

CIRCULAR DATED 28 MARCH 2016

THIS CIRCULAR IS IMPORTANT AS IT CONTAINS THE RECOMMENDATION OF THE INDEPENDENT DIRECTORS (AS DEFINED HEREIN) OF CHINA YONGSHENG LIMITED AND THE ADVICE OF KGI FRASER SECURITIES 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 China Yongsheng Limited (the “**Company**”). If you are in any doubt in relation to this Circular or as to the action you should take, you should consult your stockbroker, bank manager, solicitor, accountant, tax adviser or other professional adviser immediately.

If you have sold or transferred all your issued and paid-up ordinary shares in the capital of the Company (“**Shares**”) held through The Central Depository (Pte) Limited (“**CDP**”), you need not forward this Circular to the purchaser or transferee as arrangements will be made by CDP for a separate Circular to be sent to the purchaser or transferee. If you have sold or transferred all your Shares which are not deposited with 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. However, such documents should not be forwarded or transmitted to any jurisdiction outside of Singapore.

*This Circular has been prepared by the Company and its contents have been reviewed by the Company's sponsor, Provenance Capital Pte. Ltd. (the “**Sponsor**”) for compliance with the Singapore Exchange Securities Trading Limited (“**SGX-ST**”) Listing Manual Section B: Rules of the Catalyst. The Sponsor has not verified the contents of this Circular.*

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

The contact person for the Sponsor is Ms Wong Bee Eng, Chief Executive Officer, at: 96 Robinson Road, #13-01, SIF Building, Singapore 068899, Telephone: (65) 6227 1580, Email: wongbe@provenancecapital.com.



CHINA YONGSHENG LIMITED

(Incorporated in the Republic of Singapore)
(Company Registration No. 197302032R)

CIRCULAR TO SHAREHOLDERS

in relation to the

VOLUNTARY CONDITIONAL CASH OFFER

by

CIMB BANK BERHAD (13491-P)

Singapore Branch

(Incorporated in Malaysia)

for and on behalf of

TORRINGTON PLACE PTE. LTD.

(Incorporated in the Republic of Singapore)
(Company Registration No. 201405291N)

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

Independent Financial Adviser to the Independent Directors of the Company



KGI FRASER SECURITIES PTE. LTD.

(Incorporated in the Republic of Singapore)
(Company Registration No. 195500144H)

SHAREHOLDERS SHOULD NOTE THAT THE OFFER (AS DEFINED HEREIN) WILL CLOSE AT 5.30 P.M. (SINGAPORE TIME) ON 11 APRIL 2016 OR SUCH LATER DATE(S) AS MAY BE ANNOUNCED FROM TIME TO TIME BY OR ON BEHALF OF THE OFFEROR.

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DEFINITIONS

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

“Acceptance Condition”	:	Shall have the meaning ascribed to it in paragraph 2.3 of this Circular
“Act”	:	The Companies Act, Chapter 50, of Singapore
“Additional Undertaking Shares”	:	Any Shares derived from the Undertaking Shares (whether pursuant to any bonus issue, rights issue or distribution of Shares or otherwise by the Company) as well as any Shares which may be acquired by Ever Universe or which may be conditionally or unconditionally issued to Ever Universe subsequent to the date of the Irrevocable Undertaking, which are the subject of the Irrevocable Undertaking
“Business Day”	:	A day (other than a Saturday, a Sunday or a gazetted public holiday) on which commercial banks are open for business in Singapore
“Catalist Rules”	:	SGX-ST Listing Manual Section B: Rules of Catalist
“CDP”	:	The Central Depository (Pte) Limited
“CIMB”	:	CIMB Bank Berhad, Singapore Branch
“Circular”	:	This circular dated 28 March 2016 issued by the Company to Shareholders in relation to the Offer (including, <i>inter alia</i> , 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. (Singapore time) on 11 April 2016, or such later date(s) as may be announced from time to time by or on behalf of the Offeror, such date being the last day for the lodgement of acceptances of the Offer
“Code”	:	The Singapore Code on Take-overs and Mergers
“Company”	:	China Yongsheng Limited
“Constitution”	:	The constitution of the Company comprising the memorandum and articles of association of the Company which were in force immediately before phase 2 of the Companies (Amendment) Act 2014 took effect on 3 January 2016
“CPF”	:	The Central Provident Fund of Singapore
“CPF Agent Banks”	:	Agent banks included under the CPFIS
“CPFIS”	:	CPF 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

DEFINITIONS

<i>“Encumbrances”</i>	:	All liens, equities, claims, charges, mortgages, pledges, title retention, rights of first refusal, encumbrances, rights of pre-emption and other third party rights and interests of any nature whatsoever
<i>“Ever Universe”</i>	:	Ever Universe Investments Limited
<i>“Ever Universe Acceptance”</i>	:	The acceptance of the Offer by Ever Universe in respect of the Undertaking Shares and the Additional Undertaking Shares by way of the Set Off and not for cash consideration
<i>“Ever Universe Shareholders”</i>	:	Messers Sun Jinnan, Sun Jianming, Sun Liping, Zhao Deming and Zhao Lei
<i>“FAA”</i>	:	Form of Acceptance and Authorisation for Offer Shares, which forms part of the Offer Document and which is issued to Shareholders whose Shares are deposited with CDP
<i>“FAT”</i>	:	Form of Acceptance and Transfer for Offer Shares, which forms part of the Offer Document and which is issued to Shareholders whose Shares are not deposited with CDP
<i>“FY”</i>	:	Financial year ended or ending (as the case may be) 31 December of a particular year as stated
<i>“Group”</i>	:	The Company and its subsidiaries
<i>“IFA”</i>	:	KGI Fraser Securities Pte. Ltd., the independent financial adviser to the Independent Directors in relation to the Offer
<i>“IFA Letter”</i>	:	The letter dated 28 March 2016 from the IFA to the Independent Directors in relation to the Offer, as set out in Appendix I to this Circular
<i>“Independent Auditors”</i>	:	Deloitte & Touche LLP
<i>“Independent Directors”</i>	:	The Directors who are considered independent for the purposes of making the recommendation to the Shareholders in respect of the Offer, being Mr Low Beng Tin, Mr Bernard Tay Ah Kong, Mr Frank Liu and Mr Tan Gim Soo
<i>“Independent Valuer”</i>	:	Crowe Horwath (HK) Consulting & Valuation Limited
<i>“Irrevocable Undertaking”</i>	:	The irrevocable undertaking dated 24 February 2016 given by Ever Universe to the Offeror in connection with the Offer, as more particularly set out in paragraph 4 of this Circular
<i>“Latest Practicable Date”</i>	:	15 March 2016, being the latest practicable date prior to the printing of this Circular
<i>“Last Traded Day”</i>	:	23 February 2016, being the last Market Day on which the Shares were traded prior to the Offer Announcement Date
<i>“Market Day”</i>	:	A day on which the SGX-ST is open for trading of securities

DEFINITIONS

“Offer”	:	The voluntary conditional cash offer made by CIMB, for and on behalf of the Offeror, to acquire all the Offer Shares on the terms and conditions set out in the Offer Document, the FAA and the FAT, as such offer may be amended, extended and/or revised from time to time by or on behalf of the Offeror
“Offer Announcement”	:	The announcement released by CIMB, for and on behalf of the Offeror on the Offer Announcement Date, in relation to the Offer
“Offer Announcement Date”	:	24 February 2016, being the date of the Offer Announcement
“Offer Document”	:	The document dated 14 March 2016 and any other document(s) which may be issued by CIMB, for and on behalf of the Offeror, to amend, revise, supplement or update the document(s) from time to time
“Offer Document Despatch Date”	:	14 March 2016, being the date of despatch of the Offer Document
“Offer Price”	:	S\$0.032 in cash for each Offer Share
“Offer Shares”	:	All the issued and paid-up Shares to which the Offer relates, including all Shares owned, controlled or agreed to be acquired by parties acting or presumed to be acting in concert with the Offeror
“Offeror”	:	Torrington Place Pte. Ltd.
“Offeror Concert Group”	:	The Offeror and parties acting or presumed to be acting in concert with the Offeror
“Offeror Securities”	:	(a) Offeror Shares, (b) securities which carry substantially the same rights as any Offeror Shares, and (c) convertible securities, warrants, options and derivatives in respect of any Offeror Shares or such securities in (b)
“Offeror Shares”	:	Ordinary shares in the share capital of the Offeror
“Offeror Subscription Shares”	:	100,000 new ordinary shares in the issued and paid-up share capital of the Offeror
“Overseas Shareholders”	:	Shareholders whose addresses are outside Singapore as shown in the Register or the Depository Register, and “Overseas Shareholder” shall be construed accordingly
“PRC”	:	People’s Republic of China
“Register”	:	The register of holders of Shares as maintained by the Share Registrar
“Revalued Properties”	:	The three parcels of land with buildings in Mudu Town and Wujiang County, Suzhou City, Jiangsu Province, PRC in which the Company has interests and which have been revalued as at 29 February 2016 pursuant to the Valuation Report
“Securities”	:	(a) securities which carry voting rights in the Company, including but not limited to the Shares, and (b) convertible securities, warrants, options and derivatives in respect of such securities in (a)

DEFINITIONS

“Set Off”	: The set off in full of the subscription monies payable by Ever Universe to the Offeror for the Offeror Subscription Shares pursuant to the Subscription against the consideration payable by the Offeror to Ever Universe for the Undertaking Shares and, if applicable, the Additional Undertaking Shares pursuant to the Ever Universe Acceptance
“SFA”	: The Securities and Futures Act, Chapter 289, of Singapore
“SGXNET”	: The SGXNET Corporate Announcement System, being a system network used by listed companies to send information and announcements to the SGX-ST or any other system networks prescribed by the SGX-ST
“SGX-ST”	: Singapore Exchange Securities Trading Limited
“Share Registrar”	: B.A.C.S. Private Limited
“Shareholders”	: Persons who are registered as holders of Shares in the Register and Depositors who have Shares entered against their names in the Depository Register, and “Shareholder” shall be construed accordingly
“Shares”	: Issued and paid-up ordinary shares in the capital of the Company
“SIC”	: The Securities Industry Council of Singapore
“Sponsor”	: Provenance Capital Pte. Ltd.
“Subscription”	: The subscription for the Offeror Subscription Shares by Ever Universe pursuant to the Irrevocable Undertaking
“Undertaking Shares”	: 1,132,476,078 Shares held by Ever Universe as at the Offer Announcement Date, representing approximately 68.06% of the total number of issued Shares (excluding treasury shares), which are the subject of the Irrevocable Undertaking
“S\$” and “cents”	: Singapore dollars and cents respectively, being the lawful currency of Singapore
“Valuation Report”	: The valuation report dated 15 March 2016 from the Independent Valuer, as set out in Appendix V to this Circular
“%”	: Per centum or percentage

Acting in Concert. Unless otherwise defined, the term **“acting in concert”** shall have the meaning ascribed to it in the Code.

Associate. The term **“associate”** shall have the meaning ascribed to it in the Catalist Rules.

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

Gender. 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.

DEFINITIONS

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

Paragraphs. Any reference in this Circular to a paragraph is a reference to a paragraph of this Circular, unless otherwise stated.

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.

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 Act, the SFA, the Catalist Rules, 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 Act, the SFA, the Catalist Rules, the Code or any such statutory or regulatory modification thereof, as the case may be, unless the context otherwise requires.

Subsidiaries and related corporations. The terms “**subsidiaries**” and “**related corporations**” shall have the meanings ascribed to them respectively in Sections 5 and 6 of the Act.

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

Statements which are reproduced in their entirety from the Offer Document, the IFA Letter and the Constitution are set out in this Circular within quotes and 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 Constitution 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 current expectations, beliefs, hopes, intentions or strategies regarding the future and assumptions in light of currently available information. Such forward-looking statements are not guarantees of future performance or events and involve known and unknown risks and uncertainties. Accordingly, actual results may differ materially from those described in such forward-looking statements. Shareholders should not place undue reliance on such forward-looking statements, and the Company assumes no obligation to update publicly or revise any forward-looking statement.

SUMMARY TIMETABLE

Date of despatch of the Offer Document : 14 March 2016

Date of despatch of the Circular : 28 March 2016

Closing Date : 5.30 p.m. (Singapore time) on 11 April 2016, or such later date(s) as may be announced from time to time by or on behalf of the Offeror, such date being the last day for the lodgement of acceptances of the Offer.

Date of settlement of consideration for valid acceptances of the Offer : (a) In respect of valid acceptances of the Offer which are complete in all respects and are received **on or before** the date on which the Offer becomes or is declared to be unconditional in all respects in accordance with its terms, within 7 Business Days of such date; or

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

Please see paragraph 2 of Appendix 1 to the Offer Document for further details.

LETTER TO SHAREHOLDERS

CHINA YONGSHENG LIMITED

(Incorporated in the Republic of Singapore)
(Company Registration No. 197302032R)

Board of Directors:

Mr Sun Jianming (*Executive Chairman*)
Mr Zhao Deming (*Chief Executive Officer/Managing Director*)
Mr Sun Jinnan (*Executive Director*)
Mr Zhao Lei (*Executive Director*)
Mr Low Beng Tin (*Lead Independent Director*)
Mr Bernard Tay Ah Kong (*Independent Director*)
Mr Frank Liu (*Independent Director*)
Mr Tan Gim Soo (*Independent Director*)

Registered Office:

80 Robinson Road
#17-02
Singapore 068898

28 March 2016

To: The Shareholders of China Yongsheng Limited

Dear Sir/Madam

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

1. INTRODUCTION

1.1 Offer Announcement

On 24 February 2016, CIMB announced, for and on behalf of the Offeror, that the Offeror intends to make a voluntary conditional cash offer for all the Shares in the capital of the Company.

A copy of the Offer Announcement dated 24 February 2016 is available on the SGXNET.

1.2 Aggregate holding of Shares by the Offeror and parties acting in concert with the Offeror

Paragraph 14.1(a) of the Offer Document states that, as at 7 March 2016, being the latest practicable date prior to the printing of the Offer Document, the Offeror Concert Group owns, controls or has agreed to acquire an aggregate of 1,133,143,078 Shares, representing approximately 68.10% of the total number of issued Shares (excluding treasury shares).

Further details on the aggregate holding of Shares by the Offeror Concert Group can be found in paragraph 14.1 of the Offer Document.

1.3 Offer Document

Shareholders should have by now received a copy of the Offer Document despatched by the Offeror on 14 March 2016, setting out, *inter alia*, the formal offer by CIMB, for and on behalf of the Offeror, to acquire all the Offer Shares, being all the issued and paid-up Shares to which the Offer relates, including all Shares owed, controlled or agreed to be acquired by parties acting or presumed to be acting in concert with the Offeror, 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 SGXNET.

LETTER TO SHAREHOLDERS

1.4 Independent Financial Adviser

KGI Fraser Securities Pte. Ltd. has been appointed as the independent financial adviser to the Independent Directors in relation to the Offer.

1.5 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 read the Offer Document, this Circular and the IFA Letter carefully and 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.

If you are in any doubt about the Offer, you should consult your stockbroker, bank manager, solicitor, accountant, tax adviser or other professional advisers immediately.

2. THE OFFER

Based on the information set out in the Offer Document, the Offeror is making the Offer for the Offer Shares subject to the terms and conditions set out in the Offer Document, the FAA and/or the FAT (as the case may be). The principal terms and conditions of the Offer, as extracted from the Offer Document, are set out below:

2.1 Offer Price

Paragraph 2.2 of the Offer Document states that the Offer Price for each Offer Share will be as follows:

For each Offer Share: S\$0.032 in cash

Paragraph 2.2 of the Offer Document further states that the Offeror shall pay the Offer Price in cash for the Offer Shares which are validly tendered in acceptance of the Offer, save for the Undertaking Shares and, if applicable, the Additional Undertaking Shares held by Ever Universe for which the consideration shall be satisfied by way of the Set Off.

2.2 No Encumbrances

Paragraph 2.3 of the Offer Document states the following:

“The Offer Shares are to be acquired (a) fully paid-up, (b) free from all Encumbrances, and (c) together with all rights, benefits and entitlements attached thereto as at the Offer Announcement Date and thereafter attaching thereto, including but not limited to all voting rights and the right to receive and retain all dividends, rights, distributions, returns of capital and any other entitlements (if any) which may be announced, declared, paid or made thereon by the Company, on or after the Offer Announcement Date together with all interest accrued thereon.

Accordingly, if any dividend, right, distribution, return of capital or any other entitlement is announced, declared, paid or made by the Company on or after the Offer Announcement Date, the Offeror reserves the right to reduce the Offer Price correspondingly by the amount of such dividend, right, distribution, return of capital or any other entitlement.”

LETTER TO SHAREHOLDERS

2.3 Condition of the Offer

Paragraph 2.4 of the Offer Document states the following:

*“The Offer will be conditional upon the Offeror having received, by the Closing Date, valid acceptances in respect of such number of Offer Shares which will result in the Offeror holding **not less than 90%** of the Offer Shares as at the Closing Date (**“Acceptance Condition”**).*

The Offeror reserves the right to reduce the Acceptance Condition to a lower minimum acceptance level, provided that such revision be made after obtaining the consent of the SIC. In the event that the Acceptance Condition is revised, the revised Offer shall remain open for another 14 days following such revision and Shareholders who have accepted the Offer will be permitted to withdraw their acceptances within eight (8) days of notification of such revision.

Save as disclosed above, the Offer is unconditional in all other respects.”

2.4 Warranty

Paragraph 3 of the Offer Document states the following:

“A Shareholder who tenders his Offer Shares in acceptance of the Offer will be deemed to have unconditionally and irrevocably warranted that he sells such Offer Shares as or on behalf of the beneficial owner(s) thereof, (a) fully paid-up, (b) free from all Encumbrances, and (c) together with all rights, benefits and entitlements attached thereto as at the Offer Announcement Date and thereafter attaching thereto, including but not limited to all voting rights and the right to receive and retain all dividends, rights, distributions, returns of capital and any other entitlements (if any) which may be announced, declared, paid or made thereon by the Company on or after the Offer Announcement Date together with all interest accrued thereon.”

2.5 Duration of the Offer

Paragraph 1 of Appendix 1 to the Offer Document states the following:

“1.1. First Closing Date

The Offer is open for acceptance by Shareholders for at least 28 days from the Despatch Date, unless the Offer is withdrawn with the consent of the SIC and every person released from any obligation incurred thereunder.

Accordingly, the Offer will close at 5.30 p.m. (Singapore time) on 11 April 2016 or such later date(s) as may be announced from time to time by or on behalf of the Offeror.

1.2. Subsequent Closing Date(s)

If the Offer is extended and:

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

1.3. No Obligation to Extend the Offer

The Offeror is not obliged to extend the Offer if the condition of the Offer as set out in Section 2.4 of this Offer Document is not fulfilled by the Closing Date.

LETTER TO SHAREHOLDERS

1.4. **Offer to Remain Open for 14 Days after being Declared Unconditional as to Acceptances**

Pursuant to Rule 22.6 of the Code, if the Offer becomes or is declared unconditional as to acceptances, the Offer will remain open for a period (the “**Rule 22.6 Period**”) for not less than 14 days after the date on which the Offer would otherwise have closed, in order to give Shareholders who have not accepted the Offer the opportunity to do so.

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

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

For these purposes, the SIC would normally regard a “competitive situation” to have arisen if a competing offer for the Company has been announced.

If a declaration that the Offer is unconditional is confirmed in accordance with Rule 28.1 of the Code, the Rule 22.6 Period will run from the date of such confirmation or the date on which the Offer would otherwise have closed, whichever is later.

1.5. **Final Day Rule**

The Offer (whether revised or not) will not be capable of:

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

provided that the Offeror may extend the Offer beyond such 60-day period with the SIC’s prior consent (the “**Final Day Rule**”). The SIC will normally grant such permission if a competing offer has been announced.

1.6. **Revision**

The Offeror reserves the right to revise the terms of the Offer at such time and in such manner as it may consider appropriate. If the Offer is revised, the Offer will remain open for acceptance for at least 14 days from the date of despatch of the written notification of the revision to Shareholders. In any case where the terms are revised, the benefit of the Offer (as so revised) will be made available to each of the Shareholders who had previously accepted the Offer.”

2.6 **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(s) of level of acceptances of the Offer, and (c) the right of withdrawal of acceptances of the Offer, are set out in Appendix 1 to the Offer Document.

2.7 **Procedures for acceptance**

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

LETTER TO SHAREHOLDERS

3. INFORMATION ON THE OFFEROR

The following information on the Offeror has been extracted from paragraph 6 of the Offer Document and reproduced below:

- “6.1. *The Offeror is a special purpose vehicle incorporated in Singapore on 25 February 2014 as a limited exempt private company and is set up for the purpose of making the Offer. The Offeror has not carried on any business since its incorporation, except in relation to matters in connection with the making of the Offer.*
- 6.2. *As at the Latest Practicable Date, the Offeror has an issued and paid-up share capital of S\$2.00 divided into two (2) ordinary shares held by each of Messrs Sun Jinnan and Zhao Lei. The directors of the Offeror are Messrs Sun Jinnan, Zhao Lei and Cao Xiaping.*
- 6.3. *As at the Latest Practicable Date, Messrs Sun Jinnan and Zhao Lei, together with Messrs Sun Jianming, Sun Liping and Zhao Deming, control the Company through Ever Universe, which holds 1,132,476,078 Shares, representing approximately 68.06% of the total number of issued Shares (excluding treasury shares). Messrs Sun Jinnan, Sun Jianming, Sun Liping, Zhao Deming and Zhao Lei own 16.96%, 17.26%, 16.88%, 32.02% and 16.88% of the issued share capital of Ever Universe, respectively. The Ever Universe Shareholders are also the directors of Ever Universe.*
- 6.4. *Mr Sun Jianming is the Executive Chairman of the Company, Mr Zhao Deming is the Chief Executive Officer and Managing Director of the Company and Messrs Sun Jinnan and Zhao Lei are the Executive Directors of the Company. Mr Sun Jinnan is the father of Mr Sun Jianming and Ms Sun Liping. Mr Zhao Lei is the son of Mr Zhao Deming. Mr Zhao Deming is the nephew of Mr Sun Jinnan, and Mr Zhao Deming, Mr Sun Jianming and Ms Sun Liping are cousins.*
- 6.5. *As the Latest Practicable Date, the Offeror does not hold any Shares.*
- 6.6. *Additional information on the Offeror is set out in **Appendix 3** and **Appendix 6** to this Offer Document.”*

4. IRREVOCABLE UNDERTAKING

- 4.1 The following information on the irrevocable undertaking received by the Offeror to accept the Offer has been extracted from paragraph 8 of the Offer Document and reproduced below:

- “8.1. *As at the Latest Practicable Date, the Offeror has received the Irrevocable Undertaking from Ever Universe pursuant to which Ever Universe has undertaken, inter alia:*
- (a) *not to, from the date of the Irrevocable Undertaking and until such time that the Offer (including any revised Offer that may be made by or on behalf of the Offeror) closes, lapses or is withdrawn, directly or indirectly, (i) offer, (ii) sell, transfer, give or otherwise dispose of, (iii) grant any option, right or warrant to purchase in respect of, (iv) charge, mortgage, pledge or otherwise encumber, or (v) enter into any swap or other arrangement that transfers to another in whole or in part, any of the legal, beneficial or economic consequences of ownership of, all or any of the Undertaking Shares or any interest therein (or enter into any agreement with a view to effecting any of the foregoing) except pursuant to the Ever Universe Acceptance;*
- (b) *to tender or procure the tendering of all (and not some only of) the Undertaking Shares and, if applicable, the Additional Undertaking Shares in the Ever Universe Acceptance after the date of despatch of this Offer Document and in any event not later than the Closing Date; and*
- ”

LETTER TO SHAREHOLDERS

- (c) *to undertake the Subscription and notwithstanding the Offer being a cash-only offer, to pay for such Subscription by way of the Set Off pursuant to the Ever Universe Acceptance.*
- 8.2. *The Irrevocable Undertaking shall terminate and cease to have any effect upon, inter alia, the Offer being withdrawn, lapsing or closing for any reason (other than as a result of breach by Ever Universe of its obligations under the Irrevocable Undertaking).*
- 8.3. *Each of the Ever Universe Shareholders has also undertaken to the Offeror, inter alia, that they shall not sell, transfer or dispose their respective interests in the issued share capital of Ever Universe and to promptly and expeditiously do all such acts and things and execute all such documents as may be required to give effect to the Irrevocable Undertaking.*
- 8.4. *On 8 December 2015, the Offeror obtained a ruling from the SIC whereby the SIC ruled, inter alia, that the Irrevocable Undertaking, the Subscription and the Set Off do not constitute a special deal under Rule 10 of the Code."*

5. **RATIONALE FOR THE OFFER**

The full text of the Offeror's rationale for the Offer has been extracted from paragraph 9 of the Offer Document and reproduced below. **Shareholders are advised to read the extract below carefully.**

- "9.1. *The intention of the Offeror, and the purpose of the Offer, is to delist and privatise the Company. The Offeror intends to rely on the compulsory acquisition provisions under Section 215(1) of the Companies Act. Section 215(1) of the Companies Act provides in effect that in the event the Offeror receives valid acceptances pursuant to the Offer in respect of not less than 90% of the total number of issued Shares (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 Offer Shares held by the Dissenting Shareholders at a price equal to the Offer Price.*
- 9.2. *The Shares have been trading at a substantial discount to the consolidated NAV per Share of the Group. The VWAP of the Shares on the SGX-ST during the one-year period prior to the Offer Announcement Date was approximately S\$0.0238, representing a significant discount of approximately 49.5% to the Group's unaudited consolidated NAV per Share of approximately S\$0.0471 as at 31 December 2015 (based on an exchange rate of S\$1.00: RMB4.5780 as at 31 December 2015 as extracted from Bloomberg L.P.). The Offer will provide an exit opportunity for Shareholders who wish to realise their investment in the Shares at a premium over prevailing market prices without incurring brokerage and other trading cost.*
- 9.3. *The delisting and privatisation of the Company will allow the Offeror to exercise greater control and management flexibility in utilising and deploying the resources of the Group and to dispense with compliance cost associated with the Company's listing status. The delisting and privatisation of the Company will also afford the Offeror flexibility to rationalise the management structure, internal resources and cost structure of the Group's businesses for greater efficiency and competitiveness."*

LETTER TO SHAREHOLDERS

6. OFFEROR'S INTENTIONS FOR THE COMPANY

The full text of the Offeror's intentions for the Company has been extracted from paragraph 10 of the Offer Document and reproduced below. **Shareholders are advised to read the extract below carefully.**

*"10.1. **The Offeror intends to make the Company its wholly-owned subsidiary and does not intend to preserve the listing status of the Company.** Accordingly, when entitled, the Offeror intends to exercise its rights of compulsory acquisition under Section 215(1) of the Companies Act and does not intend to take steps for the lifting of any trading suspension of the Shares by the SGX-ST in the event that, inter alia, less than 10% of the total issued Shares (excluding any treasury shares) are held in public hands. In addition, the Offeror also reserves the right to seek a voluntary delisting of the Company from the SGX-ST pursuant to Rules 1307 and 1308 of the Catalist Rules.*

10.2. The Offeror currently has no intention to (a) make any major changes to the businesses of the Group, (b) redeploy the fixed assets of the Group, or (c) discontinue the employment of the employees of the Group, other than in the ordinary course of business. After the delisting and privatisation of the Company, the Offeror may conduct a review of the operations and management of the Group, restructure its shareholdings or the shareholdings of the Company and may also evaluate various strategic options with a view to optimise and/or unlock value in the Offeror and/or the Group at an opportune time in the future. Nonetheless, the Offeror retains the flexibility at any time to consider any options or opportunities in relation to the Group which may present themselves and which it may regard to be in the best interests of the Offeror and/or the Group."

7. COMPULSORY ACQUISITION

The full text of the Offeror's intentions relating to compulsory acquisition pursuant to Section 215(1) of the Act has been extracted from paragraph 11 of the Offer Document and reproduced below:

"11.1. Pursuant to Section 215(1) of the Companies Act, if the Offeror receives valid acceptances of the Offer or acquires Offer Shares during the Offer period otherwise than through valid acceptances of the Offer in respect of not less than 90% of the total number of issued Shares (other than those already held by the Offeror, its related corporations or their respective nominees as at the Offer Announcement Date, and excluding treasury shares), the Offeror will be entitled to exercise the right to compulsorily acquire all the Shares of Dissenting Shareholders on the same terms as those offered under the Offer.

*11.2. **In such an event, the Offeror intends to exercise its right of compulsory acquisition and the Company will become a wholly-owned subsidiary of the Offeror upon the completion of such compulsory acquisition.***

11.3. Shareholders have the right under and subject to Section 215(3) of the Companies Act, to require the Offeror to acquire their Shares at the Offer Price in the event that the Offeror, its related corporations or their respective nominees acquire, pursuant to the Offer, such number of Shares which, together with the Shares held by the Offeror, its related corporations or their respective nominees, comprise 90% or more of the total number of issued Shares (excluding any Shares held by the Company as treasury shares). Shareholders who wish to exercise such right are advised to seek their own independent legal advice."

LETTER TO SHAREHOLDERS

8. LISTING STATUS

The full text of the Offeror's intentions relating to the listing status of the Company has been extracted from paragraph 12 of the Offer Document and reproduced below:

- "12.1. Pursuant to Rule 1104 of the Catalist Rules, upon the announcement by the Offeror that valid acceptances have been received pursuant to the Offer that bring the holdings owned by the Offeror Concert Group to above 90% of the total number of issued Shares (excluding any treasury shares), the SGX-ST may suspend the trading of the Shares on the SGX-ST until it is satisfied that at least 10% of the total number of issued Shares (excluding treasury shares) are held by at least 200 Shareholders who are members of the public.*
- 12.2. In addition, under Rule 724(1) of the Catalist Rules, if the percentage of the total number of issued Shares (excluding treasury shares) held in public hands falls below 10%, the Company must, as soon as practicable, notify its sponsor of that fact and announce that fact and the SGX-ST may suspend the trading of all the Shares. Rule 724(2) of the Catalist Rules states that the SGX-ST may allow the Company a period of three (3) months, or such longer period as the SGX-ST may agree, to raise the percentage of Shares in public hands to at least 10%, failing which the Company may be delisted.*
- 12.3. Rule 1303(1) of the Catalist Rules provides that if the Offeror succeeds in garnering acceptances exceeding 90% of the total number of issued Shares (excluding treasury shares), thus causing the percentage of the total number of issued Shares (excluding treasury shares) held in public hands to fall below 10%, the SGX-ST will suspend trading of the Shares only at the close of the Offer.*
- 12.4. It is the intention of the Offeror to make the Company its wholly-owned subsidiary and to delist the Company from the SGX-ST. It is therefore not the intention of the Offeror to preserve the listing status of the Company and in the event that the trading of Shares on the SGX-ST is suspended pursuant to Rule 724, Rule 1105 or Rule 1303(1) of the Catalist Rules, the Offeror does not intend to undertake or support any action for any such trading suspension to be lifted by the SGX-ST."*

9. ADVICE AND RECOMMENDATION

9.1 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.

9.2 Independence of Directors

Save as disclosed below in respect of Messrs Sun Jinnan, Sun Jianming, Zhao Deming and Zhao Lei, as at the Latest Practicable Date, none of the Directors has any direct or deemed interest in any of the Offeror Securities.

The following information on Messrs Sun Jinnan, Sun Jianming, Zhao Deming and Zhao Lei has been extracted from paragraph 6 of the Offer Document:

- "6.2. As at the Latest Practicable Date, the Offeror has an issued and paid-up share capital of S\$2.00 divided into two (2) ordinary shares held by each of Messrs Sun Jinnan and Zhao Lei. The directors of the Offeror are Messrs Sun Jinnan, Zhao Lei and Cao Xiaping.*

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- 6.3. *As at the Latest Practicable Date, Messrs Sun Jinnan and Zhao Lei, together with Messrs Sun Jianming, Sun Liping and Zhao Deming, control the Company through Ever Universe, which holds 1,132,476,078 Shares, representing approximately 68.06% of the total number of issued Shares (excluding treasury shares). Messrs Sun Jinnan, Sun Jianming, Sun Liping, Zhao Deming and Zhao Lei own 16.96%, 17.26%, 16.88%, 32.02% and 16.88% of the issued share capital of Ever Universe, respectively. The Ever Universe Shareholders are also the directors of Ever Universe.*
- 6.4. *Mr Sun Jianming is the Executive Chairman of the Company, Mr Zhao Deming is the Chief Executive Officer and Managing Director of the Company and Messrs Sun Jinnan and Zhao Lei are the Executive Directors of the Company. Mr Sun Jinnan is the father of Mr Sun Jianming and Ms Sun Liping. Mr Zhao Lei is the son of Mr Zhao Deming. Mr Zhao Deming is the nephew of Mr Sun Jinnan, and Mr Zhao Deming, Mr Sun Jianming and Ms Sun Liping are cousins.”*

The Offeror has furnished the Company with a letter from SIC dated 8 December 2015 which sets out, *inter alia*, SIC’s ruling that Messrs Sun Jinnan, Sun Jianming, Zhao Deming and Zhao Lei are exempted from the requirement to make a recommendation to the Shareholders on the Offer. Notwithstanding such exemption, SIC had stated in the letter that Messrs Sun Jinnan, Sun Jianming, Zhao Deming and Zhao Lei must, nonetheless, still assume responsibility for the accuracy of the facts stated or opinions expressed in documents and advertisements issued by, or on behalf of, the Company in connection with the Offer.

Messrs Zhao Deming and Zhao Lei (the “**Zhao Family**”) previously appointed Chelmsford International Ltd (全福国际投资有限公司) (“**Chelmsford International**”) as their consultant in connection with the proposed delisting of the Company pursuant to a consultancy agreement (the “**Consultancy Agreement**”) dated 18 July 2013 entered into between the Zhao Family and Chelmsford International. Under the Consultancy Agreement, Chelmsford International was to be paid (i) after successful completion of the proposed delisting of the Company, an amount in Singapore dollars equivalent to 2% of the total purchase consideration for the Shares, and (ii) during the term of its appointment, reimbursement for communication, travelling, lodging and other expenses.

The Zhao Family and Chelmsford International subsequently entered into a termination agreement dated 1 November 2015 pursuant to which the Consultancy Agreement was terminated with immediate effect and Chelmsford International was paid a sum of S\$50,000 as compensation. As at the Offer Announcement Date, Mr Frank Liu, an Independent Director of the Company, owned the entire issued share capital of Chelmsford International and he was the sole director of Chelmsford International. As the Consultancy Agreement has been terminated and Mr Frank Liu has confirmed that save as disclosed, there is no agreement or arrangement made between the Offeror and himself or his associates in connection with or conditional upon the outcome of the Offer, Mr Frank Liu is considered independent for the purposes of making the recommendation to the Shareholders in respect of the Offer and has not been exempted from the requirement to make a recommendation to the Shareholders on the Offer.

9.3 Advice of the IFA to the Independent Directors

The IFA’s advice to the Independent Directors in respect of the Offer, as extracted from paragraph 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.

“9. OUR ADVICE

In arriving at our recommendation in respect of the Offer, we have taken into account the following factors which we consider to have a significant bearing on our assessment:-

- (a) *Market quotation and trading liquidity of the Shares;*

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- (b) *Financial performance of the Group;*
- (c) *Net asset value and revalued net asset value of the Group;*
- (d) *Comparison of the valuation statistics of Comparable Companies;*
- (e) *Comparison of the valuation statistics of Selected Privatisation Transactions; and*
- (f) *Other relevant considerations.*

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

- (a) *in relation to the Share price performance of the Company:*
 - *the Offer Price is above the closing prices of the Shares since the 12-month period prior to and including the Offer Announcement Date and up to the Latest Practicable Date;*
 - *since the 12-month period prior to and including the Offer Announcement Date, the closing prices of the Shares ranged between a low of S\$0.016 and a high of S\$0.029. The Offer Price represents a premium of 100.0% and 10.3% over the lowest closing price and highest closing price of the Shares respectively; and*
 - *the Offer Price represents a premium of approximately 52.4% over the closing price of S\$0.021 on 23 February 2016, being on the Last Traded Day on which the Shares were traded prior to the Offer Announcement Date and before the trading halt of the Shares on 24 February 2016 and a premium of approximately 34.5%, 56.9%, 62.4% and 67.4% above the VWAPs of the Shares for the 12-month, 6-month, 3-month and 1-month periods prior to and including the Offer Announcement Date, respectively;*
- (b) *in relation to the trading liquidity of the Shares:*
 - *the trading liquidity of the Shares has generally been thin in the past. The average daily traded volume of the Shares for the 12-month, 6-month, 3-month and 1-month periods prior to and including the Offer Announcement Date represents 0.4%, 0.3%, 0.2% and 0.1% of the free float respectively; and*
 - *during the period following the Offer Announcement Date and up to the Latest Practicable Date, the average daily trading volume of the Shares was higher at approximately 7.3 million Shares, but trading liquidity remained low, representing approximately 1.4% of the free float of the Shares.*
- (c) *the historical financial performance and condition of the Group, as set out in paragraph 8.2 of this IFA Letter. The Group's revenue has been declining over the past 3 years. In FY2015, the Group recorded a loss of RMB23.9 million due to substantial decrease in sales volume as a result of the challenging and competitive business environment amidst weaknesses in the building and housing industries in Suzhou. The Company has not paid any dividends for the past 3 financial years;*
- (d) *the Offer Price represents a discount of approximately 34.5% to the RNAV per Share of the Company as at 31 December 2015;*

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- (e) *in comparison with the valuation statistics of the Comparable Companies, the P/RNAV ratio of the Group implied by the Offer Price of 0.7 times is within the range of the P/NAV ratios of the Comparable Companies and is the same as the median P/NAV ratio of the Comparable Companies of 0.7 but lower than the mean P/NAV ratio of the Comparable Companies of 1.2;*
- (f) *in comparison with the valuation statistics of the Selected Privatisation Transactions,*
 - *the premium implied by the Offer Price against the last transacted price, 1-month VWAP, 3-month VWAP and 6-month VWAP of the Shares prior to the Offer Announcement Date is within the range and is also significantly higher than the mean and median premiums of the Selected Privatisation Transactions for the corresponding periods; and*
 - *the P/RNAV ratio of the Group of 0.7 times implied by the Offer Price is within the range of the Selected Privatisation Transactions but is lower than the mean and median P/NTA of the Selected Privatisation Transactions of 1.0 and 0.8 respectively.*
- (g) *the Offeror has obtained Irrevocable Undertaking from Ever Universe, to accept the Offer in respect of the Offer Shares held by them, which represent 68.06% of the total number of issued Shares of the Company;*
- (h) *the Offeror has stated its intention to make the Company its wholly-owned subsidiary and does not intend to preserve the listing status of the Company;*
- (i) *the Offeror, when entitled, intends to exercise its rights of compulsory acquisition under Section 215(1) of the Act and in the event the trading of Shares on the SGX-ST is suspended pursuant to Rule 724, Rule 1104 or Rule 1303(1) of the Catalyst Rules, the Offeror does not intend to undertake or support any action for any such trading suspension to be lifted by the SGX-ST; and*
- (j) *the absence of any alternative take-over offer from third parties as at the Latest Practicable Date.*

Based on our analysis as set out above and after having considered carefully the information available to us as at the Latest Practicable Date, we are of the opinion that the financial terms of the Offer Price is, on balance, not fair but reasonable.

Accordingly, we advise the Independent Directors to recommend the Shareholders to ACCEPT the Offer or sell their Shares in the open market if they can obtain a price higher than the Offer Price after deducting all related expenses. The Offer Price offers Shareholders an exit opportunity and there is no certainty that Shareholders will otherwise be able to obtain a better value for their Shares if the Offer lapses.

The Independent Directors should note that we have arrived at our advice based on information made available to us as at the Latest Practicable Date. Our advice on the Offer cannot and does not take into account the future trading activity or patterns or price levels that may be established for the Shares as these are governed by factors beyond the scope of our review, and would not fall within our terms of reference in connection with our evaluation of the Offer.”

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9.4 Recommendation of the Independent Directors

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 adopt the recommendations in respect of the Offer as set out in paragraph 9.3 above.

Shareholders are advised to read the terms and conditions of the Offer Document carefully. Shareholders are also advised to read the IFA Letter set out in Appendix I to this Circular carefully and to consider the recommendations of the Independent Directors in their entirety before deciding whether to accept or reject the Offer. Shareholders should note that the advice of the IFA to the Independent Directors may only be relied upon by the Independent Directors and the recommendations of the Independent Directors should not be relied upon by any Shareholder as the sole basis for deciding whether or not to accept the Offer.

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.

10. ACTION TO BE TAKEN BY THE SHAREHOLDERS

10.1 Shareholders who wish to accept the Offer

Shareholders who wish to accept the Offer should refer to Appendix 2 to the Offer Document which sets out the procedures for acceptance of the Offer.

Shareholders who wish to accept the Offer must do so not later than 5.30 p.m. (Singapore time) on the Closing Date or such later date(s) as may be announced from time to time by or on behalf of the Offeror.

10.2 Shareholders who do not wish to accept the Offer

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

11. OVERSEAS SHAREHOLDERS

11.1 Availability of the Offer to Overseas Shareholders

Overseas Shareholders should refer to paragraph 17 of the Offer Document, which is reproduced below:

“17.1. General

The availability of the Offer to Overseas Shareholders may be affected by laws and regulations of the relevant overseas jurisdictions. Accordingly, all Overseas Shareholders should inform themselves about and observe any applicable legal requirements. Where there are potential restrictions on sending this Offer Document and the Acceptance Forms to any overseas jurisdiction, the Offeror and CIMB reserve the right not to send these documents to Overseas Shareholders in such overseas jurisdictions. However, the Offeror

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may, in its sole discretion, take such actions as it may deem necessary to extend the Offer to Shareholders in any such jurisdiction. For the avoidance of doubt, the Offer is made to all Shareholders holding Offer Shares, including to those to whom this Offer Document and the Acceptance Forms have not been, or will not be, sent.

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

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

17.2. Copies of the Offer Document

Shareholders and Overseas Shareholders (subject to compliance with applicable laws and regulations) may obtain copies of this Offer Document and the Acceptance Forms and any related documents, during normal business hours and up to 5.30 p.m. (Singapore time) on the Closing Date from the Share Registrar or CDP, as the case may be, at the following address:

B.A.C.S. Private Limited
8 Robinson Road
#03-00 ASO Building
Singapore 048544
Tel No.: (65) 6593 4848

The Central Depository (Pte) Limited
9 North Buona Vista Drive
#01-19/20 The Metropolis
Singapore 138588
Tel No.: (65) 6535 7511

Alternatively, any Overseas Shareholder may (subject to compliance with applicable laws and regulations) write to the Offeror at Torrington Place Pte. Ltd. c/o B.A.C.S. Private Limited at 8 Robinson Road, #03-00 ASO Building, Singapore 048544 to request for this Offer Document and the Acceptance Forms 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) Business Days prior to the Closing Date).

17.3. 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, including the obtaining of any governmental or other consent which may be required, or compliance with other necessary formalities or legal requirements and the payment of any taxes, imposts, duties or other requisite payments due in such jurisdiction. Such Overseas Shareholders shall be liable for any such taxes, imposts, duties or other requisite payments payable, and the Offeror and any person acting on its behalf (including CIMB, CDP and the Share Registrar) shall be fully indemnified and held harmless by such Overseas Shareholders for any such taxes, imposts, duties or other requisite payments as the Offeror and/or any person acting on its behalf may be required to pay. In accepting the Offer, each Overseas Shareholder represents and warrants to the Offeror that he is in full compliance with all necessary formalities or legal requirements. Overseas Shareholders who are in doubt about their position should consult their professional advisers in the relevant jurisdictions.

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17.4. Notice

Each of the Offeror and CIMB reserves the right to notify any matter, including the fact that the Offer has been made, to any or all Shareholders (including Overseas Shareholders) by announcement to the SGX-ST or paid advertisement in a daily newspaper published or circulated in Singapore, in which case, such notice shall be deemed to have been sufficiently given notwithstanding any failure by any Shareholder to receive or see such announcement or advertisement."

11.2 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 B.A.C.S. Private Limited at 8 Robinson Road, #03-00 ASO Building, Singapore 048544 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.

12. INFORMATION PERTAINING TO CPFIS INVESTORS

CPFIS Investors should refer to paragraph 18 of the Offer Document, which is reproduced below.

"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. Subject to the Offer becoming or being declared unconditional in all respects in accordance with its terms, CPFIS Investors who accept the Offer will receive the Offer Price in respect of their Offer Shares, in their CPF investment accounts."

13. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors (including any Director who may have delegated detailed supervision of this Circular) confirm that they have taken all reasonable care and have made all reasonable enquiries to ensure that, to the best of their knowledge and after due and careful consideration, the facts stated and the opinions expressed herein (other than those relating to the Offeror, and those set out in the IFA Letter, the recommendation of the Independent Directors and the Valuation Report) are fair and accurate and that no material facts have been omitted from this Circular which would make any statement in this Circular misleading, and they jointly and severally accept full responsibility accordingly.

The recommendation of the Independent Directors to Shareholders at paragraph 9.4 of this Circular is the sole responsibility of the Independent Directors.

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

Where any information in this Circular has been extracted or reproduced from published or otherwise publicly available sources (including, without limitation, information extracted from the Offer Document and the IFA Letter), the sole responsibility of the Directors has been to ensure through reasonable enquiries that such information has been accurately and correctly extracted from such sources or, as the case may be, accurately reflected or reproduced in this Circular.

LETTER TO SHAREHOLDERS

14. 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
CHINA YONGSHENG LIMITED

Mr Sun Jianming
Executive Chairman
28 March 2016

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

KGI FRASER SECURITIES PTE. LTD.

(Company Registration Number: 195500144H)
(Incorporated in the Republic of Singapore)
4 Shenton Way
#13-01 SGX Centre 2
Singapore 068807

28 March 2016

To: The Independent Directors of China Yongsheng Limited
80 Robinson Road
#17-02
Singapore 068898

Dear Sirs

INDEPENDENT FINANCIAL ADVICE TO THE INDEPENDENT DIRECTORS (AS DEFINED HEREIN) IN RESPECT OF THE VOLUNTARY CONDITIONAL CASH OFFER BY CIMB FOR AND ON BEHALF OF THE OFFEROR FOR OFFER SHARES

Unless otherwise defined or the context otherwise requires, all terms used in this IFA Letter shall have the same meanings as defined in the Circular.

1. INTRODUCTION

On 24 February 2016, CIMB announced, for and on behalf of the Offeror, that the Offeror intends to make a voluntary conditional cash offer for all the Shares in the capital of the Company.

A copy of the Offer Announcement dated 24 February 2016 is available on the SGXNET.

Offer Document

The Offer Document which was dispatched to the Shareholders on 14 March 2016 sets out, *inter alia*, the formal offer by CIMB, for and on behalf of the Offeror, to acquire all the Offer Shares, being all the issued and paid-up Shares to which the Offer relates, including all Shares owed, controlled or agreed to be acquired by parties acting or presumed to be acting in concert with the Offeror, subject to the terms and conditions set out in the Offer Document.

In connection with the Offer, the Company appointed KGI Fraser Securities Pte. Ltd. (“**KGI Fraser**”) as the independent financial adviser (“**IFA**”) to the Directors who are considered independent for the purpose of making their recommendations to the Shareholders in respect of the Offer (the “**Independent Directors**”). This Letter (“**IFA Letter**”) is addressed to the Independent Directors, and sets out, *inter alia*, our evaluation and advice on the financial terms of the Offer and our recommendation thereon, and will form part of the Circular to be despatched to Shareholders.

2. TERMS OF REFERENCE

KGI Fraser has been appointed as IFA to advise the Independent Directors to provide an assessment of the financial terms of the Offer in order to advise the Independent Directors in respect of their recommendation to Shareholders in relation to the Offer, in compliance with the provisions of the Code. We have confined our evaluation on the bases set out therein to the financial terms of the Offer.

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

Our terms of reference do not require us to evaluate or comment on the rationale, legal and commercial risk and/or merits (if any) of the Offer or on future financial performance or prospects of the Company and its subsidiaries (collectively known as the “**Group**”) and we have not made such evaluations or comments. Such evaluations or comments shall remain the sole responsibility of Directors and the management (the “**Management**”) of the Group although we may draw upon their views or make such comments in respect thereof (to the extent deemed necessary or appropriate by us) in arriving our recommendations as set out in this IFA Letter.

We were also not requested, instructed or authorized to solicit, and we have not solicited, any indications of interest from any third party with respect to any other proposal or transactions similar to or in lieu of the Offer. In this regard, we are not addressing the relative merits of the Offer as compared to any alternative transaction previously considered by the Company or which otherwise may have been available to the Company currently or in the future, and such comparison and consideration remains the responsibility of the Directors.

In the course of our evaluation of the financial terms of the Offer, we have held discussions with the Directors and the Management of the Group and have examined publicly available information collated by us as well as information, both written and verbal, provided to us by the Directors and the Management. We have relied on, and assumed without independent verification, the accuracy and completeness of such information, whether written or verbal, and accordingly cannot and do not make any warranty or representation, express or implied, in respect of, and do not accept any responsibility for the accuracy, completeness or adequacy of, such information. We have nevertheless made such enquiries and exercised our judgement as we deemed necessary and have found no reason to doubt the reliability of the information.

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

For the purposes of assessing the financial terms of the Offer and reaching our conclusions thereon, we have not relied upon any financial projections or forecasts in respect of the Company and the Group. We are not required to express, and we do not express, any view on the growth prospects or earnings potential of the Company and the Group in connection with our opinion in this letter. Accordingly, we are not expressing any view herein as to the prices at which the Shares may trade in the absence of the Offer.

We have not made an independent evaluation or appraisal of the assets and liabilities of the Company and/or the Group (including, without limitation, property, plant and equipment, inventories, receivables and payables). However, we have been furnished with a valuation report dated 15 March 2016 issued by Crowe Horwath (HK) Consulting & Valuation Limited (“**Valuer**”) on the market value of 3 parcels of land with buildings in Mudu Town and Wujiang County, Suzhou City, Jiangsu Province, PRC (“**Valuation Report**”) as at 29 February 2016. We are not experts and do not hold ourselves to be experts in the valuation of the assets concerned and we have relied upon the Valuation Report prepared by the Valuer appointed by the Company for such asset appraisals and have not made any independent verification of the contents thereof. The Valuation Report is part of the documents available for inspection as set out in Section 10 of Appendix II of the Circular.

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Our analysis and recommendation, as set out in this IFA Letter, is based upon market, economic, industry and other conditions prevailing as at the Latest Practicable Date, and information made available to us as at the Latest Practicable Date. Such conditions may change significantly over a relatively short period of time. We assume no responsibility to update, revise or reaffirm our recommendations in the light of any subsequent development after the Latest Practicable Date that may affect our recommendations contained herein. Shareholders should further take note of any announcements relevant to their consideration of the Offer, which may be released after the Latest Practicable Date.

In rendering our opinion, we have not considered the specific investment objectives, financial situation, tax position, risk profiles or unique needs and constraints of any Shareholder or any specific group of Shareholders. As different Shareholders would have different investment profiles and objectives, we recommend that any individual Shareholder who may require specific advice in relation to his investment portfolio or objectives should consult his stockbroker, bank manager, solicitor, accountant, tax adviser or other professional adviser immediately.

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

We have prepared this IFA Letter for the use by the Independent Directors in connection with their consideration of the Offer and their advice and recommendation to the Shareholders in respect thereof. The recommendations made to the Shareholders in relation to the Offer remain the responsibility of the Independent Directors.

Other than for this intended purpose, this IFA Letter should not be used for any other purposes and/or by other persons, save for the use of the Independent Directors in connection with their consideration of the Offer, without the prior consent of KGI Fraser. Our recommendation in relation to the Offer, as set out in Appendix I of this Circular, should be considered in the context of the entirety of this IFA Letter and the Circular.

3. THE OFFER

The detailed terms of the Offer are set out in the Offer Document dated 14 March 2016. The key terms of the Offer are set out below for your reference.

3.1 Offer

CIMB offers, for and on behalf of the Offeror, to acquire all the Offer Shares subject to the terms and conditions set out in the Offer Document and the Acceptance Forms.

3.2 Offer Price

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

For each Offer Share: S\$0.032 in cash (the “Offer Price”)

The Offeror shall pay the Offer Price in cash for the Offer Shares which are validly tendered in acceptance of the Offer, save for the Undertaking Shares and, if applicable, the Additional Undertaking Shares held by Ever Universe Investments Limited (“**Ever Universe**”) for which consideration shall be satisfied by way of the Set Off.

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3.3 No Encumbrances

The Offer Shares are to be acquired (a) fully paid-up, (b) free from all Encumbrances, and (c) together with all rights, benefits and entitlements attached thereto as at the Offer Announcement Date and hereafter attaching thereto, including but not limited to all voting rights and the right to receive and retain all dividends, rights, distributions, returns of capital and other entitlements (if any) which may be announced, declared, paid or made thereon by the Company on or after the Offer Announcement Date together with all interest accrued thereon.

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

3.4 Condition of the Offer

The Offer will be conditional upon the Offeror having received, by the Closing Date, valid acceptances in respect of such number of Offer Shares which will result in the Offeror holding not less than 90% of the Offer Shares as at the Closing Date.

The Offeror reserves the right to reduce the Acceptance Condition to a lower minimum acceptance level, provided that such revision be made after obtaining the consent of the SIC. In the event that the Acceptance Condition is revised, the revised Offer shall remain open for another 14 days following such revision and Shareholders who have accepted the Offer will be permitted to withdraw their acceptances within eight (8) days of notification of such revision.

Save as provided above, the Offer is unconditional in all other respects

4. INFORMATION ON THE OFFEROR

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

“6. INFORMATION ON THE OFFEROR

- 6.1 *The Offeror is a special purpose vehicle incorporated in Singapore on 25 February 2014 as a limited exempt private company and is set up for the purpose of making the Offer. The Offeror has not carried on any business since its incorporation, except in relation to matters in connection with the making of the Offer.*
- 6.2 *As at the Latest Practicable Date, the Offeror has an issued and paid-up share capital of S\$2.00 divided into two (2) ordinary shares held by each of Messrs Sun Jinnan and Zhao Lei. The directors of the Offeror are Messrs Sun Jinnan, Zhao Lei and Cao Xiaping.*
- 6.3 *As at the Latest Practicable Date, Messrs Sun Jinnan and Zhao Lei, together with Messrs Sun Jianming, Sun Liping and Zhao Deming, control the Company through Ever Universe, which holds 1,132,476,078 Shares, representing approximately 68.06% of the total number of issued Shares (excluding treasury shares). Messrs Sun Jinnan, Sun Jianming, Sun Liping, Zhao Deming and Zhao Lei own 16.96%, 17.26%, 16.88%, 32.02% and 16.88% of the issued share capital of Ever Universe, respectively. The Ever Universe Shareholders are also the directors of Ever Universe.*

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- 6.4 *Mr Sun Jianming is the Executive Chairman of the Company, Mr Zhao Deming is the Chief Executive Officer and Managing Director of the Company and Messrs Sun Jinnan and Zhao Lei are the Executive Directors of the Company. Mr Sun Jinnan is the father of Mr Sun Jianming and Ms Sun Liping. Mr Zhao Lei is the son of Mr Zhao Deming. Mr Zhao Deming is the nephew of Mr Sun Jinnan, and Mr Zhao Deming, Mr Sun Jianming and Ms Sun Liping are cousins.*
- 6.5 *As at the Latest Practicable Date, the Offeror does not hold any Shares.*
- 6.6 *Additional information on the Offeror is set out in Appendix 3 and Appendix 6 to this Offer Document”*

5. INFORMATION ON THE COMPANY

The Company is incorporated in Singapore and listed on the Catalist Board of the SGX-ST.

The Group is principally engaged in the production and supply of concrete and related products in Suzhou, Jiangsu province, the PRC.

As at the Latest Practicable Date:

- (a) The Company has an issued and paid-up share capital of 1,663,900,000 Shares and does not have any outstanding options, rights, warrants or other instruments convertible into, exercisable for or redeemable with, any Shares;
- (b) The Company does not have any treasury shares; and
- (c) The directors of the Company are Messrs Sun Jianming (Executive Chairman), Zhao Deming (Chief Executive Officer and Managing Director), Sun Jinnan (Executive Director), Zhao Lei (Executive Director), Low Beng Tin (Lead Independent Director), Bernard Tay Ah Kong (Independent Director), Frank Liu (Independent Director) and Tan Gim Soo (Independent Director).

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

6. IRREVOCABLE UNDERTAKING

As at the Offer Announcement Date, the Offeror has received the Irrevocable Undertaking from Ever Universe pursuant to which Ever Universe has undertaken inter alia:

- (a) not to, from the date of the Irrevocable Undertaking and until such time that the Offer (including any revised Offer that may be made by or on behalf of the Offeror) closes, lapses or is withdrawn, directly or indirectly, (i) offer, (ii) sell, transfer, give or otherwise dispose of, (iii) grant any option, right or warrant to purchase in respect of, (iv) charge, mortgage, pledge or otherwise encumber, or (v) enter into any swap or other arrangement that transfers to another in whole or in part, any of the legal, beneficial or economic consequences of ownership of, all or any of the Undertaking Shares or any interest therein (or enter into any agreement with a view to effecting any of the foregoing) except pursuant to the Ever Universe Acceptance;
- (b) to tender or procure the tendering of all (and not some only of) the Undertaking Shares and if applicable, the Additional Undertaking Shares in Ever Universe Acceptance after the date of despatch of the Offer Document and in any event not later than the Closing Date; and
- (c) to undertake the Subscription notwithstanding the Offer being a cash-only offer, to pay for such Subscription by way of the Set Off pursuant to the Ever Universe Acceptance.

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The Irrevocable Undertaking shall terminate and cease to have any effect upon, *inter alia*, the Offer being withdrawn, lapsing or closing for any reason (other than as a result of breach by Ever Universe of its obligations under the Irrevocable Undertaking).

Each of the Ever Universe Shareholders has also undertaken to the Offeror, *inter alia*, that they shall not sell, transfer or dispose their respective interests in the issued share capital of Ever Universe and to promptly and expeditiously do all such acts and things and execute all such documents as may be required to give effect to the Irrevocable Undertaking.

On 8 December 2015, the Offeror obtained a ruling from the SIC whereby the SIC ruled, *inter alia*, that the Irrevocable Undertaking, the Subscription and the Set Off do not constitute a special deal under Rule 10 of the Code.

7. RATIONALE FOR THE OFFER

The following has been extracted from the Section 9 of the Offer Document. Unless otherwise defined, all terms and expressions used in the extract below shall have the same meanings as those defined in the Offer Document. Shareholders are advised to read the extract below carefully:

“9. RATIONALE FOR THE OFFER

- 9.1 *The intention of the Offeror, and the purpose of the Offer, is to delist and privatise the Company. The Offeror intends to rely on the compulsory acquisition provisions under Section 215(1) of the Companies Act. Section 215(1) of the Companies Act provides in effect that in the event the Offeror receives valid acceptances pursuant to the Offer in respect of not less than 90% of the total number of issued Shares (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 Offer Shares held by the Dissenting Shareholders at a price equal to the Offer Price.*
- 9.2 *The Shares have been trading at a substantial discount to the consolidated NAV per Share of the Group. The VWAP of the Shares on the SGX-ST during the one-year period prior to the Offer Announcement Date was approximately S\$0.0238 representing a significant discount of approximately 49.5% to the Group's unaudited consolidated NAV per Share of S\$0.0471 as at 31 December 2015 (based on an exchange rate of S\$1.00: RMB4.5780 as at 31 December 2015 as extracted from Bloomberg L.P.). The Offer will provide an exit opportunity for Shareholders who wish to realise their investment in the Shares at a premium over prevailing market prices without incurring brokerage and other trading cost.*
- 9.3 *The delisting and privatisation of the Company will allow the Offeror to exercise greater control and management flexibility in utilising and deploying the resources of the Group and to dispense with compliance cost associated with the Company's listing status. The delisting and privatisation of the Company will also afford the Offeror flexibility to rationalise the management structure, internal resources and cost structure of the Group's businesses for greater efficiency and competitiveness.”*

8. ASSESSMENT OF THE FINANCIAL TERMS OF THE OFFER

In assessing the financial terms of the Offer, we have taken into account the following factors which we consider to have a significant bearing on our assessment:-

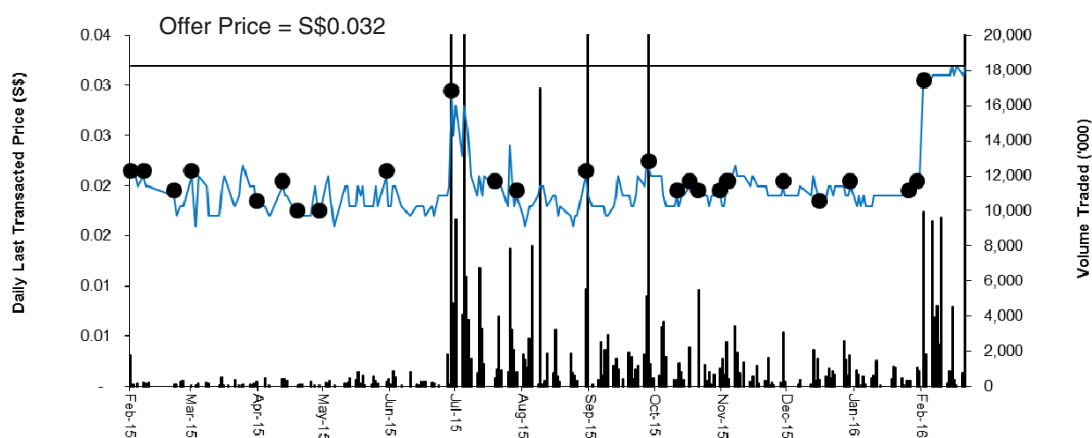
- 8.1 Market quotation and trading liquidity of the Shares;
- 8.2 Financial performance of the Group;
- 8.3 Net asset value and revalued net asset of the Group;

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- 8.4 Comparison of the valuation statistics of selected companies broadly comparable to the Group;
- 8.5 Comparison of the valuation statistics of the recent successful privatization transactions of SGX-ST listed companies; and
- 8.6 Other relevant considerations.

8.1 Market Quotation and Trading Liquidity of the Shares

A graphical representation of the daily closing prices and volume traded of the Shares for the period commencing 12 months prior to the Offer Announcement Date and ending on the Latest Practicable Date is set out below:-



Source: Bloomberg L.P.

A summary of the salient announcements relating to the Group's business operations and the Offer during the aforesaid period is as follows:

	Date	Event
1	23 Feb 2015	The Company announced update on the Board's receipt of a formal proposal from an entity related to certain executive directors of the Company that may result in the delisting of the Company (" Proposal ").
2	1 Mar 2015	The Company announced its unaudited full year financial statements for the year ended 31 December 2014.
3	10 Mar 2015	The Company announced the proposed disposal of 100% equity interest in the Company's subsidiary, Suzhou Industrial Park Yongsheng Concrete Co., Ltd. to Shanghai Jiangong Construction Material Co., Ltd and Shanghai Construction Overseas (Holdings) Limited.
4	23 Mar 2015	The Company announced update relating to the Proposal that discussions are still ongoing and there is no certainty whether a transaction will take place pursuant to the Proposal.
5	23 Apr 2015	The Company announced update relating to the Proposal that discussions are still ongoing and there is no certainty whether a transaction will take place pursuant to the Proposal.

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	Date	Event
6	30 Apr 2015	The Company announced that Assetgold Finance Limited and Suzhou Yongsheng Concrete Co., Ltd, and Shanghai Jiangong Construction Material Co., Ltd and Shanghai Construction Overseas (Holdings) Limited have entered into a supplementary agreement dated 30 April 2015 in relation to the proposed disposal of 100% equity interest in the Company's subsidiary, Suzhou Industrial Park Yongsheng Concrete Co., Ltd.
7	11 May 2015	The Company announced its unaudited first quarter financial statements for the three months ended 31 March 2015.
8	22 May 2015	The Company announced update relating to the Proposal that discussions are still ongoing and there is no certainty whether a transaction will take place pursuant to the Proposal.
9	22 Jun 2015	The Company announced update relating to the Proposal that discussions are still ongoing and there is no certainty whether a transaction will take place pursuant to the Proposal.
10	22 Jul 2015	The Company announced update relating to the Proposal that discussions are still ongoing and there is no certainty whether a transaction will take place pursuant to the Proposal.
11	11 Aug 2015	The Company announced its unaudited half year financial statements for the six months ended 30 June 2015.
12	21 Aug 2015	The Company announced update relating to the Proposal that discussions are still ongoing and there is no certainty whether a transaction will take place pursuant to the Proposal.
13	21 Sep 2015	The Company announced update relating to the Proposal that discussions are still ongoing and there is no certainty whether a transaction will take place pursuant to the Proposal.
14	21 Oct 2015	The Company announced update relating to the Proposal that discussions are still ongoing and there is no certainty whether a transaction will take place pursuant to the Proposal.
15	3 Nov 2015	The Company announced profit warning on its unaudited third quarter financial statements for the nine months ended 30 September 2015.
16	7 Nov 2015	The Company announced its unaudited third quarter financial statements for the nine months ended 30 September 2015.
17	12 Nov 2015	The Company announced that it has received an urgent notice from the Housing and Urban-Rural Construction Bureaus of Wuzhong and Wujiang Districts, Suzhou whereby all construction sites in Wuzhong District are to cease operations from 10 November 2015 until 27 November 2015 and construction projects in Wujiang District are to cease production till 25 November 2015.
18	21 Nov 2015	The Company announced update on the Board's receipt of a formal proposal from an entity related to certain executive directors of the Company that may result in the delisting of the Company.

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	Date	Event
19	26 Nov 2015	The Company announced that further to announcement dated 12 November 2015, construction projects in Wujiang District, Suzhou have resumed production on 26 November 2015.
20	27 Nov 2015	The Company announced further to announcement dated 12 November 2015, constructions projects in Wuzhong District, Suzhou have resumed production on 27 November 2015.
21	22 Dec 2015	The Company announced update relating to the Proposal that discussions are still ongoing and there is no certainty whether a transaction will take place pursuant to the Proposal.
22	8 Jan 2016	The Company announced a change of Catalyst Continuing Sponsor to Provenance Capital Pte. Ltd.
23	22 Jan 2016	The Company announced relating to the Proposal that discussions are still ongoing and there is no certainty whether a transaction will take place pursuant to the Proposal.
24	18 Feb 2016	The Company announced profit guidance for its unaudited full year financial statements for the year ended 31 December 2015.
25	22 Feb 2016	The Company announced its unaudited full year financial statements for the year ended 31 December 2015.
26	24 Feb 2016	The Company announced that the Offeror issued the Offer Announcement.

Source: Announcements relating to the Company on the SGX-ST

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Additional information on the volume-weighted average prices (“VWAP”) of the Shares and other trading statistics for the period commencing 12 months prior to the Offer Announcement Date and ending on the Latest Practicable Date is set out below:

	Lowest closing price	Highest closing price	VWAP ⁽¹⁾	Premium of (Discount to) Offer Price to VWAP	Average daily traded volume ⁽²⁾	Average daily trading volume as a percentage of free float ⁽³⁾
	(S\$)	(S\$)	(S\$)	(%)	('000)	(%)
<u>Periods prior to the Offer Announcement (and including the Offer Announcement Date)</u>						
Last 12 months	0.0160	0.0290	0.0238	34.5	1,969.6	0.4
Last 6 months	0.0160	0.0220	0.0204	56.9	1,818.8	0.3
Last 3 months	0.0180	0.0220	0.0197	62.4	837.5	0.2
Last 1 month	0.0180	0.0210	0.0191	67.4	626.2	0.1
Last Traded Day ⁽⁴⁾	0.0210	0.0210	0.0210	52.4	874.3	0.2

The last transacted price on the Last Traded Day on 23 February 2016 is S\$0.0210

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

After the Offer Announcement Date and up to the Latest Practicable Date	0.0320	0.0360	0.0318	0.6	7,285.9	1.4
Latest Practicable Date	0.0320	0.0360	0.0327	(2.1)	53,690.8	10.1

Source: Bloomberg L.P.

Notes:-

- (1) The VWAP for the respective periods are calculated based on the daily VWAP turnover divided by the VWAP volume as extracted from Bloomberg L.P. Off market transactions are excluded from the calculation. The figures are rounded to the nearest four (4) decimal places;
- (2) The average daily traded volume of the Shares is calculated based on the total volume of Shares traded on the SGX-ST during the relevant periods, divided by the number of market days when there were trades.
- (3) Free float refers to the Shares other than those held by the Directors, substantial Shareholders and their associates (as defined in the Listing Manual). For the purpose of computing the average daily trading volume as a percentage of free float, we have used the free float of approximately 531.4 million Shares based on the free float of 31.94% as disclosed in the Company's annual report for the financial year ended 31 December 2014.
- (4) This refers to the Last Traded Day on which the Shares were traded prior to the Offer Announcement, being 23 February 2016, and before the trading halt of the Shares on 24 February 2016.

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We note the following with regard to the Share price performance of the Company:-

- (a) the Offer Price is above the closing prices of the Shares since the 12-month period prior to and including the Offer Announcement Date;
- (b) since the 12-month period prior to and including the Offer Announcement Date, the closing prices of the Shares ranged between a low of S\$0.016 and a high of S\$0.029. The Offer Price represents a premium of 100.0% and 10.3% over the lowest closing price and highest closing price of the Shares respectively;
- (c) the Offer Price represents a premium of approximately 34.5%, 56.9%, 62.4% and 67.4% above the VWAPs of the Shares for the 12-month, 6-month, 3-month and 1-month periods prior to and including the Offer Announcement Date, respectively;
- (d) the Offer Price represents a premium of approximately 52.4% over the closing price of S\$0.021 on 23 February 2016, being on the Last Traded Day on which the Shares were traded prior to the Offer Announcement Date and before the trading halt of the Shares on 24 February 2016; and
- (e) the Offer Price represents a premium of approximately 0.6% over the VWAP of the Shares for the period after the Offer Announcement Date and up to the Latest Practicable Date.

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

- (a) the average daily traded volume of the Shares for the 12-month, 6-month, 3-month and 1-month periods prior to and including the Offer Announcement Date was low, representing 0.4%, 0.3%, 0.2% and 0.1% of the free float respectively; and
- (b) During the period following the Offer Announcement Date and up to the Latest Practicable Date, the average daily trading volume of the Shares was higher at approximately 7.3 million Shares, but trading liquidity remained low, representing approximately 1.4% of the free float of the Shares.

We note that the Shares have been traded between approximately S\$0.016 and S\$0.029 over the 12-month period prior to and including the Offer Announcement Date. After the Offer Announcement Date and up to the Latest Practicable Date, the closing price of the Shares were close to the Offer Price.

Shareholders should note that the past trading performance of the Shares should not, in any way, be relied upon as an indication or a promise of its future trading performance. There is no assurance that the price of the Shares will remain at current levels as and when the Offer completes.

8.2 Financial Performance of the Group

A summary of the financial results of the Group for the last three financial years ended 31 December, from FY2013 to FY2015 is set out below:-

RMB million	← Audited →		
	FY2013	FY2014	FY2015
Revenue	727.9	656.2	247.6
Cost of sales	(669.8)	(577.3)	(236.1)
Gross profit	58.1	78.9	11.5
Gross Profit Margin	8.0%	12.0%	4.6%
Profit/(Loss) before tax	4.2	26.6	(28.6)
Profit/(Loss) for the year	4.2	13.9	(23.9)

Source: The Company's annual reports and announcements

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The revenue of the Group has been declining for the past three financial years. The Group has cited that it experienced decrease in sales volume as it continues to operate in a challenging and competitive environment amidst the continuing weaknesses in the building and housing industries in Suzhou, and this situation is not expected to improve in the near future.

FY2014 vs FY2013

The Group posted a revenue of RMB656.2 million for FY2014, representing a decrease of RMB71.7 million or 9.9% from RMB727.9 million in FY2013. This was primarily attributable to the lower construction activities during the financial year. Cost of sales decreased from RMB669.8 million in FY2013 to RMB577.3 million in FY2014, in line with the decrease in revenue.

The Group recorded a gross profit of RMB78.9 million for FY2014, representing an increase of RMB20.8 million or 35.8% from RMB58.1 million in FY2013. The increase in gross profit was mainly due to higher gross profit margin resulting from the increase in average unit selling price of concrete being greater than the increase in average unit cost of production. The increase in average unit selling price of concrete was mainly due to favourable demand conditions. Other operating income increased from RMB3.5 million in FY2013 to RMB4.5 million in FY2014 mainly due to higher compensation received from customers for late payment of debts which was partially offset by the decrease in rental income.

The Group recorded a profit of RMB13.9 million for FY2014, a significant increase from a profit of RMB4.2 million in FY2013, representing an increase of RMB9.7 million or 231.0%. This was mainly attributable to a decrease in selling and distribution expenses of RM4.1 million in FY2014 as a result of decline in marketing expenses incurred in FY2014, and a decrease in other operating expenses of RM2.4 million in FY2014 due to absence of impairment loss on property, plant and equipment and allowance for inventory obsolescence, on the back of higher gross profit. This was partially offset by an increase in general and administrative expenses of RM6.0 million in FY2014 mainly due to higher allowance for doubtful debts during the year. In FY2014, the management has performed a credit evaluation process to review the recoverability of the trade and other receivables balances based on their judgement. The assessment has led to the recognition of accumulated allowance for impairment of RMB12.0 million as at 31 December 2014 compared with RMB6.9 million as at 31 December 2013. In FY2014, the Group recorded an increase in income tax expense of RM12.6 million mainly due to the absence of deferred tax income recognised in FY2014.

FY2015 vs FY2014

The Group posted a revenue of RMB247.6 million for FY2015, representing a decrease of RMB408.6 million or 62.3% from RMB656.2 million in FY2014. This was primarily attributable to a substantial drop in sales volume as a result of the challenging and competitive environment amidst weaknesses in the building and housing industries in Suzhou. Cost of sales also decreased accordingly from RMB577.3 million in FY2014 to RMB236.1 million in FY2015.

The Group recorded a gross profit of RMB11.5 million for FY2015, representing a decrease of RMB67.4 million or 85.4% from RMB78.9 million in FY2014, in line with the decrease in revenue as a result of challenging and competitive business environment. Other operating income increased from RMB4.5 million in FY2014 to RMB10.1 million in FY2015 mainly due to the gain of RMB7.9 million on disposal of a subsidiary, Suzhou Industrial Park Yongsheng Concrete Co., Ltd. However, this gain was partially offset by a decrease in government grants and rental income.

For FY2015, the Group recorded a loss of RMB23.9 million which is a significant decrease from a profit position of RMB13.9 million in FY2014. This was mainly due to the significant decrease in gross profit. The overall decrease in selling and distribution expenses and general and administrative expenses for FY2015 was primarily due to lesser marketing expenses incurred, the decline in allowance for doubtful debts and decrease in staff costs. In FY2015, the Group recorded an income tax credit of RMB4.7 million mainly due to recognition of deferred tax income.

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Outlook of the Group

We would like to draw the attention of Shareholders to paragraph 10 of the Company's full year results announcement for FY2015 where the Company made commentaries on its general business outlook, which we have reproduced in italics below:

"The Group continues to operate in a challenging and competitive environment amidst the continuing weaknesses in the building and housing industries in Suzhou. The situation is not expected to improve in the near future."

Historical Price-earnings Ratio ("P/E") implied by the Offer Price

P/E illustrates the valuation ratio of the current market value of a company's shares relative to its consolidated basic earnings per share as stated in its financial statements. The P/E is affected by, inter alia, the capital structure of a company, its tax position as well as its accounting policies relating to depreciation and intangible assets. The historical P/E is commonly used for the purpose of illustrating the profitability and hence the valuation of a company as a going concern.

We note that the Group recorded a loss of RMB23.9 million in FY2015, as such, an evaluation of the Offer Price based on the implied P/E of the Group is not meaningful.

8.3 Net Asset Value ("NAV") and Revalued Net Asset Value ("RNAV") of the Group

Based on the latest available financial statements of the Group for FY2015, the summary of the statement of financial position of the Group as at 31 December 2015 is set out below:

RMB'000	Audited As at 31 December 2015
<u>Non-current assets</u>	
Property, plant and equipment	62,051
Land use rights	6,759
Associate	3,295
Deferred tax assets	14,361
	86,466
<u>Current assets</u>	
Inventories	2,287
Trade and other receivables	573,323
Cash and cash equivalents	16,228
	591,838
Assets classified as held for sale	24,475
	616,313
Total assets	702,779
<u>Current liabilities</u>	
Trade and other payables	158,453
Short-term bank borrowings	172,944
Income tax payable	4,069
	335,466
Liabilities directly associated with assets classified as held for sale	8,287
Total liabilities	343,753
Total equity	359,026
NAV of the Group	359,026
NTA of the Group	344,665
Number of issued Shares	1,663,900,000

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

Review of Financial Position of the Group

As at 31 December 2015, the Group has total assets of RMB702.8 million comprising current assets of RMB616.3 million (87.7%) and non-current assets of RMB86.5 million (12.3%). Total current assets of RMB616.3 million comprise trade and other receivables of RMB573.3 million (93.0%), cash and cash equivalents of RMB16.2 million (2.6%), inventories of RMB2.3 million (0.4%) and assets classified as held for sale of RMB24.5 million (4.0%). The assets held for sale relates mainly to the assets of Wuxi Lianyou Concrete Co., Ltd. which were expected to be sold within twelve months.

Total non-current assets of RMB86.5 million comprise property, plant and equipment of RMB62.1 million (71.8%), deferred tax assets of RMB14.4 million (16.6%), land use rights of RMB6.7 million (7.8%) and investment in associate of RMB3.3 million (3.8%). Property, plant and equipment comprise mainly leasehold buildings, plant and machinery, office equipment and motor vehicles and vessels.

As at 31 December 2015, the Group has total liabilities of RMB343.8 million comprising short term bank borrowings of RMB172.9 million (50.3%), trade and other payables of RMB158.5 million (46.1%), liabilities directly associated with assets classified as held for sale of RMB8.3 million (2.4%) and income tax payable of RMB4.1 million (1.2%).

Property, Plant and Equipment

All of the Group's property, plant and equipment are located in the PRC. Property, plant and equipment of RMB62.1 million made up approximately 8.8% of the Group's total assets as at 31 December 2015. The property, plant and equipment consist of leasehold buildings in Mudu Town and Wujiang County, Suzhou City, Jiangsu Province, PRC ("**Properties**"), with carrying amount as at 31 December 2015 of RMB8.3 million, as well as plant and machinery, office equipment and motor vehicles and vessels ("**Remaining PPE**") with aggregate carrying amount as at 31 December 2015 of RMB53.8 million.

In connection with the Offer, the Company has commissioned a Valuer to perform an independent valuation on the Properties and to provide an opinion of the market value of these Properties as at 29 February 2016 ("**Independent Valuation**").

We note that the valuation is carried out on a Market Value basis, which is defined as "the estimated amount for which an asset or liability should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing where the parties had each acted knowledgeably, prudently and without compulsion."

The Valuer has valued each property interest by Direct Comparison Approach and Depreciated Replacement Cost Method. The Direct Comparison Approach consists of comparisons based on prices realized or current asking prices of comparable properties. Comparable properties of similar size, location and character are selected and then analyzed and carefully weighed against all the respective advantages and disadvantages of each property in order to arrive at a fair comparison of capital value. The Valuer has also adopted Depreciated Replacement Cost Method which is an application of the cost approach in valuing specialised properties like this property. The use of this approach requires an estimate of the market value of the land use rights for its existing use, and an estimate of the new replacement cost of the buildings and other site works from which deductions are then made to allow for age, condition, and functional obsolescence taken into account of the site formation cost and those public utilities connection charges to the property. The value of the land use rights of this property has been determined from market-based evidences by analysing similar sales or offerings of comparable properties.

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The valuation of the property is on the assumption that the property is subject to the test of adequate potential profitability of the business having due regard to the values of the total assets employed and the nature of the operation. In considering the buildings, the gross replacement cost of the buildings should take into consideration everything which is necessary to complete the construction from a new green field site to provide buildings as they are, at the valuation date, fit for and capable of being occupied and used for the current use. These costs to be estimated are not to erect buildings in the future but have the buildings available for occupation at the valuation date, the work having commenced at the appropriate time.

The Valuer has opined that the Group's Properties has an aggregate market value in the existing state of RMB29.9 million as at 29 February 2016.

	<u>RMB'000</u>
Market value of the Properties	29,900
Carrying amount of the Properties as at 31 December 2015 (including land use rights)	15,023
Revaluation surplus arising from the open market value of the Properties	14,877
(Less): Potential tax liabilities on sale ⁽¹⁾	(5,979)
Net: Revaluation surplus on Properties	8,898

(1) based on the Company's estimates

In assessing the revaluation surplus arising from the fair value of the Properties, we have also considered whether there is any potential tax liability on the revaluation surplus which may affect the net tangible asset ("NTA") per Share for the purpose of evaluating against the Offer Price, especially if the Properties were to be sold at the valuation amount. We understand that the Group may incur potential tax liabilities of approximately RMB6.0 million on the revaluation surpluses, based on the corporate income tax in the PRC and land value added tax.

We understand from the Management that these Properties house the Group's production facility and are held for long-term purpose for their own use and there are no current plans to dispose of the Group's interests in the Properties. As such, the above tax liabilities may not crystallize.

Please refer to the Valuation Report annexed in Appendix V to this Circular. Shareholders are advised to read the Valuation Report carefully.

As at 31 December 2015, the carrying amount of the Remaining PPE amounted to RMB53.8 million, representing 7.7% and 15.6% of the total assets and NTA of the Group respectively. We understand from the Management that the Remaining PPE consists of mainly motor vehicles and vessels, which is recorded at net carrying amount.

Trade and other receivables

Trade and other receivables form a significant portion of the total assets of the Group, representing 81.6% of the total assets of the Group as at 31 December 2015. The policy for allowances for bad and doubtful debts of the Group is based on the evaluation of collectability and on management's judgement which includes the current creditworthiness, the past collection history of each customer and on-going dealings with the customers. We understand that Management has performed a credit evaluation process to review the recoverability of the trade and other receivables balances based on their judgement. The assessment has led to the recognition of accumulated allowance for impairment of RMB8.9 million as at 31 December 2015.

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The table below is an analysis of trade and other receivables as at 31 December 2015:

	RMB'000
Trade and other receivables	31 December 2015
Not past due and not impaired	227,730
Past due but not impaired	105,694
	<u>333,424</u>
Impaired receivables – individually assessed	153,882
Less: Allowance for impairment	(8,873)
	<u>145,009</u>
Trade receivables, net	478,433
Other receivables, bills receivable and amounts due from associate, prepayments and advances	110,785
Less: Transfer of assets classified as held for sale	(15,895)
Trade and other receivables	<u>573,323</u>

	FY2013	FY2014	FY2015
Trade receivables turnover (days)	355	383	848

The Group's average trade receivables turnover days has been increasing over the past three financial years as a result of the challenging and competitive environment amidst weaknesses in the building and housing industries in Suzhou. We understand that the trade receivables as at 31 December 2015 are recorded net of allowance for bad and doubtful debts and no further allowance is required.

NAV per Share

The audited NAV of the Group as at 31 December 2015 was RMB359.0 million. Based on the issued share capital of 1,663,900,000 Shares as at the Latest Practicable Date, the NAV per Share as at 31 December 2015 was RMB0.2158, equivalent to approximately S\$0.0469 (based on an exchange rate of S\$1.00:RMB4.5969 as at 31 December 2015). The Offer Price represents a discount of 31.8% to the NAV per Share, or a Offer Price/NAV ratio of 0.68 times.

We note that during the 12-month period prior to the Offer Announcement Date, the Shares have been trading at a substantial discount to the NAV per Share. The VWAP of the Shares during the 12-month period prior to the Offer Announcement Date was S\$0.0238 representing a significant discount of approximately 49.3% to the Group's NAV per Share as at 31 December 2015.

RNAV per share

As mentioned above, in connection with the Offer, the Company has commissioned a Valuer to perform an independent valuation on the Properties, which resulted in a revaluation surplus of approximately RMB14.9 million.

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We have made the following adjustments to the Group's NAV based on the above:

	RMB'000
NAV of the Group as at 31 December 2015	359,026
Add: Revaluation surplus of the Properties	14,877
RNAV of the Group	373,903
RNAV per Share (RMB)	0.2247
RNAV per Share (S\$)	0.0489
Discount of Offer Price to RNAV per Share (%)	34.5
Offer Price / RNAV (times)	0.65

Based on the issued share capital of 1,663,900,000 Shares as at the Latest Practicable Date, the RNAV per Share as at 31 December 2015 was RMB0.2247, equivalent to approximately S\$0.0489 (based on an exchange rate of S\$1.00:RMB4.5969 as at 31 December 2015). The Offer Price represents a discount of 34.5% to the NAV per Share, or a Offer Price/RNAV ratio of 0.65 times.

NTA per Share

The Group has a deferred tax asset of RMB14.4 million as at 31 December 2015. After deducting the deferred tax asset, the NTA of the Group amounted to RMB344.7 million. Based on the issued share capital of 1,663,900,000 Shares as at the Latest Practicable Date, the NTA per Share as at 31 December 2015 was RMB0.2071, equivalent to approximately S\$0.0451 (based on an exchange rate of S\$1.00:RMB4.5969 as at 31 December 2015). The Offer Price represents a discount of 29.0% to the NTA per Share, or a Price/NTA ratio of 0.71 times. As the deferred tax asset of RMB14.4 million as at 31 December 2015 is not material, representing only 2.0% of total assets, we will evaluate the ratios based on Offer Price/NAV and Offer Price/RNAV.

We have not made any independent evaluation or appraisal of the assets and liabilities (including without limitation, real properties) of the Group but have been provided with the Valuation Report from the Valuer. We are not experts in the evaluation or appraisal of the assets concerned and we have placed sole reliance on the Valuation Reports for such asset appraisal and have not made any independent verification of the contents thereof.

The stated values of the Properties are based on the valuations performed by the Valuers. We do not assume any responsibility to inquire about the basis of such valuations or if the contents thereof have been prepared and/or included in the Circular in accordance with all applicable regulatory requirements including Rule 26 of the Code.

8.4 Comparison of the Valuation Statistics of Selected Companies Broadly Comparable To the Group

For the purpose of assessing the financial terms of the Offer, we have referred to the current valuation statistics of selected listed companies on the SGX-ST, which business operations we consider to be broadly comparable to the Group ("**Comparable Companies**"). The Comparable Companies are broad proxies to the Group's business and is intended to serve only as an illustrative guide.

We have had discussions with the Management of the Company about the suitability and reasonableness of the selected Comparable Companies acting as a basis for comparison with the Group. Relevant information has been extracted from Bloomberg L.P., publicly available annual reports and/or public announcements of the selected Comparable Companies. We make no representations or warranties, expressed or implied, as to the accuracy or completeness of such information. The selected Comparable Companies' accounting policies with respect to the values for which the assets or the revenue and cost are recorded may differ from that of the Group.

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Shareholders should note that there may not be any company listed on any relevant stock exchange that is directly comparable to the Group in terms of, inter alia, market capitalisation, size, diversity of business activities, asset base, geographical spread, customer base, brand loyalty, track record, financial performance, future prospects, operating and financial leverage, liquidity, risk profile, quality of earnings and accounting, and other relevant criteria. Therefore, any comparison made herein serves as an illustrative guide for Shareholders and the conclusions drawn from the comparison may not necessarily reflect the perceived market valuation of the Shares as at the Latest Practicable Date. We wish to highlight that the list of Comparable Companies is by no means exhaustive.

A brief description of the Comparable Companies is as follows:-

Companies	Key activities
Transit-Mixed Concrete Limited	Transit-Mixed Concrete Limited manufactures and supplies ready-mixed concrete. The Company also provides concrete pump services and trades raw materials for the production of ready-mixed concrete. Transit-Mixed Concrete imports, exports, distributes, and deals ready-mixed concrete, manufactures structural cement and concrete products, and provides waste management services.
Engro Corporation Limited	Engro Corporation Limited manufactures and sells cement, construction, vermiculite, building materials, and specialty chemicals. The Company also markets and distributes office automation products, provides investment trading and liaison and coordination services.
China West Construction Group Co., Ltd.	China West Construction Group Co., Ltd. is an infrastructure development company. The Company manufactures and sells pre-mixed concretes.
China Resources Cement Holdings Limited	China Resources Cement Holdings Limited, through its subsidiaries, produces, distributes and sells cement, clinker and concrete.
Lafarge Malaysia Berhad	Lafarge Malaysia Berhad operates as an investment holding company. The Company, through its subsidiaries, manufactures, sells, and distributes cement and clinker. Lafarge Malaysia also manufactures and sells ready-mixed concrete, provides shipping services, leases vessels, and trades building materials.
Quality Concrete Holdings Berhad	Quality Concrete Holdings Berhad is an investment holding company. The Company, through its subsidiaries, manufactures and sells ready-mixed concrete, cement products, and high density polyethylene pipes and fittings, woven polypropylene bags, polyethylene liners, lamination products, timber products and develops property. Other activities include operating saw mill.
Dolomite Corp Berhad	Dolomite Corporation Berhad is an investment holding company. The Company, through its subsidiaries, manufactures and sells hotmixes, ready-mixed concrete, and construction related products. It also provides realty and property development, quarry operation, transportation services, construction, and property investment.

Source: Bloomberg L.P., annual reports and announcement of the respective Comparable Companies

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In assessing the financial terms of the Offer, we have used the following valuation measures in our analysis:

Valuation Measure	Description
Price-to-earnings ratio ("P/E")	P/E ratio or earnings multiple illustrates the valuation ratio of the current market value of a company's shares relative to its consolidated basic earnings per share as stated in its financial statements. The P/E ratio is affected by, <i>inter alia</i> , the capital structure of a company, its tax position as well as its accounting policies relating to depreciation and intangible assets.
Price-to-NAV ratio ("P/NAV")	P/NAV ratio illustrates the ratio of the market price of a company's shares relative to its asset backing as measured in terms of its historical consolidated NAV per share as stated in its financial statements. The NAV figure provides an estimate of the value of a company assuming the sale of all its tangible and intangible assets, the proceeds which are first used to settle its liabilities and obligations with the balance available for distribution to its shareholders. Comparison of companies using their book NAVs are affected by differences in their respective accounting policies, in particular their depreciation and asset valuation practice.
Enterprise value to EBITDA Ratio ("EV/EBITDA")	The historical EV/EBITDA ratio illustrates the ratio of the market value of a company's business relative to its historical consolidated pre-tax operating cashflow performance, without regard to its capital structure, and provides an indication of current market valuation relative to operating performance. "EV" is the sum of a company's market capitalisation, preferred equity, minority interests, short- and long-term debts less cash and cash equivalents, and represents the actual cost to acquire the entire company. "EBITDA" refers to historical consolidated earnings before interest, tax, depreciation and amortisation expenses. EBITDA can be used to analyse the profitability between companies as it eliminates the effects of financing and accounting decisions.

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The valuation measures of the Comparable Companies set out below:

Comparable Companies	Listing Location	Market Capitalisation ⁽¹⁾ (S\$' million)	Historical P/E ^{(1) (2)} (times)	Historical P/NAV ^{(1) (3)} (times)	Historical EV/EBITDA ⁽¹⁾ (times)
Transit-Mixed Concrete Limited	Singapore	41.8	7.9	1.7	4.6
Engro Corporation Limited	Singapore	107.0	NA ⁽⁴⁾	0.5	12.2
China West Construction Group Co., Ltd.	China	1,480.6	21.6	1.7	10.4
China Resources Cement Holdings Limited	Hong Kong	2,650.0	3.9	0.5	6.6
Lafarge Malaysia Berhad	Malaysia	2,573.9	29.1	2.5	15.4
Quality Concrete Holdings Berhad	Malaysia	29.6	NA ⁽⁴⁾	0.7	NA ⁽⁵⁾
Dolomite Corp Berhad	Malaysia	33.8	240.8 ⁽⁶⁾	0.5	19.1
High			29.1	2.5	19.1
Low			3.9	0.5	4.6
Mean			15.6	1.2	11.3
Median			14.8	0.7	11.3
The Company (implied by the Offer Price)		53.2	NA⁽⁴⁾	0.7⁽⁷⁾	NA⁽⁴⁾

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

Notes:-

- (1) Market capitalization, historical P/E and P/NAV of the Comparable Companies were based on their respective closing prices as at the Latest Practicable Date.
- (2) Based on the historical full year consolidated earnings of the respective Comparable Companies.
- (3) The P/NAV ratios of the Comparable Companies were based on their respective NAV values as set out in their latest available published financial statements as at the Latest Practicable Date.
- (4) Not applicable as the respective companies were in a net loss position.
- (5) Not applicable as the respective companies had negative EBITDA.
- (6) Excluded as statistical outlier in the historical P/E computations.
- (7) Based on RNAV of the Company as at 31 December 2015.

Based on the above, we note that:-

- (a) The P/RNAV ratio of the Group implied by the Offer Price of 0.7 times is within the range of the P/NAV ratios of the Comparable Companies;
- (b) The P/RNAV ratio of the Group implied by the Offer Price of 0.7 times is the same as the median P/NAV ratio of the Comparable Companies of 0.7 but lower than the mean P/NAV of the Comparable Companies of 1.2; and
- (c) The Company recorded a loss of RMB23.9 million for year ended 31 December 2015. Accordingly, no comparison to historical P/E and historical EV/EBITDA was made.

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8.5 Comparison of the Valuation Statistics of the Recent Successful Privatisation Transactions of SGX-ST Listed Companies

As disclosed in Section 10 of the Offer Document, we note that the Offeror intends to make the Company its wholly-owned subsidiary and does not intend to preserve the listing status of the Company. Accordingly, the Offeror, when entitled, intends to exercise its rights of compulsory acquisition under Section 215(1) of the Act and does not intend to take steps for any trading suspension of the Shares by the SGX-ST to be lifted in the event that, inter alia, less than 10% of the total number of Shares (excluding any Shares held by the Company as treasury shares) are held in public hands at the close of the Offer and the trading of the Shares is suspended at the close of the Offer. In addition, the Offeror also reserves the right to seek a voluntary delisting of the Company from the SGX-ST pursuant to Rules 1307 and 1309 of the Listing Manual.

In assessing the reasonableness of the terms of the Offer, we have also examined recent similar transactions by listed companies on the SGX-ST involving offers announced and completed from February 2014 up to the Latest Practicable Date (the “**Selected Privatisation Transactions**”). Our analysis of the Selected Privatisation Transactions is to illustrate the premium/discount represented by each of the respective offer prices over/to the average traded prices prior to the announcements of such Selected Privatisation Transactions.

This analysis serves as a general indication of the relevant premium/discount that the offerors had paid in order to acquire the target companies without having regard to their specific industry characteristics or other considerations, and the comparison sets out:

- (i) the premium represented by each of the respective offer prices to the last transacted prices and VWAPs prior to the announcement of the Selected Privatisation Transactions; and
- (ii) the premium or discount represented by each of the respective offer price to the P/NTA of the respective target companies. We note that certain Selected Privatisation Transaction had undertaken revaluations and/or adjustments to their assets which may have a material impact on their latest announced book values. In this respect, we have compared the offer price with the revalued NTA or adjusted NTA of the Selected Privatisation Transactions, where applicable.

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

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

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A summary of the relevant financial terms of the Selected Privatisation Transactions is set out below.

Company	Date of Announcement	Type ⁽¹⁾	Premium/(Discount) of offer price over/(to)				P/NTA (times)
			Last Transacted Price (%)	1-month VWAP (%)	3-month VWAP (%)	6-month VWAP (%)	
Singapore Land Limited ⁽²⁾	24-Feb-14	VGO	11.2	16.9	13.9	11.0	0.7
Chemoil Energy Limited	25-Feb-14	VD	29.0	31.1	32.5	31.1	1.1
Asia Power Corporation Limited	24-Mar-14	VD	0.0	1.2	2.1	9.7	0.6
China XLX Fertiliser Ltd.	31-Mar-14	VD	23.1	28.9	24.8	22.2	0.8
CapitaMalls Asia Limited ⁽³⁾	14-Apr-14	VGO	23.0	27.0	25.5	20.5	0.8
ASJ Holdings Limited ⁽⁴⁾	7-May-14	VGO	18.2	43.7	55.4	62.0	0.7
Goodpack Limited	27-May-14	SOA	23.2	30.8	31.3	34.3	3.1
Lee Kim Tah Holdings Limited ⁽⁵⁾	25-Sep-14	VGO	6.4	11.8	12.3	13.5	1.0
UE E&C Ltd. ⁽⁶⁾	3-Oct-14	VGO	(2.3)	2.7	5.0	(2.9)	1.2
Perennial China Retail Trust	27-Oct-14	VGO	29.6	34.0	33.0	32.1	0.9
Forterra Trust	4-Nov-14	MGO	32.4	51.1	49.7	39.8	0.6
ECS Holdings Limited ⁽⁷⁾	14-Nov-14	VGO	11.5	9.0	11.5	9.3	0.6
euNetworks Group Limited	17-Nov-14	MGO and VD	32.6	58.4	69.2	101.2	1.9
STATS ChipPAC Ltd. ⁽⁸⁾	30-Dec-14	VGO	39.0	24.5	27.6	32.1	1.9
Popular Holdings Limited ⁽⁹⁾	14-Jan-15	VGO	39.1	39.7	37.3	32.2	1.2
Keppel Land Limited ⁽¹⁰⁾	23-Jan-15	VGO	20.0	25.0	28.8	28.2	0.7
Action Asia Limited ⁽¹¹⁾	27-Feb-15	VD	69.6	67.6	66.7	64.5	0.8
Junma Tyre Cord Company Limited ⁽¹²⁾	10-Mar-15	VD	222.6	162.3	174.7	167.7	0.9
Lizhong Wheel Group Ltd. ⁽¹³⁾	17-Aug-15	VGO	96.1	87.3	79.2	92.3	0.6
Chosen Holdings Limited ⁽¹⁴⁾	1-Sep-15	VGO	21.2	26.3	27.0	33.3	0.8
Eastern Holdings Ltd. ⁽¹⁵⁾	22-Sep-15	VD	53.8	67.3	34.1	25.7	0.8
Sinotel Technologies Ltd.	30-Nov-15	VD	50.6	30.6	45.5	(4.5)	0.8
Li Heng Chemical Fibre Technologies Limited	22-Dec-15	VGO	115.1	100.8	104.5	60.3	0.4
High			222.6	162.3	174.7	167.7	3.1
Low			(2.3)	1.2	2.1	(4.5)	0.4
Mean			42.0	42.5	43.1	39.8	1.0
Median			29.0	30.8	32.5	32.1	0.8
The Company⁽¹⁶⁾	24-Feb-16	VGO	52.4	67.4	62.4	56.9	0.7

Source: SGX-ST announcements, circulars and relevant documents of the respective Selected Privatisation Transactions.

Notes:-

- (1) VD refers to voluntary delisting. MGO refers to mandatory general offer. VGO refers to voluntary general offer. SOA refers to scheme of arrangement.
- (2) Based on RNTA of Singapore Land Limited as at 31 December 2013.
- (3) Based on RNAV of CapitaMalls Asia Limited as at 31 March 2014.
- (4) Based on RNTA of ASJ Holdings Limited as at 30 April 2014.

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- (5) Based on the RNAV of Lee Kim Tah Holdings Ltd as at 30 June 2014.
- (6) Based on the RNAV of UE E&C Ltd. as at 30 September 2014 after adjusting for the expected increase in carrying value of investments in associates and joint ventures.
- (7) Based on the unaudited NTA per share after deducting for intangible assets of ECS Holdings Limited as at 30 September 2014.
- (8) Based on the NTA per share (excluding the value of the perpetual securities which were issued in connection with the offer) of STATS ChipPAC Ltd. as at 29 March 2015.
- (9) Based on the RNAV of Popular Holdings Limited as at 31 October 2014.
- (10) Based on the RNAV of Keppel Land Limited as at 31 December 2014.
- (11) Based on the RNAV of Action Asia Limited as at 31 March 2015.
- (12) Based on the RNTA of Junma Tyre Cord Limited as at 31 December 2014.
- (13) Based on the RNTA of Lizhong Wheel Group Limited as at 30 June 2015.
- (14) Based on the RNAV of Chosen Holdings Limited as at 30 June 2015.
- (15) Based on the RNAV of Eastern Holdings Ltd as at 30 September 2015.
- (16) Based on the RNAV of the Company as at 31 December 2015.

The key observations in respect of the above are highlighted below:-

- (a) the premium implied by the Offer Price against the last transacted price, 1-month VWAP, 3-month VWAP and 6-month VWAP of the Shares prior to the Offer Announcement Date is within the range and is significantly higher than the mean and median premiums of the Selected Privatisation Transactions for the corresponding periods; and
- (b) the P/RNAV ratio of the Group of 0.7 times implied by the Offer Price is within the range and is lower than the mean and median P/NTA of the Selected Privatisation Transactions of 1.0 and 0.8 respectively.

Independent shareholders should note that the above comparison with the Selected Privatisation Transactions is purely for illustrative purposes only.

8.6 Other Relevant Considerations

8.6.1 Irrevocable Undertakings from Ever Universe

Section 8 of the Offer Document sets out certain information relating to the Irrevocable Undertaking from Ever Universe. Shareholders are advised to read this section of the Offer Document carefully. Ever Universe holds 68.06% of the total number of issued Shares of the Company. As at Latest Practicable Date:

- (i) The Offeror has acquired 30,806,000 Shares from the open market, representing approximately 1.85% of the total number of issued Shares of the Company;
- (ii) The Offeror has received the Irrevocable Undertaking in respect of 1,132,476,078 Shares representing 68.06% of the total number of issued Shares of the Company from Ever Universe to accept the Offer; and
- (iii) Mr Cao Xiaping, a director of the Offeror, holds 667,000 Shares of the Company.

Taking into consideration the above, the Offeror and its concert parties owned, controlled, acquired or agreed to acquire an aggregate of 1,163,949,078 Shares, representing approximately 69.95% of the total number of issued Shares of the Company.

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8.6.2 Condition of the Offer

Shareholders should note that the Offer is conditional upon the Offeror having received, by the Closing Date, valid acceptances in respect of such number of Offer Shares which will result in the Offeror holding not less than 90% of the Offer Shares as at the Closing Date (the “**Acceptance Condition**”). The Offeror reserves the right to reduce the Acceptance Condition to a lower minimum acceptance level, provided that such revision be made after obtaining the consent of the SIC. In the event that the Acceptance Condition is revised, the revised Offer shall remain open for another 14 days following such revision and Shareholders who have accepted the Offer will be permitted to withdraw such acceptances within eight (8) days of notification of such revision.

In addition, pursuant to Rule 22.6 of the Code, if the Offer becomes or is declared to be unconditional as to acceptances, the Offer shall remain open for a period for not less than 14 days after the date on which the Offer would otherwise have closed, in order to give Shareholders who have not accepted the Offer the opportunity to do so.

The first closing date for the Offer is 5.30pm on 11 April 2016 and as at the Latest Practicable Date, the Offer has not become or been declared to be unconditional in all aspects. **Shareholders should note that there is no assurance they will receive the Offer Price unless the Offer becomes unconditional as the close of the Offer.** As such, Shareholders should therefore take note of further announcements as may be made from time to time by or on behalf of the Offeror in respect of the Offer becoming unconditional and the final closing date.

8.6.3 Dividend Record of the Group

We understand from the Company that it does not have a formal dividend policy. We note that the Company had declared and paid dividends of S\$5.0 million in FY2008 and S\$10.0 million in FY2010, and no dividend has been declared and paid since year 2011. The Offer Price offers Shareholders with a cash exit opportunity.

8.6.4 Alternative Take-over Offer

As at the Latest Practicable Date, the Directors have confirmed that, apart from the Offer, the Company has not received any other offer from any other party.

8.6.5 Offeror’s intentions for the Company

The following has been extracted from Section 10 of the Offer Document and is set out in italics below. Unless otherwise defined, all terms and expressions used in the extract below shall have the same meanings as those defined in the Offer Document. Shareholders are advised to read the extract below carefully:

***“The Offeror intends to make the Company its wholly-owned subsidiary and does not intend to preserve the listing status of the Company. Accordingly, when entitled, the Offeror intends to exercise its rights of compulsory acquisition under Section 215(1) of the Companies Act and does not intend to take steps for the lifting of any trading suspension of the Shares by the SGX-ST in the event that, inter alia, less than 10% of the total issued Shares (excluding any treasury shares) are held in public hands. In addition, the Offeror also reserves the right to seek a voluntary delisting of the Company from the SGX-ST pursuant to Rules 1307 and 1308 of the Catalist Rules.*”**

The Offeror currently has no intention to: (a) make any changes to the businesses of the Group, (b) redeploy the fixed assets of the Group, or (c) discontinue the employment of employees of the Group, other than in the ordinary course of business. After the delisting and privatisation of the Company, the Offeror may conduct a review of the operations and management of the Group, restructure its shareholdings or the shareholdings of the Company and may also evaluate various strategic options with a view to optimise and/or unlock value in the Offeror and/or the Group at an opportune time in the future. Nonetheless, the Offeror retains the flexibility at any time to consider any options or opportunities in relation to the Group which may present themselves and which it may regard to be in the best interests of the Offeror and/or the Group.”

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

We note that the Offeror intends to make the Company its wholly-owned subsidiary and does not intend to preserve the listing status of the Company. We note that the Offeror believes that the delisting and privatisation of the Company will allow the Offeror to exercise greater control and management flexibility in utilising and deploying the resources of the Group and to dispense with compliance cost associated with the Company's listing status. The delisting and privatization of the Company will also afford the Offeror the flexibility to rationalize the management structure, internal resources and cost structure of the Group's businesses for greater efficiency and competitiveness.

8.6.6 Compulsory Acquisition and Listing Status

We note that pursuant to Section 215(1) of the Companies Act, in the event that the Offeror receives valid acceptances of the Offer or acquires Offer Shares during the Offer period otherwise than through valid acceptances of the Offer in respect of not less than 90% of the total number of issued Shares (other than those already held by the Offeror, its related corporations or their respective nominees as at the Offer Announcement Date), the Offeror will be entitled to exercise the right to compulsorily acquire all the Shares of Dissenting Shareholders on the same terms as those offered under the Offer.

We also note that the Offeror intends to make the Company its wholly-owned subsidiary and to delist the Company from the SGX-ST. It is therefore not the intention of the Offeror to preserve the listing status of the Company and in the event that the trading of Shares on the SGX-ST is suspended pursuant to Rule 724, Rule 1104 or Rule 1303(1) of the Catalist Rules, the Offeror does not intend to undertake or support any action for any such trading suspension to be lifted by the SGX-ST.

9. OUR ADVICE

In arriving at our recommendation in respect of the Offer, we have taken into account the following factors which we consider to have a significant bearing on our assessment:-

- (a) Market quotation and trading liquidity of the Shares;
- (b) Financial performance of the Group;
- (c) Net asset value and revalued net asset value of the Group;
- (d) Comparison of the valuation statistics of Comparable Companies;
- (e) Comparison of the valuation statistics of Selected Privatisation Transactions; and
- (f) Other relevant considerations.

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

- (a) in relation to the Share price performance of the Company:
 - the Offer Price is above the closing prices of the Shares since the 12-month period prior to and including the Offer Announcement Date and up to the Latest Practicable Date;
 - since the 12-month period prior to and including the Offer Announcement Date, the closing prices of the Shares ranged between a low of S\$0.016 and a high of S\$0.029. The Offer Price represents a premium of 100.0% and 10.3% over the lowest closing price and highest closing price of the Shares respectively; and

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

- the Offer Price represents a premium of approximately 52.4% over the closing price of S\$0.021 on 23 February 2016, being on the Last Traded Day on which the Shares were traded prior to the Offer Announcement Date and before the trading halt of the Shares on 24 February 2016 and a premium of approximately 34.5%, 56.9%, 62.4% and 67.4% above the VWAPs of the Shares for the 12-month, 6-month, 3-month and 1-month periods prior to and including the Offer Announcement Date, respectively;
- (b) in relation to the trading liquidity of the Shares:
- the trading liquidity of the Shares has generally been thin in the past. The average daily traded volume of the Shares for the 12-month, 6-month, 3-month and 1-month periods prior to and including the Offer Announcement Date represents 0.4%, 0.3%, 0.2% and 0.1% of the free float respectively; and
 - during the period following the Offer Announcement Date and up to the Latest Practicable Date, the average daily trading volume of the Shares was higher at approximately 7.3 million Shares, but trading liquidity remained low, representing approximately 1.4% of the free float of the Shares.
- (c) the historical financial performance and condition of the Group, as set out in paragraph 8.2 of this IFA Letter. The Group's revenue has been declining over the past 3 years. In FY2015, the Group recorded a loss of RMB23.9 million due to substantial decrease in sales volume as a result of the challenging and competitive business environment amidst weaknesses in the building and housing industries in Suzhou. The Company has not paid any dividends for the past 3 financial years;
- (d) the Offer Price represents a discount of approximately 34.5% to the RNAV per Share of the Company as at 31 December 2015;
- (e) in comparison with the valuation statistics of the Comparable Companies, the P/RNAV ratio of the Group implied by the Offer Price of 0.7 times is within the range of the P/NAV ratios of the Comparable Companies and is the same as the median P/NAV ratio of the Comparable Companies of 0.7 but lower than the mean P/NAV ratio of the Comparable Companies of 1.2;
- (f) in comparison with the valuation statistics of the Selected Privatisation Transactions,
- the premium implied by the Offer Price against the last transacted price, 1-month VWAP, 3-month VWAP and 6-month VWAP of the Shares prior to the Offer Announcement Date is within the range and is also significantly higher than the mean and median premiums of the Selected Privatisation Transactions for the corresponding periods; and
 - the P/RNAV ratio of the Group of 0.7 times implied by the Offer Price is within the range of the Selected Privatisation Transactions but is lower than the mean and median P/NTA of the Selected Privatisation Transactions of 1.0 and 0.8 respectively.
- (g) the Offeror has obtained Irrevocable Undertaking from Ever Universe, to accept the Offer in respect of the Offer Shares held by them, which represent 68.06% of the total number of issued Shares of the Company;
- (h) the Offeror has stated its intention to make the Company its wholly-owned subsidiary and does not intend to preserve the listing status of the Company;

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

- (i) the Offeror, when entitled, intends to exercise its rights of compulsory acquisition under Section 215(1) of the Act and in the event the trading of Shares on the SGX-ST is suspended pursuant to Rule 724, Rule 1104 or Rule 1303(1) of the Catalist Rules, the Offeror does not intend to undertake or support any action for any such trading suspension to be lifted by the SGX-ST; and
- (j) the absence of any alternative take-over offer from third parties as at the Latest Practicable Date.

Based on our analysis as set out above and after having considered carefully the information available to us as at the Latest Practicable Date, we are of the opinion that the financial terms of the Offer Price is, on balance, not fair but reasonable.

Accordingly, we advise the Independent Directors to recommend the Shareholders to ACCEPT the Offer or sell their Shares in the open market if they can obtain a price higher than the Offer Price after deducting all related expenses. The Offer Price offers Shareholders an exit opportunity and there is no certainty that Shareholders will otherwise be able to obtain a better value for their Shares if the Offer lapses.

The Independent Directors should note that we have arrived at our advice based on information made available to us as at the Latest Practicable Date. Our advice on the Offer cannot and does not take into account the future trading activity or patterns or price levels that may be established for the Shares as these are governed by factors beyond the scope of our review, and would not fall within our terms of reference in connection with our evaluation of the Offer.

We have prepared this letter for use of the Independent Directors in connection with and for the purpose of their consideration of the Offer, but any recommendation made by the Independent Directors in respect of the Offer shall remain the sole responsibility of the Independent Directors.

Whilst a copy of this letter may be reproduced in the Circular, no other person may reproduce, disseminate or quote this letter (or any part thereof) for any purpose (other than the intended purpose in relation to the Offer) at any time and in any manner, without the prior written consent of KGI Fraser in each specific case. Further, the Independent Directors should advise Shareholders that the opinion and advice of KGI Fraser should not be relied upon by any Shareholder as the sole basis for deciding whether or not to accept the Offer.

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

Yours faithfully,
For and on behalf of
KGI Fraser Securities Pte. Ltd.

Tony Lim
Head of Corporate Finance

Sheila Ong
Deputy Head, Corporate Finance

APPENDIX II – ADDITIONAL GENERAL INFORMATION ON THE GROUP

1. DIRECTORS

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

Name	Address	Designation in the Company
Mr Sun Jianming	3B Jinguo Block, Jinhua Garden New District, Suzhou City, Jiangsu Province, the PRC	Executive Chairman
Mr Zhao Deming	98-2 Cuifang New Village, Xiangxi Road, Mudu Town Wuzhong District, Suzhou, Jiangsu Province, the PRC	Chief Executive Officer / Managing Director
Mr Sun Jinnan	3B Jinguo Block, Jinhua Garden New District, Suzhou City, Jiangsu Province, the PRC	Executive Director
Mr Zhao Lei	98-2 Xiangxi Road, Mudu, Suzhou Jiangsu Province, the PRC	Executive Director
Mr Low Beng Tin	14 Lichi Avenue Sennett Estate Singapore 348788	Lead Independent Director
Mr Bernard Tay Ah Kong	267 Sixth Avenue Dynasty Lodge Singapore 276560	Independent Director
Mr Frank Liu	6F-3, No. 150 Min Sheng E Road, Sec. 5, Taipei, Taiwan, Republic of China	Independent Director
Mr Tan Gim Soo	29C Jalan Haji Salam Singapore 468819	Independent Director

2. PRINCIPAL ACTIVITIES

The Company was incorporated in Singapore on 3 November 1973 and is listed on the Catalist Board of the SGX-ST.

As at the Latest Practicable Date, the Company's principal activity is that of an investment holding company and the Group's principal activities are the production and supply of concrete and related products in Suzhou, Jiangsu Province, the PRC.

3. SHARE CAPITAL

3.1 Issued share capital of the Company

The Company has only one (1) class of shares, being ordinary shares.

As at the Latest Practicable Date, the issued and paid-up share capital of the Company is approximately S\$178,739,467 comprising 1,663,900,000 Shares. There are no treasury shares in the share capital of the Company. The Shares are quoted and listed on the Catalist Board of the SGX-ST.

APPENDIX II – ADDITIONAL GENERAL INFORMATION ON THE GROUP

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 Constitution. For ease of reference, selected extracts of the Constitution relating to the rights of Shareholders in respect of capital, dividends and voting have been reproduced in Appendix III to this Circular.

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

As at the Latest Practicable Date, there has been no issue of new Shares by the Company since 31 December 2015, being the end of the last financial year.

3.4 Convertible instruments

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

4. SUMMARY OF FINANCIAL INFORMATION

4.1 Financial Information of the Group

A summary of the audited consolidated statement of comprehensive income of the Group for FY2013, FY2014 and FY2015 is set out below.

The following summary should be read together with the annual reports, the audited consolidated financial statements of the Group for FY2013, FY2014 and FY2015, and the related notes thereto. Copies of the above are available for inspection at the registered address of the Company at 80 Robinson Road #17-02 Singapore 068898 during normal business hours for the period during which the Offer remains open for acceptance. The audited consolidated financial statements of the Group for FY2015 together with the Independent Auditors' report are also set out in Appendix IV to this Circular.

Consolidated Statement of Comprehensive Income (RMB'000)	Audited FY2015	Audited FY2014	Audited FY2013
Revenue	247,614	656,227	727,944
Cost of sales	(236,121)	(577,342)	(669,826)
Gross profit	11,493	78,885	58,118
Other operating income	10,133	4,519	3,479
Selling and distribution expenses	(8,002)	(12,575)	(16,744)
General and administrative expenses	(34,716)	(42,535)	(36,482)
Other operating expense	(4,563)	(1,272)	(3,694)
Share of (loss)/profit of associate	(11)	(362)	787
Finance income	12,062	18,145	17,461
Finance expenses	(14,947)	(18,249)	(18,689)
(Loss)/Profit before income tax	(28,551)	26,556	4,236
Income tax credit/(expense)	4,673	(12,674)	(35)
(Loss)/Profit for the year, representing total comprehensive income for the year	(23,878)	13,882	4,201
(Loss)/Profit and total comprehensive income for the year attributable to owners of the Company	(23,878)	13,882	4,201
Earnings per share:			
Basic and diluted earnings per share (in RMB cents)	(1.44)	0.83	0.25

APPENDIX II – ADDITIONAL GENERAL INFORMATION ON THE GROUP

A summary of the audited consolidated statement of financial position of the Group as at 31 December 2015 is set out below:

The following summary should be read together with the annual report for FY2015, the audited consolidated financial statements of the Group for FY2015, and the related notes thereto. Copies of the above are available for inspection at the registered address of the Company at 80 Robinson Road #17-02 Singapore 068898 during normal business hours for the period during which the Offer remains open for acceptance. The audited consolidated financial statements of the Group for FY2015 together with the Independent Auditors' report are also set out in Appendix IV to this Circular.

Statement of Financial Position (RMB'000)	Audited as at 31 December 2015
<u>ASSETS</u>	
Current assets	
Cash and cash equivalents	16,228
Trade and other receivables	573,323
Inventories	2,287
	591,838
Assets classified as held for sale	24,475
Total current assets	616,313
Non-current assets	
Associate	3,295
Property, plant and equipment	62,051
Land use rights	6,759
Deferred tax assets	14,361
Total non-current assets	86,466
Total assets	702,779
<u>LIABILITIES AND EQUITY</u>	
Current liabilities	
Trade and other payables	158,453
Short-term bank borrowings	172,944
Income tax payable	4,069
	335,466
Liabilities directly associated with assets classified as held for sale	8,287
Total current liabilities	343,753
Capital and reserves	
Share capital	182,405
Reserves	71,651
Accumulated profits	104,970
Total equity	359,026
Total liabilities and equity	702,779

APPENDIX II – ADDITIONAL GENERAL INFORMATION ON THE GROUP

4.2 Material changes in financial position

Save as disclosed in this Circular, the Offer Document and publicly available information on the Company (including but not limited to the annual report of the Company for FY2015 and announcements released by the Company on the SGXNET), there are no known material changes in the financial position of the Company as at the Latest Practicable Date since 31 December 2015, 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 note 2 of the audited consolidated financial statements of the Group for FY2015, 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 FY2013, FY2014 and FY2015), there were no significant accounting policies or any points from the notes to the financial statements 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 not be comparable to a material extent.

5. DISCLOSURE OF INTERESTS

5.1 Interests of the Group in the Offeror Securities

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

5.2 Dealings in the Offeror Securities by the Group

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

5.3 Interests of the Directors in the Offeror Securities

Save as disclosed below in respect of Messrs Sun Jinnan, Sun Jianming, Zhao Deming and Zhao Lei, as at the Latest Practicable Date, none of the Directors has any direct or deemed interest in any of the Offeror Securities.

The following information has been extracted from paragraph 6 of the Offer Document:

“6.2. As at the Latest Practicable Date, the Offeror has an issued and paid-up share capital of S\$2.00 divided into two (2) ordinary shares held by each of Messrs Sun Jinnan and Zhao Lei. The directors of the Offeror are Messrs Sun Jinnan, Zhao Lei and Cao Xiaping.

6.3. As at the Latest Practicable Date, Messrs Sun Jinnan and Zhao Lei, together with Messrs Sun Jianming, Sun Liping and Zhao Deming, control the Company through Ever Universe, which holds 1,132,476,078 Shares, representing approximately 68.06% of the total number of issued Shares (excluding treasury shares). Messrs Sun Jinnan, Sun Jianming, Sun Liping, Zhao Deming and Zhao Lei own 16.96%, 17.26%, 16.88%, 32.02% and 16.88% of the issued share capital of Ever Universe, respectively. The Ever Universe Shareholders are also the directors of Ever Universe.

APPENDIX II – ADDITIONAL GENERAL INFORMATION ON THE GROUP

6.4. *Mr Sun Jianming is the Executive Chairman of the Company, Mr Zhao Deming is the Chief Executive Officer and Managing Director of the Company and Messrs Sun Jinnan and Zhao Lei are the Executive Directors of the Company. Mr Sun Jinnan is the father of Mr Sun Jianming and Ms Sun Liping. Mr Zhao Lei is the son of Mr Zhao Deming. Mr Zhao Deming is the nephew of Mr Sun Jinnan, and Mr Zhao Deming, Mr Sun Jianming and Ms Sun Liping are cousins.”*

5.4 Dealings in the Offeror Securities by the Directors

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

5.5 Interests of the Directors in the Securities

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

Directors	Direct Interest		Deemed Interest	
	No. of Shares held	Shareholding (%) ⁽¹⁾	No. of Shares held	Shareholding (%)
Mr Zhao Deming ⁽²⁾	–	–	1,132,476,078	68.06
Mr Sun Jinnan ⁽³⁾	–	–	30,806,000	1.85
Mr Zhao Lei ⁽³⁾	–	–	30,806,000	1.85

Notes:

- (1) Based on the total issued and paid-up ordinary share capital of 1,663,900,000 Shares as at the Latest Practicable Date.
- (2) As at the Latest Practicable Date, Messrs Zhao Deming, Sun Jianming, Sun Jinnan and Zhao Lei own 32.02%, 17.26%, 16.96% and 16.88% respectively of the issued share capital in Ever Universe. Under the Act, Mr Zhao Deming has a deemed interest in 1,132,476,078 Shares in the Company held by Ever Universe. Ever Universe has an indirect interest of 68.06% of the entire issued share capital of the Company which is held through DB Nominees (Singapore) Pte Ltd.
- (3) As at the Latest Practicable Date, Messrs Sun Jinnan and Zhao Lei each own 50.0% of the issued share capital in the Offeror. Under the Act, both Messrs Sun Jinnan and Zhao Lei have a deemed interest in 30,806,000 Shares in the Company held by the Offeror.

5.6 Dealings in the Securities by the Directors

Save as disclosed below, none of the Directors has dealt for value in any of the Securities during the period commencing six (6) months prior to the Offer Announcement Date and ending on the Latest Practicable Date.

Name	Date	No. of Shares	Transaction Price Per Share (S\$)	Nature of Transaction
Ever Universe ⁽¹⁾	24 February 2016	1,132,476,078	0.032 ⁽²⁾	Giving of Irrevocable Undertaking to the Offeror
Offeror ⁽³⁾	15 March 2016	30,806,000	0.032	Open market purchases

Notes:

- (1) As at the Latest Practicable Date, Messrs Zhao Deming, Sun Jianming, Sun Jinnan and Zhao Lei own 32.02%, 17.26%, 16.96% and 16.88% respectively of the issued share capital in Ever Universe. Under the Act, Mr Zhao Deming has a deemed interest in 1,132,476,078 Shares in the Company held by Ever Universe. Ever Universe has an indirect interest of 68.06% of the entire issued share capital of the Company which is held through DB Nominees (Singapore) Pte Ltd.

APPENDIX II – ADDITIONAL GENERAL INFORMATION ON THE GROUP

- (2) As stated in paragraph 2.2 of the Offer Document, the consideration for the Undertaking Shares shall be satisfied by way of the Set Off.
- (3) As at the Latest Practicable Date, Messrs Sun Jinnan and Zhao Lei each own 50.0% of the issued share capital in the Offeror. Under the Act, both Messrs Sun Jinnan and Zhao Lei have a deemed interest in 30,806,000 Shares in the Company held by the Offeror.

5.7 Interests of the IFA in the Securities

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

5.8 Dealings in the Securities by the IFA

As at the Latest Practicable Date, the IFA and funds whose investments are managed by it on a discretionary basis have not dealt for value in any of the Securities during the period commencing six (6) months prior to the Offer Announcement Date and ending on the Latest Practicable Date.

5.9 Directors' Intentions

The Directors who are also Shareholders have indicated their intention in respect of voting and/or accepting or declining the Offer in respect of their respective holdings of Shares as at the Latest Practicable Date, as follows:

Mr Zhao Deming is deemed interested in 1,132,476,078 Shares held by Ever Universe, which represents approximately 68.06% of the total number of issued Shares as at the Latest Practicable Date. Pursuant to the Irrevocable Undertaking given by Ever Universe, Mr Zhao Deming has informed the Company that Ever Universe will be or has tendered or will be or has procured the tendering of all (and not some only of) the Undertaking Shares and, if applicable, the Additional Undertaking Shares in the Ever Universe Acceptance after the date of despatch of the Offer Document and in any event not later than the Closing Date.

5.10 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 six (6) months preceding the Offer Announcement Date and the Latest Practicable Date.

5.11 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 Act, deemed to be related to the Company, as compensation for loss of office or otherwise in connection with the Offer;
- (b) save for the making of the Offer by the Offeror, the Irrevocable Undertaking given by Ever Universe and the undertakings given by the Ever Universe Shareholders to the Offeror as referred to in paragraph 8.3 of the Offer Document, 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

APPENDIX II – ADDITIONAL GENERAL INFORMATION ON THE GROUP

- (c) save for the making of the Offer by the Offeror, the Irrevocable Undertaking given by Ever Universe and the undertakings given by the Ever Universe Shareholders to the Offeror as referred to in paragraph 8.3 of the Offer Document, none of the Directors has any material personal interest, whether direct or indirect, in any material contract entered into by the Offeror.

6. MATERIAL CONTRACTS WITH INTERESTED PERSONS

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 (3) years prior to the Offer Document Despatch Date and ending on the Latest Practicable Date.

An “**interested person**” is defined in the Note on Rule 24.6 read with the Note on Rule 23.12 of the Code, as:

- (a) a director, chief executive officer, or substantial shareholder of the company;
- (b) the immediate family of a director, the chief executive officer, or a substantial shareholder (being an individual) of the company;
- (c) the trustees, acting in their capacity as such trustees, of any trust of which a director, the chief executive officer or a substantial shareholder (being an individual) and his immediate family is a beneficiary;
- (d) any company in which a director, the chief executive officer or a substantial shareholder (being an individual) together and his immediate family together (directly or indirectly) have an interest of 30% or more;
- (e) any company that is the subsidiary, holding company or fellow subsidiary of the substantial shareholder (being a company); or
- (f) any company in which a substantial shareholder (being a company) and any of the companies listed in (e) above together (directly or indirectly) have an interest of 30% or more.

7. 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.

APPENDIX II – ADDITIONAL GENERAL INFORMATION ON THE GROUP

8. VALUATION OF REVALUED PROPERTIES

The Company has commissioned an independent valuation of the Revalued Properties. The Valuation Report (which includes the basis of the respective valuation) is set out in Appendix V to this Circular. Under Rule 26.3 of the Code, the Company is required, *inter alia*, to make an assessment of any potential tax liability which would arise if the assets, which are the subject of a valuation given in connection with an offer, were to be sold at the amount of the valuation. Based on information provided to the Company by the Independent Valuer, the potential tax liabilities that may be incurred by the Group on the hypothetical disposal of the Revalued Properties is estimated at approximately RMB6.0 million. The aforesaid tax liabilities will not crystallise if the Group does not dispose of its interests in the Revalued Properties. As at the Last Practicable Date, the Company has no immediate plans to dispose of its interests in the Revalued Properties, and as such, the aforesaid tax liabilities are not likely to crystallise.

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 paragraph 9.3 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 Valuer has given and has not withdrawn their written consent to the issue of this Circular with the inclusion of its name and all references thereto, in the form and context in which they appear in this Circular.
- (d) The Independent Auditors have given and have not withdrawn their written consent to the issue of this Circular with the inclusion of their name, the reproduction of the Independent Auditors' report in relation to the audited consolidated financial statements of the Group for FY2015 (as set out in Appendix IV to this Circular) and all references thereto, in the form and context in which they appear in this Circular.

10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the registered office of the Company at 80 Robinson Road, #17-02, Singapore 068898 during normal business hours for the period during which the Offer remains open for acceptance:

- (a) the Constitution of the Company;
- (b) the annual reports of the Company for FY2013, FY2014 and FY2015;
- (c) the IFA Letter;
- (d) the Valuation Report; and
- (e) the letters of consent from the IFA, the Independent Valuer and the Independent Auditors as set out in paragraph 9 of Appendix II to this Circular.

APPENDIX III – RELEVANT EXTRACTS FROM THE COMPANY’S CONSTITUTION

The provisions in the Constitution relating to the rights of Shareholders in respect of capital, dividends and voting are reproduced in italics below.

(A) RIGHTS OF SHAREHOLDERS IN RESPECT OF CAPITAL

“Issue of New Shares

7. *Subject to the Act, and to Article 51, and without prejudice to any special rights attached to any shares for the time being issued, the Directors may issue, allot or grant options over or otherwise deal with or dispose of the same to such persons on such terms and conditions and at such time and subject or not to the payment of any part of the amount thereof in cash as the Directors may think fit, and any shares may be issued in such denominations or with such preferential, deferred, qualified or special rights, privileges or conditions as the Directors may think fit, and preference shares may be issued which are or at the option of the Company are liable to be redeemed, the terms and manner of redemption being determined by the Directors, provided always that:*
- (i) no shares shall be issued which results in a transfer of a controlling interest in the Company without the prior approval of the Members in a General Meeting;*
 - (ii) the total nominal value of issued preference shares shall not exceed the total nominal value of the issued ordinary shares at any time;*
 - (iii) the rights attaching to shares of a class other than ordinary shares shall be expressed in the resolution creating the same;*
 - (iv) where the capital of the Company consists of shares of different monetary denominations, the voting rights shall be prescribed in such manner that a unit of capital in each class when reduced to a common denominator, shall carry the same voting power when such right is exercisable;*
 - (v) no shares shall be issued at a discount, except in accordance with the Act and the listing rules of the Exchange; and*
 - (vi) any issue of shares for cash to Members holding shares of any class shall be offered to such Members in proportion as nearly as may be to the number of shares of such class then held by them and the second sentence of Article 51(1) with such adaptations as are necessary shall apply.*

Rights attached to certain shares

- 8(1) *Preference shareholders shall have the same rights as ordinary shareholders as regards receiving of notices, reports and balance sheets and attending General Meetings of the Company. Preference shareholders shall also have the right to vote at any meeting convened for the purpose of reducing the capital or winding up or sanctioning a sale of the undertaking or where the proposal to be submitted to the meeting directly affects their rights and privileges or when the dividend on the preference shares is more than six months in arrears.*
- (2) *The Company has power to issue further preference capital ranking equally with, or in priority to, preference shares from time to time already issued or about to be issued.*

APPENDIX III – RELEVANT EXTRACTS FROM THE COMPANY’S CONSTITUTION

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| <i>variation of rights</i> | 9(1) | <i>If at any time the share capital is divided into different classes, the repayment of preference capital other than redeemable preference and the rights attached to any class (unless otherwise provided by the terms of issue of the shares of that class) may, subject to the provisions of the Act, whether or not the Company is being wound up, only be made, varied or abrogated with the sanction of a Special Resolution passed at a separate General Meeting of the holders of shares of the class and to every such Special Resolution the provisions of Section 184 of the Act shall, with such adaptations as are necessary, apply. To every such separate General Meeting the provisions of these Articles relating to General Meetings shall mutatis mutandis apply; but so that the necessary quorum shall be two persons at least holding or representing by proxy or by attorney one-third of the issued shares of the class and that any holder of shares of the class present in person or by proxy or by attorney may demand a poll. PROVIDED ALWAYS that where the necessary majority for such a Special Resolution is not obtained at the Meeting, consent in writing if obtained from the holders of three-fourths of the issued shares of the class concerned within two months of the Meeting shall be as valid and effectual as a Special Resolution carried at the Meeting.</i> |
| <i>Rights of Preference Shareholders</i> | (2) | <i>The repayment of preference capital other than redeemable preference or any other alteration of preference shareholder rights, may only be made pursuant to a special resolution of the preference shareholders concerned PROVIDED ALWAYS that where the necessary majority for such a special resolution is not obtained at the Meeting, consent in writing if obtained from the holders of three-fourths of the preference shares concerned within two months of the Meeting, shall be as valid and effectual as a special resolution carried at the Meeting.</i> |
| <i>creation or issue of further shares with special rights</i> | 10. | <i>The rights conferred upon the holders of the shares of any class issued with preferred or other rights shall, unless otherwise expressly provided by the terms of issue of the shares of that class or by these Articles as are in force at the time of such issue, be deemed to be varied by the creation or issue of further shares ranking equally therewith.</i> |
| <i>Power to pay commission and brokerage</i> | 11. | <i>The Company may exercise the powers of paying commission conferred by the Act, provided that the rate per cent, or the amount of the commission paid or agreed to be paid shall be disclosed in the manner required by the Act and the commission shall not exceed the rate of ten per cent of the price at which the shares in respect whereof the same is paid are issued or an amount equal to ten per cent of that price (as the case may be). Such commission may be satisfied by the payment of cash or the allotment of fully or partly paid shares, or partly in one way and partly in the other. The Company may also on any issue pay such brokerage as may be lawful.</i> |
| <i>Power to charge interest on capital</i> | 12. | <i>If any shares of the Company are issued for the purpose of raising money to defray the expenses of the construction of any works or buildings or the provision of any plant which cannot be made profitable for a lengthened period, the Company may, subject to the conditions and restrictions mentioned in the Act, pay interest on so much of the share capital as is for the time being paid up and may charge the same to capital as part of the cost of the construction or provision.</i> |

APPENDIX III – RELEVANT EXTRACTS FROM THE COMPANY’S CONSTITUTION

No trust
recognised

13. *Except as required by law, no person shall be recognised by the Company as holding any share upon any trust and the Company shall not be bound by or compelled in any way to 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 Articles or by law otherwise provided) any other rights in respect of any share, except an absolute right to the entirety thereof in the person (other than the Depository) entered in the Register of Members as the registered holder thereof or (where the person entered in the Register of Members as the registered holder of a share is the Depository) the person whose name is entered in the Depository Register in respect of that share. Nothing contained herein in this Article relating to the Depository or the Depository Agents or the Depositors or in any depository agreement made by the Company with any common depository for shares or in any notification of substantial shareholding to the Company or in response to a notice pursuant to Section 92 of the Act or any note made by the Company of any particulars in such notification or response shall derogate or limit or restrict or qualify these provisions; and any proxy or instructions on any matter whatsoever given by the Depository or the Depository Agents or Depositors to the Company or the Directors shall not constitute any notification of trust and the acceptance of such proxies and the acceptance of or compliance with such instructions by the Company or the Directors shall not constitute the taking of any notice of trust.”*

“Entitlement to
Certificate

- 18(1) *Shares must be allotted and certificates despatched within 10 Market Days of the final closing date for an issue of shares unless the Exchange shall agree to an extension of time in respect of that particular issue. The Depository must dispatch statements to successful investor applicants confirming the number of shares held under their Securities Accounts. Persons entered in the Register of Members as registered holders of shares shall be entitled to certificates within 15 Market Days after lodgement of any transfer. Every registered shareholder shall be entitled to receive share certificates in reasonable denominations for his holding and where a charge is made for certificates, such charge shall not exceed S\$2 (or such other sum as may be approved by the Exchange from time to time). Where a registered shareholder transfers part only of the shares comprised in a certificate or where a registered shareholder requires the Company to cancel any certificate or certificates and issue new certificates for the purpose of subdividing his holding in a different manner the old certificate or certificates shall be cancelled and a new certificate or certificates for the balance of such shares issued in lieu thereof and the registered shareholder shall pay a fee not exceeding S\$2 (or such other sum as may be approved by the Exchange from time to time) for each such new certificate as the Directors may determine. Where the Member is a Depositor the delivery by the Company to the Depository of provisional allotments or share certificates in respect of the aggregate entitlements of Depositors to new shares offered by way of rights issue or other preferential offering or bonus issue shall to the extent of the delivery discharge the Company from any further liability to each such Depositor in respect of his individual entitlement.*

Retention of
certificate

- (2) *The retention by the Directors of any unclaimed share certificates (or stock certificates as the case may be) shall not constitute the Company a trustee in respect thereof. Any share certificate (or stock certificate as the case may be) unclaimed after a period of six years from the date of issue of such share certificate (or stock certificate as the case may be) may be forfeited and if so shall be dealt with in accordance with Articles 39, 43, 47 and 48, mutatis mutandis.”*

APPENDIX III – RELEVANT EXTRACTS FROM THE COMPANY’S CONSTITUTION

“CALL ON SHARES

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| <i>Calls on shares</i> | 31. | <i>The Directors may from time to time make such calls upon the Members in respect of any moneys unpaid on their shares (whether on account of the nominal value of the shares or, when permitted, by way of premium) but subject always to the terms of issue of such shares. Each Member shall (subject to receiving at least 14 days’ notice specifying the time or times and place of payment) pay to the Company at the time or times and place of payment 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.</i> |
| <i>Time when made</i> | 32. | <i>A call shall be deemed to have been made at the time when the resolution of the Directors authorising the call was passed and may be made payable by instalments.</i> |
| <i>Interest on calls</i> | 33. | <i>If a sum called in respect of a share is not paid before or on the day appointed for payment thereof, the person from whom the sum is due shall pay interest on the sum due from the day appointed for payment thereof to the time of actual payment at such rate not exceeding ten per cent per annum as the Directors determine, but the Directors shall be at liberty to waive payment of such interest wholly or in part.</i> |
| <i>Sum due to allotment</i> | 34. | <i>Any sum (whether on account of the nominal value of the share or by way of premium) which by the terms of issue and allotment of a share becomes payable upon allotment or at any fixed date shall for all purposes of these Articles be deemed to be a call duly made and payable on the date on which, by the terms of issue, the same becomes payable, and in case of non-payment all the relevant provisions of the Articles as to payment of interest and expenses, forfeiture or otherwise shall apply as if such sum had become payable by virtue of a call duly made and notified.</i> |
| <i>Power to differentiate</i> | 35. | <i>The Directors may on the issue of shares differentiate between the holders as to the amount of calls to be paid and the times of payments.</i> |
| <i>Payment in advance of calls</i> | 36. | <i>The Directors may, if they think fit, receive from any Member willing to advance the same all or any part of the money (whether on account of the nominal value of the shares or by way of premium) uncalled and unpaid upon the shares held by him and such payments in advance of calls shall extinguish (so far as the same shall extend) the liability upon the shares in respect of which it is made, and upon the money so received or so much thereof as from time to time exceeds the amount of the calls then made upon the shares concerned, the Company may pay interest at such rate not exceeding without the sanction of the Company in General Meeting ten per cent per annum as the Member paying such sum and the Directors agree upon. Capital paid on shares in advance of calls shall not whilst carrying interest confer a right to participate in profits and until appropriated towards satisfaction of any call shall be treated as a loan to the Company and not as part of its capital and shall be repayable at any time if the Directors so decide.”</i> |

APPENDIX III – RELEVANT EXTRACTS FROM THE COMPANY’S CONSTITUTION

“ALTERATION OF CAPITAL

*Power to
increase capital*

49. *The Company in General Meeting may from time to time by Ordinary Resolution, whether all the shares for the time being authorised shall have been issued or all the shares for the time being issued shall have been fully called up or not, increase its capital by the creation of new shares of such amount as may be deemed expedient.*

*Rights and
privileges of new
shares*

50. *Subject to any special rights for the time being attached to any existing class of shares, the new shares shall be issued upon such terms and conditions and with such rights and privileges annexed thereto as the General Meeting resolving upon the creation thereof shall direct and if no direction be given as the Directors shall determine; subject to the provisions of these Articles and in particular (but without prejudice to the generality of the foregoing) such shares may be issued with a preferential or qualified right to dividends and in the distribution of assets of the Company or otherwise.*

*Issue of new
shares to
Members*

- 51.(1) *Subject to any direction to the contrary that may be given by the Company in General Meeting or except as permitted under the listing rules of the Exchange, all new shares shall before issue be offered to the Members in proportion, as nearly as the circumstances admit, to the amount of the existing shares to which they are entitled or hold. The offer shall be made by notice specifying the number of shares offered, and limiting a time within which the offer, if not accepted, will be deemed to be declined, and, after the expiration of that time, or on the receipt of an intimation from the person to whom the offer is made that he declines to accept the shares offered, the Directors may dispose of those shares in such manner as they think most beneficial to the Company. The Directors may likewise so dispose of any new shares which (by reason of the ratio which the new shares bear to shares held by persons entitled to an offer of new shares) cannot, in the opinion of the Directors, be conveniently offered under this Article.*
- (II) *Notwithstanding Article 51(1) above but subject to the Act, 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:-*
- (i) *the aggregate number of shares to be issued pursuant to such authority does not exceed fifty per cent (50%) (or such other limit as may be prescribed by the Exchange from time to time) of the issued share capital of the Company for the time being, of which the aggregate number of shares to be issued other than on a pro rata basis to shareholders of the Company for the time being does not exceed twenty per cent (20%) (or such other limit as may be prescribed by the Exchange from time to time) of the issued share capital of the Company for the time being, and*
- (ii) *unless previously revoked or varied by the Company in general meeting, such authority to issue shares shall not extend 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).*

APPENDIX III – RELEVANT EXTRACTS FROM THE COMPANY’S CONSTITUTION

- (3) *Notwithstanding Article 51(1) above but subject to the Act, the Directors shall not be required to offer any new shares to Members to whom by reason of foreign securities laws such offers may not be made without registration of the shares or a prospectus or other document, but to sell the entitlements to the new shares on behalf of such Members in such manner as they think most beneficial to the Company.*
- New shares otherwise subject to provisions of Articles* 52. *Except so far as otherwise provided by the conditions of issue or by these Articles, any capital raised by the creation of new shares shall be considered part of the original ordinary capital of the Company and shall be subject to the provisions of these Articles with reference to allotments, payment of calls, lien, transfer, transmission, forfeiture and otherwise.*
- Power to consolidate, cancel and subdivide shares* 53. *The Company may by Ordinary Resolution:*
- (i) consolidate and divide all or any of its share capital into shares of larger amount than its existing shares;*
 - (ii) cancel any shares which, at the date of the passing of the Resolution, have not been taken or agreed to be taken by any person or which have been forfeited and diminish the amount of its share capital by the amount of the shares so cancelled;*
 - (iii) subdivide its shares or any of them into shares of a smaller amount than is fixed by the Memorandum of Association (subject, nevertheless, to the provisions of the Act), provided always that in such subdivision the proportion between the amount paid and the amount (if any) unpaid on each reduced share shall be the same as it was in the case of the share from which the reduced share is derived; and*
 - (iv) subject to the provisions of these Articles and the Act, convert any class of shares into any other class of shares.*
- Power to reduce capital* 54.(A) *The Company may, subject to and in accordance with the statutes, purchase or otherwise acquire shares in the issued capital of the Company on such terms and in such manner as the Company may from time to time deem fit. Any share that is so purchased or acquired by the Company shall 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 nominal amount of the issued share capital of the Company shall be diminished by the nominal amount of the share so cancelled.*
- (B) The Company may by Special Resolution reduce its share capital, any capital redemption reserve fund or share premium account in any manner and subject to any incident authorised and consent required by law. Without prejudice to the generality of the foregoing, upon cancellation of any share purchased or otherwise acquired by the Company pursuant to these Articles and the Act, the nominal amount of the issued ordinary share capital of the Company shall be diminished by the nominal amount of the share so cancelled.*
- Directors may from time to time determine.”*

APPENDIX III – RELEVANT EXTRACTS FROM THE COMPANY’S CONSTITUTION

“STOCK

*Rights of
stockholders*

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

Interpretation

58. *All provisions of these Articles applicable to paid up shares shall apply to stock and the words “share” and “shareholder” or similar expression herein shall include “stock” or “stockholder”.*

“CAPITALISATION OF PROFITS AND RESERVES

*Power to
capitalise profits*

140. *The Company may, upon the recommendation of the Directors, by Ordinary Resolution resolve that it is desirable to capitalise any sum for the time being standing to the credit of any of the Company’s reserve accounts (including Share Premium Account, Capital Redemption Reserve Fund) or any sum standing to the credit of the profit and loss account or otherwise available for distribution; provided that such sum be not required for paying the dividends on any shares carrying a fixed cumulative preferential dividend and accordingly that the Directors be authorised and directed to appropriate the sum resolved to be capitalised to the Members holding shares in the Company in the proportions in which such sum would have been divisible among them had the same been applied or have been applicable in paying dividends and to apply such sum on their behalf either in or towards paying up the amounts (if any) for the time being unpaid on any shares held by such Members respectively, or in paying up in full unissued shares or debentures of the Company of a nominal amount equal to such sum, such shares or debentures to be allotted and distributed and credited as fully paid up to and among such Members in the proportion aforesaid or partly in one way and partly in the other, PROVIDED that a share premium account and a capital redemption reserve fund may only be applied hereunder in the paying up of unissued shares to be issued to Members as fully paid shares. Where any difficulty arises in respect of any such distribution the Directors may, settle the same as they think expedient and in particular they may fix the value for distribution of any fully paid-up shares or debentures, make cash payments to any Members on the footing of the value so fixed in order to adjust rights, and vest any such shares or debentures in trustees upon such trusts for the persons entitled to share in the appropriation and distribution as may seem just and expedient to the Directors. When deemed requisite a proper contract for the allotment and acceptance of any shares to be distributed as aforesaid shall be delivered to the Registrar of Companies for registration in accordance with the Act and the Directors may appoint any person to sign such contract on behalf of the persons entitled to share in the appropriation and distribution and such appointment shall be effective.*

APPENDIX III – RELEVANT EXTRACTS FROM THE COMPANY’S CONSTITUTION

Directors to do all acts and things to give effect

141. *Whenever such a resolution as aforesaid shall have been passed the Directors shall make all appropriations and applications of the sum resolved to be capitalised thereby, all allotments and issues of fully paid shares or debentures (if any), and generally shall do all acts and things required to give effect thereto with full power to make such provision by payment in cash or otherwise as they think fit in the case of shares or debentures becoming distributable in fractions, and also to authorise any person to enter on behalf of all the Members entitled thereto into an agreement with the Company providing for the allotment to them respectively, credited as fully paid up, of any further shares or debentures to which they may be entitled upon such capitalisation or (as the case may require) for the payment up by the Company on their behalf, by the application thereto of their respective proportions of the sum resolved to be capitalised, of the amounts or any part of the amounts remaining unpaid on their existing shares and any agreement made under such authority shall be effective and binding on all such Members.”*

(B) RIGHTS OF SHAREHOLDERS IN RESPECT OF DIVIDENDS

“DIVIDENDS AND RESERVES

Payment of dividends

127. *The Directors may, with the sanction of the Company, by Ordinary Resolution declare dividends but (without prejudice to the powers of the Company to pay interest on share capital as hereinbefore provided) no dividend shall be payable except out of the profits of the Company.*

Apportionment of dividends

128. *Subject to the rights of holders of shares with special rights as to dividend (if any), all dividends shall be declared and paid according to the amounts paid on the shares in respect whereof the dividend is paid, but (for the purposes of this Article only) no amount paid on a share in advance of calls shall be treated as paid on the share. All dividends shall be apportioned and paid pro rata according to the amount paid on the shares during any portion or portions of the period in respect of which the dividend is paid, but if any share is issued on terms providing that it shall rank for dividend as from a particular date such shares shall rank for dividend accordingly.*

Payment of preference and interim dividends

129. *Notwithstanding Article 128, if, and so far as in the opinion of the Directors, the profits of the Company justify such payments, the Directors may pay fixed preferential dividends on any express class of shares carrying a fixed preferential dividend expressed to be payable on a fixed date on the half-yearly or other dates (if any) prescribed for the payment thereof by the terms of issue of the shares, and may also from time to time declare to the holders of any other class of shares interim dividends thereon of such amounts and on such dates as they may think fit.*

Share premium account

130. *If the Company issues shares at a premium, whether for cash or otherwise, the Directors shall transfer a sum equal to the aggregate amount or value of the premiums to an account called the “Share Premium Account” and any amount for the time being standing to the credit of such account shall not be applied in the payment of any cash dividend.*

Dividends not to bear interest

131. *No dividend or other moneys payable on or in respect of a share shall bear interest against the Company.*

APPENDIX III – RELEVANT EXTRACTS FROM THE COMPANY’S CONSTITUTION

<i>Deduction from dividend</i>	132.	<i>The Directors may deduct from any dividend or other moneys payable to any Member on or in respect of a share all sums of money (if any) presently payable by him to the Company on account of calls or in connection therewith, or any other account which the Company is required by law to withhold or deduct.</i>
<i>Retention of dividends on shares subject to lien</i>	133.	<i>The Directors may retain any dividend or other moneys payable on or in respect of a share on which the Company has a lien and may apply the same in or towards satisfaction of the debts, liabilities or engagements in respect of which the lien exists.</i>
<i>Retention of dividends on shares pending transmission</i>	134.	<i>The Directors may retain the dividends payable on shares in respect of which any person is under these Articles, as to the transmission of shares, entitled to become a Member, or which any person under these Articles is entitled to transfer, until such person shall become a Member in respect of such shares or shall duly transfer the same.</i>
<i>Unclaimed dividends</i>	135.	<i>The payment by the Directors of any unclaimed dividends or other moneys payable on or in respect of a share into a separate account shall not constitute the Company a trustee in respect thereof. All dividends unclaimed after being declared may be invested or otherwise made use of by the Directors for the benefit of the Company and any dividend unclaimed after a period of six years from the date of declaration of such dividend may be forfeited and if so shall revert to the Company but the Directors may at any time thereafter at their absolute discretion annul any such forfeiture and pay the dividend so forfeited to the person entitled thereto prior to the forfeiture. For the avoidance of doubt no Member shall be entitled to any interest, share of revenue or other benefit arising from any unclaimed dividends, howsoever and whatsoever.</i>
<i>Payment of dividend in specie</i>	136.	<i>The Company may, upon the recommendation of the Directors, by Ordinary Resolution direct payment of a dividend in whole or in part by the distribution of specific assets and in particular of paid up shares or debentures of any other company or in any one or more of such ways, and the Directors shall give effect to such Resolution, and where any difficulty arises in regard to such distribution, the Directors may settle the same as they think expedient and in particular may issue fractional certificates and fix the value for distribution of such specific assets or any part thereof and may determine that cash payments shall be made to any Members upon the footing of the value so fixed in order to adjust the rights of all parties and may vest any such specific assets in trustees as may seem expedient to the Directors.</i>
<i>Dividends payable by cheque</i>	137.	<i>Any dividend or other moneys payable in cash on or in respect of a share may be paid by cheque or warrant sent through the post to the registered address of the Member or person entitled thereto or, if several persons are registered as joint holders of the share or are entitled thereto in consequence of the death or bankruptcy of the holder, to any one of such persons or to such person and such address as such persons may by writing direct PROVIDED that where the Member is a Depositor, the payment by the Company to the Depository of any dividend payable to a Depositor shall to the extent of the payment discharge the Company from any further liability in respect of the payment. Every such cheque and warrant shall be made payable to the order of the person to whom it is sent or to such person as the holder or joint holders or person or persons entitled to the share in consequence of the death or bankruptcy of the holder may direct and payment of the cheque if purporting to be endorsed or the receipt of any such person shall be a good discharge to the Company. Every such cheque and warrant shall be sent at the risk of the person entitled to the money represented thereby.</i>
<i>Effect of transfer</i>	138.	<i>A transfer of shares shall not pass the right to any dividend declared on such shares before the registration of the transfer.</i>

APPENDIX III – RELEVANT EXTRACTS FROM THE COMPANY’S CONSTITUTION

RESERVES

Power to carry profit to reserve	139.	<i>The Directors may from time to time set aside out of the profits of the Company and carry to reserve such sums as they think proper which, at the discretion of the Directors, shall be applicable for meeting contingencies or for the gradual liquidation of any debt or liability of the Company or for repairing or maintaining the works, plant and machinery of the Company or for special dividends or bonuses or for equalising dividends or for any other purpose to which the profits of the Company may properly be applied and pending such application either be employed in the business of the Company or be invested. The Directors may divide the reserve into such special funds as they think fit and may consolidate into one fund, any special funds or any parts of special funds into which the reserve may have been divided. The Directors may also, without placing the same to reserve, carry forward any profits which they may think it not prudent to divide. In carrying sums to reserve and in applying the same, the Directors shall comply with the provisions of the Statutes.”</i>
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(C) RIGHTS OF SHAREHOLDERS IN RESPECT OF VOTING

“GENERAL MEETINGS

Annual General Meeting	59(1)	<i>Subject to the provisions of the Act, the Company shall in each year hold a General Meeting in addition to any other meetings in that year to be called the Annual General Meeting, and not more than fifteen months shall elapse between the date of one Annual General Meeting of the Company and that of the next. The Annual General Meeting shall be held at such time and place as the Directors shall appoint.</i>
Extraordinary General Meetings	(2)	<i>All General Meetings other than Annual General Meetings shall be called Extraordinary General Meetings.</i>
Calling of Extraordinary General Meetings	60.	<i>The Directors may whenever they think fit, convene an Extraordinary General Meeting and Extraordinary General Meetings shall also be convened on such requisition or, in default, may be convened by such requisitionists as provided by Section 176 of the Act. If at any time there are not within Singapore sufficient Directors capable of acting to form a quorum at a meeting of Directors, any Director may convene an Extraordinary General Meeting in the same manner as nearly as possible as that in which meetings may be convened by the Directors.</i>

NOTICE OF GENERAL MEETINGS

Notice of meetings	61(1)	<i>Subject to the provisions of the Act as to Special Resolutions and special notice and the calling of meetings at short notice, at least fourteen days’ notice in writing (exclusive both of the day on which the notice is served or deemed to be served and of the day for which the notice is given) of every General Meeting shall be given in the manner hereinafter mentioned to such persons (including the Auditors) as are under the provisions herein contained entitled to receive notice from the Company and at least fourteen days’ notice of such Meeting shall be given by advertisement in the daily press and in writing to the Exchange.</i>
	(2)	<i>The accidental omission to give notice to, or the non-receipt by any person entitled thereto, shall not invalidate the proceedings at any General Meeting.</i>

APPENDIX III – RELEVANT EXTRACTS FROM THE COMPANY’S CONSTITUTION

<i>Contents of notice</i>	62(1)	<i>Every notice calling a General Meeting shall specify the place and the day and hour of the Meeting and there shall appear with reasonable prominence in every such notice a statement that a Member entitled to attend and vote is entitled to appoint a proxy to attend and to vote instead of him and that a proxy need not be a Member of the Company.</i>
<i>Notice of Annual General Meeting</i>	(2)	<i>In the case of an Annual General Meeting, the notice shall also specify the Meeting as such.</i>
<i>Nature of special business to be specified</i>	(3)	<i>In the case of any General Meeting at which business other than routine business is to be transacted (special business), the notice shall specify the general nature of the special business; and if any resolution is to be proposed as a Special Resolution or as requiring special notice, the notice shall contain a statement to that effect.</i>
<i>Special business</i>	63.	<i>All business shall be deemed special that is transacted at any Extraordinary General Meeting, and all that is transacted at an Annual General Meeting shall also be deemed special, with the exception of sanctioning a dividend, the consideration of the accounts and balance sheet and the reports of the Directors and Auditors, and any other documents required to be annexed to the balance sheet, electing Directors in place of those retiring by rotation or otherwise and the fixing of the Directors’ remuneration and the appointment and fixing of the remuneration of the Auditors or determining the manner in which such remuneration is to be fixed. Any notice of a meeting called to consider special business shall be accompanied by a statement regarding the effect of any proposed resolution in respect of such special business.</i>

PROCEEDINGS AT GENERAL MEETINGS

<i>Quorum</i>	64.	<i>No business (other than the appointment of a chairman) shall be transacted at any General Meeting unless a quorum is present at the time the meeting proceeds to business. Save as herein otherwise provided, two Members present in person shall form a quorum. For the purpose of this Article, “Member” includes a person attending by proxy or by attorney or as representing a corporation which is a Member. PROVIDED that (i) a proxy representing more than one Member shall only count as one Member for the purpose of determining the quorum; and (ii) where a Member is represented by more than one proxy such proxies shall count as only one Member for the purpose of determining the quorum.</i>
<i>Adjournment if quorum not present</i>	65.	<i>If within half an hour from the time appointed for the Meeting (or such longer interval as the chairman of the meeting may think fit to allow) a quorum is not present, the Meeting, if convened on the requisition of Members, shall be dissolved. In any other case it shall stand adjourned to the same day in the next week (or if that day is a public holiday then to the next business day following that public holiday) at the same time and place or to such other day and at such other time and place as the Directors may determine, and if at such adjourned Meeting a quorum is not present within half an hour from the time appointed for holding the Meeting, the Meeting shall be dissolved.</i>
<i>Resolutions in writing</i>	66.	<i>Subject to the Act, a resolution in writing signed by every Member of the Company entitled to vote or being a corporation by its duly authorised representative shall have the same effect and validity as an Ordinary Resolution of the Company passed at a General Meeting duly convened, held and constituted, and may consist of several documents in the like form, each signed by one or more of such Members.</i>

APPENDIX III – RELEVANT EXTRACTS FROM THE COMPANY’S CONSTITUTION

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| <i>Chairman</i> | 67. <i>The Chairman of the Board of Directors or, in his absence, the Deputy Chairman shall preside as Chairman at every General Meeting. If there is no such Chairman or Deputy Chairman, or if at any Meeting neither is present within fifteen minutes after the time appointed for holding the Meeting and willing to act, the Directors present shall choose one of their number to be Chairman of the Meeting or, if no Director is 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.</i> |
| <i>Adjournment</i> | 68. <i>The Chairman of a 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. When a meeting is adjourned for thirty days or more or sine die, not less than seven days’ notice of the adjourned Meeting shall be given in like manner as in the case of the original Meeting. Save as aforesaid, it shall not be necessary to give any notice of an adjournment or of the business to be transacted at an adjourned Meeting.</i> |
| <i>Method of voting</i> | 69. <i>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:-</i>

<i>(i) by the Chairman of the meeting; or</i>

<i>(ii) by at least two Members present in person or by proxy (where a Member has appointed more than one proxy, any one of such proxies may represent that Member) or attorney or in the case of a corporation by a representative and entitled to vote thereat; or</i>

<i>(iii) by any Member or Members present in person or by proxy (where a Member has appointed more than one proxy, any one of such proxies may represent that Member) or attorney or in the case of a corporation by a representative or any number or combination of such Members, holding or representing not less than one-tenth of the total voting rights of all the Members having the right to vote at the Meeting; or</i>

<i>(iv) by a Member or Members present in person or by proxy (where a Member has appointed more than one proxy, any one of such proxies may represent that Member) or attorney or in the case of a corporation by a representative or any number or combination of such Members, holding or representing shares in the Company conferring a right to vote at the Meeting being shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all the shares conferring that right.</i> |

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

APPENDIX III – RELEVANT EXTRACTS FROM THE COMPANY’S CONSTITUTION

Taking a poll	70.	<i>If a poll is duly demanded (and the demand is not withdrawn) it shall be taken in such manner (including the use of ballot or voting papers or tickets) as the Chairman may direct and the result of a poll shall be deemed to be the resolution of the Meeting at which the poll was demanded. The Chairman may, and if so requested 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.</i>
Votes counted in error	71.	<i>If any votes are counted which ought not to have been counted or might have been rejected, the error shall not vitiate the result of the voting unless it is pointed out at the same Meeting or at any adjournment thereof, and not in that case unless it shall in the opinion of the Chairman be of sufficient magnitude.</i>
Chairman’s casting vote	72.	<i>In the case of equality of votes, whether on a show of hands or on a poll, the Chairman of the Meeting at which the show of hands takes place or at which the poll is demanded shall be entitled to a second or casting vote in addition to the votes to which he may be entitled as a Member or as proxy of a Member.</i>
Time for taking a poll	73.	<i>A poll demanded on any question shall be taken either immediately or at such subsequent time (not being more than thirty days from the date of the Meeting) and place as the Chairman may direct. No notice need be given of a poll not taken immediately.</i>
Continuance of business after demand for a poll	74.	<i>The demand for a poll shall not prevent the continuance of a Meeting for the transaction of any business, other than the question on which the poll has been demanded.</i>

VOTES OF MEMBERS

Time for taking a poll	75.	<i>Subject and without prejudice to any special privileges or restrictions as to voting for the time being attached to any special class of shares for the time being forming part of the capital of the Company each Member entitled to vote may vote in person or by proxy or attorney, and (in the case of a corporation) by a representative. On a show of hands, every Member who is present in person or by proxy or attorney, or in the case of a corporation by a representative, shall have one vote provided that if a Member is represented by two proxies, only one of the two proxies as determined by their appointor shall vote on a show of hands and in the absence of such determination, only one of the two proxies as determined by the Chairman (or by a person authorised by him) shall vote on a show of hands and on a poll, every Member who is present in person or by proxy, attorney or representative shall have one vote for each share which he holds or represents PROVIDED ALWAYS That notwithstanding anything contained in these Articles, a Depositor shall not be entitled to attend any General Meeting and to speak and vote thereat unless his name is certified by the Depository to the Company as appearing on the Depository Register not earlier than 48 hours before that General Meeting (the “cut-off” time) as a Depositor on whose behalf the Depository holds shares in the Company. For the purpose of determining the number of votes which a Depositor or his proxy may cast on a poll, the Depositor or his proxy shall be deemed to hold or represent that number of shares entered in the Depositor’s Securities Account at the cut-off time as certified by the Depository to the Company, or where a Depositor has apportioned the balance standing to his Securities Account as at the cut-off time between two proxies, to apportion the said number of shares between the two proxies in the same proportion as specified by the Depositor in appointing the proxies; and accordingly no instrument appointing a proxy of a Depositor shall be rendered invalid merely by reason of any discrepancy between the number of shares standing to the credit of that Depositor’s Securities Account as at the cut-off time, and the true balance standing to the Securities Account of a Depositor as at the time of the relevant general meeting, if the instrument is dealt with in such manner as aforesaid.</i>
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APPENDIX III – RELEVANT EXTRACTS FROM THE COMPANY’S CONSTITUTION

<i>Voting rights of joint holders</i>	76.	<i>Where there are joint holders of any share any one of such persons may vote and be reckoned in a quorum at any Meeting either personally or by proxy or by attorney or in the case of a corporation by a representative as if he were solely entitled thereto but if more than one of such joint holders is so present at any meeting then the person present whose name stands first in the Register of Members or the Depository Register (as the case may be) in respect of such share shall alone be entitled to vote in respect thereof. Several executors or administrators of a deceased Member in whose name any share stands shall for the purpose of this Article be deemed joint holders thereof.</i>
<i>Voting rights of Members of unsound mind</i>	77.	<i>If a Member be a lunatic, idiot or non-compos mentis, he may vote whether on a show of hands or on a poll by his committee, curator bonis or such other person as properly has the management of his estate and any such committee, curator bonis or other person may vote by proxy or attorney, provided that such evidence as the Directors may require of the authority of the person claiming to vote shall have been deposited at the Office not less than forty-eight hours before the time appointed for holding the Meeting.</i>
<i>Right to vote</i>	78.	<i>Subject to the provisions of these Articles, every Member either personally or by attorney or in the case of a corporation by a representative and every proxy shall be entitled to be present and to vote at any General Meeting and to be reckoned in the quorum thereat in respect of shares fully paid and in respect of partly paid shares where calls are not due and unpaid.</i>
<i>Objections</i>	79.	<i>No objection shall be raised to the qualification of any voter except at the Meeting or adjourned Meeting at which the vote objected to is given or tendered and every vote not disallowed at such Meeting shall be valid for all purposes. Any such objection made in due time shall be referred to the Chairman of the Meeting whose decision shall be final and conclusive.</i>
<i>Votes on a poll</i>	80.	<i>On a poll votes may be given either personally or by proxy or by attorney or in the case of a corporation by its representative and a person entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.</i>
<i>Appointment of proxies</i>	81(1)	<i>A Member may appoint not more than two proxies to attend and vote at the same General Meeting.</i>
	(2)	<i>If the Member is a Depositor, the Company shall be entitled:</i>
	(i)	<i>to reject any instrument of proxy lodged if the Depositor is not shown to have any shares entered in its Securities Account as at the cut-off time as certified by the Depository to the Company; and</i>
	(ii)	<i>to accept as validly cast by the proxy or proxies appointed by the Depositor on a poll that number of votes which corresponds to or is less than the aggregate number of shares entered in its Securities Account of that Depositor as at the cut-off time as certified by the Depository to the Company, whether that number is greater or smaller than the number specified in any instrument of proxy executed by or on behalf of that Depositor.</i>
	(3)	<i>Where a Member appoints more than one proxy, he shall specify the proportion of his shareholding to be represented by each proxy. If no such proportion or number is specified the first named proxy may be treated as representing 100% of the shareholding and any second named proxy as an alternate to the first named.</i>

APPENDIX III – RELEVANT EXTRACTS FROM THE COMPANY’S CONSTITUTION

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

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

Proxy need not be a Member

82. *A proxy or attorney need not be a Member of the Company, and shall be entitled to vote on a show of hands on any question at any General Meeting.*

Instrument appointing a proxy

83. *Any instrument appointing a proxy shall be in writing in the common form approved by the Directors under the hand of the appointor or his attorney duly authorised in writing or, if the appointor is a corporation, under seal or under the hand of its attorney duly authorised and the Company shall accept as valid in all respects the form of proxy approved by the Directors for use at the date relevant to the General Meeting in question.*

To be left at Company’s office

84. *The instrument appointing a proxy, together with the power of attorney or other authority, if any, under which the instrument of proxy is signed or a duly certified copy of that power of attorney or other authority (failing previous registration with the Company) shall be attached to the instrument of proxy and must be left at the Office or such other place (if any) as is specified for the purpose in the notice convening the Meeting not less than forty-eight hours before the time appointed for the holding of the Meeting or adjourned Meeting (or in the case of a poll before the time appointed for the taking of the poll) at which it is to be used failing which the instrument may be treated as invalid. An instrument appointing a proxy shall, unless the contrary is stated thereon, be valid as well for the adjournment of the Meeting as for the Meeting to which it relates PROVIDED that an instrument of proxy relating to more than one meeting (including any adjournment thereof) having once been so delivered for the purposes of any meeting shall not be required again to be delivered for the purposes of any subsequent meeting to which it relates. An instrument of proxy shall be deemed to include the power to demand or concur in demanding a poll on behalf of the appointer. Unless otherwise instructed, a proxy shall vote as he thinks fit. The signature on an instrument appointing a proxy need not be witnessed.*

Intervening death or insanity of principal

85. *A vote given in accordance with the terms of an instrument of proxy (which for the purposes of these Articles shall also include a power of attorney) shall be valid notwithstanding the previous death or insanity of the principal or revocation of the proxy, or of the authority under which the proxy was executed or the transfer of the share in respect of which the proxy is given, provided that no intimation in writing of such death, insanity, revocation or transfer shall have been received by the Company at the Office (or such other place as may be specified for the deposit of instruments appointing proxies) before the commencement of the Meeting or adjourned Meeting (or in the case of a poll before the time appointed for the taking of the poll) at which the proxy is used.*

APPENDIX III – RELEVANT EXTRACTS FROM THE COMPANY’S CONSTITUTION

Corporations
acting by
representatives

86. *Any corporation which is a Member may by resolution of its directors or other governing body authorise such person as it thinks fit to act as its representative at any Meeting of the Company or of any class of Members and the persons so authorised shall be entitled to exercise the same powers on behalf of the corporation as the corporation could exercise if it were an individual Member of the Company. The Company shall be entitled to treat a certificate under the seal of the corporation as conclusive evidence of the appointment or revocation of appointment of a representative under this Article."*

INDEPENDENT AUDITORS’ REPORT

To the Members of China Yongsheng Limited

Report on the Financial Statements

We have audited the accompanying financial statements of China Yongsheng Limited (the “Company”) and its subsidiaries (the “Group”), which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at December 31, 2015, and the consolidated statement of comprehensive income, statement of changes in equity and 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 information, as set out on pages 39 to 101.

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 a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

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.

INDEPENDENT AUDITORS’ REPORT

To the Members of China Yongsheng Limited

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 financial position of the Group and of the Company as at December 31, 2015 and the financial performance, changes in equity and cash flows of the Group and changes in equity of the Company for the year ended on that date.

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

March 15, 2016

**APPENDIX IV – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF
THE GROUP FOR FY2015**

STATEMENTS OF FINANCIAL POSITION

December 31, 2015

	Note	Group		Company	
		2015	2014	2015	2014
		RMB'000	RMB'000	RMB'000	RMB'000
ASSETS					
Current assets					
Cash and cash equivalents	7	16,228	67,484	1,078	667
Trade and other receivables	8	573,323	808,713	12,558	11,603
Inventories	11	2,287	4,293	–	–
		591,838	880,490	13,636	12,270
Assets classified as held for sale	33	24,475	41,638	–	–
Total current assets		616,313	922,128	13,636	12,270
Non-current assets					
Subsidiaries	12	–	–	236,112	236,112
Due from a subsidiary (non-trade)	5, 13	–	–	98,313	96,002
Associate	14	3,295	3,306	–	–
Property, plant and equipment	15	62,051	81,366	4	13
Intangible assets	16	–	–	–	–
Land use rights	17	6,759	6,942	–	–
Deferred tax assets	18	14,361	9,439	–	–
Total non-current assets		86,466	101,053	334,429	332,127
Total assets		702,779	1,023,181	348,065	344,397
LIABILITIES AND EQUITY					
Current liabilities					
Trade and other payables	19	158,453	397,949	1,665	1,482
Short-term bank borrowings	20	172,944	219,357	–	–
Mortgage loans	21	–	6,747	–	–
Income tax payable		4,069	7,937	–	–
		335,466	631,990	1,665	1,482
Liabilities directly associated with assets classified as held for sale	33	8,287	8,287	–	–
Total current liabilities		343,753	640,277	1,665	1,482
Capital and reserves					
Share capital	22	182,405	182,405	653,285	653,285
Reserves	23	71,651	79,014	–	–
Accumulated profits (losses)		104,970	121,485	(306,885)	(310,370)
Total equity		359,026	382,904	346,400	342,915
Total liabilities and equity		702,779	1,023,181	348,065	344,397

See accompanying notes to financial statements.

**APPENDIX IV – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF
THE GROUP FOR FY2015**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended December 31, 2015

	Note	Group	
		2015	2014
		RMB'000	RMB'000
Revenue	24	247,614	656,227
Cost of sales		(236,121)	(577,342)
Gross profit		11,493	78,885
Other operating income	25	10,133	4,519
Selling and distribution expenses		(8,002)	(12,575)
General and administrative expenses		(34,716)	(42,535)
Other operating expenses		(4,563)	(1,272)
Share of loss of associate	14	(11)	(362)
Finance income	26	12,062	18,145
Finance expenses	27	(14,947)	(18,249)
(Loss) profit before income tax		(28,551)	26,556
Income tax credit (expense)	28	4,673	(12,674)
(Loss) profit for the year, representing total comprehensive income for the year	29	(23,878)	13,882
(Loss) profit and total comprehensive income for the year attributable to owners of the Company		(23,878)	13,882
Earnings per share:			
Basic and diluted earnings per share (in RMB cents)	30	(1.44)	0.83

See accompanying notes to financial statements.

**APPENDIX IV – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF
THE GROUP FOR FY2015**

STATEMENTS OF CHANGES IN EQUITY

Year ended December 31, 2015

	Share capital	Reserves	Accumulated profits	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000
<u>Group</u>				
Balance at January 1, 2014	182,405	74,297	112,320	369,022
Profit for the year, representing total comprehensive income for the year	–	–	13,882	13,882
Transaction with owners, recognised directly in equity				
Transfer to statutory reserve fund (Note 23)	–	4,717	(4,717)	–
Balance at December 31, 2014	182,405	79,014	121,485	382,904
Loss for the year, representing total comprehensive income for the year	–	–	(23,878)	(23,878)
Transaction with owners, recognised directly in equity				
Disposal of a subsidiary (Note 23)	–	(7,363)	7,363	–
Balance at December 31, 2015	182,405	71,651	104,970	359,026

	Share capital	Accumulated losses	Total equity
	RMB'000	RMB'000	RMB'000
<u>Company</u>			
Balance at January 1, 2014	653,285	(308,530)	344,755
Loss for the year, representing total comprehensive income for the year	–	(1,840)	(1,840)
Balance at December 31, 2014	653,285	(310,370)	342,915
Profit for the year, representing total comprehensive income for the year	–	3,485	3,485
Balance at December 31, 2015	653,285	(306,885)	346,400

See accompanying notes to financial statements.

**APPENDIX IV – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF
THE GROUP FOR FY2015**

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended December 31, 2015

	Note	Group	
		2015	2014
		RMB'000	RMB'000
Operating activities			
(Loss) profit before income tax		(28,551)	26,556
Adjustments for:			
Depreciation of property, plant and equipment		13,379	17,235
Impairment loss on property, plant and equipment		2,493	–
Loss (gain) on disposal of property, plant and equipment		807	(48)
Property, plant and equipment written off		46	67
Amortisation of land use rights		183	183
Allowance for impairment loss on trade receivables/bad debts written off		2,891	5,757
Allowance for impairment loss on other receivables/bad debts written off		–	3,399
Allowance for inventories		355	–
Gain on disposal of a subsidiary	34	(7,932)	–
Share of loss of associate		11	362
Finance income		(12,062)	(18,145)
Finance expenses		14,947	18,249
Unrealised net foreign exchange loss		2,769	–
Operating cash flows before movements in working capital		(10,664)	53,615
Trade and other receivables		231,526	103,266
Inventories		451	53
Trade and other payables		(225,522)	(133,020)
Cash (used in) generated from operations		(4,209)	23,914
Income tax paid		(4,283)	(10,253)
Net cash (used in) from operating activities		(8,492)	13,661
Investing activities			
Purchase of property, plant and equipment (Note A)		(200)	(3,059)
Proceeds from disposal of property, plant and equipment		885	276
Deposit received for the intended sale of a subsidiary	33	–	4,000
Net cash inflow from disposal of a subsidiary	34	25,860	–
Interest received		637	1,190
Net cash from investing activities		27,182	2,407

See accompanying notes to financial statements.

**APPENDIX IV – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF
THE GROUP FOR FY2015**

CONSOLIDATED STATEMENT OF CASH FLOWS (cont'd)

Year ended December 31, 2015

	Note	Group	
		2015 RMB'000	2014 RMB'000
Financing activities			
Mortgage loan repayments		(6,747)	(15,152)
Loans from related party	6	10,000	–
Repayment of loans from related party	6	(10,000)	–
Repayments of short-term bank borrowings		(319,345)	(263,750)
Proceeds from short-term bank borrowings		270,163	264,528
Interest paid		(14,017)	(17,263)
Decrease in pledged bank balances		34,705	26,528
Net cash used in financing activities		(35,241)	(5,109)
Net (decrease) increase in cash and cash equivalents		(16,551)	10,959
Cash and cash equivalents at beginning of the year		31,902	20,943
Cash and cash equivalents at end of the year	7	15,351	31,902

Note A

During the financial year ended December 31, 2015, the Group acquired property, plant and equipment with an aggregate cost of RMB95,000. Cash payments of RMB91,000 were made to purchase property, plant and equipment, with the balance of RMB4,000 remained unpaid as at year end.

In 2014, the Group acquired property, plant and equipment with an aggregate cost of RMB1,792,000. Cash payments of RMB3,059,000 were made to purchase property, plant and equipment, with the balance of RMB109,000 remained unpaid as of December 31, 2014. The outstanding balance of RMB109,000 had been settled during the financial year ended December 31, 2015.

See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

1 GENERAL

The Company (Registration No. 197302032R) is incorporated in Singapore with its principal place of business at 151 Chin Swee Road, #02-24 Manhattan House, Singapore 169876 and registered office at 80 Robinson Road, #17-02, Singapore 068898. The Company is listed on the Singapore Exchange Securities Trading Limited ("SGX-ST"). The financial statements are expressed in Renminbi ("RMB").

The principal activity of the Company is that of investment holding. The principal activities of the subsidiaries and associate are disclosed in Notes 12 and 14 to the financial statements respectively.

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 December 31, 2015 were authorised for issue by the Board of Directors on March 15, 2016.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF ACCOUNTING - The financial statements have been prepared in accordance with the historical cost basis, except as disclosed in the accounting policies 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 *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, such as net realisable value in FRS 2 *Inventories* or value in use in FRS 36 *Impairment of Assets*.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

ADOPTION OF NEW AND REVISED STANDARDS - On January 1, 2015, the Group adopted all the new and revised FRSs and Interpretations of FRS ("INT FRS") that are effective from that date and are relevant to its operations. The adoption of these new/revised FRSs and INT FRSs does not result in changes to the Group's and Company's accounting policies and has no material effect on the amounts reported for the current or prior years.

STANDARDS ISSUED BUT NOT YET EFFECTIVE - At the date of authorisation of these financial statements, the following new/revised FRSs, that are relevant to the Group and the Company were issued but not effective:

- FRS 109 *Financial Instruments*¹
- FRS 115 *Revenue from Contracts with Customers*¹

¹ Applies to annual periods beginning on or after January 1, 2018, with early application permitted.

Consequential amendments were also made to various standards as a result of these new/revised standards.

FRS 109 *Financial Instruments*

FRS 109 was issued in December 2014 to replace FRS 39 *Financial Instruments: Recognition and Measurement* and introduced new requirements for (i) the classification and measurement of financial assets and financial liabilities (ii) derecognition (iii) general hedge accounting (iv) impairment requirements for financial assets.

Key requirements of FRS 109:

- All recognised financial assets that are within the scope of FRS 39 are now required to be subsequently measured at amortised cost or fair value through profit or loss (FVTPL). Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at fair value through other comprehensive income (FVTOCI). All other debt investments and equity investments are measured at FVTPL at the end of subsequent accounting periods. In addition, under FRS 109, entities may make an irrevocable election, at initial recognition, to measure an equity investment (that is not held for trading) at FVTOCI, with only dividend income generally recognised in profit or loss.

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

- With some exceptions, financial liabilities are generally subsequently measured at amortised cost. With regard to the measurement of financial liabilities designated as at FVTPL, FRS 109 requires that the amount of change in fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch to profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under FRS 39, the entire amount of the change in the fair value of the financial liability designated as at FVTPL is presented in profit or loss.
- In relation to the impairment of financial assets, FRS 109 requires an expected credit loss model, as opposed to an incurred credit loss model under FRS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.
- The new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in FRS 39. Under FRS 109, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

FRS 109 will take effect from financial years beginning on or after January 1, 2018, with retrospective application subject to transitional provisions.

Management is currently evaluating the potential impact of the application of FRS 109 on the financial statements of the Group and of the Company in the period of initial application.

FRS 115 *Revenue from Contracts with Customers*

In November 2014, FRS 115 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. FRS 115 will supersede the current revenue recognition guidance including FRS 18 *Revenue*, FRS 11 *Construction Contracts* and the related Interpretations when it becomes effective.

The core principle of FRS 115 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer,
- Step 2: Identify the performance obligations in the contract,

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

- Step 3: Determine the transaction price,
- Step 4: Allocate the transaction price to the performance obligations in the contract, and
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.

Under FRS 115, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when “control” of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in FRS 115 to deal with specific scenarios. Furthermore, extensive disclosures are required by FRS 115.

FRS 115 will take effect from financial years beginning on or after January 1, 2018, with retrospective application subject to transitional provisions.

Management is currently evaluating the potential impact of the application of FRS 115 on the financial statements of the Group and of the Company in the period of initial application.

Management anticipates that the adoption of other FRSs and amendments to FRSs issued but not effective at the date of authorisation of these financial statements in future periods will not have material impact on the financial statements of the Group and of the Company in the period of their initial adoption except as discussed above.

BASIS OF CONSOLIDATION - The consolidated financial statements incorporate the financial statements of the Company and entities (including structured entities) controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company’s voting rights in an investee are sufficient to give it power, including:

- the size of the Company’s holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual arrangements; and

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable FRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under FRS 39, or when applicable, the cost on initial recognition of an investment in an associate.

In the Company's financial statements, investments in subsidiaries and associate are carried at cost less any impairment in net recoverable value that has been recognised in profit or loss.

BUSINESS COMBINATIONS - Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration for each acquisition is measured at the aggregate of the acquisition date fair values of assets given, liabilities incurred by the Group to the former owners of the acquiree, and equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Where applicable, the consideration for the acquisition includes any asset or liability resulting from a contingent consideration arrangement, measured at its acquisition-date fair value. Subsequent changes in such fair values are adjusted against the cost of acquisition where they qualify as measurement period adjustments (see below). The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates at fair value, with changes in fair value recognised in profit or loss.

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

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under the FRS are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with FRS 12 *Income Taxes* and FRS 19 *Employee Benefits* respectively;
- liabilities or equity instruments related to share-based payment transactions of the acquiree or the replacement of an acquiree's share-based payment awards transactions with share-based payment awards transactions of the acquirer in accordance with the method in FRS 102 *Share-based Payment* at the acquisition date; and
- assets (or disposal groups) that are classified as held for sale in accordance with FRS 105 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that Standard.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see below), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

The measurement period is the period from the date of acquisition to the date the Group obtains complete information about facts and circumstances that existed as of the acquisition date and is subject to a maximum of one year from acquisition date.

ASSOCIATE - An associate is an entity over which the Group has significant influence. 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.

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

The results and assets and liabilities of associate are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment, or a portion thereof, is classified as held for sale, in which case it is accounted for in accordance with FRS 105. Under the equity method, an investment in an associate is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the investment in an associate, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The requirements of FRS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with FRS 36 *Impairment of Assets* as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount, any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with FRS 36 to the extent that the recoverable amount of the investment subsequently increases.

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate, or when the investment is classified as held for sale. When the Group retains an interest in the former associate and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with FRS 39. The difference between the carrying amount of the associate at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the associate is included in the determination of the gain or loss on disposal of the associate. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

The Group continues to use the equity method when an investment in an associate becomes an investment in a joint venture. There is no remeasurement to fair value upon such changes in ownership interests.

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

When the Group reduces its ownership interest in an associate but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a Group entity transacts with an associate of the Group, profits and losses resulting from the transactions with the associate are recognised in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

NON-CURRENT ASSETS HELD FOR SALE - Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification. Events or circumstances may extend the period to complete the sale beyond one year. An extension of the period to complete a sale does not preclude an asset (or disposal group) from being classified as held for sale if the delay is caused by events or circumstances beyond the Group's control and there is sufficient evidence that the Group remains committed to its plan to sell the asset (or disposal group).

When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in its former subsidiary after the sale.

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

FINANCIAL INSTRUMENT - Financial assets and financial liabilities are recognised on the 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 (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial instrument, or where appropriate, a shorter period. Income and expense is recognised on an effective interest basis for debt instruments.

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Financial assets

All financial assets are recognised and de-recognised on a trade date basis where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value plus transaction costs, except for those financial assets classified as at fair value through profit or loss which are initially measured at fair value.

Loans and receivables

Trade and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as “loans and receivables”. Loans and receivables (including trade and other receivables, bank balances and cash and amount due from subsidiaries) are measured at amortised cost using the effective interest method less impairment. Interest is recognised by applying the effective interest method, except for short-term receivables when the effect of discounting is immaterial.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial assets, such as trade and other receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

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.

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade and other receivables where the carrying amount is reduced through the use of an allowance account. When a trade and other receivable is uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to the profit or loss. Changes in the carrying amount of the allowance account are recognised in profit or loss.

For financial assets measured at amortised cost, 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 through profit or loss to the extent that the carrying amount of the financial asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Derecognition of financial assets

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

Financial liabilities and equity instruments

Classification as debt or equity

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

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.

Offsetting arrangements

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when the Company and the Group had a legally enforceable right to set-off the recognised amounts, and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously. A right to set-off must be available today rather than being contingent on a future event and must be exercisable by any of the counterparties, both in the normal course of business and in the event of default, insolvency or bankruptcy.

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Other financial liabilities

Trade and other payables are initially measured at fair value, net of transaction costs, and are subsequently measured at amortised cost, using the effective interest method, with interest expense recognised on an effective yield basis.

Interest-bearing short-term bank borrowings are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest method. Interest expense calculated using the effective interest method is recognised over the term of the borrowings in accordance with the Group's accounting policy for borrowing costs (see below).

Derecognition of financial liabilities

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

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.

The Group as lessor

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease unless another systematic basis is more representative of the time pattern in which use benefit derived from the leased asset is diminished. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease income.

The Group as lessee

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

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

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

INVENTORIES - Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

PROPERTY, PLANT AND EQUIPMENT - Property, plant and equipment in the course of construction for production, supply or administrative purposes, or for purposes not yet determined, are carried at cost, less any recognised impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Depreciation of these assets commences when the assets are ready for their intended use.

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

Depreciation is charged so as to write off the cost of assets, other than construction-in-progress, over their estimated useful life, using the straight-line method, on the following bases:

Leasehold buildings	-	20 years
Plant and machinery	-	5 to 10 years
Office equipment	-	3 to 10 years
Motor vehicles and vessels	-	8 to 20 years

Construction-in-progress relates to buildings and plant and machinery and these are depreciated only when they are ready for their intended use.

The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

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

INTANGIBLE ASSETS - Intangible assets acquired separately are reported at cost less accumulated amortisation (where they have finite useful lives) and accumulated impairment losses. Intangible assets with finite useful lives are amortised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives are not amortised. Each period, the useful lives of such assets are reviewed to determine whether events and circumstances continue to support an indefinite useful life assessment for the asset. Such assets are tested for impairment in accordance with the policy below.

Land improvement costs

Land improvement costs pertain to costs incurred to prepare the land for use by a subsidiary. It is stated at cost less any impairment losses and is amortised on a straight-line basis over 10 years which the subsidiary derives benefits.

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

LAND USE RIGHTS - Land use rights are stated at cost less accumulated amortisation and any impairment losses. Land use rights are amortised on a straight-line basis over 50 years, being the entitled period to use the land. The amortisation period and amortisation method are reviewed at each year end.

IMPAIRMENT OF TANGIBLE AND INTANGIBLE ASSETS - At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

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

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

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually, and whenever there is an indication that the asset may be impaired.

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

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

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

REVENUE RECOGNITION - Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the entity; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rental income

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

Dividend income

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

FINANCE INCOME - Finance income comprises interest income on funds invested and the unwinding effect from the discounting of trade receivables which are contractually collectible after one year. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

BORROWING COSTS - Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

GOVERNMENT GRANTS - Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and the grants will be received. The benefit of a government loan at a below-market rate of interest is treated as a government grant, measured as the difference between proceeds received and the fair value of the loan based on prevailing market interest rates. Government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred income in the statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Other government grants are recognised as income over the periods necessary to match them with the costs for which they are intended to compensate on a systematic basis. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

RETIREMENT BENEFIT COSTS - Payments to defined contribution retirement benefit plans are charged as an expense when employees have rendered the services entitling them to the contributions. Payments made to state-managed retirement benefit schemes are dealt with as payments to defined contribution plans where the Group's obligations under the plans are equivalent to those arising in a defined contribution retirement benefit plan.

The employees of China Yongsheng Limited and its subsidiaries that are located in Singapore and the People's Republic of China are members of state-managed retirement benefit plans. The Company and the subsidiaries are required to contribute a specified percentage of payroll costs to the retirement benefit schemes to fund the benefits. The only obligation of the Group with respect to the retirement benefit plans is to make the specified contributions.

The Group operates defined contribution retirement benefit plans for all qualifying employees in Singapore and the People's Republic of China ("PRC").

EMPLOYEE LEAVE ENTITLEMENT - Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the end of the reporting period.

INCOME TAX - Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are not taxable or tax deductible. The Group's liability for current tax is calculated using tax rates (and tax laws) that have been enacted or substantively enacted in countries where the Company and subsidiaries operate by the end of the reporting period.

Deferred tax is recognised on the differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised on taxable temporary differences arising on investments in subsidiaries and associate, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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

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

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

Current and deferred tax are recognised as an expense or income in profit or loss, except when they relate to items credited or debited outside profit or loss (either in other comprehensive income or directly in equity), in which case the tax is also recognised outside profit or loss (either in other comprehensive income or directly in equity, respectively), or where they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect is taken into account in calculating goodwill or determining the excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over cost.

FOREIGN CURRENCY TRANSACTIONS AND TRANSLATION - 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 functional currency). The consolidated financial statements of the Group and the statement of financial position of the Company are presented in Renminbi, which is the functional currency of the Company and the presentation currency for the consolidated financial statements.

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

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

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations (including comparatives) are expressed in Renminbi using exchange rates prevailing at the end of the reporting period. Income and expense items (including comparatives) are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in a separate component of equity under the header of foreign currency translation reserve.

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, or loss of significant influence over an associate that includes a foreign operation), all of the accumulated exchange differences in respect of that operation attributable to the Group are reclassified to profit or loss. Any exchange differences that have previously been attributed to non-controlling interests are derecognised, but they are not reclassified to profit or loss.

In the case of a partial disposal (i.e. no loss of control) of a subsidiary that includes a foreign operation, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. of associate that does not result in the Group losing significant influence), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities (including monetary items that, in substance, form part of the net investment in foreign entities), and of borrowings and other currency instruments designated as hedges of such investments, are recognised in other comprehensive income and accumulated in a separate component of equity under the header of foreign currency translation reserve.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

CASH AND CASH EQUIVALENTS IN THE CONSOLIDATED STATEMENT OF CASH FLOWS - Cash and cash equivalents in the consolidated statement of cash flows comprise cash at bank and cash on hand less pledged bank balances and are subject to an insignificant risk of changes in value.

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 are reviewed on an ongoing basis. Revision 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.

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (cont'd)

Critical judgements in applying the entity's accounting policies

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

(a) Non-recognition of potential tax expense of unremitted profit from PRC subsidiaries

As disclosed in Note 18 to the financial statements, no deferred tax liability has been recognised in respect of the temporary differences associated with undistributed earnings of subsidiaries as the Group estimated that such differences will not reverse in the foreseeable future.

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of reporting period, 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) Income taxes

The Group has exposure to income taxes in the PRC. Significant judgement is involved in determining the group-wide provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. The carrying amounts of income tax payable and deferred tax assets at the end of the reporting period are RMB4,069,000 and RMB14,361,000 (2014 : RMB7,937,000 and RMB9,439,000) respectively.

(b) Useful lives of property, plant and equipment

The cost of leasehold buildings, plant and machinery, office equipment and motor vehicles and vessels are depreciated on a straight-line basis over their respective estimated useful lives. Management estimates the useful lives of these assets to be within 3 to 20 years. Changes in the expected level of usage and technological developments could impact the economic useful lives, therefore future depreciation charges could be revised. The carrying amounts of the property, plant and equipment at the end of the reporting period are disclosed in Note 15 to the financial statements.

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (cont'd)

(c) Impairment of property, plant and equipment

The Group assesses annually whether property, plant and equipment have any indication of impairment in accordance with the accounting policy. If there is indication of impairment, the recoverable amounts of property, plant and equipment are determined based on higher of fair value less costs to sell and value in use calculations. These calculations require the use of judgement and estimates. The assessment has led to the recognition of impairment loss of RMB2,493,000 (2014 : RMBNil) in the current year. The recoverable amount of the relevant assets of Suzhou Yongsheng Concrete Co., Ltd (“SY Concrete”) has been determined on the basis of their fair value less costs to sell. The carrying amounts of the property, plant and equipment at the end of the reporting period are disclosed in Note 15 to the financial statements.

(d) Impairment of investments in subsidiaries and amounts due from subsidiaries

Determining whether investments in subsidiaries and amounts due from subsidiaries are impaired requires an estimation of the value in use of those investments and amounts. The value in use calculation requires the entity to estimate the future cash flows expected to arise and a suitable discount rate in order to calculate present value. In the past, management carried out a review of the recoverable amount of the investments in subsidiaries and the amounts due from subsidiaries, having regard to the existing performance of the relevant subsidiaries and the carrying value of the net assets in these subsidiaries. The assessment led to the recognition of accumulated allowance for impairment of investments in subsidiaries of RMB129 million (2014 : RMB129 million) and no allowance for impairment of amounts due from subsidiaries in the current and prior years. The carrying amounts of the investments in subsidiaries and amounts due from subsidiaries at the end of the reporting period are disclosed in Notes 12 and 13 to the financial statements respectively.

(e) Allowance for inventories

At the end of each reporting period, the Group reviews the carrying value of their inventories to ensure that they are stated at the lower of cost and net realisable value. In assessing net realisable value and making appropriate allowances, the management identifies inventories that are slow moving and considers their physical conditions, market conditions and market price for similar inventories. The carrying amount of inventories at the end of the reporting period is disclosed in Note 11 to the financial statements.

(f) Allowance for bad and doubtful debts

The policy for allowances for bad and doubtful debts of the Company and the Group is based on the evaluation of collectibility and on management's judgement. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including the current creditworthiness, the past collection history of each customer and on-going dealings with these parties. During the year, the management has performed a credit evaluation process to review the recoverability of the trade and other receivables balances based on their judgement. Where there is objective evidence of impairment, management makes an assessment as to whether any impairment loss should be recorded. The assessment has led to the recognition of accumulated allowance for impairment of RMB8,898,000 (2014 : RMB11,993,000) at the end of the reporting period. The carrying amounts of trade and other receivables at the end of the reporting period are disclosed in Note 8 to the financial statements.

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (cont'd)

(g) Discounting of trade receivables

The Group discounts trade receivables, which are expected to be collected more than one year from the outstanding date, to their fair values at the reporting date using the market rates of interest for similar type of lending at 8% (2014 : 8%) per annum and also estimates customers' repayment pattern in discounting these receivables. The receivables are classified as current assets because they are expected to be realised in the Group's normal operating cycle. The carrying amounts of trade and other receivables at the end of the reporting period are disclosed in Note 8 to the financial statements.

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT

(a) *Categories of financial instruments*

The following table sets out the financial instruments as at the end of the reporting period.

	Group		Company	
	2015	2014	2015	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Financial assets				
Loans and receivables:				
- Due from a subsidiary	–	–	98,313	96,002
- Trade and other receivables (excluding prepayments and advances, and tax recoverable)	570,571	803,775	12,471	11,513
- Cash and cash equivalents	16,228	67,484	1,078	667
	<u>586,799</u>	<u>871,259</u>	<u>111,862</u>	<u>108,182</u>
Financial liabilities				
At amortised cost:				
- Mortgage loans	–	6,747	–	–
- Trade and other payables (excluding advances from customers, value added tax and other operating tax payables, amount received for sale of subsidiaries)	134,322	369,056	1,665	1,482
- Short-term bank borrowings	172,944	219,357	–	–
	<u>307,266</u>	<u>595,160</u>	<u>1,665</u>	<u>1,482</u>

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (cont'd)

(b) *Financial instruments subject to offsetting enforceable master netting arrangements and similar agreements*

The Group does not have any financial instruments which are subject to enforceable master netting arrangements or similar netting arrangements.

(c) *Financial risk management policies and objectives*

The Group has documented financial risk management policies. These policies set out the Group's overall business strategies and its risk management philosophy. The Group's overall financial risk management programme seeks to minimise potential adverse effects on the financial performance of the Group.

The Group is exposed to financial risks arising from its operations and the use of financial instruments. The key financial risks include foreign exchange risk, interest rate risk, credit risk and liquidity risk. The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework.

The Group does not hold or issue derivative financial instruments for speculative purpose.

There has been no change to the Group's exposure to these financial risks or the manner in which it manages and measures the risk. Market risk exposures are measured using sensitivity analysis indicated below.

(i) Foreign exchange risk management

The Group has minimal transactional foreign currency exposures arising from sales or purchases that are denominated in a currency other than the respective functional currency of Group entities which is Renminbi. Most of the foreign exchange differences arise from translation differences and settlement of liabilities arising from expenses or overheads denominated in a currency other than the respective functional currency of Group entities. The Group's trade receivable and trade payable balances at the reporting date had minimal foreign currency exposures. The Group and the Company also hold cash and cash equivalents denominated in foreign currencies for working capital purposes, mainly in United States dollar. The Group has short-term bank borrowings denominated in United States dollar.

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (cont'd)

(c) Financial risk management policies and objectives (cont'd)

(i) Foreign exchange risk management (cont'd)

At the end of the reporting period, the carrying amounts of monetary assets and monetary liabilities denominated in currencies other than the functional currency of the respective Group entities are as follows:

	2015		2014	
	Singapore dollar	United States dollar	Singapore dollar	United States dollar
	RMB'000	RMB'000	RMB'000	RMB'000
<u>Group</u>				
Assets:				
- Trade and other receivables	25	–	25	–
- Cash and cash equivalents	1,169	2,747	870	3,399
	<u>1,194</u>	<u>2,747</u>	<u>895</u>	<u>3,399</u>
Liabilities:				
- Trade and other payables	(1,739)	–	(1,594)	–
- Short-term bank borrowings	–	(56,494)	–	(32,507)
	<u>(1,739)</u>	<u>(56,494)</u>	<u>(1,594)</u>	<u>(32,507)</u>
<u>Company</u>				
Assets:				
- Due from a subsidiary	29,395	60,990	29,182	58,951
- Trade and other receivables	25	–	25	–
- Cash and cash equivalents	1,078	–	667	–
	<u>30,498</u>	<u>60,990</u>	<u>29,874</u>	<u>58,951</u>
Liabilities:				
- Trade and other payables	(1,665)	–	(1,482)	–

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (cont'd)

(c) Financial risk management policies and objectives (cont'd)

(i) Foreign exchange risk management (cont'd)

Foreign currency sensitivity

The following table details the sensitivity to a 5% increase and decrease in the relevant foreign currencies against the functional currency of each Group entity. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates.

A 5% strengthening of RMB against the following currencies at the reporting date would increase (decrease) equity and profit before income tax by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant.

	Group		Company	
	2015	2014	2015	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Singapore dollar	27	35	(1,442)	(1,420)
United States dollar	2,687	1,455	(3,050)	(2,948)
	2,714	1,490	(4,492)	(4,368)

A 5% weakening of RMB against the above currencies would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

(ii) Interest rate risk management

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 their short-term bank borrowings. All the Group's borrowings are at a mix of fixed and variable rates of interest during the financial years 2015 and 2014. Summary quantitative data of the Group's and Company's interest-bearing financial instruments can be found in section (iv) of this Note.

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (cont'd)

(c) Financial risk management policies and objectives (cont'd)

(ii) Interest rate risk management (cont'd)

Interest rate sensitivity

The sensitivity analyses below have been determined based on the exposure to interest rates for both derivative and non-derivative instruments at the end of the reporting period and the stipulated change taking place at the beginning of the financial year and held constant throughout the reporting period in the case of instruments that have floating rates. For variable rate financial assets and liabilities, an increase of 100 basis points in interest rate at the reporting date would decrease the Group's profit before income tax for the financial year ended December 31, 2015 by RMB1.7 million (2014 : decrease the Group's profit before income tax for the financial year ended December 31, 2014 by RMB2.2 million). A decrease in 100 basis points in interest rate would have an equal but opposite effect. A 100 basis points increase or decrease is used in the sensitivity analysis when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates. This analysis assumes that all other variables, in particular foreign currency exchange rates, remain constant.

(iii) Credit risk management

Credit risk is the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group's credit risk arises primarily from trade and other receivables. Cash and cash equivalents are placed with financial institutions. The Group's objective is to seek continual revenue growth while minimising losses incurred due to increased credit risk exposure. The Group trades with creditworthy counterparties. In addition, receivable balances are monitored on an ongoing basis. Ongoing credit evaluation is performed on the financial condition of trade and other receivables.

The carrying amount of financial assets recorded in the financial statements, grossed up for any allowances for losses represents the Group's maximum exposure to credit risk without taking account of the value of any collateral obtained.

There is one major customer to whom the Group made 10% (2014 : 6%) of total sales for the year. Further details of credit risks on trade and other receivables are disclosed in Note 8 to the financial statements.

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (cont'd)

(c) Financial risk management policies and objectives (cont'd)

(iv) Liquidity risk management

Liquidity risk is the risk that the Group will encounter difficulty in meeting financial obligations due to shortage of funds. The Group maintains sufficient cash and cash equivalents, and internally generated cash flows to finance their activities. The Group's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of credit facilities. The Group's liquidity risk management policy is to maintain sufficient liquid financial assets and credit facilities with different banks.

The management has made an assessment of the Group's ability to continue as a going concern, taking into account all available information about the future, which is at least, but not limited to, 12 months from the end of the reporting period. The management is of the view that the use of going concern assumption is appropriate as based on management's ongoing discussions with and letters of intent on financing obtained from the Group's bankers. Accordingly, management is of the view that it is highly probable that the short-term bank borrowings will be refinanced or rolled over upon maturity within the next twelve months subject to the Group's financial needs.

Accordingly, the directors of the Company are of the view that the use of going concern assumption in preparation of the financial statements is appropriate.

Non-derivative financial liabilities

The following tables detail the remaining contractual maturity for non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group and Company can be required to pay. The table includes both interest and principal cash flows. The adjustment column represents the possible future cash flows attributable to the instrument included in the maturity analysis which is not included in the carrying amount of the financial liability on the statements of the financial position.

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (cont'd)

(c) Financial risk management policies and objectives (cont'd)

(iv) Liquidity risk management (cont'd)

Non-derivative financial liabilities (cont'd)

	Effective interest rate	On demand or within 1 year	Within 2 to 5 years	After 5 years	Adjustments	Total
	%	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<u>Group</u>						
<u>2015</u>						
Trade and other payables	–	134,322	–	–	–	134,322
Short-term bank borrowings	2.6 to 7.6	175,888	–	–	(2,944)	172,944
		310,210	–	–	(2,944)	307,266
<u>2014</u>						
Trade and other payables	–	369,056	–	–	–	369,056
Short-term bank borrowings	2.2 to 7.8	224,099	–	–	(4,742)	219,357
Mortgage loans	7.4	6,985	–	–	(238)	6,747
		600,140	–	–	(4,980)	595,160
<u>Company</u>						
<u>2015</u>						
Trade and other payables	–	1,665	–	–	–	1,665
<u>2014</u>						
Trade and other payables	–	1,482	–	–	–	1,482

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (cont'd)

(c) *Financial risk management policies and objectives (cont'd)*

(iv) Liquidity risk management (cont'd)

Non-derivative financial assets

The following table details the expected maturity for non-derivative financial assets. The inclusion of information on non-derivative financial assets is necessary in order to understand the Group's and Company's liquidity risk management as the Group's and Company's liquidity risk is managed on a net asset and liability basis. The table below have been drawn up based on the undiscounted contractual maturities of the financial assets including interest that will be earned on those assets except were the Group and the Company anticipates that the cash flow will occur in different period. The adjustment column represents the possible future cash flows attributable to the instrument included in the maturity analysis which are not included in the carrying amount of the financial asset on the statements of the financial position.

	Effective interest rate	On demand or within 1 year	Within 2 to 5 years	After 5 years	Adjustments	Total
	%	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<u>Group</u>						
<u>2015</u>						
Trade and other receivables						
- Undiscounted	-	477,568	-	-	-	477,568
- Discounted	8.0	-	102,271	-	(9,268)	93,003
Cash and cash equivalents	0.4	16,228	-	-	-	16,228
		493,796	102,271	-	(9,268)	586,799
<u>2014</u>						
Trade and other receivables						
- Undiscounted	-	607,520	-	-	-	607,520
- Discounted	8.0	-	212,924	-	(16,669)	196,255
Cash and cash equivalents	0.4 to 3.1	67,484	-	-	-	67,484
		675,004	212,924	-	(16,669)	871,259

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (cont'd)

(c) Financial risk management policies and objectives (cont'd)

(iv) Liquidity risk management (cont'd)

Non-derivative financial assets (cont'd)

	Effective interest rate	On demand or within 1 year	Within 2 to 5 years	After 5 years	Adjustments	Total
	%	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<u>Company</u>						
<u>2015</u>						
Due from a subsidiary	6.0	98,313	–	–	–	98,313
Trade and other receivables	–	12,471	–	–	–	12,471
Cash and cash equivalents	–	1,078	–	–	–	1,078
		<u>111,862</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>111,862</u>
<u>2014</u>						
Due from a subsidiary	6.0	96,002	–	–	–	96,002
Trade and other receivables	–	11,513	–	–	–	11,513
Cash and cash equivalents	–	667	–	–	–	667
		<u>108,182</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>108,182</u>

The Group and the Company do not have any derivative financial instruments.

(v) Fair value of financial assets and financial liabilities

The carrying amounts of cash and cash equivalents, trade and other receivables, trade and other payables, provisions and other liabilities approximate their respective fair values due to the relatively short-term maturity of these financial instruments. The fair values of other classes of financial assets and liabilities are disclosed in the respective notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

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4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (cont'd)

(c) Financial risk management policies and objectives (cont'd)

(v) Fair value of financial assets and financial liabilities (cont'd)

The fair values of financial assets and financial liabilities are determined as follows:

- the fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices;
- the fair value of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments; and
- the fair value of derivative instruments are calculated using quoted prices. Where such prices are not available, discounted cash flow analysis is used, based on the applicable yield curve of the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives.

The Group and the Company had no financial assets or liabilities carried at fair value in 2015 and 2014.

(d) Capital risk management policies and objectives

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance.

The capital structure of the Group consists of short-term bank borrowings and equity attributable to owners of the Company, comprising issued capital, reserves and accumulated profits.

The Group reviews the capital structure on an annual basis. As a part of this review, the Group considers the cost of capital and the risks associated with each class of capital. The Group will balance its overall capital structure through the payment of dividends, new share issues and share buy-backs as well as the issue of new debt or the redemption of existing debt. The Group's overall strategy remains unchanged from 2014.

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December 31, 2015

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (cont'd)

(d) Capital risk management policies and objectives (cont'd)

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Group's policy is to keep the gearing ratio within 75%. For internal monitoring purpose, the Group's net debt includes loans and borrowings, trade and other payables, other liabilities, less cash and cash equivalents. Capital includes equity attributable to the equity holders of the Company less the statutory reserve fund as disclosed in Note 23 to the financial statements.

	Group	
	2015	2014
	RMB'000	RMB'000
Trade and other payables	158,453	397,949
Short-term bank borrowings	172,944	219,357
Mortgage loans	–	6,747
Income tax payable	4,069	7,937
Less: Cash and cash equivalents	(16,228)	(67,484)
Net debt	319,238	564,506
Equity attributable to the equity holders of the Company	359,026	382,904
Statutory reserve fund (Note 23)	(73,198)	(80,561)
Total capital	285,828	302,343
Capital and net debt	605,066	866,849
Gearing ratio	53%	65%

5 HOLDING COMPANY AND RELATED COMPANIES TRANSACTIONS

The Company is a subsidiary of Ever Universe Investments Limited, incorporated in British Virgin Islands, which is also the Company's ultimate holding company. Related companies in these financial statements refer to members of the holding company's group of companies.

Some of the Group's transactions and arrangements are with related companies and the effect of these on the basis determined between the parties are reflected in these financial statements. The balances are unsecured, interest-free and repayable on demand unless otherwise stated.

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6 OTHER RELATED PARTY TRANSACTIONS

Some of the Group's transactions and arrangements are with related parties and the effect of these on the basis determined between the parties are reflected in these financial statements. The balances are unsecured, interest-free and repayable on demand unless otherwise stated.

During the year, Group entities entered into the following transactions with related parties:

	Group	
	2015	2014
	RMB'000	RMB'000
Purchase of goods from associate	–	10,082
Land and building rental paid to entities controlled by certain directors	545	882

Interest-free loans of RMB10 million (2014 : RMBNil) were taken from a related party and fully repaid in 2015.

Compensation of directors and key management personnel

The remuneration of directors and other members of key management during the year was as follows:

	Group	
	2015	2014
	RMB'000	RMB'000
Short-term benefits	8,630	9,168

The remuneration of directors and key management is determined by the Remuneration Committee having regard to the performance of individuals and market trends.

7 CASH AND CASH EQUIVALENTS

	Group		Company	
	2015	2014	2015	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Cash at bank	15,231	31,810	977	593
Pledged bank balances	900	35,605	–	–
Cash on hand	120	92	101	74
	16,251	67,507	1,078	667
Transfer to assets classified as held for sale (Note 33)	(23)	(23)	–	–
	16,228	67,484	1,078	667
Cash and cash equivalents	16,251	67,507	1,078	667
Less: Pledged bank balances	(900)	(35,605)	–	–
Cash and cash equivalents in consolidated statement of cash flows	15,351	31,902	1,078	667

APPENDIX IV – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR FY2015

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

7 CASH AND CASH EQUIVALENTS (cont'd)

Bank balances and cash comprise cash held by the Group. The carrying amounts of these assets approximate their fair values.

The effective interest rates per annum relating to bank balances and cash for the Group is 0.4% (2014 : 0.4% to 3.1%). The bank balances and cash for the Company are non-interest bearing.

Pledged bank balances represent bank balances of certain subsidiaries pledged as security for bills payable (Note 19).

As at December 31, 2015, the Group had cash and cash equivalents placed with banks in China amounting to RMB12.3 million (2014 : RMB63.2 million) which the repatriation of the cash into Singapore is subject to the Foreign Exchange Control Regulations in China.

8 TRADE AND OTHER RECEIVABLES

	Group		Company	
	2015	2014	2015	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables	487,306	664,071	–	–
Less: Allowance for impairment	(8,873)	(8,569)	–	–
Net trade receivables	478,433	655,502	–	–
Bills receivable	83,508	146,385	–	–
Due from a subsidiary (Note 5)				
- non-trade	–	–	12,446	11,488
Due from associate (Notes 6 and 14):				
- trade	2,958	2,958	–	–
- non-trade	1,000	1,000	–	–
Other receivables (Note 9)	20,689	14,764	25	25
Loans and receivables	586,588	820,609	12,471	11,513
Prepayments and advances (Note 10)	2,630	3,999	87	90
	589,218	824,608	12,558	11,603
Transfer to assets classified as held for sale (Note 33)				
- Loans and receivables	(15,851)	(15,851)	–	–
- Prepayments and advances	(44)	(44)	–	–
	573,323	808,713	12,558	11,603

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8 TRADE AND OTHER RECEIVABLES (cont'd)

Trade receivables

Trade receivables are non-interest bearing. Generally, 60% to 70% of the sales from delivery in the current month have to be settled in the following month. The remaining 30% to 40% will have to be settled upon completion of project, generally ranging from 6 months to 12 months from the last delivery date. Trade receivables, which are expected to be collected more than one year from the outstanding date, are discounted to their fair values at the reporting date using the market rates of interest for similar type of lending at 8% (2014 : 8%) per annum and are classified as current assets because they are expected to be realised in the Group's normal operating cycle. As at December 31, 2015, RMB102.3 million (2014 : RMB212.9 million) are expected to be collected more than one year from the reporting date.

Before accepting any new customer, the Group assesses the potential customer's credit quality and defines credit limits by customer. In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the end of the reporting period. The trade receivables which are neither past due nor impaired are assessed to be recoverable as there has not been a significant change in credit quality.

The Group determines concentrations of credit risk by monitoring the types of customers (the Group operates only in the PRC) and industry sector profile of its trade receivables on an ongoing basis. Majority of customers are concentrated in the construction and property development sectors. The Group's historical experience in the collection of trade receivables falls within the recorded allowances. Due to these factors, management believes that no additional credit risk beyond the amounts provided for collection losses is inherent in the Group's trade receivables.

The credit risk concentration profile of the Group's trade receivables at the reporting date is as follows:

	Group	
	2015	2014
	RMB'000	RMB'000
By type of customers:		
Public sector	90,291	89,638
Private sector	388,142	565,864
	<u>478,433</u>	<u>655,502</u>

At the end of the reporting period, approximately 5% (2014 : 11%) of the Group's trade receivables were due from 1 (2014 : 1) major customer who is a main contractor located in Jiangsu, PRC.

Past due trade receivables are those for which contractual or principal payments have not been met. At the end of the reporting date, the Group has trade receivables amounting to approximately RMB105.7 million (2014 : RMB98.9 million) that are past due but not impaired.

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

8 TRADE AND OTHER RECEIVABLES (cont'd)

The table below is an analysis of trade receivables as at December 31:

	Group	
	2015	2014
	RMB'000	RMB'000
Not past due and not impaired	227,730	383,250
Past due but not impaired (i)	105,694	98,862
	333,424	482,112
Impaired receivables - individually assessed (ii)	153,882	181,959
Less: Allowance for impairment	(8,873)	(8,569)
	145,009	173,390
Trade receivables, net	478,433	655,502
(i) Aging of receivables that are past due but not impaired:		
< 30 days	17,954	23,893
30 days to 60 days	13,412	17,955
61 days to 90 days	15,096	7,676
91 days to 120 days	8,189	3,823
> 120 days	51,043	45,515
	105,694	98,862
(ii) These amounts are stated before any deduction for impairment losses.		
Aging of receivables that are impaired:		
Not past due	93,072	118,734
Past due:		
< 30 days	8,488	13,824
30 days to 60 days	13,030	5,147
61 days to 90 days	3,269	2,006
91 days to 120 days	4,587	2,867
> 120 days	31,436	39,381
	153,882	181,959

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

8 TRADE AND OTHER RECEIVABLES (cont'd)

The movement in allowance for impairment loss in respect of trade receivables during the year is as follows:

	Group	
	2015	2014
	RMB'000	RMB'000
Balance at beginning of the year	8,569	6,947
Amounts written off	(1,492)	(4,135)
Amounts recovered	209	–
Disposal of a subsidiary	(1,304)	–
Increase in allowance recognised in profit or loss	2,891	5,757
Balance at end of the year	8,873	8,569

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

Bills receivable

Bills receivable have a maturity period of 90 days to 180 days (2014 : 90 days to 180 days) and are negotiable at their nominal value or may be cashed at the option of the bearer at a discounted rate against their nominal value of approximately 4% to 6% (2014 : 5% to 7%) per annum. The Group has no intention to cash these bills receivable as at the date of these financial statements.

Due from a subsidiary (non-trade) and associate (non-trade)

The non-trade amounts due from a subsidiary and associate are unsecured, interest-free and repayable on demand. The amounts are not past due nor impaired.

9 OTHER RECEIVABLES

	Group		Company	
	2015	2014	2015	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Other receivables ⁽¹⁾	18,870	12,981	–	–
Less: Allowance for impairment	(25)	(25)	–	–
	18,845	12,956	–	–
Tax recoverable	166	983	–	–
Interest receivable	–	285	–	–
Deposits	1,678	540	25	25
	20,689	14,764	25	25

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

9 OTHER RECEIVABLES (cont'd)

The Group's other receivables are interest-free and repayable on demand.

⁽¹⁾ Included in other receivables is an amount of RMB6,816,000 receivable from one of the major customers of the Group. On January 31, 2015, the Group entered into an agreement with the aforesaid customer to receive part payment of trade receivables in the form of 22 properties ("properties") located in Suzhou Industrial Park in lieu of cash. The Group reclassified the trade receivables of the relevant customer to other receivables due to the pending ownership transfer for the properties as at the reporting date, at a net carrying amount of RMB6,816,000. The fair value of the properties approximate to the net carrying amount.

There has been no movement in the allowance of the Group for the financial year ended December 31, 2015 and 2014.

In determining the recoverability of a receivable, the Group considers any change in the credit quality of the receivables from the date credit was initially granted up to the reporting date. Accordingly, no further allowance for doubtful receivables is deemed necessary by the Group as at the reporting date.

10 PREPAYMENTS AND ADVANCES

	Group		Company	
	2015	2014	2015	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Prepayments	2,358	6,632	87	90
Advances to staff	272	766	–	–
	2,630	7,398	87	90
Less: Allowance for impairment	–	(3,399)	–	–
	2,630	3,999	87	90

The movement in allowance for impairment loss in respect of prepayments and advances during the year is as follows:

	Group	
	2015	2014
	RMB'000	RMB'000
Balance at beginning of the year	3,399	–
Amounts written off	(3,399)	–
Increase in allowance recognised in profit or loss	–	3,399
Balance at end of the year	–	3,399

In 2014, an allowance for impairment loss of RMB3,399,000 in prepayments for purchases was made due to deterioration of financial condition of a supplier.

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

11 INVENTORIES

	Group	
	2015	2014
	RMB'000	RMB'000
Raw materials	1,719	2,739
Consumables and spare parts	3,573	4,424
	5,292	7,163
Less: Allowance for inventories	(1,739)	(1,604)
	3,553	5,559
Transfer to assets classified as held for sale (Note 33)	(1,266)	(1,266)
	2,287	4,293

The cost of inventories recognised as an expense includes RMB355,000 (2014 : RMBNil) in respect of write-downs of inventories to net realisable value.

The movement in allowance for inventories during the year is as follows:

	Group	
	2015	2014
	RMB'000	RMB'000
Balance at beginning of the year	1,604	1,604
Disposal of a subsidiary	(220)	–
Increase in allowance recognised in profit or loss	355	–
Balance at end of the year	1,739	1,604

12 SUBSIDIARIES

	Company	
	2015	2014
	RMB'000	RMB'000
Unquoted equity shares, at cost	365,112	365,112
Less: Allowance for impairment	(129,000)	(129,000)
	236,112	236,112

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

12 SUBSIDIARIES (cont'd)

Details of subsidiaries at December 31, 2015 are as follows:

Name of subsidiary	Place of incorporation and operations	Proportion of ownership interest and voting power held by the Group		Principal activity
		2015	2014	
		%	%	
<u>Held by the Company</u>				
Assetgold Finance Limited ^{(1) (4)} ("Assetgold")	British Virgin Islands	100	100	Investment holding
<u>Held through subsidiaries</u>				
Suzhou Yongsheng Concrete Co., Ltd ⁽²⁾ ("SY Concrete")	The People's Republic of China	100	100	Production and supply of concrete and related products, leasing of concrete mixing equipment
Suzhou Yongsheng Chemical Co., Ltd ⁽³⁾ ("SY Chemical")	The People's Republic of China	100	100	Production and supply of sodium toluene sulfonate, toluene sulfonic acid, cleansing and disinfecting extract and chemical admixture required in the production of concrete
Wujiang Yongsheng Concrete Co., Ltd ⁽²⁾ ("Wujiang Concrete")	The People's Republic of China	100	100	Production and supply of concrete and related products
Suzhou Industrial Park Yongsheng Concrete Co., Ltd ⁽²⁾⁽⁶⁾ ("SIP Concrete")	The People's Republic of China	-	100	Production and supply of concrete and related products
Wuxi Lianyou Concrete Co., Ltd ⁽⁵⁾ ("Wuxi Lianyou Concrete")	The People's Republic of China	100	100	Production and supply of concrete and related products
Wujiang Yongsheng Transportation Co., Ltd ⁽³⁾ ("Wujiang Transportation")	The People's Republic of China	100	100	Provide transportation services for building materials
Suzhou Mingxie Material Co., Ltd ⁽²⁾ ("MX Material")	The People's Republic of China	100	100	Sale of building materials, chemical products, hardware, machinery and equipment, electronic products, textiles and lubricants.

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

12 SUBSIDIARIES (cont'd)

- ⁽¹⁾ Not required to be audited by the law of the country of incorporation.
- ⁽²⁾ Audited by an overseas practice of Deloitte Touche Tohmatsu Limited for consolidation purpose.
- ⁽³⁾ Reviewed by an overseas practice of Deloitte Touche Tohmatsu Limited for consolidation purpose.
- ⁽⁴⁾ Audited by Deloitte & Touche LLP, Singapore for consolidation purpose.
- ⁽⁵⁾ The subsidiary was accounted for as assets classified as held for sale (Note 33).
- ⁽⁶⁾ The subsidiary was disposed during the financial year (Note 34).

13 DUE FROM A SUBSIDIARY (NON-TRADE)

The non-trade amount due from a subsidiary is unsecured and interest-free. Payments are made based on agreed repayment plan between the Company and the subsidiary for the period from January 2015 to December 2023. Outstanding balances have been discounted to their fair value at the end of the reporting period using the market rates of interest for similar type of lending.

The balance is not past due nor impaired.

14 ASSOCIATE

	Group	
	2015	2014
	RMB'000	RMB'000
Cost of investment in associate	15,015	15,015
Share of post-acquisition loss, net of dividend received	(11,720)	(11,709)
	3,295	3,306

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14 ASSOCIATE (cont'd)

Details of the associate at December 31, 2015 are as follows:

Name of associate	Place of incorporation and operation	Proportion of ownership interest and voting power held by the Group		Principal activity
		2015	2014	
		%	%	
Fuyang Jinpu Quarry Co., Ltd ("FJ Quarry")	The People's Republic of China	30	30	Quarrying and processing of rocks used for construction

Summarised financial information in respect of the associate is set out below:

	Group	
	2015 RMB'000	2014 RMB'000
Total assets	23,882	28,763
Total liabilities	(12,899)	(17,743)
Net assets	10,983	11,020
Group's share of associate's net assets	3,295	3,306

	Group	
	2015 RMB'000	2014 RMB'000
Revenue	3,526	16,903
Loss for the year	(38)	(1,206)
Group's share of associate's loss for the year	(11)	(362)

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15 PROPERTY, PLANT AND EQUIPMENT

	Leasehold buildings	Plant and machinery	Office equipment	Motor vehicles and vessels	Construction- in-progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Group						
Cost:						
At January 1, 2014	25,628	72,989	1,600	122,727	501	223,445
Additions	–	421	25	640	706	1,792
Disposals	–	(338)	–	(2,111)	–	(2,449)
Written off	–	(476)	(148)	–	–	(624)
Transfer	–	706	–	–	(706)	–
Transfer to assets classified as held for sale (Note 33)	(5,175)	(13,276)	(406)	(22,265)	–	(41,122)
At December 31, 2014	20,453	60,026	1,071	98,991	501	181,042
Additions	–	91	4	–	–	95
Disposals	–	(57)	–	(4,115)	–	(4,172)
Written off	–	(544)	–	(166)	–	(710)
Transfer	–	501	–	–	(501)	–
Transfer to assets classified as held for sale (Note 33)	–	–	–	(8,750)	–	(8,750)
At December 31, 2015	20,453	60,017	1,075	85,960	–	167,505
Accumulated depreciation and impairment losses:						
At January 1, 2014	11,536	46,558	1,298	47,986	–	107,378
Depreciation charge for the year	1,103	2,825	115	13,192	–	17,235
Disposals	–	(216)	–	(2,005)	–	(2,221)
Written off	–	(443)	(114)	–	–	(557)
Transfer to assets classified as held for sale (Note 33)	(1,319)	(8,999)	(298)	(11,543)	–	(22,159)
At December 31, 2014	11,320	39,725	1,001	47,630	–	99,676
Depreciation charge for the year	869	1,988	56	10,466	–	13,379
Impairment loss for the year	–	–	–	2,493	–	2,493
Disposals	–	(38)	–	(2,442)	–	(2,480)
Written off	–	(506)	–	(158)	–	(664)
Transfer to assets classified as held for sale (Note 33)	–	–	–	(6,950)	–	(6,950)
At December 31, 2015	12,189	41,169	1,057	51,039	–	105,454
Carrying amount:						
At December 31, 2015	8,264	18,848	18	34,921	–	62,051
At December 31, 2014	9,133	20,301	70	51,361	501	81,366

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December 31, 2015

15 PROPERTY, PLANT AND EQUIPMENT (cont'd)

Asset acquisition by government authority

In 2013, a part of SY Chemical's property, plant and equipment with carrying amount of RMB0.7 million was demolished to give way for Mudu local government authority's municipal infrastructure construction. There is no further demolition work performed since the financial year ended December 31, 2013.

Management has reviewed the carrying amount of the assets of SY Chemical to determine whether those assets have suffered an impairment loss taking into account the expected compensation amount from the government. In this regard, the management is satisfied that no further impairment is necessary. The carrying amount of the property, plant and equipment and land use rights (Note 17) of SY Chemical at the end of the reporting period are RMB0.4 million (2014 : RMB0.5 million) and RMB0.7 million (2014 : RMB0.7 million) respectively.

Impairment losses recognised

During the financial year, the Group carried out a review on the recoverable amount of its motor vehicles considering their value may have declined more than what would be expected from normal use. The assessment led to the recognition of an impairment loss of RMB2,493,000 that has been recognised under "Other operating expenses". The recoverable amount of the relevant assets was determined on the basis of their fair value less costs to sell.

Assets pledged as security

As at December 31, 2015, certain property, plant and equipment of the Group with net carrying amount of approximately RMB2.2 million (2014 : RMB2.3 million) are pledged to banks to secure short-term bank borrowings (Note 20).

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15 PROPERTY, PLANT AND EQUIPMENT (cont'd)

Assets held under mortgage loans

The carrying amount of property, plant and equipment held under mortgage loans (Note 21) at the end of the reporting period was approximately RMBNil (2014 : RMB24.1million).

	Office equipment RMB'000
<u>Company</u>	
Cost:	
At January 1, 2014	54
Written off	(26)
At December 31, 2014 and 2015	<u>28</u>
Accumulated depreciation:	
At January 1, 2014	31
Depreciation charge for the year	10
Written off	(26)
At December 31, 2014	<u>15</u>
Depreciation charge for the year	9
At December 31, 2015	<u>24</u>
Carrying amount:	
At December 31, 2015	<u><u>4</u></u>
At December 31, 2014	<u><u>13</u></u>

16 INTANGIBLE ASSETS

	Land improvement costs RMB'000
<u>Group</u>	
Cost:	
At January 1, 2014, December 31, 2014 and 2015	<u>342</u>
Accumulated amortisation and impairment losses:	
At January 1, 2014, December 31, 2014 and 2015	<u>342</u>
Carrying amount:	
At December 31, 2014 and 2015	<u><u>–</u></u>

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17 LAND USE RIGHTS

	Group	
	2015	2014
	RMB'000	RMB'000
Cost:		
At January 1 and December 31	8,889	8,889
Accumulated amortisation:		
At January 1	1,947	1,764
Amortisation charge for the year	183	183
At December 31	2,130	1,947
Carrying amount:		
At December 31	6,759	6,942

As at December 31, 2015, certain land use rights of the Group with net carrying amounts of approximately RMB6.8 million (2014 : RMB6.9 million) are pledged to banks to secure short-term bank borrowings (Note 20).

The amortisation expenses was recognised under the “Cost of sales” and “General and administrative expenses” in the Consolidated Statement of Comprehensive Income.

18 DEFERRED TAX ASSETS

	Allowance for impairment of property, plant and equipment	Allowance for impairment and discounting of trade receivables	Allowance for impairment of other receivables	Accruals	Tax losses	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At January 1, 2014	736	7,238	–	2,680	–	235	10,889
(Charge) credit to profit or loss for the year (Note 28)	(83)	(2,087)	850	(97)	–	(33)	(1,450)
At December 31, 2014	653	5,151	850	2,583	–	202	9,439
Credit (charge) to profit or loss for the year (Note 28)	370	(750)	(850)	(1,162)	7,247	67	4,922
At December 31, 2015	1,023	4,401	–	1,421	7,247	269	14,361

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18 DEFERRED TAX ASSETS (cont'd)

Deferred tax assets have not been recognised in respect of the following items:

	Group		Company	
	2015	2014	2015	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Deductible temporary differences	1,855	6,983	–	–
Tax losses	2,172	3,299	–	–
	4,027	10,282	–	–

Subject to the agreement by the tax authorities, at the end of the reporting period, the Group has unutilised tax losses of RMB2.2 million (2014 : RMB3.3 million) available for offset against future taxable profits. No deferred tax asset has been recognised in respect of these unutilised tax losses due to the unpredictability of future profit streams. These unrecognised tax losses of RMB2.2 million (2014 : RMB3.3 million) will expire between 2016 to 2020 (2014 : 2015 to 2019). Other losses may be carried forward indefinitely subject to the conditions imposed by law including the retention of majority shareholders as defined.

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 RMB74.3 million (2014 : RMB110.7 million). No liability has been recognised in respect of these differences because the Group estimated that such differences will not reverse in the foreseeable future.

Temporary differences arising in connection with interests in associate are insignificant.

**APPENDIX IV – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF
THE GROUP FOR FY2015**

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

19 TRADE AND OTHER PAYABLES

	Group		Company	
	2015	2014	2015	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Trade payables	109,748	273,139	–	–
Bills payable, secured	1,800	54,200	–	–
Other payables	5,548	7,545	–	–
Accruals for purchase of property, plant and equipment	4	109	–	–
Amount received from purchasers of a subsidiary (Note 33)	21,117	21,117	–	–
Deposit received for the intended sale of a subsidiary (Notes 33 and 34)	–	4,000	–	–
Accrued operating expenses	16,045	31,221	1,665	1,482
Advances from customers	324	548	–	–
Value added tax and other operating tax payables	2,697	3,235	–	–
Due to associate (trade) (Notes 6 and 14)	9,357	11,122	–	–
Due to a related party (trade) (Note 6)	100	–	–	–
	166,740	406,236	1,665	1,482
Transfer to liabilities directly associated with assets classified as held for sale (Note 33)	(8,287)	(8,287)	–	–
	158,453	397,949	1,665	1,482

The average credit period on purchases from major suppliers is normally between 2 to 4 months (2014 : 2 to 4 months). No interest is charged on the trade payables. It is expected that all the trade payables will be paid at their contractual maturity. The Group actively manages payments to all trade payables. Trade payables and accrued operating expenses principally comprise amounts outstanding for purchases of goods and services and ongoing costs.

Bills payable, secured

Bills payable have an average maturity period of 180 days (2014 : 180 days) and are interest-free if repayments are made within the credit period granted.

Bills payable are secured by:

- (i) A charge over bank balances (Note 7) and trade receivables (Note 8) of certain subsidiaries;
- (ii) Personal guarantees from certain directors and related parties; and/or
- (iii) Corporate guarantee from a non-related party.

APPENDIX IV – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR FY2015

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

20 SHORT-TERM BANK BORROWINGS

	Group	
	2015	2014
	RMB'000	RMB'000
Secured short-term bank loans	172,944	219,357

The short-term bank borrowings are secured by:

- (i) A charge over property, plant and equipment (Note 15), land use rights (Note 17) and trade receivables (Note 8) of certain subsidiaries;
- (ii) Personal guarantees from certain directors and related parties;
- (iii) Corporate guarantee from a non-related party; and/or
- (iv) USD denominated loans of RMB56,494,000 secured by the letters of credit issued by banks.

The secured short-term bank loans bear weighted average effective interest at 2.6% to 7.6% (2014 : 2.2% to 7.8%) per annum.

The fair value of the Group's short-term bank borrowings approximates their carrying amount.

21 MORTGAGE LOANS

	Group			
	Minimum loan repayments		Present value of minimum loan repayments	
	2015	2014	2015	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Amounts payable under mortgage loans:				
Within one year	–	6,985	–	6,747
In the second to fifth years inclusive	–	–	–	–
	–	6,985	–	6,747
Less: Future finance charges	–	(238)	N/A	N/A
Present value of loan obligations	–	6,747	–	6,747
Less: Amount due for settlement within 12 months (shown under current liabilities)			–	(6,747)
Amount due for settlement after 12 months			–	–

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

21 MORTGAGE LOANS (cont'd)

It is the Group's policy to mortgage certain of its plant and equipment under mortgage loans. The average mortgage term is 3 years. For the year ended December 31, 2015, the interest rates was at 7.4% (2014 : 7.4%) per annum. Interest rates were fixed at the contract date and thus, expose the Group to fair value interest rate risk. All loans were on a fixed repayment.

All loan obligations are denominated in the functional currency of the respective group entities.

The fair value of the Group's loan obligations approximated their carrying amounts.

The Group's obligations under mortgage loans were secured by the Group's title to the mortgaged assets (Note 15).

22 SHARE CAPITAL

	Group and Company		Group		Company	
	2015	2014	2015	2014	2015	2014
	Number of ordinary shares		RMB'000	RMB'000	RMB'000	RMB'000
	'000	'000				
Issued and paid up:						
At beginning and						
end of the year	1,663,900	1,663,900	182,405	182,405	653,285	653,285

Fully paid ordinary shares, which have no par value, carry one vote per share and a right to dividends as and when declared by the Company.

In 2007, following the acquisition of Assetgold Finance Limited ("Assetgold") by the Company, the former sole shareholder, Ever Universe Investments Limited ("Ever Universe"), of Assetgold become the majority shareholder of the Company. As a result, the Company's operations and executive management were substantially those of Assetgold. Accordingly, the substance of the transaction constitutes a reverse acquisition where Assetgold became the acquirer of the Company for accounting purposes (Reverse Acquisition). The accounting for Reverse Acquisition caused the Group's share capital to be lower than the Company's share capital.

23 RESERVES

	Group	
	2015	2014
	RMB'000	RMB'000
Statutory reserve fund	73,198	80,561
Foreign currency translation reserve	(1,547)	(1,547)
	<u>71,651</u>	<u>79,014</u>

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

23 RESERVES (cont'd)

Statutory reserve fund

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

	Group	
	2015	2014
	RMB'000	RMB'000
At January 1	80,561	75,844
Transferred from accumulated profits	–	4,717
Disposal of a subsidiary	(7,363)	–
At December 31	<u>73,198</u>	<u>80,561</u>

Foreign currency translation reserve

Exchange differences relating to the translation from the functional currencies of the Group's foreign subsidiaries into Renminbi are brought to account by recognising those exchange differences in other comprehensive income and accumulating them in a separate component of equity under the header of foreign currency translation reserve. The foreign currency translation reserve represents exchange differences brought forward from prior years which arose from the translation of the financial statements of the Group's foreign operations entities whose functional currencies were previously different from that of the Group's presentation currency.

24 REVENUE

Revenue represents sale of goods, net of value-added tax, discounts and returns.

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

25 OTHER OPERATING INCOME

	Group	
	2015	2014
	RMB'000	RMB'000
Rental income from lease of vessels to third party	291	583
Rental income from lease of plant and equipment to third party	575	594
Gain on disposal of property, plant and equipment	–	48
Government grant income	594	1,695
Gain on disposal of a subsidiary (Notes 33(ii) and 34)	7,932	–
Compensation from customers	562	1,556
Others	179	43
	10,133	4,519

26 FINANCE INCOME

	Group	
	2015	2014
	RMB'000	RMB'000
Interest income:		
- Bank balances	352	1,114
- Unwinding effect from discounting of trade receivables	11,710	17,031
	12,062	18,145

27 FINANCE EXPENSES

	Group	
	2015	2014
	RMB'000	RMB'000
Interest expense:		
- Short-term bank loans (Note 20)	14,395	16,693
- Mortgage loans (Note 21)	225	1,064
- Discounting of bills payable to banks (Note 19)	327	492
	14,947	18,249

APPENDIX IV – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR FY2015

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

28 INCOME TAX (CREDIT) EXPENSE

	Group	
	2015	2014
	RMB'000	RMB'000
Current tax:		
- Current year	–	10,346
- Under provision in respect of prior years	–	15
Withholding tax	249	863
	249	11,224
Deferred tax:		
- Current year (Note 18)	(4,922)	1,450
	(4,673)	12,674

The total (credit) charge for the year can be reconciled to the accounting profit as follows:

	Group	
	2015	2014
	RMB'000	RMB'000
(Loss) profit before income tax	(28,551)	26,556
Income tax (credit) expense calculated at 17% (2014 : 17%)	(4,854)	4,515
Effect of different tax rates of subsidiaries operating in other jurisdictions	(1,297)	3,045
Expenses not deductible for tax purposes	1,625	2,974
Deferred tax assets not recognised	160	1,652
Utilisation of previously unrecognised tax losses	(7)	(346)
Change in unrecognised temporary differences	(549)	(44)
Withholding tax expense	249	863
Under provision in respect of prior years	–	15
	(4,673)	12,674

The Company is subject to a corporate income tax rate of 17% (2014 : 17%). In respect of the PRC subsidiaries, pursuant to the Income Tax Law of the PRC concerning Foreign Investment Enterprises and Foreign Enterprises and various local income tax laws (the "Income Tax Laws"), the Group's subsidiaries are subject to statutory income tax rate of 25% (2014 : 25%) unless the enterprise is located in specially designated regions or cities for which more favourable income tax rates apply.

APPENDIX IV – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR FY2015

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

29 (LOSS) PROFIT FOR THE YEAR

(Loss) profit for the year has been arrived at after charging (crediting):

	Group	
	2015	2014
	RMB'000	RMB'000
Audit fees paid/payable to:		
- auditors of the Company	509	570
- other auditors		
- overseas practice of Deloitte Touche Tohmatsu Limited	910	1,130
- other auditors	140	175
Non-audit fees paid/payable to:		
- other auditors		
- overseas practice of Deloitte Touche Tohmatsu Limited	290	175
- other auditors	442	684
Directors' remuneration	6,200	6,324
Employee benefits expense (included in "cost of sales", "selling and distribution expenses" and "general and administrative expenses")	21,036	36,076
Contributions to defined contribution plans, included in employee benefits expense:		
- current year	3,523	4,123
- over provision in respect of prior years	(4,291)	–
Cost of inventories recognised as an expense	195,334	502,742
Loss (gain) on disposal of property, plant and equipment	807	(48)
Net foreign currency exchange loss (gain)	2,996	(269)

30 EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to the owners of the Company is based on the following data:

	Group	
	2015	2014
	RMB'000	RMB'000
Earnings for the purposes of basic and diluted earnings per share		
((loss) profit for the year attributable to the owners of the Company)	(23,878)	13,882

**APPENDIX IV – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF
THE GROUP FOR FY2015**

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

30 EARNINGS PER SHARE (cont'd)

	Group	
	2015	2014
	Number of shares '000	Number of shares '000
Weighted average number of ordinary shares for the purposes of basic and diluted earnings per share	1,663,900	1,663,900

31 COMMITMENTS

Capital commitments

At December 31, 2015, the Group and the Company have the following capital commitments:

	Group		Company	
	2015	2014	2015	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Commitments for the acquisition of property, plant and equipment	3,600	3,600	–	–

32 OPERATING LEASE ARRANGEMENTS

The Group as lessee

The Group has entered into operating lease agreements for the use of office, production premises and vehicles. As at December 31, 2015, these non-cancellable leases have remaining non-cancellable lease terms of 1 year (2014 : up to 11 years). There are no restrictions placed upon the Group by entering into these leases.

	Group	
	2015	2014
	RMB'000	RMB'000
Payment recognised as an expense during the year: Minimum lease payments under operating leases	3,719	12,234

Operating lease payments represent rentals payable by the Group for certain of its office, production premises and vehicles.

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

32 OPERATING LEASE ARRANGEMENTS (cont'd)

The Group as lessee (cont'd)

Related parties

At December 31, 2015, the Group has commitments with related parties for future minimum lease payments under non-cancellable operating leases on production premises as follows:

	Group	
	2015	2014
	RMB'000	RMB'000
Less than 1 year	216	666
Within 1 to 5 years	–	1,800
More than 5 years	–	2,775
	<u>216</u>	<u>5,241</u>

Other parties

At December 31, 2015, the Group and Company have commitments with other parties for future minimum lease payments under non-cancellable operating lease as follows:

	Group		Company	
	2015	2014	2015	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Less than 1 year	–	139	–	139

As at the end of the reporting period, the Group has several lease agreements with other parties for the use of vehicles with no minimum lease payments.

33 ASSETS CLASSIFIED AS HELD FOR SALE

- (i) On December 28, 2012, the Company's wholly owned subsidiaries, Suzhou Yongsheng Concrete Co., Ltd ("SY Concrete") and Assetgold Finance Limited ("Assetgold") entered into a sale and purchase agreement and supplemental agreement with external parties, Wuxi Changan Concrete Co., Ltd ("Wuxi Changan") and Guji Investment Co., Limited ("Guji Investment"), to sell SY Concrete's 70% equity interest and Assetgold's 30% equity interest in Wuxi Lianyou Concrete Co., Ltd ("Wuxi Lianyou Concrete") to Wuxi Changan and Guji Investment at the consideration of RMB14,782,000 and RMB6,335,000 respectively. RMB21,117,000 has been received from the purchasers and included in trade and other payables (Note 19). The assets and liabilities attributable to Wuxi Lianyou Concrete, which were expected to be sold within twelve months, were classified as a disposal group held for sale since 2012.

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

33 ASSETS CLASSIFIED AS HELD FOR SALE (cont'd)

- (i) Except for the ownership transfer approval from State Administration for Industry and Commerce of the People's Republic of China ("SAIC"), the approval by the other relevant PRC government authorities has been received at the end of the current reporting period. Upon the SAIC's approval of the ownership transfer, all the rights, obligations and liabilities attached to the equity interests held by SY Concrete and Assetgold in the registered capital of Wuxi Lianyou Concrete shall be deemed to be transferred to Wuxi Changan and Guji Investment on October 1, 2012.

Management has assessed and deemed that the delay in effecting the transfer of ownership at SAIC to complete the sale does not preclude the investment in Wuxi Lianyou Concrete from being classified as held for sale as the delay is caused by circumstances beyond the Group's control. The Group remains committed to the sale plan and it retains no managerial control over Wuxi Lianyou Concrete. Based on the sale and purchase agreement entered into with the Purchasers and legal advice, management is of the view that the Group will not be responsible for any loss or contingent liabilities incurred by Wuxi Lianyou Concrete after transferring the managerial control to the Purchasers. Due to uncertainties regarding approval by the authorities, upon legal completion of the sale, a gain of RMB6,729,000 before tax will be recognised in profit or loss, being the difference between the consideration received and the carrying amount of the disposal group.

- (ii) On October 23, 2014, Assetgold and SY Concrete entered into a legally binding letter of intent with Shanghai Jiangong Construction Material Co., Ltd ("SJCM") and Shanghai Construction Overseas (Holdings) Limited (collectively, the "Purchasers") to sell the Group's entire interest in Suzhou Industrial Park Yongsheng Concrete Co., Ltd ("SIP Yongsheng") to the Purchasers at the consideration of the assessed value of SIP Yongsheng's assets as at October 31, 2014.

As at December 31, 2014, a deposit of RMB4,000,000 was received from SJCM and included in trade and other payables (Note 19). The deposit will form part of the consideration upon the execution of a formal sale and purchase agreement.

The Group and the Purchasers entered into a sale and purchase agreement on March 8, 2015 and the disposal was completed on April 1, 2015, with control of SIP Yongsheng being passed to the Purchasers accordingly, at a consideration of RMB30,076,000 as disclosed in Note 34. The resulting gain from the disposal is approximately RMB7,932,000 as disclosed in Note 25.

- (iii) On December 22, 2015, SY Concrete entered into certain sale and purchase agreements with external parties to sell 15 units of motor vehicles at the consideration of RMB1,800,000.

The assets and liabilities attributable to Wuxi Lianyou Concrete and certain motor vehicles of SY Concrete, which are expected to be sold within twelve months, have been classified as a disposal group held for sale and are presented separately in the statement of financial position.

The proceeds of disposal on Wuxi Lianyou Concrete are expected to exceed the net carrying amount of the relevant assets and liabilities. Accordingly, no impairment loss has been recognised on the classification of these assets classified as held for sale.

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

33 ASSETS CLASSIFIED AS HELD FOR SALE (cont'd)

The proceeds of disposal of certain motor vehicles are expected to be lower than the net carrying amount of the relevant assets. An impairment loss of RMB2,493,000 has been recognised on the classification of these assets classified as held for sale (Note 15) accordingly.

The major classes of assets and liabilities comprising the disposal group classified as held for sale are as follows:

2015	Wuxi Lianyou Concrete	SY Concrete	Total
	RMB'000	RMB'000	RMB'000
Property, plant and equipment	5,025	1,800	6,825
Deferred tax assets	466	–	466
Inventories	1,266	–	1,266
Loans and receivables	15,851	–	15,851
Prepayments and advances	44	–	44
Cash and bank balances	23	–	23
Assets classified as held for sale	22,675	1,800	24,475
Trade and other payables	(8,287)	–	(8,287)
Liabilities directly associated with assets classified as held for sale	(8,287)	–	(8,287)
Net assets of disposal group	14,388	1,800	16,188

2014	Wuxi Lianyou Concrete	SIP Yongsheng	Total
	RMB'000	RMB'000	RMB'000
Property, plant and equipment	5,025	18,963	23,988
Deferred tax assets	466	–	466
Inventories	1,266	–	1,266
Loans and receivables	15,851	–	15,851
Prepayments and advances	44	–	44
Cash and bank balances	23	–	23
Assets classified as held for sale	22,675	18,963	41,638
Trade and other payables	(8,287)	–	(8,287)
Liabilities directly associated with assets classified as held for sale	(8,287)	–	(8,287)
Net assets of disposal group	14,388	18,963	33,351

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

34 DISPOSAL OF A SUBSIDIARY

During the financial year, the Group disposed of its 100% equity interest in SIP Yongsheng to SJCM and Shanghai Construction Overseas (Holdings) Limited as disclosed in Note 33(ii).

Details of the disposal are as follows.

	2015
	RMB'000
Current Assets	
Inventories	1,200
Trade and other receivables	12,237
Cash and cash equivalents	216
Assets classified as held for sale (Note 33)	18,963
	<u>32,616</u>
Current Liabilities	
Trade and other payables	(10,472)
Net assets derecognised	<u>22,144</u>
Consideration received:	
Cash received	30,076
Trade and other payables (Note 19)	(4,000)
Cash and cash equivalents disposed of	(216)
Net cash inflow on disposal of a subsidiary	<u>25,860</u>
Consideration received	30,076
Net assets derecognised	(22,144)
Gain on disposal (Note 25)	<u>7,932</u>

SIP Yongsheng contributed revenue of RMB1.5 million and net profit after tax of RMB0.7 million for the period from January 1, 2015 to March 31, 2015.

35 OPERATING SEGMENTS

Revenue and profit of the Group are mainly derived from sale of concrete products to customers in the PRC which form the Group's strategic business. The Executive Directors review internal management reports regularly.

The principal assets employed by the Group are located in the PRC. Accordingly, no other segmental information by geographical segment is presented.

The Group operates in only one segment, which is the production and supply of concrete and related products. Accordingly, no reporting by operating segment is presented.

For the financial year ended December 31, 2015, sale to one customer that accounted for more than 10% of the Group's sales amounted to RMB25,401,000. There are no customers that exceed 10% of sales in the financial year ended December 31, 2014.

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

36 SUBSEQUENT EVENT

On February 24, 2016, the Company and CIMB Bank Berhad, Singapore Branch, for and on behalf of Torrington Place Pte. Ltd. (the “Offeror”), an entity controlled by the Company’s directors, namely:- Sun Jinnan and Zhao Lei, had issued an offer announcement stating that the Offeror intends to make a voluntary conditional cash offer for 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 the Offeror (the “Offer Shares”), conditional upon an acceptance level of 90% of the Offer Shares.

APPENDIX V – VALUATION REPORT BY THE INDEPENDENT VALUER



國富浩華（香港）諮詢評估有限公司
Crowe Horwath (HK) Consulting & Valuation Limited
Member Crowe Horwath International

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Our Ref.: VC/ALE/1010r1b/2016

Date : 15 March 2016

China Yongsheng Limited

80 Robinson Road

#17-02

Singapore 068898

Dear Sirs,

Re: Property Valuation Services of 3 parcels of land with buildings in Mudu Town and Wujiang County, Suzhou City, Jiangsu Province, the People's Republic of China (the "PRC")

In accordance with an instruction for us to the above property interests held by **China Yongsheng Limited** (the "Company"), we confirm that we have carried out inspection, made relevant enquiries and obtained further information and have considered necessary for the purpose of providing you with our opinion of the market value of such property interests as at **29 February 2016** (the "Valuation Date") for **public circulation (Singapore Exchange Securities Trading Limited and Monetary Authority of Singapore) purpose of the Company** only.

Valuation Basis

Our valuation is carried out on a Market Value basis, which is defined as "the estimated amount for which an asset or liability should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing where the parties had each acted knowledgeably, prudently and without compulsion."

This valuation complies with The HKIS Valuation Standards published by The Hong Kong Institute of Surveyors ("HKIS"), the RICS Valuation – Professional Standards published by the Royal Institution of Chartered Surveyors ("RICS") and International Valuation Standards ("IVS") published by the International Valuation Standards Council.

Valuation Assumptions

Our valuation has been made on the assumption that the owner sells the properties on the open market without the benefit or burden of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement, which would serve to affect the values of the property interests.

Our Ref. : VC/ALE/1010r1b/2016

Date : 15 March 2016



No allowance has been made in our valuation neither for any charges, mortgages or amounts owing on the property interests nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the property interests are free of encumbrances, restrictions and outgoing of onerous nature which could affect their values.

For the purpose of valuation, we have adopted the areas as appeared in the copies of the documents as provided, and no further verification work has been conducted.

Valuation Methodology

We have valued each property interest by Direct Comparison Approach and Depreciated Replacement Cost Method. The Direct Comparison Approach consists of comparisons based on prices realized or current asking prices of comparable properties. Comparable properties of similar size, location and character are selected and then analyzed and carefully weighed against all the respective advantages and disadvantages of each property in order to arrive at a fair comparison of capital value.

We have also adopted Depreciated Replacement Cost Method which is an application of the cost approach in valuing specialised properties like this property. The use of this approach requires an estimate of the market value of the land use rights for its existing use, and an estimate of the new replacement cost of the buildings and other site works from which deductions are then made to allow for age, condition, and functional obsolescence taken into account of the site formation cost and those public utilities connection charges to the property. The value of the land use rights of this property has been determined from market-based evidences by analysing similar sales or offerings of comparable properties.

The valuation of this property is on the assumption that the property is subject to the test of adequate potential profitability of the business having due regard to the values of the total assets employed and the nature of the operation.

In considering the buildings, the gross replacement cost of the buildings should take into consideration everything which is necessary to complete the construction from a new green field site to provide buildings as they are, at the Valuation Date, fit for and capable of being occupied and used for the current use. These costs to be estimated are not to erect buildings in the future but have the buildings available for occupation at the Valuation Date, the work having commenced at the appropriate time.

We have not carried out a valuation on a redevelopment basis and the study of possible alternative development options and the related economics do not come within the scope of our work.

Title Investigation

We have been provided with extracts from title documents relating to such property interests. We have not, however, searched the original documents to verify ownership or any amendment which did not appear on the copies handed to us. All documents have been used for reference only.



We have relied to a considerable extent on information given by the Company and/or its PRC legal adviser, in particular, but not limited to, the occupancy, tenancies, planning approvals, statutory notices, easements, site areas, gross floor areas, land use terms, etc.. We have taken every reasonable care both during inspecting the information provided to us and in making relevant enquiries. We have no reason to doubt the truth and the accuracy of the information provided by the Company and/or its PRC legal adviser which is material to the valuation.

Site Inspection

Site inspections of the property were carried by our Mr Leo M Y Lo on 4 March 2016, the director of Crowe Horwath (HK) Consulting & Valuation Limited, who has about 12 years of experience in the real property sector in the PRC, Hong Kong and other Asia Pacific regions. He has inspected the exterior and, where possible, the interior of the properties. We have not inspected those parts of the properties which were covered, unexposed or inaccessible and such parts have been assumed to be in reasonable condition. We have not carried out detailed measurements to verify the correctness of the areas in respect of the properties but have assumed that the areas shown on the title documents and official site plans handed to us are correct. All documents and contracts have been used as reference only and all dimensions, measurements and areas are approximations.

In the course of our inspection, we did not notice any serious defects. However, we have not carried out any structural survey or any tests on the building services. Therefore, we are not able to report whether the properties are free of rot, infestation or any other structural defects. We have not carried out investigations on the site to determine the suitability of the ground conditions, the services, etc. for any future development. We have not carried out any investigation into past or present uses, either of the properties or of any neighboring land, to establish whether there is any contamination or potential for contamination to the properties from these uses or sites, and have therefore assumed that none exists.

Limitation of Liabilities

In valuing the properties in the PRC, unless otherwise stated, we have assumed that transferable land use rights of the properties for respective specific terms at nominal annual land use fees have been granted and that any land grant premium payables have already been fully paid. Unless otherwise stated, we have also assumed that the Company has enforceable titles to the properties and has free and uninterrupted rights to occupy, use, transfer, lease or assign the properties for the whole of the respective unexpired terms as granted.

We have had no reason to doubt the truth and accuracy of the information provided to us by the Company. We have also sought confirmation from the Company that no material factors have been omitted from the information supplied. We consider that we have been provided with sufficient information to arrive at an informed view, and we have no reason to suspect that any material information has been withheld.

Unless otherwise stated, all monetary amounts are stated in Renminbi ("RMB") for the property interests located in the PRC.



Our findings or conclusion of values of the properties in this report are valid only for the stated purpose and at the Valuation Date, and for the sole use of the Company. We or our personnel shall not be required to give testimony or attendance in court or to any government agency by reason of this report, and the valuer accepts no responsibility whatsoever to any other person.

Neither the whole nor any part of this report or any reference made hereto may be included in any published documents, circular or statement, or published in any way, without our written approval of the form and context in which it may appear.

Our liability for loss or damage shall be limited to such sum as we ought reasonably to pay having regard to our responsibility for the same on the basis that all other consultants and specialists, where appointed, shall be deemed to have provided to the Company contractual undertakings in respect of their services and shall be deemed to have paid to the Company such contribution as may be appropriate having regard to the extent of their responsibility for such loss or damage.

Our liability for any loss or damage arising out of the action or proceedings aforesaid shall, notwithstanding the preceding provisions, in any event be limited to a sum not exceeding ten (10) times of the amount of our agreed fee(s) for this engagement or HK\$500,000, whichever the lower. In no event shall we be liable for consequential, special, incidental or punitive loss, damage or expense (including without limitation, loss of profits, opportunity cost, etc.), even if it has been advised of their possible existence. For the avoidance of doubt our liability shall never exceed the lower of the sum calculated in accordance with the preceding provisions and the sum provided for in this clause.

The Company is required to indemnify and hold us and our personnel harmless from any claims, liabilities, costs and expenses (including, without limitation, attorney's fees and the time of our personnel involved) brought against, paid or incurred by us at a time and in any way based on the information made available in connection with our engagement except to the extent that any such losses, expenses, damages or liabilities are ultimately determined to be due to or arising from gross negligence, misconduct, willful default or fraud of our engagement team in conducting its work. This provision shall survive even after the termination of this engagement for any reason.

APPENDIX V – VALUATION REPORT BY THE INDEPENDENT VALUER



We enclose herewith a summary of values and our valuation certificate.

Yours faithfully,

For and on behalf of
Crowe Horwath (HK) Consulting & Valuation Limited



Leo M Y Lo
MRICS, MHKIS
Director

Remarks: Mr. Leo M Y Lo, Director of Crow Horwath (HK) Consulting & Valuation Limited. Mr. Lo is a member of Royal Institution of Chartered Surveyors (MRICS) and member of Hong Kong Institute of Surveyors (MHKIS). Mr. Lo has about 12 years' experience in valuation of various types of properties in the People's Republic of China, Hong Kong and other Asia Pacific regions, Europe and America.

Encl.

APPENDIX V – VALUATION REPORT BY THE INDEPENDENT VALUER



SUMMARY OF VALUES

Property	Market value in existing state as at 29 February 2016
1. A land parcel with Blocks 4 to 10, No. 203-1 Zhong Shan Dong Road, Mudu Town, Wuzhong District, Suzhou City, Jiangsu Province, the PRC	RMB5,400,000
2. A land parcel with Blocks 1 to 6, No. 203-2 Zhong Shan Dong Road / Southern side of Su Fu Road and a land parcel with Blocks 6 to 10, Ma Zhuang Village Qizu and Qi Zi Village Qizu, both in Mudu Town, Wuzhong District, Suzhou City, Jiangsu Province, the PRC	RMB13,900,000
3. Three land parcels with Blocks 1 to 8, San Li Qiao Village, Economic Development Zone, Wujiang County, Song Ling Town, Suzhou City, Jiangsu Province, the PRC	RMB10,600,000
Total	RMB 29,900,000

APPENDIX V – VALUATION REPORT BY THE INDEPENDENT VALUER



VALUATION CERTIFICATE

Property	Description and tenure	Occupancy details	Market value in existing state as at 29 February 2016
1. A land parcel with Blocks 4 to 10, No. 203-1 Zhong Shan Dong Road, Mudu Town, Wuzhong District, Suzhou City, Jiangsu Province, the PRC	The subject buildings are erected on a site with an area of approximately 12,333.30 sqm. for industrial use. There was a total of 10 blocks in the original development, named as Blocks 1 to 10 for non-residential use. Blocks 1 to 3 were demolished by government for highway development. Blocks 4 to 10 have a total gross floor area of approximately 1,648.01 sqm. for non-industrial use. Block 4 is a 1-level washroom, Block 5 is a 4-level production building, Block 6 is a 1-level plant room, Block 7 is a 2-level power room, Blocks 8 & 9 are two 1-level warehouses and Block 10 is a 1-level office, the gross floor area of each block is approximately 33.84 sqm., 1,089.69 sqm., 7.11 sqm., 84.82 sqm., 102.17 sqm., 255.34 sqm. and 75.04 sqm. respectively. The land use right of the property has been granted to Suzhou Yongsheng Chemical Co., Ltd (蘇州永盛化工有限公司) with the expiry date of 9 June 2052.	As at the Valuation Date, the property was owner occupied.	RMB5,400,000 (RENMINBI FIVE MILLION FOUR HUNDRED THOUSAND)

APPENDIX V – VALUATION REPORT BY THE INDEPENDENT VALUER



Notes:

- a) Pursuant to the State-owned Land Use Right Certificate, the land use right of the property has been granted to Suzhou Yongsheng Chemical Co., Ltd (蘇州永盛化工有限公司). The details of the certificate are summarized as below:

State-owned Land Use Right Certificate Number	Issuance Date	Site Area (sqm.)	Usage	Use Term Expiry Date
Wu Guo Yong (2012) No. 0630111	13 February 2012	12,333.30	Industrial	9 June 2052

- b) Pursuant to the State-owned Property Use Right Certificate, the property use rights have been granted to Suzhou Yongsheng Chemical Co., Ltd (蘇州永盛化工有限公司). The details of the certificate is summarized as below:

Block No.	State-owned Property Use Right Certificate Number	Registration Date	Gross Floor Area (sqm.)	No. of floor	Usage
4	Su Fang Quan Zheng Wu Zhong Zi No. 00202422	16 November 2010	33.84	1	Non-residential
5	Su Fang Quan Zheng Wu Zhong Zi No. 00202423	16 November 2010	1,089.69	4	Non-residential
6	Su Fang Quan Zheng Wu Zhong Zi No. 00202424	16 November 2010	7.11	1	Non-residential
7	Su Fang Quan Zheng Wu Zhong Zi No. 00202425	16 November 2010	84.82	2	Non-residential
8	Su Fang Quan Zheng Wu Zhong Zi No. 00202426	16 November 2010	102.17	1	Non-residential
9	Su Fang Quan Zheng Wu Zhong Zi No. 00202427	16 November 2010	255.34	1	Non-residential
10	Su Fang Quan Zheng Wu Zhong Zi No. 00202428	16 November 2010	75.04	1	Non-residential
			<u>1,648.01</u>		

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c) The status of the major relevant approvals and certificates obtained regarding the property is summarized as below:

State-owned Land Use Right Certificate	Yes
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State-owned Property Use Right Certificates	Yes
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VALUATION CERTIFICATE

Property	Description and tenure	Occupancy details	Market value in existing state as at 29 February 2016
2. A land parcel with Blocks 1 to 6, No. 203-2 Zhong Shan Dong Road / Southern side of Su Fu Road and a land parcel with Blocks 6 to 10, Ma Zhuang Village Qizu and Qi Zi Village Qizu, all in Mudu Town, Wuzhong District, Suzhou City, Jiangsu Province, the PRC	The subject development consists of 2 land parcels in Mudu Town of Wuzhong District. Blocks 1 to 6 on No. 203-2 Zhong Shan Dong Road / Southern side of Su Fu Road are erected on a site with an area of approximately 18,373.00 sqm. for industrial use. Blocks 1 to 6 have a total gross floor area of approximately 1,079.27 sqm. for non-residential use. The gross floor area of each block is approximately 113.84 sqm., 496 sqm., 61.86 sqm., 87.33 sqm. 31.91 sqm. and 288.33 sqm. respectively. Blocks 1, 3 to 6 contain 1 level, whereas Block 2 contains 2 levels. Besides, Blocks 6 to 10 of Ma Zhuang Village Qizu and Qi Zi Village Qizu are erected on a site with an area of approximately 19,374.30 sqm. for industrial use. Blocks 6 to 10 have a total gross floor area of approximately 1,732.18 sqm. for non-residential use. The gross floor area of each block is approximately 125.63 sqm., 1,306.61 sqm., 172.13 sqm., 103.51 sqm. and 24.30 sqm. respectively. Blocks 6, 8 to 10 contain 1 level, whereas Block 7 contains 2 levels. The land use rights of these two land parcels have been granted to Suzhou Yongsheng Concrete Co., Ltd	As at the Valuation Date, the property was owner-occupied.	RMB13,900,000 (RENMINBI THIRTEEN MILLION NINE HUNDRED THOUSAND)

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(蘇州永盛混凝土有限公司)
with the expiry dates of 19
June 2052 and 13 February
2053 respectively.

Notes:

The followings are the certificate details related to the land parcel with Blocks 1 to 6, No. 203-2 Zhong Shan Dong Road / Southern side of Su Fu Road, Mudu Town, Wuzhong District, Suzhou City, Jiangsu Province, the PRC.

- a) Pursuant to the State-owned Land Use Right Certificate, the land use right of the property has been granted to Suzhou Yongsheng Concrete Co., Ltd (蘇州永盛混凝土有限公司). The details of the certificate are summarized as below:

State-owned Land Use Right Certificate Number	Issuance Date	Site Area (sqm.)	Usage	Use Term Expiry Date
Wu Guo Yong (2010) No. 06100451	10 June 2010	18,373.00	Industrial	19 June 2052

- b) Pursuant to the State-owned Property Use Right Certificates, the property use rights have been granted to Suzhou Yongsheng Concrete Co., Ltd (蘇州永盛混凝土有限公司). The details of the certificates are summarized as below:

Block No.	State-owned Property Use Right Certificate Number	Registration Date	Gross Floor Area (sqm.)	No. of floor	Usage
1	Su Fang Quan Zheng Wu Zhong Zi No. 00185908	12 July 2010	113.84	1	Non-residential
2	Su Fang Quan Zheng Wu Zhong Zi No. 00185891	12 July 2010	496.00	2	Non-residential
3	Su Fang Quan Zheng Wu Zhong Zi No. 00185894	12 July 2010	61.86	1	Non-residential
4	Su Fang Quan Zheng Wu Zhong Zi No. 00185897	12 July 2010	87.33	1	Non-residential
5	Su Fang Quan Zheng Wu Zhong Zi No. 00185899	12 July 2010	31.91	1	Non-residential

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6	Su Fang Quan Zheng Wu Zhong Zi No. 00185903	12 July 2010	288.33	1	Non-residential
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1,079.27

The followings are the certificate details related to the land parcel with Blocks 6 to 10, Ma Zhuang Village Qizu and Qi Zi Village Qizu, Mudu Town, Wuzhong District, Suzhou City, Jiangsu Province, the PRC.

- c) Pursuant to the State-owned Land Use Right Certificate, the land use rights of the property has been granted to Suzhou Yongsheng Concrete Co., Ltd (蘇州永盛混凝土有限公司). The details of the certificate are summarized as below:

State-owned Land Use Right Certificate Number	Issuance Date	Site Area (sqm.)	Usage	Use Term Expiry Date
Wu Guo Yong (2010) No. 06100452	10 June 2010	19,374.30	Industrial	13 February 2053

- d) Pursuant to the State-owned Property Use Right Certificates, the property use right have been granted to Suzhou Yongsheng Concrete Co., Ltd (蘇州永盛混凝土有限公司). The details of the certificates are summarized as below:

Block No.	State-owned Property Use Right Certificate Number	Registration Date	Gross Floor Area (sqm.)	No. of floor	Usage
6	Su Fang Quan Zheng Wu Zhong Zi No. 00185818	12 July 2010	125.63	1	Non-residential
7	Su Fang Quan Zheng Wu Zhong Zi No. 00185819	12 July 2010	1,306.61	2	Non-residential
8	Su Fang Quan Zheng Wu Zhong Zi No. 00185820	12 July 2010	172.13	1	Non-residential
9	Su Fang Quan Zheng Wu Zhong Zi No. 00185821	12 July 2010	103.51	1	Non-residential
10	Su Fang Quan Zheng Wu	12 July 2010	24.30	1	Non-residential

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Zhong Zi No. 00185822

1,732.18

- e) The status of the major relevant approvals and certificates obtained regarding the property are summarized as below:

State-owned Land Use Right Certificate	Yes
State-owned Property Use Right Certificates	Yes



VALUATION CERTIFICATE

Property	Description and tenure	Occupancy details	Market value in existing state as at 29 February 2016
3. Three land parcels with Blocks 1 to 8, San Li Qiao Village, Economic Development Zone, Wujiang County, Song Ling Town, Suzhou City, Jiangsu Province, the PRC	The subject buildings are erected on three sites with a total area of approximately 29,022.80 sqm. for industrial use. Blocks 1 to 8 have a total gross floor area of approximately 1,141.94 sqm. for non-industrial use. The gross floor area of each block is approximately 68.98 sqm., 101.33 sqm., 66.72 sqm., 486.33 sqm. 76.41 sqm., 143.32 sqm., 180.67 sqm. and 18.18 sqm. respectively. Blocks 1 to 3, 5 to 6 and 8 contain 1 level, whereas Block 4 and 7 contain 2 levels. The land use rights of the property have been granted to Suzhou Yongsheng Concrete Co., Ltd (蘇州永盛混凝土有限公司) with the same expiry date of 29 June 2053.	As at the Valuation Date, the property was owner occupied.	RMB10,600,000 (RENMINBI TEN MILLION SIX HUNDRED THOUSAND)

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Notes:

- a) Pursuant to the State-owned Land Use Right Certificates, the land use rights of the property have been granted to Wu Jiang Branch of Suzhou Yongsheng Concrete Co., Ltd (蘇州永盛混凝土有限公司吳江分公司). The details of the certificates are summarized as below:

State-owned Land Use Right Certificate Number	Issuance Date	Site Area (sqm.)	Usage	Use Term Expiry Date
Jiang Guo Yong (2005) No. 2600075	5 August 2005	9,535.20	Industrial	29 June 2053
Jiang Guo Yong (2005) No. 2600076	5 August 2005	9,489.20	Industrial	29 June 2053
Jiang Guo Yong (2005) No. 2600077	5 August 2005	9,998.40	Industrial	29 June 2053

- b) Pursuant to the State-owned Property Use Right Certificates, the property use rights have been granted to Wu Jiang Branch of Suzhou Yongsheng Concrete Co., Ltd (蘇州永盛混凝土有限公司吳江分公司). The details of the certificates are summarized as below:

Block No.	State-owned Property Use Right Certificate Number	Registration Date	Gross Floor Area (sqm.)	No. of floor	Usage
1	Wu Fang Quan Zheng Song Ling Zi No. 01082060	17 May 2012	68.98	1	Industrial
2	Wu Fang Quan Zheng Song Ling Zi No. 01082060	17 May 2012	101.33	1	Industrial
3	Wu Fang Quan Zheng Song Ling Zi No. 01082060	17 May 2012	66.72	1	Industrial
4	Wu Fang Quan Zheng Song Ling Zi No. 01082059	17 May 2012	486.33	2	Industrial
5	Wu Fang Quan Zheng Song Ling Zi No. 01082059	17 May 2012	76.41	1	Industrial
6	Wu Fang Quan Zheng Song Ling Zi No. 01082059	17 May 2012	143.32	1	Industrial

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7	Wu Fang Quan Zheng Song Ling Zi No. 01082058	17 May 2012	180.67	2	Industrial
8	Wu Fang Quan Zheng Song Ling Zi No. 01082058	17 May 2012	18.18	1	Industrial
			<u>1,141.94</u>		

- c) The status of the major relevant approvals and certificates obtained regarding the property are summarized as below:

State-owned Land Use Right Certificate	Yes
State-owned Property Use Right Certificates	Yes