CIRCULAR DATED 27 JUNE 2014

THIS CIRCULAR IS IMPORTANT AS IT CONTAINS THE RECOMMENDATION OF THE INDEPENDENT DIRECTORS (AS DEFINED HEREIN) OF KIAN HO BEARINGS LTD AND THE ADVICE OF ASIASONS WFG CAPITAL PTE. LTD., THE INDEPENDENT FINANCIAL ADVISER TO THE INDEPENDENT DIRECTORS. THIS CIRCULAR REQUIRES YOUR IMMEDIATE ATTENTION AND YOU SHOULD READ IT CAREFULLY.

This Circular is issued by Kian Ho Bearings Ltd (the "**Company**" or "**KH**"). 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 ordinary shares in the capital of KH ("**Shares**") held through The Central Depositary (Pte) Limited ("**CDP**"), you need not forward this Circular to the purchaser or transferee as arrangements will be made by CDP for a separate Circular to be sent to the purchaser or transferee. If you have sold or transferred all your Shares which are not deposited with the CDP, you should immediately forward this Circular to the purchaser or transferee, or to the bank, stockbroker or agent through whom the sale or transfer was effected for onward transmission to the purchaser or transferee.

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

KHB

KIAN HO BEARINGS LIMITED

(Incorporated in the Republic of Singapore)
(Company Registration Number: 197302030N)

CIRCULAR TO SHAREHOLDERS IN RELATION TO THE MANDATORY UNCONDITIONAL CASH OFFER

by

RAFFLES UNITED PTE LTD

(Company Registration No. 201333500K)

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

Independent Financial Adviser to the Independent Directors of the Company

ASIASONS WFG
亚昇成泰金融

ASIASONS WFG CAPITAL PTE. LTD.

(Incorporated in the Republic of Singapore)
(Company Registration No. 200002789M)

SHAREHOLDERS SHOULD NOTE THAT THE OFFER DOCUMENT STATES THAT ACCEPTANCES SHOULD BE RECEIVED BY THE CLOSE OF THE OFFER AT 5.30 P.M. ON 17 JULY 2014.

THE OFFEROR DOES NOT INTEND TO EXTEND THE OFFER BEYOND THAT DATE OR TO REVISE THE TERMS OF THE OFFER.

THE OFFEROR HAS GIVEN NOTICE THAT THE OFFER WILL CLOSE AT 5.30 P.M. ON 17 JULY 2014 AND WILL NOT BE OPEN FOR ACCEPTANCE BEYOND 5.30 P.M. ON 17 JULY 2014 AND WILL NOT BE REVISED, SAVE THAT SUCH NOTICE SHALL NOT BE CAPABLE OF BEING ENFORCED IN A COMPETITIVE SITUATION.

CONTENTS

Page

DEFINITIONS 2

CAUTIONARY NOTE ON FORWARD-LOOKING STATEMENTS 6

SUMMARY TIMETABLE 7

LETTER TO SHAREHOLDERS 8

1. INTRODUCTION 8
2. THE OFFER 9
3. UNDERTAKINGS 10
4. INFORMATION ON THE OFFEROR AND THE PARTIES ACTING IN CONCERT . . 11
5. RATIONALE FOR THE OFFER AND THE OFFEROR'S INTENTIONS FOR KH 11
6. LISTING STATUS 12
7. ADVICE AND RECOMMENDATION 13
8. ACTION TO BE TAKEN BY THE SHAREHOLDERS 15
9. OVERSEAS SHAREHOLDERS 15
10. INFORMATION PERTAINING TO CPFIS INVESTORS 17
11. DIRECTORS' RESPONSIBILITY STATEMENT 17
12. ADDITIONAL INFORMATION 17

APPENDIX I – LETTER OF ADVICE FROM ASIASONS WFG CAPITAL PTE. LTD. TO THE INDEPENDENT DIRECTORS I-1

APPENDIX II – ADDITIONAL GENERAL INFORMATION ON KH II-1

APPENDIX III – RELEVANT EXTRACTS FROM THE COMPANY'S ARTICLES OF ASSOCIATION III-1

APPENDIX IV – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR FY2013 . . . . . IV-1

APPENDIX V – VALUATION REPORTS FROM THE INDEPENDENT VALUERS . . . V-1

APPENDIX VI – MATERIAL CONTRACTS WITH INTERESTED PERSONS VI-1

DEFINITIONS

In this Circular, the following definitions apply throughout unless the context otherwise requires or unless otherwise stated:

"**Acceptance Forms**"	:	The FAA
"**Articles**"	:	The Articles of Association of the Company
"**Board**"	:	The Board of Directors
"**CDP**"	:	The Central Depository (Pte) Limited
"**Circular**"	:	This circular dated 27 June 2014 issued by the Company to Shareholders in relation to the Offer (including, inter alia, the Appendices to this Circular) and any other document which may be issued by or on behalf of the Company to amend, revise, supplement or update this Circular from time to time
"**Closing Date**"	:	5.30 p.m. on 17 July 2014, being the last day for the lodgement of acceptances of the Offer
"**Code**"	:	The Singapore Code on Take-overs and Mergers
"**Company**" or "**KH**"	:	Kian Ho Bearings Ltd
"**Companies Act**"	:	The Companies Act, Chapter 50 of Singapore
"**CPF**"	:	Central Provident Fund
"**CPF Agent Banks**"	:	Agent banks included under the CPFIS
"**CPFIS**"	:	Central Provident Fund Investment Scheme
"**CPFIS Investors**"	:	Investors who have purchased Shares using their CPF contributions pursuant to the CPFIS
"**Directors**"	:	The directors of the Company as at the Latest Practicable Date
"**Encumbrances**"	:	Has the meaning ascribed to it in Section 2.5 of this Circular
"**FAA**"	:	Form of Acceptance and Authorisation, which forms part of the Offer Document and which is issued to Shareholders whose Offer Shares are deposited with CDP
"**FAT**"	:	Form of Acceptance and Transfer, which forms part of the Offer Document and which is issued to the Shareholders whose Offer Shares are not deposited with CDP
"**FY**"	:	Financial year ended 31 December
"**Group**"	:	The Company and its subsidiaries

"**IFA**" or "**Asiasons**"	:	Asiasons WFG Capital Pte. Ltd., the independent financial adviser to the Independent Directors in relation to the Offer
"**IFA Letter**"	:	The letter dated 27 June 2014 from the IFA to the Independent Directors in relation to the Offer, entitled "Letter of Advice from Asiasons WFG Capital Pte. Ltd. to the Independent Directors", as set out in Appendix I to this Circular
"**Independent Directors**"	:	The Directors who are considered independent for the purposes of making the recommendation to the Shareholders in respect of the Offer, being Yeo Wee Kiong, Kwek Che Yong, Lee Joo Hai, Teh Geok Koon and Tan Saik Hock
"**Independent Valuers**"	:	Sterling Property Consultants Pte Ltd, Jones Lang Wootton, and Greater China Appraisal (Shanghai) Limited
"**Latest Practicable Date**"	:	19 June 2014, being the latest practicable date prior to the printing of this Circular
"**Listing Manual**"	:	Listing Manual of the SGX-ST, as amended up to the Latest Practicable Date
"**Market Day**"	:	A day on which the SGX-ST is open for trading in securities
"**Offer**"	:	The mandatory unconditional cash offer by the Offeror to acquire all the Offer Shares on the terms and subject to the conditions set out in this Offer Document and the FAA
"**Offer Announcement**"	:	The announcement of the Offer released by the Offeror on the Offer Announcement Date
"**Offer Announcement Date**"	:	4 June 2014, being the date of the Offer Announcement
"**Offer Document**"	:	The document dated 19 June 2014 issued by the Offeror, including the FAA
"**Offer Period**"	:	The period from the Offer Announcement Date until the date the Offer is declared to have closed or lapsed
"**Offer Price**"	:	$0.235 in cash for each Offer Share, being the offer price in relation to the Offer
"**Offer Shares**"	:	All Shares to which the Offer relates, as more particularly defined in Section 2.4 of this Circular
"**Offeror**"	:	Raffles United Pte. Ltd.
"**Overseas Shareholders**"	:	Shareholders whose addresses are outside Singapore, as shown on the Register or in the records of CDP (as the case may be)
"**Register**"	:	The register of members of KH

"**Securities Account**"	:	A securities account maintained by a Depositor with CDP, but does not include a securities sub-account
"**Securities**"	:	Securities which carry voting rights in the Company, including but not limited to the Shares
"**Securities and Futures Act**"	:	The Securities and Futures Act, Chapter 289, of Singapore
"**SGXNET**"	:	SGX-ST's website at www.sgx.com
"**SGX-ST**"	:	Singapore Exchange Securities Trading Limited
"**Share Registrar**"	:	Boardroom Corporate & Advisory Services Pte. Ltd
"**Shareholders**"	:	Holders of issued Shares, including Depositors whose Shares are deposited with CDP or who have purchased the Shares on the SGX-ST, and "Shareholder" shall be construed accordingly
"**Shares**"	:	The issued and paid-up ordinary shares in the capital of KH
"**SIC**"	:	Securities Industry Council of Singapore
"**Substantial Shareholder**"	:	A person (including a corporation) who has an interest in not less than 5% of the total issued voting Shares
"**S$**" and "**cents**"	:	Singapore dollars and cents respectively, being the lawful currency of Singapore
"**Undertakings**"	:	The undertakings given in favour of the Offeror, as described in Section 5 of this Circular
"**Valuation Reports**"	:	Collectively, (i) the valuation reports dated 12 June 2014 on the properties of the Group located in Singapore issued by Sterling Property Consultants Pte Ltd; (ii) the valuation reports dated 12 June 2014 and 31 December 2013 on the properties of the Group located in Malaysia issued by Jones Lang Wootton; and (iii) the valuation reports dated 19 June 2014 on the properties of the Group located in the People's Republic of China issued by Greater China Appraisal (Shanghai) Limited.
"**%**" or "**per cent.**"	:	Percentage or per centum

Acting in Concert. Unless otherwise defined, the term "**acting in concert**" shall have the meaning ascribed to it in the Code, and references to "**concert parties**" shall be construed accordingly.

DEFINITIONS

Depositors. The terms "**Depositor**", "**Depository Agent**" and "**Depository Register**" shall have the meanings ascribed to them respectively in Section 130A of the Companies Act.

Subsidiaries and related corporations. The terms "**subsidiaries**" and "**related corporations**" shall have the meanings ascribed to them respectively in the Companies Act.

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

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

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

Sections. Any reference in this Circular to a section is a reference to a section of this Circular, unless otherwise stated.

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

Rounding. Any discrepancies in figures included in this Circular between the amounts listed and their actual values are due to rounding. Accordingly, figures may have been adjusted to ensure that totals or sub-totals shown, as the case may be, reflect an arithmetic aggregation of the figures that precede them.

Statements which are reproduced in their entirety from the Offer Document, the IFA Letter and the Articles are set out in this Circular in italics and all capitalised terms and expressions used within these reproduced statements shall have the same meanings ascribed to them in the Offer Document, the IFA Letter and the Articles respectively.

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 “seek”, “expect”, “anticipate”, “estimate”, “believe”, “intend”, “project”, “plan”, “strategy”, “forecast” and similar expressions or future or conditional verbs such as “will”, “if”, “would”, “should”, “could”, “may” and “might”. These statements reflect the Company’s or the Offeror’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 and the Offeror assumes no obligation to update publicly or revise any forward-looking statement.

SUMMARY TIMETABLE

Date of despatch of the Offer Document	:	19 June 2014
Date of despatch of Circular	:	27 June 2014
Closing Date	:	5.30 p.m. (Singapore time) on 17 July 2014, being the last day for the lodgement of acceptances for the Offer (as the case may be)
Date of settlement of consideration for valid acceptances of the Offer	:	Within 10 days of the date of receipt of each valid and complete acceptance

KIAN HO BEARINGS LTD

(Incorporated in the Republic of Singapore)
(Company Registration No. 197302030N)

Board of Directors:
Yeo Wee Kiong (Non-Executive Independent Chairman)
Kwek Che Yong (Executive Deputy Chairman)
Teo Teng Beng (Managing Director)
Teh Geok Koon (Executive Director cum Chief Operating Officer)
Lee Joo Hai (Non-Executive Independent Director)
Tan Saik Hock (Non-Executive Independent Director)

Registered Office:
5 Changi South St 3
Singapore 486117

27 June 2014

To: The Shareholders of Kian Ho Bearings Ltd

Dear Sir/Madam

MANDATORY UNCONDITIONAL CASH OFFER BY THE OFFEROR FOR THE OFFER SHARES

1. INTRODUCTION

1.1 Offer Announcement

On 4 June 2014, the Offeror announced that it had purchased a total of 73,192,000 ordinary shares in Kian Ho Bearings Ltd ("**KH**"), representing approximately 31.27% of the issued and paid-up share capital of KH, at S$0.235 in cash per share, excluding brokerage and other transaction cost (the "**Acquisition**").

Following the Acquisition, the Offeror, together with its concerted parties, owns 123,228,000 ordinary shares in the capital of KH ("**KH Shares**"), representing approximately 52.65% of its issued and paid-up capital. In accordance with Section 139 of the Securities and Futures Act, Chapter 289 of Singapore and Rule 14 of The Singapore Code on Take-overs and Mergers (the "**Code**"), and subject to the terms and conditions set out in this formal offer document issued by the Offeror (the "**Offer Document**"), the Offeror is required to make a mandatory unconditional cash offer (the "**Offer**") for all the remaining KH Shares in issue not already owned, controlled or agreed to be acquired by the Offeror and parties acting in concert with it ("**Offer Shares**") at a price of S$0.235 in cash for each Offer Share (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 by the Offeror on 19 June 2014, setting out, *inter alia*, the formal offer by the Offeror, for the Offer Shares, subject to the terms and conditions set out in the Offer Document.

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

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

1.3 Independent Financial Adviser

Asiasons WFG Capital Pte Ltd has been appointed as the independent financial adviser to the Independent Directors in relation to the Offer.

1.4 Purpose of this Circular

The purpose of this Circular is to provide Shareholders with relevant information relating to the Offer and to set out the recommendation of the Independent Directors and the advice of the IFA to the Independent Directors in respect of the Offer.

Shareholders should carefully consider the advice of the IFA to the Independent Directors and the recommendation of the Independent Directors set out in this Circular 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 in accordance with Rule 14 of the Code. The principal terms and conditions of the Offer, as extracted from the Offer Document, are set out below:

2.1 Offer Price

Section 2.1 of the Offer Document states that the Offer is made on the following basis:

For each Offer Share: S$0.235 in cash

Section 2.2 of the Offer Document states that the Offeror does not intend to increase the Offer Price. Shareholders should note that the Offer Price of S$0.235 per Offer Share is final and will not be revised.

2.2 Closing Date

Section 2.3 of the Offer Document states that the Offeror does not intend to extend the Offer beyond the Closing Date. Accordingly, the Offer will close at 5.30 p.m. on 17 July 2014.

2.3 Unconditional Offer

Section 2.4 of the Offer Document states that the Offer is **unconditional in all respects.**

2.4 Offer Shares

Section 2.5 of the Offer Document states that the Offer is extended to all the Shares not already owned, controlled or agreed to be acquired by the Offeror and the parties acting in concert with the Offeror.

2.5 No Encumbrances

Section 2.6 of the Offer Document states that the Offer Shares will be acquired (a) fully paid, (b) free from any mortgage, debenture, lien, charge, pledge, title retention, right to acquire, security interest, option, preemptive or similar right, right of first refusal and any other encumbrance or condition whatsoever ("**Encumbrances**"), and (c) with all such rights, benefits and entitlements attached thereto as at the Offer Announcement Date and

thereafter attaching thereto, including the right to receive and retain all dividends, rights and other distributions (if any) declared, paid or made by KH on or after the Offer Announcement Date.

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

2.6 Warranty

Section 2.7 of the Offer Document states that acceptance of the Offer will be deemed to constitute an unconditional and irrevocable warranty by the accepting Shareholder that each Offer Share tendered in acceptance of the Offer is sold by the accepting Shareholder, as or on behalf of the beneficial owner(s) thereof, (a) fully paid, (b) free from any Encumbrance, and (c) with all such rights, benefits and entitlements attached thereto as at the Offer Announcement Date and thereafter attaching thereto, including the right to receive and retain all dividends, rights and other distributions (if any) declared, paid or made by KH on or after the Offer Announcement Date.

2.7 Further details of the Offer

Further details of the Offer, including details on (a) the settlement of the consideration for the Offer, (b) the requirements relating to the announcement of the level of acceptances of the Offer, and (c) the right of withdrawal of the acceptances of the Offer, are set out in Appendix 4 to the Offer Document.

2.8 Procedures for acceptance

The procedures for the acceptance of the Offer are set out in Appendix 5 to the Offer Document.

3. UNDERTAKINGS

The information on the irrevocable undertakings received by the Offeror to accept or reject the Offer set out in italics below has been extracted from Section 3 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.

"*3.1 In respect of the Offer, each of (i) KHB Holdings Pte Ltd ("**KHB**") (ii) Kwek Che Yong ("**KCY**"), Deputy Chairman and Executive Director of KH; (iii) Koh Hai Yang ("**KHY**"), son-in-law of Kwek Che Yong and Head, Business Development and Subsidiaries of KH; and (iv) Kwek San San ("**KSS**"), daughter of Kwek Che Yong and Purchasing Manager of KH, has provided an irrevocable undertaking ("**Undertaking**") to the Offeror (a) **not** to sell, dispose or otherwise transfer any of the Shares held by each of them as at the Offer Announcement Date (unless consented to by the Offeror) from the Offer Announcement Date up to the close of the Offer; and (b) **not** to accept the Offer in respect of any Shares held by each of them as at the Offer Announcement Date.*

3.2 As at the date of this Offer Document:–

(a) KHB owns 27,659,700 Shares, representing approximately 11.82% of the total issued Shares;

(b) KCY owns 1,193,000 Shares, representing approximately 0.51% of the total issued Shares;

(c) KHY owns 2,289,000 Shares, representing approximately 0.98% of the total issued Shares; and

(d) KSS owns 286,000 Shares, representing approximately 0.12% of the total issued Shares.

Save as disclosed in this Offer Document, the Offeror has not received any undertaking from any party to accept or reject the Offer as at the Latest Practicable Date."

4. INFORMATION ON THE OFFEROR AND THE PARTIES ACTING IN CONCERT

The information on the Offeror set out in italics below has been extracted from Section 4 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.

"*The Offeror was incorporated in the Republic of Singapore on 12 December 2013. It has an issued and paid up share capital of S$100,000 divided into 100,000 ordinary shares. The Offeror is a private exempt investment holding company held by Teo Xian-Hui Amanda Marie and Teo Teck Yao Glenn Ashley in equal proportions of 50% each.*

Teo Teng Beng and Teo Teck Yao Glenn Ashley are the Directors of the Offeror. Teo Teng Beng is also the Managing Director and member of the Nominating Committee KH. Teo Teng Beng holds directorships in private companies operating in industries such as property investment and foreign exchange management.

Teo Xian-Hui Amanda Marie and Teo Teck Yao Glenn Ashley are the children of Teo Teng Beng."

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

The full text of the rationale for the Offer and the Offeror's Intentions for KH has been extracted from Section 6 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 extract below carefully.**

"*6.1 **Rationale for the Offer.** The Offer is made to comply with the requirements of the Code because following the Acquisition, the Offeror together with its concerted parties hold an aggregate of 123,228,000 Shares, representing approximately 52.65% of the total number of Shares as at the Latest Practicable Date.*

*6.2 **The Offeror's Intentions for KH.** It is the intention of the Offeror that KH continues to carry on its existing business and maintains its listing status on the SGX-ST.*

The Offeror, together with its concerted parties, may offer its experience and business contacts in property investment to KH for future growth prospects in addition to carrying on its existing businesses. As the controlling shareholder of KH, the Offeror intends to work with KH to increase shareholder value.

Save as disclosed in this Offer Document, the Offeror presently has no plans to (i) introduce any major changes to the existing businesses of KH or the operations of any of its subsidiaries, (ii) redeploy any of the fixed assets of KH or (iii) discontinue the employment of any of the employees of KH and its subsidiaries, other than in the ordinary course of business.

The intentions of the Offeror for KH as set out in this Section 6 are based on current views and assumptions and involve known and unknown risks, uncertainties and other factors, many of which are outside the control of the Offeror. There is no assurance that the current intentions will be carried into effect, and the Offeror retains the flexibility at any time to consider any options in relation to KH which may present themselves and which the Offeror may regard to be in the interest of the Offeror or KH."

6. LISTING STATUS

The full text of the intentions of the Offeror relating to the listing status of the Company has been extracted from Section 7 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.

"*7.1 **No Compulsory Acquisition.** Pursuant to Section 215(1) of the Companies Act, if an offeror (which is a corporation) receives valid acceptances pursuant to an offer in respect of not less than 90% of the total number of shares in a company (other than those already held by the offeror, its related corporations or their respective nominees as at the date of the offer, and excluding treasury shares), the offeror will be entitled to exercise the right to compulsorily acquire all the shares from the shareholders of that company who have not accepted the offer.*

In this Offer Document, unless otherwise stated, all references to the total number of Shares as at the Latest Practicable Date shall be to 234,060,000 Shares based on information available to the Offeror as at 10 June 2014 and all percentage shareholdings are rounded to the nearest 2 decimal places.

*7.2 **It is the intention of the Offeror to maintain the listing status of KH on the SGX-ST.***

Under Rule 1105 of the Listing Manual, upon the announcement by the Offeror that valid acceptances have been received pursuant to the Offer that bring the Shares owned by the Offeror and parties acting in concert with it to above 90% of the total number of Shares (excluding treasury shares), the SGX-ST may suspend the listing of the Shares until it is satisfied that at least 10% of the total number of Shares (excluding treasury shares) are held by at least 500 Shareholders who are members of the public. Rule 1303(1) of the Listing Manual also states that if the Offeror garners acceptances exceeding 90% of the total number of Shares (excluding treasury shares), thus causing the percentage of Shares held in public hands to fall below 10%, the SGX-ST may suspend the trading of the Shares at the close of the Offer.

In addition, under Rule 724 of the Listing Manual, if the percentage of Shares held in public hands falls below 10%, KH must, as soon as practicable, announce that fact, and the SGX-ST may suspend trading of all the Shares. Rule 724 of the Listing Manual further provides that the SGX-ST may allow KH a period of three (3) months, or such longer period as the SGX-ST may agree, to raise the percentage of Shares in public hands to at least 10%, failing which KH may be delisted from the SGX-ST.

As it is the current intention of the Offeror to maintain the listing status of KH on the SGX-ST, the Offeror reserves the right to take appropriate actions to procure that at least 10% of the total number of Shares are held by the public in accordance with the rules of the Listing Manual. The Offeror may engage a licensed intermediary to place out some or all of the Offer Shares acquired pursuant to the Offer following the close of the Offer. Further details on any such arrangements will be announced in due course as and when it is appropriate."

7. ADVICE AND RECOMMENDATION

7.1 General

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

7.2 Independence of Directors

Save for Mr Teo Teng Beng, all the Directors consider themselves to be independent for the purposes of making recommendations on the Offer.

In view of the matters referred to below, an application was made to the SIC for Mr Teo Teng Beng to be exempted from joining in making the recommendations on the Offer which was approved by the SIC.

Mr Teo Teng Beng is the Managing Director of the Company and member of the Nominating Committee of the Company. He is also a director of the Offeror and the father of Teo Xian-Hui Amanda Marie and Teo Teck Yao Glenn Ashley who each hold 50% of the shares of the Offeror.

Having regard to his position held in the Offeror as set out above and as a party acting in concert with the Offeror, Mr Teo Teng Beng considers that he would face an irreconcilable conflict of interest if he were to join in making the recommendations on the Offer.

7.3 Advice of the IFA to the Independent Directors

The IFA's advice to the Independent Directors in respect of the Offer, as extracted from Section 9 of the IFA Letter, is set out below and should be read in conjunction with, and in the context of, the full text of the IFA Letter. Unless otherwise defined or the context otherwise requires, all capitalised terms below shall have the same meaning as defined in the IFA Letter.

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

We have set out below a summary of the factors we have taken into our consideration:

(a) The Offer Price represents a discount of 3.46% to the 24-month VWAP of KH Shares but premiums of between 8.96% and 12.65% to the VWAPs of KH Shares for other comparison periods prior to the Offer Announcement Date as set out in section 8.1 of this IFA Letter;

(b) The average daily traded volume of KH Shares range from 0.03% to 0.08% of the free float for the comparison periods prior to the Offer Announcement Date as set out in section 8.1 of this IFA Letter;

(c) KH Shares had generally underperformed the FSSTI Index in relative terms for the period from 24-month prior to Offer Announcement Date and the period after the Offer Announcement Date up to the Latest Practicable Date;

(d) The PER of the Company as implied by the Offer Price is 42.8 times and is within the range of 14.0 to 98.0 times for the Comparable Companies as the Latest Practicable Date. It is also higher than the mean PER of 41.2 times and the median PER of 24.8 times for the Comparable Companies as the Latest Practicable Date;

(e) While the Offer Price represents a discount of 27.2% to the NAV per KH Share as at 31 December and a discount of 31.1% to the RNAV for each KH Share, the P/NTA Ratio of the Company as implied by the Offer Price and the RNAV of 0.69 times is within the range of 0.62 to 1.12 times for the Comparable Companies as at the Latest Practicable Date. It is lower than the mean of 0.75 times but higher than the median of 0.67 times for the Comparable Companies as at the Latest Practicable Date;

(f) The EV/EBITDA Ratio of the Company as implied by the Offer Price is 23.7 times and is within the range of EV/EBITDA Ratios of 6.2 times to 27.5 times for the Comparable Companies as at the Latest Practicable Date. It is also higher than the mean and the median EV/EBITDA Ratio of 15.7 times and 18.5 times respectively for the Comparable Companies as at the Latest Practicable Date;

(g) The discount of 6.0% implied by the Offer Price over the closing price on the Offer Announcement Date is within the range but lower than the premiums of 4.4% and 7.2% represented by the mean and median for Non-Privatisation Transactions. On the other hand, the premium of 9.0% implied by the Offer Price over the VWAP for the 1-month period is within the range for Non-Privatisation Transactions and is higher than the mean and median premium represented by the Non-Privatisation Transactions, although the premium of 10.5% implied by the Offer Price over the VWAP for the 3-month period is slightly below the mean premium of 11.8% but higher than the median premium of 6.9% for Non-Privatisation Transactions;

(h) The P/NTA Ratio implied by the Offer Price and the RNAV of 0.69 times is within the range of 0.5 times to 5.2 times for the Non-Privatisation Transactions but is lower than the mean P/NTA Ratio of 1.7 times and median P/NTA Ratio of 1.4 times for the Non-Privatisation Transactions;

(i) While the Group was profitable for FY2011, FY2012 and FY2013 and had declared and paid dividends for each of FY2011, FY2012 and FY2013, its profit margin has declined from 2.59% in FY2011 to 1.37% in FY2013. However, based on the higher valuations reflected in the Singapore Valuation Reports and China Valuation Reports of approximately S$4.3 million, the Group's prospects in the property investment segment seems favourable although Shareholders should note that the Group's investment properties represents only 4.1% of the Group's total assets and 7.5% of the Group's NTA, respectively, as at 31 December 2013; and

(j) Other relevant consideration as set out in section 8.7 of this IFA Letter.

Accordingly, after taking into account the above factors, we are of the opinion as of the date hereof that the financial terms of the Offer, on balance, are fair and reasonable and accordingly, advise the Independent Directors to recommend Shareholders to ACCEPT the Offer if they are unable to obtain a higher price than the Offer Price (net of related expenses) in the open market."

7.4 Recommendation of the Independent Directors

As at the Latest Practicable Date, Mr Kwek Che Yong has a direct and deemed interest in an aggregate of 1,193,000 and 27,659,700 Shares respectively, representing approximately 12.33% of the total number of issued Shares. Mr Kwek Che Yong has informed the Company that he has undertaken not to accept the Offer pursuant to the undertaking that he has provided in favour of the Offeror (details of which are set out in Section 3 of this Circular), as such he will reject the Offer in respect of the Shares held by him.

As disclosed in paragraph 7.2 above, Mr Teo Teng Beng is one of the concerted parties in this Offer and has abstained from voting at the Board level.

Save as disclosed above, the Independent Directors, having carefully considered the terms of the Offer and the advice given by the IFA to the Independent Directors in the IFA Letter, **CONCUR** with the advice of the IFA in respect of the Offer. Accordingly, the Independent Directors recommend that Shareholders **ACCEPT** the Offer.

Shareholders are advised to read the IFA Letter set out in Appendix I to this Circular carefully before deciding whether to accept or reject the Offer. Shareholders should note that the advice of the IFA and the recommendation of the Independent Directors should not be relied on by any Shareholder as the sole basis for deciding whether or not to accept the Offer, as the case may be.

Further, in rendering the above recommendation, the Independent Directors have not had regard to the general or specific investment objectives, financial situations, tax status or position, risk profiles or unique needs and constraints or other particular circumstances of any individual Shareholder.

As different Shareholders would have different investment objectives and profiles, the Independent Directors recommend that any individual Shareholder who may require advice in the context of his specific investment portfolio should consult his stockbroker, bank manager, solicitor, accountant, tax adviser or other professional adviser.

8. ACTION TO BE TAKEN BY THE SHAREHOLDERS

Shareholders who wish to accept the Offer must do so not later than **5.30 p.m. (Singapore time) on 17 July 2014**. Shareholders should note that the Offeror does not intend to extend the Offer beyond 5.30 p.m. (Singapore time) on **17 July 2014** as stated in the Offer Document. Shareholders who wish to accept the Offer should refer to Appendix 5 to the Offer Document which sets out the procedures for acceptance of the Offer.

Shareholders who do not wish to accept the Offer need not take any further action in respect of the Offer Document (including the FAA) which has been sent to them.

9. OVERSEAS SHAREHOLDERS

9.1 Availability of the Offer to Overseas Shareholders

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**") should refer to Section 10 of the Offer Document, the full text of which is set out in italics below.

"*10.1* ***Availability to Overseas Shareholders.*** *The availability of the Offer to Overseas Shareholders may be affected by the laws of the relevant overseas jurisdictions. It is currently not intended that the Offer will be made in or into, and the Offer is not capable of acceptance in or from, any jurisdiction in or from which the making of the Offer is prohibited or affected by the laws of that jurisdiction. Accordingly, Overseas Shareholders should inform themselves about and observe any applicable legal requirements. For the avoidance of doubt, the Offer is open to all the Shareholders, including those to whom this Offer Document, the FAAs and/or the FATs have not been, or may not be, despatched.*

"*10.2* ***Overseas Jurisdiction.*** *It is the responsibility of any Overseas Shareholder who wishes to accept the Offer to satisfy himself as to the full observance of the laws of the relevant jurisdiction in that connection, including the obtaining of any governmental or other consent which may be required, and compliance with all necessary formalities or legal requirements and the payment of any taxes, imposts, duties or other requisite payments due in such jurisdiction. Such Overseas Shareholder shall be liable for any such taxes, imposts, duties or other requisite payments payable and the Offeror and any person acting on his behalf shall be fully indemnified and held harmless by such Overseas Shareholder for any such taxes, imposts, duties or other requisite payments as the Offeror and/or any person acting on his behalf may be required to pay. Any Overseas Shareholder who is in any doubt about his position should consult his professional adviser in the relevant jurisdiction. In accepting the Offer, the Overseas Shareholder represents and warrants to the Offeror that he is in full observance of the laws of the relevant jurisdiction in that connection, and that he is in full compliance with all necessary formalities or legal requirements.*

10.3 ***Copies of the Offer Document.*** *The Offeror reserves the right not to send this Offer Document, the FAA and the FAT to any Overseas Shareholder due to potential restrictions on sending such documents to the relevant jurisdictions. Any affected Overseas Shareholder may, nonetheless, apply to obtain copies of this Offer Document, and the FAA or the FAT, as the case may be, and any related documents during normal business hours and up to the Closing Date, from the Offeror through the Share Registrar, being Boardroom Corporate & Advisory Services Pte. Ltd., 50 Raffles Place #32-01, Singapore Land Tower, Singapore 048623. Alternatively, an Overseas Shareholder may write in to the Offeror through the Share Registrar at the above-stated address to request for this Offer Document, the FAA or the FAT, as the case may be, and any related documents to be sent to an address in Singapore by ordinary post at his own risk (the last date for despatch in respect of such request shall be a date falling three (3) Market Days prior to the Closing Date). It is the responsibility of any Overseas Shareholder who wishes to request for this Offer Document, the FAA, the FAT and any related documents to satisfy himself as to the full observance of the laws of the relevant jurisdiction in that connection, including the obtaining of any governmental or other consent which may be required, and compliance with all necessary formalities or legal requirements. In requesting for this Offer Document, the FAA, the FAT and any related documents, the Overseas Shareholder represents and warrants to the Offeror that he is in full observance of the laws of the relevant jurisdiction in that connection, and that he is in full compliance with all necessary formalities or legal requirements.*"

9.2 Copies of Circular

This Circular may not be sent to any Overseas Shareholder due to potential restrictions on sending such documents to the relevant overseas jurisdictions. Any affected Overseas Shareholder may, nonetheless, obtain copies of this Circular during normal business hours and up to the Closing Date, from the office of the Share Registrar, being Boardroom Corporate & Advisory Services Pte. Ltd., 50 Raffles Place #32-01, Singapore Land Tower, Singapore 048623, or make a request to the Share Registrar for this Circular to be sent to

an address in Singapore by ordinary post at his own risk. The last date for despatch in respect of such request shall be the date falling three (3) Market Days prior to the Closing Date.

10. INFORMATION PERTAINING TO CPFIS INVESTORS

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

CPFIS Investors who wish to accept the Offer are to reply to their respective CPF Agent Banks accordingly by the deadline stated in the letter from their respective CPF Agent Banks. CPFIS Investors who accept the Offer will receive the Offer Price payable in respect of their Offer Shares in their CPF investment accounts.

11. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors (including any Director who may have delegated detailed supervision of this Circular), collectively and individually accept full responsibility for the accuracy of the information given in this Circular 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, 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.

The recommendation of the Independent Directors set out in paragraph 7.4 of this Circular is the sole responsibility of the Independent Directors. In respect of the IFA Letter and the Valuation Reports, the sole responsibility of the Directors has been to ensure that the facts stated with respect to the Group are fair and accurate. Where information in this Circular has been extracted from published or otherwise publicly available sources or obtained from a named source (including information extracted from the Offer Document), 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.

12. ADDITIONAL INFORMATION

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

Yours faithfully

For and on behalf of the Board of Directors of
KIAN HO BEARINGS LTD

Yeo Wee Kiong
Chairman
27 June 2014

APPENDIX I – LETTER OF ADVICE FROM ASIASONS WFG CAPITAL PTE. LTD. TO THE INDEPENDENT DIRECTORS

27 June 2014

Kian Ho Bearings Ltd
5 Changi South Street 3
Singapore 486117

Attention: The Independent Directors

MANDATORY UNCONDITIONAL CASH OFFER TO ACQUIRE ALL THE ISSUED AND PAID-UP ORDINARY SHARES IN THE CAPITAL OF KIAN HO BEARINGS LTD OTHER THAN THOSE NOT ALREADY OWNED, CONTROLLED OR AGREED TO BE ACQUIRED BY RAFFLES UNITED PTE LTD OR PARTIES ACTING IN CONCERT WITH IT (THE "OFFER")

*For the purpose of this letter, capitalised terms not otherwise defined shall have the meanings given to them in the circular to Shareholders of Kian Ho Bearings Ltd dated 27 June 2014 (the "**Circular**").*

1. INTRODUCTION

On 4 June 2014 ("**Offer Announcement Date**"), Raffles United Pte. Ltd. (the "**Offeror**") announced that the Offeror had purchased a total of 73,192,000 ordinary shares in Kian Ho Bearings Ltd ("**KH**" or the "**Company**"), representing 31.27% of the issued and paid-up share capital of KH, at S$0.235 in cash per share, excluding brokerage and other transaction cost (the "**Acquisition**"), based on 234,060,000 ordinary shares in issue in the capital of KH ("**KH Shares**") as at 4 June 2014.

Following the Acquisition, the Offeror, together with its concert parties, own 123,228,000 KH Shares, representing approximately 52.65% of the issued and paid-up capital of KH. In accordance with Section 139 of the Securities and Futures Act, Chapter 289 of Singapore (the "**SFA**") and Rule 14 of The Singapore Code on Take-overs and Mergers (the "**Code**"), the Offeror will make a mandatory unconditional cash offer for all the remaining KH Shares in issue not already owned, controlled or agreed to be acquired by the Offeror and concert parties with it ("**Offer Shares**") at a price of S$0.235 in cash for each Offer Share (the "**Offer Price**").

The Company has appointed Asiasons WFG Capital Pte. Ltd. ("**Asiasons WFG Capital**") as the independent financial adviser (the "**IFA**") to the Independent Directors in relation to the Offer, to advise whether the financial terms of the Offer are fair and reasonable. This letter sets out, *inter alia*, our evaluation and advice of the financial terms of the Offer ("**IFA Letter**"), and forms part of the Circular which provides, *inter alia*, the details of the Offer and the recommendation of the Independent Directors in respect thereof.

2. TERMS OF REFERENCE

Asiasons WFG Capital has been appointed as the IFA to advise the Independent Directors in respect of their recommendation to Shareholders in relation to the Offer.

Our evaluation is limited to the financial terms of the Offer and our terms of reference do not require us to evaluate or comment on the rationale for, legal, strategic or commercial and/or risks or merits (if any) of the Offer. We have not relied on any financial projections or forecasts in respect of the Company or the Group. We are not required to express and we do not express any view herein on the growth prospects, financial position and earnings potential of the Company or the Group after the close of the Offer. We are also not expressing any view herein as to the prices at which KH Shares may trade upon the close of the Offer.

Such evaluation shall remain the sole responsibility of the Directors, although we may draw upon their views (to the extent deemed necessary or appropriate by us) in arriving at our opinion as set out in this IFA Letter.

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

We have not made any independent evaluation or appraisal of the assets and liabilities (including without limitation, property, plant and equipment, investment and intangible assets) of the Group. We have, however, been provided with (a) valuation reports dated 12 June 2014 for the Group's Singapore properties prepared by Sterling Property Consultants Pte Ltd (the "**Singapore Valuation Reports**"); (b) valuation reports dated 19 June 2014 for the Group's China properties prepared by Greater China Appraisal (Shanghai) Limited (the "**China Valuation Reports**"); and (c) a letter dated 12 June 2014 for the Group's Malaysian properties from Jones Lang Wootton confirming that there is no change to the valuation of the Group's Malaysian properties as at 31 December 2013. We have placed sole reliance thereon for the valuation and/or information contained in the Singapore Valuation Reports and the China Valuation Reports. We are not involved and assume no responsibility for the Singapore Valuation Reports and the China Valuation Reports. We have not made any independent verification of the matters or bases set out in the Singapore Valuation Reports and the China Valuation Reports. Accordingly, no representation or warranty, express or implied, is made and no responsibility is accepted by us concerning the accuracy, completeness or adequacy of such information.

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

We have relied upon the assurance of the Directors that the Directors collectively and individually accept full responsibility for the accuracy of the information given in the Circular and confirm after making all reasonable enquiries, that to the best of their knowledge and belief, the Circular constitutes full and true disclosure of all material facts about the Offer, the Company and the Group as at the date of the Latest Practicable Date. The Directors are not aware of any facts the omission of which would make any statement in the Circular misleading. Where information in the Circular has been extracted from published or otherwise publicly available sources or the IFA Letter, 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 the Circular in its proper form and context. In relation to

this IFA Letter, the Directors have confirmed that the facts stated, with respect to the Group and the Offer, are to the best of their knowledge and belief, fair and accurate in all material aspects.

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

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

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

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

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

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

3. THE OFFER

The Offer is made in accordance with Section 139 of the SFA and Rule 14 of the Code and subject to the terms and conditions set out in the Offer Document, a copy of which the Shareholders ought to have received as at the date of this IFA Letter. The salient information on the Offer found in section 2 and Appendix 4 of the Offer Document is set out as follow:

3.1 TERMS OF THE OFFER

The Offer Price for each Offer Share: S$0.235 in cash

The Offer Price is the same as the consideration for the Acquisition which was determined at arm's length and on a willing-buyer and willing-seller basis taking into account, amongst others, the prevailing market price of KH Shares.

The Offer Shares will be acquired (a) fully paid, (b) free from any mortgage, debenture, lien, charge, pledge, title retention, right to acquire, security interest, option, pre-emptive or similar right, right of first refusal and any other encumbrance or condition whatsoever, and (c) with all such rights, benefits, entitlements attached thereto as at the Offer Announcement Date and thereafter attaching thereto, including the right to receive and retain all dividends, rights and other distributions (if any) declared, paid or made by KH on or after the Offer Announcement Date. If any dividend, distribution or return of capital is announced, declared, paid or made on or after the Offer Announcement Date, the Offeror reserves the right to reduce the Offer Price by the amount of such dividend, distribution or return of capital.

3.2 NO REVISION OF THE OFFER

The Offer Price is final. The Offeror does not intend to revise the Offer Price nor extend the Offer beyond 5.30 p.m. on 17 July 2014.

3.3 UNCONDITIONAL OFFER

The Offer is unconditional in all respects.

3.4 AGGREGATE HOLDINGS OF THE OFFEROR AND ITS CONCERT PARTIES

As at the Latest Practicable Date, the Offeror and its concert parties own or control in aggregate 123,228,000 Shares, representing approximately 52.65% of the issued and paid-up capital of KH.

4. IRREVOCABLE UNDERTAKINGS

In respect of the Offer, each of (i) KHB Holdings Pte Ltd (ii) Kwek Che Yong, Deputy Chairman and executive director of KH; (iii) Koh Hai Yang, son-in-law of Kwek Che Yong and Head, Business Development and subsidiaries of KH; and (iv) Kwek San San, daughter of Kwek Che Yong and Purchasing Manager of KH (collectively, the "**Undertaking Shareholders**"), has provided an irrevocable undertaking to the Offeror (a) not to sell, dispose or otherwise transfer any of the KH Shares held by each of them as at the Offer Announcement Date (unless consented to by the Offeror) from the Offer Announcement Date up to the close of the Offer; and (b) not to accept the Offer in respect of any KH Shares held by each of them as at the Offer Announcement Date.

The total KH Shares held by the Undertaking Shareholders as at the date of the Offer Document, being 19 June 2014, was 31,427,700 KH Shares, representing 13.43% of the issued and paid-up capital of KH.

The information relating to the abovementioned irrevocable undertakings can also be found in section 3 of the Circular.

5. INFORMATION ON THE OFFEROR AND PARTIES ACTING IN CONCERT

Information on the Offeror is set out in section 4 and Appendix 2 of the Offer Document, and extracted in italics as follow:

"The Offeror was incorporated in the Republic of Singapore on 12 December 2013. The Offeror has an issued and paid up share capital of S$100,000 divided into 100,000 ordinary shares. The Offeror is a private exempt investment holding company held by Teo Xian-Hui Amanda Marie and Teo Teck Yao Glenn Ashley in equal proportions of 50% each.

Teo Teng Beng and Teo Teck Yao Glenn Ashley are the Directors of the Offeror. Teo Teng Beng is also the Managing Director and member of the Nominating Committee of KH. Teo Teng Beng holds directorships in private companies operating in industries such as property investment and foreign exchange management.

*Teo Xian-Hui Amanda Marie and Teo Teck Yao Glenn Ashley are the children of Teo Teng Beng (collectively, the "**Relevant Persons**").*

6. INFORMATION ON THE COMPANY

The Company is a company incorporated in the Republic of Singapore on 3 November 1973 and was listed on the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") Dealing and Automated Quotation on 10 November 1995 and transferred to the SGX-ST Mainboard on 2 February 1998.

The principal activities of the Company and its subsidiaries (collectively, the "**Group**") are that of stockists, distributors and retailers in bearings and seal products.

Further information on the Group can be found Appendix II of the Circular.

7. RATIONALE FOR THE OFFER AND THE OFFEROR'S INTENTIONS FOR KH

Information on rationale for the Offer is set out in section 6 of the Offer Document and has been extracted in italics below. Shareholders are advised to read the information in the relevant sections carefully.

"The Offer is made to comply with the requirements of the Code because following the Acquisition, the Offeror together with its concerted parties hold an aggregate of 123,228,000 Shares, representing approximately 52.65% of the total number of Shares as at the Latest Practicable Date.

It is the intention of the Offeror that KH continues to carry on its existing business and maintains its listing status on the SGX-ST.

The Offeror, together with its concerted parties, may offer its experience and business contacts in property investment to KH for future growth prospects in addition to carrying on its existing businesses. As the controlling shareholder of KH, the Offeror intends to work with KH to increase shareholder value.

Save as disclosed in this Offer Document, the Offeror presently has no plans to (i) introduce any major changes to the existing businesses of KH or the operations of any of its subsidiaries, (ii) redeploy any of the fixed assets of KH or (iii) discontinue the employment of any of the employees of KH and its subsidiaries, other than in the ordinary course of business."

The intentions are based on current views and assumptions and involve known and unknown risks, uncertainties and other factors, many of which are outside the control of the Offeror. There is no assurance that the current intentions will be carried into effect, and the Offeror retains the flexibility at any time to consider any options in relation to KH which may present themselves and which the Offeror may regard to be in the interest of the Offeror or KH.

8. EVALUATION OF THE FINANCIAL TERMS OF THE OFFER

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

(a) Performance of KH Shares;

(b) The net asset value of the Group;

(c) Comparison of the valuation measures of the Company implied by the Offer Price against those of comparable companies;

(d) Comparison with recent completed non-privatisation transactions for companies listed on the SGX-ST;

(e) Financial performance of the Group;

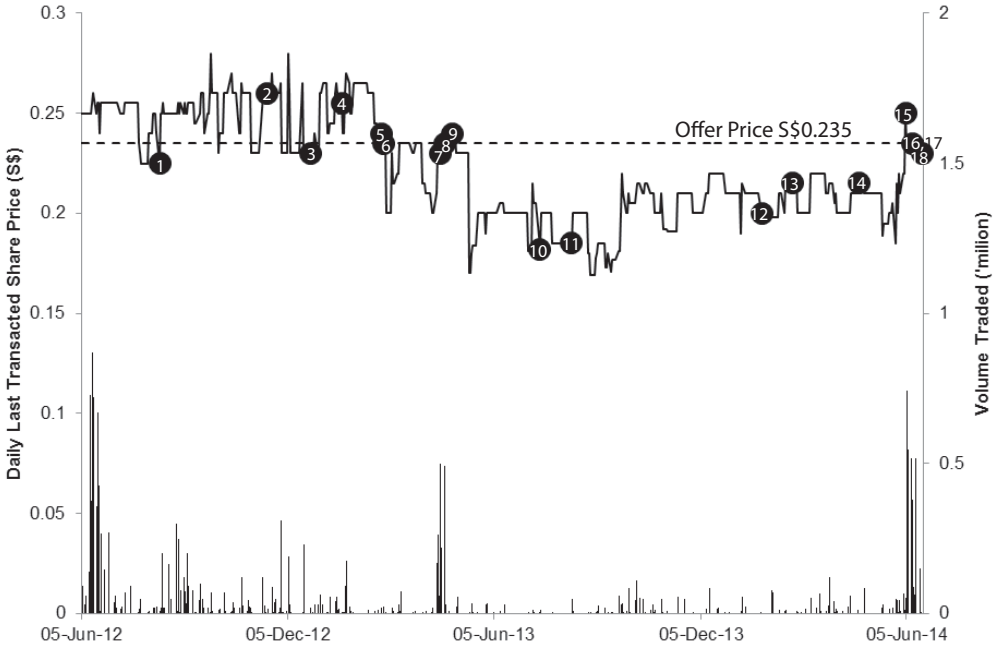
(f) Dividend track record of the Company; and

(g) Other considerations.

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

8.1 PERFORMANCE OF KH SHARES

We set out below a chart of the daily closing prices and volume traded for KH Shares for the period commencing 24 months prior to the Offer Announcement Date and up to the Latest Practicable Date (excluding the 73,192,000 KH Shares which were the subject of the Acquisition):



Source: Bloomberg L.P.

A summary of the salient announcements relating to the Company during the aforesaid period is set out below:

No.	Date	Event
1	13-Aug-12	The Company announced its unaudited financial statements for the half year ended 30 June 2012. The Company reported revenue of S$46.3 million and net profit attributable to owners of the Company of S$1.0 million and earnings per share of 0.43 cent.
2	16-Nov-12	The Company announced the dissolution of the Executive Committee and its responsibilities to be transferred back to the Board of Directors. Also announced that Mr Yeo Wee Kiong has been appointed as a member of the Remuneration Committee with immediate effect.
3	24-Dec-12	The Company announced it injected additional capital of US$64,000 in the capital of its subsidiary in Indonesia, PT Kian Ho Indonesia, increasing its investment from US$80,000 to US$144,000.
4	21-Jan-13	The Company provided a profit guidance of the Group's financial results for FY2012 following an assessment of its operations for the second half of FY2012. The Group expects to remain profitable for the full year ended 31 December 2012.
5	25-Feb-13	The Company announced its unaudited financial statements for the financial year ended 31 December 2012. The Company reported a revenue of S$85.4 million and net profit attributable to owners of the Company of S$1.2 million and earnings per share of 0.50 cent.
6	27-Feb-13	The Company announced that they have received a request from substantial shareholder, Tat Hong Holdings Ltd, to replace Mr Ng Sun Ho with Mr Wong Meng Choong as their nominee director of the Company. The Nominating Committee assessed and considered Mr Wong's age, track record, experience and capabilities and recommended his appointment as non-executive Director to the Board.
7	18-Apr-13	The Board noted a request from the Managing Director Mr Teo Teng Beng, to consider the appointment of Mr Tan Saik Hock ("**TSH**") as Independent Director of the Company, to fill up the vacated position of Mr Tan Kai Seng who retired during the Annual General Meeting on 18 April 2013. The Board assessed and considered TSH's track record, experience and capabilities and approved his appointment as an Independent non-Executive Director. On the same day, the Company also announced the cessation of Wong Meng Choong as non-executive director and the cessation of Tan Kai Seng as independent director.

No.	Date	Event
8	22-Apr-13	The Company announced the appointment of Mr Yeo Wee Kiong as Independent Chairman of the Board. Mr Yeo will step down as member of the Nominating Committee, the appointment of Mr Tan Saik Hock as Chairman of the Nominating and Remuneration Committees and Appointment of Mr Lee Joo Hai and Mr Teo Teng Beng as members of the Nominating Committee.
9	29-Apr-13	The Board noted a request from the Deputy Chairman, Mr Kwek Che Yong, to consider the appointment of Mr Teh Geok Koon as Executive Director of the Company. The Nominating Committee assessed and considered Mr Teh's track record, experience and capabilities, and recommended his appointment as an Executive Director cum Chief Operating Officer to the Board.
10	15-Jul-13	The Company announced the striking off of a wholly owned subsidiary of the Company incorporated in China, Chengdu Excel Bearings Co Ltd on 8 July 2013.
11	12-Aug-13	The Company announced its unaudited financial statements for the half year ended 30 June 2013. The Company reported revenue of S$39.9 million and net profit attributable to owners of the Company of S$1.1 million and earnings per share of 0.47 cent.
12	28-Jan-14	The Company announced the increase in shareholding in a subsidiary company, PT Kian Ho Indonesia, from 80% to 95% through the acquisition of 54 shares from a minority shareholder for a consideration of S$1.
13	24-Feb-14	The Company announced its unaudited financial statements for the financial year ended 31 December 2013. The Company reported a revenue of S$78.8 million, net profit attributable to owners of the Company of S$1.3 million and earnings per share of 0.55 cent.
14	24-Apr-14	The Company released its responses to SGX's queries for its annual report for the financial year ended 31 December 2013.
15	4-Jun-14	The Offer Announcement
16	10-Jun-14	The Company announced the establishment of a wholly-owned subsidiary company, Raffles Global Investments Pte Ltd on 9 June 2014 with a paid-up capital of S$2. The principal activities are mainly that of investment holdings and property investment.

No.	Date	Event
17	10-Jun-14	The Company announced the appointment of Asiasons WFG Capital Pte. Ltd. as the independent financial adviser to advise the Independent Directors for the Offer.
18	19-June-14	The Board of Directors of Raffles United Pte Ltd announced that the Offer Document has been despatched to the shareholders of Kian Ho Bearings Ltd.

Source: Company announcements from SGXNET.

The volume-weighted average price ("**VWAP**"), lowest and highest closing prices and average daily traded volume of KH Shares and other trading statistics are set out as follow:

	VWAP (S$)	Premium/ (Discount) of Offer Price to VWAP (%)	Trading Price- Lowest/ Highest (S$)	Closing Price- Lowest/ Highest (S$)	Average daily traded volume[1]	Average daily traded volume as percentage of free float (%)[2]
Periods prior to the Offer Announcement Date						
Last 24 months	0.2434	(3.46)	0.160/ 0.280	0.169/ 0.280	60,975	0.08
Last 12 months	0.2086	12.65	0.160/ 0.270	0.169/ 0.250	26,159	0.03
Last 6 months	0.2117	11.02	0.185/ 0.270	0.185/ 0.250	29,277	0.04
Last 3 months	0.2127	10.51	0.185/ 0.270	0.185/ 0.250	32,552	0.04
Last 1 month	0.2157	8.96	0.185/ 0.270	0.185/ 0.250	30,417	0.04
Offer Announcement Date	0.250[3]	(6.00)	0.2250/ 0.270	0.250	51,000	0.06
Periods after the Offer Announcement Date						
Up to the Latest Practicable Date	0.2326	1.03%	0.230/ 0.240	0.230/ 0.235	326,700	0.41
As at the Latest Practicable Date[4]	0.23	2.17%	0.230/ 0.230	0.230	254,000	0.32

Source: Bloomberg L.P.

Notes:

(1) The average daily traded volume is calculated based on the total number of KH Shares traded divided by the number of market trading days during that period less the 73,192,000 KH Shares, which were the subject of the Acquisition.

(2) Free float refers to the number of Shares other than those held by Directors, substantial Shareholders and their associates which amounted to 79,404,300 Shares, representing 33.92% of the total issued share capital of KH as at the Latest Practicable Date.

(3) Being the closing price of KH Share on 4 June 2014, the Offer Announcement Date.

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

(a) For the last 24 months prior to the Offer Announcement Date, KH Shares were traded from a low of S$0.160 and a high of S$0.280;

(b) The Offer Price represents a discount of 3.46% to the VWAP for the 24-month period;

(c) The Offer Price represents premiums of 12.65%, 11.02%, 10.51% and 8.96% to the VWAPs for the 12-month, 6-month, 3-month and 1-month periods prior to the Offer Announcement Date respectively;

(d) The Offer Price represents a discount of 6.0% to the last transacted price of S$0.250 prior to the Offer Announcement;

(e) For the period after the Offer Announcement Date up to the Latest Practicable Date, KH Shares were traded between a low of S$0.230 and a high of S$0.240 and the Offer Price represents a premium of 1.03% to the VWAP of KH Shares for the aforesaid period;

(f) The Offer Price represents a premium of 2.17% to the last transacted price as at the Latest Practicable Date.

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

(i) The average daily traded volume of KH Shares for the periods from the 24-month, 12-month, 6-month, 3-month and 1-month prior to Offer Announcement Date represents 0.08%, 0.03%, 0.04%, 0.04% and 0.04% of the free float, respectively, therefore indicating that the liquidity of the KH Shares is low;

(ii) For the last 24 months prior to the Offer Announcement Date, KH Shares were traded on 237 out of a total of 523 market trading days or 45.3% of the total number of market trading days for the period;

(iii) The traded volume of KH Shares on the last trading day prior to Offer Announcement represents 0.06% of the free float;

(iv) The average daily traded volume of KH Shares for the period after the Offer Announcement Date up to the Latest Practicable Date represents 0.41% of the free float, evident of a slight increase in trading activity of KH Shares subsequent to the Offer Announcement Date;

(v) For the period after the Offer Announcement Date up to the Latest Practicable Date, KH Shares were traded on 10 out of a total of 11 market trading days or 90.9% of the total number of market trading days for the period; and

(vi) The average daily traded volume of KH Shares on the last trading day as at the Latest Practicable Date represents 0.32% of the free float.

In addition, to assess the relative performance of KH Shares versus the Singapore equity market, we have compared the relative returns (daily basis) of KH Shares against that of the FTSSTI Mainboard Index ("**FSSTI Index**") for the 24 months prior to the Offer Announcement Date up to the Latest Practicable Date.



Source: Bloomberg L.P.

Company/Index	5 June 2012	Offer Announcement Date	Percentage Change (%)
Company	S$0.250	S$0.250	–
FSSTI	2712.31	3280.17	20.9

Company/Index	Offer Announcement Date	Latest Practicable Date	Percentage Change (%)
Company	S$0.250	S$0.23	(8.0)
FSSTI	3280.17	3269.02	(0.3)

We note that KH Shares had generally underperformed the FSSTI Index in relative terms for the aforesaid period. For the 24-month period prior to the Offer Announcement Date, the closing price of KH Shares had remained unchanged while the FSSTI Index had increased by 20.9% over the same period. We further note that for the period after the Offer Announcement Date up to the Latest Practicable Date, the closing price had decreased 8.0% while the FSSTI Index had only decreased by 0.3% over the same period.

We also note that the liquidity is low, therefore the Offer presents an opportunity to sell the KH Shares as the Offer Price is above the closing price as at the Latest Practicable Date and no brokerage fees will be incurred for accepting the Offer.

We wish to highlight that historical trading performance of KH Shares is not indicative of the future price levels, which will be governed by factors beyond the scope of our evaluation.

8.2 THE NET ASSET VALUE OF THE GROUP

A summary of the latest audited financial position of the Group as at 31 December 2013 (as obtained from the Company's annual report), is set out below:

(S$'000)	As at 31 December 2013
Current assets	107,468
Non-current assets	30,485
Total assets	137,953
Current liabilities	52,031
Non-current liabilities	9,265
Total liabilities	61,296
Net assets	76,657
Less: Non-controlling interests	(1,140)
Net assets attributable to Shareholders	**75,517**

As set out above, the net asset value of the Group attributable to the Shareholders ("**NAV**") was S$75.5 million as at 31 December 2013. The NAV per Share was S$0.323 as at 31 December 2013, and the Offer Price represents a discount of 27.2% to the abovementioned NAV per KH Share.

As at 31 December 2013, the non-current assets of the Group comprised S$24.6 million in property, plant and equipment, S$5.7 million in investment properties and S$0.2 million in other investments representing 80.6%, 18.7% and 0.7% of non-current assets. We note that property, plant and equipment comprised mainly leasehold land and buildings owned by the Group of S$22.9 million representing 93.1% of property plant and equipment. The investment properties comprise properties in Singapore and China, all of which are leased out under operating leases with property rental income amounting to approximately S$403,000 in FY2013 (S$366,000 in FY2012). The other investments include S$0.2 million of unquoted equity shares at cost.

The current assets of the Group as at 31 December 2013 comprised S$82.0 million in inventories, S$15.9 million in trade debtors, S$4.1 million in cash at banks and on hand, S$2.7 million in amounts due from related parties, S$1.8 million in amount due from an associate, S$0.6 million in fixed deposits, S$0.2 million in other debtors and S$0.1 million in prepayments representing 76.3%, 14.8%, 3.8%, 2.5%, 1.7%, 0.6%, 0.2% and 0.1% respectively.

The non-current liabilities of the Group as at 31 December 2013 comprised S$6.9 million in interest bearing loans and borrowings and S$2.4 million in deferred tax liabilities representing 74.4% and 25.6% of non-current liabilities respectively. Current liabilities comprise of S$30.0 million in interest bearing loans and borrowings, S$12.2 million in amounts due to related parties, S$9.1 million in trade creditors and accruals, S$0.5 million in other creditors and S$0.1 million in provision for taxation representing 57.7%, 23.5%, 17.6%, 1.0% and 0.2% of current liabilities respectively.

In connection with the Offer, the Company had commissioned valuers to carry out independent valuation of the Group's properties in Singapore, Malaysia and China. As mentioned in section 2 of this IFA Letter, Jones Lang Wootton, the valuer for the Group's Malaysian properties has confirmed that, as at 12 June 2014, there is no change to the valuation of the Group's Malaysian properties as at 31 December 2013. Based on the Singapore Valuation Reports, the valuation of the Group's Singapore properties has increased, in aggregate, by S$1.9 million, from 31 December 2013 to 12 June 2014, and based on the China Valuation Reports, the valuation of the Group's China properties has increased, in aggregate, by RMB17.1 million (equivalent to S$3.4 million based on the closing exchange rate of S$1 to RMB4.966 on 17 June 2014), from 31 December 2013 to 17 June 2014. Accordingly, we have added the difference as revaluation surplus to the Group's NAV as follows:

	Estimated RNAV S$'000
Group's NAV as at 31 December 2013	75,517
Revaluation surplus	4,304
Group's Adjusted NAV ("**RNAV**")	79,821
RNAV per KH Share	S$0.341
Discount represented by the Offer Price to RNAV per KH Share	31.1%
Offer Price to RNAV	0.69 times

Save as disclosed, the Company confirmed that there is no other event subsequent to 31 December 2013 which would materially affect the NAV as at the Latest Practicable Date.

We note that the Group has no intangible assets and accordingly, the NAV and net tangible assets ("**NTA**") of the Group is the same.

8.3 COMPARISON OF THE VALUATION MEASURES OF THE COMPANY IMPLIED BY THE OFFER PRICE AGAINST THOSE OF COMPARABLE COMPANIES

The Company is a stockist, distributor and retailer of bearings and seal products, catering primarily to bearing wholesalers, replacement markets and original equipment manufacturers. Comparison is therefore made to companies listed in Singapore whose business is comparable to the Group ("**Comparable Companies**"). This is for the purpose of assessing the Offer Price in relation to the valuation of the Comparable Companies as implied by the closing market prices as at the Latest Practicable Date.

We recognised, however, that the Comparable Companies are not directly comparable to the Group in terms of asset base, business activities, customer base, future prospects, geographical location, product and service range, risk profile, scale and type of operations and operating environment, supplier base, track record, accounting standards and policies used and such other relevant criteria.

In view of the above, it should be noted that any comparison made with respect to the Comparable Companies merely serves as an illustration and that the conclusions drawn from the comparisons may not necessarily reflect the perceived market valuation of the Company as at the Latest Practicable Date.

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

Valuation Measure	General Description
Historical Price-to-Earnings Ratio ("**PER**")	The PER is the ratio of the market capitalisation of a company divided by the historical consolidated net profits attributable to shareholders. The PER is affected by, *inter alia*, the capital structure of a company, its tax position as well as its accounting policies relating to among others, depreciation and amortisation.
Price-to-NTA Ratio ("**P/NTA Ratio**")	The P/NTA Ratio is the ratio of the market capitalisation of a company divided by its consolidated net tangible assets. This approach shows the extent to which the value of each share is backed by net tangible assets and is relevant in the event of a sale of the company's tangible assets, the proceeds which are first used to settle its liabilities and obligations, with the balance available for distribution to its shareholders. The P/NTA Ratio is affected by differences in accounting policies, in particular the depreciation and asset valuation policies.
Enterprise Value-to-Earnings Before Interest, Tax, Depreciation and Amortisation ("**EV/EBITDA Ratio**")	The "EV" or "Enterprise Value" is the sum of a company's market capitalisation, preferred equity, independent interests, consolidated short and long term debts inclusive of finance lease liabilities less its consolidated cash and cash equivalents. "EBITDA" stands for the historical consolidated earnings before interest, tax, depreciation and amortisation expenses, inclusive of share of associates' and joint ventures' income but excluding exceptional items. The EV/EBITDA ratio illustrates the ratio of the market value of a company's business relative to its historical pre-tax consolidated operating cashflow performance, without regard to its capital structure.

We set out in the table below the list of Comparable Companies listed in Singapore, together with a brief description of their business activities which are considered **broadly** comparable to the Group.

Comparable Companies	**Business Activities**
Asia Enterprises Holdings Ltd ("**AEH**")	AEH distributes steel products.
HG Metal Manufacturing Ltd ("**HG Metal**")	HG Metal offers different types of steel products used in various industrial and engineering applications, including pipes, mild steel lip channels, plates, bars, tubes and I-beams.
HupSteel Limited ("**HupSteel**")	HupSteel and its subsidiaries import and export hardware machinery and general merchandise as well as provide racking services.
PS Group Holdings Ltd ("**PSG**")	PSG imports and exports fasteners which include screws, bolts, nuts, pins, anchors, rivets, washers, and clips of various materials.
Sin Ghee Huat Corporation Limited ("**Sin Ghee Huat**")	Sin Ghee Huat distributes stainless steel products.

Source: Bloomberg L.P.

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

Comparable Companies	Latest Full Year Financials Reported	Market Capitalisation[(1)] (S$'m)	Net Profit[(2)] (S$'m)	NTA[(3)] (S$'m)	PER (times)	P/NTA Ratio (times)	EV/ EBITDA Ratio[(4)] (times)
AEH	31 December 2013	73.5	3.7	109.7	19.7	0.67	6.8
HG Metal	31 December 2013	84.5	3.4	137.1	24.8	0.62	18.5
HupSteel	30 June 2013	126.4	2.5	196.2	49.8	0.64	19.3
PSG	31 December 2013	12.9	0.1	11.5	98.0	1.12	27.5
Sin Ghee Huat	30 June 2013	59.9	4.3	88.2	14.0	0.68	6.2
Maximum					98.0	1.12	27.5
Minimum					14.0	0.62	6.2
Mean					41.2	0.75	15.7
Median					24.8	0.67	18.5
The Company (Implied by the Offer Price)	31 December 2013	55.0	1.3	75.5	42.8	0.73	23.7
The Company (Implied by the Offer Price and the RNAV)		55.0	1.3	79.8	42.8	0.69	23.7
The Company (Implied by closing price as at the Latest Practicable Date)		53.8	1.3	75.5	41.9	0.71	23.4
The Company (Implied by the closing price as at the Latest Practicable Date and the RNAV)		53.8	1.3	79.8	41.9	0.67	23.4

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

Notes:

(1) Based on respective closing prices as at the Latest Practicable Date.

(2) Based on latest available full year net profits attributable to owners as announced by the respective companies.

(3) Based on the NTA for the latest available financial year as announced by the respective companies.

(4) The EV/EBITDA Ratio of the Comparable Companies are based on (i) their market capitalisation as at the Latest Practicable Date and the consolidated net debt and non-controlling interests figures for the latest available financial year and (ii) the latest available full year consolidated EBITDA, as announced by the respective companies.

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

(a) the PER of the Company as implied by the Offer Price is 42.8 times and is within the range of the PER of the Comparable Companies. It is also higher than the mean and median PER of the Comparable Companies;

(b) the P/NTA Ratio of the Company as implied by the Offer Price is 0.73 times and is within the range of the P/NTA Ratio the Comparable Companies. It is higher than the median but lower than the mean P/NTA Ratio of the Comparable Companies; and

(c) the EV/EBITDA Ratio of the Company as implied by the Offer Price is 23.7 times and is within the range of EV/EBITDA Ratios of the Comparable Companies. It is also higher than the mean and the median EV/EBITDA Ratio of the Comparable Companies.

(d) The PER, P/NTA and EV/EBITDA Ratios of the Company as implied by the Offer Price are higher than that implied by the closing price as at the Latest Practicable Date.

After adjusting for the revaluation surplus set out in paragraph 8.2 of this IFA Letter, the P/NTA Ratio of the Company as implied by the Offer Price and based on the RNAV is 0.69 times. It is higher than the median but lower than the mean P/NTA Ratio of the Comparable Companies.

8.4 COMPARISON WITH RECENT COMPLETED NON-PRIVATISATION TRANSACTIONS FOR COMPANIES LISTED ON THE SGX-ST

As set out in sections 6 and 7 of the Offer Document, the Offeror has stated its intention to maintain the listing status of the Company on the Mainboard of the SGX-ST and reserves the right to take appropriate actions to procure that at least 10% of the total number of KH Shares are held by the public in accordance with the rules of the Listing Manual. Accordingly, the Offeror does not intend to exercise any rights of compulsory acquisition under Section 215(1) of the Companies Act, in the event that the Offeror receives acceptances pursuant to the Offer representing 90% or more of the Offer Shares.

Therefore, in our assessment of the Offer Price, we have compared the financial terms of the Offer vis-à-vis those of recent completed offers for companies listed on the SGX-ST which were announced in the 12-month prior to the Offer Announcement Date and which specify that the listing status is to be preserved ("**Non-Privatisation Transactions**"). We have used the abovementioned selection criteria for Non-Privatisation Transactions because those that are expressly stated to privatise or de-list will be less comparable given that the terms of such offers would typically incorporate a premium to compensate shareholders for the loss of the listing status.

Moreover, the list of Non-Privatisation Transactions set out below is by no means exhaustive nor directly comparable to the Offer because, amongst others, the Company is not directly comparable to the target companies involved in the Non-Privatisation Transactions in terms of asset base, business activities, competitive environment, customer base, future prospects, geographical location, market capitalisation, product and service range, risk profile, scale and type of operations and operating facilities, supplier base, track record, accounting standards and policies used and such other relevant criteria. As such, this comparison herein is used to illustrate the premiums/discounts represented by each of the respective offer prices over/to the average traded prices prior to the announcements of such Non-Privatisation Transactions and each offer should be assessed on its own merits. Shareholders should note that the offer price in each case may also vary depending on, *inter alia*, the trading liquidity of the target company's shares and prevailing market expectations.

Hence, the below comparison is strictly limited in scope and for illustrative purpose only. Analysis made from the comparison may not necessarily reflect any perceived market valuation of the Company.

		Premium/ (Discount) of offer price over (%)			
Companies	**Offer announcement dates**	**Closing price prior to announcement**	**VWAP for 1-month period prior to announcement**	**VWAP for 3-month period prior to announcement**	**P/NTA Ratio (times)**
Olam International Limited	14 March 2014	11.8	24.3	33.0	1.8
Global Premium Hotels Limited	13 March 2014	13.4	16.7	21.4	0.5
Communication Design International Limited	18 February 2014	2.4	0.0	0.0	2.0
Boardroom Limited	22 January 2014	(0.9)	2.7	(2.9)	1.7
Youyue International Limited	18 November 2013	(34.2)	(34.2)	(19.5)	1.1
Singapore Medical Group Limited	14 October 2013	4.0	1.4	2.4	5.2
Singapore Windsor Holdings Limited	13 September 2013	28.6	39.2	41.2	0.9
China Minzhong Food Corporation Limited	2 September 2013	10.3	5.5	6.9	0.7
Maximum		**28.6**	**39.2**	**41.2**	**5.2**
Minimum		**(34.2)**	**(34.2)**	**(19.5)**	**0.5**
Mean		**4.4**	**7.9**	**11.8**	**1.7**
Median		**7.2**	**5.5**	**6.9**	**1.4**
Company		**(6.0)**	**9.0**	**10.5**	**0.73**
Company (using RNAV)					**0.69**

Source: Circulars to shareholders in relation to the respective companies

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

(a) the discount of 6.0% implied by the Offer Price over the closing price prior to the Offer Announcement is within the range of a discount of 34.2% to a premium of 28.6% for the Non-Privatisation Transactions. However, it is lower than the mean and median for the Non-Privatisation Transactions.

(b) the premium of 9.0% implied by the Offer Price over VWAP for the 1-month period prior to the Offer Announcement Date is within the range of a discount of 34.2% to a premium of 39.2% for the Non-Privatisation Transactions and higher than the mean and median premiums for the Non-Privatisation Transactions.

(c) the premium of 10.5% implied by the Offer Price over VWAP for the 3-month period prior to the Offer Announcement Date is within the range of a discount of 19.5% to a premium

of 41.2% for the Non-Privatisation Transactions, lower than the mean premium of 11.8%, but higher than the median premium of 6.9% for the Non-Privatisation Transactions.

(d) the P/NTA Ratio implied by the Offer Price of 0.73 times is within the range of 0.5 times and 5.2 times for the Non-Privatisation Transactions, and lower than the mean and median of 1.7 times and 1.4 times respectively for the Non-Privatisation Transactions. After adjusting for the revaluation surplus set out in paragraph 8.2 of this IFA Letter, the P/NTA Ratio of the Company as implied by the Offer Price and based on the RNAV decreased slightly to 0.69 times and is lower than the mean and median P/NTA Ratio for the Non-Privatisation Transactions.

8.5 FINANCIAL PERFORMANCE OF THE GROUP

A summary of the consolidated financial results of the Group for the full year ended 31 December 2011 ("**FY2011**"), 2012 ("**FY2012**") as well as 2013 ("**FY2013**"), are set out below:

(S$'000)	FY2011 Audited	FY2012 Audited	FY2013 Audited
Revenue	93,823	85,352	78,754
Profit before tax	3,241	1,817	1,638
Profit for the year	2,427	1,179	1,080
Profit net of tax attributable to owners of the Company	2,379	1,171	1,284
Profit margin (%, based on profit for the year)	2.59	1.38	1.37

Source: Annual reports of the Company.

We note that the Group had been profitable in FY2011, FY2012 and FY2013 but its revenue, profit after tax attributable to shareholders and profit margin have been declining. The Company has attributed the decline in revenue to continued soft export demand worldwide and challenging market conditions in China and Taiwan. For FY2013, there was a significant reduction in sales from a customer in Singapore.

We note that the Group has interests in several properties (including investment properties) as disclosed in its annual report for the financial year ended 31 December 2013. Based on the valuation commissioned by the Group in connection with the Offer, the value of the properties held by the Group in China and Singapore has increased between 31 December 2013 and the respective dates of appraisal in the valuation reports. In particular, the value of the Group's China investment properties has increased 133.2% from RMB12.2 million as at 31 December 2013 to RMB28.4 million as at 17 June 2014. Accordingly, although the Group has registered declining profits from its bearings and seals business segment, its prospects in the property investment segment seems favourable.

However, Shareholders should note that the total value of the Group's investment properties of S$5.7 million represents only 4.1% of the Group's total assets and 7.5% of the Group's NTA, respectively, as at 31 December 2013.

8.6 DIVIDEND TRACK RECORD OF THE COMPANY

A summary of the dividends declared in respect of FY2011, FY2012 and FY2013 is set out below:

	FY2011	FY2012	FY2013
First and final one-tier tax exempt dividend (S$)	0.01	0.002	0.002
Dividend yield implied by the Offer Price	4.26%	0.85%	0.85%
12 months fixed deposit rate			0.25%

Source: Annual reports of the Company and websites of Singapore banks, namely DBS, OCBC and UOB as at Latest Practicable Date.

We note that the Company declared a first and final tax exempt dividend for each of FY2011, FY2012 and FY2013. For FY2011, dividend declared by the company was S$0.01 which represents a dividend payout ratio of 98%. The Company declared dividends of S$0.002 for each of FY2012 and FY2013 representing a dividend payout ratio of approximately 40% and 36% respectively.

The Company has a dividend policy to pay an annual dividend of at least 30% of the annual net profit after tax, while being guided to aim for 1 cent in total annual dividend at the same time.

The fixed deposit rates offered by the local banks are stated as 0.25%. Comparing this rate and the dividend yield for the most recent financial year end implied by the Offer Price of 0.85%, the Company pays a higher rate of return to shareholders.

8.7 OTHER CONSIDERATIONS

(a) The Acquisition

The Offer Price is determined based on the consideration for the Acquisition on a willing-buyer and willing-seller basis.

We note from the announcement made by Tat Hong Holdings Ltd ("**Tat Hong**") on 4 June 2014 that Tat Hong is divesting its entire stake of 31.27% in the Company to unlock the cash for use as working capital needs or to reduce its bank borrowings.

(b) Unconditional Offer

The Offer is unconditional.

(c) No Revision to the Offer

The Offer Price is final. The Offeror does not intend to revise the Offer Price nor extend the Offer beyond 5.30 p.m. 17 July 2014 (the "**Closing Date**"). Acceptances received after 5.30 p.m. on the Closing Date shall be rejected.

(d) Irrevocable Undertakings

As set out in section 4 of this IFA Letter, the Undertaking Shareholders holding in aggregate 31,427,700 KH Shares representing 13.43% in the capital of the Company had undertaken not to accept the Offer.

(e) No Alternative Offer and Subsequent Offer

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

(f) Control of the Company

As the Offeror and its concert parties already own or control more than 50% of the issued and paid-up capital of KH, the Offeror and its concert parties will be in a position to significantly influence, *inter alia*, the management, operating and financial policies of the Company. The Offeror and its concert parties have also gained statutory control of the Company which entitles them to pass all ordinary resolutions on matters, in which the Offeror and its concert parties do not have an interest, at general meetings of Shareholders.

(g) Offeror's Intentions for the Group

As set out in section 6 of the Offer Document, the Offeror intends to carry on KH's existing business and maintain its listing status on the SGX-ST. The Offeror, together with its parties acting in concert, may offer its experience and business contacts in property investment to KH for future growth prospects in addition to carrying on its existing businesses. As a controlling shareholder of KH, the Offeror intends to work with KH to increase shareholder value.

(h) Compulsory Acquisition and Listing Status

As set out in section 7 of the Offer Document, the Offeror **intends to preserve the listing status of the Company and accordingly, does not intend to exercise any rights of compulsory acquisition which it may have under Section 215(1) of the Companies Act**.

9. OUR ADVICE

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

We have set out below a summary of the factors we have taken into our consideration:

(a) The Offer Price represents a discount of 3.46% to the 24-month VWAP of KH Shares but premiums of between 8.96% and 12.65% to the VWAPs of KH Shares for other comparison periods prior to the Offer Announcement Date as set out in section 8.1 of this IFA Letter;

(b) The average daily traded volume of KH Shares range from 0.03% to 0.08% of the free float for the comparison periods prior to the Offer Announcement Date as set out in section 8.1 of this IFA Letter;

(c) KH Shares had generally underperformed the FSSTI Index in relative terms for the period from 24-month prior to Offer Announcement Date and the period after the Offer Announcement Date up to the Latest Practicable Date;

(d) The PER of the Company as implied by the Offer Price is 42.8 times and is within the range of 14.0 to 98.0 times for the Comparable Companies as the Latest Practicable Date. It is also higher than the mean PER of 41.2 times and the median PER of 24.8 times for the Comparable Companies as the Latest Practicable Date;

(e) While the Offer Price represents a discount of 27.2% to the NAV per KH Share as at 31 December and a discount of 31.1% to the RNAV for each KH Share, the P/NTA Ratio of the Company as implied by the Offer Price and the RNAV of 0.69 times is within the range of 0.62 to 1.12 times for the Comparable Companies as at the Latest Practicable Date. It is lower than the mean of 0.75 times but higher than the median of 0.67 times for the Comparable Companies as at the Latest Practicable Date;

(f) The EV/EBITDA Ratio of the Company as implied by the Offer Price is 23.7 times and is within the range of EV/EBITDA Ratios of 6.2 times to 27.5 times for the Comparable Companies as at the Latest Practicable Date. It is also higher than the mean and the median EV/EBITDA Ratio of 15.7 times and 18.5 times respectively for the Comparable Companies as at the Latest Practicable Date;

(g) The discount of 6.0% implied by the Offer Price over the closing price on the Offer Announcement Date is within the range but lower than the premiums of 4.4% and 7.2% represented by the mean and median for Non-Privatisation Transactions. On the other hand, the premium of 9.0% implied by the Offer Price over the VWAP for the 1-month period is within the range for Non-Privatisation Transactions and is higher than the mean and median premium represented by the Non-Privatisation Transactions, although the premium of 10.5% implied by the Offer Price over the VWAP for the 3-month period is slightly below the mean premium of 11.8% but higher than the median premium of 6.9% for Non-Privatisation Transactions;

(h) The P/NTA Ratio implied by the Offer Price and the RNAV of 0.69 times is within the range of 0.5 times to 5.2 times for the Non-Privatisation Transactions but is lower than the mean P/NTA Ratio of 1.7 times and median P/NTA Ratio of 1.4 times for the Non-Privatisation Transactions;

(i) While the Group was profitable for FY2011, FY2012 and FY2013 and had declared and paid dividends for each of FY2011, FY2012 and FY2013, its profit margin has declined from 2.59% in FY2011 to 1.37% in FY2013. However, based on the higher valuations reflected in the Singapore Valuation Reports and China Valuation Reports of approximately S$4.3 million, the Group's prospects in the property investment segment seems favourable although Shareholders should note that the Group's investment properties represents only 4.1% of the Group's total assets and 7.5% of the Group's NTA, respectively, as at 31 December 2013; and

(j) Other relevant consideration as set out in section 8.7 of this IFA Letter.

Accordingly, after taking into account the above factors, we are of the opinion as of the date hereof that the financial terms of the Offer, on balance, are fair and reasonable and accordingly, advise the Independent Directors to recommend Shareholders to ACCEPT the Offer if they are unable to obtain a higher price than the Offer Price (net of related expenses) in the open market.

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

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

Yours truly
For and on behalf of
ASIASONS WFG CAPITAL PTE. LTD.

ALEX TAN KAH KOON
EXECUTIVE DIRECTOR

PAULINE SIM POI LIN
HEAD OF CORPORATE FINANCE

APPENDIX II – ADDITIONAL GENERAL INFORMATION ON KH

1. DIRECTORS

Based on information available to the Offeror, the names, addresses and description of the directors of KH as at the Latest Practicable Date are as follows:

Name	Address	Designation in the Company
Yeo Wee Kiong	26 Yarwood Avenue Singapore 587998	Non-Executive Independent Chairman
Kwek Che Yong	2 Marine Vista #12-71 Singapore 449026	Executive Deputy Chairman
Teo Teng Beng	1A Camden Park Singapore 299818	Managing Director
Teh Geok Koon	9 Evergreen Gardens Singapore 468885	Executive Director cum Chief Operating Officer
Lee Joo Hai	3 Meyer Place #17-02 Singapore 437991	Non-Executive Independent Director
Tan Saik Hock	45 Mount Sinai Rise #09-02 Singapore 276958	Non-Executive Independent Director

2. PRINCIPAL ACTIVITIES

Incorporated in Singapore on 3 November 1973, KH is one of the largest stockists, distributors and retailers of bearings and seal products in South-East Asia and the Far East, catering primarily to bearing wholesalers, replacement markets and original equipment manufacturers. KH was listed on the SGX-ST Dealing and Automated Quotation on 10 November 1995 and upgraded to the SGX-ST Mainboard on 2 February 1998.

The principal activity of the Group as at the Latest Practicable Date are stockists, distributors and retailers of bearings and seal products.

3. SHARE CAPITAL

3.1 Issued share capital of the Company

The Company has only one class of shares, being ordinary shares, with equal ranking rights to dividend, voting at general meetings and return of capital.

There is no restriction in the Memorandum or Articles of Association of the Company on the right to transfer any Shares, which has the effect of requiring the holders of Offer Shares, before transferring them, to offer them for purchase to members of the Company or to any other person.

As at the Latest Practicable Date, the issued and paid-up share capital of the Company is S$31,658,000 comprising 234,060,000 Shares.

There are no treasury shares in the share capital of the Company. The Shares are quoted and listed on the Mainboard of the SGX-ST.

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 Company's Articles. For ease of reference, selected texts of the Articles relating to the rights of Shareholders in respect of capital, dividends and voting have been reproduced in Appendix III to this Circular.

4. SUMMARY OF FINANCIAL INFORMATION

4.1 Financial Information of the Group

A summary of the financial information of the Group, including revenue, exceptional items, net profit before and after tax, minority interests, net earnings per Share and net dividends per Share for FY2011, FY2012 and FY2013 is set out below.

The following summary financial information should be read together with the audited financial statements for the relevant periods and related notes thereto. The audited financial statements for FY2013 are also set out in Appendix IV to this Circular.

Consolidated Income Statement/Consolidated Statement of Other Comprehensive Income (S$'000)	**Audited FY2013**	**Audited FY2012**	**Audited FY2011**
Revenue	78,754	85,352	93,823
Other income including interest income	467	489	444
Changes in inventories	(6,919)	972	15,734
Raw materials and consumables used	(55,290)	(67,621)	(89,819)
Staff costs	(9,206)	(10,746)	(10,598)
Depreciation of property, plant and equipment	(1,054)	(1,038)	(921)
Foreign exchange loss, net	(57)	(115)	(249)
Provision for trade doubtful debts, net	(105)	(265)	(119)
(Provision)/write-back for slow moving inventories	(201)	(436)	109
Gain on change in fair value of investment properties	379	676	104
Gain/(loss) on disposal of plant and equipment/plant and equipment written off, net	3	(36)	21
Other operating expenses	(4,058)	(4,213)	(4,451)
Finance costs	(1,075)	(1,202)	(837)
Profit before tax	**1,638**	**1,817**	**3,241**
Income tax expense	(558)	(638)	(814)
Profit for the year	**1,080**	**1,179**	**2,427**
Attributable to:			
Owners of the Company	1,284	1,171	2,379
Non-controlling interests	(204)	8	48
	1,080	**1,179**	**2,427**

Consolidated Income Statement/Consolidated Statement of Other Comprehensive Income (S$'000)	Audited FY2013	Audited FY2012	Audited FY2011
Other comprehensive income, net of tax	957	(145)	1,061
Total comprehensive income for the year	**2,037**	**1,034**	**3,488**
Attributable to:			
Owners of the Company	2,193	1,050	3,483
Non-controlling interests	(156)	(16)	5
	2,037	**1,034**	**3,488**
Earnings per share			
Basic and diluted earnings per share (cent)	0.55	0.50	1.02
Dividend per share (cent)	0.2	0.2	1.0

A summary of the assets and liabilities of the Group as at 31 December 2012 and as at 31 December 2013 is set out below.

The following summary should be read together with the audited financial statements for FY2013 and related notes thereto. The audited financial statements for FY2013 are also set out in Appendix IV to this Circular.

Statement of Financial Position (S$'000)	As at 31 December 2013	As at 31 December 2012
ASSETS		
Non-current assets		
Property, plant and equipment	24,561	23,265
Investment properties	5,687	5,846
Other investments	237	237
	30,485	**29,348**
Current assets		
Trade and other receivables	15,890	14,977
Other debtors	222	282
Prepayments	83	269
Amount due from an associate	1,796	3,103
Amounts due from related parties	2,719	2,959
Inventories	81,972	89,092
Fixed deposits	649	1,070
Cash and cash equivalents	4,137	4,120
	107,468	**115,872**
Total assets	**137,953**	**145,220**

Statement of Financial Position (S$'000)	As at 31 December 2013	As at 31 December 2012
EQUITY AND LIABILITIES		
Current liabilities		
Interest bearing loans and borrowings	30,012	39,148
Trade creditors and accruals	9,141	10,467
Other creditors	532	558
Amounts due to related parties	12,232	9,461
Provision for taxation	114	429
	52,031	**60,063**
Non-current liabilities		
Interest bearing loans and borrowings	6,893	7,827
Deferred tax liabilities	2,372	2,013
	9,265	**9,840**
Capital and Reserves		
Equity attributable to owners of the Company	75,517	73,792
Non-controlling interests	1,140	1,525
Total equity	**76,657**	**75,317**
Total equity and liabilities	**137,953**	**145,220**

4.2 Material changes in financial position

Save as disclosed in this Circular and publicly available information on the Company, there are no known material changes in the financial position of the Company as at the Latest Practicable Date since 31 December 2013, being the date to which the last published audited financial statements of the Company were made up.

4.3 Significant accounting policies

The significant accounting policies of the Group which are disclosed in notes 2 & 3 of the audited consolidated financial statements of the Group for FY2013 are reproduced in Appendix IV to this Circular.

Save as disclosed in this Circular and publicly available information on the Company (including but not limited to that contained in the audited financial statements of the Company for FY2011, FY2012 and FY2013), there were no significant accounting policies or any points from the notes of the accounts of the Company which are of major relevance for the interpretation of the accounts.

4.4 Changes in accounting policies

As at the Latest Practicable Date, save as publicly disclosed, there has been no change in the accounting policies of the Company which will cause the figures in the financial statements of the Company to be not comparable to a material extent.

5. DISCLOSURE OF INTERESTS

5.1 Interests of the Directors in the Shares

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

	Direct interest		Deemed interest	
Director	No. of Shares held	Shareholding (%)	No. of Shares held	Shareholding (%)
Kwek Che Yong	1,193,000	0.51	27,659,700	11.82

5.2 Dealings in the Shares by the Directors

As at the Latest Practicable Date, none of the Directors has dealt for value in any of the Shares during the period commencing six months prior to the Offer Announcement Date and ending on the Latest Practicable Date.

5.3 Interests of the IFA in the Shares

As at the Latest Practicable Date, Asiasons and funds whose investments are managed by it on a discretionary basis do not own or control any of the Shares.

5.4 Dealings in the Shares by the IFA

As at the Latest Practicable Date, Asiasons and funds whose investments are managed by it on a discretionary basis have not dealt for value in any of the Shares during the period commencing six months prior to the Offer Announcement Date and ending on the Latest Practicable Date.

5.5 Directors' Intentions

As at the Latest Practicable Date, Mr Kwek Che Yong has a direct and deemed interest in an aggregate of 1,193,000 and 27,659,700 Shares respectively, representing approximately 12.33% of the total number of issued Shares. Mr Kwek Che Yong has informed the Company that he has undertaken not to accept the Offer pursuant to the undertaking that he has provided in favour of the Offeror (details of which are set out in Section 3 of this Circular), as such he will reject the Offer in respect of the Shares held by him.

As disclosed in paragraph 7.2 above, Mr Teo Teng Beng is one of the concerted parties in this Offer and has abstained from voting at the Board level.

Save as disclosed above, none of the Directors has any other direct or deemed interest in the Shares.

5.6 Directors' service contracts

As at the Latest Practicable Date:

(a) there are no service contracts between any Director or proposed Director with the Company or any of its subsidiaries which have more than 12 months to run and which cannot be terminated by the employing company within the next 12 months without paying any compensation; and

(b) there are no such contracts entered into or amended during the period between the start of the 6 months preceding the Offer Announcement Date and the Latest Practicable Date.

5.7 Arrangements affecting Directors

As at the Latest Practicable Date:

(a) it is not proposed that any payment or other benefit shall be made or given to any Director, or any director of any other corporation which is, by virtue of Section 6 of the Companies Act, deemed to be related to the Company, as compensation for loss of office or otherwise in connection with the Offer;

(b) there are no agreements or arrangements made between any Director and any other person in connection with or conditional upon the outcome of the Offer; and

(c) none of the Directors has any material personal interest, whether direct or indirect, in any material contract entered into by the Offeror.

6. VIEWS OF THE BOARD ON THE OFFEROR'S PLANS FOR THE COMPANY AND ITS EMPLOYEES

The Board is of the view that the Offeror's plans for the Company as stated in the Offer Document are in line with the Company's position as set out in this Circular, namely that the Offeror's potential involvement in the Company offers the Company the possibility of tapping into its experience and business contacts in property investment.

7. MATERIAL CONTRACTS WITH INTERESTED PERSONS

Save as disclosed in Appendix VI of this Circular, neither the Company nor its subsidiaries has entered into any material contract (other than in the ordinary course of business) with interested persons during the period commencing three years prior to the Offer Announcement Date and ending on the Latest Practicable Date.

An "interested person", as defined in the Note on Rule 24.6 read with the Note on Rule 23.12 of the Code, means:

(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) of the Company and his/her immediate family is a beneficiary;

(d) any company in which a director, the chief executive officer or a Substantial Shareholder (being an individual) of the Company and his/her 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 a 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.

8. MATERIAL LITIGATION

As at the Latest Practicable Date:

(a) neither the Company nor any of its subsidiaries is engaged in any material litigation or arbitration proceedings, as plaintiff or defendant, which might materially and adversely affect the financial position of the Company and its subsidiaries, taken as a whole; and

(b) the Directors are not aware of any litigation, claim or proceedings pending or threatened against the Company or any of its subsidiaries or of any fact likely to give rise to any litigation, claims or proceedings which might materially and adversely affect the financial position of the Company and its subsidiaries, taken as a whole.

9. GENERAL INFORMATION

(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 its name, its advice to the Independent Directors set out in Section 7.3 of this Circular, the IFA letter, and all references thereto, in the form and context in which they appear in this Circular.

(c) The Independent Valuers have given and have not withdrawn their written consents to the issue of this Circular with the inclusion of their names and all references thereto, in the form and context in which they appear in this Circular.

10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the registered office of the Company at Boardroom Corporate & Advisory Services Pte. Ltd., 50 Raffles Place #32-01, Singapore Land Tower, Singapore 048623, during normal business hours for the period during which the Offer remains open for acceptance:

(a) the Memorandum and the Articles of Association of the Company;

(b) the annual reports of the Company for FY2011, FY2012 and FY2013;

(c) the IFA Letter;

(d) the Valuation Reports;

(e) the material contracts with interested persons as disclosed in Appendix VI; and

(f) the letters of consent referred to in Sections 9(b) and 9(c) above.

APPENDIX III – RELEVANT EXTRACTS FROM THE COMPANY'S ARTICLES OF ASSOCIATION

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

ISSUE OF SHARES

Article 4

(A) Subject to these presents, no shares may be issued by the Directors without the prior approval of the Company in General Meeting pursuant to Section 161 of the Act, but subject thereto and the terms of such approval, and to Article 5, and to any special rights attached to any shares for the time being issued, the Directors may allot (with or without conferring a right of renunciation) or grant options over or otherwise dispose of the same to such persons on such terms and conditions and for such consideration and at such time and whether or not subject to the payment of any part of the amount thereof in cash or otherwise as the Directors may think fit, and any shares may, subject to compliance with Sections 70 and 75 of the Act, be issued with such preferential, deferred, qualified or special rights, privileges, conditions or restrictions, whether as regards dividend, return of capital, participation in surplus, voting, conversion or otherwise, as the Directors may think fit, and preference shares may be issued which are or at the option of the Company are liable to be redeemed, the terms and manner of redemption being determined by the Directors in accordance with the Act, Provided Always that:–

(a) any other issue of shares, the aggregate of which would exceed the limit referred to in Article 5(B), shall be subject to the approval of the Company in General Meeting;

(b) no shares shall be issued to transfer a controlling interest in the Company without the specific prior approval of the Company in General Meeting; and

(B) The Directors may, at any time after the allotment of any share but before any person has been entered in the Register of Members as the holder, recognize a renunciation thereof by the allottee in favour of some other person and may accord to any allottee of a share a right to effect such renunciation upon and subject to such terms and conditions as the Directors may think fit to impose.

(C) Except so far as otherwise provided by the conditions of issue or by these presents, all new shares shall be issued subject to the provisions of the Statutes and of these presents with reference to allotment, payment of calls, lien, transfer, transmission, forfeiture or otherwise.

Article 5: Share capital

The shares may be divided into several classes, and there may be attached thereto respectively any preferential, deferred or other special rights, privileges, conditions or restrictions as to dividend, capital, voting or otherwise.

Article 5(A): Consolidation, division and cancellation of shares

Subject to any direction to the contrary that may be given by the Company in General Meeting, or except as permitted under the rules of the Singapore Exchange Securities Trading Limited, all new shares shall before issue be offered to such persons who as at the date (as determined by the Directors) of the offer are entitled to receive notices from the Company of General Meetings in proportion, as nearly as the circumstances admit, to the number of the existing shares to which they are entitled. The offer shall be made by notice specifying the number of shares offered, and limiting a time within which the offer, if not accepted, will be deemed to be declined, and, after the expiration of that time, or on the receipt of an intimation from the person to whom the offer is made that he declines to accept the shares offered, the Directors may dispose of those shares in such manner as they think most beneficial to the Company. The Directors may likewise so dispose of

any new shares which (by reason of the ratio which the new shares bear to shares held by persons entitled to an offer of new shares) cannot, in the opinion of the Directors, be conveniently offered under this Article 5(A).

Article 5(B): Directors' authority to issue shares

Notwithstanding Article 5(A), 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 issue shares (whether by way of rights, bonus or otherwise) where:–

(a) the aggregate number of shares to be issued pursuant to the Ordinary Resolution (including shares to be issued in pursuance of instruments made or granted pursuant to the Ordinary Resolution) shall be subject to such limits and manner of calculation as may be prescribed by the Singapore Exchange Securities Trading Limited; and

(b) unless previously revoked or varied by the Company in General Meeting, such authority to issue shares does not continue beyond the conclusion of the Annual General Meeting of the Company next following the passing of the Ordinary Resolution or the date by which such Annual General Meeting is required to be held, or the expiration of such other period as may be prescribed by the Statutes (whichever is the earliest).

(c) The Company may, notwithstanding Article 5(A) above, authorize the Directors not to offer new shares to members to whom by reason of foreign securities laws, such offers may not be made without registration of the shares or a prospectus or other document, but to sell the entitlements to the new shares on behalf of such members on such terms and conditions as the Company may direct.

Article 6: Paying commissions in respect of subscription for shares

The Company may pay commissions or brokerage on any issue of shares at such amount or rate 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.

Article 7

Where any shares are issued for the purpose of raising money to defray the expenses of the construction of any works or buildings or the provision of any plant which cannot be made profitable for a lengthened period, the Company may pay interest on so much of that share capital as is for the time being paid up for the period and charge the same to capital as part of the cost of the construction of the works or buildings or the provision of the plant, subject to the conditions and restrictions mentioned in the Act.

Article 8: Treasury shares

The Company shall not exercise any right in respect of treasury shares other than as provided by the Act. Subject thereto, the Company may hold or deal with its treasury shares in the manner authorised by, or prescribed pursuant to, the Act.

Article 8(A): Power of the Company to issue preference shares

Preference shares may be issued subject to such limitation thereof as may be prescribed by any Stock Exchange upon which shares in the Company may be listed. The total number of issued preference shares shall not exceed the total number of the issued ordinary shares issued 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,

and preference shareholders shall also have the right to vote at any meeting convened for the purpose of reducing capital or winding-up or sanctioning a sale of the undertaking of the Company or when the proposal to be submitted to the meeting directly affects their rights and privileges or when the dividend on the preference shares is more than six months in arrear.

Article 8(B)

The Company has power to issue further preference capital ranking equally with, or in priority to, preference shares already issued.

Article 9(A): Variation of Rights

Whenever the share capital of the Company is divided into different classes of shares, the variation or abrogation of the special rights attached to any class may, subject to the provisions of the Act, be made either with the consent in writing of the holders of three-quarters of the issued shares of the class or with the sanction of a Special Resolution passed at a separate General Meeting of the holders of the shares of the class (but not otherwise) and may be so made either whilst the Company is a going concern or during or in contemplation of a winding-up. To every such separate General Meeting all the provision of these presents relating to General Meetings of the Company and to the proceedings thereat shall *mutatis mutandis* apply, except that the necessary quorum shall be two or more persons holding at least one-third of the issued shares of the class present in person or by proxy or attorney and that any holder of shares of the class present in person or by proxy or attorney may demand a poll and that every such holder shall on a poll have one vote for every share of the class where the class is a class of preference shares within the meaning of Section 180(2) of the Act, Provided Always that where the necessary majority for such a Special Resolution is not obtained at such General Meeting, the consent in writing, if obtained from the holders of three-quarters of the issued shares of the class concerned within two months of such General Meeting, shall be as valid and effectual as a Special Resolution carried at such General Meeting.

Article 9(B)

The provisions in Article 9(A) shall *mutatis mutandis* apply to any repayment of preference capital (other than redeemable preference capital) and any variation or abrogation of the rights attached to preference shares or any class thereof.

Article 10: Variation of Rights

The special rights attached to any class of shares having preferential rights shall not unless otherwise expressly provided by the terms of issue thereof be deemed to be varied by the creation or issue of further shares ranking as regards participation in the profits or assets of the Company in some or all respects *pari passu* therewith but in no respect in priority thereto.

Article 11: Power to consolidate, cancel, sub-divide and convert shares

The Company may by Ordinary Resolution:–

(a) consolidate and divide all or any of its shares;

(b) subject to the provisions of the Statutes, sub-divide its shares, provided always that in such subdivision, the proportion between the amount paid and the amount (if any) unpaid on each sub-divided shares shall be the same as it was in the case of the original share from which it was derived; and the resolution whereby any share is sub-divided may determine that, as between the holders of the shares resulting from such sub-division, one or more of the shares may, as compared with the others, have any such preferred, deferred, qualified or other special rights, or be subject to any such restrictions, as the Company has the authority to attach to new shares; and/or

(c) subject to the provisions of the Statutes, convert or exchange any class of shares into or for any other class of shares.

Article 12(A): Reduction of share capital and other reserves

The Company may reduce its share capital or any other undistributable reserve in any manner permitted, and with, and subject to, any incident authorized, and consent or confirmation required, by law.

Article 12(B): Power of the Company to purchase or otherwise acquire its issued Shares

Without prejudice to the generality of Article 12(A), the Company may, subject to and in accordance with the Statutes, purchase or otherwise acquire its issued share on such terms and in such manner as the Company may from time to time think fit. Any share that is so purchased or acquired by the Company shall, unless held in treasury in accordance with the Act, be deemed to be cancelled immediately on purchase or acquisition. On the cancellation of a share as aforesaid, the rights and privileges attached to that share shall expire, and the number of the issued shares of the Company shall be diminished by the number of the share so cancelled, and where any such cancelled share was purchased or acquired out of the capital of the Company, the amount of the share capital of the Company shall be reduced accordingly.

Article 13(A): Form of share certificates

Every share certificate shall be issued under the Seal and shall specify the number and class of shares to which it relates and the amount paid and amount (if any) unpaid thereon. No certificate shall be issued representing shares of more than one class. Every member 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 $2.00 or such other fee as the Directors may from time to time determine having regard to any limitation thereof as may be prescribed by any stock exchange upon which the Company may be listed.

Article 13(B)

The provisions in this Article and in Articles 14 to 17 (so far as they are applicable) shall not apply to transfer of book-entry securities.

Article 14(A)

The Company shall not be bound to register more than three persons as the holder of a share except in the case of executors or administrators of the estate of a deceased member.

Article 14(B)

In the case of a share held jointly by several persons, the Company shall not be bound to issue more than one certificate therefore and delivery of a certificate to any one of the joint holders shall be sufficient delivery to all.

Article 15

Every person whose name is entered as a member in the Register of Members shall (in the case of a transfer of shares) be entitled, within fifteen market days after the date of lodgement of any transfer, or (subject to the provisions of the Statutes) such longer period of time as may be approved by the stock exchange upon which the shares in the Company may be listed, to one certificate for all his shares of any one class or to several certificates in reasonable denominations each for a part of the shares so allotted or transferred.

Article 16(A)

Where a member transfers part only of the shares comprised in a certificate or where a member requires the Company to cancel any certificate or certificates and issue new certificates for the purpose of subdividing his holding in a different manner, the old certificate or certificates shall be cancelled and a new certificate or certificates for the balance of such shares (in the case of transfer) and the whole of such shares (in the case of sub-division) shall be issued in lieu thereof and the member shall pay (in the case of sub-division) a maximum fee of S$2.00 for each new certificate or such other fee as the Directors may from time to time determine having regard to any limitation thereof as may be prescribed by any stock exchange upon which the shares in the Company may be listed. Where some only of the shares comprised in a share certificate are transferred, the new certificate for the balance of such shares shall be issued in lieu thereof without charge.

Article 16(B)

Any two or more certificates representing shares of any one class held by any member may at his request be cancelled and a single new certificate for such shares issued in lieu thereof without charge.

Article 17: Renewal of share certificates

Subject to the provisions of the Statutes, if any share certificates 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 company of the stock exchange upon which the shares in the Company may be listed or on behalf of its or their client or clients as the Directors shall require, and in the case of defacement or wearing out, on delivery up of the old certificate, and in any case on payment of such sum not exceeding $2.00 as the Directors may from time to time require. In the case of destruction, loss or theft, a shareholder or person entitled to such replacement certificate, 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.

Article 18: Calls on shares

The Directors may from time to time make calls upon the members in respect of any moneys unpaid on their shares but subject always to the terms of issue of such shares. A call shall be deemed to have been made at the time when the resolution of the Directors authorizing the call was passed and may be made payable by instalments.

Article 19

Each member shall (subject to receiving at least fourteen days' notice specifying the time or times and place of payment) pay to the Company at the time or times and place so specified the amount called on his shares. The joint holders of a share shall be jointly and severally liable to pay all calls in respect thereof. A call may be revoked or postponed as the Directors may determine.

Article 20

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 from the day appointed for payment thereof to the time of actual payment at such rate (not exceeding ten per cent per annum) as the Directors may determine but the Directors shall be at liberty in any case or cases to waive payment of such interest in whole or in part.

Article 21: When calls made and payable

Any sum which by the terms of issue of a share becomes payable upon allotment or at any fixed date shall for all the purposes of these presents be deemed to be a call duly made and payable on the date on which by the terms of issue the same becomes payable. In the case of non-payment, all the relevant provisions of these presents 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.

Article 22

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 payment.

Article 23: Payment of calls in advance

The Directors may if they think fit receive from any member willing to advance the same all or any part of the moneys uncalled and unpaid upon the shares held by him and such payment in advance of calls shall extinguish *pro tanto* the liability upon the shares in respect of which it is made and upon the moneys so received (until and to the extent that the same would but for such advance become payable) the Company may pay interest at such rate (not exceeding eight per cent. per annum) as the member paying such sum and the Directors may agree. Capital paid on shares in advance of calls shall not, whilst bearing interest, confer a right to participate in profits.

TRANSFER OF SHARES

Article 33

All transfers of shares shall be effected by written instruments of transfer in the form for the time being approved by the Directors and each stock exchange upon which the shares in the Company may be listed. An instrument of transfer shall be signed by or on behalf of both the transferor and the transferee and be witnessed, provided that CDP shall not be required to sign, as transferee, any instrument of transfer relating to any transfer of shares to it during such period as the Directors may think fit. The transferor shall be deemed to remain the holder of the shares concerned until the name of the transferee is entered in the Register of Members in respect thereof.

Article 34

The Registers of Members and of Transfers may be closed at such times and for such periods as the Directors may from time to time determine, Provided Always that such Registers shall not be closed for more than thirty days in any year, and that the Company shall give prior notice of each such closure, as may be required, to any stock exchange upon which the shares in the Company may be listed, stating the period and purpose or purposes for which such closure is made.

Article 35(A)

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 any stock exchange on which the shares in the Company may be listed) but the Directors may in their discretion decline to register any transfer of shares upon which the Company has a lien, and in the case of shares not fully paid up, may refuse to register a transfer to a transferee of whom they do not approve, Provided Always that in the event of the Directors refusing to register a transfer of shares, the Company shall within ten market days after the date on which the application for a transfer of shares was made, serve a notice in writing to the applicant stating the facts which are considered to justify the refusal as required by the Statutes.

Article 35(B): Directors' power to decline to register a transfer

The Directors may decline to register any instrument of transfer unless:–

(a) such fee not exceeding S$2.00 as the Directors may from time to time require is paid to the Company in respect thereof;

(b) the amount of proper duty (if any) with which each instrument of transfer is chargeable under any law for the time being in force relating to stamps is paid;

(c) the instrument of transfer is deposited at the Office or at such place (if any) as the Directors may appoint, accompanied by the certificates of the shares to which the transfer relates, a certificate of payment of stamp duty (if any) and such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer and, if the instrument of transfer is executed by some other person on his behalf, the authority of the person so to do; and

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

Article 36

All instruments of transfer which are registered may be retained by the Company.

Article 37

The Company shall be entitled to destroy all instruments of transfer which have been registered at any time after the expiration of six years from the date of registration thereof and all dividend mandates and notifications of change of address at any time after the expiration of six years from the date of recording thereof and all share certificates which have been cancelled at any time after the expiration of six years from the date of the cancellation thereof and it shall conclusively be presumed in favour of the Company that every entry in the Register of Members purporting to have been made on the basis of an instrument of transfer or other document so destroyed was duly and properly made and every instrument of transfer so destroyed was a valid and effective instrument duly and properly registered and every share certificate so destroyed was a valid and effective certificate duly and properly cancelled and every other document hereinbefore mentioned so destroyed was a valid and effective document in accordance with the recorded particulars thereof in the books or records of the Company, Provided Always that:–

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

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

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

TRANSMISSION OF SHARES

Article 38

In case of the death of a member, the survivors or survivor where the deceased was a joint holder, and the executors or administrators of the deceased where he was a sole or only surviving holder, shall be the only person(s) recognized by the Company as having any title to his interest in the shares, but nothing in this Article shall release the estate of a deceased holder (Whether sole or joint) from any liability in respect of any share held by him.

Article 39

Any person becoming entitled to a share in consequence of the death or bankruptcy of a member may (subject as hereinafter provided) upon supplying to the Company such evidence as the Directors may reasonably require to show his title to the share, elect either to be registered himself as holder of the share or to have another person nominated by him registered as the transferee thereof. If the person so becoming entitled elects to be registered himself, he shall deliver or send to the Company a notice in writing signed by him stating that he so elects. If he elects to have another person registered he shall testify his election by executing to that person a transfer of the share. All the limitations, restrictions and provisions of these presents relating to the right to transfer and the registration of transfers of shares shall be applicable to any such notice or transfer as aforesaid as if the death or member had not occurred and the notice or transfer were a transfer executed by such member.

Article 40

Save as otherwise provided by or in accordance with these presents, a person becoming entitled to a share in consequence of the death or bankruptcy of a member (upon supplying to the Company such evidence as the Directors may reasonably require to show his title to the share) shall be entitled to the same dividends and other advantages as those to which he would be entitled if he were the registered holder of the share except that he shall not be entitled in respect thereof (except with the authority of the Directors) to exercise any right, conferred by membership in relation to meetings of the Company until he shall have been registered as a member in respect of the share.

Article 41

There shall be paid to the Company in respect of the registration of any probate or letters of-administration or certificate of death or stop notice or power of attorney or other document relating to or affecting the title to any shares or otherwise for making any entry in the Register of Members affecting the title to any shares such fee not exceeding S$2.00 as the Directors may from time to time require or prescribe.

CENTRAL DEPOSITORY SYSTEM

Article 42

A reference to a member shall be a reference to a registered holder of shares in the Company, or where such registered holder is CDP, the depositors on behalf of whom CDP holds the shares, Provided that:–

(a) a Depositor shall only be entitled to attend any General Meeting and to speak and vote thereat if his name appears on the Depository Register maintained by CDP forty-eight (48) hours before the General Meeting as a Depositor on whose behalf CDP holds shares in the Company, the Company being entitled to deem each such Depositor, or each proxy of a Depositor who is to represent the entire balance standing to the Securities Account of the Depositor, to represent such number of shares as is actually credited to the Securities Account of the Depositor as at such time, according to the records of CDP as supplied by CDP to the Company, and where a Depositor has apportioned the balance standing to his Securities Account between two proxies, to apportion the said number of shares between the two proxies in the same proportion as previously specified by the Depositor in appointing the proxies; and accordingly no instrument appointing a proxy of a Depositor shall be rendered invalid merely by reason of any discrepancy between the proportion of Depositor's shareholding specified in the instrument of proxy, or where the balance standing to a Depositor's Securities Account has been apportioned between two proxies the aggregate of

the proportions of the Depositor's shareholding they are specified to represent, and the true balance standing to the. Securities Account of a Depositor as at the time of the General Meeting, if the instrument is dealt with in such manner as is provided above;

(b) the payment by the Company to CDP of any dividend payable to a Depositor shall to the extent of the payment discharge the Company from any further liability in respect of the payment;

(c) the delivery by the Company to CUP of provisional allotments or share certificates in respect of the aggregate entitlements of Depositors to new shares offered by way of rights issue or other preferential offering or bonus issue shall to the extent of the delivery discharge the Company from any further liability to each such Depositor in respect of his individual entitlement; and

(d) the provisions in these presents relating to the transfers, transmissions or certification of shares shall not apply to the transfer of book-entry securities (as defined in the Statutes).

EXCLUSION OF EQUITIES

Article 43

Except as required by the Statutes or law, no person shall be recognized by the Company as holding any share upon any trust, and the Company shall not be bound by or compelled in any way to recognize (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 presents or by the Statutes or law otherwise provided) any other right in respect of any share, except an absolute right to the entirety thereof in the registered holder and nothing in these presents contained relating to CDP or to Depositors or in any depository agreement made by the Company with any common depository for shares shall in any circumstances be deemed to limit, restrict or qualify the above.

Article 44: Conversion of shares to stock and re-conversion

The Company may from time to time by Ordinary Resolution convert any paid-up shares into stock and may from time to time by like resolution reconvert any stock into paid-up shares.

Article 45: Transfer of stock

The holders of stock may transfer the same or any part thereof in the same manner and subject to the same Articles as and subject to which the shares from which the stock arose might previous to conversion have been transferred (or as near thereto as circumstances admit) but no stock shall be transferable except in such units as the Directors may from time to time determine.

Article 46: Rights of stockholders

The holders of stock shall, according to the number of stocks unit held by them, have the same rights, privileges and advantages as regards dividend, return of capital, voting and other matters, as if they held the shares from which the stock arose; but no such privilege or advantage (except as regards participation in the profits or assets of the Company) shall be conferred by the number of stock units which would not, if existing in shares, have conferred such privilege or advantage, and no such conversion shall affect or prejudice any preference or other special privileges attached to the shares so converted.

GENERAL MEETINGS

Article 47: An Annual General Meeting shall be held once in every year, at such time (within a period of not more than fifteen months after the holding of the last preceding Annual General Meeting) and place as may be determined by the Directors. All other General Meetings shall be called Extraordinary General Meetings.

Article 48: The Directors may whenever they think fit, and shall on requisition in accordance with the Statutes, proceed with proper expedition to convene an Extraordinary General Meeting.

Article 49: Notice of General Meetings

Subject to any requirements of the Statutes or the listing rules for the giving of notice of resolutions, any General Meeting at which it is proposed to pass a special resolution or (save as provided by the Act) a resolution of which special notice is required, shall be called by at least twenty-one days' notice in writing and any Annual General Meeting and any other Extraordinary General Meeting by at least fourteen days' notice in writing (exclusive of the day on which the notice is served or deemed to be served but inclusive of the day of the meeting for which the notice is given) in the manner hereinafter mentioned to such persons as are under the provisions of these Articles and the Statutes entitled to receive notice from the Company, and at least fourteen days' notice of such meeting shall be given by one advertisement in the daily press circulating in Singapore and in writing to any stock exchange upon which the Company may be listed. Provided that a General Meeting notwithstanding that it has been called by a shorter notice than that specified above shall be deemed to have been duly called if it is so agreed:

(a) in the case of an Annual General Meeting, by all the members entitled to attend and vote thereat; and

(b) in the case of an Extraordinary General Meeting, by a majority in number of the members having a right to attend and vote thereat, being a majority together holding not less than 95 percent of the total voting rights of all the members having a right to vote at that Meeting.

The accidental omission to give such notice to, or the non-receipt of such notice by, any member shall not invalidate the General Meeting for which the notice was given or any resolution passed or proceedings at any General Meeting.

Article 50

(A) Every notice calling a General Meeting shall specify the place and the day and hour of the meeting, and there shall appear with reasonable prominence in every such notice a statement that a member entitled to attend and vote is entitled to appoint a proxy to attend and vote instead of him and that a proxy need not be a member of the Company.

(B) In the case of an Annual General Meeting, the notice shall also specify the meeting as such.

(C) In the case of any General Meeting at which business other than routine business ("special business") is to be transacted, the notice shall specify the general nature of such business, and if any resolution is to be proposed as a Special Resolution, the notice shall contain a statement to that effect.

Article 51

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); and

(e) fixing the remuneration of the Auditors or determining the manner in which such remuneration is to be fixed.

Article 52

Any notice of a General Meeting to consider special business shall be accompanied by a statement regarding the effect of any proposed resolution on the Company in respect of such special business.

PROCEEDINGS AT GENERAL MEETINGS

Article 53

The Chairman of the Board of Directors, failing whom the Deputy Chairman, shall preside as chairman at a General Meeting. If there be no such Chairman or Deputy Chairman, or if at any meeting neither be present within five minutes after the time appointed for holding the meeting and willing to act, the Directors present shall choose one of their number (or, if no Director be present or if all the Directors present decline to take the chair, the members present shall choose one of their number) to be chairman of the meeting.

Article 54

No business other than the appointment of a chairman shall be transacted at any General Meeting unless a quorum is present at the time when the meeting proceeds to business. Save as herein otherwise provided, the quorum at any General Meeting shall be two members present in person or by proxy.

Article 55

If within thirty minutes from the time appointed for a General Meeting (or such longer interval as the chairman of the meeting may think fit to allow) a quorum is not present, the meeting, if convened on the requisition of members, shall be dissolved. In any other case it shall stand adjourned to the same day in the next week (or if that day is a public holiday then to the next business day following that public holiday) at the same time and place or such other day, time or place as the Directors may by not less than ten days' notice appoint.

Article 56

The chairman of any General Meeting at which a quorum is present may with the consent of the meeting (and shall if so directed by the meeting) adjourn the meeting from time to time (or *sine die)* and from place to place, but no business shall be transacted at any adjourned meeting except business which might lawfully have been transacted at the meeting from which the adjournment took place. Where a meeting is adjourned *sine die,* the time and place for the adjourned meeting shall be fixed by the Directors. When a meeting is adjourned for thirty days or more or *sine die,* not less than seven days' notice of the adjourned meeting shall be given in like manner as in the case of the original meeting.

Article 57

Save as hereinbefore expressly provided, it shall not be necessary to give any notice of an adjournment or of the business to be transacted at an adjourned meeting.

Article 58

If an amendment shall be proposed to any resolution under consideration but shall in good faith be ruled out of order by the chairman of the meeting, the proceedings on the substantive resolution shall not be invalidated by any error in such ruling. In the case of a resolution duly proposed as a Special Resolution, no amendment thereto (other than a mere clerical amendment to correct a patent error) may in any event be considered or voted upon.

Article 59: Method of voting

At any General Meeting a resolution put to the vote of the meeting shall be decided on a show of hands unless a poll is (before or on the declaration of the result of the show of hands) demanded by:–

(a) the chairman of the meeting; or

(b) not less than two members present in person or by proxy and entitled to vote at the meeting; or

(c) any member present in person or by proxy, or where such a member has appointed two proxies any one of such proxies, or any number of combination of such members or proxies, holding or representing as the case may be not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting; or

(d) any member present in person or by proxy, or where such a member has appointed two proxies any one of such proxies, or any number or combination of such members or proxies, holding or representing as the case may be, not less than 10 per cent of the total number of paid-up shares of the Company (excluding treasury shares).

Provided always that no poll shall be demanded on the choice of the chairman of the meeting or on a question of adjournment. A demand for a poll may be withdrawn only with the approval of the meeting.

Article 60

Unless a poll is required, a declaration by the chairman of the meeting that a resolution has been carried, or carried unanimously, or by a particular majority, or lost, and an entry to that effect in the minute book, shall be conclusive evidence of that fact without proof of the number or proportion of the votes recorded for or against such resolution. If a poll is required, it shall be taken in such manner (including the use of ballot or voting papers or tickets) as the chairman of the meeting may direct, and the result of the poll shall be deemed to be the resolution of the meeting at which the poll was demanded. The chairman of the meeting may (and if so directed by the meeting shall) appoint scrutineers and may adjourn the meeting to some place and time fixed by him for the purpose of declaring the result of the poll.

Article 61

In the case of an equality of votes, whether on a show of hands or on a poll, the chairman of the meeting at which the show of hands takes place or at which the poll is demanded shall be entitled to a casting vote.

Article 62

A poll demanded on any question shall be taken either immediately or at such subsequent time (not being more than thirty days from the date of the meeting) and place as the chairman of the meeting may direct. No notice need be given of a poll not taken immediately. The demand for a poll shall not prevent the continuance of the meeting for the transaction of any business other than the question on which the poll has been demanded.

VOTES OF MEMBERS

Article 63: How members may vote

Subject and without prejudice to any special rights 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 8, every member entitled to vote may vote in person or by proxy. On a show of hands every member who is present in person or by proxy shall have one vote. The chairman of the meeting shall determine which proxy shall be entitled to vote where a member is represented by two proxies, and on a poll every member who is present in person or by proxy shall have one vote for every share of which he is the holder. A member who is bankrupt shall not, while his bankruptcy continues, be entitled to exercise his rights as a member, or attend, vote or act at any meeting of the Company.

Article 64

In the case of joint holders of a share, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders and for this purpose seniority shall be determined by the order in which the names stand in the Register of Members or, as the case may be, the order in which the names appear in the Depository Register in respect of the joint holding.

Article 65

Where in Singapore or elsewhere a receiver or other person (by whatever name called) has been appointed by any court claiming jurisdiction in that behalf to exercise powers with respect to the property or affairs of any member on the ground (however formulated) of mental disorder, the Directors may in their absolute discretion, upon or subject to production of such evidence of the appointment as the Directors may require, permit such receiver or other person on behalf of such member, to vote in person or by proxy at any General Meeting, or to exercise any other right conferred by membership in relation to meetings of the Company.

Article 66

No member shall be entitled in respect of shares held by him to vote at a General Meeting either personally or by proxy or to exercise any other right conferred by membership in relation to meetings of the Company if any call or other sum payable by him to the Company in respect of such shares remains unpaid.

Article 67

No objection shall be raised as to the admissibility of any vote except at the meeting or adjourned meeting at which the vote objected to is or may be given or tendered and every vote not disallowed at such meeting shall be valid for all purposes. Any such objection shall be referred to the chairman of the meeting whose decision shall be final and conclusive.

Article 68

On a poll, votes may be given either personally or by proxy and a person entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

Article 69

(A) A member shall not be entitled to appoint more than two proxies to attend and vote at the same General Meeting, Provided that if a member shall nominate two proxies then the member shall specify the proportion of his shares to be represented by each such proxy, failing which the nomination shall be deemed to be alternative.

(B) A proxy need not be a member of the Company.

Article 70

(A) An instrument appointing a proxy for any member shall be in writing in any usual or common form or in any other form which the Directors may approve and:–

(a) in the case of an individual member, shall be signed by the member or his attorney duly authorised in writing; and

(b) in the case of a member which is a corporation shall be either given under its common seal or signed on its behalf by an attorney duly authorised in writing or a duly authorized officer of the corporation.

(B) The signatures on an instrument of proxy need not be witnessed. Where an instrument appointing a proxy is signed on behalf of a member by an attorney, the letter or power of attorney or a duly certified copy thereof shall (failing previous registration with the Company) be lodged with the instrument of proxy pursuant to the next following Article, failing which the instrument of proxy may be treated as invalid.

Article 71

An instrument appointing a proxy must be left at such place or one of such places (if any) as may be specified for that purpose in or by way of note to or in any document accompanying the notice convening the meeting (or, if no place is so specified, at the Office) not less than forty-eight hours before the time appointed for the holding of the meeting or adjourned meeting or (in the case of a poll taken otherwise than at or on the same day as the meeting or adjourned meeting) for the taking of the poll at which it is to be used, and in default shall not be treated as valid. The instrument shall, unless the contrary is stated thereon, be valid as well for any adjournment of the meeting as for the meeting to which it relates, Provided that an instrument of proxy relating to more than one meeting (including any adjournment thereof) having once been so delivered for the purposes of any meeting shall not require again to be delivered for the purposes of any subsequent meeting to which it relates.

Article 72

An instrument appointing a proxy shall be deemed to include the right to demand or join in demanding a poll and to speak at the meeting.

Article 73

A vote cast by proxy shall not be invalidated by the previous death or insanity of the principal or by the revocation of the appointment of the proxy or of the authority under which the appointment was made provided that no intimation in writing of such death, insanity or revocation shall have been received by the Company at the Office at least one hour before the commencement of the meeting or adjourned meeting or (in the case of a poll taken otherwise than at or on the same day as the meeting or adjourned meeting) the time appointed for the taking of the poll at which the vote is cast.

Article 74: Corporations acting by representatives

Any corporation which is a member of the Company may by resolution of its directors or other governing body authorize such person as it thinks fits to act as its representative at any meeting of the Company or of any class of members of the Company. The person so authorized shall be entitled to exercise the same powers on behalf of such corporation as the corporation could exercise if it were an individual member of the Company and such corporation shall for the purposes of these presents (but subject to the Act) be deemed to be present in person at any such meeting if a person so authorized is present thereat.

DIVIDENDS

Article 123

The Company may by Ordinary Resolution declare dividends but no such dividend shall exceed the amount recommended by the Directors.

Article 124

If and so far as in the opinion of the Directors, the profits of the Company justify such payments, the Directors may declare and pay the fixed dividends on any class of shares carrying a fixed dividend expressed to be payable on fixed dates on the half-yearly or other dates prescribed for the payment thereof and may also from time to time declare and pay interim dividends on shares of any class of such amounts and on such dates and in respect of such periods as they think fit.

Article 125: Apportionment of dividends

Subject to any rights or restrictions attached to any shares or class of shares and except as otherwise permitted under the Act:

(a) all dividends in respect of shares must be paid in proportion to the number of shares held by a member but where shares are partly paid all dividends must be apportioned and paid proportionately to the amounts paid or credited as paid on the partly paid shares; and

(b) all dividends must be apportioned and paid proportionately to the amounts so paid or credited as paid during any portion or portions of the period in respect of which the dividend is paid.

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

Article 126

No dividend shall be paid otherwise than out of profits available for distribution under the provision of the Statutes or, pursuant to Section 69 of the Act and in the form of stock dividends, out of the share premium account.

Article 127

No dividend or other monies payable on or in respect of a share shall bear interest as against the Company.

Article 128

(A) The Directors may retain any dividend or other monies 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.

(B) The Directors may retain the dividends payable upon shares in respect of which any person is under the provisions as to the transmission of shares hereinbefore contained entitled to become a member, or which any person is under those provisions entitled to transfer, until such person shall become a member in respect of such shares or shall transfer the same.

Article 129

The waiver in whole or in part of any dividend on any share by any document (whether or not under seal) shall be effective only if such document is signed by the member (or the person entitled to the share in consequence of the death or bankruptcy of the holder) and delivered to the Company and if or to the extent that the same is accepted as such or acted upon by the Company.

Article 130

The Company may upon the recommendation of the Directors by Ordinary Resolution direct payment of a dividend in whole or in part by the distribution of specific assets (and in particular of paid-up shares or debentures of any other company) and the Directors shall give effect to such resolution. Where any difficulty arises with regard to such distribution, the Directors may settle the same as they think expedient and in particular, may issue fractional certificates, may fix the value for distribution of such specific assets or any part thereof, may determine that cash payments shall be made to any member 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.

Article 131

Any dividend or other moneys payable in cash on or in respect of a share may be paid by cheque or warrant sent through the post to the registered address appearing in the Register of Members or (as the case may be) the Depository Register of the member or person entitled thereto (or, if two or more persons are registered in the Register of Members or (as the case may be) entered in the Depository Register as joint holders of the share or are entitled thereto in consequence of the death or bankruptcy of the holder, to any one of such persons) or to such person and such address as such member or person or persons may by writing direct. Every such cheque or warrant shall be made payable to the order of the person to whom it is sent or to such person as the holder or joint holders or person or persons entitled to the share in consequence of the death or bankruptcy of the holder may direct and payment of the cheque or warrant by the banker upon whom it is drawn shall be a good discharge to the Company. Every such cheque or warrant shall be sent at the risk of the person entitled to the money represented thereby.

Article 132

If two or more persons are registered in the Register of Members or (as the case may be) the Depository Register as joint holders of any share, or are entitled jointly to a share in consequence of the death or bankruptcy of the holder, any one of them may give effectual receipts for any dividend or other moneys payable or property distributable on or in respect of the share.

Article 133

Any resolution declaring a dividend on shares of any class, whether a resolution of the Company in General Meeting or a resolution of the Directors, may specify that the same shall be payable to the persons registered as the holders of such shares in the Register of Members or (as the case may be) the Depository Register at the close of business on a particular, date and thereupon the dividend shall be payable to them in accordance with their respective holdings so registered, but without prejudice to the rights *inter se* in respect of such dividend of transferors and transferees of any such shares.

Article 134: Bonus issues and Capitalization of Profits and Reserves

(A) The Directors may, with the sanction of an Ordinary Resolution of the Company (including any Ordinary Resolution passed pursuant to Article 5(B)):

(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) 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 5(B)) such other date as may be determined by the Directors,

in proportion to their then holdings of shares; and/or

(b) capitalize any sum standing to the credit of any of the Company's reserve accounts or other undistributable reserve or any sum standing to the credit of the profit and loss account or otherwise available for distribution, by appropriating such sum to the persons registered as the 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 Articles 5(B)) 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 new shares or (subject to any special rights previously conferred on any shares or class of shares for the time being issued) new 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.

(B) The Directors may do all acts and things considered necessary or expedient to give effect to any such bonus issue and/or capitalization under Article 134(A), with full power to the Directors to make such provisions as they think fit for any fractional entitlements which would arise on the basis aforesaid (including provisions whereby fractional entitlements are disregarded or the benefit thereof accrues to the Company rather than to the members concerned). The Directors may authorize any person to enter on behalf of all the members interested into agreement with the Company providing for any such bonus issue or capitalization and matters incidental thereto and any agreement made under such authority shall be effective and binding on all concerned.

NOTICES

Article 140

Any notice or document (including a share certificate) may be served on or delivered to any member by the Company either personally or by sending it through the post in a prepaid cover addressed to such member at his Singapore registered address appearing in the Register of Members or (as the case may be) the Depository Register, or (if he has no registered address within Singapore) to the address, if any, within Singapore supplied by him to the Company, or (as the case may be) CDP as his address for the service of notices, or by delivering it to such address as aforesaid. Where a notice or other document is served or sent by post, service or delivery shall be deemed to be effected at the expiration of twenty-four hours after the time when the cover containing the same is posted, and in proving such service or delivery, it shall be sufficient to prove that such cover was properly addressed, stamped and posted.

Article 141

Any notice given to that one of the joint holders of a share whose name stands first in the Register of Members or (as the case may be) the Depository Register in respect of the share shall be sufficient notice to all the joint holders in their capacity as such. For such purpose, a joint holder having no registered address in Singapore and not having supplied an address within Singapore for the service of notices shall be disregarded.

Article 142

A person entitled to a share in consequence of the death or bankruptcy of a member upon supplying to the Company such evidence as the Directors may reasonably require to show his title to the share, and upon supplying also to the Company or (as the case may be) CDP an address within Singapore for the service of notices, shall be entitled to have served upon or delivered to him at such address any notice or document to which the member but for his death or bankruptcy would have been entitled, and such service or delivery shall for all purposes be deemed a sufficient service or delivery of such notice or document on all persons interested (whether jointly with or as claiming through or under him) in the share. Save as aforesaid, any notice or document delivered or sent by post to or left at the address of any member in pursuance of these presents shall, notwithstanding that such member be then dead or bankrupt or in liquidation, and whether or not the Company or (as the case may be) CDP have notice of his death or bankruptcy or liquidation, be deemed to have been duly served or delivered in respect of any share registered in the name of such member in the Register of Members or, where such member is a Depositor, entered against his name in the Depository Register as sole or first-named joint holder.

Article 143

A member who (having no registered address within Singapore) has not supplied to the Company or (as the case may be) CDP an address within Singapore for the service of notices shall not be entitled to receive notices from the Company.

MEMBERS WHOSE WHEREABOUTS ARE UNKNOWN

Article 144

If the Company is unable, for not less than ten (10) years and despite the exercise of reasonable diligence, to discover the whereabouts of a member, it may exercise its power under the Statutes to transfer the shares of the member to the Official Receiver of Singapore for sale by the Official Receiver and credit of the proceeds thereof into the Singapore Companies Liquidation Account, and thereafter any person claiming the shares otherwise than through the Official Receiver shall only be entitled to claim against the said Account or the Singapore Consolidated Fund as the case may be, in accordance with the provisions of the Statutes.

INDEPENDENT AUDITORS' REPORT

To the members of Kian Ho Bearings Ltd

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of Kian Ho Bearings Ltd (the Company) and its subsidiaries (the Group) which comprise the statements of financial position of the Group and the Company as at 31 December 2013, and the consolidated income statement, consolidated statement of other comprehensive income, statement of changes in equity and consolidated statement of cash flows of the Group and the statement of changes in equity of the Company for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 29 to 76.

Management's Responsibility 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 Singapore Companies Act (the "Act") and Singapore Financial Reporting Standards and for devising and maintaining a system of internal accounting controls sufficient to provide 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 profit and loss accounts and balance sheets and to maintain accountability of assets.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2013 and of the results, changes in equity and cash flows of the Group and changes in equity of the Company for the year ended on that date.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

Deloitte & Touche LLP
Public Accountants and
Chartered Accountants
Singapore

26 February 2014

CONSOLIDATED INCOME STATEMENT/CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

For the financial year ended 31 December 2013

	Note	Group 2013 $'000	2012 $'000
Revenue	5	**78,754**	85,352
Other income including interest income	6	**467**	489
Changes in inventories		**(6,919)**	972
Raw materials and consumables used		**(55,290)**	(67,621)
Staff costs	7	**(9,206)**	(10,746)
Depreciation of property, plant and equipment	11	**(1,054)**	(1,038)
Foreign exchange loss, net		**(57)**	(115)
Provision for trade doubtful debts, net	16	**(105)**	(265)
Provision for slow moving inventories	7	**(201)**	(436)
Gain on change in fair value of investment properties	14	**379**	676
Gain/(loss) on disposal of plant and equipment/plant and equipment written off, net		**3**	(36)
Other operating expenses		**(4,058)**	(4,213)
Finance costs	8	**(1,075)**	(1,202)
Profit before tax		**1,638**	1,817
Income tax expense	9	**(558)**	(638)
Profit for the year	7	**1,080**	1,179
Profit attributable to:			
Owners of the Company		**1,284**	1,171
Non-controlling interests		**(204)**	8
		1,080	1,179
Earnings per share	10		
– Basic (cents)		**0.55**	0.50
– Fully diluted (cents)		**0.55**	0.50
Profit for the year		**1,080**	1,179
Other comprehensive income:			
Item that will not be reclassified subsequently to profit or loss			
Revaluation of land and buildings		**1,725**	987
		1,725	987
Item that may be reclassified subsequently to profit or loss			
Foreign currency translation		**(768)**	(1,132)
		(768)	(1,132)
Other comprehensive income for the year, net of tax		**957**	(145)
Total comprehensive income for the year		**2,037**	1,034
Total comprehensive income attributable to:			
Owners of the Company		**2,193**	1,050
Non-controlling interests		**(156)**	(16)
		2,037	1,034

See accompanying notes to financial statements.

STATEMENTS OF FINANCIAL POSITION

As at 31 December 2013

	Note	Group		Company	
		2013	2012	2013	2012
		$'000	$'000	$'000	$'000
ASSETS					
Non-current assets					
Property, plant and equipment	11	**24,561**	23,265	**22,037**	20,663
Investment in subsidiaries	12	**–**	–	**13,918**	14,769
Investment in an associate	13	**–**	–	**10**	10
Investment properties	14	**5,687**	5,846	**3,150**	3,560
Other investments	15	**237**	237	**237**	237
		30,485	29,348	**39,352**	39,239
Current assets					
Trade debtors	16	**15,890**	14,977	**8,855**	8,229
Other debtors	17	**222**	282	**18**	24
Prepayments		**83**	269	**22**	71
Amounts due from subsidiaries	12	**–**	–	**7,500**	7,874
Amount due from an associate	13	**1,796**	3,103	**1,789**	3,095
Amounts due from related parties	18	**2,719**	2,959	**893**	916
Inventories	19	**81,972**	89,092	**39,156**	41,703
Fixed deposits	25	**649**	1,070	**–**	–
Cash at banks and on hand	25	**4,137**	4,120	**1,605**	1,964
		107,468	115,872	**59,838**	63,876
Total assets		**137,953**	145,220	**99,190**	103,115
EQUITY AND LIABILITIES					
Current liabilities					
Interest bearing loans and borrowings	20	**30,012**	39,148	**23,657**	27,751
Trade creditors and accruals	21	**9,141**	10,467	**5,049**	6,090
Other creditors	21	**532**	558	**344**	308
Amounts due to related parties	18	**12,232**	9,461	**108**	134
Provision for taxation		**114**	429	**56**	345
		52,031	60,063	**29,214**	34,628
Net current assets		**55,437**	55,809	**30,624**	29,248
Non-current liabilities					
Interest bearing loans and borrowings	20	**6,893**	7,827	**6,500**	7,500
Deferred tax liabilities	22	**2,372**	2,013	**1,821**	1,488
		9,265	9,840	**8,321**	8,988
Total liabilities		**61,296**	69,903	**37,535**	43,616
Net assets		**76,657**	75,317	**61,655**	59,499

STATEMENTS OF FINANCIAL POSITION

As at 31 December 2013

	Note	Group		Company	
		2013	**2012**	**2013**	**2012**
		$'000	$'000	$'000	$'000
Equity attributable to owners of the Company					
Share capital	23	**31,658**	31,658	**31,658**	31,658
Assets revaluation reserve		**9,716**	7,994	**8,617**	7,010
Foreign currency translation reserve		**(3,327)**	(2,514)	**–**	–
Revenue reserve		**37,470**	36,654	**21,380**	20,831
		75,517	73,792	**61,655**	59,499
Non-controlling interests		**1,140**	1,525	**–**	–
Total equity		**76,657**	75,317	**61,655**	59,499
Total equity and liabilities		**137,953**	145,220	**99,190**	103,115

See accompanying notes to financial statements.

STATEMENTS OF CHANGES IN EQUITY

For the financial year ended 31 December 2013

Group	Attributable to owners of the Company				Non-controlling interests	Total equity
	Share capital (Note 23)	Assets revaluation reserve [1]	Foreign currency translation reserve [2]	Revenue reserve		
	$'000	$'000	$'000	$'000	$'000	$'000
Balance at 1 January 2012	31,658	7,007	(1,406)	37,824	1,521	76,604
Profit for the year	–	–	–	1,171	8	1,179
Other comprehensive income for the year	–	987	(1,108)	–	(24)	(145)
Total comprehensive income for the year	–	987	(1,108)	1,171	(16)	1,034
Contributions by and distributions to owners						
Dividend paid (Note 24)	–	–	–	(2,341)	–	(2,341)
Capital injection by non-controlling shareholders of a subsidiary	–	–	–	–	20	20
Total transactions with owners recognised directly in equity	–	–	–	(2,341)	20	(2,321)
Balance at 31 December 2012	31,658	7,994	(2,514)	36,654	1,525	75,317
Balance at 1 January 2013	**31,658**	**7,994**	**(2,514)**	**36,654**	**1,525**	**75,317**
Profit for the year	**–**	**–**	**–**	**1,284**	**(204)**	**1,080**
Other comprehensive income for the year	**–**	**1,722**	**(813)**	**–**	**48**	**957**
Total comprehensive income for the year	**–**	**1,722**	**(813)**	**1,284**	**(156)**	**2,037**
Contributions by and distributions to owners						
Dividend paid (Note 24)	**–**	**–**	**–**	**(468)**	**–**	**(468)**
Dividend paid to non-controlling shareholders of a subsidiary	**–**	**–**	**–**	**–**	**(198)**	**(198)**
Return of capital to non-controlling shareholder of a subsidiary	**–**	**–**	**–**	**–**	**(31)**	**(31)**
Total transactions with owners recognised directly in equity	**–**	**–**	**–**	**(468)**	**(229)**	**(697)**
Balance at 31 December 2013	**31,658**	**9,716**	**(3,327)**	**37,470**	**1,140**	**76,657**

STATEMENTS OF CHANGES IN EQUITY

For the financial year ended 31 December 2013

Company	Share capital (Note 23) $'000	Assets revaluation reserve [1] $'000	Revenue reserve $'000	Total equity $'000
Balance at 1 January 2012	31,658	6,229	21,200	59,087
Profit for the year	–	–	1,972	1,972
Other comprehensive income for the year	–	781	–	781
Total comprehensive income for the year	–	781	1,972	2,753
Contributions by and distributions to owners				
Dividend paid (Note 24)	–	–	(2,341)	(2,341)
Total transactions with owners recognised directly in equity	–	–	(2,341)	(2,341)
Balance at 31 December 2012	31,658	7,010	20,831	59,499
Balance at 1 January 2013	**31,658**	**7,010**	**20,831**	**59,499**
Profit for the year	**–**	**–**	**1,017**	**1,017**
Other comprehensive income for the year	**–**	**1,607**	**–**	**1,607**
Total comprehensive income for the year	**–**	**1,607**	**1,017**	**2,624**
Contributions by and distributions to owners				
Dividend paid (Note 24)	**–**	**–**	**(468)**	**(468)**
Total transactions with owners recognised directly in equity	**–**	**–**	**(468)**	**(468)**
Balance at 31 December 2013	**31,658**	**8,617**	**21,380**	**61,655**

[1] **Assets revaluation reserve**
The assets revaluation reserve represents increases in fair value of land and buildings, net of tax and decreases to the extent that such decrease relates to an increase of the same asset previously recognised in other comprehensive income. The assets revaluation reserve is not available for distribution to the Company's shareholders.

[2] **Foreign currency translation reserve**
The foreign currency translation reserve represents exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial year ended 31 December 2013

	2013 $'000	2012 $'000
Operating activities		
Profit before tax	**1,638**	1,817
Adjustments for:		
Depreciation of property, plant and equipment	**1,054**	1,038
Provision for trade doubtful debts, net	**105**	265
Provision for slow moving inventories	**201**	436
Gain on change in fair value of investment properties	**(379)**	(676)
Foreign currency adjustments	**(410)**	153
(Gain)/loss on disposal of plant and equipment/plant and equipment written off, net	**(3)**	36
Interest expense	**1,075**	1,202
Interest income	**(10)**	(14)
Operating cash flows before changes in working capital	**3,271**	4,257
Changes in working capital		
(Increase)/decrease in trade debtors	**(1,019)**	501
Decrease/(increase) in amount due from an associate	**1,308**	(962)
Decrease in other debtors	**631**	164
Decrease/(increase) in inventories	**6,893**	(2,519)
Decrease in trade creditors and accruals	**(1,323)**	(1,504)
Decrease in other creditors	**(35)**	(38)
Increase/(decrease) in trade amounts owing from/to related parties	**972**	(1,666)
Cash flows generated from/(used in) operations	**10,698**	(1,767)
Income tax paid	**(807)**	(627)
Interest paid	**(1,075)**	(1,202)
Interest income received	**10**	14
Net cash flows generated from/(used in) operating activities	**8,826**	(3,582)
Investing activities		
Purchase of plant and equipment	**(282)**	(1,072)
Proceeds from sale of investment property	**685**	–
Proceeds from disposal of plant and equipment	**6**	41
Net cash flows from/(used in) investing activities	**409**	(1,031)
Financing activities		
Proceeds from term loans from banks	**28,399**	49,911
Repayment of term loans from banks	**(40,777)**	(44,194)
Proceeds from trust receipts	**21,755**	23,640
Repayment of trust receipts	**(19,638)**	(29,700)
Non-trade amounts owing from/to related parties	**1,871**	4,718
Return of capital to non-controlling shareholder of a subsidiary	**(31)**	–
Dividend paid on ordinary shares	**(468)**	(2,341)
Dividend paid to non-controlling shareholders of a subsidiary	**(198)**	–
Net cash flows (used in)/from financing activities	**(9,087)**	2,034
Net increase/(decrease) in cash and cash equivalents	**148**	(2,579)
Effect of exchange rate changes on cash and cash equivalents	**(1)**	169
Cash and cash equivalents at 1 January	**3,990**	6,400
Cash and cash equivalents at 31 December (Note 25)	**4,137**	3,990

See accompanying notes to financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2013

1. CORPORATE INFORMATION

Kian Ho Bearings Ltd (the Company) is a limited liability company incorporated and domiciled in Singapore and is listed on the Singapore Exchange Securities Trading Limited.

The registered office and principal place of business of the Company is located at No. 5 Changi South Street 3, Singapore 486117. The financial statements are presented in Singapore Dollars (SGD).

The principal activities of the Company are those of stockists, distributors and retailers in bearings and seals and power transmission belts. The principal activities of the subsidiaries and the associate are disclosed in Note 12 and 13 to the financial statements.

The consolidated financial statements of the Group and statement of financial position and statement of changes in equity of the Company for the year ended 31 December 2013 were authorised for issue by the Board of Directors on 26 February 2014.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The financial statements have been prepared in accordance with the historical cost basis except as disclosed in the accounting polices below, and are drawn up in accordance with the provisions of the Singapore Companies Act and Singapore Financial Reporting Standards ("FRS").

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability which market participants would take into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of FRS 102, leasing transactions that are within the scope of FRS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in FRS 2 or value in use in FRS 36.

In addition, for financial reporting purposes, the Group classifies fair value measurement using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices), and
- Level 3 – Inputs for the asset or liability that are not based on observable market data (unobservable inputs)

2.2 Adoption of new and revised standards

The accounting policies adopted are consistent with those of the previous financial year except in the current financial year, the Group has adopted all the new and revised standards and Interpretations of FRS (INT FRS) that are effective for annual periods beginning on or after 1 January 2013 as detailed below.

Amendments to FRS 1 *Presentation of Items of Other Comprehensive Income*

The group has applied the amendments to FRS 1 Presentation of Items of Other Comprehensive Income retrospectively for the first time in the current year. Under the amendments to FRS 1, the group also grouped items of other comprehensive income into two categories in the other comprehensive income section: (a) items that will not be reclassified subsequently to profit or loss and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Other than the above mentioned presentation changes, the application of the amendments to FRS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2013

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 Adoption of new and revised standards (cont'd)

FRS 113 *Fair Value Measurement*

The group has applied FRS 113 for the first time in the current year. FRS 113 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The fair value measurement requirements of FRS 113 apply to both financial instrument items and non-financial assets for which other FRSs require or permit fair value measurements and disclosures about fair value measurements, except for share-based payment transactions that are within the scope of FRS 102 Share-based Payment, leasing transactions that are within the scope of FRS 17 Leases, and measurements that have some similarities to fair value but are not fair value (e.g. net realisable value for the purposes of measuring inventories or value in use for impairment assessment purposes).

FRS 113 includes extensive disclosure requirements, although specific transitional provisions were given to entities such that they need not apply the disclosure requirements set out in the Standard in comparative information provided for periods before the initial application of the Standard. Consequently the group has not made any new disclosures required by FRS 113 for the comparative period.

Other than the additional disclosures, the application of FRS 113 has not had any material impact on the amounts recognised in the consolidated financial statements.

2.3 Standards issued but not yet effective

At the date of authorisation of these financial statements, the following new/revised FRSs, INT FRSs and amendments to FRS that are relevant to the Group and the Company were issued but not effective:

- FRS 27 (Revised) *Separate Financial Statements*
- FRS 110 *Consolidated Financial Statements*
- FRS 112 *Disclosure of Interests in Other Entities*
- Amendments to FRS 36 *Impairment of Assets*

FRS 110 *Consolidated Financial Statements* and FRS 27 *Separate Financial Statements*

FRS 110 replaces the control assessment criteria and consolidation requirements currently in FRS 27 and INT FRS 12 Consolidation -Special Purpose Entities.

FRS 110 defines the principle of control and establishes control as the basis for determining which entities are consolidated in the consolidated financial statements. It also provides more extensive application guidance on assessing control based on voting rights or other contractual rights. Under FRS 110, control assessment will be based on whether an investor has (i) power over the investee; (ii) exposure, or rights, to variable returns from its involvement with the investee; and (iii) the ability to use its power over the investee to affect the amount of the returns. FRS 27 remains as a standard applicable only to separate financial statements.

FRS 110 will take effect from financial years beginning on or after 1 January 2014, with retrospective application subject to transitional provisions.

The Group does not expect the application of FRS 110 to have a material impact on the financial statements of the Group and the Company in the period of its initial adoption, taking into account the new definition of control and the additional guidance on control set out in FRS 110.

FRS 112 *Disclosure of Interests in Other Entities*

FRS 112 requires an entity to provide more extensive disclosures regarding the nature of and risks associated with its interest in subsidiaries, associates, joint arrangements and unconsolidated structured entities.

FRS 112 will take effect from financial years beginning on or after 1 January 2014. Upon adoption of FRS 112, the Group expects expanded disclosures relating to its interests in subsidiaries, associates and joint arrangements.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2013

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

Amendments to FRS 36 *Impairment of Assets*

The amendments to FRS 36 restrict the requirement to disclose the recoverable amount of an asset or cash generating unit (CGU) to periods in which an impairment loss has been recognised or reversed. The amendments also expand and clarify the disclosure requirements applicable when such asset or CGU's recoverable amount has been determined on the basis of fair value less costs of disposal, such as the level of 'fair value hierarchy' within which the fair value measurement of the asset or CGU has been determined, and where the fair value measurements are at Level 2 or 3 of the fair value hierarchy, a description of the valuation techniques used and any changes in that valuation technique, key assumptions used including discount rate(s) used.

FRS 36 will take effect from financial years beginning on or after 1 January 2014, with retrospective application required.

Upon adoption of the amendments to FRS 36, the Group expects additional disclosures arising from any asset impairment loss or reversals, and where their respective recoverable amounts are determined based on fair value less costs of disposal.

2.4 Subsidiaries, associates and principles of consolidation

a) Subsidiaries

A subsidiary is an entity over which the Group has the power to govern the financial and operating policies so as to obtain benefits from its activities. The Group generally has such power when it, directly or indirectly, holds more than 50% of the issued share capital, or controls more than half of the voting power, or controls the composition of the Board of Directors. In the Company's separate financial statements, investment in subsidiaries are accounted for at cost less impairment losses.

b) Associates

An associate is an entity, not being a subsidiary or a joint venture, in which the Group has significant influence. An associate is equity accounted for from the date the Group obtains significant influence until the date the Group ceases to have significant influence over the associate. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The Group's investment in associate is accounted for using the equity method of accounting. Under the equity method, the investment in associates is carried in the consolidated statement of financial position at cost plus post-acquisition changes in the Group's share of net assets of the associates, less any impairment in the value of individual investments.

Any excess of the cost of acquisition over the Group's share of the net fair value of the associate's identifiable asset, liabilities and contingent liabilities of the associate recognised at the date of acquisition is recognised as goodwill. Goodwill relating to associates is included in the carrying amount of the investment and is assessed for impairment as part of the investment. Any excess of the Group's share of the net fair value of the associate's identifiable asset, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

When a group entity transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Upon loss of significant influence over the associate, the Group measures any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the aggregate of the retained investment and proceeds from disposal is recognised in income statement.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2013

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.4 Subsidiaries, associates and principles of consolidation (cont'd)

c) Principles of consolidation

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

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

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Business combinations are accounted for by applying the acquisition method. Identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognised in accordance with FRS 39 *Financial Instruments: Recognition and Measurement*, or FRS 37 *Provisions, Contingent Liabilities and Contingent Assets*, as appropriate, either in income statement or as change to other comprehensive income. If the contingent consideration is classified as equity, it is not be remeasured until it is finally settled within equity.

In business combinations achieved in stages, previously held equity interests in the acquiree are remeasured to fair value at the acquisition date and any corresponding gain or loss is recognised in income statement.

The Group elects for each individual business combination, whether non-controlling interest in the acquiree (if any) is recognised on the acquisition date at fair value, or at the non-controlling interest's proportionate share of the acquiree identifiable net assets.

Any excess of the sum of the fair value of the consideration transferred in the business combination, the amount of non-controlling interest in the acquiree (if any), and the fair value of the Group's previously held equity interest in the acquiree (if any), over the net fair value of the acquiree's identifiable assets and liabilities is recorded as goodwill. In instances where the latter amount exceeds the former, the excess is recognised as gain on bargain purchase in income statement on the acquisition date.

d) Transactions with non-controlling interests

Non-controlling interest represents the equity in subsidiaries not attributable, directly or indirectly, to owners of the Company, and are presented separately in the consolidated statement of comprehensive income and within equity in the consolidated statements of financial position, separately from equity attributable to owners of the Company.

Total comprehensive income is attributed to the non-controlling interests based on their respective interests in a subsidiary, even if this results in the non-controlling interest having a deficit balance.

Changes in the Company owners' 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 parent.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2013

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.5 Foreign currency

The individual financial statements of each Group entity are measured and presented in the currency of the primary economic environment in which the entity operates (its function currency). The Group's consolidated financial statements are presented in SGD, which is also the Company's functional currency.

a) Transactions and balances

Transactions in foreign currencies are measured in the respective functional currencies of the Company and its subsidiaries and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the closing rate of exchange ruling at the reporting date. 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 fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the reporting date are recognised in the income statement except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operations, which are recognised initially in other comprehensive income and accumulated under foreign currency translation reserve in equity. The foreign currency translation reserve is reclassified from equity to income statement of the Group on disposal of the foreign operation.

b) Group companies

The assets and liabilities of foreign operations are translated into SGD at the rate of exchange ruling at the reporting date and their income statement are translated at the average exchange rates for the year. The exchange differences arising on the translation are taken directly to other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the income statement.

In the case of a partial disposal without loss of control of a subsidiary that includes a foreign operation, the proportionate share of the cumulative amount of the exchange differences are re-attributed to non-controlling interest and are not recognised in income statement. For partial disposals of associates that are foreign operations, the proportionate share of the accumulated exchange differences is reclassified to income statement.

2.6 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 or valuation less accumulated depreciation and any accumulated impairment losses. Land and buildings are subsequently revalued on an asset-by-asset basis, to their fair values. Revaluations are made with sufficient regularity to ensure that their carrying amount does not differ materially from their fair value at the reporting date.

When an asset is revalued, any increase in the carrying amount is credited directly to other comprehensive income and accumulated in equity under asset revaluation reserve. However, the increase is recognised in the income statement account to the extent that it reverses a revaluation decrease of the same asset previously recognised in the income statement. When an asset's carrying amount is decreased as a result of a revaluation, the decrease is recognised in the income statement. However, the decrease is debited directly to the asset revaluation reserve to the extent of any credit balance existing in the reserve in respect of that asset.

Any accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. The revaluation surplus included in the asset revaluation reserve in respect of an asset, is transferred directly to accumulated profits on retirement or disposal of the asset.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2013

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.6 Property, plant and equipment (cont'd)

Freehold land has an unlimited useful life and therefore is not depreciated. Depreciation of an asset begins when it is available for use and is computed on a straight-line basis over the estimated useful life of the asset as follows:

Freehold buildings	–	50 years
Leasehold land and buildings	–	30 to 63 years (over the terms of lease)
Motor vehicles, machine handling equipment (MHE) and forklifts	–	5 to 6 years
Computer equipment	–	3 to 5 years
Renovation, signboards, furniture and fittings	–	4 to 10 years
Office equipment	–	5 to 10 years
Plant and machinery	–	5 to 10 years

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

The residual values, useful life and depreciation method are reviewed at end of each reporting period, and adjusted prospectively.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is included in the income statement account in the year the asset is derecognised. On the subsequent sale or retirement of a revalued property, the attributable revaluation surplus remaining in the properties revaluation reserve is transferred directly to revenue reserve. No transfer is made from the revaluation reserve to revenue reserve except when an asset is derecognised.

2.7 Investment properties

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

Investment properties are initially measured at cost, including transaction costs. Subsequent to recognition, investment properties are measured at fair value. Gains or losses arising from changes in the fair value of investment properties are included in the income statement in the year in which they arise.

Investment properties are derecognised when either they have been disposed of or when the 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 the income statement in the year of retirement or disposal.

2.8 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 such indication exists, or when 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 to sell 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 group 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. In assessing value in use, the estimated future cash flows expected to be generated by the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples or other available fair value indicators.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2013

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.8 Impairment of non-financial assets (cont'd)

Impairment losses of continuing operations are recognised in income statement in those expense categories consistent with the function of the impaired asset, except for assets that are previously revalued where the revaluation was taken to other comprehensive income. In this case the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or cash-generating unit's recoverable amount. 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 increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Reversal is recognised in the income statement unless the asset is measured at revalued amount, in which case the reversal in excess of impairment loss previously recognised through the income statement is treated as a revaluation increase.

2.9 Financial instruments

Financial assets and financial liabilities are recognised on the Group's statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial instrument and of allocating interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial instrument, or where appropriate, a shorter period.

2.10 Financial assets

Initial recognition and measurement

Financial assets are recognised on the statements of financial position 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 assets at initial recognition.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by FRS 39. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in fair value of the financial assets are recognised in the income statement. Net gains or net losses on financial assets at fair value through profit or loss include exchange differences, interest and dividend income.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2013

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.10 Financial assets (cont'd)

Subsequent measurement (cont'd)

b) Loans and receivables

Non-derivative financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in income statement when the loans and receivables are derecognised or impaired, and through the amortisation process.

The Group classifies the following financial assets as loans and receivables:

- cash and short term deposits
- trade and other receivables, including amounts due from subsidiaries, an associate and related parties.

c) Available-for-sale financial assets

The Group classifies its investment securities as available-for-sale financial assets.

Available-for-sale financial assets include equity and debt securities. Equity investments classified as available-for sale are those, which are neither classified as held for trading nor designated at fair value through profit or loss. Investments in equity instruments whose fair value cannot be reliably measured are carried at cost less impairment losses.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

2.11 Impairment of financial assets

The Group assesses at each reporting date whether there is any objective evidence that a financial asset is impaired.

a) Financial assets

For financial assets carried at amortised cost, the Group first assesses individually whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss on financial assets carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. The impairment loss is recognised in the income statement.

When the asset becomes uncollectible, the carrying amount of impaired financial assets is reduced directly or if an amount was charged to the allowance account, the amounts charged to the allowance account are written off against the carrying value of the financial asset.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2013

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.11 Impairment of financial assets (cont'd)

a) Financial assets (cont'd)

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in the income statement, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in the income statement.

For financial assets that are carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

b) Available-for-sale financial assets

In the case of equity investments classified as available-for-sale, objective evidence of impairment include (i) significant financial difficulty of the issuer or obligor, (ii) information about significant changes with an adverse effect that have taken place in the technological, market, economic or legal environment in which the issuer operates, and indicates that the cost of the investment in equity instrument may not be recovered; and (iii) a significant or prolonged decline in the fair value of the investment below its costs. 'Significant' is to be evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost.

In respect of available-for-sale equity instruments, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any subsequent increase in fair value after an impairment loss is recognised in other comprehensive income and accumulated under the heading of investments revaluation reserves.

2.12 Inventories

Inventories, which consist of bearings and seal products for resale, are stated at the lower of cost and net realisable value. Costs incurred in bringing the inventories to their present location and conditions are accounted for at purchase costs on a first-in first-out basis. 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.

2.13 Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand and fixed deposits which are readily convertible to known amounts of cash and subject to an insignificant risk of changes in value. These also include bank overdrafts that form an integral part of the Group's cash management.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2013

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.14 Financial liabilities

Financial liabilities include trade and other creditors, amounts due to subsidiaries and related parties and interest bearing loans and borrowings.

Initial recognition and measurement

Financial liabilities are recognised on the statement of financial position 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 directly attributable transaction costs.

Subsequent measurement

After initial recognition, financial liabilities are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in income statement when the liabilities are derecognised, and through the amortisation process.

Derecognition

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire.

2.15 Borrowings

Interest-bearing bank loans and overdrafts are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

All borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that the Group incurs in connection with the borrowing of funds.

2.16 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) where, as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made on the amount of the obligation.

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

2.17 Equity instruments

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

2.18 Employee benefits

a) Defined contribution plans

The Group participates in the national pension schemes as defined by the laws of the countries in which it has operations. In particular, the Company 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 reporting date.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2013

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.19 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 by the end of the reporting period, in the countries where the Group operates and generates taxable income.

Current income taxes are recognised in the income statement except to the extent that the tax relates to items recognised outside the income statement, 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 income tax is provided using the liability method on temporary differences at 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 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 temporary differences associated with investments in subsidiaries and associates, where the timing of the reversal of the temporary differences can be controlled by the Group and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, 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 income 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.

The carrying amount of deferred income tax assets is reviewed at each reporting date 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 income tax asset to be utilised. Unrecognised deferred income tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be utilised.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to 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 the reporting period. Except for investment properties measured using the fair value model, the measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2013

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.19 Taxes (cont'd)

b) Deferred tax (cont'd)

For the purposes of measuring deferred tax liabilities and deferred tax assets for investment properties that are measured using the fair value model the carrying amounts of such properties are presumed to be recovered through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model of the group whose business objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. The group has not rebutted the presumption that the carrying amount of the investment properties will be recovered entirely through sale.

Deferred income tax relating to items recognised outside income statement is recognised outside income statement. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

2.20 Leases

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

As lessee

Operating lease payments are recognised as an expense in the income statement 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.

As lessor

Leases where the Group retains 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 2.21(d). Contingent rents are recognised as revenue in the period in which they are earned.

2.21 Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of consideration received or receivable, excluding discounts, rebates, and sales taxes or duty. The following specific recognition criteria must also be met before revenue is recognised:

a) Sale of goods

Revenue is recognised upon the transfer of significant risk and rewards of ownership of the goods to the customer, which generally coincides with delivery and acceptance of the goods sold and the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold. Revenue is not recognised to the extent where there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

b) Interest income

Interest income is recognised on time proportion basis using the effective interest method.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2013

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.21 Revenue recognition (cont'd)

c) Dividends

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

d) Rental income

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

2.22 Segment reporting

For management purposes, the Group is organised into operating segments based on their products which are independently managed by the respective segment managers responsible for the performance of the respective segments under their charge. The segment managers report directly to the chief operating decision makers of the Company who regularly review the segment results in order to allocate resources to the segments and to assess the segment performance. Additional disclosures on each of these segments are shown in Note 4, including the factors used to identify the reportable segments and the measurement basis of segment information.

3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 2, Management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

Critical judgements in applying the group's accounting policies

Management is of the opinion that any instances of application of judgement are not expected to have a significant effect on the amounts recognised in the financial statements, except for judgements relating to accounting estimates as discussed below.

Key sources of estimation uncertainty

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

a) Impairment of investments in subsidiaries

The Company assesses at each reporting date whether there is an indication that the investments in subsidiaries may be impaired. Where such indicators exist, an estimation of the value in use of the cash generating units is required. Estimating the value in use requires the Company to make an estimate of the expected future cash flows from the cash generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. During the year, Management made estimates relating to the recoverable amounts of certain subsidiaries using the discounted cash flow method. The discount rates used range from 10% to 17% and a growth rate of 5% was used. Management determined that no provision for impairment is necessary.

The carrying amount of the Company's investment in subsidiaries as at 31 December 2013 was $13,918,000 (2012: $14,769,000).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2013

3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONT'D)

b) Impairment of loans and receivables

The Group assesses at each reporting date whether there is any objective evidence that a financial asset is impaired. To determine whether there is objective evidence of impairment, the Group considers factors such as the probability of significant financial difficulties of the debtor and defaults or significant delay in payments. Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. The carrying amount of the Group's loans and receivables at the reporting date is disclosed in Note 16 to the financial statements.

c) Valuation of investment properties

The Group's investment properties, with a carrying amount of $5,687,000 (2012: $5,846,000), were stated at their estimated fair values which are determined annually by independent professional valuers.

In determining fair values, the valuers have used valuation techniques (including direct comparison method) which involve estimates and significant unobservable inputs which are disclosed in Note 14. The direct comparison method involves the analysis of comparable sales of similar properties and adjusting prices to that reflective of the investment properties.

In relying on valuation reports, the management has exercised its judgement and is satisfied that the valuation methods and estimates are reflective of current market conditions. The carrying amounts of investment properties at the end of the reporting period are disclosed in Note 14 to the financial statements.

d) Assessment of inventories write-down

Management reviews the valuation of inventories periodically for excess inventories, obsolescence and declines in net realisable value below cost is recorded against the inventories balance. These reviews require management to consider the age and type of inventories, likelihood of obsolescence, distributorships, past sales history and the demand for the products. The Group has been establishing itself in overseas markets through its subsidiaries as part of a longer term strategy of being closer and more direct to its end customers. For the year under review, the Group's inventory held by overseas subsidiaries accounted for more than half of total stocks as at end of the reporting period, which reflected the impact of this strategy. In line with this, the Group reviewed the bases of estimate on which allowance of inventory is calculated to be aligned to this business strategy. With its overseas subsidiaries in better contact with end customers, the Group is able to have a more specific basis in estimating inventory obsolescence.

Management used 5% of the carrying amount of inventory as at the end of the reporting period as a threshold to determine if an impact is significant.

The review resulted in an upward revision to inventories of less than the threshold above.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2013

4. SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products, and has two reportable operating segments as follows:

Bearings : Distributors, stockists and retailers in this area.

Seals : Distributors, stockists and retailers in this area.

Except as indicated above, no operating segments have been aggregated to form the above reportable operating segments.

The Group's operating businesses are organised and managed separately according to the nature of products, with each segment representing a strategic business unit that offers different products. The Bearings and Seals segments are diverse distributors and retailers of bearings and seals respectively. These two segments offer products that are used widely in many industries such as the semi-conductor industry, the automobile industry and the construction industry. Segment accounting policies are the same as the policies described in Note 2.

Chief operating decision makers of the Group monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss which in certain respects, as explained in the table below, is measured differently from operating profit or loss in the consolidated financial statements. Group financing (including finance costs) and income taxes are managed on a group basis and are not allocated to operating segments.

The following tables present revenue and profit information regarding industry segments for the years ended 31 December 2013 and 2012 and certain assets and liabilities information regarding industry segments at 31 December 2013 and 2012.

Business segments	**Bearings**		**Seals**		**Total**	
	2013	**2012**	**2013**	**2012**	**2013**	**2012**
	$'000	$'000	$'000	$'000	$'000	$'000
Segment revenue						
Sales to external customers	**71,562**	78,052	**7,192**	7,300	**78,754**	85,352
Segment results	**2,456**	2,748	**247**	257	**2,703**	3,005
Adjustments A						
Interest income					**10**	14
Finance costs					**(1,075)**	(1,202)
Profit before tax per consolidated income statement					**1,638**	1,817

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2013

4. SEGMENT INFORMATION (CONT'D)

Business segments	Bearings		Seals		Total	
	2013	2012	**2013**	2012	**2013**	2012
	$'000	$'000	$'000	$'000	$'000	$'000
Other business segment information						
Capital expenditure	**256**	980	**26**	92	**282**	1,072
Depreciation	**958**	949	**96**	89	**1,054**	1,038
Other non-cash income	**(442)**	196	**(44)**	18	**(486)**	214
Segment assets	**125,140**	132,583	**12,576**	12,400	**137,716**	144,983
Adjustment B						
Other investments					**237**	237
Per consolidated statement of financial position					**137,953**	145,220
Segment liabilities	**19,905**	18,734	**2,000**	1,752	**21,905**	20,486
Adjustments C						
Interest bearing loans and borrowings					**36,905**	46,975
Provision for taxation					**114**	429
Deferred tax liabilities					**2,372**	2,013
Per consolidated statement of financial position					**61,296**	69,903

Adjustments A

These items are added to/(deducted from) segment profit to arrive at 'profit before tax' presented in the consolidated income statement.

Adjustments B and C

These items are added to segment assets/liabilities to arrive at total assets/liabilities reported in the consolidated statement of financial position.

Non-cash income information presented above consists of foreign currency adjustments, gain/loss on disposal of plant and equipment/plant and equipment written off, gain on change in fair value of investment properties, provision for trade doubtful debts, and provision for slow moving inventories as presented in the consolidated statement of cash flows.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2013

4. SEGMENT INFORMATION (CONT'D)

Geographical information

Revenue and non-current assets information based on the geographical location of customers and assets respectively are as follows:

	Revenue		Non – current assets	
	2013	**2012**	**2013**	**2012**
	$'000	$'000	$'000	$'000
Singapore	**18,528**	20,481	**25,187**	24,223
Asean	**23,541**	24,124	**1,373**	1,460
Other Asian countries	**27,121**	29,630	**3,665**	3,378
Western countries	**7,470**	9,016	**–**	–
Others	**2,094**	2,101	**23**	50
	78,754	85,352	**30,248**	29,111

Non-current assets information presented above consist of property, plant and equipment, and investment properties as presented in the consolidated statement of financial position.

Information about major customers

The Group is not significantly reliant on revenue derived from any major customers or group of customers.

5. REVENUE

Revenue represents invoiced value of goods supplied after allowances for returns and trade discounts.

6. OTHER INCOME

	Group	
	2013	**2012**
	$'000	$'000
Interest income from bank	**10**	14
Rental income from investment properties (Note 14)	**403**	366
Others	**54**	109
	467	489

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2013

7. PROFIT FOR THE YEAR

Profit for the year has been arrived at after charging:

	Group	
	2013	**2012**
	$'000	$'000
Staff costs (excluding Directors' remuneration)		
Salaries and bonus	**6,789**	8,163
Employer's contribution to defined contribution plans	**741**	873
Other benefits	**516**	435
	8,046	9,471
Directors' remuneration		
Company	**799**	912
Subsidiaries	**361**	363
	1,160	1,275
Aggregate staff costs	**9,206**	10,746
Cost of inventories recognised as expense	**62,209**	66,649
Provision for slow moving inventories	**201**	436
Audit fees:		
– auditors of the Company		
– current year	**68**	62
– other auditors		
– current year	**103**	102
– under/(over) provision in prior year	**4**	(1)
Total audit fees	**175**	163
Total non-audit fees for other auditors	**1**	10
Aggregate amount of fees for auditors	**176**	173

8. FINANCE COSTS

	Group	
	2013	**2012**
	$'000	$'000
Interest expense on:		
Term loans	**965**	1,061
Trust receipts	**108**	140
Bank overdraft	**2**	1
	1,075	1,202

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2013

9. INCOME TAX EXPENSE

	Group	
	2013	**2012**
	$'000	$'000
Foreign tax deducted at source	**59**	15
Current tax	**524**	821
Over provision of current income tax in respect of prior years	**(31)**	(67)
Deferred tax (Note 22)	**6**	(131)
Income tax expense recognised in the income statement	**558**	638

Domestic income tax is calculated at 17% (2012: 17%) of the estimated assessable profit for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

Reconciliation of the tax expense and the product of accounting profit multiplied by the applicable income tax rate for the Group is as follows:

	Group	
	2013	**2012**
	$'000	$'000
Profit before tax	**1,638**	1,817
Tax at the applicable tax rate of 17% (2012: 17%)	**278**	309
Expenses not deductible in determining taxable profit	**167**	135
Tax effect of income not taxable for tax purposes	**–**	(9)
Tax effect of different applicable tax rates for foreign subsidiaries	**75**	121
Benefits of previously unrecognised tax losses	**–**	9
Effect of partial tax exemption and tax relief	**(119)**	(62)
Overprovision in respect of prior years	**(31)**	(67)
Reversal of deferred tax	**–**	(145)
Deferred tax asset not recognised	**146**	363
Foreign tax deducted at source	**59**	15
Others	**(17)**	(31)
Income tax expense recognised in the income statement	**558**	638

10. EARNINGS PER SHARE

Basic and diluted earnings per share are calculated by dividing the profit for the year attributable to owners of the parent of $1,284,000 (2012: $1,171,000) by weighted average number of ordinary shares 234,060,000 (2012: 234,060,000) outstanding during the year.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2013

11. PROPERTY, PLANT AND EQUIPMENT

Group	Freehold land $'000	Freehold buildings $'000	Leasehold land and buildings $'000	Motor vehicles, MHE and forklifts $'000	Computer equipment $'000	Renovation, signboards, furniture and fittings $'000	Office equipment $'000	Plant and machinery $'000	Total $'000
Cost/valuation									
At 1 January 2012									
Cost	–	–	–	1,133	1,383	1,829	575	2,497	7,417
Valuation	231	164	20,932	–	–	–	–	–	21,327
	231	164	20,932	1,133	1,383	1,829	575	2,497	28,744
Revaluation surplus	–	–	1,224	–	–	–	–	–	1,224
Elimination of accumulated depreciation on revaluation	–	–	(822)	–	–	–	–	–	(822)
Additions	–	–	650	146	84	135	57	–	1,072
Disposal/write-off	–	–	–	(92)	(92)	(60)	(14)	–	(258)
Transfer to investment properties (Note 14)	–	–	(501)	–	–	–	–	–	(501)
Reclassification	–	–	–	–	4	–	(4)	–	–
Exchange adjustments	(5)	(4)	(56)	(27)	(11)	(28)	(10)	–	(141)
At 31 December 2012	226	160	21,427	1,160	1,368	1,876	604	2,497	29,318
Representing:									
Cost	–	–	–	1,160	1,368	1,876	604	2,497	7,505
Valuation	226	160	21,427	–	–	–	–	–	21,813
At 31 December 2012	226	160	21,427	1,160	1,368	1,876	604	2,497	29,318

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2013

11. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Group	Freehold land $'000	Freehold buildings $'000	Leasehold land and buildings $'000	Motor vehicles, MHE and forklifts $'000	Computer equipment $'000	Renovation, signboards, furniture and fittings $'000	Office equipment $'000	Plant and machinery $'000	Total $'000
Cost/valuation									
At 1 January 2013									
Cost	–	–	–	1,160	1,368	1,876	604	2,497	7,505
Valuation	226	160	21,427	–	–	–	–	–	21,813
	226	160	21,427	1,160	1,368	1,876	604	2,497	29,318
Revaluation surplus	89	3	1,965	–	–	–	–	–	2,057
Elimination of accumulated depreciation on revaluation	–	(16)	(521)	–	–	–	–	–	(537)
Additions	–	–	–	93	80	48	61	–	282
Disposal/write-off	–	–	–	(90)	(11)	(16)	(1)	(2)	(120)
Reclassification	–	–	–	–	–	–	–	–	–
Exchange adjustments	(7)	(5)	37	(28)	(11)	(11)	(3)	–	(28)
At 31 December 2013	308	142	22,908	1,135	1,426	1,897	661	2,495	30,972
Representing:									
Cost	–	–	–	1,135	1,426	1,897	661	2,495	7,614
Valuation	308	142	22,908	–	–	–	–	–	23,358
At 31 December 2013	308	142	22,908	1,135	1,426	1,897	661	2,495	30,972

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2013

11. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Group	Freehold land $'000	Freehold buildings $'000	Leasehold land and buildings $'000	Motor vehicles, MHE and forklifts $'000	Computer equipment $'000	Renovation, signboards, furniture and fittings $'000	Office equipment $'000	Plant and machinery $'000	Total $'000
Accumulated depreciation									
At 1 January 2012	–	–	326	631	1,080	1,493	277	2,259	6,066
Charge for the year	–	8	500	138	168	123	77	24	1,038
Reclassification	–	–	–	–	1	–	(1)	–	–
Disposal/write-off	–	–	–	(53)	(92)	(27)	(9)	–	(181)
Elimination of accumulated depreciation on revaluation	–	–	(822)	–	–	–	–	–	(822)
Exchange adjustments	–	–	(4)	(11)	(6)	(18)	(9)	–	(48)
At 31 December 2012	–	8	–	705	1,151	1,571	335	2,283	6,053
Accumulated depreciation									
At 1 January 2013	**–**	**8**	**–**	**705**	**1,151**	**1,571**	**335**	**2,283**	**6,053**
Charge for the year	**–**	**9**	**521**	**144**	**154**	**116**	**86**	**24**	**1,054**
Reclassification	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Disposal/write-off	**–**	**–**	**–**	**(90)**	**(9)**	**(15)**	**(1)**	**(2)**	**(117)**
Elimination of accumulated depreciation on revaluation	**–**	**(16)**	**(521)**	**–**	**–**	**–**	**–**	**–**	**(537)**
Exchange adjustments	**–**	**(1)**	**–**	**(19)**	**(10)**	**(10)**	**(2)**	**–**	**(42)**
At 31 December 2013	**–**	**–**	**–**	**740**	**1,286**	**1,662**	**418**	**2,305**	**6,411**
Net carrying amount									
At 31 December 2013	**308**	**142**	**22,908**	**395**	**140**	**235**	**243**	**190**	**24,561**
At 31 December 2012	226	152	21,427	455	217	305	269	214	23,265

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2013

11. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Company	Leasehold land and buildings $'000	Motor vehicles, MHE and forklifts $'000	Computer equipment $'000	Renovation, signboards, furniture and fittings $'000	Office equipment $'000	Plant and machinery $'000	Total $'000
Cost/valuation							
At 1 January 2012							
Cost	–	330	1,122	1,130	338	2,494	5,414
Valuation	19,601	–	–	–	–	–	19,601
	19,601	330	1,122	1,130	338	2,494	25,015
Revaluation surplus	941	–	–	–	–	–	941
Elimination of accumulated depreciation on revaluation	(784)	–	–	–	–	–	(784)
Additions	252	–	12	–	27	–	291
Disposal/write-off	–	(4)	(88)	–	(5)	–	(97)
At 31 December 2012	20,010	326	1,046	1,130	360	2,494	25,366
Representing:							
Cost	–	326	1,046	1,130	360	2,494	5,356
Valuation	20,010	–	–	–	–	–	20,010
At 31 December 2012	20,010	326	1,046	1,130	360	2,494	25,366
Cost/valuation							
At 1 January 2013							
Cost	**–**	**326**	**1,046**	**1,130**	**360**	**2,494**	**5,356**
Valuation	**20,010**	**–**	**–**	**–**	**–**	**–**	**20,010**
	20,010	**326**	**1,046**	**1,130**	**360**	**2,494**	**25,366**
Revaluation surplus	**1,936**	**–**	**–**	**–**	**–**	**–**	**1,936**
Elimination of accumulated depreciation on revaluation	**(486)**	**–**	**–**	**–**	**–**	**–**	**(486)**
Additions	**–**	**10**	**75**	**40**	**51**	**–**	**176**
Disposal/write-off	**–**	**(68)**	**(8)**	**–**	**–**	**–**	**(76)**
At 31 December 2013	**21,460**	**268**	**1,113**	**1,170**	**411**	**2,494**	**26,916**
Representing:							
Cost	**–**	**268**	**1,113**	**1,170**	**411**	**2,494**	**5,456**
Valuation	**21,460**	**–**	**–**	**–**	**–**	**–**	**21,460**
At 31 December 2013	**21,460**	**268**	**1,113**	**1,170**	**411**	**2,494**	**26,916**

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2013

11. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Company	Leasehold land and buildings $'000	Motor vehicles, MHE and forklifts $'000	Computer equipment $'000	Renovation, signboards, furniture and fittings $'000	Office equipment $'000	Plant and machinery $'000	Total $'000
Accumulated depreciation							
At 1 January 2012	326	300	871	989	124	2,256	4,866
Charge for the year	458	11	127	47	51	24	718
Disposal/write-off	–	(4)	(89)	–	(4)	–	(97)
Elimination of accumulated depreciation on revaluation	(784)	–	–	–	–	–	(784)
At 31 December 2012	–	307	909	1,036	171	2,280	4,703
Accumulated depreciation							
At 1 January 2013	**–**	**307**	**909**	**1,036**	**171**	**2,280**	**4,703**
Charge for the year	**486**	**11**	**115**	**39**	**62**	**24**	**737**
Disposal/write-off	**–**	**(68)**	**(7)**	**–**	**–**	**–**	**(75)**
Elimination of accumulated depreciation on revaluation	**(486)**	**–**	**–**	**–**	**–**	**–**	**(486)**
At 31 December 2013	**–**	**250**	**1,017**	**1,075**	**233**	**2,304**	**4,879**
Net carrying amount							
At 31 December 2013	**21,460**	**18**	**96**	**95**	**178**	**190**	**22,037**
At 31 December 2012	20,010	19	137	94	189	214	20,663

(a) The Group engaged independent valuers to determine the fair value of the land and buildings. The valuations were made at year end on the basis of direct comparison with recent transactions of comparable properties within the vicinity and open market value.

The Group classified fair value measurement using a fair value hierarchy that reflects the nature and complexity of the significant inputs used in making the measurement. As at end of 31 December 2013, the fair value measurements of the Group's land and buildings are classified within Level 3 of the fair value hierarchy. There were no transfers between different levels during the year.

Management considers that certain unobservable inputs used in the fair value measurement of the Group's land and buildings are sensitive to the fair value measurement. A change in these inputs will have a corresponding increase/decrease in the fair valuation, such that, an increase in the transacted price of comparable properties, ranging from $758 to $3,800 per square metre for respective properties, will lead to an increase in the fair value of the land and building.

The carrying amounts of land and buildings if measured using the cost model, would be as follows:

	Group		Company	
	2013	**2012**	**2013**	**2012**
	$'000	$'000	$'000	$'000
Net carrying value	**12,398**	12,680	**11,455**	11,753

(b) The Group's freehold and leasehold properties with net carrying amounts of $871,000 (2012: $805,000) are pledged as collateral for bank facilities (Note 20).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2013

11. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

c) Properties owned by the Group include:

Property location	Area (sq m)	Usage	Tenure years
Held by the Company			
27A Jurong Port Road #01-42 Singapore 619101	158	JTC single storey corner terrace workshop	15.10.2012 to 15.10.2024
No. 5 Changi South Street 3 Singapore 486117	9,390	Centralised office cum warehouse	16.9.1997 to 16.9.2057
387F Woodlands Road Singapore 677951	149	Shop	19.1.1992 to 18.1.2022
Held by subsidiaries			
43, 43A, 43B, 43C Jln Glasair Taman Tasek Johor Bahru Malaysia	470	4 storey building	Freehold
Lot nos: 0009, 0010, 0011 Resource Complex Ground Floor 33 Jln Segambut Atas Segambut Kuala Lumpur, Malaysia	588	Ground floor corner shop unit	03.10.1978 to 02.10.2044
63 Jln Lim Swee Sim Kluang, Malaysia	150	2 storey shop house	Freehold
No 2193 Guang Yuan East Road, Room 2703, Tian He District, Guangzhou, China	120	Office cum warehouse	19.12.2012 to 09.11.2065
No 2193 Guang Yuan East Road, Room 2704, Tian He District, Guangzhou, China	155	Office cum warehouse	19.12.2012 to 09.11.2065
Chengdu Jinniu District, No. 777 Jinfu Road, Block 32 Unit 11 Jin Fu Hardware Centre Chengdu, Sichuan, China 610031 [(1)]	260	Warehouse unit	07.07.2006 to 06.07.2046

[(1)] The previously owner-occupied warehouse unit was transferred to investment property (Note 14) in 2012 due to change in use.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2013

12. INVESTMENT IN SUBSIDIARIES

	Company	
	2013	**2012**
	$'000	$'000
Unquoted shares at cost	**4,861**	5,103
Less: Impairment loss	**–**	(100)
	4,861	5,003
Loans to subsidiaries	**9,057**	9,766
	13,918	14,769
Amounts due from subsidiaries – trade	**7,262**	7,874
Amount due from subsidiary – non-trade	**238**	–
Amounts due from subsidiaries (Note 16)	**7,500**	7,874

During the year, the Company has written back impairment loss of $100,000 on its investment in a dormant subsidiary due to return of capital.

The amounts due from subsidiaries are unsecured, non-interest bearing, and repayable on demand.

The subsidiaries as at 31 December are as follows:

Name of company (Country of incorporation)	**Principal activities (Place of business)**	**Percentage of equity and voting power held by the Group**	
		2013	**2012**
		%	%
Kian Ho Bearings (M) Sdn. Bhd. [2] (Malaysia)	Dealer in bearings, belts and seals (Malaysia)	**100**	100
Ascend Bearings Co., Ltd [1] (Taiwan)	Dealer in bearings, belts and seals (Taiwan)	**60**	60
Acker Machinery (Shanghai) Co., Ltd [2] (China)	Dealer in bearings, belts and seals (China)	**100**	100
Kian Ho Shanghai Co., Ltd [2] (China)	Dealer in bearings, belts and seals (China)	**100**	100
Kian Ho (H.K.) Company Limited [3,7] (Hong Kong)	Dealer in bearings, belts and seals (Hong Kong)	**100**	100
PT. Kian Ho Indonesia [4] (Indonesia)	Dealer in bearings, belts and seals (Indonesia)	**80**	80
Kian Ho (Vietnam) Co., Ltd [1] (Vietnam)	Dealer in bearings, belts and seals (Vietnam)	**100**	100
KH Bearings and Seals Australia Pty Ltd [5] (Australia)	Dealer in bearings, belts and seals (Australia)	**100**	100
Kian Ho Guangzhou Co., Ltd [2] (China)	Dealer in bearings, belts and seals (China)	**65**	65
Excel (Hangzhou) Power Transmissions Co., Ltd [6] (China)	Dormant (China)	**70**	70

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2013

12. INVESTMENT IN SUBSIDIARIES (CONT'D)

The subsidiaries as at 31 December are as follows:

Name of company (Country of incorporation)	Principal activities (Place of business)	Percentage of equity and voting power held by the Group	
		2013	2012
		%	%
Kian Ho (Thailand) Co., Ltd [6] (Thailand)	Dormant (Thailand)	**80**	80
Chengdu Excel Bearings Co., Ltd [8] (China)	Liquidated (China)	**–**	100

The subsidiary held by Kian Ho Bearings (M) Sdn. Bhd. as at 31 December is as follows:

Name of company (Country of incorporation)	Principal activities (Place of business)	Percentage of equity and voting power held by the Group	
		2013	2012
		%	%
KWP Engineering & Industrial Supply Sdn. Bhd. [2] (Malaysia)	Dealer in bearings, belts and seals (Malaysia)	**60**	60

1 Audited by member firms of Deloitte & Touche.
2 Audited by member firms of Ernst & Young Global.
3 Audited by Shinewing (HK) CPA Limited in FY2012.
4 Audited by Kreston International.
5 Audited by Farmilo & Co Chartered Accountants.
6 Not required to be audited as these are dormant.
7 Audited by Dicky Lau & Co.
8 The company was struck off in 2013.

13. INVESTMENT IN AN ASSOCIATE

	Group		Company	
	2013	2012	**2013**	2012
	$'000	$'000	$'000	$'000
Unquoted share at cost	**10**	10	**10**	10
Share of post-acquisition reserves	**(10)**	(10)	**–**	–
	–	–	**10**	10
Amounts due from an associate – trade (Note 16)	**1,796**	3,103	**1,789**	3,095

The Group has not recognised losses relating to Kian Ho Bearings (Thailand) Co., Ltd where its share of losses exceeds the Group's interest in this associate. The Group's cumulative share of unrecognised losses at the end of the reporting period was $58,000 (2012: $22,000), of which $36,000 (2012: $1,000 share of profit) was the share of the current year's loss. The Group has no obligation in respect of these losses.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2013

13. INVESTMENT IN AN ASSOCIATE (CONT'D)

The associate as at 31 December is as follows:

Name of company (Country of incorporation)	Principal activities (Place of business)	Percentage of equity and voting power held by the Group	
		2013	2012
		%	%
Kian Ho Bearings (Thailand) Co., Ltd (Thailand) [1]	Dealer in bearings, belts and seals (Thailand)	**49**	49

[1] Audited by ANS Audit Co., Ltd.

The summarised financial information of the associate not adjusted for the proportion of ownership interest held by the Group, is as follows:

	Group	
	2013	**2012**
	$'000	$'000
Assets and liabilities		
Non-current assets	**34**	61
Current assets	**4,316**	4,943
Total assets	**4,350**	5,004
Non-current liabilities	**(35)**	14
Current liabilities	**4,563**	5,041
Total liabilities	**4,528**	5,055
Results		
Revenue	**4,196**	2,139
Profit net of tax	**(74)**	2

14. INVESTMENT PROPERTIES

	Group		Company	
	2013	**2012**	**2013**	**2012**
	$'000	$'000	$'000	$'000
Balance at 1 January	**5,846**	4,756	**3,560**	2,890
Transfer from property, plant and equipment (Note 11)	**–**	501	**–**	–
Disposed during the year	**(685)**	–	**(685)**	–
Gain on change in fair value recognised in the income statement	**379**	676	**275**	670
Exchange differences	**147**	(87)	**–**	–
Balance at 31 December	**5,687**	5,846	**3,150**	3,560

The property rental income earned by the Group from its investment properties, all of which are leased out under operating leases, amounted to $403,000 (2012: $366,000). Direct operating expenses arising on the investment properties in the year amounted to $31,000 (2012: $39,000).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2013

14. INVESTMENT PROPERTIES (CONT'D)

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

Property location	Area (sq m)	Usage	Tenure years	Fair value	
				2013	**2012**
				$'000	$'000
Citimac Industrial Complex #02-03 Singapore 368239	436	Warehouse unit	Freehold	**2,350**	2,350
Poh Leng Building #04-01 21 Moonstone Lane Singapore 328462	140	Flatted factory unit in an industrial building	Freehold	**800**	680
118 Pandan Loop Singapore 128323 [2]	294	Terrace workshop	01.7.1993 to 30.6.2023	**–**	530
No. 220, Mei Gui Nan Road, Ground Floor Block 20 Shanghai Wai Gao Qiao Free Trade Zone, Shanghai, China	2,100	Ground floor warehouse	12.6.1993 to 12.6.2048	**1,995**	1,785
Chengdu Jinniu District, No. 777 Jinfu Road, Block 32 Unit 11 Jin Fu Hardware Centre Chengdu, Sichuan China 610031 [1]	260	Warehouse unit	07.07.2006 to 06.7.2046	**542**	501
				5,687	5,846

[1] The previously owner-occupied warehouse unit was transferred from property, plant and equipment (Note 11) in 2012 due to change in use.

[2] Transferred to property held for sale and disposed during 2013.

Investment properties are stated at fair value, which has been determined based on valuations performed as at year end. The valuations were performed by independent valuers with a recognised and relevant professional qualification and with recent experience in the location and category of the properties being valued. The valuations were made on the basis of direct comparison with recent transactions of comparable properties within the vicinity.

The Group classified fair value measurement using a fair value hierarchy that reflects the nature and complexity of the significant inputs used in making the measurement. As at end of 31 December 2013, the fair value measurements of the Group's investment properties are classified within Level 3 of the fair value hierarchy. There were no transfers between different levels during the year.

Management considers that certain unobservable inputs used in the fair value measurement of the Group's investment properties are sensitive to the fair value measurement. A change in these inputs will have a corresponding increase/decrease in the fair valuation, such that, an increase in the transacted price of comparable properties, ranging from $903 to $6,000 per square metre for respective investment properties, will lead to an increase in the fair value of the investment properties.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2013

15. OTHER INVESTMENTS

	Group and Company	
	2013	**2012**
	$'000	$'000
Available-for-sale		
Unquoted equity shares at cost	**237**	237

16. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2013	**2012**	**2013**	**2012**
	$'000	$'000	$'000	$'000
Trade debtors	**15,572**	14,475	**8,920**	8,237
Notes receivables	**1,211**	1,348	**–**	–
	16,783	15,823	**8,920**	8,237
Allowance for doubtful debts – trade debtors	**(893)**	(846)	**(65)**	(8)
	15,890	14,977	**8,855**	8,229
Amounts due from subsidiaries (Note 12)	**–**	–	**7,500**	7,874
Amounts due from an associate (Note 13)	**1,796**	3,103	**1,789**	3,095
Other debtors (Note 17)	**222**	282	**18**	24
Amount due from related parties (Note 18)	**2,719**	2,959	**893**	916
Total trade and other receivables	**20,627**	21,321	**19,055**	20,138
Add:				
Fixed deposits (Note 25)	**649**	1,070	**–**	–
Cash at banks and on hand (Note 25)	**4,137**	4,120	**1,605**	1,964
Total financial assets at amortised cost	**25,413**	26,511	**20,660**	22,102
Add:				
Available-for-sale investments (Note 15)	**237**	237	**237**	237
Total financial assets	**25,650**	26,748	**20,897**	22,339

Trade and other receivables are non-interest bearing and are generally on 30 to 90 days' terms.

Notes receivables are relating to bill of exchange and have an average maturity of up to 180 days (2012: 180 days). These receivables issued by customers are interest-free.

As of 31 December 2013, notes receivables carried by a subsidiary that amounted to $813,000 (2012: $811,000) were pledged to secure short term bank loans.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2013

16. TRADE AND OTHER RECEIVABLES (CONT'D)

Receivables that are past due but not impaired

The Group and Company has trade receivables amounting to $5,867,000 (2012: $5,394,000) and $3,355,000 (2012: $2,915,000) respectively that are past due at the reporting date but not impaired because there is no change in credit quality of the customers. These receivables are unsecured and the analysis of their aging by due date at the reporting date is as follows:

	Group		Company	
	2013	**2012**	**2013**	**2012**
	$'000	$'000	$'000	$'000
Trade receivables past due:				
Lesser than 30 days	**3,005**	2,837	**1,689**	1,530
30 to 60 days	**1,483**	1,168	**872**	596
61 to 90 days	**912**	647	**742**	330
91 to 120 days	**251**	423	**27**	299
More than 120 days	**216**	319	**25**	160
	5,867	5,394	**3,355**	2,915

Receivables that are impaired

The Group has trade receivables that are impaired at the reporting date and the movement of the allowance accounts used to record the impairment are as follows:

	Group Individually impaired		Company Individually impaired	
	2013	**2012**	**2013**	**2012**
	$'000	$'000	$'000	$'000
Trade receivables	**893**	846	**65**	8
Less: Allowance for impairment	**(893)**	(846)	**(65)**	(8)
	–	–	**–**	–
Movement in allowance accounts:				
At 1 January	**846**	2,859	**8**	2,185
Charge for the year	**247**	351	**65**	1
Written off	**(94)**	(2,251)	**(1)**	(2,133)
Written back	**(142)**	(86)	**(7)**	(45)
Exchange differences	**36**	(27)	**–**	–
At 31 December	**893**	846	**65**	8

Trade receivables that are individually determined to be impaired at the reporting date relate to debtors that are in financial difficulties and/or have defaulted on payments. These receivables are not secured by any collateral or credit enhancements.

Receivables that are neither past due nor impaired are with good credit rating and considered recoverable.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2013

17. OTHER DEBTORS

	Group		Company	
	2013	**2012**	**2013**	**2012**
	$'000	$'000	$'000	$'000
Sundry debtors	**23**	17	**–**	2
Deposits	**94**	118	**18**	22
Tax recoverable	**105**	147	**–**	–
	222	282	**18**	24

18. AMOUNTS DUE FROM/TO RELATED PARTIES

	Group		Company	
	2013	**2012**	**2013**	**2012**
	$'000	$'000	$'000	$'000
Trade:				
Amounts due from non-controlling shareholder of a subsidiary	**2,585**	2,558	**893**	916
Amounts due from companies in which non-controlling shareholders of a subsidiary have interest in	**119**	382	**–**	–
Total	**2,704**	2,940	**893**	916
Non-trade:				
Amounts due from non-controlling shareholders of a subsidiary	**15**	19	**–**	–
Total	**15**	19	**–**	–
Amounts due from related parties	**2,719**	2,959	**893**	916

	Group		Company	
	2013	**2012**	**2013**	**2012**
	$'000	$'000	$'000	$'000
Trade:				
Amounts due to non-controlling shareholder of a subsidiary	**3,855**	3,402	**108**	134
Amounts due to companies in which non-controlling shareholders of a subsidiary have interest in	**405**	66	**–**	–
Total	**4,260**	3,468	**108**	134
Non-trade:				
Amounts due to non-controlling shareholders of a subsidiary	**7,972**	5,993	**–**	–
Amounts due to related parties	**12,232**	9,461	**108**	134

Amounts due from/to the above related parties are unsecured, non-interest bearing and are repayable on demand.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2013

19. INVENTORIES

	Group		Company	
	2013	**2012**	**2013**	**2012**
	$'000	$'000	$'000	$'000
Finished goods	**80,508**	87,892	**37,882**	41,488
Inventories-in-transit	**1,464**	1,200	**1,274**	215
	81,972	89,092	**39,156**	41,703

20. INTEREST BEARING LOANS AND BORROWINGS

	Group		Company	
	2013	**2012**	**2013**	**2012**
	$'000	$'000	$'000	$'000
Repayable within 12 months:				
Bank overdraft				
– unsecured (Note 25)	**–**	130	**–**	–
Trust receipts				
– secured	**–**	–	**–**	–
– unsecured	**6,633**	4,516	**6,355**	4,365
Term loans				
– secured	**2,662**	5,537	**–**	–
– unsecured	**20,717**	28,965	**17,302**	23,386
	30,012	39,148	**23,657**	27,751
Repayable after 12 months:				
Term loans				
– secured	**393**	327	**–**	–
– unsecured	**6,500**	7,500	**6,500**	7,500
	6,893	7,827	**6,500**	7,500
	36,905	46,975	**30,157**	35,251

Bank borrowings of the subsidiaries are secured on certain freehold and leasehold properties, fixed deposits (Note 25) and receivables of the subsidiaries and corporate guarantee from holding company.

The term loans are repayable in fixed monthly, quarterly or half yearly instalments over a period ranging from 1 month to 36 months. Other borrowings are repayable within twelve months.

The floating rate term loans bear interest of approximately 1.45% to 12% (2012: 1.40% to 12%) per annum, and are repriced on monthly to half-yearly basis.

Trust receipts have an average maturity period of 120 to 150 days (2012: 120 to 150 days) and bear interest ranging from 1.20% to 8.60% (2012: 1.21% to 8.60%) per annum.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2013

21. TRADE AND OTHER CREDITORS

	Group		Company	
	2013	**2012**	**2013**	**2012**
	$'000	$'000	$'000	$'000
Trade creditors and accruals	**9,141**	10,467	**5,049**	6,090
Other creditors				
Sundry creditors	**51**	65	**29**	10
Advance from customers	**432**	458	**288**	265
Rental deposit	**49**	35	**27**	33
	532	558	**344**	308
Amounts due to related parties (Note 18)	**12,232**	9,461	**108**	134
Loans and borrowings (Note 20)	**36,905**	46,975	**30,157**	35,251
Less: Advance from customers	**(432)**	(458)	**(288)**	(265)
Total financial liabilities carried at amortised cost	**58,378**	67,003	**35,370**	41,518

Trade and other creditors are non-interest bearing. Trade creditors are normally settled on 30-90 days terms while other creditors are normally settled on 30 days terms.

22. DEFERRED TAXATION

Deferred taxation as at 31 December relates to the following:

	Group						Company			
	Consolidated statement of financial position		**Consolidated income statement**		**Consolidated equity**		**Statement of financial position**		**Equity**	
	2013	**2012**	**2013**	**2012**	**2013**	**2012**	**2013**	**2012**	**2013**	**2012**
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Deferred tax liabilities										
Depreciation	**110**	135	**(25)**	(39)	**–**	–	**102**	102	**–**	–
Revaluations to fair value:										
– Investment properties	**354**	287	**49**	(120)*	**–**	–	**–**	–	**–**	–
– Leasehold land and buildings	**1,977**	1,642	**–**	–	**332**	230	**1,744**	1,415	**329**	160
Other temporary differences	**(69)**	(51)	**(18)**	28	**–**	–	**(25)**	(29)	**–**	–
	2,372	2,013			**332**	230	**1,821**	1,488	**329**	160
Deferred income tax expense (Note 9)			**6**	(131)						

* Includes reversal of $145,000 on adoption of Amendments to FRS 12 *Income Tax* in 2012.

At the end of the reporting period, the aggregate amount of temporary differences associated with undistributed earnings of subsidiaries for which deferred tax liabilities have not been recognised is $16,384,000 (2012: $16,194,000). No liability has been recognised in respect of these differences because the group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2013

22. DEFERRED TAXATION (CONT'D)

Unrecognised tax losses

Subject to the agreement by the tax authorities, at the end of the reporting period, the Group has unutilised tax losses of $3,035,000 (2012: $2,413,000) available for offset against future profits. No deferred tax asset has been recognised in respect of such losses due to the unpredictability of future profit streams.

23. SHARE CAPITAL

	Group and Company			
	2013	**2012**	**2013**	**2012**
	'000	'000	$'000	$'000
	No. of shares			
Issued and fully paid ordinary shares:				
Balance at beginning and end of the year	**234,060**	234,060	**31,658**	31,658

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.

24. DIVIDEND

	Group and Company	
	2013	**2012**
	$'000	$'000
Declared and paid during the financial year:		
– First and final exempt (one-tier) dividend for 2011: $0.01 per ordinary share	**–**	2,341
– First and final exempt (one-tier) dividend for 2012: $0.002 per ordinary share	**468**	–
	468	2,341

Proposed but not recognised as a liability as at 31 December:

	Group and Company	
	2013	**2012**
	$'000	$'000
Dividend on ordinary shares, subject to shareholders' approval at the AGM:		
First and final exempt (one-tier) dividend of $0.002 per ordinary share	**468**	468

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2013

25. CASH AND CASH EQUIVALENTS

	Group	
	2013	**2012**
	$'000	$'000
Cash at banks and on hand	**4,137**	4,120
Bank overdraft (Note 20)	**–**	(130)
Cash and cash equivalents in the consolidated statement of cash flows	**4,137**	3,990

Certain cash at banks earn interest at floating rates based on daily bank deposit rates.

Fixed deposits amounting to $649,000 (2012: $1,070,000) are pledged to banks for short term loan facilities and bank guarantee, and are excluded from cash and cash equivalents. The weighted average effective interest rate of short term deposits is 1.17% (2012: 1.0%) per annum.

26. DERIVATIVES

	Group and Company		
	Contract/ Notional Amount	**Assets**	**Liabilities**
	$'000	$'000	$'000
2013			
Forward currency contracts	**2,484**	**–**	**(28)**
2012			
Forward currency contracts	349	–	(1)

Forward currency contracts are used to manage foreign currency risk arising from the Group's sales and purchases denominated in EUR, JPY and USD.

Net unrealised loss on derivatives of $28,000 (2012: loss of $1,000) has been included in foreign exchange loss in the income statement.

27. COMMITMENTS

(a) Capital commitments

There was no capital expenditure contracted but not recognised in the financial statements as at 31 December 2013 and 2012.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2013

27. COMMITMENTS (CONT'D)

(b) Operating lease commitments

As lessee

The Group leases certain properties under lease agreements for operating use. The leases expire at various dates till 2057. Minimum lease payment recognised as an expense in the income statement for the financial year ended 31 December 2013 amounted to $1,075,000 (2012: $1,221,000).

Future minimum lease payments are as follows:

	Group	
	2013	**2012**
	$'000	$'000
Not later than one year	**864**	806
Later than one year but not later than five years	**1,266**	1,007
Later than five years	**5,413**	5,371
	7,543	7,184

As lessor

The Group has entered into commercial property leases on its investment properties.

Future minimum lease payments receivable under non-cancellable operating leases as at 31 December are as follows:

	Group	
	2013	**2012**
	$'000	$'000
Not later than one year	**272**	215
Later than one year but not later than five years	**109**	176
	381	391

28. CORPORATE GUARANTEES

The Company has given corporate guarantees of $17,690,000 (2012: $18,279,000) to financial institutions in connection with financing facilities given to the subsidiaries and associate.

The earliest period that the corporate guarantees could be called is 1 year from 31 December 2013 (2012 : 1 year). Management considers that it is more likely than not that no amount will be payable under the arrangement.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2013

29. SIGNIFICANT RELATED PARTY TRANSACTIONS

In addition to the related party information disclosed elsewhere in the financial statements, the following significant transactions between the Group entities with related parties took place during the year at terms and rates agreed between the parties:

a) Sale and purchase of goods and services

	Group	
	2013	**2012**
	$'000	$'000
Sale of goods to an associate	**176**	733
Sale of goods to non-controlling shareholder of a subsidiary	**328**	432
Sale of goods to companies in which non-controlling shareholders of a subsidiary have interest in	**701**	863
Purchase of goods from non-controlling shareholder of a subsidiary	**808**	999
Purchase of goods from companies in which non-controlling shareholders of a subsidiary have interest in	**578**	185

b) Compensation of directors and key management personnel

	Group	
	2013	**2012**
	$'000	$'000
– Directors of the Company		
Short-term benefits	**789**	901
Post-employment benefits	**10**	11
– Other directors of subsidiaries		
Short-term benefits	**339**	339
Post-employment benefits	**22**	24
– Other key management personnel		
Short-term benefits	**967**	911
Post-employment benefits	**117**	70

30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise bank loans and overdraft and cash and short term deposits. The main purpose of these financial instruments is to finance the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

The Group may also enter into derivative transactions, including principally interest rate swaps and forward currency contracts as and when it is required. The purpose is to manage the interest rate and currency risks arising from the Group's operations and its sources of financing.

The main risks arising from the Group's financial instruments are foreign currency risk, interest rate risk, credit risk and liquidity risk. The Board reviews and agrees policies for managing each of these risks and they are summarised below.

a) Foreign currency risk

The Group has exposure to foreign currency risks as a result of transactions denominated in a currency other than the respective functional currencies of Group entities, arising from sales and purchases, mainly by movements in exchange rates for the United States Dollars (USD). The Group's trade receivable and trade payable balances at the reporting date have similar exposures.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2013

30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

a) Foreign currency risk (cont'd)

The Group aims to use forward currency contracts to minimise currency exposures. It is the Group's policy not to enter into forward contracts until a firm payment commitment is in place. The Group reviews regularly the currency exposures and enters into forward contracts as and when deemed necessary.

The Group is also exposed to currency translation risk arising from its net investments in foreign operations, including Malaysia, Indonesia, People's Republic of China (PRC), Taiwan and Hong Kong. The Group's investments are not hedged as currency positions in the subsidiaries are considered to be long term in nature.

Significant financial assets of the Group and Company that are not denominated in the functional currencies of the respective entities amounted to $7,530,000 (2012: $4,289,000) and $6,853,000 (2012: $3,356,000) respectively denominated in United States dollars.

Significant financial liabilities of the Group and Company that are not denominated in the functional currencies of the respective entities amounted to $6,383,000 (2012: $11,451,000) and $4,949,000 (2012: $4,932,000) respectively denominated in United States dollars.

The sensitivity rate used is 5% which is the change in foreign exchange rate that Management deems reasonably possible which will affect outstanding foreign currency denominated monetary items at period end.

For the Company, if the United States dollars was to strengthen/weaken by 5% against the Singapore dollar, profit before tax will increase/decrease by $95,200 (2012: decrease/increase by $78,800).

For the Group, if the United States dollar was to strengthen/weaken by 5% against the Singapore dollar, profit before tax will increase/decrease by $57,000 (2012: decrease/increase by $358,000).

b) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's and the Company's financial instruments will fluctuate because of changes in market interest rates. The Group's and the Company's exposure to interest rate risk arises primarily from interest bearing loans and borrowings.

Sensitivity analysis for interest rate risk

If interest rates had been 100 basis points higher or lower with all other variables were held constant, the Group's profit for the financial year ended December 31, 2013 would decrease/increase by $297,000 (2012: $383,000).

c) Credit risk

Credit risk is the risk that may arise on outstanding financial instruments should a counterparty default on its obligation. The Group's and the Company's exposure to credit risk arises primarily from trade and other receivables. For other financial assets (including cash and cash equivalents), the Group and the Company minimise credit risk by dealing exclusively with reputable counterparties.

Exposure to credit risk

At the reporting date, the Group's and the Company's maximum exposure to credit risk is represented by:

- the carrying amount of each class of financial assets gross for any allowance for losses recognised in the statements of financial position and
- a nominal amount of $17,690,000 (2012: $18,279,000) relating to corporate guarantees by the Company to financial institutions in connection with the financing facilities given to the subsidiaries and associate.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2013

30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

d) Liquidity risk

Liquidity risk is the risk that the Group and 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. The Group's and the Company's objective is to maintain a balance between continuity of funding and flexibility through the use of stand-by credit facilities.

The Group's and the Company's liquidity risk management policy is to maintain sufficient liquid financial assets and stand-by credit facilities with various banks.

Analysis of financial instruments by remaining contractual maturities

The table below summarises the maturity profile of the Group's and the Company's financial liabilities at the reporting date based on contractual undiscounted repayment obligations.

	2013				2012			
	One year or less	More than one year up to five years	Adjustments	Total	One year or less	More than one year up to five years	Adjustments	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Group								
Non-interest bearing	**21,473**	**–**	**–**	**21,473**	20,028	–	–	20,028
Variable interest rate instruments (Note 20)	**30,012**	**7,094**	**(201)**	**36,905**	39,148	8,002	(175)	46,975
	51,485	**7,094**	**(201)**	**58,378**	59,176	8,002	(175)	67,003
Company								
Non-interest bearing	**5,213**	**–**	**–**	**5,213**	6,267	–	–	6,267
Variable interest rate instruments (Note 20)	**23,657**	**6,669**	**(169)**	**30,157**	27,751	7,650	(150)	35,251
	28,870	**6,669**	**(169)**	**35,370**	34,018	7,650	(150)	41,518

The maximum amount of the corporate guarantee provided by the Company to its subsidiaries are allocated to the earliest period in which the guarantee could be called are as follows:

	2013		2012	
	One year or less	Total	One year or less	Total
	$'000	$'000	$'000	$'000
Company				
Corporate guarantees	**17,690**	17,690	**18,279**	18,279

Non-derivative financial assets

The Group's and Company's non-derivative financial assets are due on demand and interest free.

The Group is exposed to interest rate risk on its fixed deposits. No sensitivity analysis is prepared on the Group's financial assets as the management does not expect any material effect on the Group's profit or loss arising from the effects of reasonably possible changes to interest rates on interest bearing financial assets at the end of the reporting period.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2013

31. FAIR VALUE OF FINANCIAL INSTRUMENTS

A. Fair value of financial instruments that are carried at fair value

The following table shows an analysis of financial instruments carried at fair value by level of fair value hierarchy:

	2013 $'000			
	(Level 1)	**(Level 2)**	**(Level 3)**	**Total**
Financial liabilities:				
Derivatives (Note 26)				
– Forward currency contracts	**–**	**(28)**	**–**	**(28)**
At 31 December 2013	**–**	**(28)**	**–**	**(28)**

	2012 $'000			
	(Level 1)	**(Level 2)**	**(Level 3)**	**Total**
Financial liabilities:				
Derivatives (Note 26)				
– Forward currency contracts	–	(1)	–	(1)
At 31 December 2012	–	(1)	–	(1)

The fair value of forward foreign exchange contracts is determined using quoted forward currency rates at the reporting date. Accordingly, these investments are classified as Level 2.

There were no transfer between Level 1 and Level 2 of the fair value hierarchy in 2013 and 2012.

B. Fair value of financial instruments by classes that are not carried at fair value and whose carrying amounts are not reasonable approximation of fair value

Management has determined that the carrying amounts of cash and short term deposits, trade and other receivables, bank borrowings, trade and other payables, amount due from an associate, amount due from/to related parties and bank loans, based on their notional amounts, reasonably approximate their fair values because these are mostly short term in nature or are re-priced frequently.

Fair value information has not been disclosed for the Group and Company's investment for unquoted equity that was carried at cost because the fair value cannot be measured reliably. The unquoted equity represents ordinary shares in Poh Leng Realty Pte Ltd that are not quoted on any market. In the opinion of the Directors, the expected cash flows from these investments are believed to be in excess of their carrying amounts.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2013

32. CAPITAL MANAGEMENT

The capital structure of the Group consists of equity attributable to owners of the parent, comprising issued capital, reserves and retained earnings.

The Group manages its capital and 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 payments to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 December 2013 and 31 December 2012.

33. SUBSEQUENT EVENT

The Company increased its shareholding in its subsidiary, PT. Kian Ho Indonesia, from 80% to 95% through the acquisition of 54 shares from a minority shareholder for a consideration of $1 on 22 January 2014.

STERLING
PROPERTY CONSULTANTS

sterlingproperty.com.sg

12 Jun 2014

Our Ref : 140030/JC/JC

Kian Ho Bearings Ltd
5 Changi South Street 3
Singapore 486117

Attention : Mr David Seah

DESKTOP REVIEW OF 5 CHANGI SOUTH STREET 3 SINGAPORE 486117

Purpose

We have been instructed by Kian Ho Bearings Ltd to prepare this desktop review for the purpose of determining the open market value of the subject property as at 12 Jun 2014. This desktop review is confidential to and for use only by Kian Ho Bearings Ltd and for the specific purpose to which it refers.

Property Details

Type of Property
A 5-storey warehouse-cum-office building with a basement.

Legal Description
Lot 9527M Mukim 27.

Tenure
Leasehold 30 years commencing from 16 September 1997 with an option to renew for a further term of 30 years.

Land Area
6,071.9 sq m.

Floor Area
Approximately 12,811.0 sq m. (according to information provided by your goodself).

Remarks
This desktop review is carried out based on information contained in desktop review Ref : 13/P87851/YL/RC/BL dated 6 Jan 2014. No further physical inspections or searches / investigations have been carried out. No title searches have been conducted. We recommend that all legal encumbrances be confirmed through your solicitors.

Basis Of Valuation

Direct Comparison Method.

Valuation

Open Market Value as at 12 Jun 2014
S$22,000,000.
(Singapore Dollars Twenty-Two Million Only).

Limiting Conditions

This desktop review is subject to the limiting conditions attached.

Sterling Property Consultants Pte Ltd

STERLING PROPERTY CONSULTANTS PTE LTD
Company Reg No.201317597K, Agency Licence No.L3010556G
10 Anson Road, #14-14 International Plaza, Singapore 079903
Tel +65 6220 0038 Fax +65 6220 0083

STERLING
PROPERTY CONSULTANTS

sterlingproperty.com.sg

12 Jun 2014

Our Ref : 140032/JC/JC

Kian Ho Bearings Ltd
5 Changi South Street 3
Singapore 486117

Attention : Mr David Seah

DESKTOP REVIEW OF 605A MACPHERSON ROAD #02-03 CITIMAC INDUSTRIAL COMPLEX SINGAPORE 368240

Purpose

We have been instructed by Kian Ho Bearings Ltd to prepare this desktop review for the purpose of determining the open market value of the subject property as at 12 Jun 2014. This desktop review is confidential to and for use only by Kian Ho Bearings Ltd and for the specific purpose to which it refers.

Property Details

Type of Property
A flatted warehouse unit.

Legal Description
Lot U19979C Mukim 24.

Tenure
Estate in fee simple.

Strata Floor Area
436 sq m.

Remarks
This desktop review is carried out based on information contained in desktop review Ref : 13/P87854/YL/LY/PL dated 6 Jan 2014. No further physical inspections or searches / investigations have been carried out. No title searches have been conducted. We recommend that all legal encumbrances be confirmed through your solicitors.

Basis Of Valuation

Direct Comparison Method.

Valuation

Open Market Value as at 12 Jun 2014
S$3,200,000.
(Singapore Dollars Three Million Two Hundred Thousand Only).

Limiting Conditions

This desktop review is subject to the limiting conditions attached.

Sterling Property Consultants Pte Ltd

STERLING PROPERTY CONSULTANTS PTE LTD
Company Reg No.201317597K, Agency Licence No.L3010556G
10 Anson Road, #14-14 International Plaza, Singapore 079903
Tel +65 6220 0038 Fax +65 6220 0083

STERLING
PROPERTY CONSULTANTS

sterlingproperty.com.sg

12 Jun 2014

Our Ref : 140031/JC/JC

Kian Ho Bearings Ltd
5 Changi South Street 3
Singapore 486117

Attention : Mr David Seah

DESKTOP REVIEW OF 21 MOONSTONE LANE #04-01 POH LENG BUILDING SINGAPORE 328462

Purpose

We have been instructed by Kian Ho Bearings Ltd to prepare this desktop review for the purpose of determining the open market value of the subject property as at 12 Jun 2014. This desktop review is confidential to and for use only by Kian Ho Bearings Ltd and for the specific purpose to which it refers.

Property Details

Type of Property
A flatted factory unit.

Legal Description
Lot U33205K Mukim 17.

Tenure
Estate in fee simple.

Strata Floor Area
140 sq m.

Remarks
This desktop review is carried out based on information contained in desktop review Ref : 13/P87855/YL/LY/PL dated 6 Jan 2014. No further physical inspections or searches / investigations have been carried out. No title searches have been conducted. We recommend that all legal encumbrances be confirmed through your solicitors.

Basis Of Valuation

Direct Comparison Method.

Valuation

Open Market Value as at 12 Jun 2014
S$830,000.
(Singapore Dollars Eight Hundred Thirty Thousand Only).

Limiting Conditions

This desktop review is subject to the limiting conditions attached.

Sterling Property Consultants Pte Ltd

STERLING PROPERTY CONSULTANTS PTE LTD
Company Reg No.201317597K, Agency Licence No.L3010556G | 10 Anson Road, #14-14 International Plaza, Singapore 079903
Tel +65 6220 0038 Fax +65 6220 0083

STERLING
PROPERTY CONSULTANTS

sterlingproperty.com.sg

12 Jun 2014

Our Ref : 140033/JC/JC

Kian Ho Bearings Ltd
5 Changi South Street 3
Singapore 486117

Attention : Mr David Seah

DESKTOP REVIEW OF 27A JURONG PORT ROAD #01-42 SINGAPORE 619101

Purpose

We have been instructed by Kian Ho Bearings Ltd to prepare this desktop review for the purpose of determining the open market value of the subject property as at 12 Jun 2014. This desktop review is confidential to and for use only by Kian Ho Bearings Ltd and for the specific purpose to which it refers.

Property Details

Type of Property
A JTC workshop.

Legal Description
Lot U1573X Mukim 6.

Tenure
Leasehold 12 years commencing from 1 November 2012.

Floor Area
158 sq m.

Remarks
This desktop review is carried out based on information contained in desktop review Ref : 13/P87853/YL/LY/PL dated 6 Jan 2014. No further physical inspections or searches / investigations have been carried out. No title searches have been conducted. We recommend that all legal encumbrances be confirmed through your solicitors.

Basis Of Valuation

Direct Comparison Method.

Valuation

Open Market Value as at 12 Jun 2014
S$270,000.
(Singapore Dollars Two Hundred Seventy Thousand Only).

Limiting Conditions

This desktop review is subject to the limiting conditions attached.

Sterling Property Consultants Pte Ltd

STERLING PROPERTY CONSULTANTS PTE LTD
Company Reg No.201317597K, Agency Licence No.L3010556G
10 Anson Road, #14-14 International Plaza, Singapore 079903
Tel +65 6220 0038 Fax +65 6220 0083

STERLING
PROPERTY CONSULTANTS

sterlingproperty.com.sg

12 Jun 2014

Our Ref : 140034/JC/JC

Kian Ho Bearings Ltd
5 Changi South Street 3
Singapore 486117

Attention : Mr David Seah

DESKTOP REVIEW OF 387F WOODLANDS ROAD SINGAPORE 677951

Purpose

We have been instructed by Kian Ho Bearings Ltd to prepare this desktop review for the purpose of determining the open market value of the subject property as at 12 Jun 2014. This desktop review is confidential to and for use only by Kian Ho Bearings Ltd and for the specific purpose to which it refers.

Property Details

Type of Property
A JTC workshop.

Legal Description
Lot U2420T Mukim 11.

Tenure
Leasehold 30 years commencing from 16 January 1992.

Land Area
147 sq m.

Floor Area
148 sq m.

Remarks
This desktop review is carried out based on information contained in valuation report Ref : 13/P87852/YL/RC/BL dated 6 Jan 2014. No further physical inspections or searches / investigations have been carried out. No title searches have been conducted. We recommend that all legal encumbrances be confirmed through your solicitors.

Basis Of Valuation

Direct Comparison Method.

Valuation

Open Market Value as at 12 Jun 2014
S$210,000.
(Singapore Dollars Two Hundred Ten Thousand Only).

Limiting Conditions

This desktop review is subject to the limiting conditions attached.

Sterling Property Consultants Pte Ltd

STERLING PROPERTY CONSULTANTS PTE LTD
Company Reg No.201317597K, Agency Licence No.L3010556G
10 Anson Road, #14-14 International Plaza, Singapore 079903
Tel +65 6220 0038 Fax +65 6220 0083

Jones Lang Wootton
Proprietor: Singham Sulaiman Sdn. Bhd. (78217-X)

Chartered Surveyors
International Property Consultants
Registered Valuers
Property Managers
Real Estate Agents

Lot 19.02, Level 19,
Public Bank Tower,
19 Jalan Wong Ah Fook,
80000 Johor Bahru

Tel: (07) 224 9937
Fax: (07) 224 9936
Email: johor@jlwmalaysia.com
www.jlwmalaysia.com

Firm Reg. No. VE(2) 0078/2

Our Ref.: V/JB/UD1/001/2013/ACC-V/JB/IC-(B)/035/2012/ACC
V/JB/UD1/002/2013/ACC-V/JB/IC-(A)/036/2012/ACC
V/UD1/013/13/ACC-V/IC-(B)048/12/ACC

12th June 2014

Messrs Kian Ho Bearings (M) Sdn Bhd
No. 43-43C, Jalan Glasiar
Taman Tasek
80200 Johor Bahru
Johor Darul Takzim

Attention: Ms Florence Wong

Dear Madam,

UP-DATE VALUATION OF:-

1) **AN EXTENDED FOUR STOREY MID TERRACED SHOPHOUSE IDENTIFIED AS PREMISES NO. 43, JALAN GLASIAR TAMAN TASEK, 80200 JOHOR BAHRU, JOHOR DARUL TAKZIM**
2) **A DOUBLE STOREY MID TERRACED SHOPHOUSE IDENTIFIED AS PREMISES NO. 63, JALAN LIM SWEE SIM TAMAN KLUANG BARU, 86000 KLUANG, JOHOR DARUL TAKZIM**
3) **A STRATIFIED INDUSTRIAL UNIT LOCATED ON THE GROUND FLOOR OF A SIX STOREY FLATTED FACTORY IDENTIFIED AS LOT NOS. 0009, 0010 & 0011, GROUND FLOOR RESOURCE COMPLEX, NO. 33, JALAN SEGAMBUT ATAS SEGAMBUT, 51200 KUALA LUMPUR**

As spoken, please be advised that there are no changes in value of the above properties which we had valued recently.

We have given and have not withdrawn our written consents to the issue of this Circular with the inclusion of our name and all references thereto, in the form and context in which they appear in this Circular.

The Circular relates to Mandatory Unconditional Cash Offer and will be issued to all shareholders of Kian Ho Bearings Ltd.

Yours faithfully,
JONES LANG WOOTTON
(Registration No: VE (2) 0078/2)

ALIZA ARSHAD
SENIOR VICE PRESIDENT

Kuala Lumpur
8th Floor, Bangunan Getah Asli (Menara), 148 Jalan Ampang, 50450 Kuala Lumpur
Tel: (03) 2161 2522 Fax: (03) 2161 8060

Jones Lang Wootton
Proprietor: Singham Sulaiman Sdn. Bhd. (78217-X)

Chartered Surveyors
International Property Consultants
Registered Valuers
Property Managers
Real Estate Agents

8th Floor,
Bangunan Getah Asli (Menara),
148 Jalan Ampang,
50450 Kuala Lumpur

Tel: (03) 2161 2522
Fax: (03) 2161 8060
Email: joneslang@jlwmalaysia.com
www.jlwmalaysia.com

Firm Reg. No. VE(2) 0078

Our Ref.: V/UD2/019/13/ACC-V/IC-(B)/048/12/ACC

31st December 2013

Messrs Kian Ho Bearings (M) Sdn Bhd
No. 43, Jalan Glasiar
Taman Tasek
80200 Johor Bahru
Johor Darul Takzim

Attention: Ms Florence Wong

Dear Sir/Madam,

CERTIFICATE OF UP-DATE VALUATION

PURPOSE OF VALUATION	Accounting.
DATE OF VALUATION	31st December 2013.
PROPERTY ADDRESS	Unit Nos. 0009, 0010 and 0011, Ground Floor, Kompleks Sentral (formerly known as Resource Complex), No. 33, Jalan Segambut Atas, 51200 Kuala Lumpur.
PROPERTY TYPE	A stratified industrial unit located on the ground floor of a six storey flatted factory.
TITLE PARTICULARS	Parcel No. 23, Storey No. 1, Building No. M1, Lot No. 53159, Mukim of Batu, District of Wilayah Persekutuan Kuala Lumpur, Wilayah Pesekutuan Kuala Lumpur held under Strata Title No. Pajakan Negeri (WP) 22733/M1/1/23.
PROPERTY PARTICULARS:- **1) PROPERTY CONDITION**	Good state of decorative repair.
2) STRATA FLOOR AREA	576 square metres (6,200 square feet).
REGISTERED OWNER	Malaysian Resources Development Sdn. Bhd.
TENURE	Leasehold interest for a term of 47 years, expiring on 2nd October 2044.
TERM OF STRATA TITLE (For Leasehold)	Having an unexpired term of about 31 years (as at the date of this valuation).
MARKET VALUE	RM1,400,000
METHOD OF VALUATION	Comparison Approach.
ADVERSE FEATURE	Nil.

F or all intents and purposes, this letter should be read in conjunction with our formal Report and Valuation bearing Reference No. V/IC-(B)/048/12/ACC dated 31st December 2012.

Yours faithfully,
JONES LANG WOOTTON

RAJA NORZIHAN BT. RAJA HUSAIN, MRISM
REGISTERED VALUER, V-380
RN/MIE

Johor Bahru
Lot 19.02, Level 19, Public Bank Tower, 19 Jalan Wong Ah Fook, 80000 Johor Bahru
Tel: (07) 224 9937 Fax: (07) 224 9936

In association with Jones Lang LaSalle

Jones Lang Wootton
Proprietor: Singham Sulaiman Sdn. Bhd. (78217-X)

Chartered Surveyors
International Property Consultants
Registered Valuers
Property Managers
Real Estate Agents

Lot 19.02, Level 19,
Public Bank Tower,
19 Jalan Wong Ah Fook,
80000 Johor Bahru

Tel: (07) 224 9937
Fax: (07) 224 9936
Email: johor@jlwmalaysia.com
www.jlwmalaysia.com

Firm Reg. No. VE(2) 0078/2

Our Ref.: V/JB/UD2/003/2013/ACC-V/JB/IC-(B)/035/2012/ACC

31st December 2013

Messrs Kian Ho Bearings (M) Sdn Bhd
No. 43, Jalan Glasiar
Taman Tasek
80200 Johor Bahru
Johor Darul Takzim

Attention: Ms Florence Wong

Dear Sir/Madam,

CERTIFICATE OF UP-DATE VALUATION

PURPOSE OF VALUATION	Accounting.
DATE OF VALUATION	31st December 2013.
PROPERTY ADDRESS	No. 43, Jalan Glasiar, Taman Tasek, 80200 Johor Bahru, Johor Darul Takzim.
PROPERTY TYPE	An extended four storey mid terraced shophouse.
TITLE PARTICULARS	Lot 14806, Township and District of Johor Bahru, Johor Darul Takzim and held under Title No. GRN 473023.
PROPERTY PARTICULARS:- **1) PROPERTY CONDITION**	Good state of decorative repair.
2) TITLE LAND AREA	143.1 square metres (1,540 square feet).
REGISTERED OWNERS	Kian Ho Bearings (M) Sdn Bhd.
TENURE	Interest in perpetuity.
TERM OF TITLE (For Leasehold)	Not applicable.
MARKET VALUE	RM850,000
METHOD OF VALUATION	Comparison Approach.
ADVERSE FEATURE	Nil.

For all intents and purposes, this letter should be read in conjunction with our formal Report and Valuation bearing Reference No. V/JB/IC-(B)/035/2012/ACC dated 31st December 2012.

Yours faithfully,
JONES LANG WOOTTON
(REGISTRATION NO. VE(2)0078/2)

ALIZA ARSHAD, MRISM
REGISTERED VALUER, V-681
ABA/CSS

Kuala Lumpur
8th Floor, Bangunan Getah Asli (Menara), 148 Jalan Ampang, 50450 Kuala Lumpur
Tel: (03) 2161 2522 Fax: (03) 2161 8060

Jones Lang Wootton
Proprietor: Singham Sulaiman Sdn. Bhd. (78217-X)

Chartered Surveyors
International Property Consultants
Registered Valuers
Property Managers
Real Estate Agents

Lot 19.02, Level 19,
Public Bank Tower,
19 Jalan Wong Ah Fook,
80000 Johor Bahru

Tel: (07) 224 9937
Fax: (07) 224 9936
Email: johor@jlwmalaysia.com
www.jlwmalaysia.com

Firm Reg. No. VE(2) 0078/2

Our Ref.: V/JB/UD2/004/2013/ACC-V/JB/IC-(A)/036/2012/ACC

31st December 2013

Messrs Kian Ho Bearings (M) Sdn Bhd
No. 43, Jalan Glasiar
Taman Tasek
80200 Johor Bahru
Johor Darul Takzim

Attention: Ms Florence Wong

Dear Sir/Madam,

CERTIFICATE OF UP-DATE VALUATION

PURPOSE OF VALUATION	Accounting.
DATE OF VALUATION	31st December 2013.
PROPERTY ADDRESS	No. 63, Jalan Lim Swee Sim, Taman Kluang Baru, 86000 Kluang, Johor Darul Takzim.
PROPERTY TYPE	A double storey mid terraced shophouse.
TITLE PARTICULARS	Lot 4902, Township and District of Kluang, Johor Darul Takzim and held under Title No. GRN 60331.
PROPERTY PARTICULARS:-	
1) PROPERTY CONDITION	Good state of decorative repair.
2) TITLE LAND AREA	156 square metres (1,679 square feet).
REGISTERED OWNERS	Kian Ho Bearings (M) Sdn Bhd.
TENURE	Interest in perpetuity.
TERM OF TITLE (For Leasehold)	Not applicable.
MARKET VALUE	RM310,000
METHOD OF VALUATION	Comparison Approach.
ADVERSE FEATURE	Nil.

For all intents and purposes, this letter should be read in conjunction with our formal Report and Valuation bearing Reference No. V/JB/IC-(B)/036/2012/ACC dated 31st December 2012.

Yours faithfully,
JONES LANG WOOTTON
(REGISTRATION NO. VE(2)0078/2)

ALIZA ARSHAD, MRISM
REGISTERED VALUER, V-681
ABA/MFJ

Kuala Lumpur
8th Floor, Bangunan Getah Asli (Menara), 148 Jalan Ampang, 50450 Kuala Lumpur
Tel: (03) 2161 2522 Fax: (03) 2161 8060

In association with Jones Lang LaSalle

Greater China Appraisal (Shanghai) Limited
汉华评值（上海）资产评估有限公司

Our Ref.: RCP1402109SH
19th June 2014

Acker Machinery (Shanghai) Co., Ltd
No. 267 Tianmu Zhong Road
Sapphire Tower, 5th Floor,
200070 Shanghai, China.

Dear Sir/Madam,

ABSTRACT OF VALUATION

I. Entrusting party: Acker Machinery (Shanghai) Co., Ltd

II. Owners: Acker Machinery (Shanghai) Co., Ltd

III. Other users of the report: Other users of the report according to the engagement letter

IV. Appraisal purpose: The appraisal purpose is to provide reference for Acker Machinery (Shanghai) Co., Ltd when valuing the property at market value for financial recording and reporting.

V. Appraisal target and scope: The appraisal target is the property on level 1, building 2, No 220 South Mei Gui Road, Pu Dong, Shanghai. The land usage ownership belongs to Acker Machinery (Shanghai) Co., Ltd, the land is for industrial use, with a total land size of 1836 square meters and the construction area is 2223.35 square meters.

VI. Value Types: Market Value

VII. Appraisal base date: 17th of June 2014

VIII. Appraisal method: Market Value Matching Method.

IX. Appraisal Result: The appraised value of the appraised property on level 1, building 2, No 220 South Mei Gui Road, Pu Dong, Shanghai as at the base date of 17th of June 2014 is RMB Twenty Two Million Nine Hundred Thousand Five Hundred and Five Yuan (RMB22,900,505.00).

X. The accomplishing date of the appraisal report: 19th of June 2014

For all intents and purposes, this letter should be read in conjunction with our formal Report and Valuation bearing Reference No. RCP1402109SH dated 19th June 2014.

Yours faithfully,

Greater China Appraisal (Shanghai) Limited

Tel: (021)5291 8637 Fax: (021)5292 1799

Greater China Appraisal (Shanghai) Limited
汉华评值（上海）资产评估有限公司

Our Ref.: RCP1402110SH
19th June 2014

Acker Machinery (Shanghai) Co., Ltd
No. 267 Tianmu Zhong Road
Sapphire Tower, 5th Floor,
200070 Shanghai, China.

Dear Sir/Madam,

ABSTRACT OF VALUATION

I. Entrusting party: Acker Machinery (Shanghai) Co., Ltd

II. Owners: Acker Machinery (Shanghai) Co., Ltd

III. Other users of the report: Other users of the report according to the engagement letter

IV. Appraisal purpose: The appraisal purpose is to provide reference for Acker Machinery (Shanghai) Co., Ltd when valuing the property at market value for financial recording and reporting.

V. Appraisal target and scope: The appraisal target is the property on level 1-3, No. 11, building 32, No 777 Jin Fu Road Jin Niu District Cheng Du (Jin Fu Hardware and Electrical Machinery Centre) with a total construction area of 259.81 square meters of commercial property on the land for commercial use with land usage right of 81.33 square meters.

VI. Value Types: Market Value

VII. Appraisal base date: 17th of June 2014

VIII. Appraisal method: Market Value Matching Method.

IX. Appraisal Result: The appraised value of the appraised property on level 1-3, No. 11, building 32, No 777 Jin Fu Road Jin Niu District Cheng Du (Jin Fu Hardware and Electrical Machinery Centre) as at the base date of 17th of June 2014 is RMB Five Million Four Hundred Fifty Eight Thousand Six Hundred and Eight Yuan (RMB 5,458,608.00).

X. The accomplishing date of the appraisal report: 19th of June 2014

For all intents and purposes, this letter should be read in conjunction with our formal Report and Valuation bearing Reference No. RCP1402110SH dated 19th June 2014.

Yours faithfully,

Greater China Appraisal (Shanghai) Limited

Tel: (021)5291 8637 Fax: (021)5292 1799

Greater China Appraisal (Shanghai) Limited
汉华评值（上海）资产评估有限公司

Our Ref.: RCP1402111SH
19th June 2014

Kian Ho Guangzhou Co., Ltd
Room 2703 No.2193 East Guang Yuan Road
Tian He Zone,Guangzhou, China.

Dear Sir/Madam,

ABSTRACT OF VALUATION

I. Entrusting party: Kian Ho Guangzhou Co., Ltd

II. Owners: Kian Ho Guangzhou Co., Ltd

III. Other users of the report: Other users of the report according to the engagement letter

IV. Appraisal purpose: The appraisal purpose is to provide reference for Kian Ho Guangzhou Co., Ltd when valuing the property at market value for financial recording and reporting.

V. Appraisal target and scope: The appraisal target is the property of 2703, No. 2193, East Guang Yuan Road, Tian He District, Guang Zhou, with total construction area of 120.04 square meters.

VI. Value Types: Market Value

VII. Appraisal base date: 17th of June 2014

VIII. Appraisal method: Market Value Matching Method.

IX. Appraisal Result: The appraised value of the appraised property of 2703, No. 2193, East Guang Yuan Road, Tian He District, Guang Zhou as at the base date of 17th of June 2014 is RMB Two Million Two Hundred Forty Four Thousand Seven Hundred and Forty Eight Yuan (RMB2,244,748.00).

X. The accomplishing date of the appraisal report: 19th of June 2014

For all intents and purposes, this letter should be read in conjunction with our formal Report and Valuation bearing Reference No. RCP1402111SH dated 19th June 2014.

Yours faithfully,

Greater China Appraisal (Shanghai) Limited

Tel: (021)5291 8637 Fax: (021)5292 1799

Greater China Appraisal (Shanghai) Limited
汉华评值（上海）资产评估有限公司

Our Ref.: RCP1402112SH
19th June 2014

Kian Ho Guangzhou Co., Ltd
Room 2703 No.2193 East Guang Yuan Road
Tian He Zone,Guangzhou, China.

Dear Sir/Madam,

ABSTRACT OF VALUATION

I. Entrusting party: Kian Ho Guangzhou Co., Ltd

II. Owners: Kian Ho Guangzhou Co., Ltd

III. Other users of the report: Other users of the report according to the engagement letter

IV. Appraisal purpose: The appraisal purpose is to provide reference for Kian Ho Guangzhou Co., Ltd when valuing the property at market value for financial recording and reporting.

V. Appraisal target and scope: The appraisal target is the property of 2704, No. 2193, East Guang Yuan Road, Tian He District, Guang Zhou, with total construction area of 154.74 square meters.

VI. Value Types: Market Value

VII. Appraisal base date: 17th of June 2014

VIII. Appraisal method: Market Value Matching Method.

IX. Appraisal Result: The appraised value of the appraised property of 2704, No. 2193, East Guang Yuan Road, Tian He District, Guang Zhou as at the base date of 17th of June 2014 is RMB Two Million Nine Hundred Sixty Six Thousand Three Hundred and Sixty Six Yuan (RMB2,966,366.00).

X. The accomplishing date of the appraisal report: 19th of June 2014

For all intents and purposes, this letter should be read in conjunction with our formal Report and Valuation bearing Reference No. RCP1402112SH dated 19th June 2014.

Yours faithfully,

Greater China Appraisal (Shanghai) Limited

Tel: (021)5291 8637 Fax: (021)5292 1799

No.	Date of contract	Names of parties	Description	Consideration	Salient terms and conditions
1.	31 December 2013	1) KHB Holdings Pte Ltd 2) The Company	Rental expenses for premises at 204 & 206 Jalan Besar Singapore 208892	Aggregate annual rent of $120,000	The demised premises are let out to the Company for the term from 1 January 2014 to 31 December 2014.
2.	1 October 2013	1) Teo Xian-Hui Amanda Marie 2) Acker Machinery (Shanghai) Co., Ltd & Kian Ho Shanghai Co. Ltd	Rental expenses for premises at 5th floor, Sapphire Tower No. 267 Tianmu Zhong Road, Shanghai, China	Aggregate annual rent of $154,000	The demised premises are let out to the Shanghai subsidiaries of the Company for the term from 1 October 2013 to 30 September 2016.