to the conditions set out in the Offer Document, the FAA and the FAT, as may be amended, extended and revised from time to time by or on behalf of the Offeror
“Offer Announcement”	:	The announcement issued on 20 August 2019 by SCCM, for and on behalf of the Offeror, in relation to the Offer
“Offer Announcement Date”	:	20 August 2019
“Offer Document”	:	The offer document dated 10 September 2019, including the FAA and FAT, and any other document(s) which may be issued by the Offeror to amend, revise, supplement or update the document(s) from time to time

DEFINITIONS

“Offer Price”	:	S\$0.118 in cash for each Offer Share
“Offer Shares”	:	All the Shares to which the Offer relates, as more particularly defined in Section 2.2 of the Offer Document and Section 2.2 of this Circular
“Offeror”	:	PS Investment Pte. Ltd.
“Overseas Shareholders”	:	Shareholders whose addresses are outside Singapore as shown on the register of members of the Company or, as the case may be, in the records of CDP
“Recommending Directors”	:	The directors of the Company who are independent for the purpose of making a recommendation to Shareholders in respect of the Offer, namely Ang Miah Khiang, Tan Chin Keong and Tan Jee Ming
“Register”	:	The register of holders of Shares, as maintained by the Registrar
“Registrar”	:	Tricor Barbinder Share Registration Services
“Relevant Acceptance Forms”	:	The FAA and / or the FAT (as the case may be)
“SCCM”	:	SooChow CSSD Capital Markets (Asia) Pte. Ltd.
“Securities Account”	:	A securities account maintained by a Depositor with CDP but does not include a securities sub-account
“SFA”	:	The Securities and Futures Act, Chapter 289 of Singapore
“SGX-ST”	:	Singapore Exchange Securities Trading Limited
“Shareholders”	:	The holders of the Offer Shares, including persons whose Offer Shares are deposited with CDP or who have purchased the Offer Shares on the SGX-ST
“Shares”	:	Issued and paid-up ordinary shares in the capital of the Company (excluding treasury shares)
“SIC”	:	Securities Industry Council
“S\$” and “cents”	:	Singapore dollars and cents, respectively
“TCH”	:	Teo Choon Hock
“Unconditional Announcement”	:	The announcement issued on 17 September 2019 by SCCM, for and on behalf of the Offeror, declaring the Offer unconditional in all respects, exercise of compulsory acquisition and loss of free float
“Valuation Report”	:	The valuation report from Knight Frank dated 18 September 2019 as set out in Appendix 3 to this Circular
“%” or “per cent.”	:	Per centum or percentage

DEFINITIONS

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

The terms “**Depositor**”, “**Depository Agent**” and “**Depository Register**” shall have the meanings ascribed to them respectively in Section 81SF of the SFA and the terms “**subsidiary**” and “**substantial shareholder**” shall have the meanings ascribed to them in Sections 5 and 81 of the Act respectively.

The term “**related corporation**” shall have the meaning ascribed to it in Section 6 of the Act.

References to “**you**”, “**your**” and “**yours**” in this Circular are to Shareholders.

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

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

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

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

References in this Circular to the total number of Shares in issue are based on 68,000,000 Shares in issue as at the Latest Practicable Date, unless otherwise stated. As at the Latest Practicable Date, the Company does not hold any treasury shares.

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 “anticipate”, “believe”, “estimate”, “expect”, “forecast”, “intend”, “plan”, “project”, “seek”, “strategy”, and similar expressions or future or conditional verbs such as “could”, “may”, “might”, “should”, “will” and “would”. These statements reflect the Company’s current expectations, beliefs, hopes, intentions or strategies regarding the future and assumptions in light of currently available information. Such forward-looking statements are not guarantees of future performance or events and involve known and unknown risks and uncertainties. Accordingly, actual results may differ materially from those described in such forward-looking statements. Shareholders should not place undue reliance on such forward-looking statements, and the Company assumes no obligation to update publicly or revise any forward-looking statement.

INDICATIVE TIMETABLE

Date of despatch of Offer Document	:	10 September 2019
Date of despatch of this Circular	:	24 September 2019
Final Closing Date	:	5.30 p.m. (Singapore time) on 22 October 2019
		(Trading of the Shares on the SGX-ST will be suspended at the close of the Offer)
Date of delisting of the Company	:	To be announced on SGXNET in due course.
Date of settlement of consideration for the Offer Shares	:	(i) In respect of acceptances of the Offer which are complete and valid in all respects and are received on or before the date on which the Offer becomes or is declared to be unconditional in all respects in accordance with its terms, within seven (7) Business Days of such date; or (ii) In respect of acceptances of the Offer which are complete and valid in all respects and are received after the date on which the Offer becomes or is declared to be unconditional in all respects in accordance with its terms, but before the Offer closes, within seven (7) Business Days of the date of such receipt.

LETTER TO SHAREHOLDERS

PS GROUP HOLDINGS LTD.

(Company Registration No. 201311530Z)
(Incorporated in the Republic of Singapore)

Board of Directors:

Teo Choon Hock (Executive Chairman)
Kwek Keng Seng (Executive Director)
Ang Miah Khiang (Lead Independent Director)
Tan Chin Keong (Independent Director)
Tan Jee Ming (Independent Director)

Registered Office:

9 Tampines Industrial
Drive #01-03
Singapore 528543

24 September 2019

To: The Shareholders of PS Group Holdings Ltd.

Dear Sir/Madam

VOLUNTARY CONDITIONAL GENERAL OFFER BY SCCM, FOR AND ON BEHALF OF THE OFFEROR, TO ACQUIRE ALL THE ISSUED AND PAID-UP ORDINARY SHARES IN THE CAPITAL OF THE COMPANY

1. INTRODUCTION

1.1 Offer Announcement

On 20 August 2019, SCCM issued the Offer Announcement, for and on behalf of the Offeror, that subject to the satisfaction of the minimum acceptance condition as stated in the Offer Announcement and as set out in **Section 2.5** of this Circular, the Offeror intends to make the Offer for the Offer Shares in accordance with Section 139 of the SFA and Rule 15 of the Code at the Offer Price.

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

1.2 Offer Document

Shareholders should have by now received a copy of the Offer Document despatched on 10 September 2019, setting out, *inter alia*, the terms and conditions of the Offer. **Shareholders are urged to read carefully the terms and conditions contained therein.**

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

1.3 Unconditional Announcement

On 17 September 2019, SCCM issued the Unconditional Announcement, for and on behalf of the Offeror, announcing that the Offer has been declared unconditional in all respects. The Unconditional Announcement also contained details on the Offeror's intention to exercise their right of compulsory acquisition of the remaining Offer Shares, and the loss of free float. **Shareholders are urged to read the Unconditional Announcement carefully.**

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

1.4 Independent Financial Adviser

The Recommending Directors have appointed Hong Leong as their independent financial adviser in respect of the Offer.

LETTER TO SHAREHOLDERS

1.5 Circular

The purpose of this Circular is to provide Shareholders with relevant information pertaining to the Offer, to set out the recommendation of the Recommending Directors and the advice of the IFA in relation to the Offer. **Shareholders should carefully consider the recommendation of the Recommending Directors and the advice of the IFA before deciding whether or not to accept the Offer.**

2. THE OFFER

Based on the information set out in the Offer Document, the Offeror has offered to acquire all the Offer Shares on the terms and subject to the conditions set out in the Offer Document, the FAA and the FAT on the following basis:

2.1 Offer Price

As stated in **Section 2.3** of the Offer Document, the Offeror is making the Offer for the Offer Shares on the following basis:

For each Offer Share: S\$0.118 in cash.

2.2 Offer Shares

The Offer is extended to all Shares, including those Shares owned, controlled, or agreed to be acquired by parties acting or deemed to be acting in concert with the Offeror ("**Offer Shares**").

2.3 No Encumbrances

Pursuant to **Section 2.4** of the Offer Document, the Offer Shares will be acquired:

- (a) fully paid;
- (b) free from any claim, charge, pledge, mortgage, encumbrance, lien, option, equity, power of sale, declaration of trust, hypothecation, retention of title, right of pre-emption, right of first refusal, moratorium or other third party right or security interest of any kind or an agreement, arrangement or obligation to create any of the foregoing ("**Encumbrances**"); and
- (c) together with all rights, benefits and entitlement 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, other distributions and/or return of capital (if any) declared, paid or made by the Company in respect of the Offer Shares (collectively, the "**Distributions**" and each, a "**Distribution**") 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 Distributions that may be declared, made or paid by the Company on or after the Offer Announcement Date.

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

LETTER TO SHAREHOLDERS

- (b) 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 (the Offer Price after such reduction, the “**Adjusted Offer Price**”) and the Offeror shall pay the Accepting Shareholder the Adjusted Offer Price for each Share, as the Offeror will not receive the Distribution in respect of such Offer Share from the Company.

2.5 Condition to the Offer

The Offer will be conditional on the Offeror having received, by the close of the Offer, valid acceptances pursuant to the Offer and/or otherwise acquiring or agreeing to acquire Shares from the Commencement Date other than through valid acceptances of the Offer in respect of not less than 90 per cent. of the total number of Shares (other than those already held by the Offeror, its related corporations or their respective nominees as at the Commencement Date).

Accordingly, the Offer will not become or be capable of being declared unconditional as to acceptances until the close of the Offer, unless at any time prior to the close of the Offer, the Offeror has received valid acceptances in respect of such number of Shares which, when taken together with the Shares acquired or agreed to be acquired from the Commencement Date, will result in the Offeror holding such number of Shares carrying not less than 90 per cent. of the total number of Shares (other than those already held by the Offeror, its related corporations or their respective nominees as at the Commencement Date).

Save as provided in this **Section 2.5**, the Offer is unconditional in all other respects. On 17 September 2019, SCCM issued the Unconditional Announcement, for and on behalf of the Offeror, announcing that the Offer has been declared unconditional in all respects.

2.6 Warranty

According to **Section 3** of the Offer Document, acceptance of the Offer will be deemed to constitute an unconditional and irrevocable warranty that each Offer Share tendered in acceptance of the Offer is sold by the accepting Shareholder, as or on behalf of the beneficial owner(s) thereof, (a) fully paid, (b) free from all Encumbrances, and (c) together with all rights, benefits and entitlements attached thereto as at the Offer Announcement Date and thereafter attaching thereto (including but not limited to the right to receive and retain all Distributions declared, paid or made by the Company in respect of the Offer Shares on or after the Offer Announcement Date).

2.7 Shut-off Notice and Final Closing Date

Shareholders should note that in the Unconditional Announcement, the Offeror has extended the Closing Date from 5.30 p.m. (Singapore time) on 8 October 2019 to the Final Closing Date of 5.30 p.m. (Singapore time) on 22 October 2019. **The Offeror has stated that it has no intention of extending the Offer beyond the Final Closing Date and has given notice that the Offer will not be open for acceptance beyond 5.30 p.m. (Singapore time) on the Final Closing Date. Acceptances received after 5.30 p.m. (Singapore time) on the Final Closing Date will be rejected.**

2.8 Details of the Offer

Further details of the Offer are set out in **Appendix 1** to the Offer Document, including details on (a) the duration of the Offer; (b) the settlement of the consideration for the Offer; (c) the requirements relating to the announcement of level of acceptances of the Offer; and (d) the right of withdrawal of acceptance of the Offer.

2.9 Procedures for acceptance

The procedures for acceptance of the Offer are set out in **Appendix 2** to the Offer Document.

LETTER TO SHAREHOLDERS

3. INFORMATION ON THE OFFEROR AND ITS SHAREHOLDERS

The following has been extracted from **Section 6** of the Offer Document and is set out in italics below. Unless otherwise defined, all terms and expressions used in the extract below shall have the same meanings as those defined in the Offer Document. **Shareholders are advised to read the extract below carefully:**

“6.1 The Offeror

The Offeror was incorporated in the Republic of Singapore on 8 August 2019 and is a private company limited by shares. Its principal activity is that of investment holding. The Offeror has not carried on any business since its incorporation, except for matters in connection with making the Offer.

6.2 Share Capital and Shareholders

*As at the Latest Practicable Date, the Offeror has an issued and paid-up share capital of S\$1,000 divided into 1,000 ordinary shares (“**Offeror Shares**”), held as follows:*

6.2.1 *TCH has an interest in 685 Offeror Shares, representing 68.5 per cent. of the Offeror Shares; and*

6.2.2 *KKS has an interest in 315 Offeror Shares, representing 31.5 per cent. of the Offeror Shares.*

6.3 Directors

As at the Announcement Date, the Directors are TCH and KKS, who are the Executive Chairman and Managing Director of the Company respectively. They are each also a substantial shareholder of the Company. TCH has a direct interest in 26,179,904 Shares, representing 38.5 per cent. of the Shares, and KKS has a direct interest in 21,420,096 Shares, representing 31.5 per cent. of the Shares.

6.4 Consortium Agreement

*TCH and KKS have, as at the Announcement Date, entered into a binding consortium agreement (the “**Consortium Agreement**”) to, inter alia, regulate the affairs of the Offeror in connection with the Offer and their relationship inter se each as concert parties in relation to the Company and as shareholders of the Offeror.*

6.5 Loan Agreement

*TCH and the Offeror have, as at the Announcement Date, entered into a binding loan agreement (the “**Loan Agreement**”) pursuant to which TCH shall extend a loan of an aggregate principal amount of up to S\$3,000,000 to the Offeror free of any interest. The Offeror shall apply all amounts borrowed from TCH pursuant to the Loan Agreement towards:*

6.5.1 *payment of the cash consideration payable to Shareholders who have accepted the Offer in accordance with, and subject to, the terms of the Offer, the Code and the Irrevocable Undertakings;*

6.5.2 *in the event the Compulsory Acquisition Threshold is reached and the Offeror exercises its Compulsory Acquisition Right, payment of the cash consideration payable to the Shareholders whose Shares are being compulsorily acquired by the Offeror pursuant to the Compulsory Acquisition; and*

6.5.3 *payment of the costs, fees and expenses incurred by the Offeror in connection with the Offer and the Compulsory Acquisition.”*

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

LETTER TO SHAREHOLDERS

4. RATIONALE FOR THE OFFER

The full text of the rationale for the Offer has been extracted from **Section 9** of the Offer Document and is set out in italics below. All terms and expressions used in the extract below shall have the same meanings as those defined in the Offer Document, unless otherwise stated. **Shareholders are advised to read the extract below carefully.**

“9.1 Low Trading Liquidity of Shares

The trading volume of the Shares has been extremely low, with an average daily trading volume³ of approximately 3,777 Shares, 2,203 Shares, 1,146 Shares and 1,004 Shares during the respective one (1)-month period, three (3)-month period, six (6)-month period and twelve (12)-month period up to and including 6 August 2019, being the Last Trading Date. Each of these represents less than 0.01 per cent. of the total number of Shares for any of the aforementioned relevant periods. The Offer therefore provides Shareholders who find it difficult to exit the Company as a result of the low trading volume in Shares with an opportunity to liquidate and realise their investment in the Shares at a premium to the prevailing market prices which would otherwise not be available given the low trading liquidity.

Note:

(3) *Calculated by using the total volume of Shares traded divided by the number of Market Days with respect to the one (1)-month period, three (3)-month period, six (6)-month period and twelve (12)-month period respectively up to and including 6 August 2019, being the Last Trading Date.*

9.2 Offer Price at a Premium to Market Price⁽¹⁾

The Offer Price represents a premium of approximately 195.0 per cent. over the last transacted price per Share of S\$0.040 on 6 August 2019 (being the Last Trading Date). When compared to the benchmark prices of the Shares up to and including the Last Trading Date, the Offer Price also represents a premium of approximately 266.7 per cent., 267.5 per cent., 267.5 per cent. and 59.7 per cent. over the VWAP per Share for the one (1)-month, three (3)-month, six (6)-month and twelve (12)-month periods, respectively. The Offer presents Shareholders with a clean cash exit opportunity to realise their entire investment in Shares at a premium over the prevailing trading prices of the Shares without incurring brokerage and other trading costs.

Note:

(1) *On 13 September 2019, SCCM had in the Clarification Announcement clarified, for and on behalf of the Offeror, that the correct premia of the Offer Price of S\$0.118 over the historical traded prices of the Shares should be as set out above.*

9.3 Greater Management Flexibility

The Offeror is making the Offer with a view to delisting the Company from the SGX-ST and exercising its Compulsory Acquisition Right. The Offeror believes that privatising the Company will give the Offeror and the management of the Company more flexibility to manage the business of the Company, optimise the use of its management and capital resources and facilitate the implementation of any operational change.

9.4 Costs of Maintaining Listing

In maintaining its listed status, the Company incurs compliance and other costs associated with the requirements of being listed. In the event that the Company is delisted from the SGX-ST, the Company will be able to save on expenses relating to the maintenance of its listed status and focus its resources on its operational matters amidst the competitive business landscape.”

LETTER TO SHAREHOLDERS

5. IRREVOCABLE UNDERTAKINGS

The information on irrevocable undertakings obtained by the Offeror set out in italics below has been extracted from **Section 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. **Shareholders are advised to read the extract below carefully:**

8.1 TCH Irrevocable Undertaking

*As at the Latest Practicable Date, the Offeror has received an undertaking from TCH (the “**TCH Irrevocable Undertaking**”) pursuant to which TCH has, amongst other things, unconditionally and irrevocably undertaken, represented and warranted to the Offeror (i) to tender all of his Shares (representing approximately 38.5 per cent. of the Shares) in acceptance of the Offer, and (ii) not to accept (or permit the acceptance of) any competing offer.*

8.2 KKS Irrevocable Undertaking

*As at the Latest Practicable Date, the Offeror has received an undertaking from KKS (the “**KKS Irrevocable Undertaking**”) pursuant to which KKS has, amongst other things, unconditionally and irrevocably undertaken, represented and warranted to the Offeror (i) to tender all of his Shares (representing approximately 31.5 per cent. of the Shares) in acceptance of the Offer, and (ii) not to accept (or permit the acceptance of) any competing offer.*

8.3 Waiver of Consideration

Both TCH and KKS have each agreed, pursuant to the terms of the TCH Irrevocable Undertaking and the KKS Irrevocable Undertaking respectively, to waive his rights under Rule 30 of the Code to receive the cash consideration payable to him by the Offeror under the terms of the Offer in return for the issuance of new Offeror Shares following the valid tender of all of his Shares in acceptance of the Offer.

8.4 Cessation of TCH Irrevocable Undertaking

The TCH Irrevocable Undertaking shall lapse and be of no further force and effect on the date on which the Offer (including any revised or improved Offer by or on behalf of the Offeror) closes, lapses, fails to become or be declared unconditional or is withdrawn other than as a result of TCH breaching his obligations under the TCH Irrevocable Undertaking.

8.5 Cessation of KKS Irrevocable Undertaking

The KKS Irrevocable Undertaking shall lapse and be of no further force and effect on the date on which the Offer (including any revised or improved Offer by or on behalf of the Offeror) closes, lapses, fails to become or be declared unconditional or is withdrawn other than as a result of KKS breaching his obligations under the KKS Irrevocable Undertaking.

8.6 No Other Undertakings

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 undertakings from any other party to accept or reject the Offer.

8.7 Available for Inspection

Copies of the TCH Irrevocable Undertaking and the KKS Irrevocable Undertaking are available for inspection at the offices of the Registrar at 80 Robinson Road, #11-02, Singapore 068898 during normal business hours upon prior appointment with the Registrar at +65 6236 3550 or +65 6236 3555, until the date on which the Offer closes, lapses or is withdrawn in accordance with its terms.”

LETTER TO SHAREHOLDERS

6. OFFEROR'S INTENTION FOR THE COMPANY

The full text of the intentions of the Offeror relating to the compulsory acquisition and listing status of the Company has been extracted from **Section 10** of the Offer Document and is set out in italics below. All terms and expressions used in the extract below shall have the same meanings as those defined in the Offer Document, unless otherwise stated. **Shareholders are advised to read the extract below carefully:**

“10.1 The Offeror's Future Plans for the Company

The Offeror's intention is to privatise and delist the Company if the Offer is unconditional as to acceptances.

The board of Directors retains the flexibility at any time to consider any options in relation to the Company and its subsidiaries which may present themselves and which the board may regard to be in the interest of the Offeror.

Save as disclosed in this Offer Document, the Offeror intends for the Company to continue with its existing activities and has no intention to (i) introduce any major changes to the business of the Company, (ii) re-deploy the fixed assets of the Company, or (iii) discontinue the employment of any of the existing employees of the Company and its subsidiaries, other than in the ordinary course of business.

10.2 Compulsory Acquisition

*The Offeror's intention is to privatise and delist the Company. In the event the Offeror receives valid acceptances pursuant to the Offer or otherwise acquires Shares following the Commencement Date other than through valid acceptances of the Offer in respect of not less than 90 per cent. of Shares (other than treasury shares and those Shares already held by the Offeror, its related corporations or their respective nominees as at the Commencement Date) (the “**Compulsory Acquisition Threshold**”), the Offeror would be entitled to exercise its right under Section 215(1) of the Companies Act to compulsorily acquire all the Shares of Shareholders who have not accepted the Offer (“**Dissenting Shareholders**”) on the same terms as those offered under the Offer (“**Compulsory Acquisition Right**”).*

*In such event, the Offeror intends to exercise its right to compulsorily acquire all the Offer Shares not acquired under the Offer (the “**Compulsory Acquisition**”). The Offeror will then proceed to delist the Company from the SGX-ST.*

*In addition, pursuant to Section 215(3) of the Companies Act, Dissenting Shareholders have the right under and subject to Section 215(3) of the Companies Act, to require the Offeror to acquire their Shares at the Offer Price in the event that the Offeror, its related corporations or their respective nominees acquire, pursuant to the Offer, such number of Shares which, together with treasury shares and the Shares held by the Offeror, its related corporations or their respective nominees, comprise 90 per cent. or more of the total number of shares of the Company. **Dissenting Shareholders who wish to exercise such right are advised to seek their own independent legal advice.** Unlike Section 215(1) of the Companies Act, the 90 per cent. threshold under Section 215(3) of the Companies Act does not exclude treasury shares or Shares held by the Offeror, its related corporations or their respective nominees.*

10.3 Listing Status and Trading Suspension

Under Rule 1104 of the Catalist Listing Manual, upon an announcement by the Offeror that acceptances have been received pursuant to the Offer that bring the holdings of the Shares owned by the Offeror and parties acting in concert with the Offeror to above 90 per cent. of the total number of 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 per cent. of the total number of Shares (excluding treasury shares) are held by at least 200 Shareholders who are members of the public. Rule 1303(1) of the Catalist Listing Manual provides that where the Offeror succeeds in garnering

LETTER TO SHAREHOLDERS

acceptances exceeding 90 per cent. of the total number of Shares (excluding treasury shares), thus causing the percentage of the total number of Shares (excluding treasury shares) held in public hands to fall below 10 per cent., the SGX-ST will suspend trading of the Shares only at the close of the Offer. Under the Catalist Listing Manual, “**public**” refers to persons other than:

- (i) directors, chief executive officer, substantial shareholders, or controlling shareholders of the Company or its subsidiary companies; and
- (ii) associates of the persons referred to in **Section 10.3(i)** above.

Shareholders are advised to note that Rule 723 of the Catalist Listing Manual requires the Company to ensure that at least 10 per cent. of the total number of Shares (excluding preference shares, convertible equity securities and treasury shares) is at all times held by the public (the “**Free Float Requirement**”). In addition, under Rule 724(1) of the Catalist Listing Manual, if the percentage of the total number of securities of the Company held in public hands falls below 10 per cent., the Company must, as soon as practicable, notify its sponsor and announce that fact and the SGX-ST may suspend trading of all securities of the Company on the SGX-ST. Rule 724(2) of the Catalist Listing Manual further states that the SGX-ST may allow the Company a period of three (3) months, or such longer period as the SGX-ST may agree, for the percentage of the total number of securities of the Company held by members of the public to be raised to at least 10 per cent., failing which the Company may be removed from the Official List of the SGX-ST.

In the event acceptances of the Offer result in the Free Float Requirement not being met and/or trading of Shares on the SGX-ST being suspended pursuant to Rules 724, 1104 or 1303(1) of the Catalist Listing Manual, the securities of the Company may be suspended on the SGX-ST for an indefinite period of time. Shareholders should note that in the event the Offer is unconditional as to acceptances, the Offeror is entitled to, and will exercise, its rights to compulsorily acquire all the remaining Shares of Shareholders who have not accepted the Offer in accordance with the provisions of Section 215(1) of the Companies Act. Accordingly, it is the Offeror’s intention to privatise and delist the Company if the Offer is unconditional as to acceptances.

7. OFFER DECLARED UNCONDITIONAL AND EXERCISE OF COMPULSORY ACQUISITION

Pursuant to the Unconditional Announcement, the Offer was declared unconditional in all respects on 17 September 2019.

As at 5.00 p.m. (Singapore time) on 17 September 2019, the total number of (i) Shares owned, controlled or agreed to be acquired by the Offeror and its Concert Parties; and (ii) valid acceptances of the Offer, amounted to an aggregate of 61,599,400 Shares, representing approximately 90.59 per cent. of the total number of Shares.

Pursuant to Rule 22.6 of the Code, as the Offer has become unconditional as to acceptances, the Offer will remain open for acceptance for not less than 14 days after the Closing Date. Accordingly, the Offer will remain open for acceptance until 5.30 p.m. (Singapore time) on 22 October 2019. The Offeror has no intention of extending the Offer beyond the Final Closing Date and has given notice that the Offer will not be open for acceptance beyond the Final Closing Date. Acceptances received after the Final Closing Date will be rejected.

As the Offeror has received valid acceptances pursuant to the Offer in respect of not less than 90 per cent. of Shares (other than treasury shares and those Shares already held by the Offeror, its related corporations or their respective nominees as at the Commencement Date), the Offeror is entitled, and intends, to exercise its Compulsory Acquisition Right. Shareholders who have not accepted the Offer will receive a letter from the Offeror containing the prescribed notices under the Companies Act in relation to the Offeror’s exercise of its Compulsory Acquisition Right in due course.

LETTER TO SHAREHOLDERS

The Offeror will then proceed to delist the Company from the SGX-ST and the date on which the Company will be delisted from the SGX-ST will be announced in due course.

Pursuant to Rule 723 of the Catalist Listing Manual, the Company is required to ensure that at least 10 per cent. of the total number of Shares (excluding treasury shares) is at all times held by the public (the “**Free Float Requirement**”).

As at the date of the Unconditional Announcement, only 9.41 per cent. of Shares are held by the public. This is less than the requisite 10 per cent. under the Free Float Requirement. Rule 1303(1) of the Catalist Listing Manual provides that where the Offeror succeeds in garnering acceptances exceeding 90 per cent. of the total number of Shares (excluding treasury shares) thus causing the percentage of the total number of Shares (excluding treasury shares) held in public hands to fall below 10 per cent., the SGX-ST will suspend trading of the Shares only at the close of the Offer.

Accordingly, trading of the Shares on the SGX-ST will be suspended at the close of the Offer. As aforementioned, the Offeror has expressed its intention to exercise its Compulsory Acquisition Right and to privatise and delist the Company.

8. FINANCIAL ASPECTS OF THE OFFER

The following has been extracted from **Paragraph 2** of the Clarification Announcement and is set out in italics below. Unless otherwise defined, all terms and expressions used in the extract below shall have the same meanings as those defined in the Offer Document. **Shareholders are advised to read the extract below carefully:**

“SCCM wishes to clarify, for and or behalf of the Offeror, that the correct premia of the Offer Price of S\$0.118, over the historical traded prices of the Shares should be as follows:

Description	Benchmark Price (S\$)⁽¹⁾⁽²⁾	Premium of the Offer Price over the Benchmark Price (%)⁽³⁾
<i>(a) Last traded price per Share as quoted on the SGX-ST on 6 August 2019, being the Last Trading Date</i>	<i>0.0400</i>	<i>195.0</i>
<i>(b) VWAP of the Shares as transacted on SGX-ST for the one (1)-month period up to and including the Last Trading Date</i>	<i>0.0322</i>	<i>266.7</i>
<i>(c) VWAP of the Shares as transacted on SGX-ST for the three (3)-month period up to and including the Last Trading Date</i>	<i>0.0321</i>	<i>267.5</i>
<i>(d) VWAP of the Shares as transacted on SGX-ST for the six (6)-month period up to and including the Last Trading Date</i>	<i>0.0321</i>	<i>267.5</i>
<i>(e) VWAP of the Shares as transacted on SGX-ST for the twelve (12)-month period up to and including the Last Trading Date</i>	<i>0.0739</i>	<i>59.7</i>

Notes:

(1) *Based on data extracted from Bloomberg L.P. as at 19 August 2019.*

(2) *Share prices rounded to the nearest four (4) decimal places.*

(3) *Percentages computed based on the Share prices rounded to six (6) decimal places and rounded to the nearest one (1) decimal place.”*

LETTER TO SHAREHOLDERS

9. ADVICE AND RECOMMENDATION

9.1 Appointment of IFA

Hong Leong has been appointed as the independent financial adviser to advise the Recommending Directors in respect of the Offer. **Shareholders should read and consider carefully the advice of the IFA and the recommendation of the Recommending Directors in its entirety before deciding whether or not to accept the Offer.**

9.2 Advice of the IFA in relation to the Offer

The Recommending Directors have considered carefully the advice of the IFA on the Offer which is set out in the IFA Letter in **Appendix 2** of this Circular. The following is an extract from **Section 14** of the IFA Letter to the Recommending Directors and should be read by Shareholders in conjunction with, and in the full context of the IFA Letter. All terms and expressions used in the extract below shall have the same meanings as those defined in the IFA Letter, unless otherwise stated. **Shareholders are advised to read the extract below carefully:**

“14 RECOMMENDATION AND CONCLUSION

Having carefully considered the information available to us, and the analysis set out in this IFA Letter, and based upon the industry, market, economic and other relevant considerations as at the Latest Practicable Date, and subject to the qualifications and assumptions made herein, from a financial point of view, we are of the view that the financial terms of the Offer is FAIR AND REASONABLE.

*In determining that the Offer is **FAIR**, we have considered the following pertinent factors from the perspective of the value of the Shares:*

- (a) the Offer Price is at a premium of 195.0% over the last transacted Share price on the Last Trading Day;*
- (b) the Offer Price is at a premium of 266.7% over the 1-month VWAP prior to the Offer Announcement;*
- (c) the Offer Price is at a premium of 267.5% over the 3-month VWAP and 6-month VWAP prior to the Offer Announcement; and*
- (d) the Offer Price is at a premium of 59.7% over the 12-month VWAP prior to the Offer Announcement.*

Although we noted that the Offer Price is at a discount of 26.3% and 37.9% to the NAV and Revalued NAV per Share of the Group as at 30 June 2019 respectively, the discount was within the range of P/NAV ratios of the Comparable Companies and Selected Successful Delisting/Privatisation Transactions.

*In determining that the Offer is **REASONABLE**, we have considered the following pertinent factors other than from the perspective of the value of the Shares:*

- (a) the volatile financial performance of the Group for FY2017, FY2018 and 1H2019;*
- (b) the trading volume of the Shares for the 12-month period prior to the Offer Announcement had been significantly low and the Offer will provide an exit option for those Shareholders who wish to realise their investments in the Shares but find it difficult to do so as a result of the low trading liquidity;*
- (c) the Group's P/E and EV/EBITDA ratios are above the comparable range of the corresponding ratios of the Comparable Companies;*

LETTER TO SHAREHOLDERS

- (d) *the premium of the Offer Price over the last transacted price, 1-month VWAP, 3-month VWAP and 6-month VWAP is above the comparable range of the corresponding ratios of the Selected Successful Delisting/Privatisation Transactions and the premium of the Offer Price over the 12-month VWAP is within the comparable range and above the median and mean of the corresponding ratios of the Selected Successful Delisting/Privatisation Transactions;*
- (e) *there is no publicly available evidence of any alternative offer for the Shares from any third party and given that the Offeror and parties acting in concert with it own, control, have acquired or have agreed to acquire holdings of approximately 90.6% of the issued Shares of the Company as at the Latest Practicable Date, it may deter a takeover by a third party for the Company;*
- (f) *the Company did not pay any dividend since the financial year ended 31 December 2013 and the Directors have confirmed that the Company does not have a fixed dividend policy; and*
- (g) *the Offeror intends to exercise its right of compulsory acquisition and trading of the Shares will be suspended at the close of the Offer.*

Accordingly, on the balance of the above factors, we advise that the Independent Directors recommend Shareholders who:

- (a) *wish to realise their investment in the Company at this time but are unable to sell their Shares in the open market at a price (after deducting related expenses) higher than the Offer Price; and/or*
- (b) *believe that a higher offer may not be made,*

*to **ACCEPT** the Offer. The Independent Directors should note that transactions of the Shares are subject to possible market fluctuations and, accordingly, our opinion and advice on the Offer does not and cannot take into account the future transactions or price levels that may be established for the Shares since these are governed by factors beyond the ambit of our review."*

9.3 Exemption relating to Director's Recommendation

Teo Choon Hock and Kwek Keng Seng are directors and shareholders of the Offeror. Under the Code, Teo Choon Hock and Kwek Keng Seng will be parties presumed to be acting in concert with the Offeror.

The SIC has, in its letter dated 8 August 2019, ruled that Teo Choon Hock and Kwek Keng Seng are exempted from making and assuming responsibility for any recommendations on the Offer to Shareholders on the Offer as they face irreconcilable conflicts of interest being persons acting in concert with the Offeror.

However, Teo Choon Hock and Kwek Keng Seng must 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.

9.4 Independence

All Recommending Directors consider themselves to be independent for the purpose of making a recommendation to Shareholders in respect of the Offer.

9.5 Recommendation of the Recommending Directors

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

LETTER TO SHAREHOLDERS

Shareholders should read and consider this Circular carefully, including the recommendation of the Recommending Directors and the advice of the IFA to the Recommending Directors in respect of the Offer as set out in **Appendix 2** to this Circular in their entirety, before deciding whether to accept or reject the Offer. Shareholders are also urged to read the Offer Document carefully.

9.6 Limitations

In rendering the above opinion and advice and giving the above recommendation, the IFA and the Recommending Directors have not had regard to the general or specific investment objectives, tax position, financial situation, tax status, risk profiles or unique needs and constraints or particular circumstances of any individual Shareholder. **As each Shareholder would have different investment objectives and profiles, the Recommending Directors recommend that any Shareholder who may require specific advice in relation to his specific investment objective(s) or portfolio(s) should consult his stock broker, bank manager, solicitor, accountant, tax adviser or other professional advisers immediately. Accordingly, Shareholders should note that the opinion and advice of the IFA and the recommendation of the Recommending Directors should not be relied upon by any Shareholder as the sole basis for deciding whether or not to accept the Offer.**

10. OVERSEAS SHAREHOLDERS

- 10.1 Overseas Shareholders should refer to **Section 14** of the Offer Document, an extract of which is set out in italics below. All terms and expressions used in the extract below shall have the same meanings as those defined in the Offer Document, unless otherwise stated. **Shareholders are advised to read the extract below carefully:**

“14. OVERSEAS SHAREHOLDERS

- 14.1 *This Offer Document does not constitute an offer or a solicitation to any person in any jurisdiction in which such offer or solicitation is unlawful. The Offer is not being proposed in any jurisdiction in which the introduction or implementation of the Offer would not be in compliance with the laws of such jurisdiction. Where there are potential restrictions on sending this Offer Document (including the Relevant Acceptance Forms) to any overseas jurisdiction, the Offeror and SCCM reserve the right not to send this Offer Document (including the Relevant Acceptance Forms) to such overseas jurisdiction. The availability of the Offer to Shareholders whose addresses are outside Singapore, as shown on the Register or, as the case may be, in the records of CDP (each, an “Overseas Shareholder”) may be affected by the laws of the relevant overseas jurisdictions. Accordingly, all Overseas Shareholders should inform themselves about, and observe, any applicable legal requirements in their own jurisdictions. **For the avoidance of doubt, the Offer is made to all Shareholders including those to whom this Offer Document (including the Relevant Acceptance Forms) has not been, or will not be, sent.***

14.2 Copies of the Offer Document and Relevant Acceptance Forms

Shareholders (including Overseas Shareholders) may (subject to compliance with applicable laws) obtain copies of this Offer Document (including the Relevant Acceptance Forms) and any related documents, during normal business hours up to the Closing Date from Tricor Barbinder Share Registration Services (if he is a scrip holder) at 80 Robinson Road, #11-02, Singapore 068898 or The Central Depository (Pte) Limited (if he is a depositor) at 9 North Buona Vista Drive, #01-19/20, The Metropolis, Singapore 138588. Alternatively, Shareholders (including Overseas Shareholders) may (subject to compliance with applicable laws) write to the Offeror at PS Investment Pte Ltd c/o Tricor Barbinder Share Registration Services (if he is a scrip holder) at 80 Robinson Road, #11-02, Singapore 068898 or The Central Depository (Pte) Limited (if he is a depositor) at Robinson Road Post Office, P.O. Box 1984, Singapore 903934, to request for this Offer Document (including the Relevant Acceptance Forms) and any related documents to be sent to an address in Singapore by ordinary post at his own risk, up to five (5) Market Days prior to the Closing Date.

LETTER TO SHAREHOLDERS

14.3 Compliance with Applicable Laws

It is the responsibility of any Overseas Shareholder who wishes to (i) request for this Offer Document, (including the Relevant Acceptance Forms) and/or any related documents; or (ii) 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, or compliance with other necessary formalities or legal requirements or the payment of any taxes, imposts, duties or other requisite payments due in such jurisdiction. Such Overseas Shareholder shall also be liable for any taxes, imposts, duties or other requisite payments payable and the Offeror and any person acting on its behalf (including SCCM, CDP and the Registrar/Receiving Agent) shall be fully indemnified and held harmless by such Overseas Shareholder for any such taxes, imposts, duties or other requisite payments that may be required to be paid and the Offeror shall be entitled to set-off any such amounts against any sum payable to the Overseas Shareholder pursuant to the Offer and / or any acquisition of Shares pursuant to Section 215(1) or 215(3) of the Companies Act. In (i) requesting for this Offer Document (including the Relevant Acceptance Forms) and/or any related documents; and/or (ii) accepting the Offer, the Overseas Shareholder represents and warrants to the Offeror, SCCM, CDP and the Registrar/Receiving Agent that he is in (a) full observance of the laws of the relevant jurisdiction in that connection, and (b) full compliance with all necessary formalities or legal requirements. If any Shareholder is in doubt about his position, he should consult his professional adviser in the relevant jurisdiction. All Overseas Shareholders should inform themselves about, and observe, any applicable legal requirements in their own jurisdiction.

14.4 Notice

The Offeror and SCCM 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 on the SGXNET or 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."

11. ACTION TO BE TAKEN

Shareholders who wish to accept the Offer must do so not later than 5.30 p.m. (Singapore time) on 22 October 2019 and should follow the procedures set out in **Appendix 2** of the Offer Document.

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

12. DIRECTORS' RESPONSIBILITY STATEMENT

Save for (i) the IFA Letter set out in **Appendix 2** to this Circular, (ii) the recommendation of the Recommending Directors set out in **Section 9.5** of this Circular and (iii) the Valuation Report set out in **Appendix 3** to this Circular, the Directors (including those who may have delegated detailed supervision of the preparation of this Circular) collectively and individually accept full responsibility for the accuracy of the information given in this Circular and confirm after making all reasonable enquiries that, to the best of their knowledge and belief, this Circular constitutes full and true disclosure of all material facts about the Offer and the Company and its subsidiaries, and the Directors are not aware of any facts the omission of which would make any statement in this Circular misleading.

In respect of (i) the IFA Letter set out in **Appendix 2** to this Circular, (ii) the recommendation of the Recommending Directors set out in **Section 9.5** of this Circular and (iii) the Valuation Report set out in **Appendix 3** to this Circular, the sole responsibility of the Directors has been to ensure that the facts stated therein with respect to the Group are fair and accurate.

LETTER TO SHAREHOLDERS

The recommendation of the Recommending Directors set out in **Section 9.5** of this Circular is the responsibility of the Recommending Directors.

Where information in this Circular has been extracted from published or otherwise publicly available sources or obtained from a named source (including without limitation, information extracted from the Offer Document and/or the Offer Announcement), the sole responsibility of the Directors has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in this Circular in its proper form and context.

13. ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the Appendices which form part of this Circular.

Yours faithfully
For and on behalf of the Board of Directors of
PS GROUP HOLDINGS LTD.

Ang Miah Kiang
Lead Independent Director

APPENDIX 1 – ADDITIONAL GENERAL INFORMATION

1. DIRECTORS

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

Name	Address	Designation
Teo Choon Hock	8 Cactus Crescent Seletar Garden Singapore 809717	Non-Independent Executive Chairman
Kwek Keng Seng	519 Yio Chu Kang Road #02-76 The Calrose Singapore 787085	Non-Independent Managing Director
Ang Miah Khiang	17A Brighton Avenue Singapore 559252	Lead Independent Director
Tan Chin Keong	2 Jalan Senandong Singapore 288754	Independent Director
Tan Jee Ming	219 Seagull Walk Singapore 486649	Independent Director

2. HISTORY AND PRINCIPAL ACTIVITIES

History

The Company was incorporated on 30 April 2013 in Singapore under the Companies Act as an investment holding private limited company under the name of “PS Group Holdings Pte. Ltd.”. The Company was converted into a public company and renamed as “PS Group Holdings Ltd.” on 18 June 2013.

The Group is a “Mix-And-Match Expert” for the supply of quality fasteners such as screws, bolts, nuts, pins, anchors, rivets, washers and clips. The history of the Group dates back to 1982 when Teo Choon Hock and Kwek Keng Seng, together with two unrelated partners, established a partnership in Singapore under the name of “Pan Sun Hardware Company” as a wholesale distributor of general hardware including fasteners in Singapore. As Pan Sun Hardware Company’s business expanded, it ventured into the import/export market and started distributing fastener products for brands such as YFS, THE RECOIL and SFC. A decision was subsequently made by Teo Choon Hock, Kwek Keng Seng and their partners to incorporate PS Fasteners Pte. Ltd (“**PS Fasteners**”) in Singapore on 20 June 1991 with a view that PS Fasteners would as part of a rationalisation exercise, eventually assume Pan Sun Hardware Company’s import/export business while Pan Sun Hardware Company would continue to focus on the domestic market in Singapore.

In 1992, Pan Sun Hardware Company was converted into a private limited company named “Pan Sun Hardware Pte. Ltd.”.

Although PS Fasteners was incorporated in 1991, it remained dormant and it was only in 1994 that PS Fasteners assumed Pan Sun Hardware Pte. Ltd.’s import/export business thereby taking over Pan Sun Hardware Pte. Ltd.’s distributorship of fastener products with a focus on the Southeast Asia markets. In the same year, the Company relocated from its premises at King George’s Avenue that it shared with Pan Sun Hardware Pte. Ltd., to a larger premise at 209 Ubi Avenue 4, Intrepid Warehouse Complex which had an area of 800 sq. m. In 1997, as its business expanded, the Company relocated to 3 Kaki Bukit Road 2, #01-06 Eunos Warehouse Complex which had an area of 1,344 sq. m for use as an office and warehouse.

APPENDIX 1 – ADDITIONAL GENERAL INFORMATION

In the late 1990s, the Group launched an internet website with information of its range of products that allowed customers to place their orders with it online. This enabled it to have a more extensive reach and to expand its export operations beyond Southeast Asia.

In 1998, as part of the Group's endeavour to improve its quality management processes, it obtained certification from Quality Certification Limited for ISO 9002:94. In 2001, its ISO certification for its quality management system was updated to ISO 9002 by Moody International Certification Limited, to ISO 9001 (2000 Revision) in 2003, ISO 9001:2008 in 2011, and was subsequently to ISO9001:2015 in 2018.

In 2001, PS Fasteners acquired 3 Kaki Bukit Road 2, #01-06 Eunos Warehouse Complex from Pan Sun Hardware Pte. Ltd. In 2002, a share swap was carried out amongst the four partners resulting in PS Fasteners becoming wholly-owned by Teo Choon Hock and Kwek Keng Seng, and Pan Sun Hardware Pte. Ltd. being wholly-owned by the other two partners. In the same year, PS Fasteners also acquired a neighbouring unit at 3 Kaki Bukit Road 2, #01-07 Eunos Warehouse Complex, thereby adding an additional 672 sq m of warehouse space.

In 2007, in recognition of Fang Sheng Screw Co. Ltd.'s long-standing relationship with PS Fasteners Fang Sheng presented an award to PS Fasteners as Fang Sheng Screw Co. Ltd.'s first export customer for its YFS range of products.

In 2009, as part of its marketing efforts, PS Fasteners branded itself as "The Mix-and-Match Expert". This brand position was adopted to highlight PS Fasteners' ability to offer customers any mix of products for any quantity so as to allow customers to enjoy competitive pricing.

In 2011, the Group put in place an online IT infrastructure which enabled it to have a faster turnaround time in processing its customer's orders. In 2012, the Group was awarded the Top 100 Singapore Excellence Award 2011/2012 and the Singapore Brands Award 2012/2013 in recognition of its excellence in business. The Company was subsequently successfully listed on the Catalist Board of the Singapore Exchange Securities Trading Limited on 11 July 2013.

On 26 February 2015, the Company incorporated a 90% wholly-owned subsidiary, PS Components Pte. Ltd., which was principally engaged and focused on the supply of high-end specialised industrial fasteners to the end-user market.

In 2017, the Group completed the relocation and consolidation of its warehouse operations to a new premise located at 9 Tampines Industrial Drive.

Around February 2019, the Group undertook a strategic review of its operations, business and strategy which resulted in the divestment of PS Components Pte. Ltd. in order to streamline the business.

Principal Activities

The core business of the Group is in the import and export of bolts, nuts, rivets, fasteners and screw machine products in a variety of materials such as stainless steel, alloy steel, carbon steel, mild steel, brass, nylon and aluminium as well as a variety of platings.

3. SHARE CAPITAL

3.1 Issued Share Capital

The Company has one class of shares, being ordinary shares. As at the Latest Practicable Date, the issued and paid-up share capital of the Company is S\$11,397,030, comprising 68,000,000 Shares in issue, with no treasury shares. The issued Shares are listed and quoted on the Catalist Board of the SGX-ST.

APPENDIX 1 – ADDITIONAL GENERAL INFORMATION

3.2 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, which is available for inspection at the Company's registered office at 9 Tampines Industrial Drive #01-03 Singapore 528543. The relevant regulations in the Constitution relating to the rights of Shareholders in respect of capital, dividends and voting have been extracted from the Constitution and are set out in **Appendix 4** to this Circular. Capitalised terms and expressions not defined in the extracts have the meanings ascribed to them in the Constitution.

3.3 Shares Issued since End of Last Financial Year

No Shares have been issued by the Company since the end of the last financial year up to the Latest Practicable Date.

3.4 Outstanding Convertible Securities

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

4. DISCLOSURE OF INTERESTS

4.1 Interests of the Company in the shares of the Offeror

Neither the Company nor its subsidiaries has any direct or indirect interest in the shares or convertible securities of the Offeror as at the Latest Practicable Date.

4.2 Dealings in shares of the Offeror by the Company

Neither the Company nor its subsidiaries has dealt for value in the shares or convertible securities of the Offeror during the period commencing three (3) months prior to Offer Announcement Date, and ending on the Latest Practicable Date.

4.3 Interests of Directors in the Shares

Save as disclosed below, none of the Directors has any direct or deemed interests in the Shares as at the Latest Practicable Date:

Name of Director	Direct Interest		Deemed Interest	
	No. of Shares	Percentage of Total no. of Shares (%) ⁽¹⁾	No. of Shares	Percentage of Total no. of Shares (%) ⁽¹⁾
Teo Choon Hock	26,179,904	38.5	–	–
Kwek Keng Seng	21,420,096	31.5	–	–
Tan Jee Ming	20,000	0.0003	–	–

Note:

(1) Based on the Company's issued and paid up capital of 68,000,000 Shares as at the Latest Practicable Date.

4.4 Dealings in Shares by Directors

None of the Directors has dealt for value in the Shares during the period commencing three (3) months prior to Offer Announcement Date, and ending on the Latest Practicable Date.

4.5 Interests of Directors in shares of the Offeror

Save for the arrangements between, *inter alia*, the Offeror, Teo Choon Hock and Kwek Keng Seng described in **Section 3** of this Circular and as disclosed below, none of the Directors has any direct or deemed interest in the shares or convertible securities of the Offeror as at the Latest Practicable Date.

APPENDIX 1 – ADDITIONAL GENERAL INFORMATION

Name of Director	Direct Interest		Deemed Interest	
	No. of shares in the Offeror	Percentage of Total no. of issued shares in the Offeror (%) ⁽¹⁾	No. of shares in the Offeror	Percentage of Total no. of issued shares in the Offeror (%) ⁽¹⁾
Teo Choon Hock	685	68.5	–	–
Kwek Keng Seng	315	31.5	–	–

Note:

(1) Based on the Offeror's issued and paid up capital of 1000 Shares as at the Latest Practicable Date.

4.6 Dealings in shares of the Offeror by Directors

Save for:

- (i) the subscription of 685 shares in the capital of the Offeror on 8 August 2019 by Teo Choon Hock; and
- (ii) the subscription of 315 shares of in the capital of the Offeror on 8 August 2019 by Kwek Keng Seng,

none of the Directors has dealt for value in the shares or convertible securities of the Offeror during the period commencing three (3) months prior to Offer Announcement Date, and ending on the Latest Practicable Date.

4.7 Interests of the IFA in the Shares

The IFA does not own or control any Shares as at the Latest Practicable Date. The IFA does not manage the investment of any funds which own or control any Shares.

4.8 Dealings in the Shares by the IFA

During the period commencing three (3) months prior to the Offer Announcement Date and ending on the Latest Practicable Date, none of the IFA or any funds whose investments are managed by the IFA on a discretionary basis has dealt for value in the Shares.

4.9 Directors' Intentions

As at the Latest Practicable Date, Teo Choon Hock and Kwek Keng Seng have accepted and/or procured the acceptance of the Offer in respect of all their interest (whether direct or deemed) in the Shares, being an aggregate of 47,600,000 Shares representing 70.00% of the total number of issued Shares as at the Latest Practicable Date, pursuant to the irrevocable undertakings referred to in **Section 5** of this Circular.

Tan Jee Ming has informed the Company that he intends to accept the Offer in respect of all the Shares held by him.

Each of Ang Miah Kiang and Tan Chin Keong does not have any interest in any Shares (direct and/or deemed).

5. OTHER DISCLOSURES

5.1 Directors' Service Contracts

There are no service contracts between any director or proposed director of the Company or its subsidiaries with more than 12 months to run, and which the employing company cannot, within the next 12 months, terminate without paying any compensation, other than payments in lieu of 6 months' notice under the service contracts, if applicable.

APPENDIX 1 – ADDITIONAL GENERAL INFORMATION

5.2 Arrangements Affecting Directors

As at the Latest Practicable Date, save for the Consortium Agreement, the Loan Agreement, the Irrevocable Undertakings and as disclosed in the Offer Document, *inter alia*, the Offeror, Teo Choon Hock and Kwek Keng Seng, respectively:

- (i) there is no agreement, arrangement or understanding between (i) the Offeror or any parties acting in concert with the Offeror and (ii) any of the current or recent directors of the Company or any of the current or recent shareholders of the Company having any connection with or dependence upon the Offer;
- (ii) there is no agreement, arrangement or understanding whereby any Offer Shares acquired pursuant to the Offer will be transferred to any other person. The Offeror, however, reserves the right to transfer any of the Offer Shares to its shareholders, any of its related corporations or for the purpose of granting security in favour of financial institutions which have extended or shall extend credit facilities to it;
- (iii) there is no agreement, arrangement or understanding for any payment or other benefit to be made or given to any director of the Company or any of its related corporations as compensation for loss of office or otherwise in connection with the Offer; and
- (iv) there is no agreement, arrangement or understanding between: (a) the Offeror; and (b) any of the directors of the Company or any other person in connection with or conditional upon the outcome of the Offer or is otherwise connected with the Offer.

6. MATERIAL CONTRACTS WITH INTERESTED PERSONS

Neither the Company nor any of its subsidiaries has entered into any material contract (other than those entered into in the ordinary course of business) with interested persons during the period commencing three (3) years prior to the Offer Announcement Date, and ending on the Latest Practicable Date.

Notes:

An “interested person”, as defined in Note on Rule 23.12 of the Code, 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.

APPENDIX 1 – ADDITIONAL GENERAL INFORMATION

7. MATERIAL LITIGATION

As at the Latest Practicable 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.

The Directors are not aware of any proceedings pending or threatened against the Company or any of its subsidiaries or of any facts likely to give rise to any proceedings which might materially and adversely affect the financial position of the Company.

8. FINANCIAL INFORMATION

8.1 Consolidated Statement of Comprehensive Income

A summary of the audited consolidated statements of comprehensive income of the Group for FY16, FY17 and FY18, and the unaudited consolidated statement of comprehensive income of the Group for HY19 are set out below:

	Group			
	HY19	FY18	FY17	FY16
CONTINUING OPERATIONS				
Revenue	5,535,499	11,080,858	9,820,329	11,272,677
Cost of sales	(4,144,709)	(8,075,848)	(7,094,990)	(8,037,199)
Gross profit	1,390,790	3,005,010	2,725,339	3,235,478
Other income	201,481	436,778	225,553	110,047
Expenses				
Selling and distribution expenses	(390,569)	(748,716)	(767,430)	(1,152,331)
Administrative expenses	(1,313,399)	(2,519,018)	(2,591,986)	(2,370,437)
Finance expenses	(42,221)	(72,436)	(47,073)	(53,993)
(Loss)/profit before tax from continuing operations	(153,918)	101,618	(455,597)	(231,236)
Income tax (expense)/credit	–	(39,206)	4,798	(5,493)
(Loss)/profit from continuing operations, net of tax	(153,918)	62,412	(450,799)	(236,729)
DISCONTINUED OPERATIONS				
Profit/(loss) from discontinued operations, net of tax	15,345	2,017	(57,916)	–
(Loss)/profit net of tax, representing total comprehensive income for the year	(138,573)	64,429	(508,715)	–
Attributable to:				
Owners of the Company				
(Loss)/profit from continuing operations, net of tax	(153,918)	62,412	(450,799)	(228,323)
Profit/(loss) from discontinued operations, net of tax	13,810	1,816	(52,124)	–
(Loss)/profit for the year attributable to owners of the company	(140,108)	64,228	(502,923)	(228,323)

APPENDIX 1 – ADDITIONAL GENERAL INFORMATION

	Group			
	HY19	FY18	FY17	FY16
Non-controlling interests				
Loss from continuing operations, net of tax	–	–	–	(8,406)
Profit/(loss) from discontinued operations, net of tax	1,535	201	(5,792)	–
Profit/(loss) for the year attributable to non-controlling interests	1,535	201	(5,972)	(8,406)
(Loss)/earnings per share from continuing operations attributable to owners of the Company				
- Basic and diluted	(0.23)	0.09	(0.74)	(0.34)
(Loss)/earnings per share attributable to owners of the Company				
- Basic and diluted	(0.21)	0.09	(0.75)	(0.34)

8.2 Consolidated Balance Sheets

A summary of the audited consolidated balance sheet of the Group as at 31 December 2016, 31 December 2017 and 31 December 2018, and the unaudited consolidated balance sheet of the Group as at 30 June 2019 are set out below:

	Group			
	30 June 2019	31 December 2018	31 December 2017	31 December 2016
ASSETS				
Non-current assets				
Property, plant and equipment	210,594	260,751	335,257	2,940,922
Investment properties	2,316,214	2,367,709	2,470,699	–
Right-of-use asset	1,426,053	–	–	–
	3,952,861	2,628,460	2,805,956	2,940,922
Current assets				
Inventories	7,903,786	8,207,382	7,515,938	7,371,712
Trade and other receivables	2,602,100	2,271,477	2,898,817	2,513,169
Prepaid operating expenses	21,295	19,319	77,118	102,296
Cash and cash equivalents	636,661	1,107,484	931,581	1,729,372
	11,163,842	11,605,662	11,423,454	11,716,549
Assets of disposal group classified as held for sale	–	979,142	–	–
	11,163,842	12,584,804	11,423,454	11,716,549
Total Assets	15,116,703	15,213,264	14,229,410	14,657,471

APPENDIX 1 – ADDITIONAL GENERAL INFORMATION

	Group			
	30 June 2019	31 December 2018	31 December 2017	31 December 2016
EQUITY AND LIABILITIES				
Current liabilities				
Trade and other payables	2,472,910	3,519,376	2,710,061	2,609,233
Lease liability	405,968	–	–	–
Loans and borrowings	300,000	309,217	460,624	309,963
Income tax payable	20,440	40,948	4,566	5,413
	3,199,318	3,869,541	3,175,251	2,924,609
Liabilities directly associated with disposal group classified as held for sale	–	237,037	–	–
	3,199,318	4,106,578	3,175,251	2,924,609
Net current assets/(liabilities)	7,964,524	8,478,226	8,248,203	8,791,940
Non-current liabilities				
Loans and borrowings	–	34,996	46,823	207,447
Lease liability	1,012,105	–	–	–
Deferred tax liabilities	12,275	12,275	12,350	21,714
	1,024,380	47,271	59,173	229,161
Total liabilities	4,223,698	4,153,849	3,234,424	3,153,770
NET ASSETS	10,893,005	11,059,415	10,994,986	11,503,701
Equity attributable to owners of the Company				
Share capital	11,397,030	11,397,030	11,397,030	11,397,030
Retained earnings	5,899,481	6,039,589	5,975,361	6,478,284
Merger reserves	(6,403,506)	(6,403,506)	(6,403,506)	(6,403,506)
	10,893,005	11,033,113	10,968,885	11,471,808
Non-controlling interests	–	26,302	26,101	31,893
Total equity	10,893,005	11,059,415	10,994,986	11,503,701
Total equity and liabilities	15,116,703	15,213,264	14,229,410	14,657,471

8.3 Material Changes in Financial Position

As at the Latest Practicable Date, the Group's investment properties (i.e. two units of warehouse facilities located at 3 Kaki Bukit Road 2, Singapore 417837), are being leased to Libra Engineering Pte Ltd ("**Libra Engineering**") which is a subsidiary of Libra Group Limited ("**Libra**").

In the interests of full disclosure, on 27 August 2019, Libra announced, amongst others, that a Writ of Summons had been filed against some of its subsidiaries, and since Libra was not able to demonstrate that it was able to continue as a going concern, trading in Libra's shares was suspended. As at the Latest Practicable Date, trading in Libra's shares remained suspended.

APPENDIX 1 – ADDITIONAL GENERAL INFORMATION

The Directors have assessed the circumstances and determined that as at the Latest Practicable Date there is no immediate material financial impact to the Group. Libra Engineering has indicated to the Group that it would continue leasing the said properties.

Save as disclosed above and in this Circular, the audited consolidated financial statements of the Group for FY18, the unaudited consolidated financial statements of the Group for HY19, and any other financial information on the Group which is publicly available (including without limitation, the announcements released by the Group on the SGX-ST), there has not been, within the knowledge of the Directors, any material changes in financial position since the last financial year ended 31 December 2018, being the date of the last published audited financial statements of the Company.

8.4 Significant Accounting Policies

The significant accounting policies of the Group are disclosed in **Paragraph 8.5** below, and in the notes to the audited financial statements of the Group for FY18, which are reproduced in **Appendix 5** to this Circular. Save as disclosed in this Circular, there was no significant change in accounting policies of the Group, which would be of any major relevance for the interpretation of the accounts of the Group referred to in this Circular.

8.5 Changes in Accounting Policies

The Group adopted the new/revised Singapore Financial Reporting Standards (International) (“**SFRS(I)**”) which are effective for annual periods beginning on or after 1 January 2018. Changes to the Group’s accounting policies have been made as required, in accordance with the SFRS(I). The adoption of the new/amended SFRS(I) did not have a material effect on the financial performance or position of the Group and the Company.

Save as disclosed in this Circular and in **Paragraph 5** of the Company’s announcement in relation to its unaudited consolidated financial statements for HY19 dated 7 August 2019, there was no significant change in accounting policies of the Group which will cause the figures disclosed in this Circular not to be comparable to a material extent.

9. GENERAL

- (a) All expenses and costs incurred by the Company in relation to the Offer will be borne by the Company.
- (b) The IFA has given and has not withdrawn its written consent to the issue of this Circular with the inclusion of the IFA Letter setting out, *inter alia*, its advice to the Recommending Directors in respect of the Offer which is annexed hereto as **Appendix 2**, and references to its name, in the form and context in which they appear in this Circular.
- (c) The Auditors have given and have not withdrawn its written consent to the issue of this Circular with the inclusion of the Independent Auditor’s report relating to the financial statements for FY18, and references to its name, in the form and context in which it appears in this Circular.
- (d) Knight Frank has given and has not withdrawn its written consent to the issue of this Circular with the inclusion of its Valuation Report, and references to its names, in the form and context in which they appear in this Circular.

APPENDIX 1 – ADDITIONAL GENERAL INFORMATION

10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the registered office of the Company at 9 Tampines Industrial Drive #01-03 Singapore 528543, during business hours for the period during which the Offer remains open for acceptances:

- (a) the Constitution of the Company;
- (b) the annual reports of the Company for FY16, FY17 and FY18;
- (c) the unaudited consolidated financial statements of the Group for HY19 as announced by the Company on SGXNet on 7 August 2019;
- (d) the IFA Letter, as reproduced in **Appendix 2** to this Circular;
- (e) the Valuation Report, as reproduced in **Appendix 3** to this Circular; and
- (f) the letters of consent referred to in **Paragraph 9** above.

APPENDIX 2 – LETTER FROM THE IFA TO THE RECOMMENDING DIRECTORS

LETTER FROM HONG LEONG FINANCE LIMITED TO THE INDEPENDENT DIRECTORS OF PS GROUP HOLDINGS LTD.

24 September 2019

The Independent Directors
PS Group Holdings Ltd.
9 Tampines Industrial Drive #01-03
Singapore 528543

Dear Sirs / Madam

VOLUNTARY CONDITIONAL CASH OFFER BY SOOHOW CSSD CAPITAL MARKETS (ASIA) PTE. LTD., FOR AND ON BEHALF OF PS INVESTMENT PTE. LTD., FOR ALL THE ISSUED ORDINARY SHARES IN THE CAPITAL OF PS GROUP HOLDINGS LTD.

1. INTRODUCTION

On 20 August 2019 (the “**Offer Announcement Date**”), SooChow CSSD Capital Markets (Asia) Pte. Ltd. (“**SCCM**”) announced, for and on behalf of PS Investment Pte. Ltd (the “**Offeror**”), that the Offeror intends to make a voluntary conditional cash offer for all of the issued and paid-up ordinary shares (the “**Shares**”) in the capital of PS Group Holdings Ltd. (the “**Company**”), other than those already owned, controlled or agreed to be acquired by the Offeror, its related corporations or their respective nominees (the “**Offer Shares**”), in accordance with Section 139 of the Securities and Futures Act, Chapter 289 of Singapore and the Singapore Code on Takeovers and Mergers (the “**Code**”).

The Offeror is the bid vehicle for the Consortium Members (as defined below) who have agreed, pursuant to a consortium agreement among the Consortium Members (the “**Consortium Agreement**”), to undertake the Offer through the Offeror. The Consortium Members are:

- (i) Mr Teo Choon Hock (“**TCH**”), who is the Executive Chairman of the Company. TCH is also a substantial shareholder of the Company. TCH has a direct interest in 26,179,904 Shares, representing 38.5% of the Company;
- (ii) Mr Kwek Keng Seng (“**KKS**”), who is the Managing Director of the Company. KKS is also a substantial shareholder of the Company. KKS has a direct interest in 21,420,096 Shares, representing 31.5% of the Company.

(collectively, the “**Consortium Members**”).

The Offer is conditional on the Offeror having received, by the close of the Offer, valid acceptances (which have not been withdrawn) in respect of not less than 90% of the total number of Shares (other than those already held by the Offeror, its related corporations or their respective nominees as at the Commencement Date) (the “**Minimum Acceptance Condition**”). The Offer is made at the offer price of S\$0.118 in cash for each Offer Share (the “**Offer Price**”).

In connection with the Offer, the Company has appointed Hong Leong Finance Limited (“**HLF**”) as the Independent Financial Adviser (“**IFA**”) to the directors of the Company who are considered independent (“**Independent Directors**”) for the purpose of making recommendation to the Shareholders in relation to the Offer.

APPENDIX 2 – LETTER FROM THE IFA TO THE RECOMMENDING DIRECTORS

This letter (“**IFA Letter**”) is addressed to the Independent Directors and sets out, *inter alia*, our evaluation and advice on the financial terms of the Offer. This IFA Letter forms part of the Circular to Shareholders dated 24 September 2019 (the “**Circular**”) which provides, *inter alia*, the details of the Offer and the recommendations of the Independent Directors thereon.

2. TERMS OF REFERENCE

We have confined our evaluation of the Offer solely from a financial point of view on the bases set out herein.

We have relied upon and assumed, *inter alia*, the accuracy, adequacy and completeness of all publicly available information or information provided to or discussed with us by the Company or otherwise reviewed by or for us. We have not independently verified such information or its accuracy, adequacy or completeness. We do not represent or warrant, expressly or impliedly, and do not accept any responsibility for the accuracy, completeness or adequacy of such information. We have not conducted any valuation or appraisal of any assets or liabilities, (including without limitation, real properties) nor have we evaluated the solvency of the Company, the Company and its subsidiaries (the “**Group**”) the Offeror (and parties acting in concert with them) or any other relevant party to the Offer under any applicable laws relating to bankruptcy, insolvency or similar matters. We are not legal, regulatory or tax experts. We are the financial advisers only and have relied on, without independent verification, the assessments made by advisers to the Company with respect to such issues. We have nevertheless made reasonable enquiries and exercised reasonable judgement as we deemed necessary or appropriate in assessing such information and we are not aware of any reason to doubt the reliability of the information.

In addition, we have assumed that the Offer will be consummated in accordance with the terms set forth in the Offer Document without any waiver, amendment or delay of any terms or conditions and that no conditions or restrictions will be imposed that would have a material adverse effect on the contemplated benefits expected to be derived from the Offer. We have further assumed, *inter alia*, that all material governmental, regulatory or other consents and approvals necessary for the consummation of the Offer will be obtained and that no delays, limitations, conditions or restrictions will be imposed that would have any material adverse effect on the Company or on the contemplated benefits of the Offer.

Our opinion as set out in this IFA Letter is based upon prevailing market, economic, industry, monetary and other conditions (if applicable) and the information made available to us as of 17 September 2019 (the “**Latest Practicable Date**”). Developments after the Latest Practicable Date may affect the contents of this IFA Letter and we assume no responsibility to update, revise or reaffirm our opinion in light of any subsequent development after the Latest Practicable Date that may affect the contents of this IFA Letter. Our opinion is limited to the fairness and reasonableness, from a financial point of view, of the Offer. We express no opinion as to the fairness and reasonableness of the Offer to, or any consideration received in connection therewith by, the holders of any class of securities, creditors or other constituencies of the Company or as to the underlying decision by the Company to engage in the Offer.

We have not been requested to, and we do not, express any opinion on the structure of the Offer, the specific amount of the Offer Price, or any other aspects of the Offer, or to provide services other than the delivery of this IFA Letter. We were not involved in negotiations pertaining to the Offer nor were we involved in the deliberation leading up to the decision to put forth the Offer to the Shareholders. We have not been requested or authorised to solicit, and we have not solicited, any indication of interest from any third party with respect to the Shares and/or any other alternative transaction.

APPENDIX 2 – LETTER FROM THE IFA TO THE RECOMMENDING DIRECTORS

Our terms of reference also do not require us to evaluate or comment on the strategic merits, long term or otherwise, and/or on the commercial merits and risks (if any) of the Offer or the future prospects and earnings potential of the Company or the Group, nor do our terms of reference require us to evaluate or comment on the merits of the statements or opinions stated in any research reports on the Company, including any other reports issued by any other party. We have accordingly not made such evaluation or comments. Such evaluation or comments, if any, remains the sole responsibility of the Directors, although we may draw upon their views to the extent deemed necessary or appropriate by us in arriving at our opinion as set out in this IFA Letter. In addition, our terms of reference do not require us to express, and we do not express, an opinion on the future growth prospects and earnings potential of the Company and/or the Group. The Independent Directors may wish to advise Shareholders to take note of any announcement relevant to their consideration of the Offer, which may be released by the Company after the Offer Document Latest Practicable Date.

The Directors have confirmed to us, after making all reasonable enquiries that, to the best of their knowledge and belief, all material information in connection with the Company, the Group, the Offer and the Circular has been disclosed to us, that such information constitutes a full and true disclosure in all material respects and that there is no other information or fact, the omission of which would cause any information disclosed to us or the facts of or in relation to the Company and/or the Group as stated in the Circular to be incomplete, inaccurate or misleading in any material respect. The Directors have jointly and severally accepted the responsibility for the accuracy and completeness of such information. We have relied upon such confirmation by the Directors and the accuracy and completeness of all information given to us by the Directors and/or management of the Company (“**Management**”) and have not independently verified such information, whether written or verbal, and accordingly cannot and do not represent and warrant, expressly or impliedly, and do not accept any responsibility for, the accuracy, completeness or adequacy of such information. For the purposes of providing this IFA Letter and our evaluation of the Offer from a financial point of view, we have not received or relied on any financial projections or forecasts in respect of the Company, the Group, or any part or division of any of the foregoing.

In rendering our opinion, we have not had regard to any general or specific investment objectives, financial situation, tax position, risk profile, tax status or positions or particular needs and constraints or other particular circumstances of any Shareholder and do not assume any responsibility for, nor hold ourselves out as advisers to, any person other than the Independent Directors. As each Shareholder would have different investment objectives and profiles, the Independent Directors may wish to advise any Shareholder who may require specific advice in relation to his specific investment portfolio to consult his stockbroker, bank manager, solicitor, accountant, tax adviser or other appropriate professional adviser immediately.

This IFA Letter is addressed to the Independent Directors and is for their benefit in connection with and for the purpose of their consideration of the Offer. However, the recommendations made by them shall remain the responsibility of the Independent Directors. This IFA Letter is not addressed to and may not be relied upon by any third party including, without limitation, Shareholders of the Company, employees or creditors of the Company. This IFA Letter does not constitute, and should not be relied on, as advice or a recommendation to, or confer any rights or remedies upon, any Shareholders as to how such person should deal with their Shares in relation to the Offer or any matter related thereto.

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

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

APPENDIX 2 – LETTER FROM THE IFA TO THE RECOMMENDING DIRECTORS

3. THE OFFER

The following paragraphs have been extracted from Section 2 and 3 of the Offer Document and are set out in italics. All terms and expressions used in the extract below shall have the same meanings as those defined in the Offer Document, unless otherwise stated. **Shareholders are advised to read the entire Offer Document including relevant sections, as extracted below, carefully.**

“2. TERMS OF THE OFFER

2.1 Offer. *The Offeror hereby makes the Offer to acquire all the Offer Shares, in accordance with Section 139 of the SFA and the Code.*

2.2 Offer Shares. *The Offer is extended to all Shares, including those Shares owned, controlled, or agreed to be acquired by parties acting or deemed to be acting in concert with the Offeror (“Offer Shares”).*

2.3 Offer Consideration. *The consideration for each Offer Share will be as follows:*

For each Offer Share: S\$0.118 in cash (the “Offer Price”).

2.4 No Encumbrances. *The Offer Shares are to be acquired (i) fully paid, (ii) free from any claim, charge, pledge, mortgage, encumbrance, lien, option, equity, power of sale, declaration of trust, hypothecation, retention of title, right of pre-emption, right of first refusal, moratorium or other third party right or security interest of any kind or an agreement, arrangement or obligation to create any of the foregoing (“Encumbrances”), and (iii) together with all rights, benefits and entitlements attached thereto as at the Announcement Date and thereafter attaching thereto, including but not limited to, the right to receive and retain all dividends, rights, other distributions and/or return of capital (if any) declared, paid or made by the Company in respect of the Offer Shares (collectively, the “Distributions” and each, a “Distribution”) on or after the Announcement Date.*

2.5 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 Announcement Date.*

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

2.5.1 *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; and*

2.5.2 *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 (the Offer Price after such reduction, the “Adjusted Offer Price”) and the Offeror shall pay the Accepting Shareholder the Adjusted Offer Price for each Share, as the Offeror will not receive the Distribution in respect of such Offer Share from the Company.*

APPENDIX 2 – LETTER FROM THE IFA TO THE RECOMMENDING DIRECTORS

2.6 Minimum Acceptance Condition. *The Offer will be conditional on the Offeror having received, by the close of the Offer, valid acceptances pursuant to the Offer and/or otherwise acquiring or agreeing to acquire Shares from the Commencement Date other than through valid acceptances of the Offer in respect of not less than 90 per cent. of the total number of Shares (other than those already held by the Offeror, its related corporations or their respective nominees as at the Commencement Date). Accordingly, the Offer will not become or be capable of being declared unconditional as to acceptances until the close of the Offer, unless at any time prior to the close of the Offer, the Offeror has received valid acceptances in respect of such number of Shares which, when taken together with the Shares acquired or agreed to be acquired from the Commencement Date, will result in the Offeror holding such number of Shares carrying not less than 90 per cent. of the total number of Shares (other than those already held by the Offeror, its related corporations or their respective nominees as at the Commencement Date).*

Save as provided in this Section 2.6, the Offer is unconditional in all other respects.

3. 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 Announcement Date and thereafter attaching thereto, including but not limited to, the right to receive and retain all Distributions declared, paid or made by the Company in respect of the Offer Shares on or after the Announcement Date.”

Shareholders should note that as at the Latest Practicable Date, the Offer has become unconditional as to acceptances.

Shareholders should also note that in accordance with Rule 22.6 of the Code, as the Offer has become unconditional as to acceptances, the Offer will remain open for acceptances for not less than 14 days after the date on which the Offer would otherwise have closed. Accordingly, the Offer will remain open for acceptance until 5.30 p.m. (Singapore time) on 22 October 2019 (the “Final Closing Date”). In addition, the Offeror has given notice (the “Shut-off Notice”) that the Offer will not be open for acceptance beyond the Final Closing Date and acceptances received after 5.30 p.m. (Singapore time) on the Final Closing Date will be rejected.

4. FURTHER DETAILS OF THE OFFER

Please refer to Appendix 1 to the Offer Document for details of the Offer on (i) the duration of the Offer; (ii) the settlement of the consideration for the Offer; (iii) the requirements relating to the announcement of the level of acceptances of the Offer, and (iv) the right of withdrawal of acceptances of the Offer.

Please refer to Appendix 2 to the Offer Document for the procedures for acceptance of the Offer.

5. INFORMATION ON THE OFFEROR

Please refer to Section 6 of the Offer Document for information and further disclosures on the Offeror.

6. INFORMATION ON THE COMPANY

Please refer to Section 7 of the Offer Document for information and further disclosures on the Company.

APPENDIX 2 – LETTER FROM THE IFA TO THE RECOMMENDING DIRECTORS

7. IRREVOCABLE UNDERTAKINGS

The following paragraphs have been extracted from Section 8 of the Offer Document and are set out in italics below. All terms and expressions used in the extract below shall have the same meanings as those defined in the Offer Document, unless otherwise stated. **Shareholders are advised to read the entire Offer Document including the relevant sections, as extracted below, carefully.**

“8. IRREVOCABLE UNDERTAKINGS

8.1 TCH Irrevocable Undertaking. *As at the Latest Practicable Date, the Offeror has received an undertaking from TCH (the “TCH Irrevocable Undertaking”) pursuant to which TCH has, amongst other things, unconditionally and irrevocably undertaken, represented and warranted to the Offeror (i) to tender all of his Shares (representing approximately 38.5 per cent. of the Shares) in acceptance of the Offer, and (ii) not to accept (or permit the acceptance of) any competing offer.*

8.2 KKS Irrevocable Undertaking. *As at the Latest Practicable Date, the Offeror has received an undertaking from KKS (the “KKS Irrevocable Undertaking”) pursuant to which KKS has, amongst other things, unconditionally and irrevocably undertaken, represented and warranted to the Offeror (i) to tender all of his Shares (representing approximately 31.5 per cent. of the Shares) in acceptance of the Offer, and (ii) not to accept (or permit the acceptance of) any competing offer.*

8.3 Waiver of Consideration. *Both TCH and KKS have each agreed, pursuant to the terms of the TCH Irrevocable Undertaking and the KKS Irrevocable Undertaking respectively, to waive his rights under Rule 30 of the Code to receive the cash consideration payable to him by the Offeror under the terms of the Offer in return for the issuance of new Offeror Shares following the valid tender of all of his Shares in acceptance of the Offer.*

8.4 Cessation of TCH Irrevocable Undertaking. *The TCH Irrevocable Undertaking shall lapse and be of no further force and effect on the date on which the Offer (including any revised or improved Offer by or on behalf of the Offeror) closes, lapses, fails to become or be declared unconditional or is withdrawn other than as a result of TCH breaching his obligations under the TCH Irrevocable Undertaking.*

8.5 Cessation of KKS Irrevocable Undertaking. *The KKS Irrevocable Undertaking shall lapse and be of no further force and effect on the date on which the Offer (including any revised or improved Offer by or on behalf of the Offeror) closes, lapses, fails to become or be declared unconditional or is withdrawn other than as a result of KKS breaching his obligations under the KKS Irrevocable Undertaking.*

8.6 No Other Undertakings. *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 undertakings from any other party to accept or reject the Offer.”*

8. RATIONALE FOR THE OFFER

The following paragraphs have been extracted from Section 9 of the Offer Document and are set out in italics below. All terms and expressions used in the extract below shall have the same meanings as those defined in the Offer Document, unless otherwise stated. **Shareholders are advised to read the entire Offer Document including the relevant sections, as extracted below, carefully.**

APPENDIX 2 – LETTER FROM THE IFA TO THE RECOMMENDING DIRECTORS

“9. RATIONALE FOR THE OFFER

9.1 Low Trading Liquidity of Shares. *The trading volume of the Shares has been extremely low, with an average daily trading volume of approximately 3,777 Shares, 2,203 Shares, 1,146 Shares and 1,004 Shares during the respective one (1)-month period, three (3)-month period, six (6)-month period and twelve (12)-month period up to and including 6 August 2019, being the Last Trading Date. Each of these represents less than 0.01 per cent. of the total number of Shares for any of the aforementioned relevant periods. The Offer therefore provides Shareholders who find it difficult to exit the Company as a result of the low trading volume in Shares with an opportunity to liquidate and realise their investment in the Shares at a premium to the prevailing market prices which would otherwise not be available given the low trading liquidity.*

9.2 Offer Price at a Premium to Market Price.⁽¹⁾ *The Offer Price represents a premium of approximately 195.0 per cent. over the last transacted price per Share of S\$0.040 on 6 August 2019 (being the Last Trading Date). When compared to the benchmark prices of the Shares up to and including the Last Trading Date, the Offer Price also represents a premium of approximately 266.7 per cent., 267.5 per cent., 267.5 per cent. and 59.7 per cent. over the VWAP per Share for the one (1)-month, three (3)-month, six (6)-month and twelve (12)-month periods, respectively. The Offer presents Shareholders with a clean cash exit opportunity to realise their entire investment in Shares at a premium over the prevailing trading prices of the Shares without incurring brokerage and other trading costs.*

9.3 Greater Management Flexibility. *The Offeror is making the Offer with a view to delisting the Company from the SGX-ST and exercising its Compulsory Acquisition Right. The Offeror believes that privatising the Company will give the Offeror and the management of the Company more flexibility to manage the business of the Company, optimise the use of its management and capital resources and facilitate the implementation of any operational change.*

9.4 Costs of Maintaining Listing. *In maintaining its listed status, the Company incurs compliance and other costs associated with the requirements of being listed. In the event that the Company is delisted from the SGX-ST, the Company will be able to save on expenses relating to the maintenance of its listed status and focus its resources on its operational matters amidst the competitive business landscape.”*

Note:

- (1) On 13 September 2019, SCCM for and on behalf of the Offeror, issued a clarification on the premia of the Offer Price over the historical traded prices of the Shares.

9. THE OFFEROR’S INTENTIONS IN RELATION TO THE COMPANY

The following paragraphs have been extracted from Section 10.1 of the Offer Document and are set out in italics below. All terms and expressions used in the extract below shall have the same meanings as those defined in the Offer Document, unless otherwise stated. **Shareholders are advised to read the entire Offer Document including the relevant sections, as extracted below, carefully.**

“10.1 The Offeror’s Future Plans for the Company

The Offeror’s intention is to privatise and delist the Company if the Offer is unconditional as to acceptances.

The board of Directors retains the flexibility at any time to consider any options in relation to the Company and its subsidiaries which may present themselves and which the board may regard to be in the interest of the Offeror.

Save as disclosed in this Offer Document, the Offeror intends for the Company to continue with its existing activities and has no intention to (i) introduce any major changes to the business of the Company, (ii) re-deploy the fixed assets of the Company, or (iii) discontinue the employment of any of the existing employees of the Company and its subsidiaries, other than in the ordinary course of business.”

APPENDIX 2 – LETTER FROM THE IFA TO THE RECOMMENDING DIRECTORS

10. COMPULSORY ACQUISITION

The following paragraphs have been extracted from Section 10.2 of the Offer Document and are set out in italics below. All terms and expressions used in the extract below shall have the same meanings as those defined in the Offer Document, unless otherwise stated. **Shareholders are advised to read the entire Offer Document including the relevant sections, as extracted below, carefully.**

“10.2 Compulsory Acquisition

*The Offeror’s intention is to privatise and delist the Company. In the event the Offeror receives valid acceptances pursuant to the Offer or otherwise acquires Shares following the Commencement Date other than through valid acceptances of the Offer in respect of not less than 90 per cent. of Shares (other than treasury shares and those Shares already held by the Offeror, its related corporations or their respective nominees as at the Commencement Date) (the “**Compulsory Acquisition Threshold**”), the Offeror would be entitled to exercise its right under Section 215(1) of the Companies Act to compulsorily acquire all the Shares of Shareholders who have not accepted the Offer (“**Dissenting Shareholders**”) on the same terms as those offered under the Offer (“**Compulsory Acquisition Right**”).*

*In such event, the Offeror intends to exercise its right to compulsorily acquire all the Offer Shares not acquired under the Offer (the “**Compulsory Acquisition**”). The Offeror will then proceed to delist the Company from the SGX-ST.*

*In addition, pursuant to Section 215(3) of the Companies Act, Dissenting Shareholders have the right under and subject to Section 215(3) of the Companies Act, to require the Offeror to acquire their Shares at the Offer Price in the event that the Offeror, its related corporations or their respective nominees acquire, pursuant to the Offer, such number of Shares which, together with treasury shares and the Shares held by the Offeror, its related corporations or their respective nominees, comprise 90 per cent. or more of the total number of shares of the Company. **Dissenting Shareholders who wish to exercise such right are advised to seek their own independent legal advice.** Unlike Section 215(1) of the Companies Act, the 90 per cent. threshold under Section 215(3) of the Companies Act does not exclude treasury shares or Shares held by the Offeror, its related corporations or their respective nominees.”*

Shareholders should note that as at the Latest Practicable Date, as the Offeror has received valid acceptances pursuant to the Offer in respect of not less than 90% of the Shares, the Offeror is entitled, and intends, to exercise its right of compulsory acquisition under the Companies Act.

Dissenting Shareholders should note that the Offer remains an opportunity for Shareholders to realise their Shares at the Offer Price as soon as practicable, instead of waiting until the Offeror exercises its right of compulsory acquisition at the close of the Offer.

11. LISTING STATUS OF THE COMPANY

The following paragraphs have been extracted from Section 10.3 of the Offer Document and are set out in italics below. All terms and expressions used in the extract below shall have the same meanings as those defined in the Offer Document, unless otherwise stated. **Shareholders are advised to read the entire Offer Document including the relevant sections, as extracted below, carefully.**

“10.3 Listing Status and Trading Suspension

Under Rule 1104 of the Catalist Listing Manual, upon an announcement by the Offeror that acceptances have been received pursuant to the Offer that bring the holdings of the Shares owned by the Offeror and parties acting in concert with the Offeror to above 90 per cent. of the total number of 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

APPENDIX 2 – LETTER FROM THE IFA TO THE RECOMMENDING DIRECTORS

that at least 10 per cent. of the total number of Shares (excluding treasury shares) are held by at least 200 Shareholders who are members of the public. Rule 1303(1) of the Catalist Listing Manual provides that where the Offeror succeeds in garnering acceptances exceeding 90 per cent. of the total number of Shares (excluding treasury shares), thus causing the percentage of the total number of Shares (excluding treasury shares) held in public hands to fall below 10 per cent., the SGX-ST will suspend trading of the Shares only at the close of the Offer. Under the Catalist Listing Manual, “**public**” refers to persons other than:

- (i) directors, chief executive officer, substantial shareholders, or controlling shareholders of the Company or its subsidiary companies; and
- (ii) associates of the persons referred to in **Section 10.3(i)** above.

Shareholders are advised to note that Rule 723 of the Catalist Listing Manual requires the Company to ensure that at least 10 per cent. of the total number of Shares (excluding preference shares, convertible equity securities and treasury shares) is at all times held by the public (the “**Free Float Requirement**”). In addition, under Rule 724(1) of the Catalist Listing Manual, if the percentage of the total number of securities of the Company held in public hands falls below 10 per cent., the Company must, as soon as practicable, notify its sponsor and announce that fact and the SGX-ST may suspend trading of all securities of the Company on the SGX-ST. Rule 724(2) of the Catalist Listing Manual further states that the SGX-ST may allow the Company a period of three (3) months, or such longer period as the SGX-ST may agree, for the percentage of the total number of securities of the Company held by members of the public to be raised to at least 10 per cent., failing which the Company may be removed from the Official List of the SGX-ST.

In the event acceptances of the Offer result in the Free Float Requirement not being met and/or trading of Shares on the SGX-ST being suspended pursuant to Rules 724, 1104 or 1303(1) of the Catalist Listing Manual, the securities of the Company may be suspended on the SGX-ST for an indefinite period of time. Shareholders should note that in the event the Offer is unconditional as to acceptances, the Offeror is entitled to, and will exercise, its rights to compulsorily acquire all the remaining Shares of Shareholders who have not accepted the Offer in accordance with the provisions of Section 215(1) of the Companies Act. Accordingly, it is the Offeror’s intention to privatise and delist the Company if the Offer is unconditional as to acceptances.

Shareholders should note that as at the Latest Practicable Date, as the Offeror has received valid acceptances pursuant to the Offer in respect of not less than 90% of Shares, the Free Float Requirement is no longer satisfied. Accordingly, trading of the Shares on the SGX-ST will be suspended at the close of the Offer. Shareholders should also note that the Offeror intends to exercise its right of compulsory acquisition and to privatise and delist the Company.

12. FINANCIAL ASSESSMENT OF THE OFFER

For the purpose of our analyses in this IFA Letter, we wish to highlight the following dates:

- (a) 6 August 2019 (the “**Last Trading Day**”), being the last full Market Day immediately prior to the Offer Announcement Date;
- (b) 20 August 2019, being the date that SCCM announced, for and on behalf of PS Investment Pte. Ltd, that the Offeror intends to make a voluntary conditional cash offer for all the Shares in the capital of the Company; and
- (c) 17 September 2019, being the Latest Practicable Date prior to the printing of this Circular, save that where parts of the Offer Document (including the letter from SCCM to the Shareholders in the Offer Document) are reproduced, references to the “Last Practicable Date” in such reproduction shall mean the Offer Document LPD.

APPENDIX 2 – LETTER FROM THE IFA TO THE RECOMMENDING DIRECTORS

In the course of our evaluation of whether the Offer is fair and reasonable from a financial point of view, we have considered the following factors based on publicly available information and information made available to us by the Company as of the Latest Practicable Date:

- (a) Historical financial performance of the Group;
- (b) Historical share price performance and trading activity of the Shares;
- (c) Historical share price performance relative to market index;
- (d) The Group's net asset value ("**NAV**"), revalued NAV ("**Revalued NAV**") and net debt position;
- (e) NAV per Share relative to the Offer Price;
- (f) Valuation ratios of selected listed companies which are broadly comparable with the Group;
- (g) Recent selected successful privatisation take-over transactions on the SGX-ST; and
- (h) Other relevant considerations.

The figures and underlying financial data used in our analysis have been extracted from, amongst others, Bloomberg L.P., SGX-ST, the publicly available financial information of the Company and relevant public documents of the Company covered by those sources as at the Latest Practicable Date. HLF makes no representation or warranty, express or implied, on the accuracy or completeness of such information.

12.1 Historical financial performance of the Group

We set out below a summary of the audited financial results of the Group for the last two financial years ended 31 December 2017 and 2018 ("**FY2017**" and "**FY2018**", respectively) and the unaudited financial results of the Group for the six-month period ended 30 June 2019 ("**1H2019**") and 30 June 2018 ("**1H2018**").

Summary of the Group's Income and Loss Statement				
S\$'000	Unaudited 1H2019	Unaudited 1H2018	Audited FY2018	Audited FY2017
Revenue	5,535	5,252	11,081	9,820
Gross Profit	1,391	1,496	3,005	2,725
(Loss)/Profit before tax	(154)	10	102	(456)
Net (Loss)/Profit	(139)	(3)	64	(509)
Net (Loss)/Profit attributable to Shareholders of the Company	(140)	(3)	64	(503)

Summary of the Group's Financial Position			
S\$'000	Unaudited 1H2019	Audited FY2018	Audited FY2017
Current assets	11,164	12,585	11,423
Non-current assets	3,953	2,628	2,806
Total assets	15,117	15,213	14,229
Current liabilities	3,199	4,107	3,175
Non-current liabilities	1,024	47	59
Total liabilities	4,223	4,154	3,234
Total equity	10,894	11,059	10,995
Equity attributable to Shareholders of the Company	10,894	11,033	10,969

APPENDIX 2 – LETTER FROM THE IFA TO THE RECOMMENDING DIRECTORS

Summary of the Group's Cash Flows				
S\$'000	Unaudited 1H2019	Unaudited 1H2018	Audited FY2018	Audited FY2017
Net cash from/(used in) operating activities	201	(476)	(370)	(468)
Net cash from/(used in) investing activities	234	(61)	(78)	(103)
Net cash (used in)/from financing activities	(957)	413	675	(226)
Cash and cash equivalents at end of period/year	637	808	1,158	932

Source: Annual reports for FY2018 and FY2017 and unaudited financial statements for 1H2019 of the Group

Revenue

We noted that the Group's revenue increased by approximately S\$1.3 million or 12.8% from S\$9.8 million in FY2017 to S\$11.1 million in FY2018. The increase was mainly due to the increase in selling price of fasteners in line with the increase in cost of fasteners, as well as higher export sales to the Indonesian market in FY2018.

We noted that the Group's revenue increased by approximately S\$283,000 or 5.4% from S\$5.3 million in 1H2018 to S\$5.5 million in 1H2019. The increase was mainly due to higher sales to customers from South America.

Net profit/(loss) attributable to Shareholders

We noted that the Group's net profit attributable to Shareholders for FY2018 was S\$64,000 as compared to a net loss attributable to Shareholders of S\$0.5 million for FY2017. The reversal from a net loss in FY2017 to a net profit in FY2018 was in line with the increase in turnover, and the effect of the full year rental income received from the leasing of the Group's investment properties at Kaki Bukit since August 2017.

We noted that the Group's net loss for 1H2019 was \$140,000, as compared to \$3,000 for 1H2018. The increase was mainly due to higher bulk sales to customers which had lower margin.

Financial and cash position

Current assets decreased by approximately S\$1.4 million from S\$12.6 million as at 31 December 2018 to S\$11.2 million as at 30 June 2019. The decrease was mainly due to the absence of asset held for sale of S\$1.0 million, decrease in inventories of S\$0.3 million and decrease in cash and cash equivalents of S\$0.4 million, offset by the increase in trade and other receivables of S\$0.3 million.

Non-current assets increased by approximately S\$1.3 million from S\$2.6 million as at 31 December 2018 to S\$4.0 million as at 30 June 2019. The increase was mainly due to the recognition of right-of-use asset of S\$1.4 million on adoption of SFRS(I) 16.

Current liabilities decreased by approximately S\$0.9 million from S\$4.1 million as at 31 December 2018 to S\$3.2 million as at 30 June 2019. The decrease was mainly due to decrease in trade and other payables of S\$1.0 million and the absence of liabilities directly associated with disposal group classified as held for sale of S\$0.2 million, offset by the increase in lease liability of S\$0.4 million on adoption of SFRS(I) 16.

Non-current liabilities increased by approximately S\$1.0 million from S\$47,000 as at 31 December 2018 to S\$1.0 million as at 30 June 2019. The increase was mainly due to the increase in lease liability of S\$1.0 million on adoption of SFRS(I) 16.

Equity attributable to Shareholders decreased by approximately S\$0.1 from S\$11.0 million as at 31 December 2018 to S\$10.9 million as at 30 June 2019 mainly due to net loss incurred in 1H2019.

APPENDIX 2 – LETTER FROM THE IFA TO THE RECOMMENDING DIRECTORS

We noted that the Group recorded net cash used in operating activities of approximately S\$0.5 million, S\$0.4 million and S\$0.5 million in FY2017, FY2018 and 1H2018 respectively. The Group recorded net cash from operating activities of approximately S\$0.2 million in 1H2019 mainly due to an operating cash flow before working capital changes of approximately S\$0.2 million, a decrease in inventories of approximately S\$0.3 million, a decrease in trade and other payables of S\$0.2 million and repayment of lease liability of approximately S\$0.1 million in 1H2019.

12.2 Historical share price performance and trading activity of the Shares

We have compared the Offer Price to the daily closing prices of the Shares for (i) the 12-month period prior to the Offer Announcement on 20 August 2019; and (ii) the period after the Offer Announcement and up to the Latest Practicable Date.

We set out a chart below which shows the trend of the daily closing prices and the volume traded for the Shares from 11 September 2018 (being the 12-month period preceding the Last Trading Day) and up to and including the Latest Practicable Date:

Closing price (in S\$) and volume (in thousands) of the Shares for the period from 11 September 2018 up to and including the Latest Practicable Date



Source: Bloomberg L.P. and the Company's announcements on the SGX-ST

- A1. 1 February 2019:** The Company announced its unaudited financial statements for FY2018, in which the Company recorded a net profit attributable to Shareholders of the Company of S\$64,000 in FY2018 *vis-à-vis* a net loss attributable to Shareholders of the Company of S\$502,923 for FY2017. The Company also announced its intention to dispose its 90% interest in PS Components Pte. Ltd.
- A2. 11 February 2019:** The Company announced that the amount of investment in subsidiaries reported in its unaudited financial statements for FY2018 should be S\$10,803,506 instead of S\$10,917,506. Consequently, net assets of the Company should be S\$10,824,511 instead of S\$10,938,511.
- A3. 15 February 2019:** The Company announced the disposal of its 90% interest in PS Components Pte. Ltd. to Mr Lim Kwang Seng Edwin, the managing director of PS Components Pte. Ltd. In connection with disposal, the Company also announced the cessation of its executive officer, Mr Lim Kwang Seng Edwin.
- A4. 5 April 2019:** The Company announced the annual report of the Group for FY2018.

APPENDIX 2 – LETTER FROM THE IFA TO THE RECOMMENDING DIRECTORS

- A5. 26 April 2019:** The Company announced that it expects to record a net loss for 1H2019 amidst continuing weak market conditions but expects to record a positive net cash from operating activities for 1H2019.
- A6. 7 August 2019:** The Company announced its unaudited financial statements for 1H2019, in which the Company recorded a net loss attributable to Shareholders of the Company of S\$140,108 in 1H2019 *vis-à-vis* a net loss attributable to Shareholders of the Company of S\$3,138 for 1H2018.
- A7. 20 August 2019:** The Offeror announced the Offer of S\$0.118 per share for PS Group Holdings Ltd.
- A8. 3 September 2019:** The Company announced the appointment of HLF as the IFA.
- A9. 10 September 2019:** The Offeror announced the despatch of the Offer Document, together with the accompanying FAA and FAT, to the Shareholders.
- A10. 13 September 2019:** The Offeror announced a clarification on the premia of the Offer Price over the historical traded prices of the Shares.
- A11. 17 September 2019:** The Offeror announced that the Offer has become unconditional and intends to exercise its right of compulsory acquisition.

We note that the trading in the Shares had been sporadic during the 12-month period prior to the Offer Announcement, of which the Shares were traded on only 14 Market Days out of the 251 Market Days.

Date	Closing price (S\$)	Trading volume
12-month period prior to the Offer Announcement		
11 September 2018	0.090	23,700
12 September 2018	0.105	30,000
19 November 2018	0.150	10,000
30 November 2018	0.158	10,000
3 December 2018	0.162	20,000
6 December 2018	0.165	10,000
7 December 2018	0.167	5,000
10 June 2019	0.030	20,000
11 June 2019	0.035	40,100
17 July 2019	0.035	30,000
18 July 2019	0.037	30,000
23 July 2019	0.028	1,000
25 July 2019	0.038	100
6 August 2019	0.040	22,000
Period after the Offer Announcement and up to the Latest Practicable Date		
22 August 2019	0.113	30,000
23 August 2019	0.117	128,000
26 August 2019	0.117	90,000
27 August 2019	0.117	5,000
28 August 2019	0.116	32,700
29 August 2019	0.116	50,000
3 September 2019	0.116	44,800

Source: Bloomberg L.P.

APPENDIX 2 – LETTER FROM THE IFA TO THE RECOMMENDING DIRECTORS

During the 12-month period prior to the Offer Announcement, the closing prices of the Shares were below the Offer Price of S\$0.118 on 9 Market Days with such closing prices ranging between a low of S\$0.028 to a high of S\$0.105.

The closing prices of the Shares were above the Offer Price of S\$0.118 on 5 Market Days with such closing prices ranging between a low of S\$0.150 and a high of S\$0.167.

The trading volume of the Shares for the 12-month period prior to the Offer Announcement had been significantly low, and the daily volume of the Shares traded during the 14 Market Days ranged between a low of 100 Shares and a high of 40,100 Shares.

During the period after the Offer Announcement and up to the Last Practicable Date, the Shares has been trading close to the Offer Price of between S\$0.113 to S\$0.117, and the daily volume of the Shares traded ranged between 5,000 and 128,000.

We have sought to benchmark the Offer Price against the VWAP of the Shares, and historical trading volumes of the Shares for (i) the 12-month period prior to the Offer Announcement; and (ii) the period after the Offer Announcement and up to the Latest Practicable Date:

	VWAP ⁽¹⁾ (S\$)	Premium of Offer Price over VWAP	Average daily trading volume ("ADTV") ⁽²⁾	ADTV as a percentage of free float ⁽²⁾
Periods prior to the Offer Announcement				
12-month	0.0739	59.7%	1,004	0.01%
6-month	0.0321	267.5%	1,146	0.01%
3-month	0.0321	267.5%	2,203	0.01%
1-month	0.0322	266.7%	3,777	0.02%
Last Trading Day	0.0400 ⁽⁴⁾	195.0%	22,000	0.13%
Period after the Offer Announcement and up to the Latest Practicable Date				
After the Offer Announcement and up to the Latest Practicable Date	0.1161	1.6%	18,271	0.29% ⁽³⁾
Latest Practicable Date	0.1160 ⁽⁵⁾	1.7%	48,000	0.75% ⁽³⁾

Source: Bloomberg L.P. and HLF's calculations

Notes:

- (1) The VWAPs have been weighted based on the average traded prices and traded volumes of the Shares for the relevant trading days for each of the above periods.
- (2) The average daily trading volume of the Shares is calculated based on the total volume of Shares traded for each of the above periods divided by the number of Market Days during those periods.
- (3) Free float refers to the Shares other than those held by the Directors, the substantial Shareholders and their associates, and amounts to approximately 6.4 million Shares, representing approximately 9.41% of the issued Shares as at the Latest Practicable Date.
- (4) Refers to the closing price of the Shares on the Last Trading Day.
- (5) Refers to the closing price of the Shares on 3 September 2019. There were no trades done between 4 September 2019 and 17 September 2019.

APPENDIX 2 – LETTER FROM THE IFA TO THE RECOMMENDING DIRECTORS

We note the following:

Periods prior to the Offer Announcement

- (a) The daily closing prices of the Shares over the 12-month period prior to the Offer Announcement were between a low of S\$0.028 and a high of S\$0.167. The Offer Price of S\$0.118 represents a significant premium of approximately 321.4% above the lowest transacted price and a discount of 29.3% to the highest transacted price.
- (b) The Offer Price represents a significant premium of 195.0% to the closing price of S\$0.040 per Share on the Last Trading Day.
- (c) The Offer Price represents a significant premium of approximately 266.7%, 267.5%, 267.5%, and 59.7% above the VWAP of the Shares for the 1-month, 3-month, 6-month and 12-month periods prior to the Offer Announcement, respectively.
- (d) The average daily trading volumes of the Shares were significantly low at 3,777 Shares, 2,203 Shares, 1,146 Shares and 1,004 Shares for the 1-month, 3-month, 6-month and 12-month periods prior to the Offer Announcement, respectively.
- (e) Due to the lack of trading liquidity of the Shares, the average daily trading volume of the Shares as a percentage of free float was 0.02%, 0.01%, 0.01% and 0.01% for the 1-month, 3-month, 6-month and 12-month periods prior to the Offer Announcement, respectively.

Period after the Offer Announcement and up to the Latest Practicable Date

- (f) The daily closing prices of the Shares appear to have been supported by the Offer subsequent to the Offer Announcement and up to the Latest Practicable Date.
- (g) The Offer Price represents (i) a premium of approximately 1.6% over the VWAP of S\$0.1161 for the period after the Offer Announcement and up to the Latest Practicable Date; and (ii) a premium of 1.7% above the last transacted price of the Shares of S\$0.1160 as at the Latest Practicable Date.
- (h) The average daily trading volume of the Shares was approximately 18,271 Shares, representing approximately 0.29% of free float, during the period after the Offer Announcement and up to the Latest Practicable Date.

Shareholders should note that the market prices of the Shares have shown appreciable differences before and after the Offer Announcement. Shareholders should also note that there is no assurance that the market prices of the Shares would remain at the current prevailing level after the close of the Offer, and that past trading performance of the Shares is not in any way reflective of its future trading performance.

We wish to highlight that the market valuation of shares of a company traded on a securities exchange may be affected by, *inter alia*, the corporate activities of the company, its relative liquidity, the size of its free float, the extent of research coverage, the investor interest it attracts and the general market sentiment at a given point in time.

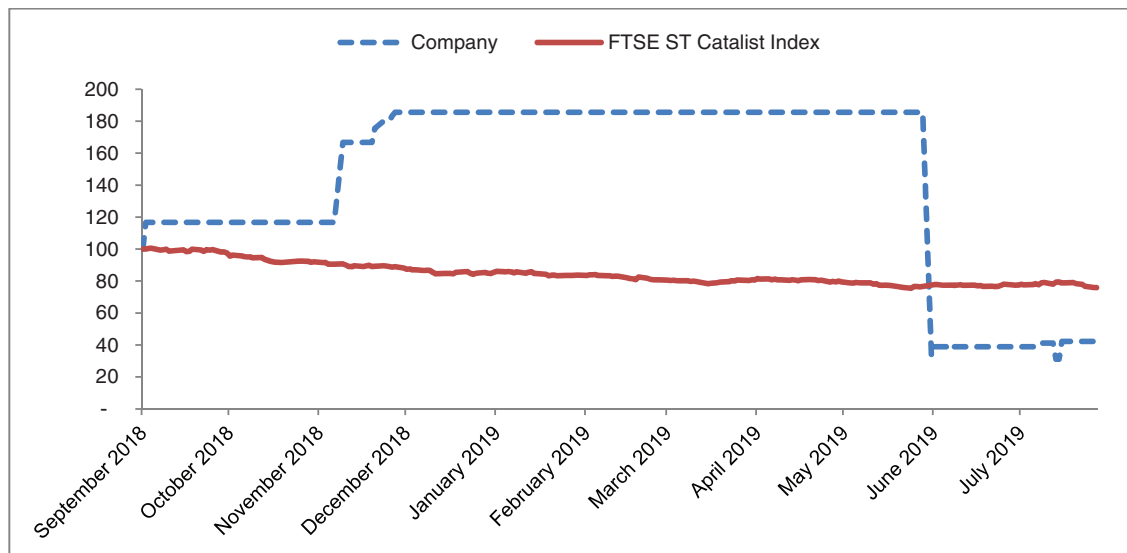
12.3 Historical share price performance relative to market index

To gauge the market price performance of the Shares relative to the general performance of the Singapore equity market, we have compared the market price movements of the Shares against the FTSE ST Catalist Index (“**Catalist Index**”), which is a market capitalisation-weighted stock market index that tracks the performance of sponsored companies listed on the SGX-Catalist.

APPENDIX 2 – LETTER FROM THE IFA TO THE RECOMMENDING DIRECTORS

The relative market price performance of the Shares *vis-à-vis* the Catalyst Index for the period commencing 12-month prior to the Offer Announcement and ending on the Last Trading Day is illustrated below:

Share price performance against the Catalyst Index (rebased)



Source: Bloomberg L.P.

We also set out in the table below the movements in the closing prices of the Shares and the Catalyst Index between the Last Trading Day and the Latest Practicable Date:

	As at Last Trading Day (S\$)	As at Latest Practicable Date (S\$)	Percentage change
Shares	0.040	0.116 ⁽¹⁾	190.0%
Catalist Index	273.7	260.7	(4.8%)

Source: Bloomberg L.P.

Note:

- (1) Refers to the closing price of the Shares on 3 September 2019. There were no trades done between 4 September 2019 and 17 September 2019.

Based on the above, we note the following:

- (a) during the period commencing 12-month prior to the Offer Announcement and ending on the Last Trading Day, save for the period between mid-June 2019 and the Last Trading Day, the Shares had generally outperformed the Catalyst Index; and
- (b) between the Last Trading Day and the Latest Practicable Date, the closing price of the Shares had increased by approximately 190.0% while the Catalyst Index had decreased by approximately 4.8%.

Shareholders should note that the past trading performance of the Shares is not in any way reflective of its future trading performance. Any comparison of the historical price performance of the Shares with the Catalyst Index is for illustrative purposes only.

APPENDIX 2 – LETTER FROM THE IFA TO THE RECOMMENDING DIRECTORS

12.4 The Group's NAV, Revalued NAV and net debt position

12.4.1 NAV of the Group as at 30 June 2019

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

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

A summary of the unaudited financial position of the Group as at 30 June 2019 is set out below:

	Unaudited As at 30 June 2019 (S\$'000)
<u>Current assets</u>	
Inventories	7,904
Trade and other receivables	2,602
Prepaid operating expenses	21
Cash and cash equivalents	637
<u>Non-current assets</u>	
Investment properties ⁽¹⁾	2,316
Property, plant and equipment	211
Right-of-use asset	1,426
Total assets	15,117
<u>Current liabilities</u>	
Trade and other payables	2,473
Lease liability	406
Loans and borrowings	300
Income tax payable	20
<u>Non-current liabilities</u>	
Lease liability	1,012
Deferred tax liabilities	12
Total liabilities	4,223⁽²⁾
Equity/NAV attributable to Shareholders of the Company	10,894
Number of issued Shares	68,000,000
NAV per Share (S\$)	0.160
Discount of the Offer Price to the NAV per Share	26.3%
Price-to-NAV ("P/NAV") ratio as implied by the Offer Price (times)	0.74

Source: Unaudited financial statements for 1H2019 of the Group

APPENDIX 2 – LETTER FROM THE IFA TO THE RECOMMENDING DIRECTORS

Notes:

- (1) As at 1 August 2017, the cost and accumulated depreciation of the Group's two units of warehouses at Kaki Bukit are transferred from property, plant and equipment to investment properties. Subsequent to the transfer, investment properties are stated at cost less accumulated depreciation and any accumulated impairment loss. Depreciation is provided on a straight-line basis so as to write off the cost of the investment property over the remaining tenure of the leases. The fair value of the investment properties as at 31 December 2018 is S\$3,095,774. The fair value was determined using income approach at a discount rate of 6% by the Management.
- (2) As a result of rounding differences, numbers or percentages may not add up to the total.

As at 30 June 2019, the unaudited NAV of the Group amounted to approximately S\$10.9 million or S\$0.160 per Share (based on 68,000,000 issued Shares). We note that the Offer Price represents a discount of approximately 26.3% to the unaudited NAV per Share of the Group as at 30 June 2019, and would value the Group at a P/NAV ratio of 0.74 times.

Based on the unaudited financial position of the Group as at 30 June 2019, we note that the Group's assets comprised mainly inventories (52.3%), trade and other receivables (17.2%), investment properties (15.3%), right-of-use asset (9.4%) and cash and cash equivalents (4.2%), representing approximately 98.4% of the total assets of the Group as at 30 June 2019. In addition, the Company recorded property, plant and equipment of S\$0.2 million which mainly comprises (i) motor vehicles; (ii) tools and equipment; (iii) office equipment; (iv) furniture and fittings; and (v) computers.

Shareholders should note that the NAV of the Company is not necessarily a realisable value given that the market value of the assets may vary depending on, amongst others, the prevailing market and economic conditions.

12.4.2 Revalued NAV of the Group

In our evaluation of the financial terms of the Offer, we have considered whether there is any other asset which should be valued at an amount that is materially different from that which was recorded in the statement of financial position of the Group as at 30 June 2019 and whether there are any factors which have not been otherwise disclosed in the financial statements of the Group or announced by the Company that are likely to impact the NAV of the Group as at 30 June 2019.

The Group had on 28 August 2019 commissioned Knight Frank Pte Ltd ("**Knight Frank**"), an independent professional valuer, to perform a review of the value of the investment properties belonging to the Company as at 30 June 2019. The purpose of this engagement was to assist the Company in their assessment of the revalued net asset value of the Company. Knight Frank's work consisted of a review and comment on the value of the investment properties, which is the Group's two units of warehouse facilities at 3 Kaki Bukit Road 2 (the "**Revalued Assets**"). Shareholders should note that Knight Frank's valuation has been undertaken using the direct comparison method before arriving at the value of S\$4.34 million for the Revalued Assets. The valuation report from Knight Frank dated 18 September 2019 (the "**Valuation Report**") is set out in Appendix 3 of the Circular.

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 the assets, which are the subject of a valuation given in connection with an offer, were to be sold at the amount of the valuation.

The Company has advised that in a hypothetical scenario where the Revalued Assets was to be sold at the amount of valuation stated in the Valuation Report, the Company does not expect to incur any tax liability on the sale of the Revalued Assets. Shareholders should note that, as at the Latest Practicable Date, the Company has no immediate plan to sell the Revalued Assets.

APPENDIX 2 – LETTER FROM THE IFA TO THE RECOMMENDING DIRECTORS

A summary of the NAV and Revalued NAV of the Group as at 30 June 2019 is set out below:

	Unaudited 30 June 2019 (S\$'000)	Revalued 30 June 2019 (S\$'000)
<u>Current assets</u>		
Inventories	7,904	7,904
Trade and other receivables	2,602	2,602
Prepaid operating expenses	21	21
Cash and cash equivalents	637	637
<u>Non-current assets</u>		
Investment properties	2,316	4,340
Property, plant and equipment	211	211
Right-of-use asset	1,426	1,426
Total assets	15,117	17,141
<u>Current liabilities</u>		
Trade and other payables	2,473	2,473
Lease liability	406	406
Loans and borrowings	300	300
Income tax payable	20	20
<u>Non-current liabilities</u>		
Lease liability	1,012	1,012
Deferred tax liabilities	12	12
Total liabilities	4,223⁽¹⁾	4,223⁽¹⁾
NAV/Revalued NAV	10,894	12,918
Number of issued Shares		68,000,000
Revalued NAV per Share (S\$)		0.190
Discount of the Offer Price to the Revalued NAV per Share		37.9%
Price-to-Revalued NAV ("P/Revalued NAV") ratio as implied by the Offer Price (times)		0.62

Source: Unaudited financial statements for 1H2019 of the Group and Valuation Report

Note:

(1) As a result of rounding differences, numbers or percentages may not add up to the total.

As at 30 June 2019, the Revalued NAV of the Group amounted to approximately S\$12.9 million or S\$0.190 per Share (based on 68,000,000 issued Shares). We note that the Offer Price represents a discount of approximately 37.9% to the Revalued NAV per Share of the Group as at 30 June 2019, and would value the Group at a P/Revalued NAV ratio of 0.62 times.

Except for the Revalued Assets identified above, the Directors have confirmed, to the best of their knowledge and belief as at the Latest Practicable Date, that there are no material differences between the estimated fair value of the other assets for which no independent valuation was obtained and their respective book value. The Directors confirmed that they are aware of and are satisfied with the selection of the Revalued Assets for the valuation exercise.

APPENDIX 2 – LETTER FROM THE IFA TO THE RECOMMENDING DIRECTORS

We have been furnished by the Company with the Valuation Report in respect of the fair value of the Revalued Assets. For the avoidance of doubt, as we are not experts in the evaluation or appraisal of assets, we have not made any independent evaluation or appraisal of the Revalued Assets and have relied solely on the Valuation Report for the fair value of the Revalued Assets.

Shareholders should note that the Revalued NAV of the Company is not necessarily a realisable value given that the market value of the assets may vary depending on, amongst others, the prevailing market and economic conditions.

12.4.3 Net debt position of the Group

As at 30 June 2019, the Group had unaudited cash and cash equivalents of approximately S\$0.6 million and total liabilities of approximately S\$4.2 million, translating into an unaudited net debt of S\$3.6 million.

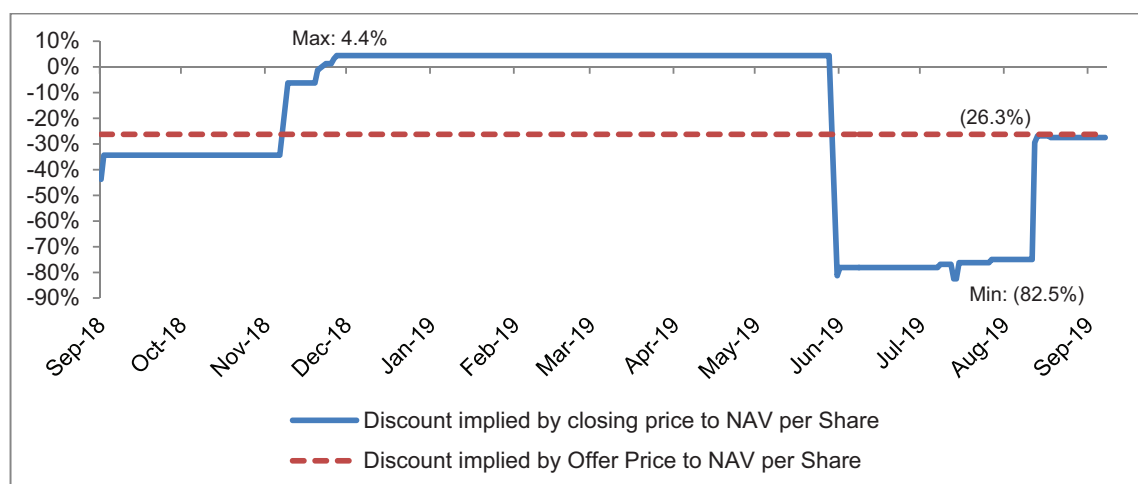
12.4.4 NAV per Share relative to the Offer Price

For the analysis in this section, we have relied on the latest available information from the Group's unaudited financial statements for 1H2019 to obtain a NAV of approximately S\$10.9 million as at 30 June 2019. Therefore, for the purpose of this analysis, NAV per Share is determined to be approximately S\$0.160 as at the Latest Practicable Date.

We note that the Offer Price of S\$0.118 is at a discount of 26.3% to the NAV per Share of S\$0.160 as at 30 June 2019.

We have compared the premium/(discount) of the historical closing prices to the NAV per Share, over the 12-month period preceding the Last Trading Day and up to and including the Latest Practicable Date, as set out below:

Discount implied by historical closing price of the Share to NAV per Share, for the period from 11 September 2018 up to and including the Latest Practicable Date



Source: Bloomberg L.P.

Based on the above, we note that the discount of the Offer Price to the NAV per Share of 26.3% is within the historical premium/(discount) range of (82.5%) to 4.4% and above the simple average discount of 21.8%.

Shareholders should note that the above computation is solely for illustration purposes as the NAV of the Company is not necessarily a realisable value given that the market value of the assets may vary depending on, amongst others, the prevailing market and economic conditions.

APPENDIX 2 – LETTER FROM THE IFA TO THE RECOMMENDING DIRECTORS

12.5 Valuation ratios of selected listed companies which are broadly comparable with the Group

The Management of the Company is of the view that there are no companies listed on the SGX-ST engaging in similar business activities which are comparable to the Group in terms of scale of business operation and profitability.

Nevertheless, solely for illustrative purposes, we have compared the valuation ratios of selected companies listed on the SGX-ST and regional securities exchanges engaging in similar business activities, which we consider to be broadly comparable to the Group (“**Comparable Companies**”).

In evaluating the Comparable Companies, we have applied and used the following valuation ratios:

Valuation ratio	Description
Price-earnings (“ P/E ”) ratio	<p>The P/E ratio or earnings multiple is the ratio of a company’s market capitalisation divided by the historical consolidated full-year net profit attributable to shareholders (as the case may be).</p> <p>The P/E ratio is an earnings-based valuation methodology and is calculated based on the net earnings attributable to shareholders after interest, taxation, depreciation and amortisation expenses.</p> <p>The P/E ratio illustrates the ratio of the market capitalisation of a company in relation to the historical consolidated full-year net profit attributable to its shareholders (as the case may be). As such, it is affected by a company’s capital structure, tax position and accounting policies relating to depreciation and intangible assets.</p>
Enterprise value-to-earnings before interest, taxes, depreciation and amortisation (“ EV/EBITDA ”) ratio	<p>EV refers to enterprise value, which is the sum of a company’s market capitalisation, preferred equity, minority interests, short-term and long term debts (inclusive of finance leases), less its cash and cash equivalents.</p> <p>EBITDA refers to the historical consolidated earnings before interest, taxes, depreciation and amortisation.</p> <p>The EV/EBITDA ratio illustrates the ratio of the market value of an entity’s business in relation to its historical pre-tax operating cash flow performance. The EV/EBITDA ratio is an earnings-based valuation methodology. The difference between the EV/EBITDA ratio and the P/E ratio (described above) is that the former does not take into account the capital structure of a company as well as its interest, taxation, depreciation and amortisation charges.</p>
Price-net asset value (“ P/NAV ”) ratio	<p>The NAV refers to consolidated net asset value, which is the total assets less total liabilities of a company.</p> <p>The P/NAV ratio refers to the ratio of a company’s share price divided by NAV per share.</p>

APPENDIX 2 – LETTER FROM THE IFA TO THE RECOMMENDING DIRECTORS

	<p>The P/NAV ratio represents an asset-based relative valuation which takes into consideration the book value or NAV backing of a company.</p> <p>The NAV of a company provides an estimate of its value assuming a hypothetical sale of all its assets and repayment of its liabilities and obligations, with the balance being available for distribution to its shareholders. It is an asset-based valuation methodology and this approach is meaningful to the extent that it measures the value of each share that is attached to the net assets of the company.</p>
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A brief description of the Comparable Companies is as follows:

Company name	Business description	Country of listing	Financial year-end
Shinvest Holding Ltd.	Shinvest Holding Ltd. manufactures and distributes a wide range of industrial fasteners and custom-made parts in Singapore. The company operates its business in investment holding, importing, exporting, manufacturing and marketing of fasteners and precision components and rental of the company's premises to external parties.	Singapore	31 August 2018
Steel & Tube Holdings Ltd.	Steel & Tube Holdings Ltd. produces and distributes steel throughout New Zealand and its products include steel fasteners, nuts, bolts and screws. The company's other activities include steel reinforcing.	New Zealand	30 June 2019
Nix Inc.	Nix Inc. manufactures and sells plastic parts and fasteners mainly for electronic, electrical and telecommunications industries.	Japan	30 September 2018
Lobtex Co. Ltd.	Lobtex Co. Ltd. manufactures pliers, vises and a variety of wrenches. The company also manufactures energy saving tools, electric tools, cutting tools and fasteners such as bolts, nuts, anchors and plugs.	Japan	31 March 2019
Global SM Tech Ltd.	Global SM Tech Ltd. manufactures fasteners used in information technology and electric machinery.	South Korea	31 December 2018

Source: Bloomberg L.P.

APPENDIX 2 – LETTER FROM THE IFA TO THE RECOMMENDING DIRECTORS

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

Company	Market capitalisation (S\$million)	P/E (times)	EV/EBITDA (times)	P/NAV (times)
Shinvest Holding Ltd.	55.0	18.04	10.63	1.21
Steel & Tube Holdings Ltd.	121.5	12.74	23.85	0.76
Nix Inc.	29.8	8.11	2.50	0.68
Lobtex Co. Ltd.	27.1	9.01	4.66	0.55
Global SM Tech Ltd.	43.7	N.M	5.26	0.44
Minimum		8.11	2.50	0.44
Median		10.88	5.26	0.68
Mean		11.98	9.38	0.73
Maximum		18.04	23.85	1.21
PS Group Holdings Ltd.				
(implied by the Offer Price)	8.0	124.54	28.75	0.74
			(P/Revalued NAV)	0.62

Source: Bloomberg L.P. and HLF's calculations

Note:

- (1) Denotes not meaningful as the company recorded net losses in FY2018

Based on the above, we observe that:

- (a) the P/E ratio of the Company (as implied by the Offer Price) of 124.54 times is above the comparable range of P/E ratios of the Comparable Companies of between 8.11 times and 18.04 times;
- (b) the EV/EBITDA ratio of the Company (as implied by the Offer Price) of 28.75 times is above the comparable range of EV/EBITDA ratios of the Comparable Companies of between 2.50 times and 23.85 times;
- (c) the P/NAV ratio of the Company (as implied by the Offer Price) of 0.74 times is (i) within the range of P/NAV ratios of the Comparable Companies of between 0.44 times and 1.21 times; (ii) above the median P/NAV ratio of 0.68 times; and (iii) above the mean P/NAV ratio of 0.73 times; and
- (d) the P/Revalued NAV ratio of the Company (as implied by the Offer Price) of 0.62 times is (i) within the range of P/NAV ratios of the Comparable Companies of between 0.44 times and 1.21 times; (ii) below the median P/NAV ratio of 0.68 times; and (iii) below the mean P/NAV ratio of 0.73 times

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

APPENDIX 2 – LETTER FROM THE IFA TO THE RECOMMENDING DIRECTORS

12.6 Recent selected successful privatisation take-over transactions on the SGX-ST

This analysis serves as general indication of the relevant premium/(discount) that offerors have paid in order to acquire the level of acceptances required to delist/privatise the target companies without having regard to specific industry characteristics or other considerations.

As stated in the Offer Document, we note that, in the event that the Company does not meet the free float requirement pursuant to the Rules 724, 1104 or 1303(1) of the Catalist Listing Manual, the securities of the Company may be suspended on the SGX-ST for an indefinite period of time. Shareholders should note that in the event the Offer is unconditional as to acceptances, the Offeror is entitled to, and will exercise, its rights to compulsorily acquire all the remaining Shares of Shareholders who have not accepted the Offer in accordance with the provisions of Section 215(1) of the Companies Act. Accordingly, it is the Offeror's intention to privatise and delist the Company if the Offer is unconditional as to acceptances.

We have referred to voluntary general offers (“VGO”) and mandatory general offers (“MGO”) where the offeror had majority control (owning 50% or more of the issued shares in the target company as at the date of the offer announcement) and the offer resulted in a successful privatisation and delisting of the target company (“**Selected Successful Delisting/Privatisation Transactions**”). This resulting premium/(discount) analysis serves as a general indication of the relevant premium/(discount) that an offeror would have to pay to acquire the level of acceptances required to delist and privatise the target company without having regard to their specific industry characteristics or other considerations.

We wish to highlight that the target companies set out under the Selected Successful Delisting/Privatisation Transactions are not directly comparable to the Company in terms of operations, market capitalisation, business activities, asset base, geographical spread, track record, financial performance, operating and financial leverage, risk profile, liquidity, future prospects and other relevant criteria. Each of the Selected Successful Delisting/Privatisation Transactions must be considered on its own commercial and financial merits. We also wish to highlight that the list of Selected Successful Delisting/Privatisation Transactions is by no means exhaustive and has been compiled based on publicly available information as at the Latest Practicable Date.

Details of the Selected Successful Delisting/Privatisation Transactions announced from 1 May 2017 up to the Latest Practicable Date are set out below:

Announcement Date	Company	Type	Offer price (\$S)	Premium/(discount) of offer price over/(to)					Offer price to NAV (times)
				Last transacted price ⁽¹⁾	1-month VWAP	3-month VWAP	6-month VWAP	12-month VWAP	
29 May 2017	Changtian Plastic & Chemical Limited ⁽²⁾	VGO	1.300	45.3%	46.6%	48.2%	49.6%	62.9%	0.4
19 Jun 2017	China Flexible Packaging Holdings Limited ⁽³⁾	VGO	1.250	23.2%	24.3%	28.2%	43.5%	59.4%	0.4
20 Sep 2017	Poh Tiong Choon Logistics Limited ⁽⁴⁾	VGO	1.300	1.6%	30.0%	41.3%	47.7%	56.6%	1.2
3 Nov 2017	Cogent Holdings Limited ⁽⁵⁾	VGO	1.020	164.9%	160.2%	167.9%	177.6%	158.1%	1.2
28 Dec 2017	CWG International Ltd ⁽⁶⁾	VGO	0.195	27.5%	29.5%	29.2%	30.8%	10.3%	0.4
11 Jan 2018	Tat Hong Holdings Limited ⁽⁷⁾	VGO	0.550	29.9%	34.0%	35.5%	27.6%	30.9%	0.7
19 Jul 2018	Wheelock Properties (Singapore) Limited ⁽⁸⁾	VGO	2.100	20.7%	29.0%	22.7%	17.8%	13.3%	0.8
29 Oct 2018	Cityneon Holdings Limited ⁽⁹⁾	MGO	1.300	4.1%	6.9%	11.9%	15.7%	19.2%	4.5
7 Jan 2019	Declout Limited ⁽¹⁰⁾	VGO	0.130	60.5%	66.7%	66.7%	58.5%	51.2%	1.3
18 Jan 2019	Courts Asia Limited ⁽¹¹⁾	VGO	0.205	34.9%	35.8%	34.0%	23.5%	(16.7%)	0.6
4 Apr 2019	Kingboard Copper Foil Holdings Limited ⁽¹²⁾	VGO	0.600	9.1%	16.1%	25.3%	27.4%	32.5%	0.9
6 May 2019	800 Super Holdings Limited ⁽¹³⁾	VGO	0.900	16.1%	30.6%	31.2%	25.3%	17.6%	1.8
14 May 2019	Memtech International Ltd. ⁽¹⁴⁾	VGO	1.350	23.9%	31.5%	31.6%	35.6%	30.2%	1.1
15 May 2019	Boardroom Limited ⁽¹⁵⁾	VGO	0.880	14.3%	18.4%	16.1%	17.6%	16.7%	2.0
Minimum				1.6%	6.9%	11.9%	15.7%	(16.7%)	0.4
Median				23.6%	30.3%	31.4%	29.2%	30.6%	1.0
Mean				34.0%	40.0%	42.1%	42.7%	38.7%	1.2
Maximum				164.9%	160.2%	167.9%	177.6%	158.1%	4.5
20 Aug 2019	PS Group Holdings Ltd.		0.118	195.0%	266.7%	267.5%	267.5%	59.7%	0.74
								(P/Revalued NAV)	0.62

Source: Respective companies' filings and publicly available information

APPENDIX 2 – LETTER FROM THE IFA TO THE RECOMMENDING DIRECTORS

Notes:

- (1) Last transacted price prior to announcement date.
- (2) On 29 May 2017, RHT Capital announced, for and on behalf of United Tech Industries Limited, that the offeror intends to make an offer to acquire all the issued and paid-up ordinary shares of a par value of S\$0.50 each in the capital of Changtian Plastic & Chemical Limited, other than those shares already owned, controlled or agreed to be acquired by the offeror and the parties acting in concert with it at S\$1.30 in cash for each offer share. The market premia is calculated based on \$0.895 per share. The time reference for calculation of premia is 24 May 2017, being the last full trading day of the company prior to the date of the offer announcement. The RNTA per share is as at 31 March 2017.
- (3) On 19 June 2017, TCMP Limited announced, for and on behalf of Harmony Gowell Company Limited, that the offeror intends to make: (i) the offer to acquire all the issued and paid-up ordinary shares of a par value of US\$0.01 each in the capital of China Flexible Packaging Holdings Limited, other than those shares already owned, controlled or agreed to be acquired by the offeror and the parties acting in concert with it at S\$1.25 in cash for each offer share. The market premia is calculated based on \$1.015 per share. The time reference for calculation of premia is 14 June 2017, being the last full trading day of the company prior to the date of the offer announcement. The RNTA per share is as at 31 March 2017.
- (4) On 20 September 2017, UOB announced, for and on behalf of Respond Logistics Pte. Ltd., that the offeror intends to make the offer for all the offer shares of Poh Tiong Choon Logistics Limited, other than those already held by the offeror as at the offer announcement date. The market premia is calculated based on \$1.28 per share. The time reference for calculation of premia is 19 September 2017, being the last full trading day of the company prior to the date of the offer announcement. The NAV per share is as at 30 June 2017.
- (5) On 3 November 2017, Bank of China Limited, Singapore Branch announced, for and on behalf of COSCO SHIPPING International (Singapore) Co., Ltd., that the offeror intends to make a voluntary conditional cash offer for all the issued ordinary shares in the capital of Cogent Holdings Limited, including all shares owned, controlled or agreed to be acquired by parties acting or deemed to be acting in concert with the offeror. The market premia is calculated based on \$0.385 per share. The time reference for calculation of premia is 28 January 2016, being the last full trading day of the company prior to the date of the WSJ Article. The revalued NAV per share is as at 30 September 2017.
- (6) On 28 December 2017, RHT Capital Pte. Ltd. announced, for and on behalf of Elidom Investment Co., Ltd., that the offeror intends to make a voluntary conditional cash offer for all the issued and paid-up ordinary shares in the capital of CWG International Ltd. other than those already held by the company as treasury shares and those already held by the offeror as at the date of the offer. The market premia is calculated based on \$0.153 per share. The time reference for calculation of premia is 28 December 2017, being the last full trading day of the company prior to the date of the offer announcement. The revalued NAV per share is as at 31 December 2017.
- (7) On 11 January 2018, OCBC Bank announced, for and on behalf of the offeror, THSC Investments Pte. Ltd, *inter alia*, that subject to and contingent upon the satisfaction of the pre-conditions, the offeror intends to make the offer for all the offer shares of Tat Hong Holdings Ltd. The market premia is calculated based on S\$0.385 per share. The time reference for calculation of premia is 20 September 2017, being the last full trading day of the company prior to the date of the offer announcement. The NAV per share is as at 31 December 2017.
- (8) On 19 July 2018, DBS Bank Limited, for and on behalf of the offeror, Star Attraction Limited, announced that it intends to make a voluntary unconditional general offer for the offer shares of Wheelock Properties (Singapore) Limited. The market premia is calculated based on S\$1.712 per share. The time reference for calculation of premia is 13 July 2018, being the last full trading day of the company prior to the date of the offer announcement. The revalued NAV per share is as at 30 June 2018.
- (9) On 29 October 2018, Credit Suisse wishes to announce, for and on behalf of West Knighton Limited, that it has purchased an aggregate of 168,692,268 ordinary shares in the capital of Cityneon Holdings Limited. As a consequence of the acquisition, the offeror is required to make a mandatory unconditional cash offer for all the shares, other than those already owned, controlled or agreed to be acquired by the offeror. The market premia is calculated based on S\$1.249 per share. The time reference for calculation of premia is 24 October 2018, being the last full trading day of the company prior to the date of the offer announcement. The NAV per share is as at 30 September 2018.
- (10) On 7 January 2019, KPMG Corporate Finance Pte Ltd announced, for and on behalf of Exeo Global Pte. Ltd., that the offeror intends to make a voluntary conditional cash offer for all the issued and paid-up ordinary shares in the capital of DeClout Limited. The market premia is calculated based on S\$0.081 per share. The time reference for calculation of premia is 6 September 2018, being the last undisturbed trading date of the company prior to the date of the offer announcement. The pro-forma NTA per share is as at 30 September 2018.
- (11) On 18 January 2019, PrimePartners Corporate Finance Pte. Ltd. announced, *inter alia*, that the offeror, a wholly owned subsidiary of Nojima, intends to make a voluntary conditional cash offer for all the issued and outstanding Courts Asia Limited shares. The market premia is calculated based on S\$0.152 per share. The time reference for calculation of premia is 16 January 2019, being the last full trading day of the company prior to the date of the offer announcement. The pro-forma NAV per share is as at 30 September 2018.

APPENDIX 2 – LETTER FROM THE IFA TO THE RECOMMENDING DIRECTORS

- (12) On 4 April 2019, Excel First Investments Limited announced that it intends to make a voluntary unconditional cash offer for all the issued and paid-up ordinary shares of a par value of US\$0.10 each in the capital of Kingboard Copper Foil Holdings Limited. The market premia is calculated based on S\$0.60 per share. The time reference for calculation of premia is 1 April 2019, being the last full trading day of the company prior to the date of the offer announcement. The RNAV per share is as at 31 December 2018.
- (13) On 6 May 2019, RHB Securities Singapore Pte. Ltd. announced, for and on behalf of 8S Capital Holdings Pte. Ltd., that the offeror intends to make a voluntary conditional cash offer for all the issued and paid-up ordinary shares in the capital of 800 Super Holdings Limited. The market premia is calculated based on S\$0.90 per share. The time reference for calculation of premia is 26 April 2019, being the last full trading day of the company prior to the date of the offer announcement. The NAV per share is as at 31 March 2019.
- (14) On 14 May 2019, Oversea-Chinese Banking Corporation Limited announced, for and on behalf of M-Universe Investments Pte. Ltd., that the offeror intends to make a voluntary conditional cash offer for all the issued ordinary shares in the capital of Memtech International Ltd. The market premia is calculated based on S\$1.35 per share. The time reference for calculation of premia is 10 May 19, being the last full trading day prior to the date of the offer announcement. The NAV per share is as at 31 March 2019.
- (15) On 15 May 19, CIMB Bank Berhad announced, for and on behalf of Salacca Pte. Ltd., a wholly-owned subsidiary of G. K. Goh Holdings Limited, that the offeror intends to make a voluntary unconditional cash offer for all the issued ordinary shares in the capital of Boardroom Limited. The market premia is calculated based on S\$0.88 per share. The time reference for calculation of premia is 3 May 2019, being the last full trading day prior to the date of the offer announcement. The adjusted NAV per share is as at 31 March 2019.

Based on the information above, we note the following:

- (a) the premium of the Offer Price over the last transacted price on the Last Trading Day of 195.0% is above the comparable range of the corresponding premia of Selected Successful Delisting/Privatisation Transactions of 164.9%;
- (b) the premium of the Offer Price over the 1-month VWAP of 266.7% is above the comparable range of the corresponding premia of Selected Successful Delisting/Privatisation Transactions of 160.2%;
- (c) the premium of the Offer Price over the 3-month VWAP of 267.5% is above the comparable range of the corresponding premia of Selected Successful Delisting/Privatisation Transactions of 167.9%;
- (d) the premium of the Offer Price over the 6-month VWAP of 267.5% is above the comparable range of the corresponding premia of Selected Successful Delisting/Privatisation Transactions of 177.6%;
- (e) the premium of the Offer Price over the 12-month VWAP of 59.7% is within the range of the corresponding premia/(discount) of Selected Successful Delisting/Privatisation Transactions from (16.7%) to 158.1%, and above the median and mean of 30.6% and 38.7% respectively;
- (f) the Group's P/NAV ratio of 0.74 times is within the range of the corresponding ratios of the Selected Successful Delisting/Privatisation Transactions but below the median and mean of 1.00 times and 1.24 times respectively; and
- (g) the Group's P/Revalued NAV ratio of 0.62 times is within the range of the corresponding ratios of the Selected Successful Delisting/Privatisation Transactions but below the median and mean of 1.00 times and 1.24 times respectively.

Shareholders should note that the level of premium/(discount) an offeror would normally pay in any particular delisting and privatisation transaction depends on, *inter alia*, factors such as potential synergy that the offeror can gain by acquiring the target company, the presence of competing bids for the target company, prevailing market conditions and consideration and existing and desired level of control in the target company. Therefore, the comparison of the Offer with the Selected Successful Delisting/Privatisation Transactions set out above is for illustrative purposes only. Conclusions drawn from the comparisons made may not reflect any perceived market valuation of the Company.

APPENDIX 2 – LETTER FROM THE IFA TO THE RECOMMENDING DIRECTORS

12.7 Other relevant considerations

12.7.1 Outlook of the Group

In the Company's annual report for FY2018, it was stated that the Group has completed the disposal of its 90% interest in PS Components Pte. Ltd., and the Group believes that the disposal is in the best interest of the Group and Shareholders. The Group also expects the business environment which the Group operates in to remain challenging for the financial year ended 31 December 2019.

In addition, the Company had, in its results announcement dated 7 August 2019 in relation to the 1H2019 results, disclosed that in view of the various economic data to date, the Group expects the operating environment in the next 12 months to remain challenging against the backdrop of political and economic uncertainties in the markets which the Group operates.

12.7.2 Offeror's intentions for the Company

The Offeror's intention is to privatise and delist the Company if the Offer is unconditional as to acceptances.

As at the Latest Practicable Date, the Offeror has received valid acceptances in respect of 61,599,400 Shares, representing approximately 90.6% of the total number of Shares. Accordingly, the Offer has been declared unconditional in all respects.

As the Offer has become unconditional, the Offeror is entitled, and intends, to exercise its right of compulsory acquisition under the Companies Act, to compulsorily acquire all the Shares of Shareholders who have not accepted the Offer at the Offer Price of S\$0.118.

Rule 723 of the Catalist Listing Manual also requires the Company to ensure that at least 10% of the total number of Shares (excluding preference shares, convertible equity securities and treasury shares) to be held by the public (the "**Free Float Requirement**"). As the total number of Shares owned, controlled or agreed to be acquired by the Offeror and its concert parties amount to approximately 90.6% of the total number of Shares, the Free Float Requirement is no longer satisfied. Accordingly, trading of the Shares on the SGX-ST will be suspended at the close of the Offer. As mentioned above, the Offeror intends to exercise its right of compulsory acquisition and to privatise and delist the Company.

12.7.3 No competing offers

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

12.7.4 Transaction costs in connection with the disposal of the Shares

The Offer presents an opportunity for Shareholders to dispose of their Shares for cash without any transaction costs as opposed to the sale of the Shares in the open market which will incur expenses such as brokerage or other trading costs.

12.7.5 Dividend track record

The Company had not declared and/or paid any dividend since the financial year ended 31 December 2013.

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

APPENDIX 2 – LETTER FROM THE IFA TO THE RECOMMENDING DIRECTORS

The Directors have also confirmed that the Group currently does not have any plan to distribute its cash to its shareholders by way of a special dividend or otherwise. Hence there is no certainty that Shareholders will receive any dividend distribution in the near future.

We wish to highlight that the above is not an indication of the Company's future dividend policy.

13 SUMMARY OF ANALYSIS

In arriving at our opinion in respect of the financial terms of the Offer, we have deliberated on various factors which we consider to be pertinent and have a significant bearing on our assessment including, *inter alia*, the following:

(a) Rationale for the Offer

We noted that the Offeror is making the Offer with a view to delisting and privatising the Company.

(b) Historical financial performance of the Group

Volatile financial performance of the Group and net losses incurred in 1H2019

The Group had registered net losses of approximately S\$503,000 in FY2017, a marginal net profit of S\$64,000 in FY2018 and net losses of S\$140,000 in 1H2019.

Decreasing net asset and working capital

We noted that while the Group had maintained a positive working capital during the period under review, the net working capital of the Group declined from approximately S\$8.2 million as at 31 December 2017 to S\$8.0 million as at 30 June 2019. Net assets of the Group declined marginally from approximately S\$11.0 million as at 31 December 2017 to S\$10.9 million as at 30 June 2019.

(c) Historical share price performance and trading activity of the Shares

Period after 11 September 2018 up to the Last Trading Day

Between 11 September 2018 and up to the Last Trading Day, the Shares were trading at a range between S\$0.028 to S\$0.167. We noted that the Offer Price represents a significant premium of approximately 321.4% above the lowest transacted price and a discount of 29.3% to the highest transacted price.

Low trading volume for the Shares

We noted that the trading volume of the Shares on SGX-ST had been significantly low, and the Shares of the Company only traded 14 out of the total 251 Market Days during the period from 11 September 2018 to the Last Trading Day. Average daily trading volume during this period is approximately 3,777 Shares, which represents approximately 0.01% of the free float as at the Last Trading Day.

We noted that the trading volume of the Shares had been significantly low in the past 12 months prior to the Offer Announcement. The Offer will provide an exit option for Shareholders who wish to realise their investments in the Shares but find it difficult to do so as a result of the low trading liquidity. However, Shareholders should note that the past trading performance for the Shares should not be relied upon as an indication of its future trading performance.

APPENDIX 2 – LETTER FROM THE IFA TO THE RECOMMENDING DIRECTORS

(d) The Group's NAV, Revalued NAV and net debt position

Offer Price to NAV and Revalued NAV

The Group's P/NAV and P/Revalued NAV were approximately 0.74 times and 0.62 times respectively.

Offer Price to net debt position

We noted that the Group is in a net debt position of approximately S\$3.6 million as at 30 June 2019.

Historical closing prices of the Shares to NAV per Share

We noted that the closing prices of the Shares had been trading at a premium/(discount) range of (82.5%) to 4.4% to its NAV per Share over the 12-month period preceding the Last Trading Day and up to and including the Latest Practicable Date.

Comparison of the Offer Price to NAV and Revalued NAV per Share against Comparable Companies and Selected Successful Delisting/Privatisation Transactions

We noted that the P/NAV ratio of the Company of 0.74 times is (i) within the range of P/NAV ratios of the Comparable Companies of between 0.44 times and 1.21 times; (ii) above the median P/NAV ratio of 0.68 times; and (iii) above the mean P/NAV ratio of 0.73 times.

We noted that the P/Revalued NAV ratio of the Company of 0.62 times is (i) within the range of P/NAV ratios of the Comparable Companies of between 0.44 times and 1.21 times; (ii) below the median P/NAV ratio of 0.68 times; and (iii) below the mean P/NAV ratio of 0.73 times.

We noted that the Group's P/NAV ratio of 0.74 times is within the range of the corresponding ratios of the Selected Successful Delisting/Privatisation Transactions but below the median and mean of 1.00 times and 1.24 times respectively.

We noted that the Group's P/Revalued NAV ratio of 0.62 times is within the range of the corresponding ratios of the Selected Successful Delisting/Privatisation Transactions but below the median and mean of 1.00 times and 1.24 times respectively.

Book value or revalued book value may not be fully realisable

Shareholders should note that the NAV may not be fully realisable at its book value or revalued value, especially within a short time frame, and the market value of the assets may vary depending on, amongst others, the prevailing market and economic conditions and whether a buyer can be found for such assets.

(e) Relative valuation analysis

We noted that the P/E ratio of the Company (as implied by the Offer Price) of 124.54 times is above the comparable range of P/E ratios of the Comparable Companies of between 8.11 times and 18.04 times and the EV/EBITDA ratio of the Company (as implied by the Offer Price) of 28.75 times is above the comparable range of EV/EBITDA ratios of the Comparable Companies of between 2.50 times and 23.85 times.

(f) Comparison against Selected Successful Delisting/Privatisation Transactions

We noted that the premiums of 195.0%, 266.7%, 267.5% and 267.5% for the Group as implied by the Offer Price over the last transacted price, 1-month VWAP, 3-month VWAP and 6-month VWAP for the Shares prior to the Offer Announcement, respectively, are above the comparable range of the corresponding ratios of the Selected Successful Delisting/Privatisation Transactions.

APPENDIX 2 – LETTER FROM THE IFA TO THE RECOMMENDING DIRECTORS

We also noted that the premium of 59.7% for the Group as implied by the Offer Price over the 12-month VWAP is within the range of the corresponding premia/(discount) of Selected Successful Delisting/Privatisation Transactions from (16.7%) to 158.1%, and above the median and mean of 30.6% and 38.7% respectively.

(g) Intention of the Offeror regarding the listing status

We noted that as at the Latest Practicable Date, the Offer has become unconditional to acceptances. Accordingly, trading of the Shares will be suspended at the close of the Offer and the Offeror intends to exercise its right of compulsory acquisition and to privatise and delist the Company.

(h) No competing offer received

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

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

The Offer presents an opportunity for Shareholders to dispose of their Shares for cash without any transaction costs as opposed to the sale of the Shares in the open market which will incur expenses such as brokerage or other trading costs.

(j) Dividend track record of the Company

We noted that the Company had not declared and/or paid any dividend since the financial year ended 31 December 2013. The Directors have confirmed that the Company does not have a fixed dividend policy and that they may recommend future dividends after taking into consideration the Company's cash and financial position, financial performance of the Group, working capital requirements, projected capital expenditure and other investment plans. The Directors have also confirmed that the Group currently does not have any plan to distribute its cash to its shareholders by way of a special dividend or otherwise. Hence there is no certainty that Shareholders will receive any dividend distribution in the near future.

14 RECOMMENDATION AND CONCLUSION

Having carefully considered the information available to us, and the analysis set out in this IFA Letter, and based upon the industry, market, economic and other relevant considerations as at the Latest Practicable Date, and subject to the qualifications and assumptions made herein, from a financial point of view, we are of the view that the financial terms of the Offer is FAIR AND REASONABLE.

In determining that the Offer is **FAIR**, we have considered the following pertinent factors from the perspective of the value of the Shares:

- (a) the Offer Price is at a premium of 195.0% over the last transacted Share price on the Last Trading Day;
- (b) the Offer Price is at a premium of 266.7% over the 1-month VWAP prior to the Offer Announcement;
- (c) the Offer Price is at a premium of 267.5% over the 3-month VWAP and 6-month VWAP prior to the Offer Announcement; and
- (d) the Offer Price is at a premium of 59.7% over the 12-month VWAP prior to the Offer Announcement.

APPENDIX 2 – LETTER FROM THE IFA TO THE RECOMMENDING DIRECTORS

Although we noted that the Offer Price is at a discount of 26.3% and 37.9% to the NAV and Revalued NAV per Share of the Group as at 30 June 2019 respectively, the discount was within the range of P/NAV ratios of the Comparable Companies and Selected Successful Delisting/Privatisation Transactions.

In determining that the Offer is **REASONABLE**, we have considered the following pertinent factors other than from the perspective of the value of the Shares:

- (a) the volatile financial performance of the Group for FY2017, FY2018 and 1H2019;
- (b) the trading volume of the Shares for the 12-month period prior to the Offer Announcement had been significantly low and the Offer will provide an exit option for those Shareholders who wish to realise their investments in the Shares but find it difficult to do so as a result of the low trading liquidity;
- (c) the Group's P/E and EV/EBITDA ratios are above the comparable range of the corresponding ratios of the Comparable Companies;
- (d) the premium of the Offer Price over the last transacted price, 1-month VWAP, 3-month VWAP and 6-month VWAP is above the comparable range of the corresponding ratios of the Selected Successful Delisting/Privatisation Transactions and the premium of the Offer Price over the 12-month VWAP is within the comparable range and above the median and mean of the corresponding ratios of the Selected Successful Delisting/Privatisation Transactions;
- (e) there is no publicly available evidence of any alternative offer for the Shares from any third party and given that the Offeror and parties acting in concert with it own, control, have acquired or have agreed to acquire holdings of approximately 90.6% of the issued Shares of the Company as at the Latest Practicable Date, it may deter a takeover by a third party for the Company;
- (f) the Company did not pay any dividend since the financial year ended 31 December 2013 and the Directors have confirmed that the Company does not have a fixed dividend policy; and
- (g) the Offeror intends to exercise its right of compulsory acquisition and trading of the Shares will be suspended at the close of the Offer.

Accordingly, on the balance of the above factors, we advise that the Independent Directors recommend Shareholders who:

- (a) wish to realise their investment in the Company at this time but are unable to sell their Shares in the open market at a price (after deducting related expenses) higher than the Offer Price; and/or
- (b) believe that a higher offer may not be made,

to **ACCEPT** the Offer. The Independent Directors should note that transactions of the Shares are subject to possible market fluctuations and, accordingly, our opinion and advice on the Offer does not and cannot take into account the future transactions or price levels that may be established for the Shares since these are governed by factors beyond the ambit of our review.

This letter is addressed to the Independent Directors for their benefit, in connection with and for the purpose of their consideration of the financial terms of the Offer. The recommendation made by them to the Shareholders in relation to the Offer shall remain the sole responsibility of the Independent Directors.

APPENDIX 2 – LETTER FROM THE IFA TO THE RECOMMENDING DIRECTORS

Whilst a copy of this letter may be reproduced in the Circular, neither the Company nor the Directors may reproduce, disseminate or quote this letter (or any part thereof) for any other purpose at any time and in any manner without the prior written consent of HLF in each specific case, except for the purpose of the Offer. Our opinion and advice are governed by, and construed in accordance with, the laws of Singapore, and are strictly limited to the matters stated herein and do not apply by implication to any other matter.

Yours truly,
For and on behalf of
Hong Leong Finance Limited

Tang Yeng Yuen
Vice President

Kaeson Chui
Vice President



Valuation report

3 Kaki Bukit Road 2
#01-06 and #01-07
"Eunos Warehouse Complex"
Singapore 417837

Prepared on behalf of PS Group Holdings Ltd.

Date of issue: 18 September 2019

Contact details

PS Group Holdings Ltd.

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KF ref: 1682/V/326/19/BW/sl



Valuation certificate

Property : 3 Kaki Bukit Road 2 #01-06 and #01-07 "Eunos Warehouse Complex" Singapore 417837

**Instructing party/
Relying party** : PS Group Holdings Ltd.

Purpose of valuation : Takeover

Legal description : Strata Lot Nos. : U16057V and U18842K
Mukim : 23

Tenure : Leasehold 60 years with effect from 11 January 1982
(Balance of about 22.3 years as at 9 September 2019)

Basis of valuation : Market Value subject to existing tenancy

Registered owner : PS Fasteners Pte. Ltd.

Master plan 2014 : "Business 2" with a gross plot ratio of 2.0

Brief description : The Property consists of 2 amalgamated strata-titled single-storey warehouse units located within a single-storey warehouse block within "Eunos Warehouse Complex". Eunos Warehouse Complex is flanked by Eunos Link, Kaki Bukit Avenue 2 and Kaki Bukit Road 2, and some 10.0 km from the City Centre. The development comprises a 4-storey flatted warehouse block (No. 1) and a single-storey warehouse block (No. 3). There are loading/unloading bays on the first storey of the 4-storey block with open lorry and vehicle parking lots located within the premises. Vertical movement within the 4-storey block is by means of 4 cargo lifts. The maximum loading capacity on the 1st storey is 22 kN/sm whilst the upper storeys is 15 kN/sm. The development was completed in 1984 or thereabouts.

Tenancy profile : The Property is currently tenanted to Libra Engineering Pte Ltd for 2 years.

Strata floor area	Unit no.	Strata floor area (sm)
	#01-06	1,344.0
	#01-07	672.0
	Total	2,016.0

Valuation methodology : Direct Comparison Method

Valuation date : 9 September 2019

Market Value	Unit no.	Market Value
	#01-06	S\$2,800,000/-
	#01-07	S\$1,540,000/-
	Total	S\$4,340,000/-

(Singapore Dollars Four Million Three Hundred And Forty Thousand Only)
This valuation is exclusive of GST.

Assumptions, disclaimers, limitations & qualifications : *This valuation certificate is provided subject to the assumptions, disclaimers, limitations and qualifications detailed throughout this certificate which are made in conjunction with those included within the General Terms of Business for Valuations located at the end of this report. Reliance on this certificate and extension of our liability is conditional upon the reader's acknowledgement and understanding of these statements. Use by, or reliance upon this document for any other purpose if not authorised, Knight Frank Pte Ltd is not liable for any loss arising from such unauthorised use or reliance. The document should not be reproduced without our written authority. The valuers have no pecuniary interest that would conflict with the proper valuation of the Property.*

Prepared by : Knight Frank Pte Ltd

Png Poh Soon
MSc., B.Sc.(Real Estate) Hons., MSISV
Senior Director
Valuation & Advisory
Appraiser's Licence No: AD 041-2009900J
For and on behalf of Knight Frank Pte Ltd



Contents

Valuation certificate	2
1 Instructions	4
1.1 Terms of reference	4
1.2 Structure and outline of the report	5
1.3 Extension of liability and confidentiality	5
2 Site details	5
2.1 Legal description	5
2.2 Tenure	5
2.3 Registered owner	5
2.4 Location	5
2.5 Master plan 2014	6
3 Property description	6
3.1 Type of property	6
3.2 Strata floor area	6
3.3 Construction	6
3.4 Year of completion	7
3.5 Accommodation	7
3.6 Finishes	7
3.7 Condition	7
3.8 Annual value	7
3.9 Services	7
4 Occupational details	8
4.1 Overview of tenancy	8
5 Valuation rationale	8
5.1 Valuation methodology	8
5.2 Direct comparison method	8
6 Valuation	8
6.1 Valuation date	8
6.2 Assumptions	8
6.3 Market Value	9
7 Warranty	9

Appendices

- Appendix 1 - Photographs
- Appendix 2 - Location plan
- Appendix 3 - Sales evidence
- Appendix 4 - General Terms of Business for Valuations



1 Instructions

1.1 Terms of reference

We thank you for your instructions for a formal valuation to be carried out in respect of the abovementioned property (the "Property") for takeover purposes. This valuation has been carried out by Knight Frank Pte Ltd, in accordance with our General Terms of Business for Valuations. A copy of this document is attached to the report.

This report is prepared for the private and confidential use by PS Group Holdings Ltd.

We confirm that we do not have any material connection or involvement giving rise to a conflict of interest and are providing an objective and unbiased valuation.

We have specifically been instructed to provide our opinion of the Market Value of the Property, prepared as at **9 September 2019**, subject to existing tenancy arrangement.

Our valuation is our opinion of the Market Value, which we would define as follows:

"Market Value is the estimated amount for which an asset or liability should exchange on 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".

Our valuation has been made on the assumption that the Property is sold in the open market without the benefit of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement which would serve to alter the value of the Property.

No allowance has been made in our valuation for any charges, mortgages or amounts owing on the Property or for any expenses or taxation, which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the Property is free from encumbrances, restrictions and outgoing of an onerous nature, which could affect value.

In preparing this valuation, we have relied on information provided by PS Group Holdings Ltd., particularly in respect of such matters as floor area. We have relied upon this information as being accurate and complete. We accept no responsibility for subsequent changes in the information provided. Dimensions, measurements and areas are only approximations.

Unless otherwise stated, all valuation figures herein are stated on a net of GST basis.

We have inspected the Property on 6 September 2019 and provided our opinion of Market Value as at 9 September 2019 based on existing usage and subject to existing tenancy arrangement.



1.2 Structure and outline of the report

Section 2 of this report provides information on the site – area, ownership, title, planning information, location, etc. Section 3 describes the Property and its physical attributes, including its construction, finishes, condition, floor area, etc. Section 4 provides occupational details. Section 5 reviews the rationale for using the Direct Comparison Method. Section 6 concludes with a summary of the valuation.

1.3 Extension of liability and confidentiality

This report may only be relied upon by PS Group Holdings Ltd. for takeover purposes.

This confidential document is for the sole use of persons directly provided with it by Knight Frank Pte Ltd. Use by, or reliance upon this document by anyone other than PS Group Holdings Ltd. is not authorised by Knight Frank Pte Ltd and Knight Frank Pte Ltd is not liable for any loss whatsoever arising from such unauthorised use or reliance. Neither the whole nor any part of this report nor any reference thereto may be included in any published document, circular or statement nor published in any way without our prior written approval of the form or context in which it may appear.

2 Site details

2.1 Legal description

Strata Lot Nos. : U16057V and U18842K
Mukim : 23

2.2 Tenure

Leasehold 60 years with effect from 11 January 1982
(Balance of about 22.3 years as at 9 September 2019)

2.3 Registered owner

The registered owner as shown in the title document is PS Fasteners Pte. Ltd.

2.4 Location

The subject development is flanked by Eunos Link, Kaki Bukit Avenue 2 and Kaki Bukit Road 2, and some 10.0 km from the City Centre.

The immediate locality is industrial in nature comprising several other warehouse complexes. Prominent developments in the vicinity include Kaki Bukit Autohub, UOB Warehouse, Gordon Warehouse Building, City Warehouse, Ruby Warehouse Complex and Extra Space Eunos.



Towards the north-west of the development is the industrial estate of Defu, while on the opposite side of Eunos Link are the Kampong Ubi Driving Test Centre and several industrial buildings.

A few minutes' drive away are the Kaki Bukit and Ubi MRT stations, Pan-Island Expressway and the HDB Eunos/Kampong Ubi Housing Estates.

2.5 Master plan 2014

The 2014 Edition of the Master Plan shows the following:

Zoning - "Business 2" with a gross plot ratio of 2.0

Note: The official Master Plan Zoning, Road and Drainage Interpretation Plans have not been applied for.

3 Property description

3.1 Type of property

The Property consists of 2 amalgamated strata-titled single-storey warehouse units located within a single-storey warehouse block within "Eunos Warehouse Complex".

The development comprises a 4-storey flatted warehouse block (No. 1) and a single-storey warehouse block (No. 3). There are loading/unloading bays on the first storey of the 4-storey block with open lorry and vehicle parking lots located within the premises. Vertical movement within the 4-storey block is by means of 4 cargo lifts. The maximum loading capacity on the 1st storey is 22 kN/sm whilst the upper storeys is 15 kN/sm. The development was completed in 1984 or thereabouts.

3.2 Strata floor area

We understand that the total strata floor area of the Property is about 2,016.0 sm (21,700 sf).

Table 1: Strata floor area

Unit no.	Approximate strata floor area (sm)
#01-06	1,344.0
#01-07	672.0
Total	2,016.0

Note: Areas – subject to final survey.

3.3 Construction

The building is constructed of reinforced concrete framework and the subject units are fitted with timber and glass doors and aluminium frame glass adjustable louvred windows.

Fire protection is by means of fire sprinkler system and fire alarm systems.



3.4 Year of completion

We understand that the development was completed in 1984 or thereabouts.

3.5 Accommodation

The main accommodation within the Property includes the following:

Table 2: Accommodation

Unit no.	Description
#01-06	general warehouse area, general production area, reception, partitioned offices, general office areas, server room, pantry, store and toilets
#01-07	general production area

3.6 Finishes

The internal floor finishes consist of tiles, carpet and cement screed generally.

Internal wall finishes consist of partitioned boards and emulsion paint on cement plaster generally.

The ceilings are of suspended ceiling boards and emulsion paint on cement plaster generally.

3.7 Condition

At the date of inspection, the building appeared to be in an average condition.

We have assumed that the Property is in sound order and free from structural faults, rot, infestation or other defects, and that the services are in a satisfactory condition.

Important Notice:

We have not been provided with a current structural survey, nor an expert report on the plant and equipment. Our valuation is conditional on the structure and service installations of the improvements being free from any defects requiring material capital expenditure, other than that stated herein. If this is incorrect, or should there be a material revision to the capital expenditure information noted within, our valuation would change.

Our valuation is conditional upon the property complying with all statutory and local government regulations and building codes. We are not, however, experts in this area and should you wish to confirm compliance verification may be sought from an appropriately qualified consultant.

3.8 Annual value

We have been advised that the Property is currently assessed at a total annual value of \$325,000. Property tax is currently payable at 10% per annum of the annual value.

3.9 Services

We have assumed for the purpose of this valuation that main utility and Telecoms services are all available to the Property.



4 Occupational details

4.1 Overview of tenancy

The Property is currently tenanted at a monthly gross rental of \$36,000 for 2 years commencing 2 September 2019.

5 Valuation rationale

5.1 Valuation methodology

Our valuation has been undertaken using appropriate valuation methodology and our professional judgement.

We have valued the Property by the Direct Comparison Method.

5.2 Direct comparison method

In this method, a comparison is made with sales of similar strata-titled warehouse units and terrace factory units in the vicinity. Adjustments are made, where appropriate, for differences in size, type, tenure, age, and specifications etc., before arriving at the value of the Property.

The derived value of the Property based on the Direct Comparison Method is \$4,340,000.

The breakdown of the individual values is as below:

Table 3: Direct comparison method

Unit no.	Market Value
#01-06	\$2,800,000
#01-07	\$1,540,000
Total	\$4,340,000

A schedule of the sales evidence is at Appendix 3.

6 Valuation

6.1 Valuation date

The valuation date is 9 September 2019.

6.2 Assumptions

Our valuation is necessarily based on a number of assumptions which have been drawn to your attention in our General Terms of Business for Valuations within this report.



6.3 Market Value

Subject to the overriding stipulations contained within the body of this report, we are of the opinion that the Market Value of the unencumbered remaining leasehold interest in the Property, subject to the existing tenancy, for takeover purposes, at the valuation date, is:

Table 4: Market Value

Unit no.	Market Value
#01-06	S\$2,800,000/-
#01-07	S\$1,540,000/-
Total	S\$4,340,000/-

(Singapore Dollars Four Million Three Hundred And Forty Thousand Only)

This valuation is exclusive of GST.

7 Warranty

1. Knight Frank Pte Ltd is not, in any way, directly or indirectly, interested (whether financially or otherwise) in the Property and the proposed transaction;
2. The firm is in a position to conduct a completely independent appraisal and provide an impartial opinion against the same;
3. All works are carried out in accordance with the Singapore Institute of Surveyors and Valuers (SISV) Valuation Standards and Practice Guidelines and International Valuation Standards (IVS), and all codes, standards and requirements of professionalism have been met;
4. The firm is acting in this capacity as an independent contractor and not as an employee or agent of PS Group Holdings Ltd. nor is the firm authorised by implication or otherwise, to represent the firm as PS Group Holdings Ltd. employee or agent;
5. This report has been vetted as part of Knight Frank Pte Ltd's quality assurance procedures; and
6. We certify that the valuers undertaking this valuation on behalf of Knight Frank Pte Ltd, are authorised to practise as valuers and have the necessary expertise and experience in valuing similar types of properties.

Signature

Png Poh Soon
MSc.,B.Sc.(Real Estate) Hons.,MSISV
Senior Director
Valuation & Advisory
Appraiser's Licence No: AD 041-2009900J
For and on behalf of Knight Frank Pte Ltd

Appendix 1 - Photographs



#01-06 - Subject unit



#01-07 - Subject unit



General warehouse area



General production area



General office area



Pantry area



Appendix 2 - Location plan



Not to scale



Appendix 3 - Sales evidence

Property	Strata floor area (sm)	Price	Date	Remarks
51 Ubi Avenue 1 #01-18 "Paya Ubi Industrial Park"	623.0	\$1,880,000	07/2019	<ul style="list-style-type: none"> • Leasehold 60 years from 1997 • Completed in 2000 • 3-storey terrace factory building
253 Kaki Bukit Avenue 1 "Shun Li Industrial Park"	643.0	\$2,060,000	04/2019	<ul style="list-style-type: none"> • Leasehold 60 years from 1996 • Completed in 1999 • 3-storey terrace factory building
9 Kaki Bukit Road 2 #01-07 "Gordon Warehouse Building"	261.0	\$ 973,992	03/2019	<ul style="list-style-type: none"> • Leasehold 60 years from 1981 • Warehouse unit within 4-storey warehouse building
9 Kaki Bukit Road 2 #01-08 "Gordon Warehouse Building"	208.0	\$ 776,007	03/2019	<ul style="list-style-type: none"> • Leasehold 60 years from 1981 • Warehouse unit within 4-storey warehouse building



Appendix 4 - General Terms of Business for Valuations

These General Terms of Business and our Terms of Engagement letter together form the agreement between us ("Agreement"). The following General Terms of Business apply to all valuations and appraisals undertaken by Knight Frank Pte Ltd unless specifically agreed otherwise in the Terms of Engagement letter and so stated within the main body of the valuation report and/or certificate.

1. Knight Frank Pte Ltd ("the company")

Knight Frank Pte Ltd is a privately owned company with registration number 198205243Z. Any work done by an individual is in the capacity as an employee of the Company.

Our GST registration number is M2-0058829-X.

2. Limitations on Liability

The Valuer's responsibility in connection with this valuation report and/or certificate is limited to the party to whom the valuation report and/or certificate is addressed for the stated purpose. The Valuer disclaims all responsibility and will accept no liability to any third party for the whole or any part of its contents saved on the basis of written and agreed instructions; this will incur an additional fee.

Our maximum total liability for any direct loss or damage whether caused by our negligence or breach of contract or otherwise is limited to the lower of S\$1 million or 3 times Knight Frank Pte Ltd's fee under the instruction.

We do not accept liability for any indirect or consequential loss (such as loss of profits).

3. Disclosure and Publication

If our opinion of value is disclosed to persons other than the addressees of our valuation report and/or certificate, the basis of valuation should be stated. Reproduction of this valuation report and/or certificate in any manner whatsoever in whole or in part or any reference to it in any published document, circular or statement nor published in any way whatsoever in hard copy or electronically (including on any websites) without the Valuer's prior written approval of the form and context in which may appear is prohibited.

4. Our Fees

If any invoice remains unpaid after the date on which it is due to be paid, we reserve the right to charge interest, calculated daily, from the date when payment was due until payment is made at 1.5% per month. If we should find it necessary to use legal representatives or collection agents to recover monies due, you will be required to pay all costs and disbursements so incurred.

If before the valuation is concluded :-

(a) you end this instruction, we will charge abortive fees; or

(b) you delay the instruction by more than [1] month or materially alter the instruction so that additional work is required at any stage we will charge additional fees,

And in each case such fees will be calculated on the basis of reasonable time and expenses incurred.

Where the valuation is for loan security purposes, and we agree to accept payment of our fee from the borrower, the fee remains due from yourselves until payment is received by us. Additionally, payment of our fee is not conditional upon the loan being drawn down or any conditions of the loan being met.

5. Valuation Standards

Valuations and appraisals will be carried out in accordance with the Singapore Institute of Surveyors and Valuers (SISV) Valuation Standards and Practice Guidelines and International Valuation Standards (IVS), and all codes, standards and requirements of professionalism will be met.

6. Valuation Basis

Valuations and appraisals are carried out on a basis appropriate to the purpose for which they are intended and in accordance with the relevant definitions, commentary and assumptions outlined in the valuation report and/or certificate. The basis of valuation will be agreed with you for the instruction.

The opinion expressed in this valuation report and/or certificate is made strictly in accordance with the terms and for the purpose expressed therein and the values assessed and any allocation of values between portions of the property need not be applicable in relation to some other assessment.

7. Titles and Burdens

We do not read documents of title although, where provided, we consider and take account of matters referred to in solicitor's reports or certificates of title. We would normally assume, unless specifically informed and stated otherwise, that each property has good and marketable title and that all documentation is satisfactorily drawn and that there are no unusual outgoing, planning proposals, onerous restrictions or regulatory intentions which affect the property, nor any material litigation pending.

All liens and encumbrances, if any, affecting the property have been disregarded unless otherwise stated and it is assumed that the current use of the property is not in contravention of any planning or other governmental regulation or law.

The Valuer does not warrant to the party to whom the valuation report and/or certificate is addressed and any other person the title or the rights of any person with regard to the property.

8. Disposal Costs and Liabilities

No allowance is made in our valuation for expenses of realisation or for taxation which may arise in the event of a disposal and our valuation is expressed as exclusive of any GST that may become chargeable. Properties are valued disregarding any mortgages or other charges.

9. Sources of Information

We rely upon the information provided to us, by the sources listed, as to details of tenure and tenancies (subject to "leases" below), planning consents and other relevant matters, as summarised in our valuation report and/or certificate. We do not check with the relevant government departments or other appropriate authorities on the legality of the structures, approved gross floor area or other information provided to us. We assume that this information is complete and correct and the Valuer shall not be held responsible or liable if this should prove not to be so.

Unless otherwise stated, all information has been obtained by our search of records and examination of documents or by enquiry from Government departments or other appropriate authorities. When it is stated in this valuation report and/or certificate that information has been supplied to the Valuer by another party, this information is believed to be reliable and the Valuer shall not be held responsible or liable if this should prove not to be so.



10. Boundaries

Plans accompanying valuation report are for identification purposes and should not be relied upon to define boundaries, title or easements. The extent of the site is outlined in accordance with information given to us and/or our understanding of the boundaries.

11. Planning and Other Statutory Regulations

Enquiries of the relevant planning authorities in respect of matters affecting the property, where considered appropriate, are normally only obtained verbally and this information is given to us, and accepted by us, on the basis that it should not be relied upon. Where reassurance is required on planning matters, we recommend that formal written enquiries should be undertaken by the client's solicitors who should also confirm the position with regard to any legal matters referred to in our report. We assume that properties have been constructed, or are being constructed, and are occupied or used in accordance with the appropriate consents and that there are no outstanding statutory notices.

12. Property Insurance

Our valuation assumes that the property would, in all respects, be insurable against all usual risks at normal, commercially acceptable premiums.

13. Building Areas and Age

Where so instructed, areas provided from a quoted source will be relied upon. Where the age of the building is estimated, this is for guidance only.

14. Structural Condition

Building structural and ground condition surveys are detailed investigations of the building, the structure, technical services and ground and soil conditions undertaken by specialist building surveyors or engineers and fall outside the normal remit of a valuation. Since we will not have carried out any of these investigations, except where separately instructed to do so, we are unable to report that the property is free of any structural fault, rot, infestation or defects of any other nature, including inherent weaknesses due to the use in construction of deleterious materials. We do reflect the contents of any building survey report referred to us or any defects or items of disrepair of which we are advised or which we note during the course of our valuation inspections but otherwise assume properties to be free from defect.

15. Ground Conditions

We assume there to be no unidentified adverse ground or soil conditions and that the load bearing qualities of the sites of each property are sufficient to support the building constructed or to be constructed thereon.

16. Environmental Issues

Investigations into environmental matters would usually be commissioned of suitably qualified environmental specialists by most responsible purchasers of higher value properties or where there was any reason to suspect contamination or a potential future liability. Furthermore, such investigation would be pursued to the point at which any inherent risk was identified and quantified before a purchase proceeded. Anyone averse to risk is strongly recommended to have a property environmental investigation undertaken and, besides, a favourable report may be of assistance to any future sale of the property. Where we are provided with the conclusive results of such investigations, on which we are instructed to rely, these will be reflected in our valuations with reference to the source and nature of the enquiries. We would endeavour to point out any obvious indications or occurrences known to us of harmful contamination encountered during the course of our valuation enquiries.

We are not, however, environmental specialists and therefore we do not carry out any scientific investigations of sites or buildings to establish the existence or otherwise of any environmental contamination, nor do we undertake searches of public archives to seek evidence of past activities which might identify potential for contamination. In the absence of appropriate investigations and where there is no apparent reason to suspect potential for contamination, our valuation will be on the assumption that the property is unaffected.

17. Leases

The client should confirm to us in writing if they require us to read leases. Where we do read leases reliance must not be placed on our interpretation of these documents without reference to solicitors, particularly where purchase or lending against the security of a property is involved.

18. Covenant

We reflect our general appreciation of potential purchasers' likely perceptions of the financial status of tenants. We do not, however, carry out detailed investigations as to the financial standing of the tenants, except where specifically instructed, and assume, unless informed otherwise, that in all cases there are no significant arrears of payment and that they are capable of meeting their obligations under the terms of leases and agreements.

19. Loan Security

Where instructed to comment on the suitability of property as a loan security we are only able to comment on any inherent property risk. Determination of the degree and adequacy of capital and income cover for loans is the responsibility of the lender having regard to the terms of the loan.

20. Build Cost Information

Where our instruction requires us to have regard to build cost information, for example in the valuation of properties with development potential, we strongly recommend that you supply us with build cost and other relevant information prepared by a suitably qualified construction cost professional, such as a quantity surveyor. We do not hold ourselves out to have expertise in assessing build costs and any property valuation advice provided by us will be stated to have been arrived at in reliance upon the build cost information supplied to us by you. In the absence of any build cost information supplied to us, we may have regard to published build cost information. There are severe limitations on the accuracy of build costs applied by this approach and professional advice on the build costs should be sought by you. The reliance which can be placed upon our advice in these circumstances is severely restricted. If you subsequently obtain specialist build cost advice, we recommend that we are instructed to review our advice.

21. Reinstatement Assessments

A reinstatement assessment for insurance purposes is a specialist service and we recommend that separate instructions are issued for this specific purpose. If advice is required as a check against the adequacy of existing cover this should be specified as part of the initial instruction. Any indication given is provided only for guidance and must not be relied upon as the basis for insurance cover. Our reinstatement assessment should be compared with the owner's and if there is a material difference, then a full reinstatement valuation should be considered.

22. Attendance in Court

The Valuer is not obliged to give testimony or to appear in Court with regard to this valuation report and/or certificate, with reference to the property unless specific arrangement has been made therefor.

APPENDIX 4 – EXTRACTS FROM THE COMPANY’S CONSTITUTION

The provisions in the Constitution relating to the rights of Shareholders in respect of capital, dividends and voting have been reproduced below:

1. RIGHTS OF SHAREHOLDERS IN RESPECT OF CAPITAL ISSUE OF SHARES

- Issue of new shares* 4. Subject to the Companies Act and these Articles, no shares may be issued by the Directors without the prior sanction of an ordinary resolution of the Company in general meeting but subject thereto and to Article 47, and to any special rights attached to any shares for the time being issued, the Directors may issue, allot or grant options over or otherwise deal with or dispose of the same to such persons on such terms and conditions and for such consideration and at such time and subject or not to the payment of any part of the amount thereof in cash as the Directors may think fit, and any shares may be issued in such denominations or with such preferential, deferred, qualified or special rights, privileges or conditions as the Directors may think fit, and preference shares may be issued which are or at the option of the Company are liable to be redeemed, the terms and manner of redemption being determined by the Directors.
- Rights attached to certain shares* 5. (1) Preference shares may be issued subject to such limitations thereof as may be prescribed by any stock exchange upon which shares in the Company may be listed and the rights attaching to shares other than ordinary shares shall be expressed in the Memorandum of Association or these Articles. The total number of issued preference shares shall not exceed the total number of issued ordinary shares at any time. Preference shareholders shall have the same rights as ordinary shareholders as regards receiving of notices, reports and balance sheets and attending general meetings of the Company. Preference shareholders shall also have the right to vote at any meeting convened for the purpose of reducing the capital or winding up or sanctioning a sale of the undertaking of the Company or where the proposal to be submitted to the meeting directly affects their rights and privileges or when the dividend on the preference shares is more than six (6) months in arrears.
- (2) The Company has power to issue further preference capital ranking equally with, or in priority to, preference shares from time to time already issued or about to be issued.
- Treasury shares* 6. The Company shall not exercise any rights (including the right to attend and vote at general meetings) in respect of treasury shares other than as provided by the Act. Subject thereto, the Company may hold or deal with its treasury shares in the manner authorised by, or prescribed pursuant to, the Act.
- Variation of rights* 7. (1) If at any time the share capital is divided into different classes, the repayment of preference capital other than redeemable preference capital and the rights attached to any class (unless otherwise provided by the terms of issue of the shares of that class) may, subject to the provisions of the Companies Act, whether or not the Company is being wound up, only be made, varied or abrogated with the sanction of a special resolution passed at a separate general meeting of the holders of shares of the class and to every such special resolution, the provisions of Section 184 of the Companies Act shall, with such adaptations as are necessary, apply. To every such separate general meeting, the provisions of these Articles relating to general meetings shall mutatis mutandis apply; but so that the necessary quorum shall be two (2) persons at least holding or representing by proxy or by attorney one-third of the issued shares of the class and that any holder of shares of the class present in person or by proxy or by attorney may demand a poll. Provided always that where the necessary majority for such a special resolution is not obtained at the general meeting, consent in writing if obtained from the holders of three-fourths of the issued shares of the class concerned within two (2) months of the general meeting shall be as valid and effectual as a special resolution carried at the general meeting.

APPENDIX 4 – EXTRACTS FROM THE COMPANY’S CONSTITUTION

<i>Rights of preference shareholders</i>	(2) The repayment of preference capital other than redeemable preference or any other alteration.
<i>Creation or issue of further shares with special rights</i>	8. The rights conferred upon the holders of the shares of any class issued with preferred or other rights shall, unless otherwise expressly provided by the terms of issue of the shares of that class or by these Articles, be deemed to be varied by the creation or issue of further shares ranking equally therewith.
<i>Power to pay commission and brokerage</i>	9. Unless otherwise specified or restricted by law, the Company may pay commissions or brokerage on any issue or purchase of its shares, or sale, or disposal or transfer of treasury shares at such rate or amount and in such manner as the Directors may deem fit. Such commissions or brokerage may be satisfied by the payment of cash or the allotment of fully or partly paid shares, or partly in one way and partly in the other.
<i>Power to charge interest on capital</i>	10. If any shares of the Company are issued for the purpose of raising money to defray the expenses of the construction of any works or buildings or the provision of any plant which cannot be made profitable for a lengthened period, the Company may, subject to the conditions and restrictions mentioned in the Act, pay interest on so much of the share capital as is for the time being paid up and may charge the same to capital as part of the cost of the construction or provision.
<i>No trust recognised</i>	11. Except as required by 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 law otherwise provided) any other rights in respect of any share, except an absolute right to the entirety thereof in the person (other than the Depository) entered in the Register of Members as the registered holder of a share is the Depository) the person whose name is entered in the Depository Register in respect of that share.
<i>Fractional part of a share</i>	12. 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.
<i>Payment of instalments</i>	13. 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.
<i>Share certificates</i>	14. The certificate of title to shares or debentures in the capital of the Company shall be issued under the seal in such form as the Directors shall from time to time prescribe and may bear the autographic or facsimile signatures of at least two (2) Directors, or of one (1) Director and the Secretary or some other person appointed by the Directors in place of the Secretary for the purpose, and shall specify the number and class of shares to which it relates, the amounts paid thereon, the amount (if any) unpaid on the shares and the extent to which the shares are paid up. The facsimile signatures may be reproduced by mechanical or other means provided the method or system of reproducing signatures has first been approved by the auditors of the Company.

APPENDIX 4 – EXTRACTS FROM THE COMPANY’S CONSTITUTION

- Joint Holders*
15. (1) The Company shall not be bound to register more than three (3) persons as the joint holders of any share except in the case of executors, trustees or administrators of the estate of a deceased Member.
- (2) If two (2) or more persons are registered as joint holders of any share any one of such persons may give effectual receipts for any dividend payable in respect of such shares.
- (3) Only the person whose name stands first in the Register of Members as one (1) of the joint holders of any share shall be entitled to delivery of the certificate relating to such share or to receive notices from the Company and any notice given to such person shall be deemed notice to all the joint holders. Only the person whose name stands first in the Depository Register shall be entitled to receive notices from the Company and any notice given to such person shall be deemed notice to all the joint holders.
- Entitlement to certificates*
16. (1) Shares must be allotted and certificate despatched within ten (10) market days of the final closing date for an issue of shares unless the Exchange shall agree to an extension of time in respect of that particular issue. The Depository must despatch statements to successful investor applicants confirming the number of shares held under their Securities Accounts. Persons entered in the Register of Members as registered holders of shares shall be entitled to certificates within ten (10) market days after lodgement of any transfer. Every registered shareholder shall be entitled to receive share certificates in reasonable denominations for his holding and where a charge is made for certificates, such charge shall not exceed S\$2 (or such other fee as the Directors may determine having regard to any limitation thereof as may be prescribed by any stock exchange upon which the shares of the Company may be listed). Where a registered shareholder transfers part only of the shares comprised in a certificate or where a registered shareholder requires the Company to cancel any certificate or certificates and issue new certificates for the purpose of subdividing his holding in a different manner the old certificate or certificates shall be cancelled and a new certificate or certificates for the balance of such shares issued in lieu thereof and the registered shareholder shall pay a fee not exceeding S\$2 (or such other fee as the Directors may determine having regard to any limitation thereof as may be prescribed by any stock exchange upon which the shares of the Company may be listed) for each such new certificate as the Directors may determine. Where the member is a Depositor the delivery by the Company to the Depository of provisional allotments or share certificates in respect of the aggregate entitlements of Depositors to new shares offered by way of rights issue or other preferential offering or bonus issue shall to the extent of the delivery discharge the Company from any further liability to each such Depositor in respect of his individual entitlement.
- Retention of Certificate*
- (2) The retention by the Directors of any unclaimed share certificates (or stock certificates as the case may be) shall not constitute the Company a trustee in respect thereof. Any share certificate (or stock certificate as the case may be) unclaimed after a period of six (6) years from the date of issue of such share certificate (or stock certificates as the case may be) may be forfeited and if so shall be dealt with in accordance with Articles 37, 40, 41, 45 and 46, *mutatis mutandis*.

APPENDIX 4 – EXTRACTS FROM THE COMPANY’S CONSTITUTION

*New
certificates
may be issued*

17. (1) Subject to the provisions of the Act, if any share certificate shall be defaced, worn out, destroyed, lost or stolen, it may be renewed on such evidence being produced and a letter of indemnity (if required) being given by the shareholder, transferee, person entitled, purchaser, member firm or member company of the Exchange or on behalf of its or their client or clients as the Directors of the Company shall require, and (in case of defacement or wearing out) on delivery up of the old certificate and in any case on payment of such sum not exceeding S\$2 (or such other fee as the Directors may determine having regard to any limitation thereof as may be prescribed by any stock exchange upon which the shares of the Company may be listed) as the Directors may from time to time require. In the case of destruction, loss or theft, a shareholder or person entitled to whom such renewed certificate is given shall also bear the loss and pay to the Company all expenses incidental to the investigations by the Company of the evidence of such destruction or loss.

(2) When any shares under the powers in these Articles herein contained are sold by the Directors and the certificate thereof has not been delivered up to the Company by the former holder of the said shares, the Directors may issue a new certificate for such shares distinguishing it in such manner as they may think fit from the certificate not so delivered up.

*Form of
transfer of
shares*

18. Subject to these Articles, any Member may transfer all or any of his shares but every instrument of transfer of the legal title in shares must be in writing and in the form for the time being approved by the Directors and the Exchange. Shares of different classes shall not be comprised in the same instrument of transfer. The Company shall accept for registration transfers in the form approved by the Exchange.

Execution

19. The instrument of transfer of a share shall be signed by or on behalf of the transferor and the transferee and be witnessed, provided that an instrument of transfer in respect of which the transferee is the Depository shall not be ineffective by reason of it not being signed or witnessed for by or on behalf of the Depository. The transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the Register of Members.

*Person under
disability*

20. No share shall in any circumstances be transferred to any infant, bankrupt or person of unsound mind but nothing herein contained shall be construed as imposing on the company any liability in respect of the registration of such transfer if the company has no actual knowledge of the same.

*Directors’
power to
decline to
register*

21. (1) Subject to these Articles, there shall be no restriction on the transfer of fully paid up shares except where required by law or by the rules, bye-laws or listing rules of the Exchange but the Directors may in their discretion decline to register any transfer of shares upon which the Company has a lien and in the case of shares not fully paid up may refuse to register a transfer to a transferee of whom they do not approve. If the Directors shall decline to register any transfer of shares, they shall give to both the transferor and the transferee written notice of their refusal to register as required by the Act and the listing rules of the Exchange.

APPENDIX 4 – EXTRACTS FROM THE COMPANY’S CONSTITUTION

Terms of registration of transfers

(2) The Directors may decline to register any instrument of transfer unless:-

(i) such fee not exceeding S\$2 (or such other fee as the Directors may determine having regard to any limitation thereof as may be prescribed by any stock exchange upon which the shares of the Company may be listed) as the Directors may from time to time require, is paid to the Company in respect thereof;

(ii) the instrument of transfer, duly stamped in accordance with any law for the time being in force relating to stamp duty, is deposited at the Office or at such other place (if any) as the Directors appoint accompanied by a certificate of payment of stamp duty (if any is payable), the certificates of the shares to which the transfer relates, and such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer and, if the instrument of transfer is executed by some other person on his behalf, the authority of the person so to do; and

(iii) the instrument of transfer is in respect of only one (1) class of shares.

Retention of transfers

22. (1) All instruments of transfer which are registered may be retained by the Company, but any instrument of transfer which the Directors may decline to register shall (except in the case of fraud) be returned to the person depositing the same.

(2) Subject to any legal requirements to the contrary, the Company shall be entitled to destroy all instruments of transfer which have been registered at any time after the expiration of six (6) years from the date of registration thereof and all dividend mandates and notifications of change of address at any time after the expiration of six (6) years from the date of recording thereof and all share certificates which have been cancelled at any time after the expiration of six (6) years from the date of cancellation and it shall 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 documents so destroyed was duly and properly made and every instrument of transfer so destroyed was a valid and effective instrument duly and properly registered and every share certificate so destroyed was a valid and effective certificate duly and properly cancelled and every other document hereinbefore mentioned so destroyed was a valid and effective document in accordance with the recorded particulars thereof in the books or records of the Company. Provided that:-

(i) the provisions aforesaid shall apply only to the destruction of a document in good faith and without notice of any claim (regardless of the parties thereto) to which the document might be relevant;

(ii) nothing herein contained shall be construed as imposing upon the Company any liability in respect of the destruction of any such document earlier than as aforesaid or in any circumstances which would not attach to the Company in the absence of this Article; and

(iii) references herein to the destruction of any document include references to the disposal thereof in any manner.

Closing or Register

23. The Register of Members and the Depository Register may be closed at such times and for such period as the Directors may from time to time determine, provided always that the Registers shall not be closed for more than thirty days in the aggregate in any year. Provided always that the Company shall give prior notice of such closure as may be required to the Exchange, stating the period and purpose or purposes for which the closure is made.

APPENDIX 4 – EXTRACTS FROM THE COMPANY’S CONSTITUTION

- Notice to unregistered executors and trustees* (2) The Directors may at any time give notice requiring any such person to elect whether to be registered himself as a Member in the Register of Members or, (as the case may be), entered in the Depository Register in respect of the share or to transfer the share and if the notice is not complied with within sixty (60) days the Directors may thereafter withhold payment of all dividends or other moneys payable in respect of the share until the requirements of the notice have been complied with.
- Rights of unregistered executors and trustees* 27. A person entitled to a share by transmission shall be entitled to receive, and may give a discharge for, any dividends or other moneys payable in respect of the share, but he shall not be entitled in respect of it to receive notices of or to attend or vote at meetings of the Company, or, save as aforesaid, to exercise any of the rights or privileges of a Member, unless and until he shall become registered as a shareholder or have his name entered in the Depository Register as a Depositor in respect of the share.
- Fee for registration of probate, etc.* 28. There shall be paid to the Company in respect of the registration of any probate, letters of administration, certificate of marriage or death, power of attorney or other document relating to or affecting the title to any share, such fee not exceeding S\$2 (or such other sum as may be approved by the Exchange from time to time) as the Directors may from time to time require or prescribe.
- Call on shares* 29. The Directors may from time to time make such calls as they think fit upon the Members in respect of any money unpaid on their shares and not by the terms of the issue thereof made payable at fixed times, and each Member shall (subject to receiving at least fourteen (14) days’ notice specifying the time or times and place of payment) pay to the Company at the time or times and place so specified the amount called on his shares. A call may be revoked or postponed as the Directors may determine. The joint holders of a share shall be jointly and severally liable to the payment of all calls and instalments in respect thereof.
- Time when made* 30. 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.
- Interest on calls* 31. If a sum called in respect of a share is not paid before or on the day appointed for payment thereof, the person from whom the sum is due shall pay interest on the sum due from the day appointed for payment thereof to the time of actual payment at such rate not exceeding eight (8) per cent per annum as the Directors determine, but the Directors shall be at liberty to waive payment of such interest wholly or in part.
- Sum due on allotment* 32. Any sum which by the terms of issue and allotment of a share becomes payable upon allotment or at any fixed date shall for all purposes of these Articles be deemed to be a call duly made and payable on the date on which, by the terms of issue, the same becomes payable, and in case of non-payment all the relevant provisions of the Articles as to payment of interest and expenses, forfeiture or otherwise shall apply as if such sum had become payable by virtue of a call duly made and notified.
- Power to differentiate* 33. 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.

APPENDIX 4 – EXTRACTS FROM THE COMPANY’S CONSTITUTION

- Payment in advance of calls*
34. The Directors may, if they think fit, receive from any Member willing to advance the same all or any part of the money uncalled and unpaid upon the shares held by him and such payments in advance of calls shall extinguish (so far as the same shall extend) the liability upon the shares in respect of which it is made, and upon the money so received or so much thereof as from time to time exceeds the amount of the calls then made upon the shares concerned, the Company may pay interest at such rate not exceeding without the sanction of the Company in general meeting eight (8) per cent per annum as the Member paying such sum and the Directors agree upon. Capital paid on shares in advance of calls shall not whilst carrying interest confer a right to participate in profits and until appropriated towards satisfaction of any call shall be treated as a loan to the Company and not as part of its capital and shall be repayable at any time if the Directors so decide.
- Notice requiring payment of calls*
35. If any Member fails to pay in full any call or instalment of a call on or before the day appointed for payment thereof, the Directors may at any time thereafter serve a notice on such Member requiring payment of so much of the call or instalment as is unpaid together with any interest and expense which may have accrued by reason of such non-payment.
- Notice to state time and place*
36. The notice shall name a further day (not being less than seven (7) days from the date of service of the notice) on or before which and the place where the payment required by the notice is to be made, and shall state that in the event of non-payment in accordance therewith the shares on which the call was made will be liable to be forfeited.
- Forfeiture on non-compliance with notice*
37. If the requirements of any such notice as aforesaid are not complied with any share in respect of which such notice has been given may at any time thereafter, before payment of all calls and interest and expenses due in respect thereof, be forfeited by a resolution of the Directors to that effect. Such forfeiture shall include all dividends declared in respect of the forfeited share and not actually paid before the forfeiture. The forfeiture or surrender of a share shall involve the extinction at the time of forfeiture or surrender of all interest in and all claims and demands against the Company in respect of the share, and all other rights and liabilities incidental to the share as between the Member whose share is forfeited or surrendered and the Company, except only such of those rights and liabilities as are by these Articles expressly saved, or as are by the Act given or imposed in the case of past Members. The Directors may accept a surrender of any share liable to be forfeited hereunder.
- Notice of forfeiture to be given and entered*
38. When any share has been forfeited in accordance with these Articles, notice of the forfeiture shall forthwith be given to the holder of the share or to the person entitled to the share by transmission, as the case may be, and an entry of such notice having been given, and of the forfeiture with the date thereof, shall forthwith be made in the Register of Members or in the Depository Register (as the case may be) opposite to the share; but the provisions of this Article are directory only, and no forfeiture shall be in any manner invalidated by any omission or neglect to give such notice or to make such entry as aforesaid.
- Directors may allow forfeited share to be redeemed*
39. Notwithstanding any such forfeiture as aforesaid, the Directors may, at any time before the forfeited share has been otherwise disposed of, annul the forfeiture, upon the terms of payment of all calls and interest due thereon and all expenses incurred in respect of the share and upon such further terms (if any) as they shall see fit.

APPENDIX 4 – EXTRACTS FROM THE COMPANY’S CONSTITUTION

- Sale of shares forfeited* 40. A share so forfeited or surrendered shall become the property of the Company and may be either cancelled, sold, re-allotted or otherwise disposed of either to the person who was before such forfeiture or surrender the holder thereof or entitled thereto or to any other person, upon such terms and in such manner as the Directors shall think fit, and at any time before a sale, re-allotment or disposition the forfeiture or surrender may be cancelled on such terms as the Directors think fit. To give effect to any such sale, the Directors may, if necessary, authorise some person to transfer a forfeited or surrendered share to any such person as aforesaid.
- Rights and liabilities of Members whose shares have been forfeited or surrendered* 41. 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 remain liable to pay to the Company all moneys which at the date of forfeiture or surrender were payable by him to the Company in respect of the shares with interest thereon at eight (8) per cent per annum (or such lower rate as the Directors may approve) from the date of forfeiture or surrender until payment, but such liability shall cease if and when the Company receives payment in full of all such money in respect of the shares and the Directors may waive payment of such interest either wholly or in part.
- Company’s lien* 42. The Company shall have a first and paramount lien and charge on every share (not being a fully paid share) in the name of each Member (whether solely or jointly with others) and on the dividends declared or payable in respect thereof for all unpaid calls and instalments due on any such share and interest and expenses thereon but such lien shall only be upon the specific shares in respect of which such calls or instalments are due and unpaid and to such amounts as the Company may be called upon by law to pay in respect of the shares of the Member or deceased Member. The Directors may waive any lien which has arisen and may resolve that any share shall for some limited period be exempt wholly or partially from the provisions of this Article.
- Member not entitled to privileges until all calls paid* 43. No Member shall be entitled to receive any dividend or to exercise any privileges as a Member until he shall have paid all calls for the time being due and payable on every share held by him, whether along or jointly with any other person, together with interest and expenses (if any).
- Sale of shares subject to lien* 44. The Directors may sell in such manner as the Directors think fit any share on which the Company has a lien but no sale shall be made unless some sum in respect of which the lien exists is presently payable nor until the expiration of seven (7) days after notice in writing stating and demanding payment of the sum payable and giving notice of intention to sell in default, shall have been given to the Member for the time being in relation to the share or the person entitled thereto by reason of his death or bankruptcy. To give effect to any such sale, the Directors may authorise some person to transfer the shares sold to the purchaser thereof.
- Application of proceeds of such sale* 45. The net proceeds of sale, whether of a share forfeited by the Company or of a share over which the Company has a lien, after payment of the costs of such sale shall be applied in or towards payment or satisfaction of the unpaid call and accrued interest and expenses and the residue (if any) paid to the Member entitled to the share at the time of sale or his executors, administrators or assigns or as he may direct.

APPENDIX 4 – EXTRACTS FROM THE COMPANY’S CONSTITUTION

- Title to shares forfeited or surrendered or sold to satisfy a lien*
46. A statutory declaration in writing by a Director of the Company that a share has been duly forfeited or surrendered or sold to satisfy a lien of the Company on a date stated in the declaration shall be conclusive evidence of the facts stated therein as against all persons claiming to be entitled to the share, and such declaration and the receipt of the Company for the consideration (if any) given for the share on the sale, re-allotment or disposal thereof, together with the certificate under seal for the share delivered to a purchaser or allottee thereof, shall (subject to the execution of a transfer if the same be required) constitute a good title to the share and the person to whom the share is sold, re-allotted or disposed of shall be entered in the Register of Members as the holder of the share or (as the case may be) in the Depository Register in respect of the share and shall not be bound to see to the application of the purchase money (if any) nor shall his title to the share be affected by any irregularity or invalidity in the forfeiture, surrender, sale, re-allotment or disposal of the share.
- Rights and privileges of new shares*
47. Subject to any special rights for the time being attached to any existing class of shares, the new shares shall be issued upon such terms and conditions and with such rights and privileges annexed thereto as the general meeting resolving upon the creation thereof shall direct and if no direction be given as the Directors shall determine; subject to the provisions of these Articles and in particular (but without prejudice to the generality of the foregoing) such shares may be issued with a preferential or qualified right to dividends and in the distribution of assets of the Company or otherwise.
- Issue of new shares to Members*
48. (1) Subject to any direction to the contrary that may be given by the Company in general meeting, or except as permitted under the Exchange’s listing rules, all new shares shall before issue be offered to the Members in proportion, as nearly as the circumstances admit, to the number of the existing shares to which they are entitled or hold. The offer shall be made by notice specifying the number of shares offered, and limiting a time within which the offer, if not accepted, will be deemed to be declined, and, after the expiration of that time, or on the receipt of an intimation from the person to whom the offer is made that he declines to accept the shares offered, the Directors may dispose of those shares in such manner as they think most beneficial to the Company. The Directors may likewise so dispose of any new shares which (by reason of the ratio which the new shares bear to shares held by persons entitled to an offer of new shares) cannot, in the opinion of the Directors, be conveniently offered under this Article.
- (2) Notwithstanding Article 48(1) above but subject to the Companies Act and the byelaws and listing rules of the Exchange, the Company may by ordinary resolution in general meeting give to the Directors a general authority, either unconditionally or subject to such conditions as may be specified in the ordinary resolution to:
- (i) issue shares in the capital of the Company (whether by way of rights, bonus or otherwise); and/or
 - (ii) make or grant Instruments; and/or
 - (iii) (notwithstanding the authority conferred by the ordinary resolution may have ceased to be in force) issue shares in pursuance of any Instrument made or granted by the Directors while the ordinary resolution was in force;

APPENDIX 4 – EXTRACTS FROM THE COMPANY’S CONSTITUTION

provided that:

- (a) the aggregate number of shares or Instruments to be issued pursuant to the ordinary resolution (including shares to be issued in pursuance of Instruments made or granted pursuant to the ordinary resolution but excluding shares which may be issued pursuant to any adjustments effected under any relevant Instrument) does not exceed any applicable limits prescribed by the Exchange;
- (b) in exercising the authority conferred by the ordinary resolution, the Company shall comply with the listing rules for the time being in force (unless such compliance is waived by the Exchange) and the Articles; and
- (c) (unless revoked or varied by the Company in general meeting) the authority conferred by the ordinary resolution shall not continue in force beyond the conclusion of the Annual General Meeting next following the passing of the ordinary resolution, or the date by which such Annual General Meeting is required by law to be held, or the expiration of such other period as may be prescribed by the Companies Act (whichever is the earliest).

(3) Notwithstanding Article 48(1) above but subject to the Companies Act, the Directors shall not be required to offer any new shares to members to whom by reason of foreign securities laws such offers may not be made without registration of the shares or a prospectus or other document, but may sell the entitlements to the new shares on behalf of such Members in such manner as they think most beneficial to the Company.

New shares otherwise subject to provisions of Articles

49. Except so far as otherwise provided by the conditions of issue or by these Articles, any capital raised by the creation of new shares shall be considered part of the original ordinary capital of the Company and shall be subject to the provisions of these Articles with reference to allotments, payment of calls, lien, transfer, transmission, forfeiture and otherwise.

Power to consolidate, cancel and subdivide shares

50. (1) The Company may by ordinary resolution alter its share capital in the manner permitted under the Companies Act including without limitation:
- (i) consolidate and divide all or any of its shares;
 - (ii) cancel the number of shares which, at the date of the passing of the resolution, have not been taken or agreed to be taken by any person or which have been forfeited and diminish its share capital in accordance with the Companies Act;
 - (iii) subdivide its shares or any of them (subject to the provisions of the Companies Act), Provided always that in such subdivision the proportion between the amount paid and the amount (if any) unpaid on each reduced share shall be the same as it was in the case of the share from which the reduced share is derived; and
 - (iv) subject to the provisions of these Articles and the Companies Act, convert any class of shares into any other class of shares.

APPENDIX 4 – EXTRACTS FROM THE COMPANY’S CONSTITUTION

- Repurchase of Company’s shares* (2) The Company may purchase or otherwise acquire its issued shares subject to and in accordance with the provisions of the Companies Act and any other relevant rule, law or regulation enacted or promulgated by any relevant competent authority from time to time (collectively, 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 may be cancelled or held as treasury shares and dealt with in accordance with the Relevant Laws. 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 Companies Act.
- Power to reduce capital* 51. The Company may by special resolution reduce its share capital or any other undistributable reserve in any manner subject to any requirements and consents required by law. Without prejudice to the generality of the foregoing, upon cancellation of any share purchased or otherwise acquired by the Company pursuant to these presents and the Companies Act, the number of issued shares of the Company shall be diminished by the number of shares so cancelled, and where any such cancelled shares were purchased or acquired out of the capital of the Company, the amount of the share capital of the Company shall be reduced accordingly.
- Power to convert into stock* 52. The Company may by ordinary resolution convert any or all its paid up shares into stock and may from time to time by resolution reconvert any stock into paid up shares of any denomination.
- Transfer of stock* 53. The holders of stock may transfer the same or any part thereof in the same manner and subject to these Articles as and subject to which the shares from which the stock arose might previously to conversion have been transferred or as near thereto as circumstances admit but no stock shall be transferable except in such units as the Directors may from time to time determine.
- Rights of stockholders* 54. The holders of stock shall, according to the number of stock units held by them, have the same rights, privileges and advantages as regards dividend, return of capital, voting and other matters as if they held the shares from which the stock arose, but no such privilege or advantage (except as regards dividend and return of capital and the assets on winding up) shall be conferred by any such number of stock units which would not if existing in shares have conferred that privilege or advantage, and no such conversion shall affect or prejudice any preference or other special privileges attached to the shares so converted.
- Interpretation* 55. All provisions of these Articles applicable to paid up shares shall apply to stock and the words share and shareholder or similar expression herein shall include stock or stockholder.

2. RIGHTS OF SHAREHOLDERS IN RESPECT OF VOTING

- Annual General Meeting* 56. (1) Subject to the provisions of the Act, the Company shall in each year hold a general meeting in addition to any other meetings in that year to be called the Annual General Meeting, and not more than fifteen (15) months shall elapse between the date of one (1) Annual General Meeting of the Company and that of the next. The Annual General Meeting shall be held at such time and place as the Directors shall appoint. 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.

APPENDIX 4 – EXTRACTS FROM THE COMPANY’S CONSTITUTION

<i>Extraordinary General Meetings</i>	(2) All general meetings other than Annual General Meetings shall be called Extraordinary General Meetings. The time and place of any meeting shall be determined by the convenors of the meeting.
<i>Calling of Extraordinary General Meetings</i>	57. 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.
<i>Notice of meetings</i>	58. (A) (1) Subject to the provisions of the Act as to calling of meetings at short notice, at least fourteen (14) clear days’ notice in writing of every general meeting shall be given in the manner hereinafter mentioned to all members and such persons (including the auditors) as are under the provisions herein contained entitled to receive notice from the Company and at least fourteen (14) days’ notice of every such meeting shall be given by advertisement in the daily press and in writing to the Exchange and any other stock exchange on which the Company is listed. Where notices contain special resolutions, they must be given to members and such persons entitled to receive the notice at least twenty-one (21) days’ notice of every such meeting shall be given by advertisement in the daily press and in writing to the Exchange and any other stock exchange on which the Company is listed. Provided that a general meeting notwithstanding that it has been called by a shorter notice than that specified above shall be deemed to have been duly called if it is so agree:- (a) in the case of an Annual General Meeting by all the members entitled to attend and vote thereat; and (b) in the case of an Extraordinary General Meeting by a majority in number of the members having a right to attend and vote thereat, being a majority together holding not less than 95 per cent of the total voting rights of all members having a right to vote at that meeting. (2) The accidental omission to give notice to, or the non-receipt by any person entitled thereto shall not invalidate the proceedings at any general meeting.
<i>Contents of notice</i>	(B) (1) Every notice calling a general meeting shall specify the place, day and hour of the general meeting and there shall appear with reasonable prominence in every such notice a statement that a Member entitled to attend and vote is entitled to appoint a proxy to attend and to vote instead of him and that a proxy need not be a Member of the Company.
<i>Notice of Annual General Meeting</i>	(2) In the case of an Annual General Meeting, the notice shall also specify the Meeting as such.
<i>Nature of special business to be specified</i>	(3) In the case of any general meeting at which business other than routine business is to be transacted (special business), the notice shall specify the general nature of the special business, and if any resolution is to be proposed as a special resolution or as requiring special notice, the notice shall contain a statement to that effect.

APPENDIX 4 – EXTRACTS FROM THE COMPANY’S CONSTITUTION

- Special business*
59. Routine business shall mean and include only business transacted at an Annual General Meeting of the following classes, that is to say:-
- (a) declaring dividends;
 - (b) receiving and adopting the accounts, the reports of the Directors and auditors and other documents required to be attached or annexed to the accounts;
 - (c) appointing or re-appointing Directors to fill vacancies arising at the meeting on retirement whether by rotation or otherwise;
 - (d) re-appointing the retiring auditors (unless they were last appointed otherwise than by the Company in general meeting);
 - (e) fixing the remuneration of the auditors or determining the manner in which such remuneration is to be fixed; and
 - (f) fixing the remuneration of the Directors proposed to be paid under Article 86.
- Any notice of a meeting called to consider special business shall be accompanied by a statement regarding the effect of any proposed resolution in respect of such special business.
- Quorum*
60. No business shall be transacted at any general meeting unless a quorum is present at time the meeting proceeds to business. Save as herein otherwise provided, two (2) Members present in person shall form a quorum. For the purpose of this Article, Member includes a person attending by proxy or by attorney or by a corporate representative in the case of a corporation which has appointed a corporate representative. Provided that (i) a proxy representing more than one (1) Member shall only count as one (1) Member for the purpose of determining the quorum; and (ii) where a Member is represented by more than one (1) proxy such proxies shall count as only one (1) Member for the purpose of determining the quorum.
- Adjournment if quorum not present*
61. If within half an hour from the time appointed for the general meeting a quorum is not present, the general meeting if convened on the requisition of Members shall be dissolved. In any other case it shall stand adjourned to the same day in the next week at the same time and place, or to such other day and at such other time and place as the Directors may determine, and if at such adjourned general meeting a quorum is not present within half an hour from the time appointed for holding the general meeting, the general meeting shall be dissolved.
- Resolutions in writing*
62. Subject to the Act, a resolution in writing signed by every Member of the Company entitled to vote or being a corporation by its duly authorised representative shall have the same effect and validity as an ordinary resolution of the Company passed at a general meeting duly convened, held and constituted, and may consist of several documents in the like form, each signed by one (1) or more of such Members.
- Chairman*
63. The Chairman of the Board of Directors or, in his absence, the Deputy Chairman (if any) shall preside as Chairman at every general meeting. If there is no such Chairman or Deputy Chairman or if at any general meeting he is not present within fifteen minutes after the time appointed for holding the general meeting or is unwilling to act, the Directors present shall choose a Director to be Chairman of the general meeting or, if no Director is present or if all the Directors present are unwilling to take the Chair, or otherwise fail to choose a Director amongst them to be Chairman of the meeting, the Members shall choose a Member present to be Chairman.

APPENDIX 4 – EXTRACTS FROM THE COMPANY'S CONSTITUTION

Adjournment 64. The Chairman may, with the consent of any general meeting at which a quorum is present (and shall if so directed by the general meeting), adjourn the general meeting from time to time and from place to place, but no business shall be transacted at any adjourned general meeting except business which might lawfully have been transacted at the general meeting from which the adjournment took place. When a meeting is adjourned for fourteen (14) days or more, notice of the adjourned general meeting shall be given as in the case of the original general meeting. Save as aforesaid, it shall not be necessary to give any notice of an adjournment or of the business to be transacted at an adjourned general meeting.

Method of voting 65. At any general meeting a resolution put to the vote of the general meeting shall be decided on a show of hands unless a poll is (before or on the declaration of the result of the show of hands) demanded:–

- (i) by the Chairman of the general meeting; or
- (ii) by at least two (2) Members present in person or by proxy (where a Member has appointed more than one (1) proxy, any one (1) of such proxies may represent that Member) or attorney or in the case of a corporation by a representative and entitled to vote thereat; or
- (iii) by any Member or Members present in person or by proxy (where a Member has appointed more than one (1) proxy, any one (1) of such proxies may represent that Member) or attorney or in the case of a corporation by a representative or any number or combination of such Members, holding or representing not less than ten per cent (10%) of the total voting rights of all the Members having the right to vote at the general meeting; or
- (iv) by a Member or Members present in person or by proxy (where a Member has appointed more than one (1) proxy, any one (1) of such proxies may represent that Member) or attorney or in the case of a corporation by a representative or any number or combination of such Members, holding or representing shares in the Company conferring a right to vote at the general meeting being shares on which an aggregate sum has been paid up equal to not less than ten per cent (10%) of the total sum paid up on all the shares of the Company (excluding treasury shares) conferring that right.

Provided always that no poll shall be demanded on the election of a Chairman or on a question of adjournment. Unless a poll is so demanded (and the demand is not withdrawn) a declaration by the Chairman that a resolution has been carried or carried unanimously or by a particular majority or lost and an entry to that effect in the minute book shall be conclusive evidence of the fact without proof of the number or proportion of the votes recorded in favour of or against the resolution. A demand for a poll may be withdrawn only with the approval of the meeting.

Taking a poll 66. If a poll is duly demanded (and the demand is not withdrawn) it shall be taken in such manner (including the use of ballot or voting papers or tickets) as the Chairman may direct and the result of a poll shall be deemed to be the resolution of the general meeting at which the poll was demanded. The Chairman may, and if so requested shall, appoint scrutineers and may adjourn the general meeting to some place and time fixed by him for the purpose of declaring the result of the poll.

APPENDIX 4 – EXTRACTS FROM THE COMPANY’S CONSTITUTION

- Votes counted in error* 67. If any votes are counted which ought not to have been counted or might have been rejected, the error shall not vitiate the result of the voting unless it is pointed out at the same general meeting or at any adjournment thereof, and not in that case unless it shall in the opinion of the Chairman be of sufficient magnitude.
- Chairman’s casting vote* 68. Subject to the Act and the requirements of the Exchange, in the case of equality of votes, whether on a show of hands or on a poll, the Chairman of the general meeting at which the show of hands takes place or at which the poll is demanded shall be entitled to a second or casting vote in addition to the votes to which he may be entitled as a Member or as proxy of a Member.
- Time for taking a poll* 69. 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 general meeting) and place as the Chairman may direct. No notice need be given of a poll not taken immediately.
- Continuance of business after demand for a poll* 70. 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.
- Voting rights of Members* 71 (1) Subject and without prejudice to any special privileges or restrictions as to voting for the time being attached to any special class of shares for the time being forming part of the capital of the Company and to Article 6, each Member entitled to vote may vote in person or by proxy or attorney, and (in the case of a corporation) by a representative. A person entitled to more than one (1) vote need not use all his votes or cast all the votes he uses in the same way.
- (2) On a show of hands every Member who is present in person or by proxy or attorney, or in the case of a corporation by a representative, shall have one (1) vote provided that if a Member is represented by two (2) proxies, only one of the proxies as determined by their appointor shall vote on a show of hand and in the absence of such determination, only one of the proxies as determined by the Chairman (or by a person authorised by him) shall vote on a show of hands and on a poll, every Member who is present in person or by proxy, or attorney or representative shall have one (1) vote for each share which he holds or represents.
- (3) Notwithstanding anything contained in these Articles, a Depositor shall not be entitled to attend any general meeting and to speak and vote thereat unless his name is certified by the Depository to the Company as appearing on the Depository Register not later than forty-eight (48) hours before the time of the relevant general meeting (the cut-off time) as a Depositor on whose behalf the Depository holds shares in the Company. For the purpose of determining the number of votes which a Depositor or his proxy may cast on a poll, the Depositor or his proxy shall be deemed to hold or represent that number of shares entered in the Depositor’s Securities Account at the cut-off time as certified by the Depository to the Company, or where a Depositor has apportioned the balance standing to his Securities Account as at the cut-off time between two (2) proxies, to apportion the said number of shares between the two (2) proxies in the same proportion as specified by the Depositor in the appointing the proxies; and accordingly no instrument appointing a proxy of a Depositor shall be rendered invalid merely by reason of any discrepancy between the number of shares standing to the credit of that Depositor’s Securities Account as at the cut-off time, and the true balance standing to the Securities Account of a Depositor as at the time of the relevant general meeting, if the instrument is dealt with in such manner as aforesaid.

APPENDIX 4 – EXTRACTS FROM THE COMPANY’S CONSTITUTION

- Voting rights of joint holders* 72. Where there are joint holders of any share any one (1) of such persons may vote and be reckoned, in a quorum at any meeting either personally or by proxy or by attorney or in the case of a corporation by a representative as if he were solely entitled thereto but if more than one (1) of such joint holders is so present at any meeting then the person present whose name stands first in the Register of Members or the Depository Register (as the case may be) in respect of such share shall alone be entitled to vote in respect thereof. Several executors or administrators of a deceased Member in whose name any share stands shall for the purpose of this Article be deemed joint holders thereof.
- Voting rights of Members of unsound mind* 73. If a Member be a lunatic, idiot or non-compos mentis, he may vote whether on a show of hands or on a poll by his committee, curator bonis or such other person as properly has the management of his estate and any such committee, curator bonis or other person may vote by proxy or attorney, provided that such evidence as the Directors may require of the authority of the person claiming to vote shall have been deposited at the Office not less than forty-eight (48) hours before the time appointed for holding the meeting.
- Right to vote* 74. Subject to the provisions of these Articles, every Member either personally or by proxy or by attorney or in the case of a corporation by a representative shall be entitled to be present and to vote at any general meeting and to be reckoned in the quorum thereat in respect of shares fully paid and in respect of partly paid shares where calls are not due and unpaid. In the event a member has appointed more than one (1) proxy, only one (1) proxy is counted in determining the quorum.
- Objections* 75. No objection shall be raised to the qualification of any voter except at the meeting or adjourned meeting at which the vote objected to is given or tendered and every vote not disallowed at such meeting shall be valid for all purposes. Any such objection made in due time shall be referred to the Chairman of the meeting whose decision shall be final and conclusive.
- Votes on a poll* 76. On a poll votes may be given either personally or by proxy or by attorney or in the case of a corporation by its representative and a person entitled to more than one (1) vote need not use all his votes or cast all the votes he uses in the same way.
- Appointment of proxies* 77. (1) Unless otherwise provided by the Act, a Member may appoint not more than two (2) proxies to attend and vote at the same general meeting.
- (2) If the Member is a Depositor, the Company shall be entitled:–
- (i) to reject any instrument of proxy lodged if the Depositor is not shown to have any shares entered in its Securities Account as at the cut-off time as certified by the Depository to the Company; and
 - (ii) to accept as validly cast by the proxy or proxies appointed by the Depositor on a poll that number of votes which corresponds to or is less than the aggregate number of shares entered in its Securities Account of that Depositor as at the cut-off time as certified by the Depository to the Company, whether that number is greater or smaller than the number specified in any instrument of proxy executed by or on behalf of that Depositor.

APPENDIX 4 – EXTRACTS FROM THE COMPANY’S CONSTITUTION

(3) Where a Member appoints more than one (1) proxy, he shall specify the proportion of his shareholding to be represented by each proxy. If no such proportion or number is specified the first named proxy may be treated as representing 100% of the shareholding and any second named proxy as an alternate to the first named.

(4) Voting right(s) attached to any shares in respect of which a Member has not appointed a proxy may only be exercised at the relevant general meeting by the member personally or by his attorney, or in the case of a corporation by its representative.

(5) Where a Member appoints a proxy in respect of more shares than the shares standing to his name in the Register of Members, or in the case of a Depositor, standing to the credit of that Depositor’s Securities Account, such proxy may not exercise any of the votes or rights of the shares not registered to the name of that Member in the Register of Members or standing to the credit of that Depositor’s Securities Account as at the cut-off time, as the case may be.

(6) If the Chairman is appointed as proxy, he may authorise any other person to act as proxy in his stead. Where the Chairman has authorised another person to act as proxy, such other person shall be taken to represent all Members whom the Chairman represented as proxy.

(7) Where a person present at a general meeting represents by proxy, attorney or representative more than one (1) Member on a show of hands:

- (i) the person is entitled to one (1) vote only despite the number of Members the person represents; and
- (ii) that vote will be taken as having been cast for all Members the person represents; and
- (iii) if the person has been appointed as a proxy under two (2) or more instruments that specify different ways to vote on a resolution, the person may not vote as a proxy on a show of hands, however, if the person is a Member, the person may vote on a show of hands without regard to the proxies the person holds.

Proxy need not be a Member

78. A proxy or attorney need not be a Member, and shall be entitled to vote on a show of hands on any question at any general meeting.

Instrument appointing a proxy

79. (1) Any instrument appointing a proxy shall be in writing in the common form approved by the Directors executed under the hand of the appointor or his attorney duly authorised in writing or, if the appointor is a corporation, executed under seal or under the hand of its attorney duly authorised or in such manner as appropriate under applicable laws and the Company shall accept as valid in all respects the form of proxy approved by the Directors for use at the date relevant to the general meeting in question.

(2) An instrument of proxy shall be deemed to include the power to demand or concur in demanding a poll on behalf of the appointor to move any resolution or amendment thereto and to speak at the meeting. Unless otherwise instructed, a proxy or an attorney shall vote as he thinks fit. The signature on an instrument appointing a proxy need not be witnessed.

APPENDIX 4 – EXTRACTS FROM THE COMPANY’S CONSTITUTION

- To be left at Company’s office*
80. The original instrument appointing a proxy, together with the original power of attorney or other authority, if any, under which the instrument of proxy is signed or a duly certified copy of that power of attorney or other authority (failing previous registration with the Company) shall be attached to the original instrument of proxy and must be left at the Office or such other place (if any) as is specified for the purpose in the notice convening the meeting not less than forty-eight (48) hours before the time appointed for the holding of the meeting or adjourned meeting (or in the case of a poll before the time appointed for the taking of the poll) at which it is to be used failing which the instrument may be treated as invalid. An instrument appointing a proxy shall, unless the contrary is stated thereon, be valid as well for any adjournment of the meeting as for the meeting to which it relates, provided that an instrument of proxy relating to more than one (1) meeting (including any adjournment thereof) having once been so delivered for the purposes of any meeting shall not be required again to be delivered for the purposes of any subsequent meeting to which it relates.
- Intervening death or insanity of principal not to revoke proxy*
81. A vote given in accordance with the terms of an instrument of proxy (which for the purposes of these Articles shall also include a power of attorney) shall be valid notwithstanding the previous death or insanity of the principal or revocation of the proxy, or of the authority under which the proxy was executed or the transfer of the share in respect of which the proxy is given, provided that no intimation in writing of such death, insanity, revocation or transfer shall have been received by the Company at the Office (or such other place as may be specified for the deposit of instruments appointing proxies) before the commencement of the meeting or adjourned meeting (or in the case of a poll before the time appointed for the taking of the poll) at which the proxy is used.
- 81A. Subject to these Articles and the Act, the Directors may, at their sole discretion, approve and implement, subject to such security measures as may be deemed necessary or expedient, such voting methods to allow members who are unable to vote in person at any general meeting the option to vote in absentia, including but not limited to voting by mail, electronic mail or facsimile.
- Corporations acting by representatives*
82. Any corporation which is a Member may by resolution of its directors or other governing body authorise such person as it thinks fit to act as its representative at any meeting of the Company or of any class of Members and the persons so authorised shall be entitled to exercise the same powers on behalf of the corporation as the corporation could exercise if it were an individual Member of the Company. The Company shall be entitled to treat an original certificate under the seal of the corporation as conclusive evidence of the appointment or revocation of appointment of a representative under this Article.

3. RIGHTS OF SHAREHOLDERS IN RESPECT OF DIVIDENDS

- Payment of dividends*
123. The Directors may, with the sanction of the Company, by ordinary resolution declare dividends but (without prejudice to the powers of the Company to pay interest on share capital as hereinbefore provided) no dividend shall be payable except out of the profits of the Company.
- Apportionment of dividends*
124. Subject to any rights or restrictions attached to any shares or class of shares and except as otherwise provided by the Act:
- (a) all dividends in respect of shares must be paid in proportion to the number of shares held by a Member but where shares are partly paid all dividends must be apportioned and paid proportionately to the amounts paid or credited as paid on the partly paid shares; and
- (b) all dividends must be apportioned and paid proportionately to the amounts so paid or credited as paid during any portion or portions of the period in respect of which the dividend is paid.

APPENDIX 4 – EXTRACTS FROM THE COMPANY’S CONSTITUTION

For the purposes of this Article, an amount paid or credited as paid on a share in advance of a call is to be ignored.

- Payment of preference and interim dividends*
125. Without the need for sanction of the Company under Article 123, if, and so far as in the opinion of the Directors, the profits of the Company justify such payments, the Directors may pay fixed preferential dividends on any express class of shares carrying a fixed preferential dividend expressed to be payable on a fixed date on the half-yearly or other dates (if any) prescribed for the payment thereof by the terms of issue of the shares, and may also from time to time pay to the holders of any class of shares interim dividends thereon of such amounts and on such dates as they may think fit.
- Dividends not to bear interest*
126. No dividend or other moneys payable on or in respect of a share shall bear interest against the Company.
- Deduction from dividend*
127. The Directors may deduct from any dividend or other moneys payable to any Member on or in respect of a share all sums of money (if any) presently payable by him to the Company on account of calls or in connection therewith, or any other account which the Company is required by law to withhold or deduct.
- Retention of dividends on shares subject to lien*
128. The Directors may retain any dividend or other moneys payable on or in respect of a share on which the Company has a lien and may apply the same in or towards satisfaction of the debts, liabilities or engagements in respect of which the lien exists.
- Retention of dividends on shares pending transmission*
129. The Directors may retain the dividends payable on shares in respect of which any person is under these Articles, as to the transmission of shares, entitled to become a Member, or which any person under these Articles is entitled to transfer, until such person shall become a Member in respect of such shares or shall duly transfer the same.
- Unclaimed dividends*
130. (1) The payment by the Directors of any unclaimed dividends or other moneys payable on or in respect of a share into a separate account shall not constitute the Company a trustee in respect thereof. All dividends unclaimed after being declared may be invested or otherwise made use by the Directors for the benefit of the Company and any dividend unclaimed after a period of six (6) years from the date of declaration of such dividend may be forfeited and if so shall revert to the Company but the Directors may at any time thereafter at their absolute discretion annul any such forfeiture and pay the dividend so forfeited to the person entitled to any interest, share of revenue or other benefit arising from any unclaimed dividends, howsoever and whatsoever. If the Depositor returns any such dividend or money to the Company, the relevant Depositor shall not have any right or claim in respect of such dividend or money against the Company if a period of six (6) years has elapsed from the date of the declaration of such dividend or the date on which such other money was first payable.
- (2) A payment by the Company to the Depositor of any dividend or other money payable to a Depositor shall, to the extent of the payment made, discharge the Company from any liability to the Depositor in respect of that payment.

APPENDIX 4 – EXTRACTS FROM THE COMPANY’S CONSTITUTION

Payment of dividend in specie

131. The Company may, upon the recommendation of the Directors, by ordinary resolution direct payment of a dividend in whole or in part by the distribution of specific assets and in particular of paid up shares or debentures of any other company or in any one or more of such ways, and the Directors shall give effect to such Resolution, and where any difficulty arises in regard to such distribution, the Directors may settle the same as they think expedient and in particular may issue fractional certificates and fix the value for distribution of such specific assets or any part thereof and may determine that cash payments shall be made to any Members upon the footing of the value so fixed in order to adjust the rights of all parties and may vest any such specific assets in trustees as may seem expedient to the Directors.

Scrip dividend

132. (1) Whenever the Directors or the Company in general meeting have resolved or proposed that a dividend (including an interim, final, special or other dividend) be paid or declared on the ordinary share capital of the Company, the Directors may further resolve that Members entitled to such dividend be entitled to elect to receive an allotment of ordinary shares credited as fully paid in lieu of cash in respect of the whole or such part of the dividend as the Directors may think fit. In such case, the following provisions shall apply:

- (i) the basis of any such allotment shall be determined by the Directors;
- (ii) the Directors shall determine the manner in which Members shall be entitled to elect to receive an allotment of ordinary shares credited as fully paid in lieu of cash in respect of the whole or such part of any dividend in respect of which the Directors shall have passed such a resolution as aforesaid, and the Directors may make such arrangements as to the giving of notice to Members, providing for forms of election for completion by Members (whether in respect of a particular dividend or dividends generally), determining the procedure for making such election or revoking the same and the place at which and the latest date and time by which any forms of election or other documents by which elections are made or revoked must be lodged, and otherwise make all such arrangements and do all such things, as the Directors consider necessary or expedient in connection with the provisions of this Article;
- (iii) the right of election may be exercised in respect of the whole of that portion of the dividend in respect of which the right of election has been accorded provided that the Directors may determine, either generally or in any specific case, that such right shall be exercisable in respect of the whole or any part of that portion;
- (iv) the dividend (or that part of the dividend in respect of which a right of election has been accorded) shall not be payable in cash on ordinary shares in respect whereof the share election has been duly exercised (the elected ordinary shares) and in lieu and in satisfaction thereof ordinary shares shall be allotted and credited as fully paid to the holders of the elected ordinary shares on the basis of allotment determined as aforesaid and for such purpose and notwithstanding the provisions of Article 136, the Directors shall (a) capitalise and apply the amount standing to the credit of any of the Company’s reserve accounts or any sum standing to the credit of the profit and loss account or otherwise for distribution as the Directors may determine, such sum as may be required to pay up in full the appropriate number of ordinary shares for allotment and distribution to and among the holders of the elected ordinary shares on such basis or (b) apply the sum which would otherwise have been payable in cash to the holders of the elected ordinary shares towards payment of the appropriate number of ordinary shares for allotment and distribution to and among the holders of the elected ordinary shares on such basis.

APPENDIX 4 – EXTRACTS FROM THE COMPANY’S CONSTITUTION

- (2) (i) The ordinary shares allotted pursuant to the provisions of Article 132(1) shall rank *pari passu* in all respects with the ordinary shares then in issue save only as regards participation in the dividend which is the subject of the election referred to above (including the right to make the election referred to above) or any other distributions, bonuses or rights paid, made, declared or announced prior to or contemporaneous with the payment or declaration of the dividend which is the subject of the election referred to above, unless the Directors shall otherwise specify.
- (ii) The Directors may do all acts and things considered necessary or expedient to give effect to any capitalisation pursuant to the provisions of Article 132(1), with full power to make such provisions as they think fit in the case of shares becoming distributable in fractions (including, notwithstanding any provision to the contrary in these Articles, provisions whereby, in whole or in part, fractional entitlements are aggregated and sold and the net proceeds distributed to those entitled, or are disregarded or rounded up or down, or whereby the benefit of fractional entitlements accrues to the Company rather than the members concerned).
- (3) The Directors may, on any occasion when they resolve as provided in Article 132(1), determine that rights of election under that paragraph shall not be made available to the persons who are registered as holders of ordinary shares in the Register of Members or (as the case may be) in the Depository Register, or in respect of ordinary shares the transfer of which is registered, after such date as the Directors may fix subject to such exceptions as the Directors think fit, and in such event the provisions of this Article shall be read and construed subject to such determination.
- (4) The Directors may, on any occasion when they resolve as provided in article 132(1), further determine that no allotment of shares or rights of election for shares under that paragraph shall be made available or made to Members whose registered addresses entered in the Register of Members or (as the case may be) the Depository Register are outside Singapore or to such other Members or class of Members as the Directors may in their sole discretion decide and in such event the only entitlement of the Members aforesaid shall be to receive in cash the relevant dividend resolved or proposed to be paid or declared.
- (5) Notwithstanding the foregoing provisions of this Article, if at any time after the Directors’ resolution to apply the provisions of Article 132(1) in relation to any dividend but prior to the allotment of ordinary shares pursuant thereto, the Directors shall consider that by reason of any event or circumstance (whether arising before or after such resolution) or by reason of any matter whatsoever it is no longer expedient or appropriate to implement that proposal, the Directors may at their absolute discretion and without assigning any reason therefor, cancel the proposed application of Article 132(1).

APPENDIX 4 – EXTRACTS FROM THE COMPANY'S CONSTITUTION

Dividends payable by cheque

133. Any dividend or other moneys payable in cash on or in respect of a share may be paid by cheque or warrant sent through the post to the registered address of the Member or person entitled thereto or, if several persons are registered as joint holders of the share or are entitled thereto in consequence of the death or bankruptcy of the holder, to any one of such persons or to such person and such address as such persons may by writing direct provided that where the Member is a Depositor, the payment by the Company to the Depository of any dividend payable to a Depositor shall to the extent of the payment discharge the Company from any further liability in respect of the payment. Every such cheque and warrant shall be made payable to the order of the person to whom it is sent or to such person as the holder or joint holders or person or persons entitled to the share in consequence of the death or bankruptcy of the holder may direct and payment of the cheque if purporting to be endorsed or the receipt of any such person shall be a good discharge to the Company. Every such cheque and warrant shall be sent at the risk of the person entitled to the money represented thereby.

Effect of transfer

134. A transfer of shares shall not pass the right to any dividend declared on such shares before the registration of the transfer.

Power to carry profit to reserve

135. The Directors may from time to time set aside out of the profits of the Company and carry to reserve such sums as they think proper which, at the discretion of the Directors, shall be applicable for meeting contingencies or for the gradual liquidation of any debt or liability of the Company or for repairing or maintaining the works, plant and machinery of the Company or for special dividends or bonuses or for equalising dividends or for any other purpose to which the profits of the Company may properly be applied and pending such application may either be employed in the business of the Company or be invested. The Directors may divide the reserve into such special funds as they think fit and may consolidate into one fund, any special funds or any parts of any special funds into which the reserve may have been divided. The Directors may also, without placing the same to reserve, carry forward any profits which they may think it not prudent to divide.

Power to capitalise profits

136. (1) The Directors may, with the sanction of an ordinary resolution of the Company (including any ordinary resolution passed pursuant to Article 48(2):
- (a) issue bonus shares for which no consideration is payable to the Company to the persons registered as holders of shares in the Register of Members or (as the case may be) the Depository Register at the close of business on:
 - (i) the date of the ordinary resolution (or such other date as may be specified therein or determined as therein provided); or
 - (ii) (in the case of an ordinary resolution passed pursuant to Article 48(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.

in proportion to their then holding of shares; and

APPENDIX 4 – 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 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 48(2)) such other date as may be determined by the Directors,

(2) In addition and without prejudice to the powers provided for by Article 136(1) and 137, the Directors shall have power to issue shares for which no consideration is payable and to capitalise any undivided profits or other moneys of the Company not required for the payment or provision of any dividend on any shares entitled to cumulative or non-cumulative preferential dividends (including profits or other moneys carried and standing to any reserve or reserves) and to apply such profits or other moneys in paying up such shares in full, in each case on terms that such shares shall, upon issue, be held by or for the benefit of participants of any share incentive or option scheme or plan implemented by the Company and approved by shareholders in general meeting and on such terms as the Directors shall think fit.

*Directors to
do all acts and
things to give
effect*

137. The Directors may do all acts and things considered necessary or expedient to give effect to any such capitalisation with full power to the Directors to make such provision for the satisfaction of the right of the holders of such shares in the Register of Members or in the Depository Register as the case may be and as they think fit for any fractional entitlements which would arise including provisions whereby fractional entitlements are disregarded or the benefit thereof accrues to the Company rather than to the members concerned. The Directors may authorise any person to enter, on behalf of all the members interested, into an agreement with the Company providing for any such capitalisation and matter incidental thereto, and any agreement made under such authority shall be effective and binding on all concerned.

APPENDIX 5 – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR FINANCIAL YEAR ENDED 31 DECEMBER 2018

DIRECTORS' STATEMENT

The directors are pleased to present their statement to the members together with the audited consolidated financial statements of PS Group Holdings Ltd. (the Company) and its subsidiaries (collectively, the Group) and the balance sheet and statement of changes in equity of the Company for the financial year ended 31 December 2018.

Opinion of the directors

In the opinion of the directors,

- (i) the consolidated financial statements of the Group and the balance sheet 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 the financial performance, changes in equity and cash flows of the Group and the changes in equity of the Company for the financial year ended on that date; and
- (ii) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

Directors

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

Teo Choon Hock
Kwek Keng Seng
Ang Miah Kiang
Tan Chin Keong
Tan Jee Ming

Arrangements to enable directors to acquire shares and debentures

Except as disclosed in this statement, neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose objects are, or one of whose objects is, to enable the directors of the Company to acquire benefits by means of the acquisition of shares or debentures of the Company or any other body corporate.

Directors' interests in shares and debentures

The following directors, who held office at the end of the financial year, had, according to the register of directors' shareholdings required to be kept under Section 164 of the Singapore Companies Act, Chapter 50, an interest in shares of the Company and related corporations (other than wholly-owned subsidiaries) as stated below:

Name of directors	Direct interest	
	At beginning of the financial year	At the end of the financial year
The Company		
Ordinary shares		
Teo Choon Hock	26,179,904	26,179,904
Kwek Keng Seng	21,420,096	21,420,096
Tan Jee Ming	20,000	20,000

APPENDIX 5 – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR FINANCIAL YEAR ENDED 31 DECEMBER 2018

DIRECTORS' STATEMENT (continued)

By virtue of Section 7 of the Act, Teo Choon Hock and Kwek Keng Seng are deemed to be interested in the shares held by the Company in its subsidiaries.

There was no change in any of the above-mentioned interests in the Company between the end of the financial year and 21 January 2019.

Except as disclosed in this statement, no director who held office at the end of the financial year had interests in shares, share options, warrants or debentures of the Company, or of related corporations, either at the beginning or at the end of the financial year.

Share options

During the financial year, there were:

- (a) No options granted by the Company to any person to take up unissued shares of the Company; and
- (b) No shares issued by virtue of any exercise of options to take up unissued shares of the Company.

As at the end of the financial year, there were no unissued shares of the Company under option.

Audit committee

The audit committee (AC) carried out its functions in accordance with Section 201B (5) of the Singapore Companies Act, Chapter 50, including the following:

- Reviewed the audit plans of the internal and external auditors of the Group and the Company, and reviewed the internal auditor's evaluation of the adequacy of the Company's system of internal accounting controls and the assistance given by the Group and the Company's management to the external and internal auditors
- Reviewed the half yearly and annual announcements and the annual financial statements and the independent auditor's report on the annual financial statements of the Group and the Company before their submission to the board of directors
- Reviewed effectiveness of the Group and the Company's material internal controls, including financial, operational and compliance controls and risk management via reviews carried out by the internal auditor
- Met with the external auditor, other committees, and management in separate executive sessions to discuss any matters that these groups 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 external auditor
- Reviewed the nature and extent of non-audit services provided by the external auditor
- Recommended to the board of directors the external auditor to be nominated, approved the compensation of the external auditor, and reviewed the scope and results of the audit
- Reported actions and minutes of the AC to the board of directors with such recommendations as the AC considered appropriate
- Reviewed interested person transactions in accordance with the requirements of the Singapore Exchange Securities Trading Limited's Listing Manual

The AC, having reviewed all non-audit services provided by the external auditor to the Group, is satisfied that the nature and extent of such services would not affect the independence of the external auditor. The AC has also conducted a review of interested person transactions.

DIRECTORS’ STATEMENT (continued)

The AC convened two meetings during the year with full attendance from all members. The AC has also met with internal and external auditors, without the presence of the Company’s management, at least once a year.

Further details regarding the AC are disclosed in the Report on Corporate Governance.

Auditor

Ernst & Young LLP have expressed their willingness to accept re-appointment as auditor.

On behalf of the Board of Directors:

Teo Choon Hock
Director

Kwek Keng Seng
Director

Singapore

APPENDIX 5 – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR FINANCIAL YEAR ENDED 31 DECEMBER 2018

INDEPENDENT AUDITOR'S REPORT

To the Members of PS Group Holdings Ltd.
For the financial year ended 31 December 2018

Report on the audit of the financial statements

Opinion

We have audited the financial statements of PS Group Holdings Ltd. (the “Company”) and its subsidiaries (collectively, the “Group”), which comprise the balance sheets of the Group and the Company as at 31 December 2018, the statements of changes in equity of the Group and the Company and the consolidated statement of comprehensive income and consolidated cash flow statement of the Group for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements of the Group, the balance sheet 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 financial year ended on that date.

Basis for opinion

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

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current 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. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled our responsibilities described in the *Auditor’s Responsibilities for the Audit of the Financial Statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Allowance for slow moving and obsolete inventories

As of 31 December 2018, the total gross inventories and the related allowance for inventories amounted to S\$8,456,504 and S\$249,122 respectively. The allowance for inventories relates to finished products. We focused on this area as the inventory carrying amount is material to the financial statements. In addition, the determination of the allowance involves a high level of management judgment as the inventories are durable and have long economic useful lives.

In assessing the adequacy of allowance for inventories, amongst other procedures, we attended inventory cycle counts as well as year-end inventory count and observed management’s processes in identifying obsolete and damaged inventory. We evaluated the stock allowance policy adopted by management with respect to slow moving and obsolete inventories. In addition, we tested, on a selected sample, the reliability of the inventories movement report by sales movement to assess whether the report can be relied upon in our assessment. We reviewed management’s analysis of allowance of slow moving and obsolete inventories. We tested the net realisable values of inventories on a sample basis by comparing the carrying values of the inventories to the subsequent or latest available selling prices to check that the carrying values are not higher than the selling prices. We also assessed the adequacy of the disclosures related to inventories in Note 2.11 and Note 14. The key sources of estimation uncertainty in relation to allowance for slow moving and obsolete inventories are disclosed in Note 3 to the financial statements.

APPENDIX 5 – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR FINANCIAL YEAR ENDED 31 DECEMBER 2018

INDEPENDENT AUDITOR'S REPORT (continued)

To the Members of PS Group Holdings Ltd.
For the financial year ended 31 December 2018

Other information

Management is responsible for 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), 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.

INDEPENDENT AUDITOR'S REPORT (continued)

To the Members of PS Group Holdings Ltd.
For the financial year ended 31 December 2018

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the 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 and by those subsidiary corporations incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this independent auditor's report is Teo Li Ling.

Ernst & Young LLP
Public Accountants and
Chartered Accountants

Singapore

**APPENDIX 5 – AUDITED CONSOLIDATED FINANCIAL STATEMENTS
OF THE GROUP FOR FINANCIAL YEAR ENDED 31 DECEMBER 2018**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the financial year ended 31 December 2018

	Note	2018 S\$	2017 S\$
Continuing operations			
Revenue	4	11,080,858	9,820,329
Cost of sales		(8,075,848)	(7,094,990)
Gross profit		3,005,010	2,725,339
Other income	5	436,778	225,553
Expenses			
Selling and distribution expenses		(748,716)	(767,430)
Administration expenses		(2,519,018)	(2,591,986)
Finance expenses	6	(72,436)	(47,073)
Profit/(loss) before tax from continuing operations	7	101,618	(455,597)
Income tax (expense)/credit	8	(39,206)	4,798
Profit/(loss) from continuing operations, net of tax		62,412	(450,799)
Discontinued operation			
Profit/(loss) from discontinued operation, net of tax	9	2,017	(57,916)
Profit/(loss) net of tax, representing total comprehensive income for the year		64,429	(508,715)
Attributable to:			
Owners of the Company			
Profit/(loss) from continuing operations, net of tax		62,412	(450,799)
Profit/(loss) from discontinued operation, net of tax		1,816	(52,124)
Profit/(loss) for the year attributable to owners of the company		64,228	(502,923)
Non-controlling interests			
Profit/(loss) from continuing operations, net of tax		–	–
Profit/(loss) from discontinued operation, net of tax		201	(5,792)
Profit/(loss) for the year attributable to non-controlling interests		201	(5,792)
Earnings/(loss) per share from continuing operations attributable to owners of the Company:			
Basic and diluted (cents per unit)	10	0.09	(0.74)
Earnings/(loss) per share attributable to owners of the Company:			
Basic and diluted (cents per unit)	10	0.09	(0.75)

The accompanying accounting policies and explanatory information form an integral part of the financial statements.

**APPENDIX 5 – AUDITED CONSOLIDATED FINANCIAL STATEMENTS
OF THE GROUP FOR FINANCIAL YEAR ENDED 31 DECEMBER 2018**

**BALANCE
SHEETS**

As at 31 December 2018

	Note	Group			Company		
		31 December	2017	1 January	31 December	2017	1 January
		2018	2017	2017	2018	2017	2017
		S\$	S\$	S\$	S\$	S\$	S\$
ASSETS							
Non-current assets							
Property, plant and equipment	11	260,751	335,257	2,940,922	–	–	133
Investment properties	12	2,367,709	2,470,699	–	–	–	–
Investments in subsidiaries	13	–	–	–	10,803,506	11,253,506	7,253,522
		<u>2,628,460</u>	<u>2,805,956</u>	<u>2,940,922</u>	<u>10,803,506</u>	<u>11,253,506</u>	<u>7,253,655</u>
Current assets							
Inventories	14	8,207,382	7,515,938	7,371,712	–	–	–
Trade and other receivables	15	2,271,477	2,898,817	2,513,169	300,000	–	3,777,917
Prepaid operating expenses		19,319	77,118	102,296	5,243	37,343	34,900
Cash and cash equivalents	16	1,107,484	931,581	1,729,372	17,175	14,170	324,504
		<u>11,605,662</u>	<u>11,423,454</u>	<u>11,716,549</u>	<u>322,418</u>	<u>51,513</u>	<u>4,137,321</u>
Assets of disposal group classified as held for sale	9	979,142	–	–	282,000	–	–
		<u>12,584,804</u>	<u>11,423,454</u>	<u>11,716,549</u>	<u>604,418</u>	<u>51,513</u>	<u>4,137,321</u>
Total assets		<u>15,213,264</u>	<u>14,229,410</u>	<u>14,657,471</u>	<u>11,407,924</u>	<u>11,305,019</u>	<u>11,390,976</u>
EQUITY AND LIABILITIES							
Current liabilities							
Trade and other payables	17	3,519,376	2,710,061	2,609,233	583,413	335,053	69,746
Loans and borrowings	18	309,217	460,624	309,963	–	–	–
Income tax payable		40,948	4,566	5,413	–	–	–
		<u>3,869,541</u>	<u>3,175,251</u>	<u>2,924,609</u>	<u>583,413</u>	<u>335,053</u>	<u>69,746</u>
Liabilities directly associated with disposal group classified as held for sale	9	237,037	–	–	–	–	–
		<u>4,106,578</u>	<u>3,175,251</u>	<u>2,924,609</u>	<u>583,413</u>	<u>335,053</u>	<u>69,746</u>
Net current assets/(liabilities)		<u>8,478,226</u>	<u>8,248,203</u>	<u>8,791,940</u>	<u>21,005</u>	<u>(283,540)</u>	<u>4,067,575</u>
Non-current liabilities							
Loans and borrowings	18	34,996	46,823	207,447	–	–	–
Deferred tax liabilities	19	12,275	12,350	21,714	–	–	–
		<u>47,271</u>	<u>59,173</u>	<u>229,161</u>	<u>–</u>	<u>–</u>	<u>–</u>
Total liabilities		<u>4,153,849</u>	<u>3,234,424</u>	<u>3,153,770</u>	<u>583,413</u>	<u>335,053</u>	<u>69,746</u>
Net assets		<u>11,059,415</u>	<u>10,994,986</u>	<u>11,503,701</u>	<u>10,824,511</u>	<u>10,969,966</u>	<u>11,321,230</u>
Equity attributable to owners of the Company							
Share capital	20(a)	11,397,030	11,397,030	11,397,030	11,397,030	11,397,030	11,397,030
Retained earnings		6,039,589	5,975,361	6,478,284	(572,519)	(427,064)	(75,800)
Merger reserves	20(b)	(6,403,506)	(6,403,506)	(6,403,506)	–	–	–
		<u>11,033,113</u>	<u>10,968,885</u>	<u>11,471,808</u>	<u>10,824,511</u>	<u>10,969,966</u>	<u>11,321,230</u>
Non-controlling interests		26,302	26,101	31,893	–	–	–
Total equity		<u>11,059,415</u>	<u>10,994,986</u>	<u>11,503,701</u>	<u>10,824,511</u>	<u>10,969,966</u>	<u>11,321,230</u>
Total equity and liabilities		<u>15,213,264</u>	<u>14,229,410</u>	<u>14,657,471</u>	<u>11,407,924</u>	<u>11,305,019</u>	<u>11,390,976</u>

The accompanying accounting policies and explanatory information form an integral part of the financial statements.

**APPENDIX 5 – AUDITED CONSOLIDATED FINANCIAL STATEMENTS
OF THE GROUP FOR FINANCIAL YEAR ENDED 31 DECEMBER 2018**

STATEMENT OF CHANGES IN EQUITY

For the financial year ended 31 December 2018

	Attributable to owners of the Company				Non- controlling interests S\$	Total equity S\$
	Share capital S\$	Retained earnings S\$	Merger reserves S\$	Total equity S\$		
Group						
At 1 January 2017	11,397,030	6,478,284	(6,403,506)	11,471,808	31,893	11,503,701
Loss net of tax, representing total comprehensive income for the financial year	–	(502,923)	–	(502,923)	(5,792)	(508,715)
At 31 December 2017 and at 1 January 2018	11,397,030	5,975,361	(6,403,506)	10,968,885	26,101	10,994,986
Profit net of tax, representing total comprehensive income for the financial year	–	64,228	–	64,228	201	64,429
At 31 December 2018	<u>11,397,030</u>	<u>6,039,589</u>	<u>(6,403,506)</u>	<u>11,033,113</u>	<u>26,302</u>	<u>11,059,415</u>

	Share capital S\$	Retained earnings S\$	Total equity S\$
Company			
At 1 January 2017	11,397,030	(75,800)	11,321,230
Loss net of tax, representing total comprehensive income for the financial year	–	(351,264)	(351,264)
At 31 December 2017 and at 1 January 2018	11,397,030	(427,064)	10,969,966
Loss net of tax, representing total comprehensive income for the financial year	–	(145,455)	(145,455)
At 31 December 2018	<u>11,397,030</u>	<u>(572,519)</u>	<u>10,824,511</u>

The accompanying accounting policies and explanatory information form an integral part of the financial statements.

**APPENDIX 5 – AUDITED CONSOLIDATED FINANCIAL STATEMENTS
OF THE GROUP FOR FINANCIAL YEAR ENDED 31 DECEMBER 2018**

CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial year ended 31 December 2018

	Note	2018 S\$	2017 S\$
Operating activities			
Profit/(loss) before tax from continuing operations		101,618	(455,597)
Profit/(loss) before tax from discontinued operation		4,048	(57,916)
		<hr/>	<hr/>
Profit/(loss) before taxation, total		105,666	(513,513)
Adjustments for:			
Interest income		(326)	(418)
Finance expenses		75,324	50,622
Depreciation of property, plant and equipment	11	131,242	179,921
Depreciation of investment properties	12	102,990	42,912
(Gain)/loss on disposal of property, plant and equipment		(3,223)	15,241
Impairment loss on trade receivables		40,521	130
Allowance for slow moving and obsolete inventories		16,191	23,768
		<hr/>	<hr/>
Operating cash flows before changes in working capital		468,385	(201,337)
<u>Changes in working capital:</u>			
Increase in inventories		(1,149,751)	(167,994)
Decrease/(increase) in trade and other receivables and prepaid operating expenses		232,463	(360,600)
Increase in trade and other payables		81,006	266,608
		<hr/>	<hr/>
Total changes in working capital		(836,282)	(261,986)
		<hr/>	<hr/>
Cash flows used in operations		(367,897)	(463,323)
Income tax paid		(2,899)	(5,413)
Interest received		326	418
		<hr/>	<hr/>
Net cash flows used in operating activities		(370,470)	(468,318)
		<hr/>	<hr/>
Investing activities			
Purchase of property, plant and equipment	11	(85,677)	(104,791)
Proceeds from disposal of property, plant and equipment		7,925	1,683
		<hr/>	<hr/>
Net cash flows used in investing activities		(77,752)	(103,108)
		<hr/>	<hr/>
Financing activities			
Net change in trust receipts		909,235	(164,788)
Finance expenses paid		(68,067)	(51,614)
Proceeds from bank loans		–	300,000
Repayment of bank loans		(150,000)	(300,000)
Repayment of obligations under finance lease		(16,411)	(9,963)
		<hr/>	<hr/>
Net cash flows generated from/(used in) financing activities		674,757	(226,365)
		<hr/>	<hr/>
Net increase/(decrease) in cash and cash equivalents		226,535	(797,791)
Cash and cash equivalents at beginning of the financial year		931,581	1,729,372
		<hr/>	<hr/>
Cash and cash equivalents at end of the financial year	16	1,158,116	931,581

The accompanying accounting policies and explanatory information form an integral part of the financial statements.

APPENDIX 5 – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR FINANCIAL YEAR ENDED 31 DECEMBER 2018

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

1. Corporate information

1.1 The Company

PS Group Holdings Pte. Ltd. (the “Company”) was incorporated on 30 April 2013 as an exempt private company limited by shares in Singapore. On 30 May 2013, the Company was converted to a public limited Company and changed its name to PS Group Holdings Ltd. The Company is domiciled in Singapore and is listed on the Singapore Exchange Securities Trading Limited (“SGX-ST”).

The registered office of the Company and principal place of business of the Group is located at 9 Tampines Industrial Drive #01-03 Singapore 528543.

The principal activity of the Company is that of investment holding. The principal activities of its subsidiaries are disclosed in Note 13 to the financial statements.

2. Summary of significant accounting policies

2.1 Basis of preparation

The consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company have been prepared in accordance with Singapore Financial Reporting Standards (International) (SFRS(I)).

For all periods up to and including the year ended 31 December 2017, the Group prepared its financial statements in accordance with Financial Reporting Standards in Singapore (FRS). These financial statements for the year ended 31 December 2018 are the first the Group has prepared in accordance with SFRS(I). Refer to Note 2.2 for information on how the Group adopted SFRS(I).

The financial statements have been prepared on the historical cost basis except as disclosed in the accounting policies below.

The financial statements are presented in Singapore dollars (“SGD” or “S\$”).

2.2 First-time adoption of Singapore Financial Reporting Standards (International) (SFRS(I))

These financial statements for the year ended 31 December 2018 are the first the Group and the Company have prepared in accordance with SFRS(I). Accordingly, the Group and the Company have prepared financial statements that comply with SFRS(I) applicable as at 31 December 2018, together with the comparative period data for the year ended 31 December 2017, as described in the summary of significant accounting policies. On preparing the financial statements, the Group’s and the Company’s opening balance sheets were prepared as at 1 January 2017, the Group and the Company’s date of transition to SFRS(I).

There is no principal adjustment made by the Group on the adoption of SFRS(I).

New accounting standards effective on 1 January 2018

The accounting policies adopted are consistent with those previously applied under FRS except that in the current financial year, the Group has adopted all the SFRS(I) which are effective for annual financial periods beginning on or after 1 January 2018. The adoption of these standards did not have any material effect on the financial performance or position of the Group and the Company.

The nature and the impact upon adoption of SFRS(I) 15 and of SFRS(I) 9 are described below:

SFRS(I) 15 Revenue from Contracts with Customers

The Group adopted SFRS(I) 15 which is effective for annual periods beginning on or after 1 January 2018.

The Group is in the business of sales of bolts, nuts, rivets, fasteners and screw machine products. There is no material effect on the financial statements of the Group and Company.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the financial year ended 31 December 2018

2. Summary of significant accounting policies (cont'd)

2.2 First-time adoption of (SFRS(I)) (cont'd)

New accounting standards effective on 1 January 2018 (cont'd)

SFRS(I) 9 Financial Instruments

On 1 January 2018, the Group adopted SFRS(I) 9 Financial instruments, which is effective for annual periods beginning on or after 1 January 2018. The changes arising from the adoption of SFRS(I) 9 have been applied retrospectively.

Classification and measurement

SFRS(I) 9 requires debt instruments to be measured either at amortised cost, fair value through other comprehensive income (FVOCI) or fair value through profit or loss (FVPL). Classification of debt instruments depends on the entity's business model for managing the financial assets and whether the contractual cash flows represent solely payments of principal and interest (SPPI). An entity's business model is how an entity manages its financial assets in order to generate cash flows and create value for the entity either from collecting contractual cash flows, selling financial assets or both. If a debt instrument is held to collect contractual cash flows, it is measured at amortised cost if it also meets the SPPI requirement. Debt instruments that meet the SPPI requirement that are held both to collect the assets' contractual cash flows and to sell the assets are measured at FVOCI. Financial assets are measured at FVPL if they do not meet the criteria of FVOCI or amortised cost.

The assessment of the business model and whether the financial assets meet the SPPI requirements was made as of 1 January 2018, and then applied retrospectively to those financial assets that were not derecognized before 1 January 2018.

The Group's debt instruments have contractual cash flows that are solely payments of principal and interest. There is no significant impact arising from measurement of these instruments under FRS 109.

Impairment

SFRS(I) 9 requires the Group to record expected credit losses on all of its financial assets measured at amortised cost or FVOCI and financial guarantees. The Group previously recorded impairment based on the incurred loss model when there is objective evidence that a financial asset is impaired. Given the limited exposure of the Group to credit risk, this amendment does not have material impact on the financial statements.

2.3 Standards issued but not yet effective

The Group has not adopted the following standards that have been issued but not yet effective:

Description	Effective for annual periods beginning on or after
SFRS(I) 16 <i>Leases</i>	1 January 2019
SFRS(I) INT 23 <i>Uncertainty over Income Tax Treatments</i>	1 January 2019
Amendments to SFRS(I) 9 <i>Prepayment Features with Negative Compensation</i>	1 January 2019
Amendments to SFRS(I) 1-28 <i>Long-term Interests in Associates and Joint Ventures</i>	1 January 2019
Annual Improvements to SFRS(I)s 2015-2017 Cycle	1 January 2019
Amendments to SFRS(I) 10 and SFRS(I) 1-28 <i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>	Date to be determined

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the financial year ended 31 December 2018

2. Summary of significant accounting policies (cont'd)

2.3 Standards issued but not yet effective (cont'd)

Except for SFRS(I) 16, the directors expect that the adoption of the other standards above will have no material impact on the financial statements in the year of initial application. The nature of the impending changes in accounting policy on adoption of SFRS(I) 16 are described below.

SFRS(I) 16 Leases

SFRS(I) 16 requires lessees to recognise most leases on balance sheets. The standard includes two recognition exemptions for lessees – leases of 'low value' assets and short-term leases. SFRS(I) 16 is effective for annual periods beginning on or after 1 January 2019. At commencement date of a lease, a lessee will recognise a liability to make a lease payments (i.e. the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e. the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

The Group plans to adopt SFRS(I) 16 retrospectively with the cumulative effect of initially applying the standard as an adjustment to the opening retained earnings at the date of initial application, 1 January 2019.

On the adoption of SFRS(I) 16, the Group expects to choose, on a lease-by-lease basis, to measure the right-of-use asset at either:

- (i) its carrying amount as if SFRS(I) 16 had been applied since the commencement date, but discounted using the lessee's incremental borrowing rate as of 1 January 2019; or
- (ii) an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position immediately before 1 January 2019.

In addition, the Group plans to elect the following practical expedients:

- not to reassess whether a contract is, or contains a lease at the date of initial application and to apply SFRS(I) 16 to all contracts that were previously identified as leases
- to apply the exemption not to recognise right-of-use asset and lease liabilities to leases for which the lease term ends within 12 months as of 1 January 2019
- to apply a single discount rate to a portfolio of leases with reasonably similar characteristics

The Group is performing a preliminary impact assessment based on currently available information, and the assessment may be subject to changes arising from ongoing analysis until the Group adopts SFRS(I) 16 in 2019.

2.4 Functional and foreign currencies

The financial statements are presented in Singapore Dollars, which is also the Group's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

Transactions in foreign currencies are measured in the functional currency of the Group and its subsidiaries and are recorded on initial recognition in the functional currency at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the end of the reporting period. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the end of the reporting period are recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the financial year ended 31 December 2018

2. Summary of significant accounting policies (cont'd)

2.5 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries to at the end of the reporting period.

The financial statements of its subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied to like transactions and events in similar circumstances.

All intra-group balances, income and expenses and unrealised gains or losses resulting from intra-group transactions and dividends are eliminated in full.

2.6 Transactions with non-controlling interests

Non-controlling interest represents the equity in subsidiaries not attributable, directly or indirectly, to owners of the Company.

Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. In such circumstances, the carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

2.7 Subsidiaries

A subsidiary is an investee that is controlled by the Group. The Group controls an investee when it is exposed, or has right, to variable returns from its involvement with the investee and has the ability to affect these returns through its power over the investee.

In the Company's balance sheet, investments in subsidiaries are accounted for at cost less impairment losses.

2.8 Property, plant and equipment

All items of property, plant and equipment are initially recorded at cost. Subsequent to recognition, property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is computed on a straight-line basis over the estimated useful lives of the assets as follows:

Leasehold properties	-	41 years
Leasehold improvements	-	5 to 10 years
Motor vehicles	-	5 to 10 years
Tools and equipment	-	2 to 10 years
Office equipment	-	4 to 10 years
Furniture and fittings	-	2 to 10 years
Computers	-	1 year to 3 years

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

The residual value, useful life and depreciation method are reviewed at each financial year end and adjusted prospectively, if appropriate.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefit is expected from its use or disposal. Any gain or loss on derecognition of the asset is included in profit or loss in the year the assets is derecognised.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the financial year ended 31 December 2018

2. Summary of significant accounting policies (cont'd)

2.9 Investment properties

Investment properties are completed properties that are owned by the Group that are held to earn rentals or for capital appreciation, or both, rather than in the production or supply of goods or services, or for administrative purposes, or in the ordinary course of business.

Investment properties are measured at cost, including transaction costs. Subsequent to recognition, investment properties are stated at cost less accumulated depreciation and any accumulated impairment loss. Depreciation is provided on a straight-line basis over the remaining lease tenure of 24 years so as to write-off the cost of the investment property.

Investment properties are derecognised when either they have been disposed of or when investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in profit or loss in the year of retirement or disposal.

2.10 Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when an annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs of disposal and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset is considered impaired and is written-down to its recoverable amount.

Impairment losses are recognised in profit or loss in those expense categories consistent with the function of the impaired asset.

A previously recognised impairment loss 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. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in profit or loss.

2.11 Inventories

Inventories are stated at the lower of cost and net realisable value. Costs incurred in bringing the inventories to their present locations and conditions are accounted for using the weighted average cost formula.

Where necessary, allowance is provided for damaged, obsolete and slow moving items to adjust the carrying value of inventories to the lower of cost and net realisable value.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the financial year ended 31 December 2018

2. Summary of significant accounting policies (cont'd)

2.12 Financial instruments

(a) Financial assets

Initial recognition and measurement

Financial assets are recognised when, and only when the entity becomes party to the contractual provisions of the instruments.

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset.

Trade receivables are measured at the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third party, if the trade receivables do not contain a significant financing component at initial recognition.

Subsequent measurement

Investments in debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the contractual cash flow characteristics of the asset.

Amortised cost

Financial assets that are held for the collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in profit or loss when the assets are derecognised or impaired, and through amortisation process.

De-recognition

A financial asset is derecognised where the contractual right to receive cash flows from the asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income for debt instruments is recognised in profit or loss.

(b) Financial liabilities

Initial recognition and measurement

Financial liabilities are recognised when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value plus in the case of financial liabilities not at fair value through profit or loss, directly attributable transaction costs.

Subsequent measurement

After initial recognition, financial liabilities that are not carried at fair value through profit or loss are subsequently measured at amortised cost using the effective interest method. Gains or losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

De-recognition

A financial liability is de-recognised when the obligation under the liability is discharged or cancelled or expires. On derecognition, the difference between the carrying amounts and the consideration paid is recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the financial year ended 31 December 2018

2. Summary of significant accounting policies (cont'd)

2.13 Impairment of financial assets

The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

For trade receivables, the Group applies a simplified approach in calculating ECLs. Therefore, the group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

2.14 Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand and demand deposits that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value.

2.15 Provisions

Provisions are recognised when the Group has 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 the amount of the obligation can be estimated reliably.

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provisions due to the passage of time is recognised as a finance cost

2.16 Government grants

Government grant shall be recognised in profit or loss on a systematic basis over the periods in which the entity recognises as expenses the related costs for which the grants are intended to compensate. Grants related to income may be presented as a credit in profit or loss, either separately or under a general heading such as "Other income".

2.17 Employee benefits

(a) Defined contribution plans

The Group makes contributions to the Central Provident Fund ("CPF") scheme in Singapore, a defined contribution pension scheme. Contributions to defined contribution pension schemes are recognised as an expense in the period in which the related service is performed.

(b) Employee leave entitlement

Employee entitlements to annual leave are recognised as a liability when they accrue to the employees. The estimated liability for leave is recognised for services rendered by employees up to the end of the reporting period.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the financial year ended 31 December 2018

2. Summary of significant accounting policies (cont'd)

2.18 Leases

(a) As lessee

Finance leases which transfer to the Group substantially all the risks and rewards incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Any initial direct costs are also added to the amount capitalised. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to profit or loss. Contingent rents, if any, are charged as expenses in the periods in which they are incurred.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

Operating lease payments are recognised as an expense in profit or loss on a straight-line basis over the lease term. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

(b) As lessor

Leases in which the Group does not transfer substantially all the risks and rewards of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income. The accounting policy for rental income is set out in Note 2.19(b). Contingent rents are recognised as revenue in the period in which they are earned.

2.19 Revenue

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

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

(a) Sale of goods

The Group supplies bolts, nuts, rivets, fasteners and screw machine products for customers.

Revenue is recognised when the goods are delivered to the customer. Certain customers are entitled to monthly volume rebates which are based on the aggregate sales over a month.

The amount of revenue recognised is based on the actual transaction price, which comprises the contractual price, net of the actual volume rebates. Variable consideration is typically constrained and is included in the transaction only to the extent that it is a highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

(b) Rental income

Rental income arising from operating leases on investment properties is accounted for on a straight-line basis over the lease terms. The aggregate costs of incentives provided to lessees are recognised as a reduction of rental income over the lease term on a straight-line basis.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the financial year ended 31 December 2018

2. Summary of significant accounting policies (cont'd)

2.20 Non-current assets held for sale and discontinued operation

Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. A component of the Group is classified as a 'discontinued operation' when the criteria to be classified as held for sale have been met or it has been disposed of and such a component represents a separate major line of business or geographical area of operations or is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations.

Property, plant and equipment and intangible assets once classified as held for sale are not depreciated or amortised.

2.21 Taxes

(a) Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the end of the reporting period, in the country where the Group operates and generates taxable income.

Current income taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

(b) Deferred tax

Deferred tax is provided using the liability method on temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

- Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the financial year ended 31 December 2018

2. Summary of significant accounting policies (cont'd)

2.21 Taxes (cont'd)

(b) Deferred tax (cont'd)

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the end of each reporting period.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

(c) Sales tax

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

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

2.22 Share capital and share issuance expenses

Proceeds from issuance of ordinary shares are recognised as share capital in equity. Incremental costs directly attributable to the issuance of ordinary shares are deducted against share capital.

2.23 Contingencies

A contingent liability is:

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

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

Contingent liabilities and assets are not recognised on the balance sheets of the Group, except for contingent liabilities assumed in a business combination that are present obligations and which the fair value can be reliably determined.

**APPENDIX 5 – AUDITED CONSOLIDATED FINANCIAL STATEMENTS
OF THE GROUP FOR FINANCIAL YEAR ENDED 31 DECEMBER 2018**

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the financial year ended 31 December 2018

3. Significant accounting judgements and estimates

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and the disclosures of contingent liabilities at the end of each reporting period. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in the future periods. Management is of the opinion that there is no significant judgement made in applying accounting policies that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period.

Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period are discussed below. The Group based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

Allowance for slow moving and obsolete inventories

The Company reviews its inventory movement report by sales movements to identify slow moving inventories. Where the Company identifies slow moving inventory, the Company estimates the amounts of allowance on inventory based on the Company's inventory allowance policy. The carrying amount of the Company's inventories and inventories written down as at the end of the reporting period is disclosed in Note 14 to the financial statements

4. Revenue

a) Disaggregation of revenue

	Sales of goods	
	2018	2017
	S\$	S\$
Primary geographical markets		
Indonesia	3,318,091	2,308,598
Malaysia	2,968,775	2,819,868
Singapore	1,835,902	1,488,517
Other countries	2,958,090	3,203,346
	<u>11,080,858</u>	<u>9,820,329</u>
Timing of transfer of goods or services		
At a point in time	<u>11,080,858</u>	<u>9,820,329</u>

b) Contract assets

Information about receivables from contracts with customers is disclosed as follows:

	Group		
	31 December		1 January
	2018	2017	2017
	S\$	S\$	S\$
Receivables from contracts with customers (Note 15)	<u>2,009,824</u>	<u>2,608,921</u>	<u>2,335,797</u>

**APPENDIX 5 – AUDITED CONSOLIDATED FINANCIAL STATEMENTS
OF THE GROUP FOR FINANCIAL YEAR ENDED 31 DECEMBER 2018**

**NOTES TO
THE FINANCIAL STATEMENTS (continued)**

For the financial year ended 31 December 2018

5. Other income

	Group	
	2018	2017
	S\$	S\$
Rental income	345,600	144,000
Government grants	57,230	49,711
Commission income	33,414	25,692
Interest income from cash and cash equivalents	315	405
Others	219	5,745
	<u>436,778</u>	<u>225,553</u>

6. Finance expenses

	Group	
	2018	2017
	S\$	S\$
Interest expense on:		
- Trust receipts	60,721	39,412
- Bank loans	9,869	7,661
- Obligations under finance lease	1,846	–
	<u>72,436</u>	<u>47,073</u>

7. Profit/(loss) before tax from continuing operations

The following items have been included in arriving at profit/(loss) before tax from continuing operations:

	Group	
	2018	2017
	S\$	S\$
Auditors of the Company:		
- Audit fees	62,305	60,700
- Non-audit fees	–	5,140
Depreciation of investment properties (Note 12)	102,990	42,912
Depreciation of property, plant and equipment	105,148	154,347
Foreign exchange loss/(gain), net	14,709	(9,383)
Warehouse maintenance fee	44,820	44,820
(Gain)/loss on disposal of property, plant and equipment	(3,223)	6,630
Allowance for slow moving and obsolete inventories (Note 14)	5,980	23,768
Operating lease expense (Note 22)	481,730	394,844
Employee benefits expenses (including directors' fees and remuneration):		
- Wages, salaries and bonuses	1,605,326	1,582,626
- CPF contributions and foreign worker levy	148,653	150,857
- Other short-term employee benefits	176,248	170,058
	<u>1,605,326</u>	<u>1,582,626</u>

**APPENDIX 5 – AUDITED CONSOLIDATED FINANCIAL STATEMENTS
OF THE GROUP FOR FINANCIAL YEAR ENDED 31 DECEMBER 2018**

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the financial year ended 31 December 2018

8. Income tax expense/(credit)

(a) Major components of income tax expense/(credit)

The major components of income tax expense/(credit) for the financial years ended 31 December are as follows:

	Group	
	2018	2017
	S\$	S\$
Consolidated statement of comprehensive income:		
Current income tax – continuing operations:		
- Current income taxation	40,948	4,566
- Overprovision in respect of previous years	(1,666)	–
	39,282	4,566
Deferred tax - continuing operations:		
- Origination and reversal of temporary differences	(76)	(9,835)
- Underprovision in respect of prior year	–	471
	(76)	9,364
Income tax expense/(credit) attributable to continuing operations	39,206	(4,798)
Income tax expense attributable to discontinued operation (Note 9)	2,031	–
Income tax expense/(credit) recognised in profit or loss	41,237	(4,798)

(b) Relationship between tax expense/(credit) and accounting profit/(loss)

A reconciliation between tax expense/(credit) and the product of profit/(loss) multiplied by the applicable corporate tax rate for the financial years ended 31 December are as follows:

	Group	
	2018	2017
	S\$	S\$
Profit/(loss) before tax from continuing operations	101,618	(455,597)
Profit/(loss) before tax from discontinued operation (Note 9)	4,048	(57,916)
Accounting profit/(loss) before tax	105,666	(513,513)
Tax at statutory income tax rate of 17% (2017: 17%)	17,963	(87,297)
Adjustments:		
- Non-deductible expenses	73,665	96,366
- Income not subject to taxation	(8,789)	(6,700)
- Deferred tax assets not recognised	–	2,422
- Effect of partial tax exemption and tax relief	(36,506)	(11,044)
- (Over)/under provision in respect of previous years	(1,666)	471
- Others	(3,430)	984
Income tax expense/(credit) recognised in profit or loss	41,237	(4,798)

**APPENDIX 5 – AUDITED CONSOLIDATED FINANCIAL STATEMENTS
OF THE GROUP FOR FINANCIAL YEAR ENDED 31 DECEMBER 2018**

**NOTES TO
THE FINANCIAL STATEMENTS (continued)**

For the financial year ended 31 December 2018

9. Discontinued operation and disposal group classified as held for sale

As at 15 February 2019, the Company had announced that it had entered into a sale and purchase agreement (“SPA”) to dispose its 90% share in PS Components Pte. Ltd. (“PS Components”) for cash consideration of S\$282,000. PS Components was incorporated by the Company with a minority shareholder in February 2015, with shareholding interest of 90% and 10% respectively, to carry out the business of wholesale of fasteners with a focus on the end-user market. However, since its incorporation, PS Components has not performed to the Group’s expectations. The Board is of the view that the Disposal is in the best interests of the Company and its shareholders. Completion of the Disposal (“Completion”) took place concurrently with the signing of the SPA in accordance with the terms and conditions of the SPA. Accordingly, as at 31 December 2018, the assets and liabilities related to PS Components have been presented in the balance sheet as “Assets of disposal group classified as held for sale” and “Liabilities directly associated with disposal group classified as held for sale;” and its results are presented separately on profit or loss as “Profit/(loss) from discontinued operation, net of tax.”

Balance sheet disclosures

The major classes of assets and liabilities of PS Components classified as held for sale as at 31 December 2018 are as follows:

	Group 2018 S\$
Assets	
Property, plant and equipment	74,239
Inventories	442,116
Trade and other receivables	402,065
Prepaid operating expenses	10,090
Cash and cash equivalents	50,632
Assets of disposal group classified as held for sale	<u>979,142</u>
Liabilities	
Trade and other payables	188,183
Loans and borrowings	46,823
Income tax payable	145
Deferred tax liabilities	1,886
Liabilities directly associated with disposal group classified as held for sale	<u>237,037</u>
Net assets directly associated with disposal group classified as held for sale	<u>742,105</u>

**APPENDIX 5 – AUDITED CONSOLIDATED FINANCIAL STATEMENTS
OF THE GROUP FOR FINANCIAL YEAR ENDED 31 DECEMBER 2018**

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the financial year ended 31 December 2018

9. Discontinued operation and disposal group classified as held for sale (cont'd)

Income statement disclosures

The result of PS Components for the year ended 31 December are as follows:

	Group	
	2018 S\$	2017 S\$
Revenue	1,794,018	1,698,712
Expenses	(1,798,993)	(1,768,257)
Loss from operation	(4,975)	(69,545)
Other income	11,911	15,178
Finance costs	(2,888)	(3,549)
Profit/(loss) from discontinued operation	4,048	(57,916)
Taxation	(2,031)	–
Profit/(loss) from discontinued operation, net of tax	<u>2,017</u>	<u>(57,916)</u>
Attributable to:		
Owners of the Company	1,816	(52,124)
Non-controlling interests	201	(5,792)
	<u>2,017</u>	<u>(57,916)</u>
 <u>Cash flow statement disclosures</u>		
Operating	(2,903)	(11,849)
Investing	(1,360)	(13,395)
Financing	(13,512)	(13,512)
Net cash outflows	<u>(17,775)</u>	<u>(38,756)</u>
 <u>Earnings/(loss) per share disclosures</u>		
Earnings/(loss) per share from discontinued operation attributable to owners of the Company (cents per share)	<u>0.003</u>	<u>(0.077)</u>

The basic and diluted earnings/(loss) per share from discontinued operation are calculated by dividing the profit/(loss) from discontinued operation, net of tax, attributable to owners of the Company by the weighted average number of ordinary shares for basic earnings per share computation. The Company did not have any potential dilutive ordinary shares during the financial years ended 31 December 2018 and 2017. These share data are presented in the tables in Note 10.

**APPENDIX 5 – AUDITED CONSOLIDATED FINANCIAL STATEMENTS
OF THE GROUP FOR FINANCIAL YEAR ENDED 31 DECEMBER 2018**

**NOTES TO
THE FINANCIAL STATEMENTS (continued)**

For the financial year ended 31 December 2018

10. Earnings/(loss) per share from continuing operations

Basic and diluted earnings per share are calculated by dividing the profit/(loss) for the financial year, net of tax, attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the financial year. The Company did not have any potential dilutive ordinary shares during the financial years ended 31 December 2018 and 2017.

The following table reflects the profit/(loss) and share data used in the computation of basic and diluted earnings/(loss) per share for the financial years ended 31 December:

	Group	
	2018	2017
	S\$	S\$
Profit/(loss) from continuing operations, net of tax attributable to owners of the Company	62,412	(450,799)
	Numbers	Numbers
Weighted average number of ordinary shares for basic and diluted earnings per share	68,000,000	68,000,000

**APPENDIX 5 – AUDITED CONSOLIDATED FINANCIAL STATEMENTS
OF THE GROUP FOR FINANCIAL YEAR ENDED 31 DECEMBER 2018**

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the financial year ended 31 December 2018

11. Property, plant and equipment

Group	Leasehold properties	Leasehold improvements	Motor vehicles	Tools and equipment	Office equipment	Furniture and fittings	Computers	Total
	\$	\$	\$	\$	\$	\$	\$	\$
Cost								
At 1 January 2017	4,222,554	35,742	150,642	352,393	25,309	201,236	312,441	5,300,317
Additions	-	7,600	-	16,270	6,612	39,674	34,635	104,791
Disposal	-	(35,742)	-	-	(19,233)	(130,274)	(11,589)	(196,838)
Transfer to investment properties	(4,222,554)	-	-	-	-	-	-	(4,222,554)
At 31 December 2017 and at 1 January 2018	-	7,600	150,642	368,663	12,688	110,636	335,487	985,716
Additions	-	-	80,515	5,150	380	2,092	47,540	135,677
Disposal	-	-	(66,895)	(3,339)	-	-	(5,465)	(75,699)
Attributable to discontinued operation (Note 9)	-	(6,250)	(83,746)	(4,179)	(3,837)	(8,931)	(42,461)	(149,404)
At 31 December 2018	-	1,350	80,516	366,295	9,231	103,797	335,101	896,290
Accumulated depreciation								
At 1 January 2017	1,648,866	32,220	65,074	164,222	18,101	170,013	260,899	2,359,395
Charge for the financial year	60,077	3,304	14,274	53,471	2,759	22,820	23,216	179,921
Disposal	-	(33,652)	-	-	(14,523)	(128,760)	(2,979)	(179,914)
Transfer to investment properties	(1,708,943)	-	-	-	-	-	-	(1,708,943)
At 31 December 2017 and at 1 January 2018	-	1,872	79,348	217,693	6,337	64,073	281,136	650,459
Charge for the financial year	-	1,900	21,076	52,331	1,888	20,592	33,455	131,242
Disposal	-	-	(62,471)	(3,061)	-	-	(5,465)	(70,997)
Attributable to discontinued operation (Note 9)	-	(3,125)	(27,218)	(2,128)	(1,736)	(7,821)	(33,137)	(75,165)
At 31 December 2018	-	647	10,735	264,835	6,489	76,844	275,989	635,539
Net carrying amount								
At 1 January 2017	2,573,688	3,522	85,568	188,171	7,208	31,223	51,542	2,940,922
At 31 December 2017	-	5,728	71,294	150,970	6,351	46,563	54,351	335,257
At 31 December 2018	-	703	69,781	101,460	2,742	26,953	59,112	260,751

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the financial year ended 31 December 2018

11. Property, plant and equipment (cont'd)

(a) Transfer to investment properties

On 1 August 2017, the Group transferred its leasehold properties from property, plant and equipment to investment properties (Note 12).

(b) Assets held under finance lease

During the financial year, the Group acquire motor vehicle with an aggregate cost of S\$80,515 by means of finance lease amounted to S\$50,000 and cash consideration of S\$30,515. The cash outflow on purchase of property, plant and equipment amounted to S\$85,677.

The carrying amount of motor vehicle held under finance lease at the end of the reporting period was S\$69,781 (31 December 2017: S\$64,904, 1 January 2017: S\$73,278).

Leased asset is pledged as security for the related finance lease liabilities.

(c) Assets pledged as security

In prior years, leasehold properties with a carrying amount S\$2,573,688, currently classified as investment properties, are mortgaged to secure the Group's banking facilities (Note 18).

12. Investment properties

	Group	
	2018	2017
	S\$	S\$
Balance sheet:		
Cost		
At 1 January	4,222,554	–
Transfer from property, plant and equipment	–	4,222,554
At 31 December	4,222,554	4,222,554
Accumulated depreciation		
At 1 January	1,751,855	–
Transfer from property, plant and equipment	–	1,708,943
Charge for the financial year	102,990	42,912
At 31 December	1,854,845	1,751,855
Net carrying amount		
At 1 January	2,470,699	–
At 31 December	2,367,709	2,470,699
Consolidated statement of comprehensive income:		
Rental income from investment properties:		
Minimum lease payments	345,600	144,000
Direct operating expenses (including repairs and maintenance) arising from:		
Rental generating properties	77,320	32,342

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.

**APPENDIX 5 – AUDITED CONSOLIDATED FINANCIAL STATEMENTS
OF THE GROUP FOR FINANCIAL YEAR ENDED 31 DECEMBER 2018**

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the financial year ended 31 December 2018

12. Investment properties (cont'd)

Transfer from property, plant and equipment

On 1 August 2017, the Group transferred its leasehold properties from property, plant and equipment to investment properties. On that date, the Group leased out the properties to a third party for rental income.

Valuation of investment properties

As at 1 August 2017, the cost and accumulated depreciation are transferred from property, plant and equipment to Investment properties. Subsequent to transfer, investment properties are stated at cost less accumulated depreciation and any accumulated impairment loss. Depreciation is provided on a straight-line basis so as to write-off the cost of the investment property over the remaining tenure of the leases.

The fair value of the investment properties as at 31 December 2018 is S\$3,095,774 (31 December 2017: S\$3,216,545, 1 January 2017: S\$nil). The fair value was determined using income approach at a discount rate of 6% by the management.

Assets pledged as security

The Group's investment properties with a carrying amount of S\$2,367,709 (31 December 2017: S\$2,470,699, 1 January 2017: S\$nil) are mortgaged to secure the Group's banking facilities (Note 18).

The investment properties held by the Group as at 31 December are as follow:

Description and location	Existing use	Tenure	Unexpired lease terms from date of transfer
2 units of warehouse facilities at 3 Kaki Bukit Road 2 #01-06/07 Singapore	Warehouse and office	Leasehold	23 years

13. Investments in subsidiaries

	Company		
	31 December 2018	2017	1 January 2017
	S\$	S\$	S\$
Shares, at cost	11,253,506	11,253,506	7,253,522
Impairment loss	(168,000)	–	–
Reclassified as assets held for sale	(282,000)	–	–
	10,803,506	11,253,506	7,253,522

**APPENDIX 5 – AUDITED CONSOLIDATED FINANCIAL STATEMENTS
OF THE GROUP FOR FINANCIAL YEAR ENDED 31 DECEMBER 2018**

**NOTES TO
THE FINANCIAL STATEMENTS (continued)**

For the financial year ended 31 December 2018

13. Investments in subsidiaries (cont'd)

Name of subsidiaries	Principal place of business	Principal activities	Proportion (%) of ownership interest		
			31 December	1 January	
			2018	2017	2017
			%	%	%
Held by the Company					
PS Fasteners Pte. Ltd.*	Singapore	Import and export of bolts, nuts, rivets, fasteners and screw machine products	100	100	100
PS Components Pte. Ltd.*	Singapore	Import and export of bolts, nuts, rivets, fasteners and related products	90	90	90

* Audited by Ernst & Young LLP, Singapore.

On 24 January 2017, the Company increased its cost of investment in PS Fasteners Pte Ltd (“PSF”) by S\$3,999,984 through capitalising an interest free loan due from PSF of S\$3,739,984 and additional cash injection of S\$260,000.

Before the reclassification of PSC as held for sale, the recoverable amount of the cost of investment was determined to be S\$282,000. An impairment loss of S\$168,000 was recognised at the profit and loss at the Company level.

14. Inventories

	Group		
	31 December	2017	1 January
	2018	2017	2017
	S\$	S\$	S\$
Trading stocks	8,134,937	7,694,921	7,577,004
Goods in transit	321,567	64,159	14,082
Less: Allowance for slow moving and obsolete inventories	(249,122)	(243,142)	(219,374)
Total inventories at lower of cost and net realisable value	<u>8,207,382</u>	<u>7,515,938</u>	<u>7,371,712</u>
Analysis of allowance for slow moving and obsolete inventories			
At beginning of the financial year	243,142	219,374	53,283
Charge for the financial year	5,980	23,768	166,091
At end of the financial year	<u>249,122</u>	<u>243,142</u>	<u>219,374</u>
Consolidated statement of comprehensive income:			
Inventories recognised as an expense in cost of sales	<u>8,047,304</u>	<u>8,175,013</u>	<u>8,001,866</u>

**APPENDIX 5 – AUDITED CONSOLIDATED FINANCIAL STATEMENTS
OF THE GROUP FOR FINANCIAL YEAR ENDED 31 DECEMBER 2018**

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the financial year ended 31 December 2018

15 Trade and other receivables

	Group			Company		
	31 December		1 January	31 December		1 January
	2018	2017	2017	2018	2017	2017
	S\$	S\$	S\$	S\$	S\$	S\$
Trade receivables	2,009,824	2,608,921	2,335,797	–	–	–
Sundry receivables	169,146	179,171	142,254	–	–	932
Deposits	92,507	110,725	35,118	–	–	–
Amounts due from subsidiary	–	–	–	300,000	–	3,776,985
Trade and other receivables	2,271,477	2,898,817	2,513,169	300,000	–	3,777,917
Add: Cash and cash equivalents (Note 16)	1,107,484	931,581	1,729,372	17,175	14,170	324,504
Less: GST receivable	(126,131)	(122,377)	(111,738)	–	–	(932)
Total financial assets carried at amortised cost	3,252,830	3,708,021	4,130,803	317,175	14,170	4,101,489

Trade receivables

Trade receivables are unsecured, non-interest bearing and are generally on 30 to 90 days' terms. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

Related party balances

Amounts due from subsidiary are unsecured, non-interest bearing and is repayable upon demand. In prior year, the amount due from subsidiary had been fully capitalised into share capital of the subsidiary.

Trade and other receivables denominated in foreign currency is as follows:

	Group			Company		
	31 December		1 January	31 December		1 January
	2018	2017	2017	2018	2017	2017
	S\$	S\$	S\$	S\$	S\$	S\$
United States Dollar	215,583	219,679	167,494	–	–	–

**APPENDIX 5 – AUDITED CONSOLIDATED FINANCIAL STATEMENTS
OF THE GROUP FOR FINANCIAL YEAR ENDED 31 DECEMBER 2018**

**NOTES TO
THE FINANCIAL STATEMENTS (continued)**

For the financial year ended 31 December 2018

15 Trade and other receivables (cont'd)

Receivables that are past due but not impaired

The Group has trade receivables amounting to S\$1,454,730 (31 December 2017: S\$1,450,328, 1 January 2017: S\$1,417,786) that are past due at the end of the reporting period but not impaired. These receivables are unsecured and the analysis of these aging at the end of the reporting period are as follows:

	Group		
	31 December 2018	2017	1 January 2017
	S\$	S\$	S\$
Trade receivables past due but not impaired:			
Less than 30 days	507,653	518,633	767,228
31 to 60 days	257,008	505,155	165,883
61 to 90 days	271,064	89,719	86,752
91 to 120 days	96,674	88,531	129,931
More than 121 days	322,331	248,290	267,992
	1,454,730	1,450,328	1,417,786

Receivables that are impaired

The Group's trade receivables that are impaired at the end of the reporting period and the movement of the trade allowance accounts used to record the impairment are as follows:

	Group	
	31 December 2017	1 January 2017
	S\$	S\$
Trade receivables - nominal amounts	15,516	15,386
Less: Allowance for impairment	(15,516)	(15,386)
	-	-

Movement in allowance account:

	Group 31 December 2017 S\$
At 1 January	15,386
Charge for the financial year	130
At 31 December	15,516

Trade receivables that are individually determined to be impaired at the end of reporting period relate to debtors that are in significant financial difficulties and have defaulted on payments. These receivables are not secured by any collateral or credit enhancement.

**APPENDIX 5 – AUDITED CONSOLIDATED FINANCIAL STATEMENTS
OF THE GROUP FOR FINANCIAL YEAR ENDED 31 DECEMBER 2018**

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the financial year ended 31 December 2018

15 Trade and other receivables (cont'd)

Expected credit losses

The movement in allowance for expected credit losses of trade receivables computed based on lifetime ECL are as follows:

	2018 S\$
Movement in allowance accounts:	
At 1 January	15,516
Charge for the year	40,521
At 31 December	<u>56,037</u>

During the year, the Group recognised impairment loss of \$40,530 of trade receivables arises from 2 customers as the Group does not expect to receive future cash flows from.

16. Cash and cash equivalents

	Group			Company		
	31 December		1 January	31 December		1 January
	2018	2017	2017	2018	2017	2017
	S\$	S\$	S\$	S\$	S\$	S\$
Cash at bank	1,104,484	928,031	1,726,371	17,175	14,170	324,504
Cash on hand	3,000	3,550	3,000	–	–	–
	<u>1,107,484</u>	<u>931,581</u>	<u>1,729,372</u>	<u>17,175</u>	<u>14,170</u>	<u>324,504</u>

Cash at bank earns interest at floating rates based on daily bank deposit rates. The interest rate as at 31 December 2018 for the Group was 0.018% to 0.218% per annum (31 December 2017: 0.018% to 0.218% per annum, 1 January 2017: 0.018% to 0.850%).

Cash and cash equivalents denominated in foreign currency is as follows:

	Group			Company		
	31 December		1 January	31 December		1 January
	2018	2017	2017	2018	2017	2017
	S\$	S\$	S\$	S\$	S\$	S\$
United States Dollar	108,445	52,025	121,612	–	–	–

For the purpose of the consolidated cash flow statement, cash and cash equivalents comprise the following at the end of the reporting period:

	Group		
	31 December		1 January
	2018	2017	2017
	S\$	S\$	S\$
Cash and short-term deposits			
Continuing operations	1,107,484	931,581	1,729,372
Discontinued operation (Note 9)	50,632	–	–
Cash and cash equivalents	<u>1,158,116</u>	<u>931,581</u>	<u>1,729,372</u>

**APPENDIX 5 – AUDITED CONSOLIDATED FINANCIAL STATEMENTS
OF THE GROUP FOR FINANCIAL YEAR ENDED 31 DECEMBER 2018**

**NOTES TO
THE FINANCIAL STATEMENTS (continued)**

For the financial year ended 31 December 2018

17. Trade and other payables

	Group			Company		
	31 December		1 January	31 December		1 January
	2018	2017	2017	2018	2017	2017
	S\$	S\$	S\$	S\$	S\$	S\$
Trade payables	653,141	559,477	456,303	28,236	24,437	8,023
Sundry payables	84,069	214,944	191,414	–	–	–
Accrued operating expenses	504,762	567,471	428,559	67,042	67,617	61,723
Trust receipts	2,277,404	1,368,169	1,532,957	–	–	–
Amounts due to subsidiary	–	–	–	488,135	242,999	–
Total trade and other payables	3,519,376	2,710,061	2,609,233	583,413	335,053	69,746
Add: Loans and borrowings (Note 18)	344,213	507,447	517,410	–	–	–
Total financial liabilities carried at amortised cost	3,863,589	3,217,508	3,126,643	583,413	335,053	69,746

Trade payables and sundry payables due to third parties are non-interest bearing and are normally settled on 30 days' terms.

Trust receipts bear interest of between 2.68489% and 3.36159% per annum (31 December 2017: 2.4500% and 2.75504% per annum, 1 January 2017: 1.799% and 3.2238% per annum) and are normally settled between 118 and 150 days (31 December 2017: 119 and 149 days, 1 January 2017: 114 and 150 days).

Trust receipts are secured by corporate guarantees issued by the Company.

Amounts due to subsidiary are unsecured, non-interest bearing, expected to be settled in cash or offset against intercompany balances in future and is repayable upon demand.

Trade and other payables denominated in foreign currencies are as follows:

	Group			Company		
	31 December		1 January	31 December		1 January
	2018	2017	2017	2018	2017	2017
	S\$	S\$	S\$	S\$	S\$	S\$
United States Dollar	551,605	358,216	305,271	–	–	–
Australian Dollar	15,623	28,965	34,505	–	–	–
Euro	7,991	24,024	7,741	–	–	–
Japanese Yen	1,681	19,452	4,494	–	–	–
Malaysian Ringgit	11,822	8,865	5,369	–	–	–

**APPENDIX 5 – AUDITED CONSOLIDATED FINANCIAL STATEMENTS
OF THE GROUP FOR FINANCIAL YEAR ENDED 31 DECEMBER 2018**

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the financial year ended 31 December 2018

18. Loans and borrowings

	Maturity	Group		
		31 December 2018	2017	1 January 2017
		S\$	S\$	S\$
Current:				
Bank loans:				
- SGD loan at 1.50% per annum over bank cost of funds	On demand	300,000	300,000	–
- SGD loan at 1.50% per annum over the applicable 3-month swap offer rate or 1.50% per annum over the prevailing 3-month cost of funds, whichever is higher	2018/2017	–	150,000	300,000
Obligations under finance lease (Note 22)	2019/2018/2017	9,217	10,624	9,963
		309,217	460,624	309,963
Non-current:				
Bank loan:				
- SGD loan at 1.50% per annum over the applicable 3-month swap offer rate or 1.50% per annum over the prevailing 3-month cost of funds, whichever is higher	2018	–	–	150,000
Obligations under finance lease (Note 22)	2020-2023/ 2019-2020/ 2018-2020	34,996	46,823	57,447
		34,996	46,823	207,447
Total loans and borrowings		344,213	507,447	517,410

Bank loan is secured by a first legal mortgage over the investment properties (Note 12) (31 December 2017: investment properties (Note 12), 1 January 2017: leasehold property (Note 11)) of the Group as well as corporate guarantee issued by the Company. The loan includes a financial covenant which requires the Group to maintain a net assets position of S\$6 million throughout the tenure of the loan.

Obligations under finance lease

These obligations are secured by a charge over the leased assets (Note 11). The discount rate implicit in the lease is 5.820% p.a. (31 December 2017: 5.56% p.a., 1 January 2017: 5.56% p.a.).

**APPENDIX 5 – AUDITED CONSOLIDATED FINANCIAL STATEMENTS
OF THE GROUP FOR FINANCIAL YEAR ENDED 31 DECEMBER 2018**

**NOTES TO
THE FINANCIAL STATEMENTS (continued)**

For the financial year ended 31 December 2018

18. Loans and borrowings (cont'd)

A reconciliation of liabilities arising from financing activities is as follows:

	31 December 2017	Cash flows	Non-cash changes		31 December 2018
	S\$	S\$	Acquisition	Reclassified as part of disposal group	S\$
			S\$	S\$	
Loans					
- Current	450,000	(150,000)	–	–	300,000
Obligations under finance leases					
- Current	10,624	(16,411)	15,004		9,217
- Non-current	46,823	–	34,996	(46,823)	34,996
	57,447	(16,411)	50,000	(46,823)	44,213
Total	507,447	(166,411)	50,000	(46,823)	344,213

	1 January 2017	Cash flows	Non-cash changes Other	31 December 2017
	S\$	S\$	S\$	S\$
Loans				
- Current	300,000	–	150,000	450,000
- Non-current	150,000	–	(150,000)	–
	450,000	–	–	450,000
Obligations under finance leases				
- Current	9,963	(9,963)	10,624	10,624
- Non-current	57,447	–	(10,624)	46,823
	67,410	(9,963)	–	57,447
Total	517,410	(9,963)	–	507,447

19. Deferred tax liabilities

Deferred tax liabilities as at 31 December relate to the following:

	Group		1 January
	31 December 2018	2017	2017
	S\$	S\$	S\$
Deferred tax liabilities:			
Differences in depreciation for tax purposes	12,275	12,350	21,714

**APPENDIX 5 – AUDITED CONSOLIDATED FINANCIAL STATEMENTS
OF THE GROUP FOR FINANCIAL YEAR ENDED 31 DECEMBER 2018**

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the financial year ended 31 December 2018

20. Share capital and merger reserves

(a) Share capital

	Group and Company			
	2018		2017	
	No. of shares	S\$	No. of shares	S\$
Issued and fully paid ordinary shares:				
At beginning and end of the financial year	68,000,000	11,397,030	68,000,000	11,397,030

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

(b) Merger reserves

This represents the differences between the consideration paid (based on net assets) and the paid-in capital of a subsidiary, PS Fasteners Pte. Ltd., as at 31 December 2012, under common control and accounted for by applying the pooling of interest method.

21. Related party transactions

In addition to the related party information disclosed elsewhere in the financial statements, the following significant transactions between the Group, the Company and related parties took place at terms agreed between the parties during the financial year:

Compensation of key management personnel

	Group	
	2018 S\$	2017 S\$
Short-term employee benefits	1,152,016	1,132,548
CPF contributions	47,916	51,863
	1,199,932	1,184,411
Comprise amounts paid to:		
Directors of the Company	949,610	940,810
Other key management personnel	250,322	243,601
	1,199,932	1,184,411

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the financial year ended 31 December 2018

22. Commitments

(a) Operating lease commitments – as lessee

The Group had entered into an industrial property lease, a motor vehicle lease and a logistics service agreement for storage of inventories under the operating lease commitments as lessee.

The tenure of the property, motor vehicle lease and logistics service agreement is between two to three years, with options to renew or extend. The Group is restricted from subleasing the property to third parties without consent from the landlord and is restricted from subleasing the motor vehicle to third parties. The Group shall not transfer, assign, mortgage, charge, licence, sublet, part with or share occupation of or otherwise deal with or grant to third parties any rights over the premises or any part thereof or encumber the logistics service agreements in any way, without the prior written consent of the service provider.

Operating lease payments recognised as an expense in profit or loss for the financial year ended 31 December 2018 amounted to S\$481,730 (31 December 2017: S\$394,844, 1 January 2017: S\$nil).

Future minimum rental payable under non-cancellable operating leases at the end of the reporting period are as follows:

	Group		
	31 December		1 January
	2018	2017	2017
	S\$	S\$	S\$
Not later than one year	91,035	552,200	416,423
Later than one year but no later than five years	–	78,235	483,976
	91,035	630,435	900,399

Subsequent to year end, the Group renewed its logistics service agreement for a period of 2 years.

(b) Operating lease commitments – as lessor

The Company has entered into commercial property leases on its investment properties. These non-cancellable leases have remaining lease terms of 8 months.

Future minimum rental receivable under non-cancellable operating leases at the end of the reporting period are as follows:

	Group		
	31 December		1 January
	2018	2017	2017
	S\$	S\$	S\$
Not later than one year	230,400	345,600	–
Later than one year but no later than five years	–	230,400	–
	230,400	576,000	–

**APPENDIX 5 – AUDITED CONSOLIDATED FINANCIAL STATEMENTS
OF THE GROUP FOR FINANCIAL YEAR ENDED 31 DECEMBER 2018**

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the financial year ended 31 December 2018

22. Commitments (cont'd)

(c) Finance lease commitments

The Company acquired a motor vehicle under finance lease arrangement. This obligation is secured by a charge over the leased assets (Note 11). The discount rate implicit in the lease is 5.820% p.a. (31 December 2017: 5.56% p.a., 1 January 2017: 5.56% p.a.).

Future minimum lease payments under finance lease together with the present value of net minimum lease payments are as follow:

	Group					
	31 December 2018		31 December 2017		1 January 2017	
	Minimum lease payments S\$	Present value of payments (Note 18) S\$	Minimum lease payments S\$	Present value of payments (Note 18) S\$	Minimum lease payments S\$	Present value of payments (Note 18) S\$
Not later than one year	11,527	9,217	13,512	10,624	13,512	9,963
Later than one year but not later than five years	38,315	34,996	51,779	46,823	54,048	46,456
Later than five years	–	–	–	–	11,243	10,991
Total minimum lease payments	49,842	44,213	65,291	57,447	78,803	67,410
Less: Amount representing finance charges	(5,629)	–	(7,844)	–	(11,393)	–
Present value of minimum lease payments	44,213	44,213	57,447	57,447	67,410	67,410

23. Fair value of financial instruments

The fair value of a financial instrument is the amount at which the instrument could be exchanged or settled between knowledgeable and willing parties in an arm's length transaction, other than in a forced or liquidation sale.

Fair value of financial instruments by classes that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value

Trade and other receivables (Note 15), cash and cash equivalents (Note 16), trade and other payables (Note 17), and loans and borrowings (Note 18)

The carrying amounts of these financial assets and liabilities are based on their nominal amounts and are reasonable approximation of fair values, either due to their short-term nature or that the interest rates for the financial instruments are close to market interest rate at the end of the reporting period.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the financial year ended 31 December 2018

24. Financial risk management objectives and policies

The Group is exposed to financial risks arising from its operations and use of financial instruments. The key financial risks include credit risk, liquidity risk, foreign currency risk and interest rate risk. The Group's risk management policy seeks to minimise the potential adverse effects from these exposures. The management continually monitors the Group's risk management process to ensure that an appropriate balance between risk and control is achieved. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities.

The board of directors is responsible for setting the objectives, the underlying principles of financial risk management for the Group and establishing policies such as authority levels, oversight responsibilities, risk identification and measurement, exposure limits and hedging strategies in accordance with the objectives and underlying principles approved.

It is, and has been throughout the current and previous financial year, the Group's policy that no trading in derivatives for speculative purposes shall be undertaken.

There has been no change to the Group's exposure to the following financial risks identified or the manner in which it manages and measures the risks.

(a) Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's exposure to credit risk arises primarily from trade and other receivables. For other financial assets (including cash and cash equivalents), the Group minimises credit risk by dealing exclusively with high credit rating counterparties.

The Group's objective is to seek continual revenue growth while minimising losses incurred due to increased credit risk exposure. The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period.

The Group has determined the default event on a financial asset to be when the counterparty fails to make contractual payments, within 90 days when they fall due, which are derived based on the Group's historical information.

To assess whether there is a significant increase in credit risk, the Group compares the risk of a default occurring on the asset as at reporting date with the risk of default as at the date of initial recognition. The Group considers available reasonable and supportive forwarding-looking information which includes the following indicators:

- Internal credit rating
- External credit rating
- Actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the borrower's ability to meet its obligations
- Actual or expected significant changes in the operating results of the borrower
- Significant increases in credit risk on other financial instruments of the same borrower
- Significant changes in the value of the collateral supporting the obligation or in the quality of third-party guarantees or credit enhancements
- Significant changes in the expected performance and behaviour of the borrower, including changes in the payment status of borrowers in the group and changes in the operating results of the borrower.

**APPENDIX 5 – AUDITED CONSOLIDATED FINANCIAL STATEMENTS
OF THE GROUP FOR FINANCIAL YEAR ENDED 31 DECEMBER 2018**

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the financial year ended 31 December 2018

24. Financial risk management objectives and policies (cont'd)

(a) Credit risk (cont'd)

Regardless of the analysis above, a significant increase in credit risk is presumed if a debtor is more than 90 days past due in making contractual payment.

The Group determined that its financial assets are credit-impaired when:

- There is significant difficulty of the issuer or the borrower
- A breach of contract, such as a default or past due event
- It is becoming probable that the borrower will enter bankruptcy or other financial reorganisation
- There is a disappearance of an active market for that financial asset because of financial difficulty

Financial assets are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the Group. Where loans and receivables have been written off, the Group continues to engage enforcement activity to attempt to recover the receivable due. Where recoveries are made, these are recognised in profit or loss.

The following are credit risk management practices and quantitative and qualitative information about amounts arising from expected credit losses for trade receivables.

Excessive risk concentration

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographical region, or have economic features that would cause their abilities to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Group's performance to developments affecting a particular industry.

In order to avoid excessive concentrations of risk, the Group's policies and procedures include specific guidelines to focus on maintaining a diversified portfolio. Identified concentrations of credit risks are controlled and managed accordingly.

Credit risk concentration profile

The Group determines concentration of credit risk by monitoring the country profile of its trade receivables on an ongoing basis. The credit risk concentration profile of the Group's trade receivables at the end of the reporting period is as follows:

	31 December		2017		1 January	
	2018		2017		2017	
	S\$	%	S\$	%	S\$	%
Group						
Malaysia	780,161	39	1,017,998	39	846,104	36
Indonesia	517,907	26	766,483	29	663,503	29
Singapore	428,874	21	535,158	21	562,694	24
Other countries	282,882	14	289,282	11	263,496	11
Total	2,009,824	100	2,608,921	100	2,335,797	100

At the end of the reporting period, approximately 38% (31 December 2017: 33%, 1 January 2017: 45%) of the Group's trade receivables were due from 5 major customers.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the financial year ended 31 December 2018

24. Financial risk management objectives and policies (cont'd)

(a) Credit risk (cont'd)

Financial assets that are neither past due nor impaired

Trade and other receivables that are neither past due nor impaired are with creditworthy debtors with good payment record with the Group. Cash and cash equivalents that are neither past due nor impaired are placed with or entered into with reputable financial institutions with high credit rating and no history of default.

Financial assets that are either past due or impaired

Information regarding financial assets that are either past due or impaired is disclosed in Note 15 to the financial statements.

(b) Liquidity risk

Liquidity risk is the risk that the Group or the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's and the Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities.

It was the Group's objective to maintain a balance between continuity of funding and flexibility through short-term banking facilities and borrowings from banks in order to meet its liquidity requirements both in the short and long-term.

In the management of liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group's operations.

The table below summarises the maturity profile of the Group's financial assets and liabilities at the end of the reporting period based on contractual undiscounted payments:

	Not later than one year S\$	Later than one year but not later than five years S\$	Later than 5 years S\$	Total S\$
Group				
2018				
Financial assets				
Trade and other receivables (excluding GST receivables)	2,145,346	–	–	2,145,346
Cash and cash equivalents	1,107,484	–	–	1,107,484
Total undiscounted financial assets	3,252,830	–	–	3,252,830
Financial liabilities				
Trade and other payables	3,532,673	–	–	3,532,673
Loans and borrowings	321,427	38,315	–	359,742
Total undiscounted financial liabilities	3,854,100	38,315	–	3,892,415
Total net undiscounted financial assets/(liabilities)	(601,270)	(38,315)	–	(639,585)

**APPENDIX 5 – AUDITED CONSOLIDATED FINANCIAL STATEMENTS
OF THE GROUP FOR FINANCIAL YEAR ENDED 31 DECEMBER 2018**

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the financial year ended 31 December 2018

24. Financial risk management objectives and policies (cont'd)

(b) Liquidity risk (cont'd)

	Not later than one year S\$	Later than one year but not later than five years S\$	Later than 5 years S\$	Total S\$
Group				
31 December 2017				
Financial assets				
Trade and other receivables (excluding GST receivables)	2,776,440	–	–	2,776,440
Cash and cash equivalents	931,581	–	–	931,581
Total undiscounted financial assets	3,708,021	–	–	3,708,021
Financial liabilities				
Trade and other payables	2,716,517	–	–	2,716,517
Loans and borrowings	472,919	51,779	–	524,698
Total undiscounted financial liabilities	3,189,436	51,779	–	3,241,215
Total net undiscounted financial assets/(liabilities)	518,585	(51,779)	–	466,806
1 January 2017				
Financial assets				
Trade and other receivables (excluding GST receivables)	2,401,431	–	–	2,401,431
Cash and cash equivalents	1,729,372	–	–	1,729,372
Total undiscounted financial assets	4,130,803	–	–	4,130,803
Financial liabilities				
Trade and other payables	2,616,344	–	–	2,616,344
Loans and borrowings	323,028	205,605	11,243	539,876
Total undiscounted financial liabilities	2,939,372	205,605	11,243	3,156,220
Total net undiscounted financial assets/(liabilities)	1,191,431	(205,605)	(11,243)	974,583

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the financial year ended 31 December 2018

24. Financial risk management objectives and policies (cont'd)

(b) Liquidity risk (cont'd)

	Not later than one year		
	31 December		1 January
	2018	2017	2017
	S\$	S\$	S\$
Company			
Financial assets			
Trade and other receivables (less GST receivables)	300,000	–	3,776,985
Cash and cash equivalent	17,175	14,170	324,504
Total undiscounted financial assets	317,175	14,170	4,101,489
Financial liabilities			
Trade and other payables, representing total undiscounted financial liabilities	583,413	335,053	69,746
Total net undiscounted financial (liabilities)/assets	(266,238)	(320,883)	4,031,743

(c) Foreign currency risk

Foreign currency risk arises when transactions are denominated in foreign currencies. The Group has transactional currency exposures arising mainly from sales and purchases that are denominated in a currency other than the respective functional currency of the Group entities, primarily, Singapore dollars ("SGD" or "S\$"). The foreign currency in which these transactions are denominated are mainly United States Dollar ("USD" or "US\$").

The Group's objective is where possible to limit the effect of exchange rate movements on the Group's earnings by closely monitoring the movement of exchange rate fluctuations but the Group does not use foreign currency forward exchange contracts or purchase currency options for trading purposes.

Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity of the Group's profit/(loss) before taxation to a reasonably possible change in the USD against the functional currency with all other variables held constant:

	Group	
	2018	2017
	S\$	S\$
	Profit/(loss) before tax increase/(decrease)	
USD - Strengthened 10% (2017: 10%)	(22,758)	8,652
- Weakened 10% (2017: 10%)	22,758	(8,652)

**APPENDIX 5 – AUDITED CONSOLIDATED FINANCIAL STATEMENTS
OF THE GROUP FOR FINANCIAL YEAR ENDED 31 DECEMBER 2018**

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the financial year ended 31 December 2018

24. Financial risk management objectives and policies (cont'd)

(d) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's financial instruments will fluctuate because of changes in market interest rates. The Group's exposure to interest rate risk mainly arises from its loans and borrowings and trust receipts. Interest rate risk is managed by the Group on an on-going basis with the primary objective of limiting the extent to which net interest expense could be affected by an adverse movement in interest rates.

The Group's policy is to obtain the most favourable interest rates available for its borrowings and bank deposits.

Sensitivity analysis for interest rate risk

At the end of the reporting period, if SGD interest rates had been 100 (2017: 100) basis points lower/higher with all other variables held constant, the Group's profit before taxation (2017: loss before taxation) would have been S\$25,774 lower/higher (2017: S\$18,182 lower/higher). This arises mainly as a result of lower/higher interest expense on floating rate loans and borrowings and trust receipts and lower/higher interest income from floating rate for cash at bank.

25. Capital management

Capital includes debt and equity items as disclosed in the table below.

The primary objective of the Group's capital management is to ensure that it maintains a healthy capital ratio in order to support its business and maximise shareholders' values.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group reviews its capital structure at least annually. The capital structure of the Group comprises issued capital and retained earnings. No changes were made in the objectives, policies or processes during the financial years ended 31 December 2018 and 2017.

	Group	
	2018	2017
	S\$	S\$
Loans and borrowings (Note 18)	344,213	507,447
Trade and other payables (Note 17)	3,519,376	2,710,061
Less: Cash and cash equivalents (Note 16)	(1,107,484)	(931,581)
Net debt	2,756,105	2,285,927
Equity attributable to the owners of the Company	11,033,113	10,968,885
Capital and net debt	<u>13,789,218</u>	<u>13,254,812</u>
Gearing ratio	<u>20%</u>	<u>17%</u>

**APPENDIX 5 – AUDITED CONSOLIDATED FINANCIAL STATEMENTS
OF THE GROUP FOR FINANCIAL YEAR ENDED 31 DECEMBER 2018**

**NOTES TO
THE FINANCIAL STATEMENTS (continued)**

For the financial year ended 31 December 2018

26. Segment information

The Group has a single operating segment in the import and export of bolts, nuts, rivets, fasteners and screw machine products. Management has not identified any business or operating units separately for purpose of making decisions about resource allocation and performance assessment.

Geographical information

Revenue based on the geographical location of customers was as follows:

	Group	
	2018	2017
	S\$	S\$
Indonesia	3,351,904	2,332,926
Malaysia	3,368,663	3,230,467
Singapore	2,966,726	2,522,507
Other countries	3,187,583	3,433,141
Discontinued operation	(1,794,018)	(1,698,712)
	<u>11,080,858</u>	<u>9,820,328</u>

The Group's non-current assets which comprise of property, plant and equipment are located in Singapore.

27. Events occurring after the reporting period

On 15 February 2019, the Company entered into a sale and purchase agreement to dispose its 90% share in PS Components Pte. Ltd. ("PS Components") for cash consideration of S\$282,000. Completion of the Disposal ("Completion") took place concurrently with the signing of the SPA in accordance with the terms and conditions of the SPA. Accordingly, as at 31 December 2018, PS Components has been classified as discontinued operation (Note 9).

28. Authorisation of the financial statements for issue

The financial statements for the financial year ended 31 December 2018 were authorised for issue by the board of directors on 28 March 2019.

APPENDIX 6 – UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR HALF YEAR ENDED 30 JUNE 2019



PS GROUP HOLDINGS LTD.

Company Registration No. 201311530Z
Incorporated in the Republic of Singapore

Unaudited Financial Statements and Dividend Announcement For The Half-Year Ended 30 June ("1H FY") 2019

This announcement has been reviewed by the Company's sponsor, CIMB Bank Berhad, Singapore Branch (the "Sponsor") in accordance with Rule 226(2)(b) of the Singapore Exchange Securities Trading Limited (the "SGX-ST") Listing Manual Section B: Rules of Catalyst (the "Catalist Rules"). This announcement has not been examined or approved by the SGX-ST and the SGX-ST assumes no responsibility for the contents of this announcement, including the correctness of any of the statements or opinions made or reports contained in this announcement. The contact person for the Sponsor is Ms Tan Cher Ting, Director, Investment Banking, CIMB Bank Berhad, Singapore Branch, at 50 Raffles Place, #09-01 Singapore Land Tower, Singapore 048623, Telephone: +65 6337 5115.

Part I Information Required for the Announcement of Half-Year Results

1(a)(i) An income statement and statement of comprehensive income, or a statement of comprehensive income, for the group, together with a comparative statement for the corresponding period of the immediately preceding financial year.

	Group		Increase/ (Decrease) %
	Unaudited 1H FY2019 S\$	1H FY2018 S\$	
Continuing operations			
Revenue	5,535,499	5,252,308	5.4
Cost of sales	(4,144,709)	(3,756,231)	10.3
Gross profit	1,390,790	1,496,077	(7.0)
Other income	201,481	192,038	4.9
Expenses			
Selling and distribution expenses	(390,569)	(372,452)	4.9
Administration expenses	(1,313,399)	(1,276,527)	2.9
Finance expenses	(42,221)	(28,839)	46.4
(Loss)/profit before taxation from continuing operations	(153,918)	10,297	NM
Income tax expense	-	(10,708)	NM
Loss from continuing operations, net of taxation	(153,918)	(411)	NM
Discontinued operation⁽¹⁾			
Profit/(loss) from discontinued operation, net of taxation	15,345	(3,031)	NM
Loss for the period	(138,573)	(3,442)	NM
Other comprehensive income for the period	-	-	-
Total comprehensive income for the period	(138,573)	(3,442)	NM
Profit/(loss) for the period attributable to:			
Owners of the Company			
Loss from continuing operations, net of taxation	(153,918)	(411)	NM
Profit/(loss) from discontinued operation, net of taxation	13,810	(2,727)	NM
Loss for the period attributable to owners of the Company	(140,108)	(3,138)	NM
Non-controlling interests			
Profit/(loss) from continuing operations, net of taxation	-	-	-
Profit/(loss) from discontinued operation, net of taxation	1,535	(304)	NM
Profit/(loss) for the period attributable to non-controlling interests	1,535	(304)	NM

⁽¹⁾ The Company has completed the disposal of the Group's 90% interest in PS Components Pte Ltd ("PSC") on 15 February 2019. Accordingly, in accordance with the Singapore Financial Reporting Standard (International) ("SFRS(I)") SFRS(I) 5, the Company has classified PSC as an asset held for sale for 1H FY2019 and 1H FY2018. The terms "discontinued operation" and "disposal group" throughout this announcement relate to PSC.

NM denotes not meaningful

1(a)(ii) The net profit/(loss) includes the following charges/(credits)⁽¹⁾:

	Unaudited		Increase/ (Decrease) %
	1H FY2019 S\$	1H FY2018 S\$	
Allowance for impairment of trade receivables	96,602	-	NM
Allowance for slow moving and obsolete inventories	8,428	25,718	(67.2)
Amortisation of investment properties	51,495	51,495	0.0
Amortisation of right-of-use asset	133,439	-	NM
Depreciation of property, plant and equipment	52,910	60,570	(12.6)
Finance expenses	42,432	30,366	39.7
Rental income	(172,800)	(172,800)	0.0
Government grants	(28,419)	(31,002)	(8.3)
Interest income	(142)	(153)	(7.2)
Net foreign exchange (gain)/loss	(1,782)	4,155	NM
Gain on disposal of property, plant and equipment	-	(2,689)	NM
Under provision of income tax expenses in respect of prior year	-	94	NM

⁽¹⁾The above charges/(credits) included amount from both continuing operations and discontinued operation.

NM denotes not meaningful

APPENDIX 6 – UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR HALF YEAR ENDED 30 JUNE 2019



PS GROUP HOLDINGS LTD.

Company Registration No. 201311530Z
Incorporated in the Republic of Singapore

1(b)(i) A statement of financial position (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year.

	Group		Company	
	Unaudited As at 30 June 2019 S\$	Audited As at 31 December 2018 S\$	Unaudited As at 30 June 2019 S\$	Audited As at 31 December 2018 S\$
ASSETS				
Non-current assets				
Investment in subsidiaries	-	-	10,803,506	10,803,506
Investment properties	2,316,214	2,367,709	-	-
Property, plant and equipment	210,594	260,751	-	-
Right-of-use asset	1,426,053	-	-	-
	<u>3,952,861</u>	<u>2,628,460</u>	<u>10,803,506</u>	<u>10,803,506</u>
Current assets				
Inventories	7,903,786	8,207,382	-	-
Trade and other receivables	2,602,100	2,271,477	-	300,000
Prepaid operating expenses	21,295	19,319	1,712	5,243
Cash and cash equivalents	636,661	1,107,484	30,191	17,175
	<u>11,163,842</u>	<u>11,605,662</u>	<u>31,903</u>	<u>322,418</u>
Assets of disposal group classified as held for sale	-	979,142	-	282,000
	<u>11,163,842</u>	<u>12,584,804</u>	<u>31,903</u>	<u>604,418</u>
Total assets	<u>15,116,703</u>	<u>15,213,264</u>	<u>10,835,409</u>	<u>11,407,924</u>
EQUITY AND LIABILITIES				
Current liabilities				
Trade and other payables	2,472,910	3,519,376	160,194	583,413
Lease liability	405,968	-	-	-
Loans and borrowings	300,000	309,217	-	-
Income tax payable	20,440	40,948	-	-
	<u>3,199,318</u>	<u>3,869,541</u>	<u>160,194</u>	<u>583,413</u>
Liabilities directly associated with disposal group classified as held for sale	-	237,037	-	-
	<u>3,199,318</u>	<u>4,106,578</u>	<u>160,194</u>	<u>583,413</u>
Net current assets/(liabilities)	<u>7,964,524</u>	<u>8,478,226</u>	<u>(128,291)</u>	<u>21,005</u>
Non-current liabilities				
Loans and borrowings	-	34,996	-	-
Lease liability	1,012,105	-	-	-
Deferred tax liabilities	12,275	12,275	-	-
	<u>1,024,380</u>	<u>47,271</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>4,223,698</u>	<u>4,153,849</u>	<u>160,194</u>	<u>583,413</u>
Net assets	<u>10,893,005</u>	<u>11,059,415</u>	<u>10,675,215</u>	<u>10,824,511</u>
Equity attributable to: Owners of the Company				
Share capital	11,397,030	11,397,030	11,397,030	11,397,030
Retained earnings	5,899,481	6,039,589	(721,815)	(572,519)
Merger reserves	(6,403,506)	(6,403,506)	-	-
	<u>10,893,005</u>	<u>11,033,113</u>	<u>10,675,215</u>	<u>10,824,511</u>
Non-controlling interests	-	26,302	-	-
Total equity	<u>10,893,005</u>	<u>11,059,415</u>	<u>10,675,215</u>	<u>10,824,511</u>
Total equity and liabilities	<u>15,116,703</u>	<u>15,213,264</u>	<u>10,835,409</u>	<u>11,407,924</u>

1(b)(ii) In relation to the aggregate amount of the group's borrowings and debt securities, specify the following as at the end of the current financial period reported on with comparative figures as at the end of the immediately preceding financial year:

	Unaudited As at 30 June 2019		Audited As at 31 December 2018	
	Secured S\$	Unsecured S\$	Secured S\$	Unsecured S\$
Group				
Amount repayable in one year or less, or on demand ⁽¹⁾	1,707,861	-	2,586,620	-
Amount repayable after one year	-	-	34,996	-
	<u>1,707,861</u>	<u>-</u>	<u>2,621,616</u>	<u>-</u>

⁽¹⁾ Included in the amounts repayable in one year or less, or on demand, are trust receipts which are classified under trade and other payables in the statements of financial position.

Details of collaterals

The Group's trust receipts are secured by corporate guarantees issued by the Company while its bank borrowings are secured by (i) a first legal mortgage over the investment properties of the Group; and (ii) corporate guarantees issued by the Company. The Group's finance lease is secured by the relevant asset under the lease.

APPENDIX 6 – UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR HALF YEAR ENDED 30 JUNE 2019



PS GROUP HOLDINGS LTD.

Company Registration No. 201311530Z
Incorporated in the Republic of Singapore

1(c) A statement of cash flows (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year.

	Unaudited	
	1H FY2019	1H FY2018
	S\$	S\$
Operating activities:		
(Loss)/profit before taxation from continuing operations	(153,918)	10,297
Profit/(loss) before taxation from discontinued operation	18,488	(3,031)
(Loss)/profit before taxation, total	<u>(135,430)</u>	<u>7,266</u>
Adjustments for:		
Interest income	(142)	(153)
Finance expenses	42,432	30,366
Depreciation of property, plant and equipment	52,910	60,570
Amortisation of investment properties	51,495	51,495
Amortisation of right-of-use asset	133,439	-
Allowance for slow moving and obsolete inventories	8,428	25,718
Gain from disposal of subsidiary	(31,460)	-
Allowance for impairment of trade receivables	96,602	-
Gain on disposal of property, plant and equipment	-	(2,689)
Total adjustments	<u>353,704</u>	<u>165,307</u>
Operating cash flows before changes in working capital	218,274	172,573
Changes in working capital:		
Decrease/(increase) in inventories	281,671	(671,858)
Decrease in trade and other receivables, and prepaid operating expenses	54,938	62,930
Decrease in trade and other payables	(186,534)	(38,006)
Repayment of lease liability	(146,537)	-
Total changes in working capital	<u>3,538</u>	<u>(646,934)</u>
Cash from/(used in) operations	221,812	(474,361)
Income tax paid	(20,508)	(1,919)
Interest received	142	153
Net cash flows from/(used in) operating activities	201,445	(476,127)
Investing activities:		
Purchase of property, plant and equipment	(2,194)	(68,165)
Net proceeds from disposal of subsidiary	236,557	-
Proceeds from disposal of property, plant and equipment	-	7,113
Net cash flows from/(used in) investing activities	234,363	(61,052)
Financing activities:		
Net change in trust receipts	(869,543)	597,901
Finance expenses paid	(42,594)	(27,928)
Repayment of obligations under finance lease	(45,127)	(6,630)
Repayment of bank loans	-	(150,000)
Net cash flows (used in)/from financing activities	(957,264)	413,343
Net decrease in cash and cash equivalents	(521,455)	(123,836)
Cash and cash equivalents at beginning of the financial period ⁽¹⁾	1,158,116	931,581
Cash and cash equivalents at end of the financial period	636,661	807,745

⁽¹⁾ The cash and cash equivalents at beginning of the financial period included the cash balances from PSC which had been reclassified as asset held for sale in the statement of financial position in para 1(b)(i) of this announcement.

APPENDIX 6 – UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR HALF YEAR ENDED 30 JUNE 2019



PS GROUP HOLDINGS LTD.

Company Registration No. 201311530Z
Incorporated in the Republic of Singapore

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.

Statement of changes in equity	Attributable to owners of the Company					Total equity
	Share capital	Retained earnings	Merger reserves	Equity attributable to owners of the Company	Non-controlling interests	
The Group	S\$	S\$	S\$	S\$	S\$	S\$
As at 1 January 2019	11,397,030	6,039,589	(6,403,506)	11,033,113	-	11,033,113
Total comprehensive income for the period	-	(140,108)	-	(140,108)	-	(140,108)
As at 30 June 2019	11,397,030	5,899,481	(6,403,506)	10,893,005	-	10,893,005
As at 1 January 2018	11,397,030	5,975,361	(6,403,506)	10,968,885	26,101	10,994,986
Total comprehensive income for the period	-	(3,138)	-	(3,138)	(304)	(3,442)
As at 30 June 2018	11,397,030	5,972,223	(6,403,506)	10,965,747	25,797	10,991,544
The Company						
As at 1 January 2019	11,397,030	(572,519)	-	10,824,511	-	10,824,511
Total comprehensive income for the period	-	(149,296)	-	(149,296)	-	(149,296)
As at 30 June 2019	11,397,030	(721,815)	-	10,675,215	-	10,675,215
As at 1 January 2018	11,397,030	(427,064)	-	10,969,966	-	10,969,966
Total comprehensive income for the period	-	(130,398)	-	(130,398)	-	(130,398)
As at 30 June 2018	11,397,030	(557,462)	-	10,839,568	-	10,839,568

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.

The Company's issued and paid-up share capital as at 30 June 2019 and 31 December 2018 was S\$11,397,030 comprising 68,000,000 ordinary shares.

There were no outstanding convertibles, treasury shares or subsidiary holdings held by the Company 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.

	Number of ordinary shares as at	
	30 June 2019	31 December 2018
Total number of issued shares excluding treasury shares and subsidiary holdings	68,000,000	68,000,000

1(d)(iv) A statement showing all sales, transfers, cancellation and/or use of treasury shares as at the end of the current financial period reported on.

Not applicable.

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.

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 by the auditors of the Company.

3 Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of a matter).

Not applicable.

4 Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied.

Save as disclosed in paragraph 5 below, the Group has applied the same accounting policies and methods of computation in the Group's financial statements for the financial period ended 30 June 2019 as its most recently audited financial statements for the financial year ended 31 December 2018.

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 all the new and revised Singapore Financial Reporting Standards (International) ("SFRS(I)" and SFRS(I) interpretations ("SFRS(I) INT")) that are relevant to the Group and effective for the financial year beginning on 1 January 2019. The adoption of these new and revised SFRS (I) and SFRS (I) INT does not result in significant changes to the Group's accounting policies and has no material effect on the amounts reported for the current financial period ended 30 June 2019 or prior periods except for the adoption of SFRS (I) 16 Leases. SFRS (I) 16 requires lessees to recognise most leases on balance sheet. At commencement date of a lease, a lessee will recognise a liability to make a lease payments (i.e. the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e. the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. The Group has recognised right-of-use assets and lease liabilities of S\$1.4 million as of 30 June 2019 for its leases previously classified as operating leases.

APPENDIX 6 – UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR HALF YEAR ENDED 30 JUNE 2019



PS GROUP HOLDINGS LTD.

Company Registration No. 201311530Z
Incorporated in the Republic of Singapore

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.

	1H FY2019	Group Unaudited	1H FY2018
Weighted average number of ordinary shares:			
(a) Basic loss per share	68,000,000		68,000,000
(b) Diluted loss per share	68,000,000		68,000,000
Loss from continuing operations attributable to owners of the Company (S\$)	(153,918)		(411)
Loss from continuing operations attributable to owners of the Company per ordinary share (cents):			
(a) Based on the weighted average number of ordinary shares in issue	(0.23)		(0.00)
(b) On a fully diluted basis	(0.23)		(0.00)
Loss attributable to owners of the Company (S\$)	(140,108)		(3,138)
Loss attributable to owners of the Company per ordinary share (cents):			
(a) Based on the weighted average number of ordinary shares in issue	(0.21)		(0.00)
(b) On a fully diluted basis	(0.21)		(0.00)

7 Net asset value (for the issuer and group) per ordinary share based on the total number of issued shares excluding treasury shares of the issuer at the end of the:

(a) current financial period reported on; and
(b) immediately preceding financial year.

	Group ⁽¹⁾		Company	
	As at 30 June 2019	As at 31 December 2018	As at 30 June 2019	As at 31 December 2018
Net asset value per ordinary share (cents) ⁽²⁾	16.02	16.23	15.70	15.92

⁽¹⁾Based on net asset value attributable to owners of the Company.

⁽²⁾Net asset value per ordinary share is calculated based on 68,000,000 shares in issue as at 30 June 2019 and 31 December 2018.

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.

Review of the Group's performance

Revenue

The Group's revenue increased by approximately S\$283,000 or 5.4% from S\$5.3 million in 1H FY2018 to S\$5.5 million in 1H FY2019. The increase in revenue was mainly due to the increase in sales to customers from South America.

Cost of sales

Cost of sales increased by approximately S\$388,000 or 10.3% from S\$3.8 million in 1H FY2018 to S\$4.1 million in 1H FY2019. The increase in cost of sales was more than proportionate to the increase in revenue due to higher bulk sales to customers which had lower margin.

Gross profit

Gross profit decreased by approximately S\$105,000 or 7.0% from S\$1.5 million in 1H FY2018 to S\$1.4 million in 1H FY2019. The gross profit margin decreased from approximately 28.5% in 1H FY2018 to 25.1% in 1H FY2019 mainly due to bulk sales to customers with lower margin.

Other income

Other income increased by approximately S\$9,000 or 4.9% from S\$192,000 in 1H FY2018 to S\$201,000 in 1H FY2019. The increase was mainly due to government grant received during the 1H FY2019 in relation to the enhancement of the IT infrastructure completed in FY2018.

Selling and distribution expenses

Selling and distribution expenses increased by approximately S\$18,000 or 4.9% in 1H FY2019 from S\$372,000 in 1H FY2018 to S\$390,000 in 1H FY2019. The increase in selling and distribution expenses was mainly attributable to the increase in employees benefits expenses and recruitment of additional sales personnel in March 2018.

Administration expenses

Administration expenses increased marginally by approximately S\$37,000 or 2.9% and remained fairly stable at S\$1.3 million for 1H FY2018 and 1H FY2019. The increase in administration expenses was mainly attributable to the impairment loss on trade receivables of S\$97,000 relating to two overseas customers which the Group had since ceased dealings for the time being. The increase was offset by (i) gain on disposal of its 90% interest in PSC of S\$31,000; (ii) a decrease in allowance for slow moving and obsolete inventories of S\$17,000; and (iii) a net decrease in exchange loss of S\$10,000 as a result of an exchange gain of S\$2,000 in 1H FY2019 compared to an exchange loss of S\$8,000 in 1H FY2018.

Finance expenses

Finance expenses increased by approximately S\$13,000 or 46.4% from S\$29,000 in 1H FY2018 to S\$42,000 in 1H FY2019. The increase was mainly due to the recognition of interest on lease liability of S\$5,000 on adoption of SFRS(I) 16; and higher utilisation of trust receipts facilities for the purchase of inventories.

APPENDIX 6 – UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR HALF YEAR ENDED 30 JUNE 2019



PS GROUP HOLDINGS LTD.

Company Registration No. 201311530Z
Incorporated in the Republic of Singapore

Income tax expense

No provision for income tax was made for 1H FY2019 in view of the losses incurred during 1H FY2019.

Profit for the period attributable to owners of the Company

As a result of the above, the Group incurred a loss of approximately S\$140,000 in 1H FY2019 as compared to a loss of S\$3,000 in 1H FY2018.

Review of the Group's financial position

Non-current assets

Non-current assets increased by approximately S\$1.3 million from S\$2.6 million as at 31 December 2018 to S\$4.0 million as at 30 June 2019. The increase in non-current assets was mainly due to the recognition of right-of-use asset of S\$1.4 million on adoption of SFRS(I) 16. In February 2019, the Group renewed the logistics service agreement relating to the Group's warehouse premise at 9 Tampines Industrial Drive, Singapore 528543 which was entered into with an unrelated third party and the agreement is for a period of 2 years (with option to renew for another 2 years), based on market rates.

Current assets

Current assets decreased by approximately S\$1.4 million from S\$12.6 million as at 31 December 2018 to S\$11.2 million as at 30 June 2019. The decrease in current assets was mainly attributable to (i) the absence of asset held for sale of S\$980,000 upon completion of the disposal of the Group's interest in PSC; and (ii) decrease in inventories of S\$304,000, which was mainly due to the management of purchases in view of the reduced lead time required by suppliers to fulfil orders; and (iii) decrease in cash and cash equivalents of S\$471,000. These decreases were offset by the increase in trade and other receivables of S\$331,000. The increase in trade and other receivables was mainly attributable to receivables due from PSC which was previously eliminated on consolidation.

Current liabilities

Current liabilities decreased by approximately S\$907,000 from S\$4.1 million as at 31 December 2018 to S\$3.2 million as at 30 June 2019. The decrease in current liabilities was mainly due to (i) decrease in trade and other payables of S\$1.0 million; and (ii) the absence of liabilities directly associated with disposal group classified as held for sale of S\$237,000 upon the completion of the disposal on the Group's interest in PSC. The decrease was offset by the increase in lease liability of S\$406,000 which was due to the renewal of logistics service agreement signed in February 2019, in accordance with the SFRS(I) 16.

Non-current liabilities

Non-current liabilities increased by approximately S\$977,000 from S\$47,000 as at 31 December 2018 to S\$1.0 million as at 30 June 2019 mainly due to the renewal of logistics service agreement signed in February 2019, in accordance with the SFRS(I) 16.

Equity attributable to owners of the Company

Equity attributable to owners of the Company decreased by S\$140,000 from S\$11.0 million as at 31 December 2018 to S\$10.9 million as at 30 June 2019 as a result of the loss incurred in 1H FY2019.

Review of the Group's cash flows

Net cash flows used in operating activities

In 1H FY2019, the net cash flows from operating activities was approximately S\$201,000 which consisted mainly of operating cash flows before changes in working capital of S\$218,000 and net working capital inflow of S\$4,000, offset by tax paid of S\$21,000. The net working capital inflow arose mainly due to (i) decrease in inventories of S\$282,000; and (ii) decrease in trade and other receivables, and prepaid operating expenses of S\$55,000. The decreases were offset by an increase in trade and other payables of S\$187,000 and repayment of lease liability of S\$147,000.

Net cash flows from investing activities

Net cash flows from investing activities of S\$234,000 was mainly due to the net proceeds from disposal of interest in PSC.

Net cash flows used in financing activities

Net cash flows used in financing activities amounted to approximately S\$957,000 mainly due to (i) net decrease in trust receipts of S\$870,000; (ii) the repayment of obligations under finance lease of S\$45,000; and (iii) finance expenses paid of S\$43,000.

9 Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results.

The results for 1H FY2019 are consistent with the Company's profit warning announcement dated 26 July 2019, and the trends and competitive conditions previously disclosed in the Company's annual report and results announcement for FY2018.

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 Company had completed the disposal of the Group's 90% interest in PSC on 15 February 2019. In view of the various economic data to date, the Group expects the operating environment in the next 12 months to remain challenging against the backdrop of political and economic uncertainties in the markets which the Group operates.

11 If a decision regarding dividend has been made, the required information has been disclosed.

11(a) Whether any interim (final) ordinary dividend has been declared (recommended)

No.

11(b) Previous corresponding period

No.

11(c) Date of payment.

Not applicable.

11(d) The date on which Registrable Transfers received by the company (up to 5:00pm) will be registered before entitlements to the dividend are determined.

Not applicable.

APPENDIX 6 – UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR HALF YEAR ENDED 30 JUNE 2019



PS GROUP HOLDINGS LTD.

Company Registration No. 201311530Z
Incorporated in the Republic of Singapore

- 12 **If no dividend has been declared (recommended), a statement to that effect.**
No dividend has been declared or recommended for 1H FY2019 considering the Group's net loss for 1H FY2019 and the current challenging environment.
- 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 Group does not have a general mandate from shareholders for IPTs.
- 14 **Negative confirmation by the Board pursuant to Rule 705(5).**
We confirm, on behalf of the board of directors (the "Board") of the Company that, to the best of our knowledge, nothing has come to the attention of the Board which may render the unaudited consolidated financial statements of the Group for 1H FY2019 to be false or misleading in any material respect.

ON BEHALF OF THE BOARD OF DIRECTORS

Teo Choon Hock
Executive Chairman

Kwek Keng Seng
Managing Director

- 15 **Confirmation that the issuer has procured undertakings from all its directors and executive officers under Rule 720(1).**
The Company confirms that it has procured undertakings from all of its directors and executive officers as required under Rule 720(1) of the Catalist Rules.

BY ORDER OF THE BOARD

Teo Choon Hock
Executive Chairman
7 August 2019